

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14728

LATAM Airlines Group S.A.

(Exact name of registrant as specified in its charter)

LATAM Airlines Group S.A.
(Translation of registrant's name into English)

Republic of Chile
(Jurisdiction of incorporation or organization)

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

Gisela Escobar Koch
Tel.: 56-2-565-3944 — E-mail: gisela.escobar@lan.com
Presidente Riesco 5711, 20th Floor
Las Condes
Santiago, Chile
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one share of Common Stock, without par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 551,847,819.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer ☒ Accelerated filer ☐ Non-Accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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PRESENTATION OF INFORMATION

In this annual report on Form 20-F, unless the context otherwise requires, references to “LATAM Airlines Group” are to LATAM Airlines Group S.A., the unconsolidated operating entity, and references to “LATAM,” “we,” “us” or the “Company” are to LATAM Airlines Group S.A. and its consolidated subsidiaries: Transporte Aéreo S.A. (which does business under the name “LAN Express”), LAN Perú S.A. (“LAN Peru”), Aerolane, Líneas Aéreas Nacionales del Ecuador S.A. (“LAN Ecuador”), LAN Argentina S.A. (“LAN Argentina,” previously Aero 2000 S.A.), Aerovías de Integración Regional, Aires S.A. (which does business under the name “LAN Colombia”), TAM S.A. (“TAM”), LAN Cargo S.A. (“LAN Cargo”) and its three regional affiliates: Aero Transportes Mas de Carga S.A. de C.V. (“MasAir”) in Mexico, Linea Aerea Carguera de Colombia S.A. (“LANCO”) in Colombia and Aerolinhas Brasileiras S.A. (“ABSA”) in Brazil, as well as Multiplus S.A. (“Multiplus”). All references to “Chile” are references to the Republic of Chile.

On June 22, 2012, LATAM was formed following the completion of the business combination between LAN Airlines S.A. and its consolidated subsidiaries (“LAN”) with TAM S.A. and its consolidated subsidiaries (“TAM”). Following the combination, LAN Airlines S.A. became “LATAM Airlines Group S.A.” and TAM continues to exist as a subsidiary of Holdco I S.A. (“Holdco I”) and a subsidiary of LATAM Airlines Group. As LATAM Airlines Group S.A. is the owner of substantially all the economic rights in TAM, TAM and its consolidated subsidiaries are for the purposes of this annual report and LATAM’s consolidated financial statements treated as being subsidiaries of LATAM Airlines Group S.A. See “Item 4. Information on the Company—A. History and Development of the Company—Combination of LAN and TAM.”. LATAM’s consolidated financial statements for the year ended December 31, 2012 include TAM’s financial results from June 23, 2012.

Throughout this annual report on Form 20-F we make numerous references to “LAN.” Some references to “LAN” are to LAN Airlines S.A., currently known as LATAM Airlines Group S.A. and its consolidated subsidiaries, in connection with circumstances and facts occurring prior to June 22, 2012. Other references to “LAN”, however, are to the LAN brand which was launched in 2004 and brings together, under one internationally recognized name, all of the affiliate brands such as LAN Chile, LAN Peru, LAN Argentina, LAN Colombia and LAN Ecuador.

In this annual report on Form 20-F, unless the context otherwise requires, references to “TAM” are to TAM S.A., and its consolidated subsidiaries, including TAM Linhas Aereas S.A., the operating entity, Multiplus S.A. (“Multiplus”), Pantanal Linhas Aéreas S.A. (“Pantanal”), Fidelidade Viagens e Turismo Limited (“TAM Viagens”) and Transportes Aéreos Del Mercosur S.A. (“TAM Mercosur”).

This annual report contains conversions of certain Chilean peso and Brazilian real amounts into U.S. dollars at specified rates solely for the convenience of the reader. These conversions should not be construed as representations that the Chilean peso and the Brazilian real amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless we specify otherwise, all references to “\$,” “US\$,” “U.S. dollars” or “dollars” are to United States dollars, references to “pesos,” “Chilean pesos” or “Ch\$” are to Chilean pesos. References to “reais,” “Brazilian reais” or “R\$” are to Brazilian reais, and references to “UF” are to *Unidades de Fomento*, a daily indexed Chilean peso-denominated monetary unit that takes into account the effect of the Chilean inflation rate. Unless we indicate otherwise, the U.S. dollar equivalent for information in Chilean pesos used in this annual report and in our audited consolidated financial statements is based on the “*dólar observado*” or “observed” exchange rate published by *Banco Central de Chile* (which we refer to as the Central Bank of Chile) on December 31, 2015, which was Ch\$710.16 = US\$1.00. The observed exchange rate on March 31, 2016, was Ch\$669.80 = US\$1.00. Unless we indicate otherwise, the U.S. dollar equivalent for information in Brazilian reais used in this annual report and in our audited consolidated financial statements is based on the “*dólar observado*” or “observed” exchange rate published by Banco Central do Brasil (which we refer to as the Central Bank of Brazil) on December 31, 2015, which was R\$3.983 = US\$1.00. The observed exchange rate on March 31, 2016, was Br\$3.576 = US\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos or Brazilian reais. See “Item 3. Key Information—Selected Financial Data—Chilean Peso Exchange Rates” and “Item 3. Key Information—Selected Financial Data—Brazilian Exchange Rates.”

LATAM Airlines Group and the majority of our subsidiaries maintain their accounting records and prepare their financial statements in U.S. dollars. Some of our other subsidiaries, however, maintain their accounting records and prepare their financial statements in Chilean pesos, Argentinean pesos, Colombian pesos or Brazilian reais. In particular, TAM maintains its accounting records and prepares its financial statements in Brazilian reais. Our audited consolidated financial statements include the results of these subsidiaries translated into U.S. dollars. International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), require assets and liabilities to be translated at period-end exchange rates, while revenue and expense accounts are translated at each transaction date, although a monthly rate may also be used if exchange rates do not vary widely.

LATAM’s audited consolidated financial statements for the periods ended December 31, 2011, 2012, 2013, 2014 and 2015 were prepared in accordance with IFRS.

We have rounded percentages and certain U.S. dollar, Chilean peso and Brazilian reais amounts contained in this annual report for ease of presentation. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

This annual report contains certain terms that may be unfamiliar to some readers. You can find a glossary of these terms on page 4 of this annual report.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements, including those relating to the 2012 combination between LAN and TAM. See “Item 3. Key Information—Risk Factors—Risks Relating to the Combination of LAN and TAM.” Such statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” or other similar expressions. Forward-looking statements, including statements about our beliefs and expectations, are not statements of historical facts. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to:

- the factors described in “Item 3—Key Information—Risk Factors” generally and with respect to our combination with TAM in particular;
- our ability to service our debt and fund our working capital requirements;
- future demand for passenger and cargo air service in Chile, Brazil, other countries in Latin America and the rest of the world;
- the maintenance of relationships with customers;
- the state of the Chilean, Brazilian, Latin American and world economies and their impact on the airline industry;
- the effects of competition;
- future terrorist incidents, cyberattacks or related activities affecting the airline industry;
- future outbreak of diseases, or the spread of already existing diseases, affecting traveling behavior and/or exports;
- natural disasters affecting traveling behavior and/or exports;
- the relative value of the Chilean, Peruvian, Ecuadorian, Colombian, Brazilian, Mexican and Argentine currencies compared to other currencies;
- inflation;
- competitive pressures on pricing;
- our capital expenditure plans;
- changes in labor costs, maintenance costs and insurance premiums;
- fluctuation of crude oil prices and its effect on fuel costs;
- cyclical and seasonal fluctuations in our operating results;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our growth strategy;
- increases in interest rates; and
- changes in regulations, including regulations related to access to routes in which we operate.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them, whether in light of new information, future events or otherwise. You should also read carefully the risk factors described in “Item 3. Key Information—Risk Factors.”

GLOSSARY OF TERMS

The following terms, as used in this annual report, have the meanings set forth below.

Capacity Measurements:

“available seat kilometers” or “ASKs”	The number of seats made available for sale multiplied by the kilometers flown.
“available ton kilometers” or “ATKs”	The number of tons available for the transportation of revenue load (cargo) multiplied by the kilometers flown.

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“available seat kilometers equivalent” or “ASK equivalent”	The number of seats made available for sale plus the quotient of cargo ATKs divided by 0.095, all multiplied by the kilometers flown.
Traffic Measurements:	
“revenue passenger kilometers” or “RPKs”	The number of passengers multiplied by the number of kilometers flown.
“revenue ton kilometers” or “RTKs”	The load (cargo) in tons multiplied by the kilometers flown.
“traffic revenue”	Revenue from passenger and cargo operations.
Yield Measurements:	
“cargo yield”	Revenue from cargo operations divided by RTKs.
“overall yield”	Revenue from airline operations (passenger and cargo) divided by system RTKs (passenger and cargo).
“passenger yield”	Revenue from passenger operations divided by RPKs.
Load Factors:	
“cargo load factor”	RTKs (cargo) expressed as a percentage of ATKs (cargo).
“passenger load factor”	RPKs expressed as a percentage of ASKs.
Other:	
“ACMI leases”	A type of aircraft leasing contract, under which the lessor provides the aircraft, crew, maintenance and insurance on a per hour basis. Also referred to as a “wet lease.”
“Airbus A320-Family Aircraft”	The Airbus A318, Airbus A319, Airbus A320 and Airbus A321 models of aircraft.
“block hours”	The elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.
“m ² ”	Square meters.
“ton”	A metric ton, equivalent to 2,204.6 pounds.
“utilization rates”	The actual number of flight hours per aircraft per operating day.
“operating expenses”	Operating expenses, which are calculated in accordance with IFRS, comprise the sum of the line items “cost of sales” plus “distribution costs” plus “administrative expenses” plus “other operating expenses,” as shown on our consolidated statement of comprehensive income. These operating expenses include: wages and benefits, fuel, depreciation and amortization, commissions to agents, aircraft rentals, other rental and landing fees, passenger services, aircraft maintenance and other operating expenses.
“MiSchDynamicDT”	Market Intelligence Schedule Dynamic Table.
“Diio Mi”	Data In Inteligence Out Market Intelligence.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

LATAM's Historical Financial Information

The summary consolidated annual financial information of LATAM as of December 31, 2015, 2014, 2013, 2012 and 2011 has been prepared in accordance with IFRS(*). On June 22, 2012, LATAM Airlines Group was formed through the combination of LAN and TAM. Following the combination, LAN Airlines S.A. became “LATAM Airlines Group S.A.” and TAM continues to exist as a subsidiary of Holdco I and a subsidiary of LATAM Airlines Group. Financial statements for LATAM fully consolidate TAM's results since June 23, 2012.

LATAM's Annual Financial Information

	2015	2014	2013	2012	2011
	Year ended December 31, (in US\$ millions, except per share and capital stock data)				
The Company⁽¹⁾⁽²⁾					
Statement of Income Data:					
Operating revenues					
Passenger	8,410.6	10,380.1	11,061.6	7,966.8	4,008.9
Cargo	1,329.4	1,713.4	1,863.0	1,743.5	1,576.5
Total operating revenues	9,740.0	12,093.5	12,924.5	9,710.4	5,585.4
Cost of sales	(7,636.7)	(9,624.5)	(10,054.2)	(7,634.5)	(4,078.6)
Gross margin	2,103.3	2,469.0	2,870.4	2,075.9	1,506.8
Other operating income ⁽³⁾	385.8	377.6	341.6	220.2	132.8
Distribution costs	(783.3)	(957.1)	(1,025.9)	(803.6)	(479.8)
Administrative expenses	(878.0)	(980.7)	(1,136.1)	(888.7)	(405.7)
Other expenses	(324.0)	(401.0)	(408.7)	(311.8)	(214.4)
Other gains/(losses)	(55.3)	33.5	(55.4)	(45.8)	(33.0)
Financial income	75.1	90.5	72.8	77.5	14.5
Financial costs	(413.4)	(430.0)	(462.5)	(294.6)	(139.1)
Equity accounted earnings	0.0	(6.5)	2.0	1.0	0.5
Exchange rate differences	(467.9)	(130.2)	(482.2)	66.7	(0.3)
Result of indexation units	0.5	0	0.2	0	0.1
Income (loss) before income taxes	(357.1)	65.2	(283.9)	96.7	382.4
Income (loss) tax expense/benefit	178.4	(292.4)	20.1	(102.3)	(61.8)
Net (loss) income for the period	(178.7)	(227.2)	(263.8)	(5.6)	320.6
Income (loss) attributable to the parent company's equity holders	(219.3)	(260.0)	(281.1)	19.1	320.2
Income (loss) attributable to non-controlling interests	40.5	32.8	17.3	13.4	0.4
Net income (loss) for the year	(178.7)	(227.2)	(263.8)	(5.6)	320.6
Earnings per share					
Average number of Shares	545,547,819	545,547,819	487,930,977	412,267,624	339,424,598
Basic earnings (loss) per share (US\$)	(0.40193)	(0.47656)	(0.57613)	(0.0463)	0.94335
Diluted earnings (loss) per share (US\$)	(0.40193)	(0.47656)	(0.57613)	(0.0463)	0.9426

	At December 31,				
	2015	2014	2013	2012	2011
	(in US\$ millions, except per share and capital stock data)				
Balance Sheet Data:					
Cash, and cash equivalents	753.5	989.4	1,984.9	650.3	374.4
Other current assets in operation	2,067.4	2,644.1	2,992.2	2,626.2	964.3
Non-current assets and disposal groups held for sale	2.0	1.1	2.4	47.7	4.7
Total current assets	2,822.9	3,634.6	4,979.5	3,324.2	1,343.4
Property and equipment	10,938.7	10,773.1	10,982.8	11,807.1	5,928.0
Other non-current assets	4,339.8	6,076.7	6,668.8	7,195.0	377.3
Total non-current assets	15,278.5	16,849.8	17,651.6	19,002.1	6,305.3
Total assets	18,101.4	20,484.4	22,631.1	22,326.3	7,648.7
Total current liabilities	5,641.0	5,829.7	6,509.1	6,297.5	2,322.1
Total non-current liabilities	9,522.9	10,151.0	10,795.6	10,808.1	3,869.2
Total liabilities	15,163.9	15,980.7	17,304.7	17,105.6	6,191.3
Issued capital	2,545.7	2,545.7	2,389.4	1,501.0	473.9
Net equity attributable to the parent company's equity holders	2,856.5	4,401.9	5,238.8	5,112.1	1,445.3
Non-controlling interest	81.0	101.8	87.6	108.6	12.0
Total net equity	2,937.5	4,503.7	5,326.5	5,220.7	1,457.4
Shares Outstanding	545,558,101	545,558,101	535,243,229	479,107,860	340,319,431

- (1) For more information on the subsidiaries included in this consolidated information, see Note 1 to our audited consolidated financial statements.
- (2) The addition of the items may differ from the total amount due to rounding.
- (3) Other operating income included in this Statement of Income Data is equivalent to the sum of income derived from Tours, Duty free, aircraft leasing, Maintenance, customs and warehousing operations, and other miscellaneous income. For more information, see Note 27 to our audited consolidated financial statements.

(*)Law No. 20,780 issued on September 29, 2014, introduced modifications to the income tax system in Chile and other tax matters. On October 17, 2014 the Chilean Superintendence of Securities and Insurance (the "SVS") issued Circular No. 856, which established that the effects of the change in the income tax rates on deferred tax assets and liabilities must be recognized directly within "Retained earnings" instead of the income statement as required by IAS 12. In order to comply with IAS 12, the financial statements for the period ended December 31, 2014 are different from those presented to the SVS as the modifications introduced by Law No. 20,780 and Circular No. 856 have been recognized within the income statement. For more information on the reconciliation of such differences see Note 2.1 and Note 17 to our audited consolidated financial statements.

The table below presents unaudited operating data of LATAM as of and for the year ended December 31, 2011 (which represents LAN's historical unaudited operating data), as of and for the year ended December 31, 2012 (which includes TAM's unaudited operating data since June 23, 2012), and as of and for the years ended December 31, 2013, December 31, 2014 and December 31, 2015. LATAM believes this operating data is useful to report the operating performance of its business and may be used by certain investors in evaluating companies operating in the global air transportation sector. However, these measures may differ from similarly titled measures reported by other companies, and should not be considered in isolation or as a substitute for measures of performance in accordance with IFRS. This unaudited operating data is not included in or derived from LATAM's financial statements.

	For the year ended and as of December 31,				
Operating Data:	2015	2014	2013	2012	2011
ASKs (million)	134,301.8	130,200.9	131,690.7	93,319.2	48,153.6
RPKs (million)	111,509.9	108,534.0	106,466.4	74,694.9	38,422.9
ATKs (million)	7,082.8	7,219.7	7,651.9	6,449.6	5,192.7
RTKs (million)	3,797.0	4,317.2	4,466.7	4,044.5	3,612.4
ASK Equivalent (million)	208,857.1	206,197.9	212,236.8	161,209.3	102,813.6

Dividend Policy

In accordance with the *Ley sobre Sociedades Anónimas No. 18,046* (Chilean Corporation Act) and *Reglamento de Sociedades Anónimas* (Regulation to the Chilean Corporation Act) (collectively, the “Chilean Corporation Law”), we must pay annual cash dividends equal to at least 30.0% of our annual consolidated distributable net income each year (calculated in accordance with IFRS), subject to limited exceptions. LATAM Airlines Group’s board of directors has the authority to declare interim dividends. Year-end dividends, if any, are declared by our shareholders at our annual meeting. For a description of our dividend policy, see “Item 8. Financial Information—Consolidated Financial Statements and Other Financial Information—Dividend Policy” and “Item 10. Additional Information—Dividend and Liquidation Rights.” LATAM did not pay dividend regarding periods 2013, 2014 and 2015.

We declare cash dividends in U.S. dollars, but make dividend payments in Chilean pesos, converted from U.S. dollars at the observed exchange rate two business days prior to the day we first make payment to shareholders. Payments of cash dividends to holders of ADRs, if any, are made in Chilean pesos to the custodian, which converts those Chilean pesos into U.S. dollars and delivers U.S. dollars to the depository for distribution to holders. In the event that the custodian is unable to convert immediately the Chilean currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADRs may be adversely affected by a devaluation of the Chilean currency that may occur before such dividends are converted and remitted.

LATAM’s Dividend Payments

The table below sets forth the cash dividends per common share and per ADS paid by LATAM, as well as the number of common shares entitled to such dividends, for the years indicated. Dividends per common share amounts reflect common share amounts outstanding immediately prior to the distribution of such dividend. No dividends were paid in 2013, 2014 or 2015.

Dividend for year:	Payment date(s)	Total dividend payment (U.S. dollars)	Number of common shares entitled to dividend (in millions)	Cash dividend per common share (U.S. dollars)	Cash dividend per ADS (U.S. dollars)
2010	August 19, 2010	74,466,242	338.79	0.21980	0.2198
	January 13, 2011	125,000,294	338.79	0.36896	0.36896
	April 29, 2011	10,386,295	339.31	0.03061	0.03061
2011	September 15, 2011	56,594,769	339.36	0.16677	0.16677
	January 12, 2012	85,000,207	340.16	0.24988	0.24988
	May 17, 2012	18,461,735	341.00	0.05414	0.05414
2012	May 17, 2013	3,288,125	483.55	0.00680	0.00680

Chilean Peso Exchange Rates

The following table sets forth, for the periods indicated, the high, low, average and period-end observed exchange rate for the purchase of U.S. dollars, expressed in Chilean pesos per U.S. dollar. The rates have not been restated in constant currency units. On March 31, 2016 the observed exchange rate was Ch\$ 675.10 = US\$1.00.

Year Ended December 31,	Daily Observed Exchange Rate			
	High	Low	Average ⁽¹⁾	Period-End
	Ch\$ per US\$			
2011	533.74	455.91	483.86	521.46
2012	519.69	469.65	486.75	478.60
2013	533.95	466.50	495.00	523.76
2014	621.41	524.61	570.01	607.38
2015	715.66	597.10	654.25	707.34

Year Ended December 31,	Daily Observed Exchange Rate			Period-End
	High	Low	Average ⁽¹⁾	
	Ch\$ per US\$			
2015				
October	698.72	673.91	685.31	690.34
November	715.66	688.94	704.00	712.63
December	711.52	693.72	704.24	707.34
2016				
January	730.31	710.16	721.95	711.72
February	715.41	689.18	704.08	689.18
March	694.82	671.97	682.07	675.10

Source: Central Bank of Chile

(1) For each year, the average of the month-end exchange rates for the relevant year. For each month, the average daily exchange rate for the relevant month.

Brazilian Exchange Rates

TAM maintains its accounting records and prepares its financial statements in Brazilian reais. The following tables set forth, for the periods indicated, the high, low, average and period-end observed exchange rate for the purchase of U.S. dollars, expressed in Brazilian reais per U.S. dollar. The rates have not been restated in constant currency units. On March 31, 2016 the observed exchange rate was Br\$3.559 = US\$1.00.

Year Ended December 31,	Daily Observed Exchange Rate			Period-End
	High	Low	Average ⁽¹⁾	
	BR\$ per US\$			
2011	1.901	1.534	1.674	1.875
2012	2.112	1.702	1.954	2.043
2013	2.445	1.952	2.159	2.342
2014	2.740	2.197	2.354	2.656
2015	4.195	2.575	3.338	3.905
October	4.001	3.738	3.880	3.859
November	3.850	3.701	3.776	3.850
December	3.983	3.747	3.871	3.905
2016				
January	4.156	3.986	4.052	4.043

Year Ended December 31,	Daily Observed Exchange Rate			
	High	Low	Average ⁽¹⁾	Period-End
		BR\$ per US\$		
February	4.049	3.865	3.973	3.979
March	3.991	3.559	3.704	3.559

Source: Central Bank of Brazil

(1) For each year, the average of the month-end exchange rates for the relevant year. For each month, the average daily exchange rate for the relevant month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following important factors, and those important factors described in other reports we submit to or file with the Securities and Exchange Commission (“SEC”), could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. In particular, as we are a non-U.S. company, there are risks associated with investing in our ADSs that are not typical for investments in the shares of U.S. companies. Prior to making an investment decision, you should carefully consider all of the information contained in this document, including the following risk factors.

Risk Factors Relating to our Company

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

Due to Brazilian law restrictions on foreign ownership of Brazilian airlines, LATAM does not control the voting shares or board of directors of TAM. As of March 31, 2016, foreign persons may own up to 49% of the voting capital of Brazilian airlines. As of April 20, 2016, the ownership structure of TAM is as follows:

- Holdco I owns 100% of the TAM common shares previously outstanding;
 - the TAM Controlling Shareholders own approximately 51% 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 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. In 2015, mainly as a result of the Brazilian real, the value of our goodwill decreased by 31.2% as compared with 2014.

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. 100% of our indebtedness at December 31, 2015 was denominated in 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.

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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 against the U.S. dollar between the time we are paid in Venezuelan bolivares and the time we are able to repatriate such cash in U.S. dollars. As of December 31, 2015, the devaluation of the Venezuelan bolivar had an adverse impact of of US\$41.0 million on our results and our cash flows.

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 operations 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—B. Business Overview—Regulation.”

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

A significant portion of our cargo revenues come from relatively few product types and may be impacted by events affecting their production, trade or demand.

Our cargo demand, especially from Latin American exporters, is concentrated in a small number of product categories, such as exports of fish, sea products and fruits from Chile 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 27.6% 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.

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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 the 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.

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.

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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. 29.3% 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.

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 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 (21.5% 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 Brazilian market by 2.6%. Economic forecasts for Brazil in 2016 predict 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.

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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.

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 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.

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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 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 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, 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, 2016, the LATAM Controlling Shareholders, in the aggregate, beneficially owned 25.0% 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—A. Major Shareholders.”

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

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 depositary at any time, your ability to sell the common shares underlying ADSs in the amount and at the price and time of your choice may be substantially limited. This limited trading market may also increase the price volatility of the ADSs or the common shares underlying the ADSs.

Holders of 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 depositary could be adversely affected. Cash distributions made in respect of the ADSs are received by the depositary (represented by the custodian bank in Chile) in pesos, converted by the custodian bank into U.S. dollars at the then-prevailing exchange rate and distributed by the depositary to the holders of the ADRs evidencing those ADSs. In addition, the depositary will incur foreign currency conversion costs (to be borne by the holders of the ADRs) in connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to the ADSs.

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

Equity investments in Chile by non-Chilean residents have been subject in the past to various exchange control regulations that govern investment repatriation and earnings thereon. Although not currently in effect, regulations of the Central Bank of Chile have in the past required, and could again require, foreign investors acquiring securities in the secondary market in Chile to maintain a cash reserve or to pay a fee upon conversion of foreign currency to purchase such securities. Furthermore, 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—D. 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.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

General

LATAM Airlines Group is a Chilean-based airline holding company formed by the merger of LAN of Chile and TAM of Brazil in 2012. Following the combination, LAN Airlines S.A. became “LATAM Airlines Group S.A.” and TAM continues to exist as a subsidiary of Holdco I and a subsidiary of LATAM. The Company is primarily involved in the transportation of passengers and cargo and operates as one unified, merged business enterprise with two separate brands: LAN and TAM.

LATAM’s airline holdings include LAN and its affiliates in Peru, Argentina, Colombia and Ecuador, and LAN Cargo and its affiliates MasAir (in Mexico) and LANCO (in Colombia), as well as TAM S.A. and its subsidiaries TAM Linhas Aereas S.A., TAM Transportes Aereos del Mercosur S.A., (TAM Airlines (Paraguay)), TAM Cargo and Multiplus. LATAM is a publicly traded corporation listed in the Santiago Stock Exchange (“SSE”), the Valparaiso Stock Exchange, the Chilean Electronic Exchange, the New York Stock Exchange (“NYSE”) and the Brazilian Stock Exchange (“Bovespa”).

LAN was founded in 1929 by the Chilean government. In 1989, the Chilean government sold 51.0% of LAN’s capital stock to Chilean investors and to the Scandinavian Airlines System. In 1994, controlling shareholders together with other major shareholders acquired 98.7% of LAN’s stocks, including the remaining stocks held by the Chilean government. In 1997, LAN was listed on the New York Stock Exchange, becoming the first Latin American airline to trade its ADRs on this financial market. Over the past decade, LAN has significantly expanded its operations in Latin America, initiating services in Peru in 1999, Argentina in 2005, Ecuador in 2009, and in Colombia in 2010 through the acquisition of Aerovias de Integracion Regional, Aires S.A. (dba “LAN Colombia”).

TAM is a leading domestic and international airline in the Brazilian market, offering flights throughout Brazil with a strong domestic market share, international passenger services and significant cargo operations. The company was founded in 1997 (under the name CIT—Companhia de Investimentos em Transportes), for the purpose of participating in, managing and consolidating shareholdings in airlines. In 2002, the name was changed to TAM S.A. and its shares began to be publicly traded on Bovespa in June 2005. From 2006 until the combination with LAN in 2012, TAM American Depositary Shares were also listed on the New York Stock Exchange.

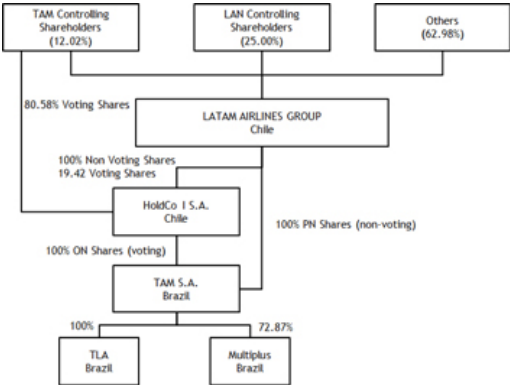
Our principal executive offices are located at Presidente Riesco 5711, 20th floor, Las Condes, Santiago, Chile and our general telephone number at this location is (56-2) 565-2525. We have designated LATAM Airlines Group as our agent in the United States, located at 970 South Dixie Highway, Miami, Florida 33156. Our website address is www.latamairlinesgroup.net. Information obtained on, or accessible through, this website is not incorporated by reference herein and shall not be considered part of this annual report. For more information contact Gisela Escobar, Senior Vice President Corporate Controller and Investor Relations, at gisela.escobar@lan.com.

Combination of LAN and TAM

On June 22, 2012, LAN and TAM successfully completed an exchange offer resulting in the combination of the two businesses and the creation of LATAM Airlines Group.

Following the combination, on July 18, 2012 the registration of TAM as a publicly listed company in Brazil was cancelled and TAM was delisted from Bovespa.

In order to implement this combination, the TAM controlling shareholders formed four new *sociedades anónimas cerradas* with limited liability under the laws of Chile: TEP Chile, Holdco I, Holdco II and Sister Holdco. After the transaction was completed, Holdco II and Sister Holdco ceased to exist. The ownership and organizational structure of LATAM Airlines Group as of December 31, 2015 was as follows:



TAM S.A., the holding company, has two significant operating subsidiaries: TAM Linhas Aéreas S.A. (“TLA”) and Multiplus S.A.

Capital Expenditures

For a description of our capital expenditures, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures.”

B. BUSINESS OVERVIEW

General

The association of LAN and TAM created the largest passenger and cargo airline in South America. We are also one of the largest airline groups in the world in terms of network connections, providing passenger transport services to approximately 137 destinations in 25 countries and cargo services to approximately 140 destinations in 29 countries, with a fleet of 328 aircraft and a set of bilateral alliances. In total, LATAM Airlines Group has more than 50,000 employees. We currently provide domestic services in Brazil, Chile, Perú, Argentina, Colombia and Ecuador; we also provide intra-regional and long-haul operations. We carry out our cargo operations through the use of belly space on our passenger flights and dedicated cargo operations using freighter aircraft through our cargo airlines in Chile, Brazil, Colombia and Mexico. We also offer other services, such as ground handling, courier, logistics and maintenance.

As of January 31, 2016, we serviced 16 destinations in Chile, 16 destinations in Peru, five destinations in Ecuador, 14 destinations in Argentina, 14 destinations in Colombia, 46 destinations in Brazil, 12 destinations in other Latin American countries and the Caribbean, five destinations in the North America, six destinations in Europe and three destinations in the South Pacific. In addition, as of January 31, 2016, through our various code-sharing and interline agreements, we offer service to 125 destinations in Latin America, 296 destinations in North America, 246 destinations in Europe, and more than 350 destinations in Asia, Pacific, Africa and the Middle East.

Competitive Strengths

Our strategy is to maintain LATAM Airlines Group as the leading airline in South America by leveraging our unique position in the airline industry. LATAM Airlines Group is the only airline in the region with a local presence in six markets, as well as intra-regional and long-haul operations. As a result, the Company has more flexibility, as well as a proven track record of acting quickly to adapt our business to economic challenges. Moreover, LATAM's unique leadership position in a region with growth potential and the focus in our existing competitive strengths will allow us to continue building our business model and to fuel our future growth. We believe our most important competitive strengths are:

Leading Presence in South America

Through a successful regional expansion strategy, LATAM Airlines Group has become the leading international and domestic passenger airline group in South America, as well as the largest cargo operator in Latin America. We have domestic passenger operations in Chile, Brazil, Peru, Argentina, Colombia and Ecuador. These six countries are among the most significant passenger markets in South America and represent approximately 95% of the ASKs offered in the region. We are also the largest operator of intra-regional routes, connecting the main cities in South America. Furthermore, through our significant presence in the largest hubs in South America—Lima and São Paulo—we are able to offer the best connectivity between South America and the rest of the world. Finally, the cargo companies of LATAM Airlines Group are the largest air cargo operators within, to and from Latin America, particularly in Brazil, where we consolidated our position during 2013.

Geographically Diversified Revenue Base, including both Passenger and Cargo Operations

The operations of the LATAM Airlines Group are highly geographically diversified, including domestic operations in six different countries, as well as operations within South America and connecting South America with various international destinations. This provides resilience to external shocks that may occur in any particular market. Furthermore, we believe that one of our distinct competitive advantages is our ability to profitably integrate our scheduled passenger and cargo operations. We take into account potential cargo services when planning passenger routes, and also serve certain dedicated cargo routes using our freighter aircraft, when needed. By adding cargo revenues to our existing passenger service, we are able to increase the productivity of our assets and maximize revenue, which has historically covered fixed operating expenses per flight, lowered break-even load factors and enhanced per flight profitability. Additionally, this revenue diversification helps offset seasonal revenue fluctuations and reduces the volatility of our business over time. For the year ended December 31, 2015, passenger revenues accounted for 83.1% of total revenues and cargo revenues accounted for 13.1% of total revenues.

Modern Fleet and Optimized Fleet Strategy

The average age of our fleet is approximately seven years, making our fleet one of the most modern in Latin America and in the world. A younger fleet makes us more cost competitive because it reduces fuel consumption and maintenance costs, and enables us to enjoy a high degree of performance reliability. In addition, a modern and fuel-efficient fleet reflects our strong commitment to the environment as new aircraft incorporate the industry's latest technology, allowing for a substantial reduction in emissions, while also decreasing noise levels.

We optimize our fleet structure through the careful selection of modern aircraft models and staggered lease maturities. We select our aircraft based on their ability to effectively and efficiently serve our short- and long-haul flight needs, while still striving to minimize the number of different aircraft types we operate.

The Company's current fleet plans envisage a short-haul fleet formed exclusively by aircraft from the A320 family, with a focus on A321s and A320neos, whose use represents a saving per ASK of around 6% in comparison to A320s. In 2015, LATAM incorporated 15 Airbus A321s, the largest model in this family, for use on the busiest regional routes and for some domestic routes in Chile as well as in Brazil, ending the year with 36 aircraft of this type.

For long-haul passenger flights, we operate the Boeing 767-300, Airbus A330 and Boeing 777 aircraft, and the modern and efficient Boeing 787 Dreamliner and Airbus 350-900. Both the 787 and Airbus A350 allow us to achieve important savings on fuel consumption, while incorporating modern technology to deliver the best travel experience for our passengers. In 2015, we incorporated seven Boeing 787-9 into our fleet. We also received our first Airbus 350-900 in December 2015.

In 2015, we took out of service our Airbus A340s and Dash 8-200s as well as three A330s. We expect to complete the withdrawal of these older models by 2016. Furthermore, in 2015, as well as in previous years, we have been able to adjust our fleet commitments to face current market conditions as necessary.

Overall, the Company's continuous renewal of its fleet incorporates the best technology and positions LATAM as a leader in fleet efficiency.

Strong Brands Teamed with Key Global Strategic Alliances

Following the business combination, both LAN and TAM continue to operate under their existing brands. We believe that both the LAN and TAM brands are associated with superior service, aircraft and technologically advanced operations, and are well recognized and respected in their respective markets. In 2015, LAN and TAM Airlines were recognized as the "Best Airlines in South America" in first and third places respectively by the SkyTrax World Airline Awards. The awards are considered the global barometer for customer satisfaction within the industry, thanks to their exclusive reliance on the opinion of passengers.

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Our strategic global alliances and existing commercial agreements provide our customers with access to more than 1,700 destinations worldwide, a combined reservations system, itinerary flexibility and various other benefits, which substantially enhance our competitive position within the Latin American market. In addition, in March 2014 TAM Airlines joined **oneworld**[®], marking one of the most important steps to achieve the entry of all LATAM Airlines Group into **oneworld**[®]. To our passengers, this means greater convenience when traveling, since they will have the same standard of high-quality customer service, regardless of their international destination.

In August 2015, the company announced a unified brand for the group: LATAM Airlines, which will begin to be implemented in the first semester of 2016.

Financial Flexibility

We have historically managed our business to maintain financial flexibility and a strong balance sheet in order to accommodate our growth objectives while having the ability to respond to changing market conditions. Our financial flexibility has allowed us to secure large aircraft orders, including an important part of our current re-fleeting program, at attractive financing rates.

Recognized Loyalty Programs

TAM Fidelidade and LANPASS together represent the leading frequent flyer programs in South America, with strong participation rates and brand recognition by our customers. Customers in each program earn points or kilometers based on distance flown and class of ticket purchased, or by using other services of partners in the program. In addition, TAM's Multiplus program, which was launched in 2009, allows members to accumulate points not just by flying with TAM, but also by making purchases through credit cards or using services and products at partner establishments, and to redeem points for TAM flights and other products at partner establishments. Following the business combination between LAN and TAM, during 2015 the Company harmonized the two airlines' frequent flyer programs, and has advanced cost initiatives in connection with contract renegotiations and process standardization.

We regard our frequent flyer programs as strong relationship tools, we believe that these flexible programs are attractive to customers because they do not impose restrictions on flights for which points can be redeemed or the number of seats available to members using the loyalty program for any particular flight. LANPASS and TAM Fidelidade members can also accrue and redeem points for **oneworld**[®] flights.

On March 1, 2016, we announced our rebranded and improved frequent flyer programs, which will be called LATAM Pass, corresponding to the previous LANPASS, and LATAM Fidelidade, corresponding to the old TAM Fidelidade. The change is part of the process of consolidating our new brand identity (LATAM) and the evolution of our loyalty programs.

Business Strategy

Our mission is to connect people with safety, operational excellence and warmth, seeking to become one of the best airlines groups in the world. In order to reach our mission, the principal areas in which we plan to focus our efforts going forward are as follows:

Strengthen Our Network

We currently intend to strengthen our route network in South America, thereby offering the best connectivity within the region at a competitive price and ensuring that we are the most convenient option for our passengers. We are the only airline group in the world with a local presence in six home markets and an international and intra-regional operation. This position is strengthened by improved infrastructure in some of our main hubs, allowing us to further strengthen our network and connection. We intend to leverage our position to create diversity of options and destinations and build a platform that will allow us to continue growing in the long term.

Brand Leadership and Customer Experience

We will always seek to be the preferred choice of passengers in this region. Our efforts are driven by a differentiated passenger experience, and our leveraging of mobile digital technologies. We are currently working on a single, unified brand, culture, product and value proposition for our passengers. Additionally, we will focus on defining LATAM's digital strategy, including applications to achieve ancillary revenues and improving the management of contingencies, so that we are able to provide information and solutions to our customers in a timely and transparent manner. We continually assess opportunities to incorporate service improvements in order to respond effectively to our customers' needs.

Focus on Efficiency and Cost Competitiveness

We are currently working to establish a competitive cost structure to further improve our effectiveness, simplify our organization and increase flexibility and speed in decision-making. The target is to reduce total costs by approximately 5% in a period of four years (2015 to 2018). These savings are in addition to the efficiencies we expect to obtain from our new fleet technologies. Cost savings include reductions in fuel and fees, procurement, operations, overhead and distribution costs, among others. The Company has already started work on cost initiatives in all these areas. We currently are working to install an austere behavior at all levels within the Company to continuously improve costs.

Organizational Strength

We aspire to be a group of passionate people, working in a simple and aligned manner, with inspiring leaders making agile decisions. This will allow us to deliver a distinctive value to our customers, exceed our competitors in a consistent way and have a healthy and sustainable company.

Proactive Risk Management

We strive to have a holistic and responsible view of risk in decision-making, starting with risks that have a high potential impact and a low probability of occurrence, which could significantly affect LATAM's strategic objectives.

Airline Operations and Route Network

The following tables sets forth our operating revenues by activity and point of sale for the periods indicated:

	Year ended December 31,		
	2015	2014	2013
	(in US\$ millions)		
Total passenger revenues	8,410.6	10,380.1	11,061.6
Total cargo revenues	1,329.4	1,713.4	1,863.0
Total traffic revenues	9,740.0	12,093.5	12,924.5

	Year ended December 31,		
	2015	2014	2013
	(in US\$ millions)		
Peru	681.3	660.1	646.2
Argentina	979.3	813.5	950.6
United States	1,025.5	1,224.3	1,290.5
Europe	723.1	935.9	937.5
Colombia	353.0	391.7	388.0
Brazil	3,464.3	5,361.6	5,572.9
Ecuador	238.5	248.6	273.7
Chile	1,575.5	1,589.2	1,698.5
Asia Pacific and rest of Latin America	699.5	868.8	1,166.6
Total Operating Revenues	9,740.0	12,093.5	12,924.5

Passenger Operations

General

As of December 31, 2015, our passenger operations were performed through airlines in Chile, Brazil, Peru, Argentina, Colombia and Ecuador, where we operate both domestic and international services.

The following table sets forth certain of our passenger operating statistics for international and domestic routes for the periods indicated:

	Year ended and as at December 31					
	2015		2014		2013	
ASKs (million) (at period end)						
International		69,750.5		65,574.6		67,162.3
SSC		22,072.8		21,065.8		20,365.0
Domestic Brazil		42,478.5		43,560.5		44,163.5
Total		134,301.8		130,200.9		131,690.9
RPKs (million)						
International		59,003.4		55,980.1		55,274.3
SSC		17,858.4		16,964.3		15,999.0
Domestic Brazil		34,648.1		35,589.7		35,193.2
Total		111,509.9		108,534.0		106,466.5
Passengers (thousands)						
International		14,156		13,630		13,504
SSC		21,540		20,735		19,847
Domestic Brazil		32,139		33,468		33,344
Total		67,835		67,833		66,696
Passenger RASK (passenger revenues/ASKs, in US cents)						
International ⁽¹⁾	US¢	6.4	US¢	7.6	US¢	7.9
SSC ⁽¹⁾	US¢	8.3	US¢	9.1	US¢	9.6
Domestic Brazil ⁽¹⁾	US¢	5.9	US¢	8.6	US¢	9.2
Combined RASK ⁽²⁾	US¢	6.3	US¢	8.0	US¢	8.4
Passenger load factor (%)						
International		84.6%		85.4%		82.3%
SSC		80.9%		80.5%		78.6%
Domestic Brazil		81.6%		81.7%		79.7%
Combined load factor		83.0%		83.4%		80.8%

(1) RASK information for each of our business units is provided because LATAM believes that it is useful information to understand trends in each of our operations. The revenues per business unit include ticket revenue, breakage, excess baggage fee, frequent flyer program revenues and other revenues, however these measures may differ from similarly titled measures reported by other companies and should not be considered in isolation or as a substitute for measures of performance in accordance with IFRS. This unaudited operating data is not included in or derived from LATAM's financial statements.

(2) The combined RASK for LATAM is calculated by dividing passenger revenues by total passenger ASKs.

International Passenger Operations

Our international network combines the international operations of our Chilean, Peruvian, Ecuadorian, Argentinean, Colombian and Brazilian subsidiaries. We have operated international services out of Chile since 1946 and have greatly expanded our international services, offering flights out of Peru, Ecuador, Argentina, Colombia and Brazil. As of December 31, 2015, we now offer 27 international destinations.

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Our strategy to generally expand our international network is aimed at enhancing our value proposition by offering customers more destinations and routing alternatives, and promoting tourism in South America. Sustained development of our international network has been a crucial factor in our long-term strategy. We provide long-haul services out of Santiago, Lima, Guayaquil, Buenos Aires, Bogota, Sao Paulo and Rio de Janeiro. We also provide regional services from Chile, Peru, Ecuador, Argentina, Colombia and Brazil.

During year 2014, after the necessary infrastructure investments were made, we completed our move to the new Terminal 3 at Guarulhos Airport in Sao Paulo with new slots for takeoff and landing, which allow us to significantly decrease our connection times. This is a key milestone in the development of our building our most important hub at Guarulhos airport. In addition, we have continued to consolidate our secondary hubs in Lima and Santiago.

The following table sets forth the international destinations served from each of the aforementioned countries as of December 31, 2015:

Country of Origin	Destination	Number of Destinations
Chile	Argentina	3
	Australia	1
	Brazil	2
	Colombia	1
	Ecuador	2
	Peru	1
	Uruguay	1
	Venezuela	1
	Dominican Republic	1
	Mexico	2
	United States	2
	Spain	1
	Italy	1
	Germany	1
	New Zealand	1
	Falkland Islands	1
	French Polynesia	1
Peru	Argentina	2
	Bolivia	2
	Brazil	2
	Chile	2
	Colombia	1
	Cuba	1
	Ecuador	2
	Venezuela	1
	Mexico	2
	United States	4
	Dominican Republic	1
	Spain	1
Brazil	Argentina	3
	Chile	1
	Peru	1
	Uruguay	2
	Mexico	2
	United States	3
	France	1
	Italy	1

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	Germany	1
	United Kingdom	1
	Dominican Republic	1
	Spain	2
Ecuador	Chile	1
	United States	2
	Argetina	1
	Peru	1
Argentina	Brazil	3
	Chile	1
	Peru	1
	Dominican Republic	1
	United States	1
Colombia	Brazil	1
	Chile	1
	Mexico	1
	Aruba	1
	Dominican Republic	1
	United States	1

During 2015, LATAM received seven Boeing 787-9 Dreamliners, out of an order of 10, which will allow us to achieve important savings on fuel consumption and the sustainable expansion of our fleet (as the Dreamliner produces up to 20% less CO₂ than similar aircraft), while incorporating modern technology to deliver the best travel experience for our passengers. In addition, during 2015, LATAM received the first A350, out of an order of 27 aircraft of this model. The new aircraft was incorporated to TAM's fleet on December of 2015, when TAM became the first airline in the Americas, and the fourth operator in the world, to fly this model.

As part of its mission, LATAM seeks to promote tourism to South America. Due to our large network of services, visitors from around the world can experience world-renowned destinations such as Cusco, Easter Island, the Galapagos Islands, Iguazu Falls in Brazil, or Patagonia in Chile and Argentina, including the cities of Punta Arenas, Ushuaia, El Calafate and Bariloche.

Brazil

According to ANAC Brazil data, Brazilian international air passenger traffic increased 13.8% from 2014 to 2015 as measured in RPKs, totaling approximately 7.3 million passengers in 2015. TAM had 78.5% of the international market share in Brazil in 2015 when considering only Brazilian airlines, which was a decrease compared to 84.6% in 2014, and more than 36% of market share on regional flights from Brazil as measured in ASKs considering all other airlines. Our Brazilian international operations can be divided into three main segments, based on destination: to North America, to Europe and to other countries in Latin America. As of January 31, 2016, the main competitors on direct routes between Brazil and North America included American Airlines, United Airlines, Delta Airlines, Azul Linhas Aereas, Air Canada and Aeromexico. Avianca and Copa also participated in the Brazil-North American markets with stopovers in its Central American hub. On routes to Europe, the main competitors were TAP, Air France-KLM, Lufthansa, Iberia and British Airways. On regional routes the main competitors included Copa, Gol, Avianca and Aerolineas Argentinas.

Chile

According to the Chilean Civil Aviation Board (*Junta de Aeronáutica Civil* or "JAC") data, Chilean international air passenger traffic increased 11.1% from 2014 to 2015 as measured in passengers transported, totaling more than 8.2 million passengers in 2015. We had 61.9% of the international market share in Chile in 2015 as measured in passengers transported, which was a decrease compared to 62.8% in 2014. Our Chilean international operations can be divided into four main segments based on destination: to North America, to Europe, to other countries in Latin America, and to the Pacific. As of January 31, 2016, our main competitors on direct routes between Chile and North America included American Airlines, Air Canada, United Airlines, Delta Airlines and Aeromexico. COPA also participated in the Chile-North America markets with stopovers in its Central American hub in Panama City, as did Avianca, with stopovers in Lima and Bogota. Our main competitors on routes between Chile and Europe were Air France-KLM and Iberia. On regional routes, our main competitors included Copa, Sky, Avianca and Gol.

Argentina

According to our internal estimates (captured through MiSchDynamicDT), in 2015 Argentinean international passenger capacity decreased by 0.4%, as compared to the previous year. LATAM Airlines had 11.5% of the international market share as measured in capacity (ASKs) in Argentina in 2015, which was a decrease as compared to 11.8% in 2014. The Argentinean international operations can be divided into two main segments based on destination: to North America and to other countries in Latin America. As of January 31, 2016, the main competitors on direct routes between Argentina and North America included American Airlines, Aerolíneas Argentinas, United Airlines, Delta and Aeromexico. Avianca and COPA also participated in the Argentina-North America markets with stopovers in their respective hubs. On regional routes, our main competitors included Aerolineas Argentinas, Gol, Copa and Avianca.

Peru

According to *Ministerio de Transporte y Comunicaciones* (Peruvian Transport and Communication Ministry), Peruvian international air passenger traffic increased by 6.2% from 2014 to 2015, as measured in passengers transported, totaling approximately 8.2 million passengers in 2015. We had a 42.1% share of the Peruvian international market as measured in passengers transported in 2015, a decrease as compared to the 44.3% share of passengers transported in 2014. Our Peruvian international operations can be divided into three main segments, based on destination: to North America, to Europe and to other countries in Latin America. As of January 31, 2016, our main competitors on direct routes between Peru and North America included American Airlines, United Airlines, Avianca, Delta, Aeromexico and Air Canada. COPA also participated in the Peru-North America markets with stopovers in its Central American hub. On routes to Europe, our main competitors were Air France-KLM, Iberia and Air Europa. On regional routes our main competitors included Avianca and Copa.

Colombia

According to *Aeronautica Civil* (Colombian Civil Aeronautics), the Colombian international market increased 10.1% from 2014 to 2015 as measured in passengers transported, from 10.9 million passengers to approximately 11.9 million passengers in 2015. LAN (including LAN Colombia, LAN Peru and LAN Airlines) had an 8.0% share of the international market share in Colombia in 2015, as measured in RPK, which is an increase of 0.6 percentage points as compared to 7.4% in the same period 2014. The international operations in Colombia can be divided into two business segments based on destination: to North America and to other countries in Latin America. As of January 31, 2015, the main competitors on direct routes between Colombia and North America included Avianca, American Airlines, JetBlue Airways, United Airlines, Delta Airlines and Aeromexico. COPA also participated in the Colombia-North America markets with stop overs in its Central American hub. On regional routes, the main competitors included Avianca and Copa.

Ecuador

According to our internal estimates (captured through MiSchDynamicDT), Ecuadorian international air passenger traffic decreased 1.4% from 2014 to 2015, as measured in ASKs. According to these estimates, LATAM had 18.6% of the international market share as measured in ASKs in 2015, a decrease of 3.5 percentage points compared to 22.1% in 2014. Our Ecuadorian international operations can be divided into three main segments, based on the destination: to North America, to Europe and to other countries in Latin America. As of January 31, 2016, our main competitors on direct routes between Ecuador and North America included American Airlines, Tame, Delta Airlines, United Airlines and Aeromexico. Avianca and COPA also participate in the Ecuador-North America markets with stopovers in their respective Central American hubs. On routes to Europe, our main competitors included KLM and Iberia. On regional routes, our main competitors included Copa, Tame, Aerogal and Avianca.

Domestic Passenger Operations

As of December 31, 2015, domestic passenger services were operated by LAN, TAM, LAN Peru, LAN Ecuador, LAN Argentina and LAN Colombia.

Business Model for Domestic Operations

We operate on a low-cost business model in all of our domestic operations. This model increases efficiency in the short-haul while encouraging increased domestic demand. A key element of this business model has been to significantly increase the utilization of the narrow body fleet, a goal that the company has been successfully achieving through modified itineraries including more point-to-point, faster turnarounds times and overnight flights. Additionally, the transition to a newer fleet has allowed decreases in unscheduled maintenance costs as well as cost efficiencies, achieved through operating fewer fleet types and in operational efficiencies, including lower fuel consumption.

Another key element of this business model is the reduction in sales and distribution costs through higher internet penetration and reduced agency commissions, and increased self-check-in service through web check-in and kiosks at airports. These initiatives, together with simplifications in back-office and support functions, will continue to allow us to expand operations while controlling fixed costs. We have begun to pass on these operating efficiencies to consumers through significant fare reductions, which have a strong effect in stimulating new demand. We plan to continue working in the business model during 2016, as we look for ways to increase operational efficiency, encourage direct sales and self-check-in, and implement new sales strategies aimed at stimulating demand.

Operations within Brazil

TAM Linhas Aereas is the leading domestic passenger airline in Brazil. TAM Linhas Aereas' strategy is based on providing strong connectivity through a network based on the main Brazilian cities, offering reliable and high-quality service, and leveraging our strong brand position in Brazil and abroad. As of December 31, 2015, TAM Linhas Aereas operates flights to 46 destinations within Brazil, as well as some seasonal destinations, with an average fleet of 119 aircraft of the Airbus A320-Family, including 27 Airbus A321 aircraft that allows high-density routes and greater efficiency.

The domestic market in Brazil has historically suffered from overcapacity, resulting in very low load factors compared to industry standards, which has negatively impacted the financial results of domestic airlines in recent years. However, this trend began to change during 2012 and has significantly improved during the last three years, as major airlines have reduced domestic capacity, leading to general improvements in load factor.

The slowdown in the Brazilian economy in 2015 impacted the commercial aviation sector, especially the corporate passenger segment. To mitigate the impact of a weaker economy and a devaluated local currency, we have continued to rationalize capacity, reducing it by 2.5% in 2015, as measured in ASKs, and traffic, decreasing it by 2.6% in 2015, as measured in RPKs. These improvements led to a decrease of 0.1 percentage points in load factors on a year-over-year basis, though our occupancy factor of 81.6% is still higher than the industry average, which was 79.8%, according to ANAC Brazil.

In 2015, TAM maintained leadership among business travelers and won—for the seventh consecutive year—the airline Top of Mind award as the airline brand most remembered by the Brazilian public.

According to ANAC Brazil, the Brazilian domestic market as a whole transported approximately 96.2 million passengers in 2015, an increase of 0.3% as compared to 95.9 million in 2014. As of December 31 2015, TAM Linhas Aereas led the Brazilian domestic passenger airline market with 36.7% of the market share as measured in RPKs. During 2015, TAM's main competitors in the domestic market were Gol, Azul and Avianca Brazil.

Operations within Chile

Through LAN and LAN Express, we are the leading domestic passenger airline in Chile. We have operated domestic flights in Chile since LAN's creation in 1929. During 2015, we flew to 15 destinations within Chile (including Santiago, but not including Easter Island, which we consider an international destination because we serve it with long-haul aircraft) as well as some seasonal destinations, with an average fleet of 27 Airbus A320-Family Aircraft, including five Airbus A321s. Domestic operations in Chile have been positively affected by the greater utilization of the latest-generation Airbus fleet and the retirement of the Airbus A318-100s.

According to JAC data, the Chilean domestic market as a whole transported approximately 9.9 million passengers in 2015, an increase of 0.9% from 9.8 million passengers transported in 2014. Our domestic passenger market share in Chile was 76.6% in 2015 as measured in RPKs. During 2015, our main competitors in the domestic market were Sky Airlines, with domestic passenger market shares, as measured in RPKs, of 22.5%.

Operations within Argentina

Since 2005, LAN Argentina has increased its domestic destinations to a total of 14 Argentine cities. It currently operates the domestic network through a fleet of 13 Airbus A320-Family Aircraft.

In the domestic Argentine market, LAN Argentina operates in a regulated environment in which fares sold to Argentine passengers have been subject to minimum and maximum prices that vary per route. On February 3, 2016, the government eliminated the controls that limited the maximum prices while retaining the minimum prices.

Based on internal estimates as of December 31, 2015, our domestic market share in Argentina in terms of capacity (ASKs) was approximately 25%. During this period of time LAN Argentina transported 2.4 million passengers, an increase of 4.1% compared to 2014. The main competitor of LAN Argentina is Aerolíneas Argentinas, a state-owned company that has approximately 69.2% of the total Argentinean domestic capacity as measured in ASK.

Operations within Peru

LAN Peru started operations in 1999 with both domestic and international flights from Lima. Since then, LAN Peru has expanded consistently, consolidating its domestic operations and coverage of the relevant markets with a continued focus on improving our excellence for service.

During 2015 LAN Peru flew to 16 destinations, with nine Airbus A319 and eight Airbus A320 aircraft. With this, LAN Peru has one of the most modern fleets in Latin America, which is ideal for the characteristics of Peruvian routes, as it maximizes available payload in high-altitude airports. In 2015, a total of 6.2 million passengers traveled on LAN Peru's domestic routes, which represented an increase of 9.9% compared to 2014. According to data provided by the Peruvian General Directorate of Civil Aviation (*Dirección General de Aeronáutica Civil* or "DGAC"), our domestic market share was 62.1% in 2015, compared to 63.2% in 2014, as measured in number of passengers. Our main competitors in Peru include Avianca, Peruvian Airlines and Star Perú.

Operations within Colombia

Following the acquisition of Aires in 2010, LAN Colombia has successfully restructured the Company's previous operations in order to achieve LATAM's standards in terms of security, punctuality, efficiency and service quality. LAN Colombia implemented the low-cost model already operating in the other affiliates domestic markets of Chile, Peru, Argentina and Ecuador, to stimulate demand on domestic flights by providing more Colombian citizens the opportunity to use air transportation.

LAN Colombia continued to expand its network inside the domestic market in 2015, flying to 14 destinations. Additionally, LAN Colombia completed its fleet renewal plan started in 2012, phasing out less-efficient models, replacing the Bombardier Dash aircraft inherited from Aires with aircraft from the Airbus A320-Family. As of December 2015, LAN Colombia serviced its domestic destinations with 15 Airbus A320 aircraft.

In 2015, LAN Colombia transported 4.6 million passengers on domestic flights, 5.2% more than the previous year, ranking as the second-largest operator in the country, with a 18.2% market share measured in passengers onboard, behind Avianca. Other important competitors are VivaColombia and Satena.

Operations within Ecuador

Since beginning operations in 2008, LAN Ecuador has greatly expanded the number of destinations and frequency of flights. As of the end of 2015, LAN Ecuador operated in five domestic destinations: Guayaquil, Quito, Cuenca, Baltra and San Cristobal, with a fleet of three Airbus A319 aircraft.

In 2015, LAN Ecuador transported 1.1 million passengers in the domestic passenger market representing an increase of 1.1% in the number of passengers serviced in 2014. However, LAN Ecuador is positioned as the second largest airline, with a 32.7% share, and its main competitors are the flag carrier Tame and Avianca.

Passenger Alliances and Commercial Agreements

Prior to the combination between LAN and TAM, LAN, LAN Peru, LAN Ecuador and LAN Argentina were members of **oneworld®**, and TAM was a member of Star Alliance®. In March 2013, LATAM Airlines Group chose **oneworld®** as the global alliance for all of its airlines. As a result of this decision, LAN Colombia became a member of **oneworld®** on October 1, 2013, and TAM became a member of **oneworld®** in March 31, 2014, though TAM Mercosur will join at a future date. Currently, **oneworld®** is a global marketing alliance comprising of LAN, TAM, airberlin, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, Malaysia Airlines, Qantas, Qatar, Royal Jordanian, Sri Lankan and S7. The current members of the **oneworld®** alliance, including LATAM, serve more than 1,000 destinations in 154 countries, operating over 14,000 daily departures.

The following are our passenger partnerships as of January 2016:

- *American Airlines Group.* On January 14th, 2016, we entered into a joint business agreement with American Airlines to strengthen our relationship and provide additional benefits to our passengers, including access to a wider network, more flight options with better connection times, more competitive fares to destinations not served by LATAM, increased potential for developing new routes and adding direct flights to new destinations and to destinations already served by LATAM. The agreement is subject to regulatory approval in several countries, which could take approximately 12–18 months. In addition, the following LATAM entities have code-sharing agreements in place with the American Airlines Group: LAN, LAN Peru, LAN Argentina, LAN Ecuador, LAN Colombia and TAM. These code-sharing agreements include more than 30 destinations in the United States and Canada.
- *Iberia.* On January 14th, 2016, we entered into a joint business agreement with IAG (consisting of British Airways and Iberia) to strengthen our relationship to provide additional benefits for LATAM passengers, including access to a wider network, more flight options with better connection times, more competitive fares to destinations not served by LATAM, increased potential for developing new routes and adding direct flights to new destinations and to destinations already served by LATAM. The agreement is subject to regulatory approval in the several countries, which could take approximately 12–18 months. The first code-sharing agreement between a LATAM entity and Iberia took place in January 2001. Since then, the following LATAM entities have also established code-sharing agreements: LAN Ecuador, LAN Peru, LAN Colombia and TAM. These code-sharing agreements include 184 flights per month and provide access to 23 additional destinations.
- *Qantas.* Our code-sharing agreements with Qantas, initiated in July 2002, currently include seven Santiago-Auckland-Sydney flights operated by LAN and four non-stop Santiago-Sydney flights offered by Qantas. During 2014, LAN and Qantas executed a second code-sharing agreement to connect other South American destinations with New Zealand and Australia.
- *British Airways.* On January 14th, 2016, we entered into a joint business agreement with IAG (consisting of British Airways and Iberia) to strengthen our relationship to provide additional benefits for LATAM passengers, including access to a wider network, more flight options with better connection times, more competitive fares to destinations not served by LATAM, increased potential for developing new routes and adding direct flights to new destinations and to destinations already served by LATAM. The agreement is subject to regulatory approval in the several countries, which could take approximately 12–18 months. Since 2007, our code-sharing agreement with British Airways has provided service for British Airways passengers traveling from London to Santiago by way of LAN flights between São Paulo and Santiago. This code-sharing agreement also includes British Airways' flights between Madrid and London. The September 2015 code sharing agreement between TAM and British Airways also offers six destinations in the United Kingdom through British Airways routes.
- *Lufthansa and Swiss Air:* TAM has a code-sharing agreement with Lufthansa and Swiss Air, pursuant to which TAM offers its customers long-haul flights from Brazil to Germany, inside Germany to seven destinations and within Europe to six destinations operated by Lufthansa and Swiss Air. Lufthansa and Swiss Air likewise offer customers seats on TAM's flights from Brazil to Germany, inside Brazil to 11 destinations, and within South America to three destinations.
- *Aeromexico.* The 2004 code-sharing agreement between LAN, LAN Peru and Aeromexico currently contemplates flights from Peru to Mexico and to 18 domestic destinations within Mexico. TAM's 2012 code-sharing agreement with Aeromexico includes flights between São Paulo and Mexico as well as nine destinations in Brazil and nine destinations in Mexico. Code-share agreement between Aeromexico and LATAM ended on April 2016.
- *Interjet.* The 2015 code-sharing agreement between LAN, LAN Peru and TAM with Interjet includes flights from Chile, Peru and Brazil to Mexico. This agreement allows passengers to access more and better connections between South America and Mexico, including 25 domestic destinations of Mexico.

- *All Nippon Airways.* In October 2010, TAM initiated a code-sharing agreement with All Nippon Airways to operate between Sao Paulo and Narita, through connections in London. Beginning on March 30, 2014, All Nippon Airways switched its operation to Haneda Airport, giving our passengers access to the preferred airport in Tokyo. During 2014 All Nippon Airways and TAM agreed to expand the code-sharing agreement and implement new routes from South-America to Japan via Europe and North America, subject to required governmental approvals. All Nippon Airways and TAM agreed to end the code-sharing agreement on March 2016.
- *Cathay Pacific.* LAN's 2010 code-sharing agreement with Cathay Pacific includes flights between Santiago and Hong Kong, through connections in Los Angeles, New York and Auckland. LAN Peru's 2010 code-sharing agreement with Cathay Pacific includes flights between Lima and Hong Kong through connections in Los Angeles and San Francisco.
- *Japan Airlines.* LAN's 2011 code-sharing agreement with Japan Airlines includes flights between Santiago and Tokyo Narita airport through connections in Los Angeles and New York.
- *Jetstar Airways.* LAN's 2015 one-way code-sharing agreement with Jetstar Airways via Auckland provides access for LAN passengers to 15 destinations in New Zealand and some points in Australia.
- *Other alliances and partnerships.* TAM also has a code-sharing agreement in place with Air China to operate between São Paulo and Beijing through connections in Madrid. LAN Peru has a code-sharing agreement with Korean Air for flights between Los Angeles and Seoul (operated by Korean Air) and between Los Angeles and Peru (operated by LAN Peru). LAN has a code-sharing agreement with Alaska Airlines, and by the end of 2015, Alaska Airlines and LAN Peru also signed a code-sharing agreement which permits LAN and LAN Peru to provide customers with service between Chile, Peru and destinations in the west coast of the United States and Canada. At the end of 2013, South African Airlines and TAM signed a code-sharing agreement between São Paulo and Johannesburg. This agreement also includes other destinations in South Africa and Brazil. TAM signed a code-sharing agreement with Westjet to provide customers with service between Brazil and relevant destinations in Canada.

Passenger Marketing and Sales

Since the merger in 2012, LATAM Airlines Group has operated under two brands: LAN and TAM. Within the “LAN” and “TAM” brands, we differentiate our marketing strategies between our long-haul and short-haul services.

Our long-haul marketing strategy emphasizes attributes valued by our international customers: a reliable, high-quality service centered on entertainment and comfort for long-haul travel. We also highlight our extensive network covering the most important destinations in South America and the Caribbean and frequent service to major overseas gateways such as New York, Los Angeles, Miami, Orlando, London, Madrid, Paris, Frankfurt, Milan and Sydney. In a continuing effort to fulfill this promise, we continuously improve our cabins and review our service protocols. Our Business Cabin features a premium on-board service aimed to provide our customers with more time to rest. In our Economy Cabin, newly upgraded entertainment units make flying more enjoyable.

In December 2015 we received our first Airbus A350 XWB, a new generation aircraft with new standards of efficiency—with capacity of approximately 348 seats—and with new levels of passenger comfort. See “—International Passenger Operations” for a description of recent improvements to our international fleet. This airplane will offer passengers an even more relaxing flight experience, while reducing the sensation of fatigue, even after long journeys. Until 2015, LATAM's long-haul fleet had 18 Boeing 787s of the 32 aircraft we ordered. The Company was the first airline in the Americas, and fourth in the world, to receive this model with the latest-generation technology that constituted a breaking point in innovation for the airline industry. The 787 and A350 airplanes will allow us to reach new destinations and boost our existing services while increasing the efficiency of our operations and reduce our carbon footprint.

Our short-haul operations are designed to fit our customers' needs: punctuality, reliability, increased frequency, modern aircraft and efficient operations. To deliver this value proposition, we have been increasing our fleet and frequencies with more point-to-point flights, improved punctuality and streamlined processes including Internet sales, web and mobile check-in and airport self-check-in.

Additionally, our short-haul fleet has also been renewed by the delivery of more Airbus A320s and A321s. These aircraft also enhance our domestic and our regional fleet by providing high security standards, improvements in the interior cabin design — the upper bins have mirrors that ensure visibility of carryon luggage, among other improvements — and more comfortable and technologically advanced seating, with leather upholstery and more in-flight entertainment screens. Moreover, these aircraft are 13 percent lighter than the aircraft they will replace, resulting in lower fuel consumption and CO₂ emissions. See “—Domestic Passenger Operations” for a description of recent initiatives to improve our domestic fleet, including the introduction of modern Airbus A320-Family Aircraft in most of our domestic operations.

Our main concern is to deliver our promise to our customers. Therefore, we constantly monitor customer satisfaction with in-flight surveys and research, and measure our performance against the highest standards. This commitment to excellence has paid off with several prizes and recognitions given by customers and industry experts such as Skytrax's “2015 Best Airline Staff Service in South America” and Skytrax's “2015 Best Airline in South America” by the World Airline Awards.

Branding

The “LAN” brand was launched in 2004 and brings together, under one strong international name, all of the affiliate brands such as “LAN Chile,” “LAN Peru,” “LAN Argentina,” “LAN Colombia” and “LAN Ecuador.” The corporate image of LAN is based on two core concepts: reliability and warmth, which support our promise of the best travel experience to, from and within South America. We are also committed to offering our customers the best coverage to, from and within South America, and to promoting sustainable tourism, helping develop the regions where we operate. And by best, we mean providing our customers with an excellent connection network and service; being transparent and accessible; and promoting sustainable tourism in the countries where we do business.

Using a single brand enables LAN’s customers to better understand the common service and operating standards among its airlines. LAN’s unified image has improved its visibility, thereby enhancing flexibility and increasing the efficiency of its marketing efforts.

TAM launched the strategic platform for a single brand back in 2008, with TAM being the main brand that, through values, strategic positioning and language, guides other brands, services and business units, such as TAM Airlines, TAM Cargo, TAM Viagens, TAM Fidelidade, TAM nas Nuvens and others. Thus, we generate synergies among our businesses, always guided by the same values and the commitment to quality and relationships with our stakeholders.

In May 2013, TAM also carried out the “A gente faz um mundo por você” (“We make a world for you”) campaign, which reinforced TAM’s focus on service. In line with this vision, TAM’s mission is to be the people’s preferred airline by using joy, creativity, respect and responsibility. Based on this strategic brand positioning, TAM seeks to offer accessibility to all of those who value an efficient, rewarding, safe and hassle-free experience.

In 2014 LAN and TAM began a process to redefine the future brand strategy and in August 2015 announced their new name and logo. The brand change will begin to be implemented in the first semester of 2016.

Distribution Channels

The Company is committed to be the preferred choice of passengers, placing the passenger at the center of our decision making. Our distribution structure is divided into direct and indirect distribution channels, both focused on improving their respective platforms to allow for the easiest interaction for our clients, in sales and services alike. Direct channels owned by LATAM are comprised of city ticket offices, contact-centers and e-Business (includes website, mobile and smart business), and accounted for approximately 52% of the total passengers in 2015. These direct channels support sales and service, before and after the flight if the passenger so requires.

The e-Business channel is an integral part of our commercial, marketing and service efforts, and during 2015 our Internet-related sales achieved a better channel mix with an increase of 1.8 percentage points out of total sales in terms of revenue. The Company will continue to improve our websites, so that the technological platforms will be able to support the expected future growth.

Our digital strategy includes mobile applications that provide information to our passengers regarding their trip. These applications improve management of contingencies, enable us to provide information and solutions to our customers in a timely and transparent manner and will serve as a new direct sales channel.

Our city ticket offices support the growth of our operations, establishing a sales and service channel, while contact-centers are a multi-service channel providing support in six languages (Spanish, English, Portuguese, French, German and Italian).

Indirect channels currently include travel agencies, general sales agencies, direct channels from others airlines and also new players, such as online agencies, and accounted for a 48% of the total passengers in 2015.

Frequent Flyer Programs

During the year 2015, both LAN and TAM operated their independent loyalty programs, LANPASS and TAM Fidelidade, respectively, even though passengers enrolled in both programs were able to accumulate and redeem kilometers/points on any flight of the network managed by the two airlines and their associates.

Additionally, LATAM continued working on the cross recognition of these programs to offer their members similar features and benefits, in line with the process of harmonization of operations to which the company is committed in all areas. The initiatives include cross-level recognition of all members, for example, by allowing LANPASS members to upgrade on TAM flights and TAM Fidelidade members to upgrade on LAN flights, in addition to having the same services at the airport, among other advances.

During 2016 LANPASS and TAM Fidelidade will continue their programs harmonization efforts and will offer new cross benefits for their members.

LANPASS

LAN's frequent Flyer Program is a key element of LAN's marketing and loyalty strategy. The objective of LANPASS is to reward customer loyalty, and, as a result, generate incremental revenue and customer retention. Worldwide, as of December 31, 2015, LANPASS had 11.3 million members, an increase of 14% over 2014.

LANPASS members earn LANPASS kilometers in their accounts based on distance flown, class of ticket purchased and the elite level, or by using services of other partners in the LANPASS program. Customers can redeem kilometers for free tickets or other products in an online catalogue. Under our current frequent flyer program, our passengers are grouped in four different elite levels based on their flying behavior: Premium, Premium Silver, Comodoro and Black. These different groups determine which benefits customers are eligible to receive, such as free upgrades on a space-available basis, VIP lounge access and preferred boarding and check-in. These categories have their equivalent in the **oneworld®** alliance: Ruby for Premium, Sapphire for Premium Silver and Emerald for both Comodoro and Black.

In 2015 LANPASS had an increase of 18% in kilometers redeemed in award tickets, and 40% in kilometers redeemed in non-flight products. LANPASS has highly rated partners, including other airlines, hotels, car rental agencies, retailers, and credit card issuers from the main financial institutions in Chile, Peru, Ecuador, Argentina, Uruguay, the United States and Colombia, including Banco de Bogotá and Occidente, which are both members of Grupo Aval. These partnerships give our customers the opportunity to earn additional kilometers for using their services. Regarding Chile, in 2014 Santander and LANPASS renewed their exclusive co-branding agreement for five more years, from 2016 to 2020, continuing a union which for 20 years has allowed thousands of members to accumulate kilometers to travel to Chile and the world.

In the non-banking segment, LANPASS continues to leverage its members' purchase behavior to partner with leading players in the markets and become the most attractive loyalty program in the home markets. In past years, LANPASS has entered into new industries, such as retail, supermarkets, automotive, real estate, drugstores and health care centers.

The LANPASS frequent flyer program aims to be the leading loyalty program in all of LAN's home markets. In the past few years, LAN has implemented a number of marketing initiatives to increase customer's engagement and activity with the program in all of its markets. In 2015, membership in LANPASS continued growing by 10% in Chile, 17% in Perú, 19% in Argentina, 8% in Ecuador, 16% in Colombia and 8% in the United States.

TAM Fidelidade

TAM's frequent flyer program, TAM Fidelidade, was the first loyalty program launched by a Brazilian airline and represents a key element in TAM's marketing strategy. LATAM believes TAM Fidelidade, like LANPASS, is one of the most flexible loyalty programs in the market because it imposes no restrictions on flights or the number of seats available when members redeem accumulated points. TAM Fidelidade currently has more than 12.7 million members, which represents an increase of 8% compared to 11.7 million members in 2014.

Similarly to LANPASS, members of TAM Fidelidade receive benefits and increased points for miles flown depending on their elite level, allowing them to accrue redeemable points for free travel more quickly. TAM Fidelidade customers are classified in four different elite levels: Azul, Vermelho, Vermelho Plus and Black. The equivalents in the **oneworld®** alliance are as follows: Ruby for Azul, Sapphire for Vermelho, and Emerald for both Vermelho Plus and Black.

Multiplus

In 2009, TAM launched Multiplus, a company designed to create a broader network in which TAM's customers can earn points through the TAM Fidelidade program. Multiplus is a coalition of loyalty programs that permits the accrual of points for redemption from products and services offered by many different partner companies; not just TAM. We believe this expanded network acts as a sales channel for TAM, helping to capture and retain customers and increase sales. It is attractive to our less-frequent flyers because it allows them to accrue loyalty points in many ways besides flying. In 2015, the non-air accrual reached 15% of the total points. At the end of 2015, Multiplus had more than 400 partners and approximately 14.2 million participants that can accrue Multiplus points directly (TAM Fidelidade, co-branded cards, apps, retail partners, etc.) and indirectly (by transferring points from a partner program) in over 13,000 retail establishments.

Multiplus became a publicly traded company in Brazil, following its initial public offering in February 2010. TAM continues to own 72.74% of the ordinary shares of Multiplus.

On December 10, 2009, Multiplus entered into an Operating Agreement with TAM Linhas Aéreas (TLA), effective as of January 1, 2010, which established the terms and conditions governing the relationship with TLA. Under the Operating Agreement, Multiplus became responsible for, among other duties, processing information on accumulating and redeeming points under the TAM Loyalty Program and delivering awards to the members of said program, in accordance with the rules of the TAM Loyalty Program and the Multiplus network. The Operating Agreement is valid for 15 years and is automatically renewed every five years.

On March 1, 2013, the companies approved a new amendment to the Operating Agreement (“11th Amendment”), effective as of June 1, 2013. This amendment extends the previously existing terms and conditions, but includes a more objective procedure for setting the ticket acquisition price to be paid by Multiplus and the point price to be paid by TLA. The amendment provides that, after a transition phase completed in 2014, the price to be paid by Multiplus per 10,000 points will be adjusted to reflect the price variation of airline tickets in the market, but will be subject to a band of plus/minus 5%. In case of major changes in the airline industry, the companies agreed to negotiate in good faith a fair solution that takes into account such industry changes.

Aiming to increase the value created to Multiplus and LATAM shareholders, and to upgrade alignment of interests between Multiplus and TAM, on May 4, 2015, the companies approved a new amendment to the Operating Agreement (“14th Amendment”), effective immediately. This amendment provides that the cost for each 10,000 points redeemed on TAM Linhas Aéreas S.A. air tickets shall be approximately 3% less than Multiplus’s current prices paid for those 10,000 points. Furthermore, it established that from December 1, 2015, fixed prices for air tickets will come into force with objective rules for annual price adjustments for the purchase of air tickets, paid by Multiplus to TAM Linhas Aéreas S.A. The fixed prices of each seat have been determined by both companies as a function of the market (domestic and international), fare class, demand, season, distance and flight origin/destination.

The remaining provisions established in the original Operating Agreement, including, without limitation, those relating to reciprocal exclusivity, term of effectiveness and situations for termination with or without cause, remained, in their essence, unchanged.

On December 14, 2015, Multiplus’ Board of Directors approved the management proposal for the constitution of a limited company, with the name of “Multiplus Corretora de Seguros Ltda.,” for the purpose of developing an insurance brokerage business, in particular, in the area of basic insurance, damage insurance, life insurance (for individuals), capitalization, retirement plans and health insurance, in accordance with the business plan drawn up by Multiplus’ management. The start of operations by the new company will be subject to obtaining appropriate licences and authorizations from the Brazilian Superintendency for Private Insurance (*Superintendência de Seguros Privados* “SUSEP”). This project is in line with Multiplus’ main objectives of creating a differentiated experience to its participants, offering a new source for accrual of points and generating value to its shareholders.

Cargo Operations

Our Cargo division operates internationally and domestically through subsidiaries and affiliates under the LAN Cargo and TAM Cargo brands, which have significant market recognition. Our cargo business generally operates on the same route network used by our passenger airline business. It includes approximately 140 destinations, of which approximately 129 are served by passenger and/or freighter aircraft and approximately 11 are served only by freighter aircraft.

The following table sets forth certain of our cargo-operating statistics for domestic and international routes for the periods indicated:

	Year ended and as at December 31,		
	2015	2014	2013
ATKs (millions)	7,082.8	7,219.7	7,651.9
RTKs (millions)	3,797.0	4,317.2	4,446.7
Weight of cargo carried (thousands of tons)	1,008.7	1,102.2	1,146.6
Total cargo yield (cargo revenues/RTKs, in U.S. cents)	35.0	39.7	41.7
Total cargo load factor (%)	53.6%	59.8%	58.4%

We derive our revenues roughly equally between the transport of cargo as follows:

Bellies of our passenger aircraft. We consider our passenger network to be a key competitive advantage due to the synergies between passenger and cargo operations and, accordingly, we have developed a strategy to increase our competitiveness by enhancing our belly offering.

Dedicated freighter fleet. As of December 31, 2015, our dedicated freighter fleet consisted of eight Boeing 767-300 freighters, with a capacity for 58 structural tons (52.7 tonnes) of freight each, and three Boeing 777-200 freighters, with a capacity of 102 structural tons (102 metric tons) of freight each. In 2015 we continued working on a freighter fleet optimization program, subleasing two under-used Freighters: one B767-300F and one B777-200F, and an additional two other B767-300Fs. Our freighter fleet program has two main focus areas: the first one is supporting the group's belly business, improving the load factor by feeding cargo into our passenger routes, and the second is providing our customers flexibility in time and destinations. With these two points we are complementing and enhancing our network. In Latin America, the principal origins of our cargo are Chile, Colombia, Perú, Ecuador, Brazil and Argentina, which represent a large part of our northbound traffic. This demand is mainly concentrated in a small number of product categories, such as exports of fish, sea products and fruits from Chile, asparagus from Peru, and exports of fresh flowers from Ecuador and Colombia.

For our southbound flights, Brazil is the main import market. Southbound demand is mainly concentrated in a small number of product categories including high-tech equipment, electronics, auto parts and pharmaceuticals.

Brazil is the largest of our cargo domestic operations where TAM Cargo remains the market leader, carrying cargo for a variety of customers, including other international air carriers, freight-forwarding companies, export-oriented companies and individual consumers. In order to maintain its leadership, TAM Cargo continues to invest in infrastructure, service and security in key cargo terminals.

The United States accounts for the majority of the cargo traffic to and from Latin America. Besides being the main market for Latin American exports by air, the United States is also the main supplier of goods transported by air to Latin American countries. As a result of this, our international cargo operations are headquartered in Miami. This geographical location is a natural gateway between Latin America and the United States. We also transport cargo to and from eight destinations in Europe: London, Madrid, Milan, Paris, Barcelona, Frankfurt, Amsterdam and Basilea. The first six are served via passenger aircraft, and additionally we serve Amsterdam, Frankfurt and Basilea through freighter operations.

During 2015, cargo traffic decreased 8.5%, mainly due to a strong decline in Brazilian imports, resulting from economic weakness and currency depreciation in Brazil. However, Latin American exports remain at healthy levels, partially offset by a contraction of seed and fresh fruit exports from Chile.

Competition has increased in the region as international and regional carriers added additional capacity to service cargo operations. Despite this increase in competition, we have been able to maintain solid market shares through an efficient utilization of our fleet and network. Today, on Latin America-United States routes, our main competitors are Centurion, AVIANCA Cargo, Atlas Air and American Airlines. On the Latin America-Europe routes, our main competitors are Cargolux, Lufthansa Cargo, Martinair and Emirates Airlines.

Cargo Agreements

During 2015 we signed an Enhanced Cargo Transfer and Service Agreement with China Airlines. This agreement, together with the agreements signed in 2014 with Korean Air and Cathay Pacific, allowed us to achieve greater visibility, improved support and better service recovery in this market, expanding further our network between Latin America and Asia. We also have interline, code-sharing and other commercial agreements with other Asian carriers such as JAL, China Airlines, Air China and Nippon Cargo Airlines. Under these agreements, we receive space allocations to move our cargo from the main gateways in Asia to hubs in the United States—Los Angeles, New York and Miami—and also in Europe, where we can connect with our cargo network. In exchange, we provide these airlines with space from these same hubs in the United States and Europe to all of our Latin American destinations and also provide them with westbound cargo.

Marketing and Sales

Our sales and marketing efforts are carried out directly where we have a local office, or through general sales agents. In total, we have over 30 international offices. In Latin America, we have our own offices in all key markets. In the United States, we have offices in Miami, New York and Los Angeles, and work with representatives in various other cities. In Europe, we have offices in Frankfurt, Amsterdam, Madrid and Paris and use agents in other key cities. In Asia, we have a sales office in Hong Kong, and in other cities our sales efforts are conducted through general sales agents. In total, we maintain a network of more than 30 independent cargo sales agencies domestically and internationally.

Our cargo marketing strategy emphasizes the combination of our unique freighter and passenger aircraft cargo network, which offers a wide variety of reliable cargo routing possibilities with different pricing options; a strong connectivity to, from and within Latin America and a clear focus on providing a high-quality service for our clients. Our offering allows our customers to ship large, bulky freight, as well as smaller, high-density cargo, fresh products, express shipments and other types of cargo.

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During 2015 we focused our efforts on various aspects of our value chain to improve our customer experience. We improved connectivity and reception times at several key hubs, became more electronically integrated with customers by providing more accurate and timely information, and continued to enhance our customer service through consolidation of our worldwide customer care teams and continuous improvement initiatives at our contact centers. Additionally, we began transporting pharmaceutical products in certain routes, with cargo processes that require strict temperature control and special handling.

Cargo-Related Investigations

See “Item 8. Financial Information—A. Consolidated Financial Statements and Other Financial Information—Legal and Arbitration Proceedings.”

Fleet

General

As of December 31, 2015, we operated a fleet of 327 aircraft, comprised of 316 passenger aircraft and 11 cargo aircraft. Additionally, four cargo aircraft were subleased to third parties.

	Number of aircraft in operation			Average term of lease remaining (years)	Average age (years)
	Total	Owned ⁽¹⁾	Operating Lease		
Passenger aircraft ⁽²⁾					
Airbus A320-Family Aircraft					
Airbus A319-100	50	38	12	4.4	8.5
Airbus A320-200	154	95	59	3.3	7.6
Airbus A321-200	36	26	10	9.9	2.3
Airbus A330-Family Aircraft					
Airbus A330-200	10	8	2	0.8	13.4
Airbus A350-Family Aircraft					
Airbus A350-900	1	1	0	0	0.1
Boeing Aircraft					
Boeing 767-300ER	38	34	4	2.8	7.9
Boeing B787-8	10	6	4	10.1	2.1
Boeing B787-9	7	3	4	11.3	0.5
Boeing B777-300ER	10	4	6	3.0	4.7
Total passenger aircraft	316	215	101	4.6	6.9
Cargo aircraft					
Boeing 767-300 Freighter ⁽³⁾	11	8	3	2.9	12.1
Boeing 777-200 Freighter ⁽⁴⁾	4	2	2	1.3	5.0
Total cargo aircraft	15	10	5	2.3	10.18
Total fleet	331	225	106	4.5	7.0

(1) Aircraft included within property, plant and equipment.

(2) All passenger aircraft bellies are available for cargo.

(3) In 2014, two cargo aircraft Boeing 767-300 Freighter were subleased to a third party. In 2015, one cargo aircraft Boeing 767-300 Freighter was subleased to a third party.

(4) In 2015, one cargo aircraft Boeing 777-200 Freighter was subleased to a third party.

The daily average hourly utilization rates of LATAM's aircraft for each of the periods indicated are set forth below.

	2015	2014	2013
Passenger aircraft			
Airbus A340-300	7.3	6.7	5.8
Boeing 767-300 ER	11.3	10.5	10.1
Boeing 787	11.7	10.5	5.6
Airbus A320-Family	9.5	9.8	10.3
Boeing 777	12.2	12.9	13.6
Airbus A330	6.2	7.0	10.3
Airbus A350	0.8	-	-
Cargo aircraft			
Boeing 767-300 Freighter	10.9	9.5	10.0
Boeing 777-200 Freighter	13.0	13.2	13.3

We operate different aircraft types, as we perform various different services ranging from short-haul domestic and regional trips to long-haul transcontinental flights. We have selected our aircraft based on their ability to effectively and efficiently serve these missions while trying to minimize the number of aircraft families we operate.

For short-haul domestic and regional flights, we principally operate the Airbus A320-Family Aircraft. The Airbus A320-Family has been incorporated into our fleet pursuant to operating leases or has been purchased directly from Airbus pursuant to various purchase agreements since 1999.

For long-haul passenger and cargo flights, we operate the Airbus A330-200 aircraft, the Boeing 767-300 passenger and cargo aircraft, the Boeing 787-8 and Boeing B787-9 aircraft, and the Boeing 777 passenger and cargo aircraft.

Fleet Leasing and Financing Arrangements

LATAM's financing and leasing methods include borrowing from financial institutions and leasing under financial leases, tax leases, sale-leaseback transactions and pure operating leases. As of December 31, 2015, LATAM had 331 aircraft, of which one was in the redelivery process, three on ground and four subleased to third parties, resulting in 323 aircraft in operation. Of the aircraft, in operation 157 are operated by LAN and 166 aircraft are operated by TAM.

As of December 31, 2015, LATAM's operating fleet was comprised of 189 financial leases, 23 tax leases, 96 operating leases, five aircraft as loan guarantees and 10 unencumbered aircraft. Most of LATAM's financial and tax leases are structured for a 12-year period. LATAM has 44 aircraft leases supported by the U.S. Export-Import Bank ("EXIM Bank") and 78 supported by the European Export Credit Agencies (the "ECAs"). LATAM's operating lease maturities range from three to 12 years.

LATAM's aircraft debt, which is comprised of financial and tax leases, is denominated in U.S. dollars and typically has quarterly amortization payments. Both the financial leases and tax leases have a bank (or group of banks) as counterparty; however, the tax leases also include third parties. In terms of interest rates, 70.7% of our aircraft debt has a fixed rate and the balance has floating rate debt based on USD LIBOR. Going forward, LATAM will be the entity that takes delivery and acts as the lessee on all related leases of all aircraft for the group and has the ability to sublease them to other airlines of the group.

In order to reduce TAM's balance sheet FX exposure to the Brazilian real, as part of the integration plan following the merger with TAM, we plan to transfer the majority of the TAM aircraft under financial leases up to the LATAM level. As of December 31, 2015, we have transferred 38 aircraft to LATAM, including five transferred during 2015. This program has helped reduce the exposure to less than US\$1 billion. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Sources of financing" and "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures" for a description of expected sources of financing and expected expenditures on aircraft.

Maintenance

LATAM's Maintenance

Our heavy maintenance, line maintenance and component shops are equipped and certified to service our entire fleet of Airbus and Boeing aircraft. Our maintenance capabilities allow us flexibility in scheduling airframe maintenance, offering us an alternative to third-party maintenance providers.

LATAM Line Maintenance

Our Line Maintenance Network (the “Network”) provides a full range of aircraft maintenance services to ensure our fleet operates safely and in compliance with all local and international regulations. In addition, we strive to provide the best experience to our passengers, through the highest standards of On Time Performance and Cabin Impeccability.

The network serves over 190 destinations, which are staffed by over 4,000 LATAM maintenance professionals. In 2015, the Network effectively applied over 2.2 million man hours of preventive and corrective maintenance tasks on the LATAM fleet. We also rely on certified third party services in a few destinations where it is economically convenient, such as in Frankfurt, where we are served by Lufthansa Technik, and in Milan, where we are served by Air France-KLM.

Since 2010, maintenance in LATAM Airlines has transformed its productive and support processes using the LEAN methodology. As part of this transformation, the development of computerized systems has led to greater automation and integration of processes, offering more sustainability and scalability of the planning, productive and operational processes. The transformation has also made our technicians more productive, improved response times in contingencies and simplified maintenance processes, making them more visible to the whole organization.

In 2015, more than 300 iPads were deployed in the Spanish-speaking countries of the Network in order to realize the full potential of its computerized systems. In 2016, another 300 iPads will be deployed to the Brazilian portion of the Network, in order to:

- 1) Provide fast and simplified access to technical documents through a native app called Content Management System (CMS Mobile);
- 2) Provide access to our Maintenance System called Maintenix and the inhouse coordination apps; and
- 3) Improve our internal communication through message and video call apps.

Two of the main computerized maintenance systems are MaintCraft and MaintControl. MaintCraft is a web-based software that optimizes the planning process of daily Maintenance tasks in each Maintenance station, according to each station’s resources. MaintControl is an inhouse-developed app for the iPad, which manages the execution of the planned tasks of MaintCraft through a friendly interface, showing all the tasks that each technician has to perform throughout the shift. MaintControl also serves as a platform where the maintenance leaders can monitor their team’s progress and solve problems that arise. MaintCraft and MaintControl have already been implemented in Santiago, Chile, and will be deployed in the rest of the Spanish-speaking countries and Brazil in 2016.

In addition, in 2015 there were important improvements in the network infrastructure. The most important one is the construction of the all-new LATAM Hangar at the Miami International Airport. This Hangar reinforces Miami as a strategic Maintenance station in the Northern Hemisphere, complementing the capacity of Chile, Peru and Brazil. The new LATAM Hangar improves the flexibility of the Network by allowing the performance of tasks that previously might be restricted because of adverse weather conditions and environmental authority restrictions. Examples of these tasks are the A-Checks and Engine Changes. Also, Miami presents a strategic geographic advantage in obtaining supplies and services, as well as a wider range of providers to cover complex Maintenance tasks. The Hangar and the surrounding infrastructure comprise more than 66,000 square feet and involved an investment of 15 million U.S. dollars.

In order to strictly comply with applicable regulations, all of our maintenance operations are supervised and audited by the local authorities and international entities around the Network, such as DGAC Chile, ANAC Brazil, the Federal Aviation Administration in the United States (“FAA”), The International Air Transport Association Operational Safety Audit (“IOSA”) (from the International Air Transport Association or “IATA”) and the International Civil Aviation Organization (“ICAO”), among others. The audits are conducted in connection with each country’s certification procedures and enable us to continue to perform maintenance for the aircraft registered in the certifying jurisdictions. Our repair station holds FAA Part-145 certifications under these approvals. In addition, to ensure the best capabilities in our personnel needed for a safe, accurate and on-time Line Maintenance, we seek to improve our technicians’ skills through extensive training programs at Technical Training LATAM Center and specific training programs designed and dictated by our partnerships. Also, the Fleet and Engineering teams participate actively in periodic airline Fleet Reliability meetings, where we share best industry practices and updates of the latest Line Maintenance trends and top technical issues.

LATAM MRO

LATAM MRO, part of LATAM’S Engineering and Maintenance VP, is responsible for our heavy maintenance (airframe) and components shops facilities that are equipped and certified to service our fleet of Airbus and Boeing aircraft. Our two MRO facilities, one in São Carlos (Brazil) and one in Santiago (Chile), provide 73% of all heavy maintenance services that the LATAM Airlines Group demands. The services not executed internally are contracted between our extensive network of MRO partners around the globe. Both MRO facilities are FAA Part-145 certified repair stations. We occasionally perform certain heavy maintenance and component services for other airlines or OEMs. LATAM MRO is also responsible for the planning and execution of aircraft redeliveries.

In MRO São Carlos (TAM MRO), we are prepared to service up to eight aircraft (narrow body and wide bodies) simultaneously with a dedicated hangar for stripping and painting. In that facility we also have 22 technical component shops, including a full Landing Gear repair & overhaul shop, Hydraulics, Pneumatics, Electronics (ATEC), Electrical Components, Electroplating, Composites, Wheels & Brakes, Interiors and Emergency Equipment shops. This facility has a total area of 400 ha and a hangar area of 100,000 m², with a dedicated runway of 1,720 meters. MRO São Carlos is certified and audited by major international aeronautical authorities such as FAA, the European Aviation Safety Agency (“EASA”), ANAC Brazil, DGAC, the Argentinean *Administración Nacional de Aviación Civil* (“ANAC Argentina”), the Ecuadorian *Dirección General de Aviación Civil* (“DGCA”), Paraguayan *Dirección Nacional de Aeronautica Civil* (“DINAC”), Transport Canada (“TC”) , among others, for Heavy Maintenance and Components Repair and Overhaul for the Airbus A-320 family (A318, A319, A320 and A321) and Airbus A330, Boeing 767, ATR-42/72 and the Embraer E-Jet 170/190 families. The MRO also has some minor capabilities for the repair and overhaul of Airbus A340 and Boeing 777 components. MRO São Carlos includes its own support engineering capabilities and a full technical training center.

In MRO Santiago, located near Comodoro Arturo Merino Benítez International Airport in Santiago, we have two hangars capable of servicing simultaneously one wide body aircraft and two narrow body aircraft. MRO Santiago is certified and audited by FAA, ANAC Brazil, DGAC, ANAC Argentina and DGCA, among others, for Heavy Maintenance for the Airbus A320-Family (A319, A320 and A321) and Boeing 767. MRO Santiago has eight shops prepared to support hangar activities such as cabin shops, galleys, structures and composite materials. We also have the capability to retrofit aircraft interiors, including installation of IFE (in-flight entertainment) equipment and blended winglets in the Boeing 767 fleet.

During 2015, LATAM MRO effectively applied 1.2 million man-hours (increasing 2.7% from 2014) in more than 400 services, including C checks (116) and Special Checks (300) for the LATAM fleet. Our shops delivered more than 60,000 components and performed 13 landing gear overhauls.

In 2015 we increased our external MRO network, leading us to the successful execution of our first C-Checks on our B787 fleet at Etihad MRO in Abu Dhabi, United Arab Emirates. In addition, during 2015 LATAM MRO installed our new on-board wireless entertainment system, which is already available on 65% of our narrow body fleet of both LAN and TAM aircraft.

LATAM Safety and Security

Our most important priority is the safety of our passengers and employees. LATAM has been working to standardize LAN and TAM’s operational indicators regarding safety, audits and emergency response. This process of identifying synergies in LAN and TAM’s operational indicators has led to opportunities to improve processes and standardize operational processes and audits.

Prior to the merger, both LAN and TAM had internal divisions in charge of the management of safety and security matters. The divisions that currently support these functions are: Safety Management, Security Management, Emergency Response Management, Safety & Security Audit Management and Safety and Occupational Health Management. These divisions function on the basis of uniform policies and procedures issued from the Corporate Safety and Security Vicepresidency located in Santiago de Chile, and that are also represented in each affiliated company.

Organization of the LATAM Safety and Security Vicepresidency

Safety Management Corporate

We give high priority to providing safe and reliable air service. We have unified our Safety Management under a single organization (Corporate) that is responsible for the definition of processes and procedures for the LATAM SMS and for the oversight of the subsidiaries that apply and implement those processes and procedures.

Both LAN and TAM have safety management systems (“SMS”) documentation that provides clear definitions of the functions and responsibilities regarding operational safety for all persons involved, from the top to the bottom of the operational structure in the airline.

Both systems are IOSA certified and have a Safety Senior Manager who is responsible for each system implementation and for setting standardized procedures for measuring the quality and safety of services provided by companies or professional contractors that affect the operational safety of this organization.

Our Corporate Operational Safety Organization consists of three main areas:

- Risk Management, which is responsible for identifying hazards, assessing the risks and coordinating with operational areas (flight, maintenance, and ground and cargo operations). Risk Management operates the hazard identifying tools implemented in LATAM Airlines Group (Reports, Investigations, Change Management, LOSA and Flight Data Analysis);
- Safety Assurance and Safety Promotion, which is responsible for managing all Safety Indicators used to monitor safety in our operations, and for promoting a Safety Culture through communication and training. This includes the Safety and Security Audit Management area, which has the mission of advising Senior Management on issues related to plan and control, design, implementation, maintenance, documentation and observation of the improvement of the LATAM Safety and Quality Management System. This also includes coordination and execution of an annual audit of operational processes, ensuring that the internal auditors follow the Quality System procedures and detect proactively the way to address any possible untreated risk; and
- Technical Support, which is responsible for the maintenance of all software that is required to support the other areas, principally Flight Data and Safety Management in the AQD.

The Risk Management division is organized as follows:

Flight Data Monitoring and Flight Safety

The Flight Data Monitoring area is responsible for the maintenance and administration of recorded flight data and safety-related databases and software.

Flight Operations Quality Assurance (“FOQA”): LATAM has a Flight Data Monitoring (“FDM”) program implemented for collecting, processing and analyzing all flights for LATAM’s fleet in its Aircraft Operator Certificates (“AOC”). This program utilizes the data to produce statistical information to verify that recommended standard operational procedures are correctly deserved, and to make changes if required as well as other safety-related measures. We have started the development of a maintenance variation for the same aircraft types which will monitor the engines, flight controls and general performance of the airplanes.

This program is combined with the flight safety analysis and related follow-up that result from Safety e-reports, Change Management and anonymous reporting, and from proactive risk assessments when new factors appear on the operation.

Maintenance Safety

The Maintenance Safety area oversees our maintenance safety measures and investigates maintenance-related incidents using the Maintenance Error Decision Aid (“MEDA”) methodology.

Cabin Safety Coordinator

The Cabin Safety area coordinator is responsible for managing the safety of aircraft cabins, cabin safety investigations, cabin passengers and flight attendants.

Investigation and Safety Information Management Coordination

All information regarding safety-related incidents is entered into dedicated software, where it is analyzed according to potential risk. Important incidents are investigated thoroughly. Each particular incident requiring corrective action is addressed accordingly with the assistance of the corporate operational safety directory.

Line Operations Safety Audit (“LOSA”)

This program is recognized by the International Civil Aviation Organization (“ICAO”) and the National Civil Aviation Agencies, both of which oversee our operations, as a necessary tool for protecting passengers and employees.

The implementation of this program has been used to improve flight safety in the Company, by recording behaviors observed during normal flights for experienced pilots and through the preparation of a mandatory checklist (form) developed by experienced pilots familiar with the program. Observations by the Threat and Error Management (“TEM”) may even propose appropriate changes to the system and processes.

Human Factor Program

A team of Human Factor Specialists is dedicated to implementing a Fatigue Risk Management System (“FRMS”) program throughout LATAM and Just Culture principles.

Security Management Corporate

The Company has to ensure adequate security protection for all of its flights, aircraft, passengers, crew members, ground personnel, airport facilities and other services related to the commercial civil aviation against any threat or unlawful action.

We have implemented corporate policies and a quality management system through the planning of audits and inspections designed to detect any lack of security in our operations and to prevent acts of unlawful interference. Risk analysis is used to determine different levels of security to be implemented in international and domestic operations.

Security Corporate Managers in LAN and TAM have the responsibility of evaluating, analyzing and assigning risk levels (high, medium or low) to international and domestic operations, and proposing security procedures for each scenario. The security management is controlled in all processes and audited following an annual program.

Emergency Response Management Corporate

The emergency response management team is responsible for the administration of the Emergency Response Plan (“ERP”). It has been developed for the effective management of different kinds of emergencies (aircraft accidents, natural disasters, strikes and pandemics) with the purpose of mitigating the impacts of emergencies on passengers and their relatives, as well as on our operations. The ERP includes, among others, Emergency Process and Procedures, Emergency control centers, Relatives & Passengers Assistance Team, Notification Team, Aircraft Recovery, and a “Go Team” which is a special team that will be dispatched in the case of an emergency and will assume the responsibility of emergency management.

Safety and Occupational Health Management

The main objective of the Safety and Occupational Health Management program is to ensure the safety and health of workers at work, by advising, managing and helping the company prevent occupational accidents and diseases through the identification and control of occupational hazards and medical surveillance. We have a dedicated team of professionals (engineers, doctors, risk prevention experts and paramedics), who constantly develop activities aimed at protecting LATAM employees.

Fuel Supplies

Fuel costs comprise one of the single largest categories of our operating expenses. Over the last years, our fuel consumption and operating expenses have increased due to the significant growth in our operations. On the other hand, in the year 2015 due to the significant drop in the international price of crude oil, LATAM also saw a drop in its jet fuel costs. In 2015, total fuel costs represented 27.6% of our total operating expenses. The into-wing price for 2015 (average fuel price plus taxes and transportation costs, including hedge) was US\$2.19 per gallon, representing a decrease of 36.0% from the 2014 into-wing average fuel price. We can neither control nor accurately predict the volatility of fuel prices. Despite the foregoing, it is possible to partially offset the price volatility risk through our hedging and fuel surcharge programs, in place in both our passenger and cargo business. For more information, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Risk of Fluctuations in Jet Fuel Prices.”

The following table details our consolidated fuel consumption and operating expenses, after related hedging gains and losses (which exclude fuel costs related to charter operations because fuel expenses are covered by the entity that charters the flight) during the last three years.

	Year ended December 31, ⁽¹⁾		
	2015	2014	2013
Fuel consumption (thousands of gallons)	1,221,096.9	1,219,882.7	1,266,718.6
ASKs Equivalent (millions)	208,857.1	206,197.9	212,236.8
Fuel consumption (thousands of gallons) per ASK Equivalent (millions)	58.5	59.2	59.7
Total fuel costs (US\$ thousands)	2,651,067	4,167,030	4,414,249
Cost per gallon (US\$)	2.19	3.42	3.48
Total fuel costs as a percentage of total operating expenses	27.58%	34.85%	34.97%

⁽¹⁾ See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—LATAM Airlines Group Financial Results Discussion: Year ended December 31, 2015 compared to year ended December 31, 2014.” Total fuel costs (US\$ thousands) include Hedging gains/losses.

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Our fuel supply arrangements vary by airport and are distributed among 32 providers, but are mainly concentrated in Brazil (43%), Chile (13%), the United States (12%) and Perú (10%). During 2015, we negotiated our fuel supply in major European, North American and South American airports.

In 2015, we also signed a long term contract with our Brazilian suppliers, which meant a renewal of our agreements. In Miami, our main airport in the United States, we renewed our contract with WFS, securing our supply in a complex market.

In Argentina, Colombia, Ecuador, Mexico and Paraguay, we continued working with our current suppliers (including Raizen/Shell, YPF, Petrobras, Petroperu, Repsol, Petroecuador, Terpel and Axion, among others.) regarding our fuel supply arrangements in these countries, and many of these supply agreements will be renegotiated during 2016.

Ground Facilities and Services

Our main operations are based at the Comodoro Arturo Merino Benítez International Airport in Santiago, Chile, where we operate hangars, aircraft parking and other airport service facilities at the Comodoro Arturo Merino Benítez International Airport pursuant to concessions granted by the DGAC. We also maintain a customs warehouse at the Comodoro Arturo Merino Benítez International Airport, additional customs warehouses in Chile (Iquique, Antofagasta and Punta Arenas) and Argentina (Aeroparque) and operate cargo warehouses at the Miami International Airport to service our cargo customers. Our facilities at Miami International Airport include corporate offices for our cargo and passenger operations and temperature-controlled and freezer space for imports and exports. We also operate from various other airports in Chile and abroad.

We also operate significant ground facilities and services through TAM's headquarters located at Congonhas International Airport in São Paulo, Brazil. In 2013, we inaugurated two new facilities for ground handling equipment maintenance and repair, at São Paulo's Guarulhos Airport with 9,000 m² and at Rio de Janeiro's Galeão Airport with 4,000 m².

Finally, we incur certain airport usage fees and other charges for services performed by the various airports where we operate, such as air traffic control charges, take-off and landing fees, aircraft parking fees and fees payable in connection with the use of passenger waiting rooms and check-in counter space.

Ancillary Airline Activities

In addition to our airline operations, we generate revenues from a variety of other activities, including aircraft leases (including subleases, dry-leases, wet-leases and capacity sales to certain alliance partners) and charter flights, tours, duty-free in-flight sales, other maintenance, storage and customs, handling and activities and revenues of Multiplus. In 2015, LATAM generated other revenues of US\$385.8 million from ancillary activities.

Insurance

We maintain insurance policies as required by law and in accordance with the terms of all aircraft leasing agreements which LATAM and its affiliates and subsidiaries own, are responsible for or operate. The scope of these policies includes all risk coverage for aircraft hulls, including war risks and third-party legal liability for passengers, cargo, baggage and injuries to third parties on the ground. Our current policies, which are in force through April 1, 2017 and are renewed annually, follow the best practices adopted by the international civil aviation industry.

We have negotiated common terms for Hull All Risk, Aviation Legal Liabilities and Spares coverage, together with IAG Group (British Airways, Iberia and their affiliates and franchises), which allows us to obtain premium reductions and coverage improvements. We also maintain insurance in respect of the assets against the risk of theft, fire, flood, electrical damage and similar events for equipment and buildings we own or for which we are responsible, including airport areas where we have operations. Similarly, we have contracted for vehicle insurance against the risk of robbery, theft, fire and civil liability against third parties for all vehicles we own or for which we are responsible.

Information Technology

Passenger Service Systems

As part of the Single Agenda of Transformation of the Customer Experience at LATAM, we have redefined our travel experience model and will continue to redesign our passenger service systems with the aim of providing a unified experience to our customers. Since the 2012 merger of LAN and TAM, a series of projects have been implemented to communicate the unification of the companies to our customers. Intense efforts have been made to standardize processes such as passenger recognition, attention at contact centers, sales offices and airports, in-flight services, e-commerce and loyalty programs. However, many of these efforts are partial pending full unification of the two companies' processes and systems, which is still ongoing.

In 2014, we redefined our travel experience model based on the needs of our target customer, reinforcing six key elements:

- Transparency of information;
- Early solutions;
- Passenger choice;
- Digital simplicity;
- End-to-end rapidity; and
- Care for our customer.

All these elements call for the development of new processes with strong technological support. This, in turn, requires a robust and consistent technological model to meet the new standard of service we offer to passengers and guarantee the continuity of business processes.

In order to address this challenge, we drew up an aggressive and robust three-year plan of work, with focus on the customer throughout 2015. This plan includes the design of new processes and the selection of the definitive platforms that will be part of LATAM Airlines Group's new solution. Under this plan, we will review the current status of each area of work involved in the travel experience, compare it to the desired technological end state, and establish a roadmap that is consistent with both customer perceptions and internal processes. Examples of the many areas of work to be considered include:

- Boosting the passenger mobile and web applications, into which almost all the processes used by our customers can gradually be included, in accordance with the concepts of self-management and simplicity;
- Mobile application for personnel in contact with customers both at the airport and through in-flight services, with online provision of the information required to offer the best passenger service from any location;
- Management of contingencies, providing information tools to both the customer and our contact personnel, notification of passengers through special channels, information about flights and contingencies at all times, self-management of flight options and automatic reassignment tools;
- Airport self-service both at multi-function kiosks and in baggage self-labeling processes;
- Unification of the customer database for effective recognition that permits a consistent service;
- Unification of the LAN and TAM passenger loyalty programs, including categories unification, accrual unificated process, upgrade unificated process, etc., while still remaining under separate currency management

In 2015 the focus of the implementation of the road map has been on projects to transform the customer experience for our customers:

- Onboard service: for example, the growth of a mobile platform for passenger service crews;
- Airports: for example, the selection of self-service platform (Kiosks), special services management processes, ground handling management processes;
- Contingency: for example, mobile platform for agents to manage the contingency processes and disruption information to passengers on flight status;
- Contact Center: for example, unification of technology platforms, efficient care processes and improving processes for passengers;

- Loyalty and customers: for example, the cross-recognition of benefits of our frequent flyer programs and the unified LATAM commercial website; Traditional Channels: improving and unifying service platforms; and
- Digital Channels: displaying transactions and information in order improve service for passengers.

During 2016 we expect to continue our efforts to transform the travel experience for our passengers.

Implementation of many of these processes also calls for consistent work to unify customer service support systems. To this end, work has been undertaken to select the necessary end-game tools that meet the identified challenges and is compatible with our technological standards. In furtherance of this goal, we have either selected the best tools already available at LAN or TAM or have opted to implement new external tools, after a selection process.

The design and implementation of this plan for the next three years form part of the Single Agenda of Transformation of the Customer Experience at LATAM.

LATAM PSS Migration and Digital Platform

Prior to the 2012 merger, LAN and TAM worked with different solutions, TAM with Amadeus and LAN with SABRE. LATAM has since decided to unify the Passenger Service Platform in an effort to obtain operational and financial synergies. As a result, the PSS Migration Program began in 2014.

After running a Request for Proposal (“RFP”) process with both current providers, SABRE and Amadeus, in May 2015 LATAM signed a 10-year contract with SABRE. Since June 2015, LATAM and SABRE have jointly started the execution of PSS Migration. As the unification of our systems is a top priority for LATAM, the Go Live date will be published no later than Q2 2016, as soon as LATAM and SABRE finalize solution designs, migration strategies and integration plans.

LATAM has announced that, in parallel with the PSS migration, it will make an important investment in its digital platform as part of its strategy to improve services and its customers’ travel experience. Through innovation and best practices, the digital platform will focus on the business priorities for e-commerce and mobile solutions. Since 2015, a dedicated team has worked on enhancements to the digital platform based on a long-term Digital Strategy and Roadmap Plan.

Maintenance

Since 2010 LAN has used the MXI (Maintenix) solution for maintenance of its fleets in accordance with aviation regulations. This solution integrates Maintenance and Procurement and Logistical Management of Components (parts and spares) processes in a single IT tool.

In 2013, TAM began a Maintenix implementation project that is scheduled for completion by the end of 2016. This project includes standardization of LAN’s and TAM’s maintenance processes, permitting optimization of stocks of components and seeking to take advantage of synergies in the maintenance process, while maintaining operational safety as the key pillar. This solution also takes into account the specific nature of financial, accounting and tax processes in Brazil.

In 2015, LATAM began the implementation of an Electronic Library in a Content Management System (“CMS”) solution with the Flat Iron Partner, allowing for an electronic collection of all technical manuals, repair documentation, diagrams, and other documents, thereby improving the access and the quality of the information. In 2015, LAN mechanics in the field were provided tablets, for use in consulting all this electronic information online. This solution is expected to be implemented by TAM during the first quarter of 2016.

In 2014, LATAM began the implementation of a Wireless IFE in the Airbus 320, 319 and 318 Fleet. This system allows passengers to use their own PED (Personal Electronic Device) to access all the contents of entertainments, flight information, etc. Currently LATAM has equipped 182 airplanes with this modern systems, with the goal of completeing implementation in the entire fleet by mid-2016.

ERP LATAM

As part of the integration of LATAM’s systems, in January 2015, TAM implemented the SAP platform (ERP ECC 6.0, EHP 3.0) as adapted to Brazil’s financial and procurement needs. This project unifies LATAM Airlines Group’s information systems, and integrates finance and procurement processes, standardizes the technological platform for these processes and consolidates the Group’s organizational structure, resulting in better control mechanisms and a greater analytical capacity to support decision-making. Since its completion, the project has been controlled by the SAP team, which is responsible for business continuity and support.

We have also taken steps to integrate all of the LATAM Airlines Group’s human resources processes and technological platforms. Our goal is to implement in TAM the SAP modules for Payroll, Personnel Administration, Organizational Development, Compensation, Recruitment and Selection. This project is scheduled to be in operation in the second quarter of 2016.

Central IT

At the level of Central IT, we follow two main strategies:

1. Implementation of software developments, including implementation of cloud infrastructure in order to improve time to market for the business; and
2. Implementation of an IT processes transformation project in all IT areas, from project design to platforms provisioning, in order to improve time to market and obtain significant cost efficiencies.

At present, LATAM has two data centers in Chile and one in Brazil. Design and configuration of two data centers and a Disaster Response Plan (“DRP”) for LATAM was completed at the end of the second quarter of 2015 and their implementation will begin in 2016. For 2016, DRP proofs of concepts in cloud environments will start in the 3rd Quarter.

Communications and Telephony

LATAM Airlines has a full IP telephony solution, including services like video conference platforms, to facilitate communications between our global workforce. Also, in 2016 LATAM Airlines will put in place an RFP for all telecommunication, telephony and networking solutions. This cost-saving measure is expected to be implemented by the end of 2016.

Regulation

Below is a brief reference to the material effects of aeronautical and other regulations in force in each of the relevant jurisdictions in which LAN and its subsidiaries operate.

Chile

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 and regulates the assignment of international routes and the compliance with certain insurance requirements, while 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 transportation. 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 order to carry 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 a unilateral opening of the Chilean domestic skies. This was confirmed on November 2013, and has been in force since that date.

International Routes. As an airline providing services on international routes, LAN is also subject to a variety of bilateral civil air transportation 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.

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International route rights, as well as the corresponding landing rights, are derived from a variety of air transportation 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 20 days in advance. We must file notice with the JAC of any increase in fares on “competitive” routes at least 10 days in advance. In addition, the Chilean authorities now 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 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.

Argentina

Aeronautical Regulation

Both the *Administración Nacional de Aviación Civil* (“ANAC”) and the Secretary of Transport oversee and regulate the Argentinean aviation industry. ANAC regulates flight operations, including personnel, aircraft and security standards, air traffic control and airport management, and reports indirectly to the Ministry of Planning and is responsible for supervising compliance with Argentinean laws and regulations relating to air navigation. The Secretary of Transport also reports to the Ministry of Planning and regulates the assignment of international routes and matters related to tariff regulation policies. We have obtained and maintain the necessary authorizations from the Argentinean government to conduct flight operations, including authorization certificates and technical operative certificates from ANAC, 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.

Argentina is a contracting state and 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 Argentinean authorities have incorporated into Argentinean laws and regulations. In the absence of applicable Argentinean regulation concerning safety or maintenance, the ANAC 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. In Argentina, airlines are required to obtain permits in connection with carrying passengers or cargo on any domestic routes, and to comply with the technical requirements established by the local authority. There are no regulatory barriers preventing a foreign airline from creating an Argentine subsidiary and entering the Argentine domestic market using that subsidiary. However, ownership of such subsidiary by the foreign airline may not be direct, but through a subsidiary formed in Argentina, which in turn may be directly or indirectly owned by the foreign company. However, such subsidiary should operate Argentine-registered aircraft and employ Argentine aeronautical personnel.

International Routes. As an airline providing services on international routes, LAN Argentina is also subject to a variety of bilateral civil air transport agreements that provide for the exchange of air traffic rights between Argentina and various other countries. There can be no assurance that existing bilateral agreements between Argentina and foreign governments will continue. Furthermore, 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 Argentina 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 Argentina, when additional route frequencies to and from foreign cities become available, any eligible airline may apply to obtain them. ANAC 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 ANAC may terminate its rights to that route.

Airfare Pricing Policy. Argentine airlines are permitted to establish their own international fares without government regulation, as long as they do not abuse any dominant market position they may enjoy. However, there are government-fixed minimum prices for domestic flights. Government-fixed maximum prices were in place until February 3, 2016, when the government eliminated the controls that limited the maximum prices, while retaining the minimum prices.

Registration of Aircraft. Aircraft registration in Argentina is governed by the Argentinean Aeronautical Code (“AAC”). In order to register or continue to be registered in Argentina, an aircraft must be wholly owned by either:

- a natural person who is an Argentinean citizen; or
- a legal entity incorporated in and having its domicile and principal place of business in Argentina and a majority of the capital stock of which is owned, directly or indirectly, by Argentinean nationals, among other requirements established in the AAC.

Safety. ANAC requires that all aircraft operated by Argentinean airlines be registered with ANAC. All aircraft must have a valid certificate of airworthiness issued by ANAC. In addition, ANAC will not issue maintenance permits to an Argentinean airline until ANAC has assessed the airline’s maintenance capabilities. ANAC renews maintenance permits periodically and approves maintenance operations once the airline initiates its operations and each time an airline changes its maintenance regime. Only ANAC-certified maintenance facilities (in Argentina or in any other country) may maintain and repair the aircraft operated by Argentinean airlines. Aircraft maintenance personnel at such facilities must also be certified by ANAC before assuming any aircraft maintenance positions.

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

Airport Policy. The ORSNA (*Organismo Regulador del Sistema Nacional de Aeropuertos*) supervises and manages the airports in Argentina, including the supervision of take-off and landing charges. The ORSNA proposes airport charges, which are approved by ANAC and are the same at all airports. Nevertheless, while domestic flights are charged in local currency, international flights are charged in U.S. dollars. Since the late-90s, a number of Argentinean airports have been privatized, including Aeroparque and Aeropuerto Internacional de Ezeiza Ministro Pistarini in Buenos Aires, the two most important airports in Argentina. At the privatized airports, the airport administration manages the facilities under the supervision of ANAC and ORSNA.

Environmental and Noise Regulation. There are no material environmental regulations or controls imposed upon airlines, applicable to aircraft or that otherwise affect us in Argentina, except for environmental laws and regulations of general applicability and noise-restriction regulation currently applicable to aircraft in Argentina. Any aircraft operated by an Argentinean airline should comply with certain noise restrictions, specifically with Stage 3 standards, as set forth in chapter 91.805 of the Argentinean civilian aviation regulations (*Regulaciones Argentinas de Aviación Civil*) 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.

Peru

Aeronautical Regulation

The Peruvian DGAC (“PDGAC”) oversees and regulates the Peruvian aviation industry. The PDGAC reports directly to the Ministry of Transportation and Communications and is responsible for supervising compliance with Peruvian laws and regulations relating to air navigation. In addition, the PDGAC regulates the assignment of national and international routes, and the compliance with certain insurance requirements, and it regulates flight operations, including personnel, aircraft and security standards, air traffic control and airport management. We have obtained and maintain the necessary authorizations from the Peruvian government to conduct flight operations, including authorization and technical operative certificates, 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.

Peru is a contracting state and a permanent member of the ICAO. The ICAO establishes technical standards for the international aviation industry, which Peruvian authorities have incorporated into Peruvian laws and regulations. In the absence of an applicable Peruvian regulation concerning safety or maintenance, the PDGAC 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. Peruvian airlines are required to obtain permits in connection with carrying passengers or cargo on any domestic routes and to comply with the technical requirements established by the PDGAC. Non-Peruvian airlines are not permitted to provide domestic air service between destinations in Peru.

International Routes. As an airline providing services on international routes, LAN Peru is also subject to a variety of bilateral civil air transport agreements that provide for the exchange of air traffic rights between Peru and various other countries. There can be no assurance that existing bilateral agreements between Peru 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 Peru 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 Peru, 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 PDGAC awards it through a public auction for a period of four years. The PDGAC 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 90 days or more, the PDGAC may terminate its rights to that route, although that has never happened in practice.

Airfare Pricing Policy. Peruvian airlines are permitted to establish their own domestic and international fares without government regulation, as long as they do not abuse any dominant market position they may enjoy. For more information, see “—Antitrust Regulation” below. Airlines or other interested parties may file complaints before the Institute for Protection of Fair Competition and Consumer Rights (“Indecopi”) with respect to monopolistic or other pricing practices by other airlines that violate Peru’s antitrust laws.

Registration of Aircraft. Aircraft registration in Peru is governed by the Peruvian Civil Aviation Law. In order to own and register a Peruvian aircraft, the following conditions shall apply:

- In case of a natural person, the owner shall be a Peruvian citizen; or in case of a foreign person, the owner shall be permanently domiciled in Peru; or
- In case of a legal entity, it shall be incorporated in and having its domicile and principal place of business in Peru among other requirements established in article 47 of the Peruvian Civil Aviation Law.
- Aircraft owned by non-Peruvian citizens or entities with domicile in Peru may also be registered in Peru but only if the aircraft is used for general, and not commercial, aviation. Registration of any aircraft can be cancelled if it is not in compliance with the requirements for registration mentioned above and, in particular, if the aircraft does not comply with any applicable safety requirements specified by the PDGAC.

Safety. Peruvian law allows the use of aircraft that are registered either with the PDGAC or with an equivalent supervisory body in a country other than Peru. All aircraft must have a valid certificate of airworthiness issued by either the PDGAC or an equivalent non-Peruvian supervisory entity. In addition, the PDGAC will issue maintenance permits to a Peruvian airline as long as the PDGAC has assessed the airline’s maintenance capabilities. The PDGAC has approved our maintenance operations. Only PDGAC-certified maintenance facilities or facilities certified by an equivalent non-Peruvian supervisory body in the country where the aircraft is registered may maintain and repair the aircraft operated by Peruvian airlines. Aircraft maintenance personnel at such facilities must also be certified either by the PDGAC or an equivalent non-Peruvian supervisory body before being appointed to any aircraft maintenance positions.

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

Airport Policy. CORPAC supervises and manages airports in Peru, including the supervision of take-off and landing charges. CORPAC sets airport charges for navigation facilities, which may differ from airport to airport. Since the mid-90s, a number of Peruvian airports have been privatized, including the Aeropuerto Internacional Jorge Chávez in Lima. At the privatized airports, the airport administration manages the facilities under the supervision of the *Organismo Supervisor de la Inversión en Infraestructura de Transporte de Uso Público*, (the Supervising Agency of Investment in Public Transport Infrastructure Facilities or “OSITRAN”), an independent regulatory and supervising entity.

Environmental and Noise Regulation. There are no specific material environmental regulations or controls imposed upon airlines, applicable to aircraft, or that otherwise materially affect us in Peru, except for environmental laws and regulations of general applicability. There are noise restriction regulations currently applicable to aircraft in Peru. LAN’s fleet complies with the proposed restrictions, so they do not impose a material burden on us.

Ecuador

Aeronautical Regulation

There are two institutions that control commercial aviation on behalf of the State: (i) The National Civil Aviation Board (“CNAC”), which directs aviation policy; and (ii) the General Civil Aviation Bureau (“EDGAC”), which is a technical regulatory and control agency. The CNAC issues operating permits and grants operating concessions to national and international airlines. It also issues opinions on bilateral and multilateral air transportation treaties, allocates routes and traffic rights, and approves joint operating agreements such as wet leases and shared codes.

- Fundamentally, the EDGAC is responsible for:
- ensuring that the national standards and technical regulations and international ICAO standards and regulations are observed;
 - keeping records on insurance, airworthiness and licenses of Ecuadorian civil aircraft;
 - maintaining the National Aircraft Registry;
 - issuing licenses to crews; and
 - controlling air traffic control inside domestic air space.

The EDGAC also must comply with the standards and recommended methods of ICAO since Ecuador is a signatory of the 1944 Chicago Convention.

Route Rights

Domestic Routes. Airlines must obtain authorization from CNAC (an operating permit or concession) to provide air transportation. For domestic operations, only companies incorporated in Ecuador can operate locally, and only Ecuadorian-licensed aircraft and dry leases are authorized to operate domestically.

International Routes. Permits for international operations are based on air transportation treaties signed by Ecuador or, otherwise, the principle of reciprocity is applied. All airlines doing business in Latin America that are incorporated in countries that are members of the *Comunidad Andina de Naciones* (the Andean Community, or “CAN”) obtain their traffic rights on the basis of decisions currently in force under that regime, in particular decision N°582 of 2004, which guarantee free access to markets, with no type of restriction except technical considerations.

Shared codes are allowed in Ecuador after authorization by the CNAC, but the respective airlines must have the relevant traffic rights.

Airfare Pricing Policy. On October 13, 2011, The Statutory Law of Regulation and Control of the Market Power was passed with a purpose to avoid, prevent, correct, eliminate and sanction the abuse of economic operators with market power, as well as to sanction restrictive, disloyal and agreements involving collusive practices. This Law creates a new public entity as the maximum authority of application and establishes the procedures of investigation and the applicable sanctions, which are severe. Rates are not regulated and are subject only to registration. In general, bilateral treaties regarding air transportation provide for airfares to be regulated by the regulation of the country of origin.

Registration of Aircraft. The legislation allows Ecuadorian companies to provide international air transportation services using aircraft licensed in Ecuador and aircraft with a foreign license, always provided the latter are exploited under dry leases. For domestic operations, aircraft is authorized only pursuant to dry leases and Ecuadorian registration. Aircraft interchange agreements are also allowed for international operations, provided that the aviation authority can confirm that the aircraft is under the operational control of an Ecuadorian operator. Wet leases are permitted, but very restricted.

Safety. In order to ensure aviation safety, the EDGAC requires that the airline hold an Air Operator Certificate and have Operating Specifications that are examined technically and rigorously to ensure compliance with the Civil Aviation Technical Regulations, which are essentially the same as the Federal Aviation Regulations (“FAR”) of the FAA. They cover matters of aircraft airworthiness, certification of maintenance facilities and oversight by the EDGAC.

Security. The governing rules also apply to security in respect of the EDGAC. There are regulations, manuals and procedures on airport security overseen by the EDGAC.

Airport Policy. The international airports in Quito and Guayaquil are managed under administrative concessions, and the EDGAC merely controls air traffic. Fees for the use of airport facilities, terminal fees, landing fees and parking fees are all overseen and collected by the operator. Over-flight and approach fees are controlled and collected by the EDGAC.

Environmental and Noise Regulation. Aircraft must comply with the standards of category 3 under Ecuadorian applicable noise regulations, as set forth in Executive Decree (*Decreto Ejecutivo*) 1,405, enacted on October 24, 2008, which provides certain technical specific criteria. Beginning in May 2010, aircraft must comply with standards of category 4 under cited regulation. Category 3 provides for compliance with ICAO regulations and technical conditions mandatory in the United States of America.

United States of America

Aeronautical Regulation

Operations to and from the United States by non-U.S. airlines, such as LAN, are subject to Title 49 of the U.S. Code, under which the Department of Transportation (“DOT”) and the FAA exercise regulatory authority. The DOT has jurisdiction over international aviation in connection with the United States, subject to review by the president of the United States. The DOT also has jurisdiction with respect to unfair practices and methods of competition by airlines and related consumer protection matters. The U.S. DOJ also has jurisdiction over airline competition matters under the U.S. federal antitrust laws. Flight operations between Chile and the United States by airlines licensed by either country are governed generally by the open skies air transport agreement that Chile and the United States signed in October 1997. Under the open skies agreement, there are no restrictions on the number of destinations or flights that either a U.S. or a Chilean airline may operate between the two countries or on the number of U.S. and Chilean airlines that may operate.

Authorizations and Licenses

LAN is authorized by the DOT to engage in scheduled and charter air transportation services, including the transportation of persons, property (cargo) and mail, or combinations thereof, between points in Chile and points in the United States and beyond (via intermediate points in other countries). LAN holds the necessary authorizations from the DOT in the form of a foreign air carrier permit, Exemption Authorizations and Statements of Authorization to conduct current operations to and from the United States. Exemptions and Statements of Authorization are temporary in nature and are subject to renewal and therefore there can be no assurance that any particular exemption or statement of authorization will be renewed. LAN's foreign air carrier permit has no expiration date, while a renewal of the exemption authorization (which includes the open skies traffic rights) was timely filed, and the Authority was automatically extended until such time as the DOT issues the renewal order. LAN intends to request the inclusion of the open skies rights into our foreign air carrier permit, which would eliminate our need to renew the exemption authority in the future.

The FAA is engaged in the regulation with respect to safety matters, including aircraft maintenance and operations, equipment, aircraft noise, ground facilities, dispatch, communications, personnel, training, weather observation and other matters affecting air safety. The FAA requires each foreign air carrier to obtain certain operations specifications that authorize it to operate to particular airports on approved international routes using specified equipment. LAN currently holds FAA operations specifications under Part 129 of the FAR in compliance in all material respects with all requirements necessary to maintain in good standing its operations specifications issued by the FAA. The FAA can amend, suspend, revoke or terminate those specifications, or can suspend temporarily or revoke permanently our authority if an airline fails to comply with the regulations, and can assess civil penalties for such failure. A modification, suspension or revocation of any of our DOT authorizations or FAA operations specifications could have a material adverse effect on our business.

The FAA also conducts safety audits and has the power to impose fines and other sanctions for violations of airline safety regulations. We have not incurred any material fines related to operations.

Security. On November 19, 2001, the Congress of the United States passed, and the president signed into law, the Aviation and Transportation Security Act, also referred to as the Aviation Security Act. This law federalized substantially all aspects of civil aviation security and created the Transportation Security Administration ("TSA"), which took over security responsibilities previously held by the FAA. The TSA is an agency of the U.S. Department of Homeland Security. The Aviation Security Act requires, among other things, the implementation of certain security measures by airlines and airports, such as the requirement that all passenger bags be screened for explosives. Funding for airline and airport security required under the Aviation Security Act is provided in part by a US\$2.50 per segment passenger security fee, subject to a US\$10 per roundtrip cap; however, airlines are responsible for costs in excess of this fee. Implementation of the requirements of the Aviation Security Act has resulted in increased costs for airlines and their passengers. Since the events of September 11, 2001, Congress has mandated, and the TSA has implemented, numerous security procedures and requirements that have imposed and will continue to impose burdens on airlines, passengers and shippers.

Noise Restrictions. Under the Airport Noise and Capacity Act of 1990 ("ANCA"), and related FAA regulations, aircraft that fly to the United States must comply with certain Stage 3 noise restrictions, which are currently the most stringent FAA noise requirements. All of our aircraft that fly to the United States meet the Stage 3 requirements.

Under the direction of the ICAO, governments are considering the creation of a new and more stringent noise standard than that contained in the ANCA. The ICAO adopted new noise standards in 2001 that established more stringent noise requirements for aircraft manufactured after January 1, 2006. In the United States, legislation known as the "Vision 100—Century of Aviation Reauthorization Act," which was signed into law in December 2003, required the FAA to issue regulations implementing Stage 4 noise standards consistent with recommendations adopted by the ICAO. FAA regulations require all aircraft designed and certified after January 1, 2006 to comply with Stage 4 noise restrictions.

FAA regulations also require compliance with the Traffic Alert and Collision Avoidance System, approved airborne wind shear warning system and aging aircraft regulations. Our entire fleet meets these requirements.

Brazil

Aeronautical Regulation

The Brazilian aviation industry is regulated and overseen by the ANAC. The ANAC reports directly to the Civil Aviation Secretary, which is subordinated by the Federal Executive Power of this country. Primarily on the basis of Law No. 11.182/2005, ANAC was created to regulate commercial aviation, air navigation, the assignment of domestic and international routes, compliance with certain insurance requirements, flight operations, including personnel, aircraft and security standards, air traffic control, in this case sharing its activities and responsibilities with the *Departamento de Controle do Espaço Aéreo* (Department of Aerospace Control) ("DECEA"), which is a public secretary also subordinated to the Brazilian Defense Ministry, and airport management, in this last case sharing responsibilities with the *Empresa Brasileira de Infra-Estrutura Aeroportuária* (the Brazilian Airport Infrastructure Company, or "INFRAERO"), a public company that was created by Law No. 5862/72, and is responsible for administering, operating and exploring Brazilian airports industrially and commercially (with the exception of Guarulhos International Airport, Viracopos International Airport and Brasília International Airport, which were privatized in 2012 and are administered by concession agreement).

We have obtained and maintain the necessary authority from the Brazilian government to conduct flight operations, including authorization and technical operative certificates from ANAC, the continuation of which is subject to 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.

ANAC is the Brazilian civil aviation authority and it is responsible for supervising compliance with Brazilian laws and regulations relating to air navigation. Brazil is a contracting state and a permanent member of the ICAO. The ICAO establishes technical standards for the international aviation industry, which Brazilian authorities, represented by the Brazilian Defense Ministry, have incorporated into Brazilian laws and regulations. In the absence of an applicable Brazilian regulation concerning safety or maintenance, ANAC has incorporated by reference the majority of the ICAO’s technical standards.

Route Rights

Domestic Routes. Brazilian airlines are not required to obtain permits in connection with domestic passenger or cargo transportation, but only to comply with the technical requirements established by ANAC. Based on the Brazilian Aeronautical Code (“CBA”) established by Law No. 7.565/86, non-Brazilian airlines are not permitted to provide domestic air service between destinations in Brazil. The same law prevents a foreign airline from creating a Brazilian subsidiary and entering the Brazilian domestic market using that subsidiary.

International Routes. Brazilian and non-Brazilian airlines providing services on international routes are also subject to a variety of bilateral civil air transport agreements that provide for the exchange of air traffic rights between Brazil and various other countries. International route rights, as well as the corresponding landing rights, are derived from a variety of air transport agreements negotiated between Brazil 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 Brazil, 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 ANAC must carry out a public bid and award it to the elected airline. ANAC 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, ANAC may terminate its rights to that route. ANAC may also terminate its right if the recipient airline does not operate at least 80% of the frequency given for that specific route.

Airfare Pricing Policy. Brazilian and non-Brazilian airlines are permitted to establish their own international and domestic fares, in this last case only for Brazilian airlines, without government regulation, as long as they do not abuse any dominant market position they may enjoy. Airlines may file complaints before the Antitrust Court with respect to monopolistic or other pricing practices by other airlines that violate Brazil’s antitrust laws.

Registration of Aircraft. Aircraft registration in Brazil is managed by ANAC, which maintains the Brazilian Aeronautical Register, as regulated by the CBA. The CBA allows ANAC to permit registration of aircraft belonging to Brazilian and non-Brazilian individuals.

Safety. ANAC requires that all Brazilian aircraft have a valid certificate of airworthiness issued by ANAC. In addition, ANAC will not issue maintenance permits to a Brazilian airline until it has assessed the airline’s maintenance capabilities. ANAC renews maintenance permits annually and has approved our maintenance operations. Only ANAC certifies aircraft maintenance services and its personnel.

Security. ANAC establishes and supervises the implementation of security standards and regulations for the Brazilian commercial aviation industry. Such standards and regulations are based on standards developed by international commercial aviation organizations. Each airline and airport in Brazil must submit an aviation security handbook to ANAC describing its security procedures for the day-to-day operations of commercial aviation and procedures for staff security training.

Brazilian Airport Policy. INFRAERO supervises and manages airports in Brazil, including the supervision of take-off and landing charges. INFRAERO proposes airport charges, which are approved by ANAC and are the same at all airports. At privatized airports, the airport administration manages the facilities under the supervision of ANAC.

Environmental and Noise Regulation. ANAC coordinates and supervises noise regulations by regulation 121, which established noise restriction applicable to aircraft in Brazil. There are no material environmental regulations or controls imposed specifically upon airlines companies, applicable to aircraft, other than Brazilian general environmental laws and regulations.

Colombia

Aeronautical Regulation

The governmental entity in charge of regulating, directing and supervising civil aviation in Colombia is the Aeronáutica Civil (“AC”), a technical agency ascribed to the Ministry of Transportation. The AC is the aeronautical authority for the entire domestic territory, in charge of regulating and supervising the Colombian air space. The AC may interpret, apply and complement all civil aviation and air transportation regulation to ensure compliance with the Colombian Aeronautical Regulations (“RAC”). The AC also grants the necessary permits for air transportation.

Route Rights

The AC grants operation permits to domestic and foreign carriers that intend to operate in, from and to Colombia. In the case of Colombian airlines, in order to obtain the operational permit the company must comply with the RAC and fulfill legal, economic and technical requirements, to later be subject to public hearings where the public convenience and necessity of the service is considered. The same process must be followed to add national or international routes, whose concession is subject to the bilateral instruments entered into by Colombia. Routes cannot be transferred under any circumstance and there is no limit to foreign investment in domestic airlines.

Airfare Pricing Policy. Since July 2007, as stated in resolution 3299 of the Aeronautical Civil entity, bottom level airfares for both international and domestic transportation were eliminated. Under resolution 904 issued in February 2012, the Aeronautical Civil entity decided to liberalize the obligation of charging a fuel surcharge for both domestic and international transportation of passengers and cargo. As of April 1, 2012, air carriers may now freely decide whether or not to charge a fuel surcharge. In the case that it is charged, the fuel surcharge must be part of the fare, but may be informed separately on the tickets, advertising or other methods of marketing used by the company.

In the same line, as of April 1, 2012 there is no longer any restriction on top level fares published by the airlines or with respect to the obligations for air carriers to report to the Aeronautical civil entity the fares and conditions the day after being published.

Administrative fares are not subject to any changes, and its charge is an obligation for the transport of passengers under Aeronautical Civil Regulations.

Registration of Aircraft. The AC, through the Office of Aeronautical Registration, is in charge of handling the registration of aircraft that will be operated by Colombian airlines. Registration may be obtained by a registration process fully conducted in Colombia or through the validation in Colombia of a foreign registration. For such registration, the aircraft must be legally imported to the country and inspected by the aeronautical inspectors. This office is also in charge of property registrations, lease contracts and liens of the registered aircraft.

Safety. Aircraft registered in Colombia obtain an airworthiness certificate or a validation of the airworthiness certificate (if they operate under the approval of the foreign registration).

Security. Following the guidelines of the OACI annexes, the AC issued an airport security program that must be strictly complied with by all the aircraft operators in the country as well as by airports.

Environmental and Noise Regulation. In Colombia, only aircraft that comply with category 3 noise limits may operate. There are strict regulations to control noise during takeoffs and landings of the aircraft at the El Dorado Airport in Bogotá due to its location in an urban area.

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.

As a condition to the business combination between LAN and TAM in June 2012, the antitrust authorities in Chile and in Brazil each imposed certain mitigation measures as part of their approval of the merger. Furthermore, the merger 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. For more information regarding these mitigation measures please see below:

Chile

On September 21, 2011, the TDLC issued the Decision with respect to the consultation procedure initiated on January 28, 2011 in connection with the proposed combination. The TDLC, in the Decision, approved the proposed combination between LAN and TAM, subject to 14 conditions, as generally described below:

- exchange of certain slots in the Guarulhos Airport at Sao Paulo, Brazil;
- extension of the frequent flyer program to airlines operating or willing to operate the Santiago-Sao Paulo, Santiago-Río de Janeiro, Santiago-Montevideo and Santiago-Asunción routes during the five-year period from the effective time of the merger;
- execution of interline agreements with airlines operating the Santiago-Sao Paulo, Santiago-Río de Janeiro and Santiago-Asunción routes;
- certain capacity and other transitory restrictions applicable to the Santiago-São Paulo route;
- certain amendments to LAN's self-regulatory fare plan approved by the TDLC with respect to LAN's domestic passenger business;
- the obligation of LATAM to renounce to one global airline alliance within 24 months from the date in which the merger becomes effective, except in the case that the TDLC approves otherwise, or to elect not to participate in any global airline alliance;
- certain restrictions on code-sharing agreements outside the global airline alliance to which LATAM belongs for routes with origin or destination in Chile or that connect to North America and Europe, or with Avianca/TACA or Gol for international routes in South America, including the obligation to consult with, and obtain approval from, the TDLC prior to its execution of certain of those codeshare agreements;
- the abandonment of four air traffic frequencies with fifth freedom rights between Chile and Perú and limitations on acquiring in excess of 75%, as applicable, of the air traffic frequencies in that route and the period that certain air traffic frequencies may be granted by the Chilean air transport authorities to LAN;
- issuance of a statement by LATAM supporting the unilateral opening of the Chilean domestic skies (cabotage) and abstention from any actions that would prevent such opening;
- promotion by LATAM of the growth and normal operation of the Guarulhos (Brazil) and Arturo Merino Benítez (Chile) airports, to facilitate access thereto to other airlines;
- certain restrictions regarding incentives to travel agencies;
- to maintain temporarily 12 round trip flights per week between Chile and the United States and at least seven round trip non-stop flights per week between Chile and Europe;
- certain transitory restrictions on increasing fares in the Santiago-Sao Paulo and Santiago-Río de Janeiro routes for the passenger business and for the Chile-Brazil routes for the cargo business; and
- engaging an independent consultant, expert in airline operations, which for 36 months, and in coordination with the FNE, will monitor and audit compliance with the conditions imposed by the Decision.

On or about June 2015, the FNE initiated a legal claim against LATAM before the TDLC alleging that LATAM was not complying with certain mitigation conditions related to the code share agreements with airlines outside LATAM's global alliance as referenced above. Although LATAM opposed this allegation and responded the claim accordingly, a settlement agreement was reached between the FNE and LATAM. The Settlement Agreement approved by the TDLC on December 22, 2015 terminated the legal proceeding initiated by the FNE and did not include conclude any violation of the TDLC resolutions or any applicable antitrust regulations by LATAM. The Agreement did establish the obligation of LATAM to amend/terminate certain code share agreements and contract an independent third party consultant, which would act as an advisor to the FNE to monitor the compliance by LATAM of the Seventh Condition and the Agreement.

Brazil

The Brazilian Council for Economic Defense – CADE approved the LAN/TAM merger by unanimous decision during the hearing session of December 14, 2011, subject to the following 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.

C. ORGANIZATIONAL STRUCTURE

LATAM Airlines Group is a company primarily involved in the transportation of passengers and cargo. Our operations are carried out principally by LAN, and by a number of different subsidiaries and affiliates, including TAM. As of January 31, 2015, in the passenger business we operated through seven main airlines: LATAM Airlines Group S.A. (which does business under the name “LAN Airlines”), incorporated in Chile, Transporte Aéreo S.A. (which does business under the name “LAN Express”), a Chilean subsidiary, LAN Peru S.A. (“LAN Peru”), a Peruvian subsidiary, Aerolane, an Ecuadorian subsidiary, Líneas Aéreas Nacionales del Ecuador S.A. (“LAN Ecuador”), and Ecuadorian subsidiary, LAN Argentina S.A. (“LAN Argentina,” previously Aero 2000 S.A.), an Argentinian subsidiary, Aerovías de Integración Regional, Aires S.A. (which does business under the name “LAN Colombia”), a Colombian subsidiary, TAM Linhas Aereas S.A. (“TAM Linhas Aereas”) incorporated in Brazil; and Transportes Aéreos del Mercosur S.A. (TAM Mercosur”), a Paraguayan subsidiary).

As of January 31, 2016 we held a 100% stake in LAN Express through direct and indirect interests, a 70% stake in LAN Peru through direct and indirect interests, a 55.00% stake of the voting shares of LAN Ecuador and a 100% of the non-voting shares of Holdco Ecuador S.A., who has 45.00% of the voting shares of LAN Ecuador, a 95% indirect stake in LAN Argentina, a 99.09% indirect stake in LAN Colombia and a 100.00% stake of the non-voting shares of TAM, and 19.42% of the voting shares and 100% of the non-voting of Holdco I S.A., who has 100.00% of the voting shares of TAM. Following changes in Brazilian law, which now permit foreign persons to own up to 49% of the voting capital of Brazilian airlines, on April 20, 2016, we increased our ownership of the voting shares of Holdco I S.A. to 48.99%. For a description of the 2012 combination with TAM, including TAM’s operating structure, see “Item 4. Information on the Company—A. History and Development of the Company—Combination of LAN and TAM.”

Our cargo operations are carried out by our subsidiaries and affiliates, including TAM Linhas Aereas and LAN Cargo. Our cargo operations are complemented by the operations of certain related companies, such as Aero Transportes Mas de Carga S.A. de C.V. (“MasAir”) in Mexico, Aerolinhas Brasileiras S.A. (“ABSA”) in Brazil and Linea Aérea Carguera de Colombia S.A. (“LANCO”) in Colombia. As of January 31, 2016, we indirectly held 100% of the non-voting shares and 24.99% of the voting shares of MasAir, 100% of the non-voting shares and 20% of the voting shares of ABSA, and a 90% stake in LANCO through direct and indirect participations. TAM S.A. has 100% of the non-voting shares and 100% of the voting shares of ABSA. Following the business combination between LAN and TAM, we have coordinated the operations of ABSA and TAM Cargo in Brazil. In the cargo business, we market ourselves primarily under the LAN Cargo brand internationally and the TAM Cargo brand in Brazil.

D. PROPERTY, PLANTS AND EQUIPMENT

LAN’s Property, Plant and Equipment

Headquarters

Our main facilities are located on approximately five acres of land that we own near the Comodoro Arturo Merino Benítez International Airport. The complex includes approximately 150,695 square feet of office space, 32,292 square feet of conference space and training facilities, 9,688 square feet of dining facilities and mock-up cabins used for crew instruction.

In addition, we occupy 17,715 square feet for our executive offices in a more central location of Santiago, Chile. This space includes five floors owned by LATAM in one building and 16 leased floors in an adjacent building.

Furthermore, during 2011 we acquired a new floor at the Arrau Building in Santiago, Chile, consisting of 11,840 square feet.

Maintenance Base

Our 877,258 square feet maintenance base is located on a site that we own inside Comodoro Arturo Merino Benítez International Airport. This facility contains our aircraft hangar, warehouses, workshops and offices, as well as a 559,720 square feet aircraft parking area capable of accommodating up to seventeen short-haul aircraft. We have a 53,820 square feet office building plus a 10,000 square feet office and workshop space. We also lease from the DGAC 193,750 square feet of space inside the Comodoro Arturo Merino Benítez International Airport for operational and service purposes. Our lease has a duration of 14 years.

During 2013, we began to develop a series of infrastructure projects, the most significant of which is the construction of a north platform which allows for an additional 13 new A320 aircraft parking spaces. During 2013, a significant part of this project was completed, including five new parking spaces for A320 aircraft. Additionally during 2013, parking capacity for vehicles was increased by 135 new spaces.

During 2014 these Facilities were completed and delivered to operation.

Miami Facilities

We occupy a 36.3-acre site at the Miami International Airport that has been leased to us under a concession agreement by the Miami Dade Aviation Department. Our facilities include a 44,650 square feet corporate building, a 380,000 square feet cargo warehouse (including a 116,670 square meter cooling area) and a 783,000 square feet aircraft-parking platform. These facilities were constructed and are now leased to us under a long-term contract by Aero Term, a division of Real Term Global. The rent we pay annually for all facilities total US\$746,000.

In October 2015, LATAM Airlines Group inaugurated a new hangar for a Boeing B777 plane. The property has a 50,785 square feet aircraft maintenance space in addition to a 32,440 square feet area designated for office space. The final project cost was \$15 million.

Other Facilities

We own a building and sixteen acres of land on the west side of the Comodoro Arturo Merino Benítez International Airport that houses a flight-training center. As of February 28, 2014, this facility features three full-flight simulators for Boeing 767, Airbus A320 and Boeing 737 aircraft.

Fast Air Almacenes de Carga S.A. ("Fast Air"), one of our subsidiaries that operate import customs warehouses, utilizes an import warehouse and office building at the Comodoro Arturo Merino Benítez International Airport. This 172,000 square feet building was developed in conjunction with two other operators. We have leased these facilities since 2004 and we will continue to operate there until December 2016.

In March 2015 LAN launched its new VIP lounge in Santiago de Chile Airport. An area of 2,200 m² was built to house more than 450 passengers, with areas for resting, work, entertainment, bathrooms and shower services.

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

We also own 166,840 square feet of land near the Lima airport, where we built training facilities for our flight and cabin crews , with capacity for two flight simulators (Airbus A320 and Boeing 767), facilities for emergency evacuation practice (including a pool to practice ditching) and classrooms. In addition, in 2010 we leased a piece of land and hangar inside the Lima airport for our maintenance facilities that was rented to LAN Peru for an initial period of five years, which was renewed in February 2015. The new maintenance facilities have approximately 3,500 m² of space, a hangar with a covered area of approximately 6,500 m² (space for three Airbus A320s or one Boeing 767) plus an out platform of approximately 3,500 m².

Finally, we are renting eight floors in a building and three floors in another building for our corporate facilities. We are also renting 23 commercial offices around the country.

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

During 2012, new administrative and operational offices were created in the Logistic center (PARQUE DEL SOL) near the El Dorado airport in Bogotá, covering 11,500 square feet.

During November 2013, a new VIP lounge covering 690 m² in the El Dorado Airport in Bogotá was completed.

During 2014 there was a complete renovation of the Hangar Aircraft Parking, which now has space for three A320 aircraft.

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

The New Quito Airport in Ecuador was opened in 2013, LAN Ecuador spent approximately US\$4.5 million for facilities and infrastructure investments at this new airport. During the construction period, LAN Ecuador (and other airlines) was required to make significant investments for airport infrastructure.

In 2012, LAN began the construction of new facilities for Andes, a company that performs ground service aircraft handling services for LAN Ecuador and acts as an airport service provider. The Andes facilities cover 3,134 m² and included an investment of US\$2.5 million. A new facility for line maintenance and operations was also constructed. The maintenance facility covers an area of 1,300 m² and included an investment of US\$2 million. Both facilities were built on land concessioned by QUIPORT and were opened during the first quarter of 2013.

LAN Argentina's Property, Plant and Equipment

LAN Argentina has approximately 192,670 square feet built. All facilities are leased and are distributed as follows:

Administrative Offices: 71,042 square feet

Sales Offices: 27,986 square feet

Concessions airports: 93,646 square feet

We also have a maintenance base in Argentina with a hangar of 26,900 square feet, 9,600 square feet of offices, 1,070 square feet of workshops and an exterior platform of 5,300 square feet. This facility is meant for the parking and maintenance of A320 aircraft and it is capable of providing full maintenance, including C-Checks.

In December 2012, LAN Argentina launched its new VIP lounge in Terminal B of the Ezeiza Airport. An area of 6,458 square feet was built to house more than 150 passengers, with areas for resting, work, entertainment, bathrooms and shower services.

TAM's Property Plant and Equipment

Headquarters

TAM's main facilities are located in São Paulo, in hangars within the Congonhas Airport and nearby. At Congonhas Airport, TAM leases office facilities in converted hangars belonging to INFRAERO (the Local Airport Administrator). These facilities comprise 649,933 square feet.

The Service Academy is located at Rua Atica, 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, comprising 15,342 m².

Base Maintenance

At Hangars II and V in Congonhas Airport, which TAM leases for approximately R\$ 287,000 per month from Infraero Concessionary, TAM has 15,650 m² of offices and hangars with about 1,050 workstations. This site also houses the areas of Aircraft Maintenance, Procurement and Logistics of Aeronautical Materials and Retrofitting.

Other Facilities

In São Paulo, TAM has other facilities such as: Commercial Headquarters, an old Pantanal office, located 7.0 km from Congonhas Airport, with 540 m² leased area; Uniform Building, with 890 m², exclusive use for storage and delivery of uniforms; and a Call Center Building at Rua Augusta with 3,199 m² leased and all the infrastructure service, distributed over 5 floors (plus a ground floor and a basement) that currently holds about 400 workstations and support rooms (meetings / training / dining room / coordination) of the operations of Call Center Reservations, Talk to People and Backoffice Tam Cargo.

TAM also has the following offices: Multiplus Office, located at Alphaville in Barueri city, with 800 m² leased; TAM Viagens Office, with 1,895 m² leased; and one Store of TAM Viagens, at Rua Bela Cintra with 158 m² leased. In Guarulhos, TAM has a total area of approximately 12,894 m² distributed in the Passenger Terminal, Operational Areas such as Check-in, Ticket Sales, Check Out, Operations Areas, VIP Lounges, Aircraft Maintenance, GSE, Cargo Terminal, Distribution Centers, etc. The Cargo Terminal has 164 m² of office and 8,534 m² of open area. The Distribution Centre Supplies area has 3,030 m².

TAM has a total of 45 online sites and 10 offline/chartering/high season sites in Brazil. Outside of Brazil, TAM has a total of 30 sites in 6,300 m², including 20 online sites and 10 offline/chartering/high season sites. TAM also has 166 franchised stores of TAM Viagens through Brazil.

Headquarters of the Presidency

Finished in 2013, the headquarters of the Presidency and strategic areas has an area of 5,066 m², space for 641 workstations and a total investment of R\$ 12.0 million. The headquarters is located at the Tower Bridge Building, located in Brooklin region.

New Administrative Headquarters

Finished in 2015, the new office has an area of 12,195 m², with 10 floors (2 half-floors) and 1 mezzanine, in about 1,500 workstations, in a total investment of R\$ 23.9 million. The new office is located at Espaço Empresarial Nações Unidas (EENU), in the Chacára Santo Antonio region. With the new space, the Company terminated the contract lease of hangar 7 in Congonhas, keeping one hangar as a Marketing Strategy.

Building Improvements

There are ongoing works in the Hangars 2 and 5 located at Congonhas Airport, planned to be completed during the first half of 2016, with an expected investment of R\$ 17.9 million for approximately 5700 m², and once works on both hangars are completed, Hangar 8 will be returned. Work on Hangar 3 will be completed in the first quarter of 2016, with an expected investment R\$ 6.0 million for approximately 6000 m².

New Facilities

TAM concluded several projects for new facilities in 2014 and 2015, the most significant of which was a new cargo terminal in Manaus that integrates the operations of ABSA and TAM Cargo in the city and has a cargo space of about 4,700 m²; the construction of a new GSE area in Florianópolis with an area of approximately 400 m²; the construction of a new GSE area in Vitória with 255 m² and a new distribution center for supplies in Guarulhos, with an area of approximately 3,035 m². In total, TAM spent approximately R\$30 million on these projects in 2014. Additionally, we built TPS 3 offices in Guarulhos airport at terminal 3, with 2100 m².

TAM also completed several projects for new facilities in 2014 and 2015, the most significant of which are a new cargo terminal in Guarulhos that integrates the operations of ABSA and TAM Cargo in Guarulhos, with a cargo space of about 6,500 m² in a land of about 15,434 m²; the construction of a new VIP Lounge in Guarulhos Airport with 1,900 m²; and investments of R\$ 20 million targeted to general improvements of GSE facilities throughout Brazil.

Another project under consideration is a new hangar in Guarulhos Airport for narrow and wide body aircraft maintenance. This new hangar is still under review, but is expected to be complete in the first half of 2016. The new facilities will receive an investment of R\$ 110 million in 2017.

In addition to the projects mentioned above, some large airports in Brazil, including Guarulhos, Natal and Viracopos, have undergone major structural reforms promoted by the government, which required investments of R\$8.2 million for modernization of our facilities. These projects were directly related to the 2014 World Cup.

ITEM 4A UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements and the accompanying notes beginning on page F-1 of this annual report.

The summary consolidated annual financial information as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2015, 2014 and 2013, has been prepared in accordance with IFRS and has been derived from our audited consolidated annual financial statements included in this annual report.

Overview

We derive our revenues primarily from transporting passengers on our passenger aircraft, as well as from transporting cargo in the belly of our passenger aircraft and in our dedicated freighter aircraft. In 2015, approximately 83.1% of our revenues came from passenger revenues, 13.1% came from our cargo business, and the remaining 3.8% from other operating revenues. Other operating revenue consists primarily in revenues generated from tour operator services, aircraft leases, on-board sales, third-party maintenance, ground handling, customs and storage brokerage operations.

Our operating environment in 2015 was marked by continued capacity rationalization in both cargo and Brazilian passenger operations compared with 2014, coupled with a generally weaker macroeconomic environment in Latin America, including slower GDP growth or GDP contraction trends, and weaker currencies in most countries. Specifically in Brazil the macroeconomic environment was marked by political corruption issues leading to a decrease in business and consumer confidence levels.

Passenger Operations

In general, our passenger revenues are driven by international and country-specific political and economic conditions, competitive activity and the attractiveness of the destinations that we serve. Passenger revenues are also affected by our capacity, traffic, load factors, yield and unit revenue. Our capacity is measured in terms of available seat kilometers, or ASKs, which represents the number of seats we make available for sale, multiplied by the kilometers flown. We measure traffic in RPKs, as the number of passengers on our flights multiplied by the number of kilometers flown. Load factors represent RPKs (traffic) as a percentage of ASKs (capacity), or the percentage of our capacity that is actually used by paying customers. Finally, we use yield, revenue from passenger operations divided by RPKs, to measure the average amount that one passenger pays to fly one kilometer and unit revenue, or revenue per ASK, to measure the effect of capacity on revenues. See “Item 3. Key Information—A. Selected Financial Data.”

Passenger demand over the past years has been affected as a result of weaker economic environments in some Latin American countries, reflected in slower GDP trends and depreciated currencies, and increases in competition from operators to South America and within the region.

During 2015, domestic operations in the Company’s Spanish speaking countries (SSC, which include Chile, Peru, Argentina, Colombia and Ecuador) continued to show moderate growth in terms of traffic and remained very profitable, in spite of the economic slowdown in some countries. Our SSC business in 2015 grew at a higher pace than in 2014, as we increased capacity by 4.8% as compared to 2014, while passenger traffic as measured in RPKs increased by 5.3%, allowing for an improvement of 0.4 percentage points in load factors, reaching 80.9%. However, yields in the SSC domestic markets continue to be under pressure due to the depreciation of local currencies, mainly the Colombian and Argentinian peso which depreciated an average of 33.0% and 51.3% respectively, as compared to 2014. In particular, on December 17, 2015, the new Argentinean government removed currency controls and allowed release the restrictions related to the Argentinean currency to float freely, generating a devaluation of roughly 30% in one day. The combination of moderate growth and devaluation of the Argentinian currency resulted in a 9.0% decline in revenue per ASK as compared to 2014.

In 2015 LATAM started to reduce capacity in our Brazilian operations in order to adapt to a weaker economy and the depreciation of the local currency, which have negatively impacted our results. In this context, and in line with the current dynamics of domestic industry, TAM reduced capacity by 2.5% as measured in ASK during 2015 while passenger traffic as measured in RPKs decreased by 2.6%, resulting on a reduction of 0.1% in load factors, reaching 81.6%. As a result, TAM ended the year with a decrease of 3.5% in our revenues per ASK in Brazilian reais as compared to 2014.

In our international operations, we increased our passenger capacity by adding new destinations and strengthening the use of our regional hubs, consistent with the Company’s focus on network improvements. Additionally, we have seen a more significant increase in intraregional competition during the year, where operators—formerly domestic operators—are strengthening their regional flights; and where the situation in Venezuela has led to the redirection of capacity to other markets within the region. In addition, the depreciation of some local currencies, especially the Brazilian reais, has adversely affected our international demand. Furthermore, the Brazilian international passenger results were also affected by lower corporate travel to and from Brazil due to the weaker macroeconomic scenario in the country. During 2015, the international business unit increased capacity by 6.4% while traffic as measured in RPK increased 5.4%, leading to a reduction of 0.8 percentage points in load factors, reaching 84.6%, resulting in a decrease of 15.5% in the revenue per ASK (RASK).

Overall, LATAM has focused on improving our product and connectivity with international passengers. We have implemented initiatives such as Wireless in-flight Entertainment System in most of the narrow body fleet, allowing our passengers access to digital content on their own device and advances in the construction of the main hub of the company at Guarulhos airport in São Paulo, where LATAM already moved all of its operations to the new Terminal 3, and where the Company was able to substantially improve its connection times to offer a much more attractive product for its passengers. Additionally, in 2015 we received new aircraft models such as B787-9 and A350-900 and, during May 2015, LATAM inaugurated a new VIP lounge at the airport in Santiago which will be important in helping to create the best experience for our passengers.

Cargo Operations

Our cargo operations depend on exports from and imports to South America and are, therefore, affected by economic conditions, foreign exchange rates, changes in international trade, the health of particular industries and competition and fuel prices (which we usually pass on to our customers through a cargo fuel surcharge). Cargo revenues are also affected by our capacity, traffic, load factors and yield. Our capacity is measured in terms of available ton kilometers, or ATKs, which represents the number of tons available for the transportation of cargo, multiplied by the kilometers flown. We measure traffic in revenue ton kilometers, or RTKs, as the amount of cargo loads (measured in tons) multiplied by the number of kilometers flown. Load factors represent RTKs (traffic) as a percentage of ATKs (capacity), or the percentage of our cargo capacity that is actually used to transport cargo for our customers.

Finally, we use yield, or revenue from cargo operations divided by RTKs, to measure the average amount that our customers pay to transport one ton of cargo one kilometer. See “Item 3. Key Information—A. Selected Financial Data.”

We have designed our operations, route network and commercial strategies with the flexibility required to respond to changing conditions. In the cargo business, it is important to differentiate between what has been our business northbound—exports from the region to North America and Europe—and our business southbound—imports to the region, where Brazil is the main import market.

Since 2012, the environment for the freighter business, and therefore for LATAM’s cargo business unit, has been complicated. The global freight markets have remained weak, and Latin America has not been an exception. In addition, freighter and passenger operators have increased cargo capacity in the region. These factors have put significant pressure on cargo yields.

During 2015, cargo traffic decreased 12.0%, reflecting a challenging scenario in Latin American cargo markets mainly due to a strong decline in Brazilian imports affected by its economic decline and currency devaluation. However, Latin American exports remain at healthy levels, partially offset by a contraction of seed and fresh fruits exports from Chile.

As a result, the Company continues with a rational and disciplined approach toward freighter capacity utilization, while focused on maximizing the belly utilization of the Company’s passenger fleet. In this regard, in 2015 the Company sub-leased one of its 767-300Fs and one of its 777-200Fs to for a period of three years a company operating in a different market. Overall, capacity decreased by 1.9% in 2015, resulting in a load factor of 53.6%, which represents a decrease of 6.2 percentage points as compared to 2014. As a result, the 11.8% decline in the cargo yields led to a contraction of the revenues per ATK of 20.9%.

Cost Structure

LATAM Airlines Group’s costs are driven by the size of our operations, fuel prices, fleet costs and exchange rates. Our operating expenses are calculated in accordance with IFRS and comprise the sum of the line items “cost of sales” plus “distribution costs” plus “administrative expenses” plus “other operating expenses,” as shown on our consolidated statement of comprehensive income. These operating expenses include wages and benefits, fuel, depreciation and amortization, commissions to agents, aircraft rentals, other rental and landing fees, passenger services, aircraft maintenance and other operating expenses. The following is a discussion of the drivers of the most important costs.

As an airline, we are subject to fluctuations in costs that are outside of our control, particularly fuel prices. At the end of 2014, fuel prices were low principally because of an increase in production of Shale Gas in the United States, resulting in a price war among the exporter countries. At the beginning of 2015, fuel followed the same trend due to the agreement reached by Iran and the largest economies regarding Iran’s nuclear program, ending the penalties imposed on oil exports. Also, economic weakness in China and Europe, due to the uncertain situation in Greece, put more pressure on oil prices. In the second half of 2015, the worries regarding the Chinese economy, and increased competition between the United States, Russia and OPEC members with respect to market share on oil sales, led to an additional decrease in fuel prices. Although we have implemented a number of strategies to mitigate the impact of the volatility of fuel prices, such as fuel-hedging policies and the use of pass-through mechanisms, it is unlikely that we will be able to fully protect ourselves against the volatility of fuel costs. In addition, during periods in which fuel prices decrease, as during 2015, a fuel-hedging program may prevent us from realizing the full benefit of the lower fuel prices. Moreover, another important driver that affects the cost of fuel is the amount of gallons consumed during the year, resulting from the size of our operation, the efficiency of the fleet and efficiency programs.

Personnel expenses are another significant component of our overall costs. Because a significant portion of our labor costs is denominated in Chilean pesos and in Brazilian reais, appreciation of these currencies against the dollar as well as increases in local inflation rates can result in increased costs in dollar terms and can negatively affect our results. Depreciation of local currencies results in decreases in costs in dollars. Additionally, other important drivers are average headcount and average wages.

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Commissions paid to travel and cargo agents are also a significant cost to the company. We compete with other airlines over the amount of commission we pay per sale, particularly in connection with special programs and marketing efforts, and to maintain competitive incentives with travel agents.

Fleet related expenses, namely aircraft rentals and depreciation, are another significant cost, and mainly depend on the number and type of aircraft that are owned and that are under operating leases. These costs are mainly fixed and can be reduced on a per unit basis by achieving higher daily aircraft utilization rates.

Results of Operation

LATAM Airlines Group Financial Results Discussion: Year ended December 31, 2015 compared to year ended December 31, 2014.

The following table sets forth certain income statement data for LATAM Airlines Group, for the year ended December 31, 2015, and December 31, 2014. For certain operating data during these periods, see “Item 3. Key Information—A. Selected Financial Data.”

	Year Ended December 31,				
	2015 (in US\$ millions, except per share and capital stock data)	2014	2015 As a percentage of total operating revenues	2014	2015/2014 % change
Consolidated Results of Income by Function					
Operating revenues					
Passenger	8,410.6	10,380.1	86.4%	85.8%	(19.0)%
Cargo	1,329.4	1,713.4	13.6%	14.2%	(22.4)%
Total operating revenues	9,740.0	12,093.5	100.0%	100.0%	(19.5)%
Cost of sales	(7,636.7)	(9,624.5)	(78.4)%	(79.6)%	(20.7)%
Gross margin	2,103.3	2,469.0	21.6%	20.4%	(14.8)%
Other operating income	385.8	377.6	4.0%	3.1%	2.2%
Distribution costs	(783.3)	(957.1)	(8.0)%	(7.9)%	(18.2)%
Administrative expenses	(878.0)	(980.7)	(9.0)%	(8.1)%	(10.5)%
Other operating expenses	(324.0)	(401.0)	(3.3)%	(3.3)%	(19.2)%
Financial income	75.1	90.5	0.8%	0.7%	(17.0)%
Financial costs	(413.4)	(430.0)	(4.2)%	(3.6)%	(3.8)%
Share of profit of investments accounted for using the equity method	0.0	(6.5)	0.0%	(0.1)%	100.6%
Foreign exchange gains/(losses)	(467.9)	(130.2)	(4.8)%	(1.1)%	459.4%
Result of indexation units	0.5	0	0.0%	0.0%	6,771.4%
Other gains/(losses)	(55.3)	33.5	(0.5)%	0.3%	(265.1)%
Income (loss) before income taxes	(357.1)	65.2	(3.7)%	0.5%	(647.7)%
Income (loss) tax expense	178.4	(292.4)	1.8%	(2.4)%	161.0%
Net income (loss) for the period	(178.7)	(227.2)	(1.8)%	(1.9)%	(21.3)%
Income (loss) for the period attributable to the parent company's equity holders	(219.2)	(260.0)	(2.2)%	(2.2)%	(15.7)%
Income (loss) for the period attributable to non-controlling interests	40.5	32.8	0.4%	0.3%	23.5%
Net income (loss) for the period	(178.7)	(227.2)	(1.8)%	(1.9)%	(21.3)%
Earnings per share					
Basic earnings per share (US\$)	(0.40193)	(0.47656)	n.a.	n.a.	(15.7)%
Diluted earnings per share (US\$)	(0.40193)	(0.47656)	n.a.	n.a.	(15.7)%

* The abbreviation “n.a.” means not available.

Net Loss

Net loss for the year ended December 31, 2015 equaled US\$ 178.7 million, representing a decrease of US\$ 48.5 million from a net loss of US\$227.2 million in 2014. Net loss attributable to the parents of the company increased to US\$ 219.3 million in 2015 from US\$260.0 million in 2014. Results for 2015 include an US\$ 80 million provision recognized during the fourth quarter of the year related to aircraft redelivery costs associated with the phase out of the Airbus A330 fleet expected to occur during 2016 (for more information, see Financial Statements Note 26 (e) – Restructuring Costs). Results were also impacted by a foreign exchange loss of US\$ 467.9 million, mainly resulting from the 49.0% depreciation of the Brazilian real between December 31, 2014 and December 31, 2015 and a US\$41.0 million charge related to the adjustment in the exchange rate of cash held in Venezuela, as compared to a foreign exchange loss of US\$130.2 million in 2014.

Operating Revenues

Our total operating revenues decreased by 19.5% to US\$ 9,740.0 million in the year ended December 31, 2015 compared to revenues of US\$ 12,093.5 million in 2014. The 2015 decrease in operating revenues was attributable to a 19.0% decrease in passenger revenues, and a 22.4% decrease in cargo revenues. Passenger and cargo revenues accounted for 86.4% and 13.6% of total operating revenues in 2015, respectively.

Our consolidated passenger revenues decreased by 19.0% to US\$8,410.6 million in 2015 from US\$10,380.1 million in 2014, as a result of a decrease of 21.4% in our unit revenues (“RASK”). Our capacity increased by 3.1%. The increase in capacity was a result of a 6.4% increase in our international operations and a 4.8% increase in our domestic Spanish-speaking countries operations, and was partially offset by a decrease of 2.5% in capacity in our domestic Brazil operations. Decreases in RASK reflect a decrease of 21.1% in consolidated yields, resulting from the slowdown in economic activity in the region and depreciation of local currencies, mainly in Brazil.

Cargo revenues decreased by 22.4%, to US\$1,329.4 million in 2015 from US\$1,713.4 million in 2014, as a result of a decrease of 1.9% in capacity (ATK) and a decrease of 20.9% in unit revenues (“RATK”). Capacity decreased in our cargo operations mainly as a result of a reduced freighter operation and the sub-lease of 2 additional aircraft to another company. Decreases in RATK reflect the still challenging cargo scenario in South America and in particular the weakness of the imports into the region, mainly in Brazil, which have affected our cargo yields, which decreased by 11.8% in 2015 as compared to 2014.

Cost of Sales

Cost of sales decreased by 20.7% to US\$7,636.7 million in the year ended December 31, 2015 from US\$9,624.5 million in 2014, mainly due to lower fuel expenses in the year. As a percentage of total operating revenues, cost of sales decreased from 79.6% in 2014 to 78.4% in 2015.

The table below presents cost of sales information for the fiscal year ended December 31, 2015 and 2014.

	Year Ended December 31,				
	2015	2014	2015	2014	2015/2014 % change
	(in US\$ millions, except as otherwise stated)		As a percentage of total operating revenues		
Revenues	9,740.0	12,093.5	100.0%	100.0%	(19.5)%
Cost of sales	(7,636.7)	(9,624.5)	(78.4)%	(79.6)%	(20.7)%
Aircraft Fuel	(2,651.1)	(4,167.0)	(27.2)%	(34.5)%	(36.4)%
Wages and Benefits	(1,553.8)	(1,751.3)	(16.0)%	(14.5)%	(11.3)%
Other Rental and Landing Fees	(1,109.8)	(1,327.2)	(11.4)%	(11.0)%	(16.4)%
Depreciation and Amortization	(934.4)	(991.3)	(9.6)%	(8.2)%	(5.7)%
Aircraft Rentals	(525.1)	(521.4)	(5.4)%	(4.3)%	0.7%
Aircraft Maintenance	(437.2)	(452.7)	(4.5)%	(3.7)%	(3.4)%
Passenger Services	(295.4)	(300.3)	(3.0)%	(2.5)%	(1.6)%
Other Costs of Sales	(129.9)	(113.3)	(1.3)%	(0.9)%	(14.6)%

The decrease in cost of sales was driven by lower aircraft fuel expenses, which decreased by 36.4% to US\$2,651.1 million in 2015 as a result of a 40.2% decrease in the full year average fuel price (excluding hedge losses). In addition, LATAM recognized a net loss of US\$239.4 million in fuel hedging in 2015, compared to the fuel hedge loss of US\$108.8 million in 2014. The Company also recognized a US\$19.2 million hedge gain related to foreign currency contracts, which were recognized in the fuel cost line.

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Depreciation and amortization decreased by US\$56.9 million, amounting to US\$934.4 million, which represents a decrease of 5.7% despite the increase in modern owned aircraft, mainly as a result of the phase out of leased aircraft with the consequent decrease in maintenance depreciation and the positive impact of the depreciation of the Brazilian real in the year as compared to 2014.

Other rental and landing fees decreased by 16.4% to US\$1,109.8 million in 2015 from US\$1,327.2 million in 2014, mainly resulting from lower aeronautical rates related to the depreciation of local currencies.

Aircraft maintenance expenses decreased by 3.4%, from US\$452.7 million in 2014 to US\$437.2 million in 2015, mainly as a result of fleet renewal initiatives and reduced operations.

Aircraft rentals increased by 0.7% to US\$525.1 million in 2015 from US\$521.4 million in 2014 despite fewer leased aircraft, as a result of the incorporation of larger and more modern aircraft under operating leases (i.e. Boeing 787s), whereas returned aircraft have mainly been older and smaller models (i.e. Airbus A319, Dash8 Q400 aircraft).

Passenger service expenses decreased by 1.6%, to US\$295.4 million in 2015 compared to US\$300.3 million in 2014, despite maintaining flat the number of passengers transported, mainly due a decrease in passenger compensations and the positive effect of the depreciation of the Brazilian real in suppliers.

As a result of the above, gross margin decreased by 14.8% from US\$2,469.0 million in 2014 to US\$2,103.3 million in 2015.

Other Consolidated Results

Other operating income increased in 2015 by 2.2%, from US\$377.6 million in 2014 to US\$385.8 million in 2015, mainly due to an increase of US\$15.4 million in revenue from leased aircraft to third parties.

Distribution costs decreased by 18.2% from US\$957.1 million in 2014 to US\$783.3 million in 2015, mainly as a result of lower commissions to agents which decreased by 17.2% from US\$365.5 million to US\$302.8 million, driven by reduced passenger commissions at both LAN and TAM passenger and cargo operations, related to lower revenues, lower sales fulfillments in some countries and depreciation of local currencies.

Administrative expenses decreased by 10.5% from US\$980.7 million in 2014 to US\$878.0 million in 2015, mainly due to a decrease of 11.3% in wages and benefits mainly resulting from the 5.0% decline in average headcount and the positive impact of the depreciation of the Brazilian real and Chilean peso in wages denominated in those currencies.

Other operating expenses decreased by 19.2% from US\$401.0 million in 2014 to US\$324.0 million in 2015, mainly due to lower tax contingencies in 2015 as well as the reversal of certain tax contingencies established during 2014.

Financial income decreased to US\$75.1 million in the year ended December 31, 2015 from US\$90.5 million in 2014, mainly due to an increase in interest rates in Brazil and due to the depreciation of the local currency affecting the investments the Company held in Brazil and Argentina.

Financial costs (from non-financial activities) decreased by 3.9% to US\$413.4 million in 2015 from US\$430.0 million in 2014 mainly due to the recognition of US\$23 million in breakage costs related to the sale and leaseback of four of our Boeing 777 aircraft during the first quarter of 2014.

Exchange rate differences decreased from a loss of US\$130.2 million in 2014 to a loss of US\$467.9 million in 2015, mainly resulting from the 49.0% depreciation of the Brazilian real between December 31, 2014 and December 31, 2015.

Income tax benefit for 2015 amounted to US\$178.4 million as compared to an income tax expense of US\$292.4 million in 2014. This variation includes the recognition of an accounting charge of US\$150.2 million in 2014 due to modifications made to the Chilean Tax System, consisting in a gradual increase of the corporate income tax from 20% to 27% in 2018. For more information, see “—Critical Accounting Policies—Deferred Taxes” below and Note 17 to our audited consolidated financial statements.

LATAM Airlines Group Financial Results Discussion: Year ended December 31, 2014 compared to year ended December 31, 2013

The following table sets forth certain income statement data for LATAM Airlines Group, for the year ended December 31, 2014, and for LATAM Airlines Group, for the year ended December 31, 2013. For certain operating data during these periods, see “Item 3. Key Information—A. Selected Financial Data.”

	Year Ended December 31,				
	2014	2013	2014	2013	2014/2013 % change
	(in US\$ millions, except per share and capital stock data)		As a percentage of total operating revenues		
Consolidated Results of Income by Function					
Operating revenues					
Passenger	10,380.1	11,061.6	85.8%	85.6%	(6.2)%
Cargo	1,713.4	1,863.0	14.2%	14.4%	(8.0)%
Total operating revenues	12,093.5	12,924.5	100.0%	100.0%	(6.4)%
Cost of sales	(9,624.5)	(10,054.2)	(79.6)%	(77.8)%	4.3%
Gross margin	2,469.0	2,870.4	20.4%	22.2%	(14.0)%
Other operating income	377.6	341.6	3.1%	2.6%	10.5%
Distribution costs	(957.1)	(1,025.9)	(7.9)%	(7.9)%	(6.7)%
Administrative expenses	(980.7)	(1,136.1)	(8.1)%	(8.8)%	(13.7)%
Other operating expenses	(401.0)	(408.7)	(3.3)%	(3.2)%	(1.9)%
Financial income	90.5	72.8	0.7%	0.6%	24.3%
Financial costs	(430.0)	(462.5)	(3.6)%	(3.6)%	(7.0)%
Share of profit of investments accounted for using the equity method	(6.5)	2.0	(0.1)%	0.0%	(430.3)%
Foreign exchange gains/(losses)	(130.2)	(482.2)	(1.1)%	(3.7)%	(73.0)%
Result of indexation units	0.0	0.2	0.0%	0.0%	(96.7)%
Other gains/(losses)	33.5	(55.4)	0.3%	(0.4)%	(160.5)%
Income (loss) before income taxes	65.2	(283.9)	0.5%	(2.2)%	(123.0)%
Income (loss) tax expense	(292.4)	20.1	(2.4)%	0.2%	(1,557.0)%
Net income (loss) for the period	(227.2)	(263.8)	(1.9)%	(2.0)%	(13.9)%
Income (loss) for the period attributable to the parent company's equity holders	(260.0)	(281.1)	(2.2)%	(2.2)%	(7.5)%
Income (loss) for the period attributable to non-controlling interests	32.8	17.3	0.3%	0.1%	90.1%
Net income (loss) for the period	(227.2)	(263.8)	(1.9)%	(2.0)%	(13.9)%
Earnings per share					
Basic earnings per share (US\$)	(0.47656)	(0.57613)	n.a.	n.a.	(70.4)%
Diluted earnings per share (US\$)	(0.47656)	(0.57613)	n.a.	n.a.	(70.4)%

* The abbreviation “n.a.” means not available.

Net Loss

Net loss for the year ended December 31, 2014 equaled US\$ 227.2 million, representing a decrease of US\$ 36.6 million from a net loss of US\$263.8 million in 2013. Net loss attributable to the parents of the company decreased to US\$ 260.0 million in 2014 from US\$281.1 million in 2013. Results for 2014 include a US\$ 112 million provision recognized during the first quarter of the year mainly related to estimated penalties for anticipated redeliveries of aircraft and other redelivery expenses expected to be incurred as a part of the Company’s fleet restructuring process. In addition, the Company recognized an accounting charge of US\$ 150.2 million due to modifications made to the Chilean Tax System, consisting of a gradual increase of the corporate income tax from 20% to 27% in 2018. The Company entirely recognized the effect of the 7 percentage point increase in the corporate rate during 2014. For more information see “Business strategy—Fleet restructuring plan” and “Item 10. Additional Information—Taxation and Note 17 our audited consolidated financial statements.

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Results were also impacted by a foreign exchange loss of US\$ 130.2 million mainly resulting from the 12.5% depreciation of the Brazilian real between December 31, 2013 and December 31, 2014, as compared to a foreign exchange loss of US\$482.2 million in 2013. On the other hand, in 2013 LATAM incurred US\$56.0 million in non-recurring expenses related to the merger and integration costs, whereas no costs related to integration were incurred in 2014.

Operating Revenues

Our total operating revenues decreased by 6.4% to US\$ 12,093.5 million in the year ended December 31, 2014 compared to revenues of US\$ 12,924.5 million in 2013. The 2014 decrease in operating revenues was attributable to a 6.2% decrease in passenger revenues, and an 8.0% decrease in cargo revenues. Passenger and cargo revenues accounted for 85.8% and 14.2% of total operating revenues in 2014, respectively.

Our consolidated passenger revenues decreased by 6.2% to US\$10,380.1 million in 2014 from US\$11,061.6 million in 2013, as a result of a decrease of 1.1% in our capacity (ASK) and a decrease of 5.1% in our unit revenues (RASK). The decreases in capacity were a result of a 2.4% decrease in our international operations and a 1.4% decrease in our domestic Brazil operations, reflecting our rationalization strategy in these markets, partially offset by an increase of 3.7% in capacity in our domestic capacity in our Spanish speaking countries. Decreases in RASK reflect a decrease of 7.9% in consolidated yields, resulting from the slowdown in economic activity in the region and depreciation of local currencies, the challenging competitive environment in our international operations, and the impact of the World Cup on corporate demand and leisure traffic which took place in Brazil.

Cargo revenues decreased by 8.0%, to US\$1,713.4 million in 2014 from US\$1,863.0 million in 2013, as a result of a decrease of 5.6% in capacity (ATK) and a decrease of 2.5% in unit revenues (RATK). Capacity decreased in our cargo operations mainly as a result of the phase out of our fleet of a Boeing 767F aircraft during the first quarter of the year and lower freighter utilization. Decreases in RATK reflect the still challenging cargo scenario in South America and mainly the weakness of the imports into the region, which have affected our cargo yields, which decreased by 4.8% in 2014 as compared to 2013.

Cost of Sales

Cost of sales decreased by 4.3% to US\$9,624.5 million in the year ended December 31, 2014 from US\$10,054.2 million in 2013, mainly due to lower fuel expenses in the year. As a percentage of total operating revenues, cost of sales increased from 77.8% in 2013 to 79.6% in 2014.

The table below presents cost of sales information for the fiscal year ended December 31, 2014 and 2013 actual.

	Year Ended December 31,				
	2014	2013	2014	2013	2014/2013 % change
	(in US\$ millions, except as otherwise stated)		As a percentage of total operating revenues		
Revenues	12,093.5	12,924.5	100.0%	100.0%	(6.4)%
Cost of sales	(9,624.5)	(10,054.2)	(79.6)%	(77.8)%	(4.3)%
Aircraft Fuel	(4,167.0)	(4,414.2)	(34.5)%	(34.2)%	(5.6)%
Wages and Benefits	(1,751.3)	(1,884.1)	(14.5)%	(14.6)%	(7.0)%
Other Rental and Landing Fees	(1,327.2)	(1,373.1)	(11.0)%	(10.6)%	(3.3)%
Depreciation and Amortization	(991.3)	(1,041.7)	(8.2)%	(8.1)%	(4.8)%
Aircraft Rentals	(521.4)	(441.1)	(4.3)%	(3.4)%	18.2%
Aircraft Maintenance	(452.7)	(477.1)	(3.7)%	(3.7)%	(5.1)%
Passenger Services	(300.3)	(331.4)	(2.5)%	(2.6)%	(9.4)%
Other Costs of Sales	(113.3)	(94.5)	(0.9)%	(0.7)%	(19.9)%

The decrease in cost of sales was driven by lower aircraft fuel expenses, which decreased by 5.6% to US\$4,167.0 million in 2014 as a result of a 3.7% decrease in fuel consumption related to the Company's capacity adjustments and more fuel efficient fleet and a 4.9% decrease in the full year average fuel price (excluding hedge losses). In addition, LATAM recognized a net loss of US\$108.8 million in fuel hedging in 2014, compared to the fuel hedge gain of US\$22.1 million in 2013. The Company also recognized a US\$3.8 million hedge gain related to foreign currency contracts, which were recognized in the fuel cost line.

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Depreciation and amortization decreased by US\$50.4 million amounting to US\$991.3 million, which represents a decrease of 4.8% despite the increase in modern owned aircraft, mainly as a result of the phase out of leased aircraft with the consequent decrease in maintenance depreciation and the positive impact of the depreciation of the Brazilian real in the year as compared to 2013.

Other rental and landing fees decreased by 3.3% to US\$1,327.2 million in 2014 from US\$1,373.1 million in 2013, mainly resulting from lower aeronautical rates related to the depreciation of local currencies.

Aircraft maintenance expenses decreased by 5.1%, from US\$477.1 million in 2013 to US\$452.7 million in 2014, mainly as a result of fleet renewal initiatives and reduced operations, which decrease was partially offset with higher costs related to aircraft redeliveries as part of our fleet restructuring program.

Aircraft rentals increased by 18.2% to US\$521.4 million in 2014 from US\$441.1 million in 2013 despite fewer leased aircraft, as a result of the incorporation of larger and more modern aircraft under operating leases (i.e. Boeing 787s), whereas returned aircraft have mainly been older and smaller models (i.e. Airbus A319, Boeing 737, Dash8 Q400 aircraft).

Passenger service expenses decreased by 9.4%, to US\$300.3 million in 2014 compared to US\$331.4 million in 2013, despite the increase of 1.7% in passengers transported, mainly due to a decrease in certain variable costs per passenger resulting from better negotiations and/or certain new suppliers, a decrease in passenger compensations and the positive effect of the depreciation of the Brazilian real in suppliers.

As a result of the above, gross margin decreased by 14.0% from US\$2,870.4 million in 2013 to US\$2,469.0 million in 2014.

Other Consolidated Results

Other operating income increased in 2014 by 10.5%, from US\$341.6 million in 2013 to US\$377.6 million in 2014, mainly due to an increase of US\$93.7 million in revenue from Multiplus' breakage and non-air redemptions during the year.

Distribution costs decreased by 6.6% from US\$1,025.9 million in 2013 to US\$957.1 million in 2014, mainly as a result of lower commissions to agents which decreased by 10.6% from US\$408.7 million to US\$365.5 million, driven by reduced passenger commissions at LAN and TAM related to lower revenues, lower sales fulfillments in some countries and depreciation of local currencies.

Administrative expenses decreased by 13.7% from US\$1,136.1 million in 2013 to US\$980.7 million in 2014, mainly due to a decrease of 5.7% in wages and benefits mainly resulting from the positive impact of the depreciation of the Brazilian real, the Chilean peso and the Argentinian peso in wages denominated in those currencies.

Other operating expenses decreased by 1.9% from US\$408.7 million in 2013 to US\$401.0 million in 2014, mainly due to a change in the classification of certain taxes in Brazil.

Financial income increased to US\$90.5 million in the year ended December 31, 2014 from US\$72.8 million in 2013, mainly due to an increase in our cash held in currencies different from the U.S. dollar which have higher interest rates during the period.

Financial costs (from non-financial activities) decreased by 7.0% to US\$430.0 million in 2014 from US\$462.5 million in 2013 mainly due to lower debt levels, which was partially offset by a higher average interest rate resulting in part from the securitized bond issued in November 2013. In addition, during the first quarter of the year, we recognized US\$23 million in breakage costs related to the sale and leaseback of four of our Boeing 777 aircraft.

Exchange rate differences decreased from a loss of US\$482.2 million in 2013 to a loss of US\$130.2 million in 2014, mainly resulting from the reductions on TAM's balance sheet exposure between assets denominated in Brazilian reais and liabilities denominated in U.S. dollars, which decreased from US\$2.0 billion as of December 2013 to less than US\$1.0 billion as of December 2014. Under other gains (losses), the Company recorded a net gain of US\$33.5 million in 2014 as compared to a net loss of US\$55.4 million in 2013 mainly due to the prescription and other reversals of tax contingencies at TAM which were recognized at the time of the business combination.

Income tax expense for 2014 amounted to US\$292.4 million as compared to an income tax credit of US\$20.1 million in 2013. This variation includes the recognition of an accounting charge of US\$150.2 million in 2014 due to modifications made to the Chilean Tax System, consisting of a gradual increase of the corporate income tax from 20% to 27% in 2018. For more information, see "—Critical Accounting Policies—Deferred Taxes" below and Note 17 to our audited consolidated financial statements.

U.S. Dollar Presentation and Price-Level Adjustments

General

Foreign currency transactions

(a) Presentation and functional currencies

The items included in the financial statements of LATAM are valued using the currency of the main economic environment in which the entity operates (the “functional currency”). The functional currency of LATAM is the U.S. dollar, which is also the currency of presentation of the audited consolidated financial statements of LATAM and its 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.

(c) Group entities

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

- (i) Assets and liabilities of each consolidated statement of financial position are translated at the closing exchange rate on the date of the consolidated statement of financial position;
- (ii) The revenues and expenses of each results account are translated at monthly average rates; and
- (iii) All the resultant exchange differences are shown as a separate component in net equity.

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

Adjustments to the goodwill and fair value arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the period-end exchange rate.

Effects of Exchange Rate Fluctuations

Our functional currency is the U.S. dollar in terms of the pricing of our products, composition of our balance sheet and effects on our results of operations. Most of our revenues (57% in 2015) are in U.S. dollars or in prices pegged to the U.S. dollar and a substantial portion of our expenses (61% in 2015) is denominated in dollars or pegged to the U.S. dollar, particularly fuel costs, landing and over-flight fees, aircraft rentals, insurance and aircraft components and supplies.

A substantial majority of our liabilities are denominated in U.S. dollars (82% as of December 31, 2015), including bank loans, certain air traffic liabilities, and certain amounts payable to our suppliers. As of December 31, 2015, 67% of our assets were denominated in U.S. dollars, principally aircraft, cash and cash equivalents, accounts receivable and other fixed assets. Substantially all of our commitments, including operating lease and purchase commitments for aircraft, are denominated in U.S. dollars.

On the other hand, balance sheet imbalance denominated in currencies other than the functional currency of the specific entity creates a foreign exchange rate exposure that impacts the foreign exchange losses and gains due to exchange rate fluctuations. We recorded net foreign exchange losses of US\$130.2 million in 2014 and US\$467.9 million in 2015, which are set forth in our consolidated statement of income under “Foreign Exchange gains/(losses).” For more information, see Notes 2.3 and 28 to our audited consolidated financial statements.

Critical Accounting Policies

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 in accordance with the Company’s future economic benefits associated with them.

Changes in circumstances such as: technological advances, business models, planned use of assets or capital strategy may render the useful life different from the estimated lifespan. When it is determined that the useful life of property, plant, and equipment must be reduced, as may occur in line with changes in planned usage of assets, the difference between the net book value and estimated recoverable value is depreciated, in accordance with the revised remaining useful life.

Residual values are estimated in accordance with the market value that these assets will have at the end of their useful life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, once a year. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 2.8).

(c) Recoverability of deferred tax assets

Deferred taxes are calculated in accordance with the liability method, applied over temporary differences that arise between the fiscal base 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, we 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 recognizes 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 expire unused, reducing the corresponding deferred revenue. The Company evaluates monthly the probability that tickets will expire unused, based on the history of used tickets. Changes in the exchange probability would have an 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 air tickets sold amounted to ThUS\$ 1,223,886 and ThUS\$ 1,392,717, respectively. A hypothetical change of 1% in passenger behavior regarding to the ticket usage—that is, if during the next 6 months the probability of use were 89% rather than 90%, this 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 forming part of LATAM Airlines Group S.A. and subsidiaries, revenue is deferred until the transport service is provided or the corresponding tickets expire.

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 of redemption.

According to IFRIC-13, kilometers and points value that the Company estimate are not likely to be redeemed (“breakage”), are recognized 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.

The fair value of kilometers is determined by the Company based on 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 ensuring that the shareholders and directors of TAM shall have no incentive to exercise their rights in a manner that would be beneficial to TAM but detrimental to LATAM. Furthermore, all significant actions necessary for the operation of the airlines require affirmative votes from 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.

Recently Issued Accounting Pronouncements

(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	Contributions from employees or third parties to a defined benefit plan.	November 2013	07-01-2014
(ii) Improvements			
Improvements to the International Financial Reporting Standards (2012):		December 2013	07-01-2014
IFRS 2: Share-based Payment	Definition of vesting condition.		
IFRS 3: Business Combinations Therefore, IFRS 9, IAS 37, and IAS 39 are also modified	Accounting for contingent consideration in a business combination.		
IFRS 8: Operating Segments	Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets.		
IFRS 13: Fair Value Measurement, IFRS 9 and IAS 39 were consequently changed	Short-term receivables and payables		
IAS 16: Property, Plant and Equipment, and IAS 38: Intangible Assets	Revaluation method—proportionate restatement of accumulated depreciation and amortisation.		
IAS 24: Related Party Disclosures	Key management personnel		
Improvements to the International Financial Reporting Standards (2013):		December 2013	07-01-2014
IFRS 1: First-time Adoption of International Financial Reporting Standards	Meaning of 'effective IFRSs'.		
IFRS 3: Business Combinations	Scope exceptions for joint ventures		
IFRS 13: Fair Value Measurement	Scope of paragraph 52 (portfolio exception).		
IAS 40: Investment Property.	Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.		

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			Date of issue	Mandatory Application: Annual periods beginning on or after
(i) Standards and amendments				
IFRS 9: Financial instruments.	Full version new standard on financial instruments, replaces IAS 39		December 2009	01-01-2018
IFRS 15: Revenue from contracts with customers.	New standard revenue recognition		May 2014	01-01-2018
Amendment to IFRS 9: Financial instruments.	Hedge accounting and changes to IFRS 9, IFRS 7 and IAS 39		November 2013	01-01-2018
Amendment to IFRS 11: Joint arrangements.	Accounting for acquisitions of interests in joint operations		May 2014	01-01-2016
Amendment to IAS 16: Property, plant and equipment, and IAS 38: Intangible assets.	Clarification of acceptable methods of depreciation and amortisation		May 2014	01-01-2016
Amendment to IAS 27: Separate financial statements.	Equity Method in Separate Financial Statements		August 2014	01-01-2016
Amendment to IFRS 10: Consolidated financial statements and IAS 28 Investments in associates and joint ventures.	Sale or contribution of assets between an Investor and its associate or joint venture		September 2014	To be determined
Amendment IAS 1: Presentation of Financial Statements.	Disclosure initiative		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.	Investment Entities: Applying the consolidation exception		December 2014	01-01-2016
Improvements to International Financial Reporting Standards (2012-2014 cycle):			September 2014	01-01-2016
IFRS 5 Non-current assets held for sale and discontinued operations.	Changes in methods of disposal.			
IFRS 7 Financial instruments: Disclosures.	Servicing contracts. Applicability of the amendments to IFRS 7 to condensed interim financial statements			
IAS 19 Employee benefits.	Discount rate: regional market issue.			
IAS 34 Interim financial reporting.	Disclosure of information ‘elsewhere in the interim financial report’.			

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 which is still under evaluation.

In January 2016 the IASB issued the International Financial Reporting Standard 16 Leases (IFRS 16) which sets out the principles for the recognition, measurement, presentation and disclosure of lease agreements by lessors and the lessees. 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.

IFRS 16 introduces significant changes in accounting for operating leases by requiring a similar treatment for operating leases with a term of more than 12 months to that used for financial leases. This means, in general terms, that lessees should recognize the right to use the underlying leased assets as an asset and the present value of payments associated with the agreement as a liability. Monthly lease payments will be replaced in the income statement by a charge for the asset depreciation and a financial cost. LATAM Airlines Group S.A. and subsidiaries are still assessing this standard to determinate the effect on our Financial Statements, covenants and other financial indicators.

IFRS/Non-IFRS Reconciliation

We use “Cost per ASK-equivalent” and “Cost per ASK-equivalent excluding fuel price variations” in analyzing operating expenses on a per unit basis. “ASKs” (available seat kilometers) measures the number of seats of capacity available for the transportation of passengers multiplied by the kilometers flown. “ASK-equivalent” includes capacity for both passenger and cargo equivalent tons multiplied by the kilometers flown. The figure is obtained by adding passenger ASKs and the quotient of cargo ATKs (available ton kilometers) divided by 0.095. To obtain our unit costs, which are used by our management in the analysis of our results, we divide our “total costs” by our total ASK-equivalents. “Total costs” are calculated by starting with operating expenses as defined under IFRS and making certain adjustments for interest costs and other revenues. The cost component is further adjusted to obtain “costs per ASK-equivalents excluding fuel price variations,” in order to remove the impact of changes in fuel prices for the year. “Cost per ASK-equivalent” and “Cost per ASK-equivalent excluding fuel price variations” do not have a standardized meaning, and as such may not be comparable to similarly titled measures provided by other companies. These metrics should not be considered in isolation or as a substitute for operating expenses or as indicators of performance or cash flows or as a measure of liquidity.

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The table below reconciles our operating expenses (as defined by IFRS) for 2015, 2014 and 2013 to costs used in the calculation of “Cost per ASK-equivalent” and “Cost per ASK-equivalent excluding fuel price variations” for such periods.

	2015	2014	2013
Cost per ASK-equivalent			
Operating expenses (US\$ thousands)	9,611,907	11,957,780	12,622,197
+ Interest expense (US\$ thousands)	413,357	430,034	462,524
– Interest income (US\$ thousands)	75,080	90,500	72,828
Divided by system’s ASK-equivalents (thousands)	208,857.11	206,197.91	212,236.83
= Cost per ASK equivalent (US\$ cents)	4.84	6.05	6.20
Cost per ASK-equivalent excluding fuel price variations			
Operating expenses (US\$ thousands)	9,611,907	11,957,780	12,622,197
+ Interest expense (US\$ thousands)	413,357	430,034	462,524
– Interest income (US\$ thousands)	75,080	90,500	72,828
– Aircraft fuel (US\$ thousands)	2,651,067	4,167,030	4,414,249
= Cost per ASK-equivalent excluding fuel price variations (US\$ cents)	3.57	4.03	4.12

In addition, LATAM continues to use revenues per ASK or ATK, as applicable, in analyzing revenues on a per unit basis, which is consistent with how LAN analyzed its revenues before the merger. To obtain unit revenues, we divide our passenger revenues by our total ASKs and our cargo revenues by our total ATKs. We use our revenues as defined under IFRS for purposes of the calculation of this metric. Revenues per ASK or ATK, as the case may be, do not have a standardized meaning, and as such may not be comparable to similarly titled measures provided by other companies. This metric is not an IFRS based measure of performance or liquidity. It should not be considered in isolation or as a substitute for revenues or as indicators of performance or cash flows as a measure of liquidity.

The table below shows the calculation of our revenues per ASK or ATK, as applicable, in each of the periods indicated.

	2015	2014	2013
Passenger Revenues (US\$ million)	8,410.61	10,380.12	11,061.56
ASK (million)	134,301.8	130,200.94	131,690.60
Passenger Revenues/ASK (US\$ cents)	6.26	7.97	8.40
Cargo Revenues (US\$ million)	1,329.43	1,713.38	1,862.98
ATK (million)	7,082.76	7,219.71	7,651.88
Cargo Revenues/ATK (US\$ cents)	18.77	23.73	24.35

Seasonality

Our operating revenues are substantially dependent on overall passenger and cargo traffic volume, which is subject to seasonal and other changes in traffic patterns. Our passenger revenues are generally higher in the first and fourth quarters of each year, during the southern hemisphere’s spring and summer. In the Brazilian passenger air transportation market, there is always a higher demand for air transportation services in the second half of the year, leaving the second quarter as the weakest one for the Company. However, the seasonality is partially mitigated by the fact of LATAM having higher than market average concentration of business travel (which is less sensitive to seasonality). Additionally, the expansion of the Company in other countries with different seasonal patterns has also moderated the overall seasonality of the passenger business.

B. Liquidity and Capital Resources

LATAM cash and cash equivalents totaled US\$753.5 million as of December 31, 2015, US\$989.4 million as of December 31, 2014 and US\$1,984.9 million as of December 31, 2013. Additionally, the Company had short term marketable securities totaling US\$607.6 million as of December 31, 2015, US\$544.4 million as of December 31, 2014 and US\$576.7 million as of December 31, 2013. In the aggregate, LATAM's cash and marketable securities totaled US\$1,361.1 million as of December 31, 2015, US\$1,533.8 million as of December 31, 2014 and US\$2,561.6 million as of December 31, 2013.

The US\$172.7 million decrease in our cash and marketable securities from 2014 to 2015 is due to a positive cash generation from operations of US\$1,715.5 million that was used to pay financial obligations and investment commitments and initiatives, including LATAM's liability management of its TAM notes and the financing of its arriving fleet through an Enhanced Equipment Trust Certificate ("EETC"). In June 2015, LATAM executed a liability management transaction where the Company called and repurchased the US\$300.0 million senior unsecured notes issued by TAM's subsidiary, Tam Capital 2 Inc. and issued LATAM's inaugural US\$500.0 million senior unsecured notes. Additionally in June 2015, LATAM issued an Enhanced Equipment Trust Certificate ("EETC") for an aggregate face amount of approximately US\$1,020.8 million to finance 17 new aircraft deliveries. LATAM will recognise these Equipment Notes as debt upon delivery of each Aircraft. At December 31, 2015 the escrow of EETC is US\$ 345.1 corresponding to five aircraft received during 2016 and one to be received in 2016.

Cash position and liquidity

The following table provides a summary of our cash flows from operating activities, investing activities and financing activities for the years ended December 31, 2015, 2014 and 2013 and our total cash position as of December 31, 2015, 2014 and 2013.

	2015	2014	2013
	(in US\$ millions)		
Net cash flows from operating activities	1,715.5	1,331.4	1,408.7
Net cash flow from (used in) investing activities	(1,739.1)	(899.1)	(1,278.8)
Net cash flows from (used in) financing activities	(128.4)	(1,320.2)	1,205.8
Effects of variation in the exchange rate on cash and cash equivalents	(83.9)	(107.6)	(1.0)
Cash and cash equivalents at the beginning of the year	989.4	1,984.9	650.3
Cash and cash equivalents at the end of the year	753.5	989.4	1,984.9

In addition to the cash and marketable securities LATAM has access to short term credit lines. As of December 31, 2015, LATAM had working capital uncommitted credit facilities for a total amount of US\$ 1,601 million, of which US\$1,152 million was drawn as of December 31, 2015, and committed credit lines with a total available amount of US\$105 million, of which \$0 was drawn as of December 31, 2015.

Additionally, on March 29, 2016 LATAM closed a 3-year senior secured revolving credit facility ("RCF") in the amount of US\$275MM. This transaction is in line with the Company's focus on maintaining adequate levels of liquidity considering the current volatile market conditions. The use of proceeds will be for general corporate purposes and to boost the Company's cash position. The RCF is expected to increase by an incremental US\$75MM in April 2016. The RCF is secured by spare parts, engines, and aircraft.

Net cash flows from operating activities

Cash from operations is derived primarily from providing air passenger and cargo transportation to customers. Operating cash outflows are primarily related to the recurring expenses of airline operations, including fuel consumption.

Net cash inflows from operating activities in 2015 increased US\$384.1 million, or 28.8%, from US\$1,331.4 million, mainly driven by a significant reduction in operating costs due to lower fuel prices, as well as by the Company's ongoing cost savings initiatives. Net cash from operations was negatively affected by fuel hedging, hedging margin guarantees and other guarantees by US\$ 184.6 million (for more information see to Note 6 – Cash and Cash Equivalents of our audited consolidated financial statements).

Net cash inflows from operating activities in 2014 decreased US\$77.3 million, or 5.5%, from US\$1,408.7 million, mainly due to the negative impact of the FIFA World Cup on LATAM's operating margin, as well as a generally weaker macroeconomic scenario in Latin America, including slower GDP growth trends and weaker currencies in most countries. In addition the net cash from operations was negatively affected by fuel hedge, hedging margin guarantees and other guarantees in US\$ 251.7 million (for more information see to Note 6 – Cash and Cash Equivalents of our audited consolidated financial statements). Nevertheless, the negative effect was partially offset by the cash received from the renewal of the Santander and LANPASS exclusive co-branding agreement.

Net cash flow used in investing activities

Net cash used in investing activities in 2015 increased US\$840.0 million from US\$899.1 million in 2014 to US\$1,739.1 million in 2015, due primarily to a one time impact related to the sale and leaseback of 4 B777 aircraft recognized during 2014 as an asset sale of US\$510.5 million. Aircraft CAPEX increased US\$127.0 million in 2015 compared to 2014, including costs to acquire eight narrow body aircraft and four wide body aircraft, compared to nine narrow body aircraft and three wide body aircraft in 2014.

Net cash used in investing activities in 2014 decreased US\$379.7 million from US\$1,278.8 million in 2013 to US\$899.1 million in 2014, due to an increase in aircraft sales of US\$265.8 and a decrease in Aircraft CAPEX of US\$497.8 million, driven by a decrease in aircraft purchases from 20 narrow body aircraft to nine and four wide body aircraft to three. This reduction was partially offset by an increase in purchases of property, plant and equipment not related to purchase of new aircraft of US\$556.4 million. For information regarding the purchases, please see Note 16. Property, Plant and Equipment of our financial statements. It is important to note that during 2014 the sale and leaseback of four B777 aircraft was reflected in an asset sale of US\$510.5 million and a reduction of debt of US\$516.6 million.

Net cash flows used in financing activities

Net cash used in financing activities totaled US\$128.4 million, a decrease of US\$1,191.8 million from the US\$1,320.2 million in cash used in financing activities in 2014. This reduction reflects the finalization of the liability restructuring and reduction plan executed during the same period in 2014, where the company reduced its financial obligation by approximately US\$ 1,049.0 million.

Net cash used in financing activities totaled US\$1,320.2 million a change of US\$2,526.0 million from the US\$1,205.8 million in cash generated by financing activities in 2013. The variation resulted primarily from a liability restructuring, including an important reduction of outstanding debt and an increase in debt repayment, mainly the U.S. dollar-denominated debt of TAM S.A. of US\$1,327.6 million (for more information see “Note 18-Other Financial Liabilities of our audited consolidated financial statements”). The decrease in the net cash generated was also affected by the net effect of the LATAM capital increase, as a result of which US\$888.6 million was accounted for as a source of cash in 2013 and US\$156.3 million during the first quarter of 2014.

Sources of financing

Long term

We typically finance our fleet with long-term loans covering between 80% and 100% of the net purchase price. We also finance our aircraft under sale and leaseback arrangements in order to add flexibility to our fleet. For more information regarding fleet financing, please refer to certain information below and to “—F. Tabular Disclosure of Contractual Obligations.”

From time to time in the past, we have considered, and may consider in the future, other forms of financing including securitization of ticket receivables or the securitization of fleet and engines or the issuance of additional debt or equity securities.

7.250% Senior Notes due 2020

On June 9, 2015, LATAM Airlines Group S.A. issued US\$ 500,000,000 of its 7.250% Senior Notes due 2020 (the “2020 Notes”). The 2020 Notes were issued pursuant to an indenture, dated June 9, 2015 by and among LATAM Airlines Group S.A. and The Bank of New York Mellon, as trustee. A portion of the 2020 Notes was exchanged for a portion of TAM Capital 2 Inc.’s 9.50% Senior Guaranteed Notes due 2020 (the “TAM 2020 Notes”), which had been purchased by Citigroup Global Markets Inc. pursuant to a tender offer. The remaining proceeds from the offering of the 2020 Notes were used to redeem any TAM 2020 Notes that were not tendered pursuant to the tender offer and for general corporate purposes. All of the outstanding TAM 2020 Notes were repurchased or redeemed pursuant to this transaction. Interest on the 2020 Notes is payable semiannually in arrears on June 9 and December 9 of each year, and the 2020 Notes will mature on June 9, 2020.

The 2020 Notes may be redeemed, in whole or in part, at the option of LATAM Airlines Group S.A. under certain circumstances. The 2020 Notes may be redeemed at any time at a price equal to 100% of the principal amount of the 2020 Notes plus a “make-whole” premium, if any, plus accrued and unpaid interest and additional amounts, if any, to but excluding the redemption date. Prior to June 9, 2018, LATAM Airlines Group S.A. may redeem up to 35% of the outstanding aggregate principal amount of the 2020 Notes using the net cash proceeds of one or more equity offerings at a redemption price equal to 107.250% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to but excluding the redemption date, subject to certain conditions.

In addition, if LATAM Airlines Group S.A. experiences a specific kind of change of control, an offer to repurchase some or all of the 2020 Notes must be made, at a price equal to 101% of the principal amount of the 2020 Notes to be repurchased, plus accrued and unpaid interest, if any, on the repurchase date.

The indenture for the 2020 Notes contains customary covenants that restrict the ability of LATAM Airlines Group S.A.’s and of certain of its subsidiaries to enter into transactions with affiliates and that restrict LATAM Airlines Group S.A.’s ability to merge with or into, or sell or transfer all or substantially all of its assets.

The 2020 Notes contain customary events of default, any of which would permit acceleration of the principal of the 2020 Notes, plus accrued and unpaid interest, and any other amounts due with respect to the 2020 Notes. If an event of default occurs and is continuing, (other than with respect to certain bankruptcy-related events of default) the trustee or holders of not less than 25% in principal amount of the 2020 Notes outstanding may declare all unpaid principal of and accrued interest on all 2020 Notes to be due and payable immediately.

2013-1 Fixed Rate Notes due 2020

On November 7, 2013, Guanay Finance Limited, a Cayman Islands exempted company incorporated with limited liability (“Cayman SPV”) issued US\$ 450,000,000 of its Series 2013-1 Fixed Rate Notes due 2020 (the “2013-1 Notes”). The 2013-1 Notes were issued pursuant to an indenture, by and among Cayman SPV and Citibank, N.A., as indenture trustee. In exchange for the net proceeds from the sale of the 2013-1 Notes, on November 7, 2013, LATAM Airlines Group S.A. sold to Cayman SPV all of its right, title and interest pursuant to certain present and future credit, debit and charge card receivables (the “Contract Rights”). The 2013-1 Notes will mature on December 15, 2020. The 2013-1 Notes and any additional series will be secured by substantially all of the assets of Cayman SPV, including the Contract Rights.

In certain circumstances, LATAM Airlines Group S.A. may request Cayman SPV to issue additional notes in one or more series pursuant to indenture supplements. These additional notes will rank *pari passu* with the 2013-1 Notes and will be governed by the indenture by and among Cayman SPV and Citibank, N.A. and a supplement thereto.

During the interest-only period, which ended in March 2016, the 2013-1 Notes accrued interest at an annual rate of 6.00%. After the interest-only period, but before any early amortization period is in effect, holders of 2013-1 Notes will be entitled to receive, in addition to interest and additional amounts, a quarterly principal amortization amount specified in the applicable indenture supplement. After the expiration of the interest-only period and while an Early Amortization Period is in effect, holders of the 2013-1 Notes will be entitled to receive on each Early Amortization Payment Date, in addition to interest, and additional amounts, if any, a specified principal payment.

Upon the occurrence of certain early amortization events, or upon the breach of certain covenants, the Cayman SPV may with the consent and shall at the written direction of holders that, in the aggregate, hold at least 51% of the series balance of the 2013-1 Notes, demand the payment by LATAM Airlines Group S.A. of a repurchase amount directly to Cayman SPV. Upon any such demand for payment of a repurchase amount, LATAM Airlines Group S.A. must immediately deposit the repurchase amount into a collection account. Upon such payment, the Cayman SPV must, at the expense of LATAM Airlines Group S.A., execute such documents and take such other steps as LATAM Airlines Group S.A. may reasonably request to convey back all ungenerated Contract Rights.

The 2013-1 Notes contain customary events of default, any of which would permit acceleration of the entire principal of the 2013-1 Notes then outstanding, and interest accrued thereon. If an event of default occurs and is continuing, (other than with respect to certain bankruptcy-related events of default) the indenture trustee, at the written direction of holders of the 2013-1 Notes that, in the aggregate, hold at least 51% of the series balance of the 2013-1 Notes will declare the entire principal of all 2013-1 Notes then outstanding, and interest accrued thereon, if any, to be due and payable immediately.

Pass-Through Certificates, Series 2015-1

On May 29, 2015 we completed the issuance US\$ 1,020,823,000 in 2015-1 Pass Through Certificates, Series 2015-1 (the “2015-1 Certificates”), Classes A and B. Under certain circumstances, Class C 2015-1 Certificates may be issued. The 2015-1 Certificates were issued in connection with the financing of eleven new Airbus A321-200 aircraft, two new Airbus A350-900 aircraft and four new Boeing 787-9 aircraft. Each 2015-1 Certificate represents a fractional undivided interest in a related trust. The proceeds from the sale of the 2015-1 Certificates will initially be held in escrow and deposited with the Depositary, pending financing of each aircraft under the indenture. The trusts will use the escrowed funds to purchase equipment notes from four separate owners, each of which is a Cayman Islands special purpose company wholly-owned by LATAM Airlines Group S.A. Proceeds from the sale of the equipment notes for an aircraft will be used by the applicable owner to fund the acquisition of such aircraft, and each aircraft will be leased by the applicable owner to LATAM under a separate finance lease agreement.

The 2015-1 Certificates do not represent indebtedness of the trusts, and references to interest accruing on the certificates are for purposes of computation only. The 2015-1 Certificates will bear interest at specified rates, which may vary under certain circumstances. Scheduled payments of interest made on the equipment notes will be distributed on February 15, May 15, August 15 and November 15 in each year, commencing August 15, 2015. Payments of principal will be made on February 15, May 14, August 15 and November 15 in each year, commencing May 15, 2016. The Certificates are subject to certain subordination terms set forth in an intercreditor agreement entered into by and among the trustees, the liquidity providers and the subordination agent.

Holders of at least a majority of the outstanding principal amount of equipment notes issued under each indenture will be entitled to direct the loan trustee under such indenture and the related security documents in taking action as long as no indenture event of default is continuing. If an indenture event of default is continuing under an indenture, subject to certain conditions, the controlling party, as further described, will be entitled to direct (i) the loan trustee under such indenture and (ii) the pledgee under each owner share pledge and each call agreement. Depending on the circumstances, the controlling party will be the Class A trustee, the Class B trustee, the Class C trustee, the trustee for any additional trust or the liquidity provider with the greatest amount owed to it. The controlling party will have limitations on its ability to exercise remedies during the nine months after the earlier of (a) the acceleration of the equipment notes issued pursuant to any indenture and (b) the occurrence of certain specified bankruptcy events.

In certain bankruptcy related scenarios, and subject to certain restrictions, the Class B trustee and each other holder of a Class B 2015-1 Certificate will be entitled to purchase all, but not less than all, of the Class A 2015-1 Certificates. If there are Class C 2015-1 Certificates outstanding, holders of the Class C 2015-1 Certificates will have the right to purchase all but not less than all of the Class A Certificates and Class B Certificates. LATAM Airlines Group S.A. and each owner will be restricted in their ability to merge or consolidate with other entities in certain circumstances.

7.375% Senior Guaranteed Notes due 2017

On April 25, 2007, TAM Capital Inc. issued US\$ 300,000,000 aggregate principal amount of its 7.375% senior guaranteed notes due 2017 (the “2017 Notes”). The 2017 Notes are unconditionally guaranteed by TAM S.A. and TAM Linhas Aéreas S.A. The 2017 Notes were issued pursuant to an indenture, dated April 25, 2007, among TAM Capital Inc., TAM S.A., TAM Linhas Aéreas S.A. and The Bank of New York Mellon, as trustee, transfer agent, registrar and principal paying agent. Interest on the 2017 Notes is payable semi-annually on April 25 and October 25 of each year, commencing October 25, 2007. The 2017 Notes will mature on April 25, 2017. The 2017 were subject of an exchange offer for TAM Capital Inc.’s substantially similar 7.375% Senior Guaranteed Notes due 2017 (the “exchange notes”), which were registered with the SEC.

The 2017 Notes may be redeemed, in whole or in part, at the option of TAM Capital Inc. under certain circumstances. The 2017 Notes may be redeemed on any interest payment date at a redemption price equal to the greater of:

- 100% of the principal amount of the 2017 Notes to be redeemed; and
 - The sum of the present values of the remaining scheduled payments of principal and interest on the 2017 Notes (exclusive of interest accrued on the redemption date) discounted to the redemption date on a semi-annual basis at the applicable treasury rate plus 50 basis points;
- plus, in either case, accrued and unpaid interest and additional amounts, if any, on the principal amount being redeemed on such redemption date.

In addition, following specific kinds of change of control, an offer to repurchase some or all of the 2017 Notes must be made, at 101% of their principal amount, plus accrued and unpaid interest up to the repurchase date.

The indenture for the 2017 Notes contains customary covenants that restrict the ability of TAM Capital Inc., TAM S.A. and TAM Linhas Aéreas S.A. to:

- consolidate or merge with, or transfer all or substantially all of their respective assets to, another person; or
- enter into transactions with affiliates.

The 2017 Notes contain customary events of default, any of which would permit holders of the 2017 Notes to accelerate the debt if not cured within applicable grace periods, if any. If an event of default has occurred and is continuing (other than with respect to certain bankruptcy related events of default), the trustee or the holders of not less than 25% of in principal amount of the 2017 Notes then outstanding may declare all unpaid principal of and accrued interest on all the 2017 Notes to be due and payable immediately.

8.375% Senior Guaranteed Notes due 2021

On June 3, 2011, TAM Capital 3 Inc. issued US\$ 500,000,000 aggregate principal amount of 8.375% Senior Guaranteed Notes due 2021 (the “2021 Notes”). The 2021 Notes are unconditionally guaranteed by TAM S.A. and TAM Linhas Aéreas S.A. The 2021 Notes were issued pursuant to an indenture, dated as of June 3, 2011, among TAM Capital 3 Inc., TAM S.A., TAM Linhas Aéreas S.A., The Bank of New York Mellon, as trustee, transfer agent, registrar and principal paying agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg transfer agent. Interest on the 2021 Notes is payable semi-annually on June 3 and December 3 of each year, commencing on December 3, 2011. The 2021 Notes will mature on June 3, 2021.

The 2021 Notes may be redeemed, in whole or in part, at the option of TAM Capital 3 Inc. under certain circumstances. On or prior to June 3, 2016, TAM Capital 3 Inc. may redeem for cash all or a portion of the notes at any time or from time to time, by paying the redemption price that is equal to the greater of:

- 100% of the principal amount of the 2021 Notes then being redeemed and
- a “make whole amount,” if any, together with accrued and unpaid interest to the redemption date.

After June 3, 2016, TAM Capital 3 Inc. may redeem for cash all or a portion of the 2021 Notes at any time or from time to time, by paying the following redemption prices (expressed as a percentage of their principal amount at maturity), during the 12 month period commencing on June 3, 2016 of any year set forth below:

<u>Year</u>	<u>Redemption Price</u>
2016	104.88%
2017	102.792%
2018	101.396%
2019 and thereafter	100.000%

In addition, following specific kinds of change of control, an offer to repurchase some or all of the 2021 Notes must be made, at 101% of their principal amount, plus accrued and unpaid interest up to, but not including the repurchase date.

The indenture for the 2021 Notes contains customary covenants that restrict the ability of TAM Capital 3 Inc., TAM S.A. and TAM Linhas Aéreas S.A. to:

- consolidate or merge with, or transfer all or substantially all of their respective assets to, another person; or
- enter into transactions with affiliates.

The 2021 Notes contain customary events of default, any of which would permit holders of the 2021 Notes to accelerate the debt if not cured within applicable grace periods, if any. If an event of default has occurred and is continuing (other than with respect to certain bankruptcy related events of default), the trustee or holders of not less than 25% in principal amount of the notes then outstanding may declare all unpaid principal of and accrued interest on all 2021 Notes to be due and payable immediately.

Short term

We have generally been able to arrange for short-term loans with local Chilean and international banks when we have needed to finance working capital expenditures or increase our liquidity. As of December 31, 2015, we maintained US\$ 1,656 million in short-term credit lines with both local and foreign banks, including US\$105 million of committed credit lines.

We have diversified our sources of short term financing to include the following: PAE (“*Prestamos a Exportadores*”), which are foreign currency short term loans granted to exporting parties in Chile mainly to finance working capital; Credit card advancements, a financial alternative where the bank advances to the Company the cash inflows related to the credit card sales on installments with a discount factor; and advance purchases by Multiplus of kilometers for TAM flights, in an amount at any time up to a maximum of R\$500 million.

Capital expenditures

Our capital expenditures are related to the acquisition of aircraft, aircraft-related equipment, IT equipment, support infrastructure and the funding of pre-delivery deposits. LATAM’s capital expenditures totaled US\$1,569.7 million in 2015, US\$1,440.4 million in 2014 and US\$1,381.8 million in 2013. See “—Sources of financing” above.

The following chart sets forth our estimate, as of December 31, 2015, of our future capital expenditures for, 2016, 2017, 2018 and 2019 calendar years:

	Estimated capital expenditures by year, as of December 31, 2015				
	2016	2017	2018 (in US\$ millions)	2019	2020
Fleet Commitments	1,952	1,409	1,486	1,958	1,164
PDPs ⁽¹⁾	230	-135	101	145	-227
Purchase Obligations ⁽²⁾	2,182	1,274	1,587	2,103	937
Other expenditures ⁽³⁾	332	397	375	353	282
Total	2,514	1,671	1,962	2,456	1,219

- (1) Represents pre-delivery payments made by LATAM, or inflows received by LATAM after the delivery of the aircraft is made, when the manufacturer refunds the PDPs to LATAM.
- (2) The amount presented reflects LATAM's estimates regarding (i) changes in scheduled delivery dates; (ii) conversion of certain aircraft types and (iii) aircraft of which we do not expect to take delivery. For the amounts of material obligations and commitments as of December 31, 2015, please see Note 16 to our audited consolidated financial statements.
- (3) Includes expenditures on spare engines and parts, information technology and other expenditures.

The expenditures set out in the table above reflect payments for purchases and other fleet-related items, as well as for information technology and other items. See "Item 4. Information on the Company—B. Business Overview—Fleet." We have projected our capital expenditures based on our anticipated deliveries of aircraft fleet. See "—F. Tabular Disclosure of Contractual Obligations" below for a description of our purchase obligations, borrowings and other contractual commitments as of December 31, 2015.

C. Research and Development, Patents and Licenses, etc.

LATAM has registered the trademarks "LAN," "LAN Chile," "LAN Peru," "LAN Argentina" and "LAN Ecuador" with the trademark office in Chile, Peru, Argentina and Ecuador, respectively. We license certain brands, logos and trade dress under the alliance agreement with **oneworld®** related to LAN's alliance. As long as LAN is a member of **oneworld®**, it will have the right to continue to use current logos on its aircraft.

TAM holds or has filed registration applications for 135 trademarks before the Instituto Nacional da Propriedade Industrial ("INPI"), the body with jurisdiction for registering trademarks and patents in Brazil, and 105 trademarks before the bodies with jurisdiction for registering trademarks in other countries in which TAM operates. Currently, TAM is not aware of any third-party challenges to these applications.

D. Trend Information

For 2016, LATAM expects total passenger ASK growth to be between 0% and 3%. International passenger ASK growth for full year 2016 is expected to grow between 4% and 6%. TAM's domestic passenger ASKs in the Brazilian market are expected to decrease between 9% and 6%. ASKs in Spanish-speaking countries are expected to increase by approximately 6% to 8%.

In the passenger business, we expect to continue to face increased competition, a weaker macroeconomic environment in South America, and depreciated local currencies, putting pressure on yields throughout the region for all players in the industry. Nevertheless, the Company will continue to develop initiatives to improve our operations, with special focus on costs, customer experience and network. Moreover, LATAM's unique leadership position in a region with growth potential will allow us to continue building our business model in the future.

Regarding cargo operations, LATAM expects cargo ATKs to decrease between 2% and 0% for full year 2015, driven by reduced freighter operation.

In the cargo business, we continue to be adversely affected by the challenging macroeconomic environment, which is directly correlated with the number of tons being transported. Moreover, weaker cargo markets globally might further drive additional competition to South America, especially Brazil. We plan to continue optimizing the use of the bellies of our passenger aircraft to maximize synergies associated with the Company's integrated passenger/cargo business model, and to continue the adjustments on cargo capacity through a reduced freighter operation. We also continue to maintain significant flexibility to adjust the physical size of our fleet. Between 2016 and 2017, we will have 24 operating lease expirations in our passenger fleet and four operating lease expirations in our cargo fleet, which leases can thereafter be terminated without additional costs.

As a result, the Company has more flexibility, as well as a proven track record of acting quickly to adapt our business to economic challenges. In this context, since 2015, LATAM has developed a robust strategic plan for the next years (2015-2018), based on three critical success factors: Customer Experience, Network, and Efficiency and Cost Reduction. This plan will improve the way we work, allowing us to become one of the best airline groups in the world, renewing our commitment to sustained profitability and superior shareholder returns.

Customer Experience contemplates new services for our passengers, such as access to in-flight entertainment content on their own devices, live chat for contingencies in some airports and the announcement of the new unique brand LATAM, among others.

Network includes strengthening the use of LATAM's regional hubs with new destinations including Toronto, Barcelona and Milan, all of which are already in operation, and; the announcement of new destinations such as Washington and Johannesburg, which have not yet begun operations. Network also includes the announcement of a joint business agreement with American Airlines and IAG (British Airways and Iberia), subject to regulatory approval in the different countries, which will allow our passengers access to a wider network, more flight options with better connection times, more competitive fares to destinations not served by LATAM, increased potential for developing new routes and adding more direct flights to new destinations, as well as to destinations already served by LATAM; among other initiatives.

Efficiency and Cost Reduction include reductions in fuel and fees, procurement, operations, overhead, and distribution costs, among others. The Company has already started work on cost initiatives in all these areas.

Regarding fuel, we expect jet fuel prices will continue to be volatile in 2016, and we will continue to use fuel hedging programs and fuel surcharge mechanisms in both the passenger and cargo businesses to help minimize the impact of short-term movements in crude oil prices.

LATAM has hedged approximately 89% of its estimated fuel consumption for the first quarter of 2016, 57% of its average estimated fuel consumption for the second quarter of 2016, 27% of its average estimated fuel consumption for third quarter 2016, and 11% of its average estimated fuel consumption for fourth quarter 2016. The Company's fuel hedging strategy consists of a combination of options and swaps for Brent and Jet Fuel.

E. Off-Balance Sheet Arrangements

As of December 31, 2015 the Company had 106 aircraft (of which 36 are obligations of TAM and 70 are obligations of LAN) and 12 aircraft engines under operating leases. These operating leases provide us with flexibility to adjust our fleet to any demand volatility that may affect the airline industry and therefore we consider such arrangements to be of great value to our strategy and financial performance. The total future lease payments related to our operating leases as of December 31, 2015 was US\$ 2,653 million, for all remaining periods through maturity (the latest of which expires in 2020). See “—F. Tabular Disclosure of Contractual Obligations.”

Under the aforementioned operating leases, LATAM is responsible for all maintenance, insurance and other costs associated with operating these aircraft. The Company has not made any residual value or similar guarantees to our lessors. There are certain guarantees and indemnities to other unrelated parties that are not reflected on the Company's balance sheet, but we believe that these will not have a significant impact on our results of operations or financial condition.

LATAM operates 19 aircraft under tax leasing structures. These methods involve the creation of special purpose entities that acquire aircraft with bank and third-party financing. Under IFRS, these aircraft are shown in the consolidated statement of financial position as part of “Property, plant and equipment” and the corresponding debt is shown as a liability. Of LATAM's total tax leases, nine TAM tax leases are classified as operating leases for accounting purposes as of December 31, 2015.

As of December 31, 2015, we are not aware of any event, lawsuit, commitment, trend or uncertainty that may result in, or is reasonably likely to result in, the termination of the operating leases. See Note 33 to our audited consolidated financial statements for a more detailed discussion of these commitments.

F. Tabular Disclosure of Contractual Obligations

Secured Debt

LAN

Aircraft Debt

- ECA/EX-IM: Bank guaranteed bonds like Export-Import Bank of the United States (“EX-IM Bank”) and Export Credit Agency (“ECA”) guaranteed loan debt, as of December 31, 2015, was US\$ 3,735 million. In general, ECA and EX –IM financing have a 12-year repayment profiles.

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- Enhanced Equipment Trust Certificates (“EETC”): In June 2015, LATAM issued the first EETC in Latin America for an aggregate face amount of approximately US\$1,021 million to finance 17 new aircraft deliveries composed by 11 Airbus A321-200, 2 Airbus A350-900 and 4 Boeing 787-9, with delivery dates from July 2015 through March 2016. The offering is comprised of Class A Certificates maturing in November 2027 and Class B Certificates maturing in November 2023. The annual interest rate for Class A and B Certificates are 4.20% and 4.50%, respectively. As of December 31, 2015, the EETC debt was US\$ 676 million.
- Bank Commercial Loans: As of December 31, 2015, bank commercial loans debt was US\$ 1,145 million.
- Tax Leases: LAN has secured debt with tax leases through Japanese Leases with a call option (“JOLCO”) structures. As of December 31, 2015, LAN did not have debts through JOLCO financing.

Non Aircraft Debt

- 2013-1 Series Note: Regarding non-aircraft debt, LATAM issued a securitized bond for an amount of US\$ 450 million in November 2013 with a seven year term and a two year interest-only period and two years interest only (the “2013-1 Series Note”). This bond is backed by future flows of credit card sales of LATAM Airlines in the United States and Canada. The coupon is 6.0% fixed with quarterly payments.

Others

- Pre-Delivery Payments (“PDP”) financing: As of December 31, 2015, PDP financing outstanding amounts was US\$ 532 million

TAM

Aircraft Debt

- EX –IM: Bank guaranteed bonds like Export-Import Bank of the United States (“EX-IM Bank”) and Export Credit Agency (“ECA”) guaranteed loans, as of December 31, 2015, were US\$ 312 million. In general, ECA and EX –IM financing have a 12-year repayment profiles.
- Bank Commercial Loans: As of December 31, 2015, Bank Commercial loans debt was US\$ 201 million.
- Tax Leases: TAM has secured debt with tax leases through Spanish Leases (“SOL”). As of December 31, 2015, TAM tax leases were US\$ 115 million.

Non-Aircraft Debt

- None

Others

- None

Unsecured Debt

LAN

- LATAM 2020 Notes: On June 9, 2015 LATAM Airlines Group S.A. issued and placed on the international market an unsecured long-term bond in the amount of US\$ 500 million maturing 2020, at interest rate of 7.25% per year.
- Commercial Bank Loans: As of December 31, 2015, unsecured Bank Commercial loans debt was US\$ 648 million.

TAM

- TAM Capital 2017 Notes: As of December 31, 2015, TAM has a senior note outstanding US\$300 million due in 2017, with a fixed interest rate of 7.375% payable semi-annually, issued by TAM Capital Inc. and guaranteed on a senior unsecured basis by TAM S.A. and TAM Linhas Aereas. These notes are listed on the Euro MTF market of the Luxembourg Stock Exchange. On December 18, 2007, TAM completed an exchange offer pursuant to which 99.2% of the holders exchanged these notes for new notes that are registered under the Securities Act and otherwise have identical terms
- TAM Capital 2021 Notes: As of December 31, 2015, TAM has a senior note outstanding US\$500 million due in 2021, with a fixed interest rate of 8.375% payable semi-annually, issued by TAM Capital 3 Inc. and guaranteed on a senior unsecured basis by TAM S.A. and TAM Linhas Aereas.

- Commercial Bank Loans: As of December 31, 2015, unsecured Bank Commercial loans debt was US\$ 7 million.

In 2015, the average interest rate of all of our long-term debt (consisting of our aircraft debt, the senior notes issued by TAM, the 2013-1 Series note and bank loans) was 3.88% of the total long-term debt, 70.73% accrues interest at a fixed rate (either through a stated fixed interest rate or through the use of interest rate swap agreements) or is subject to interest rate caps.

As of December 2015, LATAM had US\$1,467 million in current debt liabilities. Of this amount, US\$641 million consisted of short-term debt, which represents 43.69% of our total current debt liabilities.

Various EX-IM Bank loans signed by LATAM for the financing of Boeing 767, 767 freighter, 777 freighter and 787 aircraft contain financial covenants and other restrictions, including restrictions in shareholder composition and disposal of assets. As of December 31, 2015, we also had purchase obligations totaling US\$ 9.7 billion, with deliveries between 2016 and 2021, as set forth below:

- Airbus A320-Family, passenger aircraft deliveries: 79,
- Wide-body passenger aircraft deliveries (which include the Airbus A350 900XWB, the Airbus A350 1000XWB, the Boeing 787-8, and the Boeing 787-9): 41

The following table sets forth our material expected obligations and commitments as of December 31, 2015:

(US\$ in millions)	Payments due by period, as of December 31, 2015					
	Total ⁽²⁾	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Financial debt obligations ⁽¹⁾	US\$ 9,120	US\$ 1,466	US\$ 2,748	US\$ 2,186	US\$ 2,720	
Operating lease obligations	US\$ 2,653	US\$ 514	US\$ 801	US\$ 480	US\$ 858	
Fleet Commitments ⁽³⁾	US\$ 9,709	US\$ 1,952	US\$ 2,896	US\$ 3,122	US\$ 1,739	
TOTAL	US\$ 21,482	US\$ 3,932	US\$ 6,445	US\$ 5,788	US\$ 5,317	

- (1) Financial debt obligations reflect principal payments on outstanding debt obligations, including aircraft debt, senior notes issued by LAN and TAM, long-term and short-term bank loans and PDP financing.
- (2) The amount presented reflects LATAM's estimates regarding (i) changes in scheduled delivery dates; (ii) conversion of certain aircraft types and (iii) aircraft of which we do not expect to take delivery. For the amounts of material obligations and commitments as of December 31, 2015, please see Note 16 to our audited consolidated financial statements.
- (3) Fleet commitments represent the capex equivalent of purchasing all fleet arrivals.

2015 Fleet Acquisitions

During 2015, LATAM completed the acquisition of the following wide body aircraft:

- Four Boeing 7879 passenger aircraft, financed through operating leases.
- Three Boeing 7879 and 1 Airbus 350-900 passenger aircraft, financed through the EETC facility.

The four Boeing 787-9 aircraft financed through operating lease transactions have lease terms of 12 years. These leases are denominated in U.S. dollars and have monthly payments. Aircraft financed through EETC are under the terms described above.

During 2015, LATAM completed the acquisition of the following narrow body aircraft:

- One A321 231 passenger aircraft, financed through a commercial loan.
- Seven A321 231 passenger aircraft, financed through sale and leaseback transactions.

- Seven A321 231 passenger aircraft, financed through the EETC facility.

The aircraft financed under commercial financing is part of the 2014 facility under a 12-year floating rate amortizing loan. Narrow body aircraft financed through sale and leaseback transactions have lease terms of 12 years. These leases are denominated in U.S. dollars and have monthly payments. Finally, aircraft financed through EETC are under the terms described above.

The ECA-guaranteed loans have an advance rate equal to 80% of the net purchase price of the aircraft for a 12-year period, with the remaining 20% of the aircraft being financed by the Company's available cash flows.

2014 Fleet Acquisitions

During 2014, LATAM completed the acquisition of the following wide body aircraft:

- Three Boeing 787 816 passenger aircraft, financed through EX IM Bank guaranteed bonds.
- Two Boeing 787 816 passenger aircraft, financed through sale and lease back transactions.

These EX-IM Bank financial obligations have a repayment profile of 12 years, with a guarantee covering 85% of the net purchase price of the aircraft. The EX-IM Bank guarantee is secured with a first priority mortgage on the aircraft in favor of a security trustee on behalf of EX-IM Bank. We have financed the remaining 15% of the net purchase price with our own funds.

Finally, the two Boeing 787-8 aircraft financed through sale and leaseback transactions have lease terms of 12 years. These leases are denominated in U.S. dollars and have monthly payments

During 2014, LATAM completed the acquisition of the following narrow body aircraft:

- Nine A321 231 passenger aircraft, financed through commercial loans.
- Four A320 214 and two A321 231, financed through sale and lease back transactions.

The commercial financing for the nine Airbus 321-231 aircraft consists of a senior tranche financing 81.7% of the net purchase price of the aircraft. A first priority mortgage on the aircraft exists in favor of a security trustee on behalf of the senior lender. The documentation for each loan follows standard market forms for the type of financing, including standard events of default.

Finally, narrow body aircraft financed through sale and leaseback transactions have lease terms of eight years. These leases are denominated in U.S. dollars and have monthly payments.

The majority of our 2014 wide body and narrow body aircraft financings through EX-IM Bank bonds, ECA guaranteed loans or commercial loans are denominated in U.S. dollars and have quarterly amortizations with a combination of fixed and floating rates linked to USD LIBOR. A small portion of our aircraft debt has monthly or semiannual payments; nevertheless it is also denominated in U.S. dollars and linked to U.S. dollar Libor. Through the use of interest rate swaps and fixed coupon Bond issuances in the case of Boeing aircraft, we have effectively converted a significant portion of our floating rate debt under these loans into fixed rate debt.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The LATAM Airlines Group board of directors consists of nine directors who are elected every two years for two-year terms at annual regular shareholders' meetings or, if necessary, at an extraordinary shareholders' meeting, and may be re-elected. The board of directors may appoint replacements to fill any vacancies that occur during periods between elections. Scheduled meetings of the board of directors are held once a month and extraordinary board of directors' meetings are called when summoned by the chairman of the board of directors and two other directors, or when requested by a majority of the directors.

The current board of directors was elected at the ordinary shareholders' meeting held on April 28, 2015. Its term expires in April 2017. On September 2, 2014, Mrs. Maria Claudia Amaro⁽¹⁾ resigned as a member of the board of directors, which elected Mr. Henri Philippe Reichstul in her place. On April 28, 2015, the board of directors was renewed in full and Mr. Henri Philippe Reichstul was reelected as member of the board of directors.

The following are LATAM Airlines Group’s directors:

Directors	Position
Mauricio Rolim Amaro ⁽¹⁾	Director / Chairman
Henri Philippe Reichstul	Director
Juan José Cueto Plaza ⁽²⁾	Director
Ramón Eblen Kadis ⁽³⁾	Director
Georges de Bourguignon Arndt	Director
Ricardo Caballero	Director
Carlos Heller Solari ⁽⁴⁾	Director
Gerardo Jofré Miranda	Director
Francisco Luzón López	Director
Senior Management	Position
Enrique Cueto Plaza ⁽²⁾	CEO LATAM
Ignacio Cueto Plaza ⁽²⁾	CEO LAN
Andrés Osorio Hermansen	CFO LATAM
Marco Antonio Bologna ⁽⁵⁾	CEO TAM
Armando Valdivieso Montes	Senior VP Commercial LATAM
Claudia Sender	President TAM
Cristián Ureta Larraín	Cargo President
Roberto Alvo Milosawlewitsch	Senior VP International and Alliances
Emilio del Real Sota	Senior VP Human Resources
Jerome Cadier	Chief Marketing Officer
Juan Carlos Menció	Senior VP Legal
Enrique Elsaca Hirmas	Senior VP Spanish Speaking Countries
Hernán Pasman	Chief Operating Officer

- (1) Mr. Mauricio Rolim Amaro and Mrs. Maria Claudia Amaro are brother and sister. Both are members of the Amaro Group, which is defined in “Item 7” as a “Major Shareholder” and are the TAM controlling shareholders.
- (2) Messrs. Ignacio, Juan José and Enrique Cueto Plaza are brothers. All three are members of the Cueto Group, which is defined in “Item 7” as a “Major Shareholder,” and are the LATAM controlling shareholders.
- (3) Mr. Ramón Eblen Kadis is a member of the Eblen Group, which is defined in “Item 7” as a “Major Shareholder.”
- (4) Mr. Carlos Heller Solari is a member of the Bethia Group, which is defined in “Item 7” as a “Major Shareholder.”
- (5) Mr. Bologna ceased his functions as CEO of TAM on April 1, 2015.

Biographical Information

Set forth below are brief biographical descriptions of LATAM Airlines Group’s directors and senior management. All of LATAM’s directors were elected or reelected, as the case may be, in April 28, 2015 for a two-year term, which expires in April 2017.

Directors

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. As of January 31, 2016, according to shareholder registration data in Chile, Mr. Amaro shared in the beneficial ownership of 65,554,075 common shares of LATAM Airlines Group (12.02% of LATAM Airlines Group’s outstanding shares), held by TEP Chile S.A. For more information see “Item 7. Controlling Shareholders and Related Party Transactions.”

Mr. Henri Philippe Reichstul, joined LATAM’s board of directors in April 2014. 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 his roles as Administrative Board member of TAM and LATAM Group, he is also a member of the Board of Directors of Repsol YPF, Peugeot Citroen, AES Brasil, Foster Wheeler 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.

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 currently serves as Executive Vice President of Inversiones Costa Verde S.A., a position he has held since 1990, and serves on the boards of directors of Consorcio Maderero S.A., Inversiones del Buen Retiro S.A., Costa Verde Aeronáutica S.A., Sinergia Inmobiliaria S.A., Valle Escondido S.A., Fundación Colunga and Universidad San Sebastián. Mr. Cueto is the brother of Messrs. Enrique and Ignacio Cueto Plaza, LATAM Airlines Group Executive Vice-President and LAN CEO, respectively. Mr. Cueto is a member of the Cueto Group (LATAM Airlines Group’s Controlling Shareholder). As of January 31, 2016, Mr. Cueto shared in the beneficial ownership of 136,394,023 common shares of LATAM Airlines Group (25.00% of LATAM Airlines Group’s outstanding shares) held by the Cueto Group. Mr. Cueto is also a member of the board of directors of Holdco II. For more information see “Item 7. Controlling Shareholders and Related Party Transactions.”

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). As of January 31, 2016, The Eblen Group had the beneficial ownership of 30,550,333 common shares of LATAM Airlines Group (5.60% of LATAM Airlines Group’s outstanding shares). For more information see “Item 7. Controlling Shareholders and Related Party Transactions.”

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. Mr. de Bourguignon has been a partner and executive director of Asset Chile S.A., a Chilean investment bank, since 1993. He is currently member of the board of directors K+S Chile S.A. and Salmones Austral Spa. In the past he has served in several other boards of public and private companies, as well as of boards of non profit organizations. Between 1990 and 1993, he was manager of the Financial Institutions Group at Citibank S.A. in Chile, and was a professor of economics at the Catholic University of Chile. He is an economist from Catholic University of Chile and a graduate of Harvard Business School. As of January 31, 2016, Mr. de Bourguignon indirectly held 3,153 common shares of LATAM Airlines Group (0.0006%) of LATAM Airlines Group outstanding shares).

Mr. Ricardo J. Caballero, joined LATAM’s board of directors in April 2014 and was reelected on April, 2015. 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.

Mr. Carlos Heller Solari, 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 vast experience in retail, communications, transport and agriculture categories. Mr. Heller is president of Bethia S.A. (“Bethia”) (parent company of Axxion S.A. and Betlan Two S.A.), He also serves on the boards of Red Televisiva Megavisión, Club Hípico de Santiago, Falabella Retail S.A., Soltraser S.A., Viña Indómita S.A., Viña Santa Alicia S.A., Blue Express S.A. and Aero Andina S.A. In addition, he is the principal shareholder and president of “Azul Azul S.A.” concessionaire of the Corporación de Fútbol Profesional de la Universidad de Chile. On January 31, 2016, Mr. Heller indirectly held 33,367,357 ordinary shares of LATAM Airlines Group through Axxion S.A. and Inversiones HS Spa (6.12% of the shares of LATAM Airlines Group) and 1,017,449,607 shares Naviera S.A. Group Companies Axxion through S.A.

Mr. Gerardo Jofré Miranda, joined LATAM Airlines’ Board of directors on May 2010 and was reelected to the board of directors of LATAM in April 2015. Mr. Jofré is member of the board of directors of Codelco, Enersis Chile and member of the Real Estate Investment Council of Santander Real Estate Funds. From 2010 to 2014 he served as president of the board of directors of Codelco. From 2005 to 2010 he served as member of the boards of directors of Endesa Chile S.A., Viña San Pedro Tarapacá S.A., D&S S.A., Inmobiliaria Titanium S.A. Construmart S.A., Inmobiliaria Playa Amarilla S.A. and Inmobiliaria Parque del Sendero S.A. and was President of Saber Más Foundation. Mr. Jofré was Director of Insurance for America for Santander Group of Spain between the years 2004 and 2005. From 1989 to 2004 he served on Santander Group in Chile, as Vice Chairman of the Group and as CEO, member of the boards of directors and Chairman of many of the Group’s companies. As of January 31, 2016, Mr. Jofré held 106,843 common shares of LATAM Airlines Group (0.0196 of LATAM Airlines Group’s outstanding shares).

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 (IDB) and he has been Teacher “Visiting Leader” of the School of Business China-Europe (“CEIBS”) in Shanghai (2012-2013). He is currently a member of the board of La Haya Real Estate and served as Independent Director at Willis Group between June 2013 and January 2016. 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 S.A. Between 1991 and 1996 he was Chairman and CEO of Argentaria Bank Group. Previously, in 1987, he was appointed Director and General Manager 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.

*Senior Management*¹

Mr. Enrique Cueto Plaza, is LATAM Airlines Group’s Chief Executive Officer (“CEO”) and has been in this position since the merger between LAN and TAM in June 2012. From 1994 to 2012, Mr. Cueto was the CEO of LAN. From 1983 to 1993, Mr. Cueto was Chief Executive Officer of Fast Air, a Chilean Cargo airline. Mr. Cueto has in-depth knowledge of passenger and cargo airline management, both in commercial and operational aspects, gained during his 30 years in the airline industry. Mr. Cueto is an active member of the **oneworld**® Alliance Governing Board, the IATA (International Air Transport Association) Board of Governors. He is also member of the Board of the Endeavor foundation, an organization dedicated to the promotion of entrepreneurship in Chile, and president of the Latin American and Caribbean Air Transport Association (ALTA). Mr. Cueto is the brother of Mers. Juan José and Ignacio Cueto Plaza, member of the board and LAN CEO, respectively. Mr. Cueto is also a member of the Cueto Group (LATAM Airlines Group’s Controlling Shareholder). As of January 31, 2016, Mr. Cueto jointly shared in the beneficial ownership of 136,394,023 common shares of LATAM Airlines Group (25.00% of LATAM Airlines Group’s outstanding shares) held by the Cueto Group. For more information see “Item 7. Controlling Shareholders and Related Party Transactions.”

Mr. Ignacio Cueto Plaza, is LAN’s CEO. His career in the airline industry extends over 25 years. In 1985, Mr. Cueto assumed the position of Vice President of Sales at Fast Air Carrier, the biggest national cargo company of that time. In 1985, Mr. Cueto assumed as Service Manager and Commercial Manager for the Miami sales office. Mr. Cueto later served on the board of directors of LAN (from 1995 to 1997) and Ladeco (from 1994 to 1997). Mr. Cueto served as President of LAN Cargo from 1995 to 1998, as Chief Executive Officer-Passenger Business from 1999 to 2005, and as President and Chief Operating Officer of LAN since 2005 until the merger with TAM in 2012. Mr. Cueto also led the establishment of the different subsidiaries that the Company has in South America, as well as the implementation of key alliances with other airlines. Mr. Cueto is the brother of Messrs. Juan José and Enrique Cueto Plaza, Director and LATAM’s CEO, respectively. Mr. Cueto is also a member of the Cueto Group (which is a controlling shareholder of LATAM). As of January 31, 2016, Mr. Cueto shared in the beneficial ownership of 136,394,023 common shares of LATAM (25.00% of LATAM’s outstanding shares) held by the Cueto Group. For more information see “Item 7. Controlling Shareholders and Related Party Transactions.”

Mr. Marco Bologna, has served as TAM’s CEO since May, 2010. He is also board member of Suzano Papel e Celulose S/A. He joined TAM in March 2001, when he was appointed Vice President for Finance and Management, and Market Relations Director. From 2004 to 2007 he served as President of TAM Linhas Aéreas, and in March 2009 he took over as President of TAM Aviação Executiva and Táxi Aéreo S.A. Since April 30, 2010 he has chaired the holding company TAM S.A., which brings together TAM Linhas Aéreas, TAM Airlines (formerly TAM Mercosur), Multiplus Fidelidade, and the maintenance unit TAM MRO. In February 2012, he was also appointed President of TAM Linhas Aéreas. Mr. Bologna has extensive experience in the aviation industry, and has worked in the financial markets for over 20 years. On April 1, 2015, Mr. Bologna resigned from his position as CEO of TAM.

Mr. Armando Valdivieso Montes, is Senior Commercial Vice President of LATAM since 2015. After the merger between LAN and TAM in 2012, Mr. Valdivieso served as General Manager of LAN, and from 2006 until 2012 he served as the General Manager-Passenger. Between 1997 and 2005 he served as Chief Executive Officer-Cargo Business of LAN. From 1995 to 1997, Mr. Valdivieso was President of Fast Air, and from 1991 to 1994, Mr. Valdivieso served as Vice President, North America of Fast Air Miami. Mr. Valdivieso is a civil engineer and obtained an MBA from Harvard Business School. As of January 31, 2016, according to shareholder registration data in Chile, Mr. Valdivieso owned 67,359 common shares of LATAM Airlines Group (0.012% of LATAM Airlines Group’s outstanding shares).

Mrs. Claudia Sender Ramirez, has served as TAM Airlines’ President since 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. Mrs. Prior to joining LATAM Airlines, she was Marketing Vice-President at Whirlpool Latin America for seven 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’s degree in Chemical Engineering from the Polytechnic School at the University of São Paulo (“USP”) and a MBA from Harvard Business School.

¹ Mr. Damian Scokin *held the position of* LATAM’s International Unit Business Executive Vice President until September 30, 2014, date in which Mr. Scokin left the company.

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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, 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.

Mr. Jerome Cadier, is Chief Marketing Officer, a position he assumed in March 2013. Prior to joining LATAM, he was head of Sales and Vice-president of Marketing of Whirlpool Home Appliances for Brazil. Mr. Cadier was also CEO in Whirlpool for Australia and New Zealand. Between 1994 and 2002, Mr. Cadier worked as a management consultant for McKinsey and Co. in Brazil. Mr. Cadier has an Industrial Engineering degree from Escola Politecnica da Universidade de Sao Paulo, Brazil and a Master's degree from the Kellogg Graduate School of Business in the United States.

Mr. Juan Carlos Mencio, is Senior Vice President of Legal Affairs and Compliance for LATAM Airlines Group since June 1, 2014. Mr. Mencio 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. Mencio 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.

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 seven years, and Metrogas, among others. He has also been CEO of Empresas Indumotora, a Chilean automobile conglomerate, and was a partner at PricewaterhouseCoopers in Chile. As of January 31, 2016, Mr. Osorio owned 23,824 common shares of LATAM (0.0044% of LATAM Airlines Group's outstanding shares).

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, and Training and Recruitment Manager and Management Development Manager for Latin America. Mr. del Real has a Psychology degree from Universidad Gabriela Mistral.

Mr. Cristian Ureta Larrain, is LATAM's Cargo Executive Vice-President since 2005. From 2002 to 2005, Mr. Ureta was Production Vice President of LAN Cargo, and between 1998 and 2002, he was LAN Cargo's Planning and Development Vice-President. Prior to that, Mr. Ureta served as General Director and Commercial Director at Mas Air, and as Service Manager for Fast Air. Ureta has an Engineering degree from Pontificia Universidad Católica and a Special Executive Program from Stanford University.

Mr. Hernan Pasman, has served as LATAM's Operations and Maintenance Executive Vice-President since 2015. Mr. Pasman joined LAN Airlines on 2005 as Director of Planning and Management Control for the strategic areas of the Company. From 2007 to 2010, Mr. Pasman was LAN Argentina's Operations and Maintenance Vice-President and in 2011 he was promoted to General Manager of LAN Colombia. Between 2001 and 2005, Mr. Pasman was consultant at McKinsey&Co. in Chicago, and between 1995 and 2001, Mr. Pasman held positions at Citicorp Equity Investments, Telefonica in Argentina and Motorola in Argentina. Mr. Pasman has an Engineering degree from Instituto Tecnológico de Buenos Aires and obtained an MBA from Kellogg Graduate School of Management, United States.

Mr. Enrique Elsaca, is LATAM's Spanish Speaking Countries Executive Vice-President since October 2015. From 2004 to 2008, Mr. Elsaca was Planning Vice-President. In 2008, he assumed as Operating and Service Vice-President of LAN, and in 2012, Mr. Elsaca assumed the position of General Manager for LAN. Prior joining to LATAM, Mr. Elsaca worked in the retail sector at Santa Isabel-Cencosud (2000-2004), strategy consulting at consulting at Booz, Allen & Hamilton (1997-1999) and in Esso Chile (1991-1995). Mr. Elsaca has an Engineering degree from Pontificia Universidad Católica de Chile and obtained an MBA from MIT Sloan School of Management, United States. As of January 31, 2016, Mr. Elsaca owned 22,450 common shares of LATAM (0.0041% of LATAM Airlines Group's outstanding shares).

B. Compensation

In 2015, the Company paid its principal executives (considering the levels of Vice Presidents, General Managers, Senior Director and Directors as defined above) a total of US\$40,404,395. After the incentives for performance paid during 2015, the Company paid its principal executives total gross remunerations of US\$54,194,311.

Under Chilean law, LATAM Airlines Group must disclose in its annual report details of all compensation paid to its directors during the relevant fiscal year, including any amounts that they received from LATAM Airlines Group for functions or employment other than serving as a member of the board of directors, including amounts received as per diem stipends, bonuses and, generally, all other payments. Additionally, pursuant to regulations of the Superintendencia de Valores y Seguros de Chile (“SVS”), the Chilean securities regulator, the annual report must also include the total compensation and severance payments received by managers and principal executives, and the terms of and the manner in which board members and executive officers participated in any stock option plans.

LATAM Airlines Group’s directors are paid 50 UF per meeting (100 UF for the chairman of the board) and 40 UF for assistance to the subcommittee of Directors meetings. LATAM Airlines Group also provides certain benefits to its directors and executive officers, such as free and discounted airline tickets and health insurance. We do not have contracts with any of our directors to provide benefits upon termination of employment.

As set forth in further detail in the following table, in 2015 the members of our board of directors currently in office received fees and salaries in the aggregate amount of US\$364,815.

Board Members	Fees (US\$)^{(1) (2)}
Mauricio Rolim Amaro	47,539
Henri Philippe Reichstul	31,909
Ricardo J. Caballero	24,593
Juan José Cueto Plaza	34,944
Ramon Eblen Kadis	56,516
Georges de Bourguignon	61,639
Carlos Heller Solari	16,876
Juan Gerardo Jofre Miranda	64,731
Francisco Luzón López ^l	26,068
Total	364,815

(1) Fees were converted from Chilean Pesos into U.S. Dollars at a rate of CLP\$654.25 per U.S. Dollar.

(2) Includes fees paid to members of the board of directors’ committee, as described below.

All of the above-mentioned directors were elected to the LATAM board of directors in April 2015.

As required by Chilean law, LATAM Airlines Group makes obligatory contributions to the privatized pension fund system on behalf of its senior managers and executives, but it does not maintain any separate program to provide pension, retirement or similar benefits to these or any other employees.

C. Board Practices

Our board of directors is currently comprised of nine members. The terms of each of our current directors will expire in April 2017. See “—Directors and Senior Management” above.

Committees

Board of Directors’ Committee and Audit Committee

Pursuant to Chilean Corporation Law, LATAM Airlines Group must have a board of directors’ committee composed of no less than three board members. LATAM Airlines Group has established a three-person committee of its board of directors, which, among other duties, is responsible for:

- examining the reports of LATAM Airlines Group’s external auditors, the balance sheets and other financial statements submitted by LATAM Airlines Group’s administrators to the shareholders, and issuing an opinion with respect thereto prior to their presentation to the shareholders for their approval;
- proposing external auditors and rating agencies to the board of directors;
- evaluating and proposing external auditors and rating agencies;

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- reviewing internal control reports pertaining to related-party transactions;
- examining and reporting on all related-party transactions; and
- reviewing the pay scale of LATAM Airlines Group’s senior management.

Under Chilean Corporation Law we are required, to the extent possible, to appoint a majority of independent directors to the Board of Directors Committee. A director is considered independent when he or she can be elected regardless of the voting of the controlling shareholders. See “Item 16. Reserved—G. Corporate Governance.”

Pursuant to U.S. regulations, we are required to have an audit committee of at least three board members, which complies with the independence requirements set forth in Rule 10A-3 under the Exchange Act. Given the similarity in the functions that must be performed by our Board of Directors’ Committee and the audit committee, our Board of Directors’ Committee serves as our Audit Committee for purposes of Rule 10A-3 under the Exchange Act.

As of December 31, 2015, all of the members of our Board of Directors’ Committee, which also serves as our Audit Committee, were independent under Rule 10A-3 of the Exchange Act. As of December 31, 2015, the committee members were Mr. Gerardo Jofré Miranda, Mr. Ramón Eblen Kadis and Mr. Georges de Bourguignon Arndt. We pay each member of the committee 67 UFs per monthly assistance to meetings.

Other LATAM Board Committees

LATAM’s board of directors also has established four other committees to review, discuss and make recommendations to our board of directors. These include a Strategy Committee, a Leadership Committee, a Finance Committee and a Brand, Product and Frequent Flyer Program Committee. The Strategy Committee focuses on the corporate strategy, current strategic issues and the three-year plans and budgets for the main business units and functional areas and high-level competitive strategy reviews. The Leadership Committee focuses on, among other things, group culture, high-level organizational structure, appointment of the LATAM CEO and his or her other reports, corporate compensation philosophy, compensation structures and levels for the LATAM CEO and other key executives, succession or contingency planning for the LATAM CEO and performance assessment of the LATAM CEO. The Finance Committee is responsible for financial policies and strategy, capital structure, monitoring policy compliance, tax optimization strategy and the quality and reliability of financial information. Finally, the Brand and Frequent Flyer Program Committee is responsible for brand strategies and brand building initiatives for the corporate and main business unit brands, the main characteristics of products and services for each of the main business units, frequent flyer program strategy and key program features and regular audit of brand performance.

On June, 2014 LATAM’s board of directors established a Risk Committee to oversee the creation, implementation and management of a risk matrix for the Company.

Corporate Governance Practices

On March 31, 2014 LATAM Airlines Group filed the Company’s Corporate Practices Report prepared according to General Rule N° 341 of the Securities and Insurance Commission issued November 29, 2012. The reporting obligation stipulated in this rule is for practices in place as of December 31st of each year and the report must be presented no later than March 31st of the following year.

The report provided each year to the Commission must cover the following subjects:

- how the Board works;
- the relationship between the company, shareholders and the public in general;
- how senior officers are replaced and compensated; and
- the definition, implementation and supervision of internal control and risk management policies and procedures inside the company.

D. Employees

The following table sets forth the number of employees in various positions at the Company.

Employees ending the period	As of December 31,		
	2015 ⁽¹⁾	2014	2013
Administrative	9,118	10,077	9,908
Sales	5,022	5,246	5,680
Maintenance	5,990	6,986	6,925
Operations	16,878	17,517	17,054
Cabin crew	9,383	9,237	9,339
Cockpit crew	4,022	4,009	4,091
Total	<u>50,413</u>	<u>53,072</u>	<u>52,997</u>

(1) At December 31, 2015, approximately 25% of our employees worked in Chile, 73% in other Latin American countries and 2% in the rest of the world.

Our salary structure is comprised of: (a) fixed payments (base salary and other fixed payments such as legal gratifications, local bonus, company seniority and others, depending on each country's law and market practice); (b) short term incentives (associated with corporate, area and individual performance), applicable to our ground staff; (c) long term incentives (applicable to our senior executives (Senior Directors and above))

According to the local law requirements, we make pension and social security contributions on behalf of our employees. Additionally, for our air staff and specialized professionals such as mechanics, we have fixed and variable payments, subject to the local collective agreements.

Regarding benefits, we usually provide life insurance and medical insurance, complementary of the coverage provided by the legal system. We also grant other benefits, according to local market practice (meal, transportation, maternal and paternal leave, etc.). Additionally, we have a global staff travel program, which grants free and discounted tickets to our permanent employees.

Long Term Incentive Compensation Program

On December 21, 2011, the extraordinary shareholders meeting approved a capital increase of 142,355,882 shares to a total of 488,355,791 shares. The same meeting designated 4,800,000 shares for purposes of a proposed employee stock option compensation plan. Those 4,800,000 shares represented a 0.98% of the total share capital after such capital increase. The shareholders' meeting authorized our board of directors to elaborate the compensation plan. The 2011 Compensation Plan is aimed at promoting our interests by encouraging senior management employees to contribute substantially to our success, by motivating them with stock options.

The general features of this stock option plan are:

- (a) The selection of the employees of the Company and its subsidiaries that were included by the Board of Directors in the compensation plan was made after a recommendation by our Executive Committee. A stock option agreement was signed with each selected employee for the number of options in connection to the acquisition of our shares to be allocated to such employee.
- (b) Until the shares in the option are subscribed, the optionee has no economic or political rights and is not considered in the quorums of shareholders' meetings.
- (c) The options allocated to each employee are vested in parts, on the following three dates: (1) 30% on December 21, 2014; (2) 30% on December 21, 2015; and (3) 40% on June 21, 2016, subject to remaining employed by the Company.
- (d) The period during which the employee must exercise the options will expire December 21, 2016. If the employee has not exercised or waived the options in that period, the employee will be understood, for all purposes, to have waived the options and, accordingly, all rights, powers, promises or offers in relation to the subscription of cash shares in the Company will be deemed extinguished and it will be understood that the employee has irrevocably waived all rights or powers in relation thereto, releasing us from any obligation.
- (e) The price payable for these shares if the respective options are exercised is US\$17.22 adjusted by the variation in the *Consumer Price Index* ("CPI") published monthly by the U.S. Department of Labor, from the date it was set by our Board of Directors to the date of subscription and payment of the shares. Such price shall be paid in Chilean pesos, converted at the observed dollar exchange rate published in the Official Gazette on the same date as subscription and payment of the shares.

The selection of employees for participation in the stock option plan was based on, among other criteria that the Board determined at the time of employment with the Company, the position they hold, their importance in earning profits, the responsibility of their position, the amount of equity managed, the ability to work as a team, performance, potential for development and importance within the Company given their education and experience.

As of December 2015, Stock Option Contracts were issued by the Company to 46 employees of the Company and its subsidiaries for a total of 4,202,000 stock options. This stock option plan excludes members of the Cueto group, the LATAM Controlling Shareholder, that serve as senior management of the Company.

The Company's shareholders approved the issuance of 1,500,000 shares at the Special Shareholders Meeting held June 11, 2013, among other matters. Those shares will be allocated to compensation plans for the employees of the Company and its subsidiaries (the "2013 Compensation Plan").

The general features of the 2013 Compensation Plan are:

1. The options allocated to each employee shall be exercisable entirely on November 15, 2017, provided the employee continues to work for the Company.
2. Employees may exercise such options, after they become exercisable on the aforesaid date, either all at once or in parts. They must subscribe and pay for those shares at once, at the time of subscription, in cash, by check, by bank check, by money transfer or by any other instrument or medium representing cash payable on demand. Partial option exercises cannot be for less than 10% of all options granted to the Employee.
3. The period in which employees must exercise options after they become exercisable expires June 11, 2018. If employees have not exercised or waived options in that period, they shall be deemed to have waived the options for all purposes and, accordingly, all rights, powers, promises or offers in relation to the subscription of cash shares in the company shall be deemed extinguished, the employee shall be deemed to have irrevocably waived all rights or powers in relation thereto, and the company shall be released from any obligation.
4. The price payable per share allocated to the 2013 Compensation Plan is US\$16.40, if the respective options are exercised, adjusted by the change in the Consumer Price Index ("CPI") published monthly by the U.S. Department of Labor, starting the first day of the preemptive option period to the date of subscription and payment of the shares. The subscription price will be paid in Chilean pesos, converted using the Observed Dollar exchange rate published in the Official Gazette on the same date as subscription and payment of shares.

No options have been granted under the 2015 Compensation Plan.

Training

There has been no significant change in the number of Company employees between 2012 and 2014. There was also no significant variation between the positions held by such employees.

As of December 31, 2015, the Company had 792 temporary employees. Approximately 34% of these temporary employees worked in Chile, 62% in other Latin American countries and 4% in the rest of the world.

As of December 31, 2015, 98% of all Company employees with permanent contracts are covered by collective agreements.

Labor Relations

We believe we generally maintain good relations with our employees and the unions, and expect to continue to enjoy good relations with our employees and the unions in the future. We also believe that we have built a solid base among our employees that will support and facilitate our growth plans. We can provide no assurance, however, that our employee compensation arrangements may not be subject to change or modification after the expiration of the contracts currently in effect, or that we will not be subject to labor-related disruptions due to strikes, stoppages or walk-outs.

Chile

As a general labor relations policy in Chile, we negotiate labor contracts with unions in anticipation of their scheduled expirations. As a non-negotiable clause, all collective agreements are signed for the maximum legal term, namely, four years. During 2015, we renegotiated our collective bargaining agreements with the following unions: LATAM Airlines Group pilots, LATAM Airlines Group flight attendants, Andes (ground handling staff) and administrative personnel both from LATAM Airlines Group and Transporte Aéreo S.A. (LANExpress). All these collective agreements will be in force for the maximum legal term.

Finally, Transporte Aéreo's (LANExpress) maintenance union, in the context of a ruled negotiation, rejected the Company's last offer, resulting in the first legal strike in almost 20 years. Although this strike lasted 19 days, and thanks to advance planning and preparation, almost all flights departing from SCL (Santiago, Chile) operated under normal conditions, and on schedule. The maintenance union ended the strike by unilaterally extending the collective agreement's validity for 18 months. Thus, a new negotiation process should take place during the third quarter of 2016.

Ecuador

- **LAN:** Three employee associations were formed in 2012: of pilots, other general but composed mostly by maintenance employees and other general but composed mostly by employees of airports/administration. In November 2015 the Company signed a voluntary agreement with the association of pilots, in force until July 2019.

Additionally, in 2011 a union previously exclusive to cabin crew became general. This group maintains relations with the Company, but does not have the right to enter into or negotiate collective bargaining agreements under Ecuadorian law because less than 50% of our employees eligible for membership are members of this union.

- **ANDES:** In 2013 two unions of ground handling employees were formed in Andes. These groups maintain relations with the Company, but do not have the right to enter into or negotiate collective bargaining agreements under Ecuadorian law, because less than 50% of our employees eligible for membership are members of each union.

Argentina

In Argentina, 65% percent of LAN-TAM employees are affiliated in at least in one of seven unions.

In November 2015 we started to negotiate the annual adjustment for inflation with the seven unions. In February 2016, we reached an agreement with the unions.

In January 2015, the Minister of Labor approved a new Work Collective Agreement with the flight attendants. After two years of negotiations we were able to make an agreement with no additional costs.

In 2015 we succeeded in implementing the Company's planned changes to reduce operational labor and overhead costs, without significant protests or union intervention.

Colombia

In Colombia there are 4 different unions. Negotiations held with the Technicians union ("ACMA") and Cabin Crew union ("ACAV") in 2014 are in force until June 2017 and December 2018, respectively.

The other two unions correspond to Pilots ("ACDAC"), with which we are in the arbitration court pending decision, and the Industrial Union of Aviation Workers ("SINTRATAC"), with which we have negotiations ongoing.

Peru

LAN Peru will begin negotiations with the pilots' union during the second quarter of 2016. Negotiations are expected to conclude with a collective agreement during the first quarter of 2017. In Peru we have five other unions whose collective agreements are in force until 2017 (cabin crew and aircraft technicians) and 2018 (airport workers and flight dispatchers). Our current collective agreements have a term of four years.

Brazil

Under Brazilian law, the term of collective bargaining agreements is limited to two years. TAM's collective bargaining agreements are valid for one year (for the economic clauses) and for two years (for social clauses). TAM has historically negotiated collective bargaining agreements with nine unions in Brazil—one crew flight union, which represents pilots, copilots and flight attendants, and nine ground staff unions. In February 2016, TAM renegotiated collective bargaining agreements with all the unions, which included a wage increase of 11% in two increments, 5.5% in February and 5.5% in May, above the inflation rate for the period of 10.97%. For ground staff workers with salaries up to ten thousand dollars, the increase was R\$ 550,00 in February, R\$ 550,00 in May, more 10% of salary bonus.

E. Share Ownership

As of January 31, 2016, the members of our Board of Directors and our executive officers as a group owned 48.77% of our shares. See "Item 7. Controlling Shareholders and Related Party Transactions."

For a description of stock options granted to our executive officers, see “—Employees—Long Term Incentive Compensation Program.”

ITEM 7. CONTROLLING SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The Cueto Group is LATAM’s controlling shareholder and it is comprised of Mr. Juan José Cueto Plaza (one of our directors), Mr. Ignacio Cueto Plaza (the CEO LAN), Mr. Enrique Cueto Plaza (the CEO LATAM) and certain other family members. As of January 31, 2016, the Cueto Group owned 25.00% of LATAM Airlines Group’s common shares. The Cueto Group is entitled to elect three of the nine members of our board of directors and is in a position to direct the management of the Company. The Cueto Group, which we also refer to as the “LATAM controlling shareholders,” have entered into a shareholder’s agreement with LATAM, TEP Chile and the TAM controlling shareholders. See “Shareholders’ Agreements.”

Following our combination with TAM, the Amaro Group is also a major shareholder of LATAM Airlines Group. The Amaro Group, which we also refer to as the “TAM controlling shareholders,” are controlling shareholders of TAM, through their 100% ownership of TEP Chile and majority ownership of Holdco I voting shares, which owns 100% of the common shares of TAM. The Amaro Group’s members include our chairman Mauricio Rolim Amaro and our former director Maria Claudia Amaro. As of January 31, 2016, the Amaro Group owned 12.02% of LATAM Airlines Group’s common shares. The Amaro Group has entered into a shareholders’ agreement with LATAM and the LATAM controlling shareholders. The terms of this shareholders’ agreement require the LATAM controlling shareholders to vote to elect individuals nominated by TEP Chile as members of our board of directors. See “Shareholders’ Agreements.”

In addition to these shareholders, there are two other major shareholder groups. As of January 31, 2016, the Bethia Group, which includes our director Carlos Heller Solari, owned 6.12% of our common shares and the Eblen Group, which includes our director Ramón Eblen Cádiz, owned 5.60% of our common shares.

The table below sets forth the beneficial owners, as of January 31, 2016, of our common shares, including our controlling shareholders, other major shareholders and minority shareholders.

Shareholder	Beneficial ownership (as of January 31, 2016)	
	Number of shares of common stock beneficially owned	Percentage of common stock beneficially owned
Cueto Group	136,394,023	25.00%
Costa Verde Aeronautica S.A.	88,759,650	16.27%
Inversiones Nueva Costa Verde Aeronautica Ltda.	23,578,077	4.32%
Costa Verde Aeronautica SpA	12,000,000	2.20%
Others	12,056,296	2.21%
Amaro Group	65,554,075	12.02%
TEP Chile S.A.	65,554,075	12.02%
Bethia Group.	33,367,357	6.12%
Axxion S.A.	18,473,333	3.39%
Inversiones HS SpA.	14,894,024	2.73%
Eblen Group.	30,550,333	5.60%
Inversiones Andes S.A.	17,146,529	3.14%
Inversiones Andes II S.A.	8,000,000	1.47%
Inversiones PIA SpA.	5,403,804	0.99%
All other minority shareholders	279,692,313	51.26%
Total	545,558,101	100.00%

As of January 31, 2016, 3.86% of our capital stock was held in the form of ADSs, and 0.44% in the form of BDSs. Chilean pension funds held 18.90% of our capital stock and other minority investors held 26.19% in the form of common shares. It is not practicable for us to determine the number of ADSs or common shares beneficially owned in the United States. As of January 31, 2016, we had 1,563 record holders of our common shares. It is not practicable for us to determine the portion of shares held in Chile or the number of record holders in Chile. All of our shareholders have identical voting rights.

Shareholders' Agreements

As described above under “Item 4. Information on the Company—A. History and Development of the Company—Combination of LAN and TAM,” following the combination of LAN and TAM in June 2012, TAM S.A. continues to exist as a subsidiary of Holdco I and a subsidiary of LATAM, and LAN Airlines S.A. has been redesignated as “LATAM Airlines Group S.A.”

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

We refer to the shareholders' agreement among the LATAM controlling shareholders and TEP Chile, which sets forth the parties' agreement concerning the governance, management and operation of the LATAM Airlines Group, and voting and transfer of their respective LATAM Airlines Group common shares and TEP Chile's voting shares of Holdco I, as the “control group shareholders' agreement.” We refer to the shareholders' agreement between us and TEP Chile, which sets forth our agreement concerning the governance, management and operation of the LATAM Airlines Group, as the “LATAM Airlines Group-TEP shareholders' agreement.” The control group shareholders' agreement and the LATAM Airlines Group-TEP shareholders' agreement set forth the parties' agreement on the governance and management of the LATAM Airlines Group following the effective time.

This section describes the key provisions of the control group shareholders' agreement and the LATAM Airlines Group-TEP shareholders' agreement. The description of the control group shareholders' agreement and the LATAM Airlines Group-TEP shareholders' agreement summarized below and elsewhere in this annual report on Form 20-F are qualified in their entirety by reference to the full text of the aforementioned shareholders' agreements, which have been filed as exhibits to this annual report on Form 20-F.

Composition of the LATAM Airlines Group Board

Mr. Maurício Rolim Amaro was reelected to the LATAM Airlines Group board of directors in April 2014 and 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 Cláudia 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, 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, in which the board of directors will have to be renewed and reelected in full.

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 Antonia 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.

Governance and Management of Holdco I and TAM

We refer to the shareholders’ agreement between us, Holdco I and TEP Chile, which sets forth our agreement concerning the governance, management and operation of Holdco I, and voting and transfer of voting shares of Holdco I, as the “Holdco I shareholders’ agreement” and to the shareholders’ agreement between us, Holdco I, TAM and TEP Chile, which sets forth our agreement concerning the governance, management and operation of TAM and its subsidiaries following the effective time, as the “TAM shareholders’ agreement.” The Holdco I shareholders’ agreement and the TAM shareholders’ agreement set forth the parties’ agreement on the governance and management of Holdco I, TAM and its subsidiaries (collectively, the “TAM Group”) following the business combination of LAN and TAM.

This section describes the key provisions of the Holdco I shareholders’ agreement and the TAM shareholders’ agreement. The description of the Holdco I shareholders’ agreement and the TAM shareholders’ agreement summarized below and elsewhere in this annual report on Form 20-F are qualified in their entirety by reference to the full text of the aforementioned shareholders’ agreements, which have been filed as exhibits to this annual report on Form 20-F.

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 Cláudia Oliveira Amaro, and on September 8, 2014 Mrs. Maria Cláudia 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, currently the CEO of TAM, will be the initial CEO of Holdco I and TAM, or the “TAM Group CEO” and any successor CEO will be selected by LATAM from three candidates proposed by TEP Chile. 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;
- 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

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 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 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.

B. Related Party Transactions

General

We have engaged in a variety of transactions with our affiliates, including entities owned or controlled by certain of our controlling shareholders. In the ordinary course of our business we render to and receive from related companies services of various types, including aircraft leases, aircraft interchanges, freight transportation and reservation services.

It is our policy not to engage in any transaction with or for the benefit of any shareholder or member of the board of directors, or any entity controlled by such a person or in which such a person has a substantial economic interest, unless the transaction is related to our business and the price and other terms are at least as favorable to us as those that could be obtained on an arm’s-length basis from a third party. Such transactions, none of which is individually material, are summarized in Note 35 to our audited consolidated financial statements for the fiscal year ended December 31, 2015.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Financial Statements and Other Financial Information

See “Item 3. Key Information—A. Selected Financial Data,” “Item 18. Financial Statements” and pages F-1 through F-194.

Legal and Arbitration Proceedings

We are involved in routine litigation and other proceedings relating to the ordinary course of our business.

In February 2006 the European Commission (“EC”), the Department of Justice of the United States (“DOJ”), the Canadian Competition Bureau (“CCB”), and Conselho Administrativo de Defesa Econômica (“CADE”), among others, initiated a global investigation of a large number of international cargo airlines (among them LAN Cargo) for possible price fixing of cargo fuel surcharges and other fees in the European and United States air cargo markets. As previously announced, LAN Cargo reached plea agreements with the DOJ and the CCB, which included the payment of fines, in relation to such investigation.

On November 9, 2010, the EC imposed fines on 11 air carriers for a total amount of €800 million (equivalent to approximately US\$1.1 billion). The fine imposed against LAN Cargo and its parent company, LAN, totaled €8.2 million (equivalent to approximately US\$10.9 million). LAN provisioned US\$25 million during the fourth quarter of 2007 for such fines, and maintained this provision until the fine was imposed in 2010. In 2010, LAN recorded a US\$14.1 million gain (pre-tax) from the reversal of a portion of this provision. This was the lowest fine applied by the EC, which includes a significant reduction due to LAN’s cooperation with the Commission during the course of the investigation. In accordance with European Union law, on January 24, 2011 this administrative decision was appealed by LAN Cargo and LAN to the General Court in Luxembourg. Any judgment by the General Court may also be appealed to the Court of Justice of the European Union. The European Court of Justice overturned the Commission’s decision on December 16, 2015. The EC has decided not to appeal the case and must now decide if it will voluntarily withdraw the case (against some or all of the named parties) or issue a new decision with the aim of correcting the faults identified in the judgement by the European Court of Justice. On September 3, 2013, CADE published its decision to impose a fine of US\$51.020 million against ABSA, after an investigation commenced in 2008, against several cargo airlines and airlines officers over allegations of anticompetitive practices regarding fuel surcharges in the air cargo business. CADE also imposed fines upon a former Director and two former employees in the amounts of US\$1.020 million and US\$510,000 respectively. On December 5, 2013 ABSA filed its application for Administrative Reconsideration before CADE. On December 19, 2014, CADE issued a new decision which reduced the fine against ABSA to US\$12,580,835 (based on an exchange rate of US\$ 1 = R\$ 2.6). CADE also reduced the fines against ABSA’s Director and employees to US\$251,616 and US\$125,800, respectively. ABSA has initiated a judicial appeal against the Union Federal seeking an additional reduction of the fine amount. In the light of said pending judicial appeal, we cannot predict the ultimate outcome of this matter at this time.

The investigations by the DOJ, CCB and the EC prompted the filing of civil actions and claims by freight forwarding and shipping companies against many airlines, including LAN Cargo and LATAM Airlines Group. LAN Cargo and ABSA reached a settlement agreement with the class action plaintiffs / non-class action claimants in the United States on August 6, 2012, and in Canada on August 20, 2013.

Civil actions have also been initiated against many airlines, including LAN Cargo and LATAM Airlines Group, in various European countries (Great Britain, Norway, Holland and Germany). The activity and progress of said civil actions is limited, in that they are now directly contingent upon the decision of the EC to withdraw the case before the General Court in Luxembourg or issue a new decision correcting the faults identified in the judgement. Given the pending decision of the EC, we cannot predict the ultimate outcome of these cases at this time.

Authorities in Chile and the United States continue to investigate payments by LATAM Airlines Group S.A. (formerly LAN Airlines S.A.) in 2006-2007, to a consultant who assisted in the resolution of labor issues in Argentina. In connection with the above, the Company has hired lawyers in Chile and the United States, and in June 2011 voluntarily reported this situation to the Securities and Exchange Commission (“SEC”) and the Justice Department of the United States. On February 4, 2016, Ignacio Cueto, the CEO of LAN, consented to entry of a cease-and-desist order by the SEC relating to the payments described above. Mr. Cueto agreed to pay a US\$75,000 penalty to the SEC, to remain in compliance with LATAM’s compliance structure and internal accounting controls and to comply with the SEC’s books and records requirements. The Company has been cooperating with the investigation by the regulatory authorities and has been engaged in discussions to resolve these matters. The Company cannot reasonably estimate the ultimate cost associated with any potential resolution, nor is there any assurance that a resolution will be reached.

Legal proceedings involving TAM

TAM Linhas Aéreas is party to one action filed by relatives of victims of an accident that occurred in October 1996 involving one of its Fokker 100 aircraft which crashed during departure, in addition to 22 actions filed by residents of the region where the accident occurred, who are claiming pain and suffering, and a class action related to this crash. Any damages resulting from the aforementioned legal claims are covered by the civil liability guarantee provided for in TAM’s insurance policy with Itaú Unibanco Seguros S.A. We believe that the cap of US\$400 million in that insurance policy is sufficient to cover any potential penalties and judicial or extrajudicial agreements arising as a result of this matter.

Insurance coverage has been sufficient to cover the liabilities arising from an accident that occurred in July 2007 involving an Airbus A320 aircraft from TAM Linhas Aereas. Settlements have been made directly between the insurance company and the victims' families. As of December 31, 2013, approximately 196 settlements have occurred and others are under negotiation between the insurance company and victims' families. Management believes that the insurance coverage is adequate and that TAM will not incur any expenses that were not contemplated by the scope of the insurance policy that would result in TAM's obligation to pay damages.

TAM Linhas Aereas filed an ordinary action with a request for injunctive relief for non-payment of the Airline Workers Fund, a tax charged monthly at the rate of 2.5% of an airline's total payroll. Payment of the tax credit is suspended by virtue of the injunctive relief granted in TAM's favor. Currently, judgment is pending on an appeal that TAM lodged challenging the initial decision (which was ruled in favor of the Brazilian National Institute of Social Security ("INSS")). In 2004 and 2011, the INSS issued an assessment notice tolling the Statute of Limitations of the social security credit as a result of TAM Linhas Aereas' non-payment of the Airline Workers Fund. The administrative proceedings have been suspended until completion of the judicial process. The approximate adjusted value of this proceeding as of December 31, 2012 was R\$271 million. In the opinion of our legal advisors, the chance of losing in this proceeding is possible. Assuming payment of this tax is required by law, we have established a provision in the amount of R\$271 million pending the final outcome of the matter.

TAM Linhas Aereas is a plaintiff in an action filed against the Brazilian government in 1993 seeking damages for the break-up of an air transportation concession agreement that resulted in the freezing of TAM's prices from 1988 to September 1993 in order to maintain operations with the prices set by the Brazilian government during that period. The process is currently being heard before the Federal Regional Court and judgment is pending an appeal by TAM requesting clarification of the initial decision. The estimated value of the action is R\$245 million, based on a calculation made by an expert witness of the court. This sum is subject to delinquent interest since September 1993 and inflation adjustment since November 1994. Based on the opinion of TAM's legal advisors, and recent rulings handed down by the Brazilian Supreme Court of Justice in favor of airlines in similar cases (specifically, actions filed by Transbrasil and Varig), we believe that TAM's likelihood of success is probable. We have not recognized these credits in our financial statements and will only do so if and when the aforementioned decision is final.

TAM Linhas Aereas filed an ordinary claim, with a request for early judgment, in relation to a dispute concerning the legality of charging the *Adicional das Tarifas Aeroportuárias* ("Additional Airport Tariffs," or "ATAERO"), which are charged at a rate of 50% on the value of tariffs and airport tariffs. The total amount involved, adjusted for inflation, as of December 31, 2012 totaled R\$1,146 million.

In addition, one administrative proceeding had been filed against TAM Linhas Aéreas concerning the alleged failure to pay an Industrialized Products Tax ("IPI") and Import Tax ("II") due on imported aircraft. In response, we filed the appropriate challenges on the basis that no federal tax should be payable on the imported aircraft because it is leased aircraft. The total amount involved in this administrative proceeding is R\$770 million. In April 2013, the Conselho Administrativo de Recursos Fiscais ("CARF") ruled the case in our favor and definitively released TAM from paying the initial debt.

For additional Legal Proceedings relating to the ordinary course of our business, please see Note 30 – Contingencies – to our audited consolidated financial statements.

Dividend Policy

In accordance with the Chilean Corporation Law, LATAM must distribute cash dividends equal to at least 30% of its annual consolidated net income calculated in accordance with IFRS subject to the terms of *Oficio Circular* No. 856 issued on October 17, 2014 by the Chilean Superintendency of Securities and Insurance. If there is no net income in a given year, LATAM can elect but is not legally obligated to distribute dividends out of retained earnings. The board of directors may declare interim dividends out of profits earned during such interim period. Pursuant to LATAM's by-laws, the annual cash dividend is approved by the shareholders at the annual ordinary shareholders' meeting held between February 1 and April 30 of the year following the year with respect to which the dividend is proposed. All outstanding common shares are entitled to share equally in all dividends declared by LATAM, unless the shares have not been fully paid by the shareholder after being subscribed.

Holders of ADSs will be entitled to receive dividends on the underlying common shares to the same extent as holders of common shares. Holders of ADRs on the applicable record dates will be entitled to receive dividends paid on the common shares represented by the ADSs evidenced by such ADRs. Dividends payable to holders of ADSs will be paid by us to the depositary in Chilean pesos and remitted by the depositary to such holders net of foreign currency conversion fees and expenses of the depositary and will be subject to Chilean withholding tax currently imposed at a rate of 35% (subject to credits in certain cases as described under "Item 10. Additional Information— E. Taxation—Cash Dividends and Other Distributions"). Owners of the ADSs will not be charged any dividend remittance fee by the depositary with respect to cash dividends.

Chilean law requires that holders of shares of Chilean companies that are not residents of Chile register as foreign investors under one of the foreign investment regimes established by Chilean law in order to have dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market (*Mercado Cambiario Formal*). Under our Foreign Investment Contract, the depositary, on behalf of ADS holders, will be granted access to the Formal Exchange Market to convert cash dividends from pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The principal trading market for our common shares is the SSE. The common shares have been listed on the SSE under the symbol “LAN” since 1989, and the ADSs have been listed on the NYSE under the symbol “LFL” since November 7, 1997. The common shares also trade on the Bolsa de Valores de Valparaíso and the Bolsa Electrónica de Chile. On June 22, 2012 the common shares also started to be traded on the Brazilian Stock Exchange (“Bovespa”) under the symbol LATM11. The outstanding ADSs are identified by the CUSIP number 501723100. The following table sets forth, for the periods indicated, the high and low closing sale prices on the SSE for the common shares and the high and low closing prices on the NYSE for the common shares represented by ADSs. The information set forth in the table below reflects actual historical amounts and has not been restated in constant Chilean pesos.

Period	Ch\$ per Common Share		US\$ per ADS		R\$ per BDR	
	Low	High	Low	High	Low	High
2011	14,790.00	15,600.0	18.65	31.91		
2012(*)	10,577.3	14,360.7	22.10	29.40	45.33	53.35
2013	5,967.3	11,755.4	11.62	24.84	26.53	49.00
2014						
<i>Quarters:</i>						
First	7,517.5	8,791.6	13.46	16.36	31.01	38.00
Second	7,444.2	8,742.5	13.36	15.62	30.80	35.60
Third	6,697.0	7,694.1	11.32	13.69	25.00	30.47
Fourth	6,533.3	7,359.6	10.60	12.30	26.00	32.00
<i>Annual:</i>						
Annual 2014	6,533.3	7,359.6	10.60	16.36	25.00	38.00
2015						
<i>Quarters:</i>						
First	5,123.7	7,198.3	8.06	11.98	26.4	32.0
Second	4,521.3	6,163.4	6.88	10.02	29.1	21.4
Third	3,320.8	4,596.5	4.64	7.11	17.5	22.4
Fourth	3,270.2	4,150.5	4.70	6.07	18.1	24.0
<i>Months:</i>						
September	3,320.8	3,838.7	4.64	5.53	20.0	21.7
October	3,270.2	3,972.5	4.70	6.07	19.3	24.0
November	3,693.6	4,150.5	5.43	5.93	22.4	24.0
December	3,446.1	3,734.1	4.80	5.46	18.1	23.9
<i>Annual:</i>						
Annual 2014	3,270.2	7,198.3	4.64	11.98	17.5	32.0

Period	Ch\$ per Common Share		US\$ per ADS		R\$ per BDR	
	Low	High	Low	High	Low	High
2016						
Quarters:						
First	3,276.4	4,730.5	4.49	7.00	19.8	23.0
Months:						
January	3,276.4	3,877.5	4.49	5.39	22.8	23.0
February	3,556.5	4,151.6	5.10	6.04	23.0	23.0
March	3,986.3	4,730.5	5.83	7.00	19.8	23.0

Source: Santiago Stock Exchange, the New York Stock Exchange and the Bovespa

(*) From June 22, 2012, following the combination of LAN and TAM, the trading stock continues to be listed as “LFL” on the NYSE and as “LAN” on the SSE, but reflects the value of the combined operating entity, LATAM Airlines Group.

As of January 31, 2016, a total of 545,558,101 million common shares were outstanding, including common shares represented by ADSs.

B. Plan of Distribution

Not applicable.

C. Markets

Trading

Chile

The Chilean stock market, which is regulated by the SVS under Law 18,045 of October 22, 1981, as amended, which we refer to as the Securities Market Law, is one of the most developed among emerging markets, reflecting the particular economic history and development of Chile. The Chilean government’s policy of privatizing state-owned companies, implemented during the 1980s, led to an expansion of private ownership of shares, resulting in an increase in the importance of stock markets. Privatization extended to the social security system, which was converted into a privately managed pension fund system. These pension funds have been allowed, subject to certain limitations, to invest in stocks and are currently major investors in the stock market. Some market participants, including pension fund administrators, are highly regulated with respect to investment and remuneration criteria, but the general market is less regulated than the U.S. market with respect to disclosure requirements and information usage.

The SSE is Chile’s principal exchange and accounts for approximately 86.87% of securities traded in Chile. Approximately 12.91% of equity trading is conducted on the Chilean Electronic Stock Exchange, an electronic trading market created by banks and non-member brokerage houses. The remaining equity trading is conducted on the Valparaíso Stock Exchange.

Equities, closed-end funds, fixed-income securities, short-term and money market securities, gold and U.S. dollars are traded on the SSE. In 1991, the SSE initiated a futures market with two instruments: U.S. dollar futures and Selective Shares Price Index, or IPSA, futures. Securities are traded primarily through an open voice auction system; a firm offers system or daily auctions. Trading through the open voice system occurs on each business day from 9:30 a.m. to 4:30 p.m. The SSE has an electronic system of trade, called *Telepregón HT*, which operates continuously for stocks trading in high volumes from 9:30 a.m. to 4:00 p.m. (or 5:00 p.m., depending on the period of the year). The Chilean Electronic Stock Exchange operates continuously from 9:30 a.m. to 4:30 p.m. (or 5:30 p.m., depending on the period of the year) on each business day. In February 2000, the SSE Off-Shore Market began operations. In the Off-Shore Market, publicly offered foreign securities are traded and quoted in U.S. dollars.

Brazil

Bovespa is a Brazilian publicly-held company, created in 2008, through the integration between the São Paulo Stock Exchange (Bolsa de Valores de São Paulo) and the Brazilian Mercantile & Futures Exchange (Bolsa de Mercadorias e Futuros).

Bovespa is the most important Brazilian institution to intermediate equity market transactions and the only securities, commodities and futures exchange in Brazil. Trading on such exchanges is limited to member brokerage firms and to a limited number of authorized non-members. LATAM’s common shares are listed on the Bovespa.

Although the Brazilian equity market is Latin America’s largest in terms of market capitalization, it is smaller and less liquid than major U.S. and European securities markets. Any of the outstanding shares of a listed company may trade on a Brazilian stock exchange, but in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, governmental entities or one principal shareholder.

The Brazilian securities markets are principally governed by Law No. 6,385, of December 7, 1976, and Brazilian corporation law, each as amended and supplemented, and by regulations issued by the CVM, which has authority over stock exchanges and the securities markets generally; the National Monetary Council; and the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions.

Trading through Bovespa occurs on each business day from 10:00 a.m. to 5:30 p.m. (Brazilian local time)On February 2, 2016, LATAM received the approval by CVM for a discontinuation of Brazilian LATAM depository receipts-BDRS level III ("BDRs"), supported by common shares of the company and, consequently, our registration of the foreign issuer. On April 5, 2016, the Board of Directors of LATAM approved the cancellation of the BDRs program ("Cancellation"), with the subsequent termination of its existing foreign issuer registration on the CVM. The cancellation will take place through the sale of the underlying common stocks to the BDRs in the Santiago Stock Exchange. The BDRs holders that don't want to sell the Shares may remain as shareholders of LATAM in Chile, acknowledging that each BDR represents one Share.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

This Item reflects recent legal amendments effected by Chilean Law No. 20,382 on Corporate Governance, which was enacted on October 13, 2009, and came into effect on October 20, 2009, and Chilean Law No. 20,552, which modernized and encouraged competition in the financial system, was enacted on November 6, 2011 and came into effect on December 17, 2011.

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Set forth below is information concerning our share capital and a brief summary of certain significant provisions of our by-laws and Chilean law. This description contains all material information concerning the common shares but does not purport to be complete and is qualified in its entirety by reference to our by-laws, the Chilean Corporation Law and the Securities Market Law, each referred to below. For additional information regarding the common shares, reference is made to our by-laws, a copy of which is included as Exhibit 1.1 to this annual report on Form 20-F.

Organization and Register

LATAM Airlines Group is a publicly held stock corporation (*sociedad anónima abierta*) incorporated under the laws of Chile. LATAM Airlines Group was incorporated by a public deed dated December 30, 1983, an abstract of which was published in the Chilean Official Gazette (*Diario Oficial de la República de Chile*) No. 31.759 on December 31, 1983, and registered on page 20,341, No. 11,248 of the Chilean Real Estate and Commercial Registrar (*Registro de Comercio del Conservador de Bienes Raíces de Santiago*) for the year 1983. Our corporate purpose, as stated in our by-laws, is to provide a broad range of transportation and related services, as more fully set forth in Article Four thereof.

General

Shareholders' rights in a Chilean company are generally governed by the company's by-laws and the Chilean Corporation Law. Article 22 of the Chilean Corporation Law states that the purchaser of shares of a company implicitly accepts its by-laws and any prior agreements adopted at shareholders' meetings. Additionally, the Chilean Corporation Law regulates the government and operation of corporations ("*sociedades anónimas*," or S.A.) and provides for certain shareholder rights. Article 137 of the Chilean Corporation Law provides that the provisions of the Chilean Corporation Law take precedence over any contrary provision in a corporation's by-laws. The Chilean Corporation Law and our by-laws also provide that all disputes arising among shareholders in their capacity as such or between us or our administrators and the shareholders may either be submitted to arbitration in Chile or to the courts of Chile at the election of the plaintiff initiating the action. Despite the foregoing, a recent legal amendment has forbidden certain individuals (directors, senior managers, administrators and main executives of the corporation, and any shareholder that directly or indirectly holds shares whose book or market value exceed 5,000 UF at the moment of filing of the action) from submitting such action before the ordinary courts, thus obligating them to proceed with arbitration in all situations. Finally, Decree-Law No. 3,500 on Pension Fund Administrators, which allows pension funds to invest in the stock of qualified corporations, indirectly affects corporate governance and prescribes certain rights of shareholders. The Chilean Corporation Law sets forth the rules and requirements under which a corporation is deemed to be "publicly held." Article 2 of the Chilean Corporation Law defines publicly held corporations as corporations that register their shares with the *Registro de Valores* (Securities Registry) of the SVS, either voluntarily or pursuant to a legal obligation. In addition, Article 5 of the Chilean Securities Market Law indicates which corporation's shares must be registered with the Securities Registry:

- one with 500 or more shareholders; and
- one in which 100 or more shareholders own at least 10% of the subscribed capital (excluding any direct or indirect individual holdings exceeding 10%).

The framework of the Chilean securities market is regulated by the SVS under the Securities Market Law and the Chilean Corporation Law, which imposes certain disclosure requirements, restricts insider trading, prohibits price manipulation and protects minority investors. In particular, the Securities Market Law establishes requirements for public offerings, stock exchanges and brokers and outlines disclosure requirements for corporations that issue publicly offered securities.

Ownership Restrictions

Under Articles 12 and 20 of the Securities Market Law and General Rule 269 issued by the SVS in 2009, certain information regarding transactions in shares of publicly held corporations must be reported to the SVS and the Chilean stock exchanges on which the shares are listed. Since the ADRs are deemed to represent the shares underlying the ADSs, transactions in ADRs will be subject to those reporting requirements. Among other matters, the beneficial owners of ADSs that directly or indirectly hold 10% or more of the subscribed capital of LATAM Airlines Group, or that reach or exceed such percentage through an acquisition, are required to report to the SVS and the Chilean stock exchanges, the day following the event:

- any acquisition or sale of shares; and
- any acquisition or sale of contracts or securities the price or performance of which depends on the price variation of the LATAM Airlines Group's shares.

These obligations are extended (i) to certain individuals (immediate family, next of kin and others) if the ADS holder is a natural person; (ii) to any entity controlled by the holder, if the ADS is a legal entity; and (iii) to groups, if a holder has any joint action agreement with other holders and the group reaches or exceeds the cited threshold.

In addition, majority shareholders must state in their report whether their purpose is to acquire control of the company or if they are making a financial investment.

Under Article 54 of the Securities Market Law and under SVS regulations, persons or entities that intend to acquire control, whether directly or indirectly, of a publicly traded company, must follow certain notice requirements, regardless of the acquisition vehicle or procedure or whether the acquisition will be made through direct subscriptions or private transactions. In the first place, the potential acquiror must send a written communication to the target corporation, any companies controlling or controlled by the target corporation, the SVS and the Chilean stock exchanges on which the target's securities are listed, stating, among other things, the person or entity purchasing or selling and the price and conditions of any negotiations. Subsequently, the potential acquiror must also inform the public of its planned acquisition by means of a publication in two Chilean newspapers with national distribution and by uploading such notice to the acquiror's website, if available. Both requirements shall be met at least ten business days prior to the date on which the acquisition transaction is to close, and in any event, as soon as negotiations regarding the change of control have been formalized or when confidential information or documents concerning the target are delivered to the potential acquiror. The notices must state, among other things, the person or entity purchasing or selling and the price and conditions of any negotiations.

In addition to the foregoing, Article 54A of the Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

Consequently, a beneficial owner of ADSs intending to acquire control of LATAM Airlines Group will be subject to the foregoing reporting requirements.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Securities Market Law on tender offers and SVS regulations provide that the following transactions shall be carried out through a tender offer:

- an offer which allows the taking control of a publicly traded company, unless the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange;
- an offer for all the outstanding shares of a publicly traded company upon acquiring two-thirds or more of its voting shares (this offer must be made at a price not lower than the price at which appraisal rights may be exercised, that is, book value if the shares of the company are not actively traded or, if the shares of the company are actively traded, the weighted average price at which the stock has been traded during the two months immediately preceding the acquisition); and
- an offer for a controlling percentage of the shares of a publicly traded company if the acquiror intends to take control of the company (whether publicly traded or privately held) controlling such publicly traded company, to the extent that the latter represents 75.0% or more of the consolidated net assets of the former.

Article 200 of the Securities Market Law prohibits any shareholder that has taken control of a publicly traded company from acquiring, for a period of 12 months from the date of the transaction that granted it control of the publicly traded company, a number of shares equal to or higher than 3.0% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of the company be made on the floor of a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Securities Market Law sets forth the basis for determining what constitutes a controlling power, a direct holding and a related party.

Capitalization

Under Chilean law, the shareholders of a company, acting at an extraordinary shareholders' meeting, have the power to authorize an increase in the company's share capital. When an investor subscribes issued shares, the shares are registered in that investor's name even without payment, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and return of capital, provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends of distribution of capital despite not having paid for the subscribed shares. The investor becomes eligible to receive dividends once it has paid for the shares, or, if it has paid for only a portion of such shares, it is entitled to receive a corresponding pro rata portion of the dividends declared with respect to such shares, unless the company's by-laws provide otherwise. If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the company is entitled under Chilean law to auction the shares on the appropriate stock exchange, and it has a cause of action against the investor to recover the difference between the subscription price and the price received for the sale of those shares at auction. However, until such shares are sold at auction, the investor continues to exercise all the rights of a shareholder (except the right to receive dividends and return of capital, as noted above). Regarding shares issued but not paid for within the period determined by the extraordinary shareholders' meeting for their payment (which period cannot exceed three years from the date of such shareholders' meeting), until January 1, 2010 they were canceled and no longer available for issuance by us. As of January 1, 2010, the board of directors of LATAM Airlines Group has a legal obligation to initiate the necessary legal actions to collect the unpaid amounts, unless the shareholders' meeting which authorized the capital increase allowed the board to abstain from taking such action by a vote of two thirds of the issued shares, in which case the former rule still applies. Once the foregoing legal actions are exhausted, the board of directors shall propose to the shareholders' meeting the appropriate capital adjustment measures, to be decided by simple majority. Fully paid shares are not subject to further calls or assessments or to liabilities of LATAM Airlines Group.

As of February, 28, 2016, our share capital consisted of 545,558,101 common shares, all of which were subscribed and fully paid. Chilean law recognizes the right of corporations to issue common and preferred shares. To date, we have issued and are authorized by our shareholders to issue only common shares. Each share of stock is entitled to one vote. Pursuant to two employee compensation plans: (i) 2011: approved by extraordinary shareholders' meetings held on December 21, 2011 and September 4, 2012, the issuance of the shares for this compensation plan has been authorized but has not been made effective, as such issuance is subject to the exercising of rights granted to certain employees that expire on December 21, 2016; and (ii) 2013: approved by extraordinary shareholders' meeting held on June 11, 2013, the issuance of the shares for this compensation plan has been authorized but has not been made effective, as such issuance is subject to the exercising of rights granted to certain employees that expire on November 15, 2017.

Preemptive Rights and Increases in Share Capital

The Chilean Corporation Law requires Chilean companies to offer existing shareholders the right to purchase a sufficient number of shares to maintain their existing percentage of ownership in a company whenever that company issues new shares for cash, except for up to 10% of the capital increase which may be designated to employee compensation pursuant to article 24 of the Corporation Law. Under this requirement, any preemptive rights will be offered by us to the depository as the registered owner of the common shares underlying the ADSs, but holders of ADSs and shareholders located in the United States will not be allowed to exercise preemptive rights with respect to new issuances of shares by us unless a registration statement under the Securities Act is effective with respect to those common shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate at the time of any preemptive rights offering the costs and potential liabilities associated with the preparation and filing of a registration statement with the SEC, as well as the indirect benefits of enabling the exercise by the holders of ADSs and shareholders located in the United States of preemptive rights and any other factors we consider appropriate at the time. No assurances can be given that any registration statement would be filed. If preemptive rights are not made available to ADS holders, the depositary may sell those holders' preemptive rights and distribute the proceeds thereof if a secondary market for such rights exists and a premium can be recognized over the cost of such sale. In the event that the depositary does not sell such rights at a premium over the cost of any such sale, all or certain holders of ADRs may receive no value for the preemptive rights. The inability of holders of ADSs to exercise preemptive rights in respect of common shares underlying their ADSs could result in a change in their percentage ownership of common shares following a preemptive rights offering.

Under Chilean law, preemptive rights are freely exercisable, transferable or waived by shareholders during a 30-day period commencing upon publication of the official notice announcing the start of the preemptive rights period in the newspaper designated by the shareholders' meeting. The preemptive right of the shareholders is the pro rata amount of the shares registered in their name in the shareholders' registry of LATAM Airlines Group as of the fifth business day prior to the date of publication of the notice announcing the start of the preemptive rights period. During such 30-day period (except for shares as to which preemptive rights have been waived), Chilean companies are not permitted to offer any newly issued common shares for sale to third parties. For that 30-day period and an additional 30-day period, Chilean publicly held corporations are not permitted to offer any unsubscribed common shares for sale to third parties on terms that are more favorable to the purchaser than those offered to shareholders. At the end of such additional 30-day period, Chilean publicly held corporations are authorized to sell non-subscribed shares to third parties on any terms, provided they are sold on a Chilean stock exchange.

Directors

Our by-laws provide for a board of nine directors. Compensation to be paid to directors must be approved by vote at the annual shareholders' meeting. We hold elections for all positions on the board of directors every two years. Under our by-laws, directors are elected by cumulative voting. Each shareholder has one vote per share and may cast all of his or her votes in favor of one nominee or may apportion his or her votes among any number of nominees. These voting provisions currently ensure that a shareholder owning more than 10% of our outstanding shares is able to elect at least one representative to our board of directors.

Under the Chilean Corporation Law, transactions of a publicly-traded company with a "related" party must be conducted on an arm's-length basis and must satisfy certain approval and disclosure requirements which are different from the ones that apply to a privately-held company. The conditions apply to the publicly-traded company and to all of its subsidiaries.

These transactions include any negotiation, act, contract or operation in which the publicly-traded company intervenes together with either (i) parties which are legally deemed related pursuant to article 100 of the Chilean Securities Market Law, (ii) a director, senior manager, administrator, main executive or liquidator of the company, either on their own behalf or on behalf of a third party, including those individuals' spouses or close relatives, (iii) companies in which the foregoing individuals own at least 10% (directly or indirectly), or in which they serve as directors, senior managers, administrators or main executives, (iv) parties indicated as such in the publicly-traded company's by-laws, or identified by the directors' committee or (v) those who have served as directors, senior managers, administrators, main executives or liquidators of the counterparty in the last 18 months and are now serving in one of those positions at the publicly-traded company.

Corporations may enter into transactions with related parties if (i) the transaction is in the interest of the corporation, (ii) the transaction is made on an arm's-length basis at market conditions, (iii) the individuals involved in the transactions report them immediately to the board, (iv) the transaction is approved after a reasoned explanation by the majority of the board, excluding those directors or liquidators that are involved in the transaction (who shall, nonetheless, render an opinion on the matter if required by the board), (v) the decisions of the board are disclosed at the next shareholders' meeting, and (vi) in case the majority of the board is disqualified to vote, the majority of the non-involved directors have approved the transaction, or two thirds of the voting shares have approved the transaction).

If, as noted in clause (vi) of the preceding paragraph, the transaction is to be approved by the shareholders' meeting, the following additional rules apply: (i) the board shall appoint an independent appraiser that shall report to the shareholders on the transaction, (ii) the director's committee or the non-involved directors may appoint a second independent appraiser, (iii) the appraiser's reports shall be made available for 15 days, (iv) the receipt and availability of the reports shall be disclosed as a material fact and (iv) directors shall render an opinion on the transaction within five business days after receiving the reports.

Transactions which do not meet the foregoing requirements are valid and enforceable, but neither the corporation nor its shareholders shall have a cause of action to sue the infringing party for reimbursement on behalf of the corporation, for a total of the benefits reported to the interested party, in addition to indemnification for the damages caused. In such proceedings, the defendant shall prove that the transaction met the legal requirements.

The Chilean Corporation Law sets forth a number of exceptions to the foregoing rules. In the following situations, transactions with related parties may be carried out without complying with the foregoing rules: (i) if a transaction does not involve a substantial amount (if it does not exceed 1.0% of the net worth of the company and does not exceed the equivalent of 2,000 UF or approximately US\$96,554 as of the date of this annual report on Form 20-F) unless such a transaction exceeds 20,000 UF (for this calculation all similar transactions carried out within a consecutive 12-month period between the same parties or for the same subject matter, shall be deemed as a single transaction), (ii) transactions which according to the policies determined by the board of directors, are deemed to be within the ordinary course of business (the determination of such policies shall be disclosed as a material fact and made available to shareholders), and (iii) if the counterparty is an entity in which the publicly-traded company has, directly or indirectly, at least a 95.0% ownership. As per the exemption indicated in (ii) above, on December 29, 2009, the Board of Directors of LATAM Airlines Group established policies setting forth the transactions that fall within the ordinary course of business. That determination was publicly disclosed on the same day and is currently available on LATAM Airlines Group's website under the "Corporate Governance" section.

Shareholders' Meetings and Voting Rights

The Chilean Corporation Law requires that an ordinary annual meeting of shareholders be held within the first four months of each year after being called by the board of directors (generally they are held in April, but in any case following the preparation of our financial statements, including the report of our auditors, for the previous fiscal year). LATAM Airlines Group's by-laws further provide that the ordinary annual meeting of shareholders must take place between February 1 and April 30. The shareholders at the ordinary annual meeting approve the annual financial statements, including the report of our auditors, the annual report, the dividend policy and the final dividend on the prior year's profits, elect the board of directors (in our case, every two years or earlier if a vacancy occurs) and approve any other matter that does not require an extraordinary shareholders' meeting. The most recent extraordinary meeting of our shareholders was held on June 11, 2013, and the most recent ordinary annual meeting of our shareholders was held on April 28, 2015.

Extraordinary shareholders' meetings may be called by the board of directors, if deemed appropriate, and ordinary or extraordinary shareholders' meetings must be called by the board of directors when requested by shareholders representing at least 10.0% of the issued voting shares or by the SVS. In addition, as from January 1, 2010 there are two new rules in this regard: (i) the SVS may directly call for an extraordinary shareholders' meeting in case of a publicly-traded company, and (ii) any kind of shareholders' meeting may be self-convened and take place if all voting shares attend, regardless of the fulfillment of the notice and other type of procedural requirements.

Notice to convene the ordinary annual meeting or an extraordinary meeting is given by means of three notices which must be published in a newspaper of our corporate domicile (currently Santiago, Chile) designated by the shareholders at their annual meeting and, if the shareholders fail to make such designation, the notice must be published in the Chilean Official Gazette pursuant to legal requirements. The first notice must be published not less than 15 days and not more than 20 days in advance of the scheduled meeting. Notice also must be mailed not less than 15 days in advance of the meeting to each shareholder and to the SVS and the Chilean stock exchanges. Currently, we publish our official notices in the newspaper *La Tercera* (available online at www.latercera.com).

The quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing a majority of our issued common shares. If that quorum is not reached, the meeting can be reconvened within 45 days, and at the second meeting the shareholders present are deemed to constitute a quorum regardless of the percentage of the common shares that they represent.

Only shareholders registered with us on the fifth business day prior to the date of a meeting are entitled to attend and vote their shares. A shareholder may appoint another individual (who need not be a shareholder) as his or her proxy to attend and vote on his or her behalf. Proxies addressed to us that do not designate a person to exercise the proxy are taken into account in order to determine if there is a sufficient quorum to hold the meeting, but the shares represented thereby are not entitled to vote at the meeting. The proxies must fulfill the requirements set forth by the Chilean Corporation Law and its regulatory norms. Every shareholder entitled to attend and vote at a shareholders' meeting has one vote for every share subscribed.

The following matters can only be considered at an extraordinary shareholders' meeting:

- our dissolution;
- a merger, transformation, division or other change in our corporate form or the amendment of our by-laws;
- the issuance of bonds or debentures convertible into shares;
- the conveyance of 50% or more of our assets (whether or not it includes our liabilities);

- the adoption or amendment of any business plan which contemplates the conveyance of assets in excess of the foregoing percentage;
- the conveyance of 50% or more of the assets of a subsidiary, if the latter represents at least 20% of our assets;
- the conveyance of shares of a subsidiary which entails the transfer of control;
- granting of a security interest or a personal guarantee in each case to secure the obligations of third parties, unless to secure or guarantee the obligations of a subsidiary, in which case only the approval of the board of directors will suffice; and
- other matters that require shareholder approval according to Chilean law or the by-laws.

The matters referred to in the first seven items listed above may only be approved at a meeting held before a notary public, who shall certify that the minutes are a true record of the events and resolutions of the meeting.

The by-laws establish that resolutions are passed at shareholders' meetings by the affirmative vote of an absolute majority of those voting shares present or represented at the meeting. However, under the Chilean Corporation Law, the vote of a two-thirds majority of the outstanding voting shares is required to approve any of the following actions:

- a change in our corporate form, division or merger with another entity;
- amendment to our term of existence, if any;
- our early dissolution;
- change in our corporate domicile;
- decrease of our capital stock;
- approval of contributions and the assessment thereof whenever consisting of assets other than money;
- any modification of the authority reserved for the shareholders' meetings or limitations on the powers of the board of directors;
- decrease in the number of members of the board of directors;
- the conveyance of 50% or more of our assets (whether or not it includes our liabilities);
- the adoption or amendment of any business plan which contemplates the conveyance of assets in excess of the foregoing percentage;
- the conveyance of 50% or more of the assets of a subsidiary, if the latter represents at least 20% of our assets;
- the conveyance of shares of a subsidiary which entails the transfer of control;
- the form that dividends are paid in;
- granting a security interest or a personal guarantee in each case to secure obligations of third parties that exceeds 50% of our assets, unless to secure or guarantee the obligations of a subsidiary, in which case only approval of the board of directors will suffice;
- the acquisition of our own shares, when, and on the terms and conditions, permitted by law;
- all other matters provided for in the by-laws;
- the correction of any formal defect in our incorporation or any amendment to our by-laws that refers to any of the matters indicated in the first 13 items listed above;
- the institution of the right of the controlling shareholder who has purchased at least 95% of the shares to purchase shares of the outstanding minority shareholders pursuant to the procedure set forth in article 71 bis of the Corporation Law; and
- the approval or ratification of transactions with related parties, as per article 147 of the Corporation Law (described above).

Amendments to the by-laws that have the effect of establishing, modifying or eliminating any special rights pertaining to any series of shares require the consenting vote of holders of two-thirds of the shares of the affected series. As noted above, LATAM Airlines Group does not have special series of shares.

In general, Chilean law does not require a publicly held corporation to provide the level and type of information that the U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the company and its subsidiaries within the 15-day period before a scheduled meeting. No later than the first notice summoning an ordinary shareholder's meeting, the board of directors of a publicly held corporation is required to send to every shareholder notice by regular mail, a notice containing a reference to the issues that will be discussed, together with instructions to obtain all the appropriate documentation regarding those issues, and publish such notice on its website. The board is also required to provide a copy of the annual report and the financial statements of the company. However, the SVS may authorize companies that have a large number of shareholders to limit the sending of such documents only to those shareholders who have a number of shares exceeding a certain number, and, in any case, to any shareholder who has requested a written notice. Shareholders who do not fall into this category but who request it must be sent a copy of our annual report. In addition to these requirements, we regularly have provided, and currently intend to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend for shareholder approval. See "—Dividend and Liquidation Rights" below.

The Chilean Corporation Law provides that, whenever shareholders representing 10% or more of the issued voting shares so request, a Chilean company’s annual report must include such shareholders’ comments and proposal in relation to the company’s affairs, together with the comments and proposals set forth by the directors’ committee. Similarly, the Chilean Corporation Law provides that whenever the board of directors of a publicly held corporation convenes an ordinary meeting of the shareholders and solicits proxies for that meeting, or distributes information supporting its decisions or other similar material, it is obligated to include as an annex to its annual report any pertinent comments and proposals that may have been made by shareholders owning 10% or more of the company’s voting shares who have requested that such comments and proposals be included, together with the comments and proposals set forth by the directors’ committee.

Dividend and Liquidation Rights

In accordance with the Chilean Corporation Law, LATAM Airlines Group must distribute an annual cash dividend equal to at least 30% of its annual net income calculated in accordance with IFRS, unless otherwise decided by a unanimous vote of the holders of all issued shares, and unless and except to the extent it has accumulated losses. If there is no net income in a given year, LATAM Airlines Group can elect but is not legally obligated to distribute dividends out of retained earnings. All outstanding common shares are entitled to share equally in all dividends declared by LATAM Airlines Group, unless the shares have not been fully paid by the shareholder after being subscribed.

For all dividend distributions agreed by the board of directors in excess of the mandatory minimum of 30% noted in the preceding paragraph, LATAM Airlines Group may grant an option to its shareholders to receive those dividends in cash, or in shares issued by either LATAM Airlines Group or other corporations. Shareholders who do not expressly elect to receive a dividend other than in cash are legally presumed to have decided to receive the dividend in cash. A U.S. holder of ADSs may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively is required to receive a dividend in cash. See “—Preemptive Rights and Increases in Share Capital” above.

Dividends that are declared but not paid within the appropriate time period set forth in the Chilean Corporation Law (as to minimum dividends, 30 days after declaration; as to additional dividends, the date set for payment at the time of declaration) are adjusted to reflect the change in the value of the UF. The UF is a daily indexed, Chilean peso-denominated accounting unit designed to discount the effect of Chilean inflation and it is based on the previous month’s inflation rate as officially determined. Such dividends also accrue interest at the then-prevailing rate for UF-denominated deposits during such period. The right to receive a dividend lapses if it is not claimed within five years from the date such dividend is payable. After that period, the amount not claimed is given to a non-profit organization, the *Junta Nacional de Cuerpos de Bomberos de Chile* (the National Corporation of Firefighters).

In the event of LATAM Airlines Group’s liquidation, the holders of fully paid common shares would participate pro rata in the distribution of assets remaining after payment of all creditors. Holders of shares not fully paid will participate in such distribution in proportion to the amount paid.

Approval of Financial Statements

The board of directors is required to submit our consolidated financial statements to the shareholders for their approval at the annual ordinary shareholders’ meeting. If the shareholders reject the financial statements, the board of directors must submit new financial statements not later than 60 days from the date of that meeting. If the shareholders reject the new financial statements, the entire board of directors is deemed removed from office and a new board is to be elected at the same meeting. Directors who approved such financial statements are disqualified for re-election for the ensuing period.

Right of Dissenting Shareholders to Tender Their Shares

The Chilean Corporation Law provides that, upon the adoption at an extraordinary meeting of shareholders of any of the resolutions or if any of the situations enumerated below takes place, dissenting or affected shareholders acquire the right to withdraw and to compel the company to repurchase their shares, subject to the fulfillment of certain terms and conditions. However, such right shall be suspended if we are declared bankrupt or are subject to a creditor’s agreement pursuant to Title XII of Book IV of the Commerce Code. In the case of holders of ADRs, however, in order to exercise such rights, holders of ADRs would be required to first withdraw the common shares represented by the ADRs pursuant to the terms of the deposit agreement. Such holders of ADRs would need to perfect the withdrawal of the common shares on or before the fifth business day prior to the date of the meeting.

“Dissenting shareholders” are defined as those who attend a shareholders’ meeting and vote against a resolution which results in the withdrawal right, or, if absent at such a meeting, those who state in writing to the company their opposition to such resolution within the following 30 days. Dissenting shareholders must perfect their withdrawal rights by tendering their stock to the company within thirty days after adoption of the resolution.

The price paid to a dissenting shareholder of a publicly held corporation is the weighted average of the sales prices for the shares as reported on the Chilean stock exchanges on which the shares are quoted for the two-month period preceding the event giving rise to the withdrawal right. If, because of the volume, frequency, number and diversity of the buyers and sellers, the SVS determines that the shares are not shares actively traded on a stock exchange (*acciones de transacción bursátil*), the price paid to the dissenting shareholder is the book value. Book value for this purpose equals paid capital plus reserves and profits, less losses, divided by the total number of subscribed shares (whether entirely or partially paid). For the purpose of making this calculation, the last annual balance sheet is used and adjusted to reflect inflation up to the date of the shareholders’ meeting that gave rise to the withdrawal right.

The resolutions and situations that result in a shareholder’s right to withdraw are the following:

- the transformation of the company into an entity that is not a publicly held corporation governed by the Chilean Corporation Law;
- the merger of the company with or into another company;
- the conveyance of 50% or more of the assets of the company, whether or not such sale includes the company’s liabilities;
- the adoption or amendment of any business plan which contemplates the conveyance of assets in excess of the foregoing percentage;
- the conveyance of 50% or more of the assets of a subsidiary, if the latter represents at least 20% of our assets;
- the conveyance of shares of a subsidiary which entails the transfer of control;
- the creation of preferential rights for a class of shares or an extension, amendment or reduction to those already existing, in which case the right to withdraw only accrues to the dissenting shareholders of the class or classes of shares adversely affected;
- the correction of any formal defect in the incorporation of the company or any amendment to the company’s by-laws that grants the right to withdraw;
- the granting of security interests or personal guarantees to secure or guarantee third parties’ obligations exceeding 50% of the company’s assets, except with regard to subsidiaries;
- resolutions of the shareholders’ meeting approving the decision to make private a public corporation in case the requirements set forth in “—General” cease to be met;
- if a publicly-traded company ceases to be obligated to register its shares in the Securities Registry of the SVS, and an extraordinary shareholders’ meeting agrees to de-register the shares and finalize its disclosure obligations mandated by the Corporation Law;
- if the controlling shareholder of a publicly-traded company reaches over 95% of the shares (in such case, the right must be exercised within 30 days of the date in which the threshold is reached, circumstance that must be communicated by means of a publication); and
- such other causes as may be established by the company’s by-laws (no such additional resolutions currently are specified in our by-laws).

In addition, shareholders of publicly held corporations have the right to withdraw if a person acquires two-thirds or more of the outstanding shares of such corporation with the right to vote (except as a result of other shareholders not having subscribed and paid a capital increase) and does not make a tender offer for the remaining shares within 30 days after acquisition.

Under article 69 bis of the Chilean Corporation Law, the right to withdraw also is granted to shareholders (other than pension funds that administer private pension plans under the national pension law), under certain terms and conditions, if a company were to become controlled by the Chilean government, directly or through any of its agencies, and if two independent rating agencies downgrade the rating of its stock from first class because of certain actions specified in Article 69 bis undertaken by the company or the Chilean government that affect negatively and substantially the earnings of the company. Shareholders must perfect their withdrawal rights by tendering their shares to the company within 30 days of the date of the publication of the new rating by two independent rating agencies. If the withdrawal right is exercised by a shareholder invoking Article 69 bis, the price paid to the dissenting shareholder shall be the weighted average of the sales price for the shares as reported on the stock exchanges on which the company’s shares are quoted for the six-month period preceding the publication of the new rating by two independent rating agencies. If, as previously described, the SVS determines that the shares are not actively traded on a stock exchange, the price shall be the book value calculated as described above.

There is no legal precedent as to whether a shareholder that has voted both for and against a proposal (such as the depositary) may exercise withdrawal rights with respect to the shares voted against the proposal. As such, there is doubt as to whether holders of ADRs who have not surrendered their ADRs and withdrawn common shares on or before the fifth business day prior to the shareholder meeting will be able to exercise withdrawal rights either directly or through the depositary with respect to the shares represented by ADRs. Under the provisions of the deposit agreement the depositary will not exercise these withdrawal rights.

The circumstance indicated above regarding ownership in excess of 95% by the controlling shareholder creates not only a withdrawal right for the remaining minority shareholders, but as of January 1, 2010, it also creates a “squeeze out” right by the controlling shareholder with respect to those same shareholders (granting a call option by means of which the controlling shareholder may buy-out the existing ownership participations pursuant to the provisions of article 71 bis of the Corporation Law).

Registration and Transfers

The *Depósito Central de Valores* (“DCV”) acts as LATAM Airlines Group’s registration agent. In the case of jointly owned common shares, an attorney-in-fact must be appointed to represent the joint owners in dealings with us.

C. Material Contracts

Boeing

Boeing 767-300 Fleet

On May 9, 1997, we entered into the Aircraft General Terms Agreement with The Boeing Company (“AGTA”), applicable to all Boeing aircraft contracted for purchase from The Boeing Company.

On January 30, 1998, we entered into Purchase Agreement No. 2126 with The Boeing Company (“Purchase Agreement No. 2126”) to acquire two Boeing 767-300 passenger aircraft.

On November 11, 2004, we entered into supplemental agreement No. 16 to the Purchase Agreement No. 2126 to acquire one additional Boeing 767-300 freighter aircraft and three Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$140,000,000.

On April 28, 2005, we entered into supplemental agreement No. 20 to the Purchase Agreement No. 2126 to acquire two additional Boeing 767-300 freighter aircraft and one Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$300,000,000.

On July 20, 2005, we entered into supplemental agreement No. 21 to the Purchase Agreement No. 2126 to acquire three Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$410,000,000.

On March 31, 2006, we entered into supplemental agreement No. 22 to the Purchase Agreement No. 2126 to acquire three Boeing 767-300 aircraft. Furthermore, we converted two Boeing 767-300 freighter aircraft to two Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$430,000,000.

On December 14, 2006, we entered into supplemental agreement No. 23 to the Purchase Agreement No. 2126 to acquire three additional Boeing 767-300 passenger aircraft. The estimated gross value (at list prices) of these aircraft was US\$460,000,000.

On November 10, 2008, we entered into supplemental agreement No. 24 to the Purchase Agreement No. 2126 to acquire four additional Boeing 767-300 passenger aircraft and two purchase rights for Boeing 767-300 aircraft. Two of these aircraft were delivered in 2011, while the other two aircraft had a scheduled delivery date in 2012. The estimated gross value (at list prices) of these aircraft was US\$636 million.

On March 22, 2010, we entered into supplemental agreement No. 28 to the Purchase Agreement No. 2126, whereby we agreed to accelerate the delivery of ten 787-8 aircraft, substitute four aircraft from 787-916 to 787-816 and substitute three 767-316ER to 767-316F freighter aircraft. Moreover, on November 10, 2010, we entered into supplemental agreement No. 29 to the Purchase Agreement No. 2126, whereby we agreed to accelerate the delivery of three Aircraft and substitute those three aircraft from 767-316F to 767-316ER.

On February 15, 2011, we entered into supplemental agreement No. 30 to the Purchase Agreement No. 2126 to acquire three additional Boeing 767-300 passenger aircraft. Delivery was scheduled to take place in 2012. The estimated gross value (at list prices) of these aircraft was US\$510 million.

On May 10, 2011, we entered into supplemental agreement No. 31 to the Purchase Agreement No. 2126 to acquire five additional Boeing 767-300 passenger aircraft and four purchase rights for Boeing 767-300 passenger aircraft. Delivery was scheduled to take place in 2012. The estimated gross value (at list prices) of these aircraft was US\$870 million.

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On December 22, 2011 we entered into supplemental agreement No. 32 to the Purchase Agreement No. 2126 to exercise two purchase options for two additional Boeing 767-300 passenger aircraft, while the remaining purchase options were deleted. Delivery was scheduled to take place in 2012. The estimated gross value (at list prices) of these aircraft was US\$340 million.

Boeing 787-8/9 Fleet

On October 29, 2007, we entered into Purchase Agreement No. 3256 with the Boeing Company (“Purchase Agreement No. 3256”) to acquire 18 Boeing 787-8 aircraft and eight Boeing 787-9 aircraft to be delivered between 2012 and 2016. This purchase agreement provides us with the option of purchasing 15 additional aircraft to be delivered in 2017 and 2018. The estimated gross value (at list prices) of the Boeing aircraft for which we had firm commitments to take delivery under this contract is US\$3.2 billion.

On March 22, 2010, we entered into supplemental agreement No. 1 to the Purchase Agreement No. 3256 to advance the scheduled delivery date of ten Boeing 787-8 aircraft and substitute four Boeing 787-9 aircraft into four Boeing 787-8 aircraft.

On July 8, 2010, we entered into supplemental agreement No. 2 to the Purchase Agreement No. 3256 to advance the scheduled delivery date of two Boeing 787-8 aircraft.

On August 24, 2012, we entered into supplemental agreement No. 3 to the Purchase Agreement No. 3256 to replace two Boeing 787-8 aircraft with two Boeing 787-8 aircraft with a later delivery.

On September 16, 2013, we entered into a delay settlement agreement with respect to Purchase Agreement No. 3256, whereby we agreed to update delivery dates, settle consequences of the currently known delays and convert several future deliveries of B787-8 aircraft to B787-9 aircraft. This delay settlement agreement was amended on April 22, 2015 to update delivery dates of certain aircraft.

On April 22, 2015, we entered into Supplemental Agreement No. 4 to Purchase Agreement No. 3256 to reschedule the delivery dates of four Boeing 787-8 aircraft and replace four Boeing 787-8 aircraft with four Boeing 787-9 aircraft.

On July 3, 2015, we entered into Supplemental Agreement No. 5 to Purchase Agreement No. 3256 to reschedule the delivery date of one Boeing 787-8 aircraft

Boeing 777 Freighter Fleet

On July 3, 2007, we entered into Purchase Agreement No. 3194 with the Boeing Company (“Purchase Agreement No. 3194”) to acquire two Boeing 777 freighter aircraft with schedule deliveries dates in 2011 and 2012. The estimated gross value (at list prices) of the Boeing aircraft for which we had firm commitments to take delivery under this contract was US\$545 million.

On March 22, 2010, we entered into letter agreement 6-1162-KSW-6454R2 to the Purchase Agreement No. 3194 to transfer two purchase rights from Purchase Agreement No. 2126 to Purchase Agreement No. 3194.

On November 2, 2010, we entered into supplemental agreement No. 2 to the Purchase Agreement No. 3194, to exercise one of the two options for a Boeing 777 freighter aircraft with scheduled delivery date in 2012. The estimated gross value (at list prices) of this aircraft was US\$280 million.

On September 22, 2011, we entered into supplemental agreement No. 3 to the Purchase Agreement No. 3194 to advance the scheduled delivery date of one firm Boeing 777 freighter aircraft during 2012.

On August 9, 2012, we entered into supplemental agreement No. 4 to the Purchase Agreement No. 3194 to reflect the configuration of the aircraft covered under such Purchase Agreement.

Airbus A320-Family Fleet

On March 20, 1998, we entered into the Second A320-Family Purchase Agreement with Airbus S.A.S. (“Second A320-Family Purchase Agreement”) to acquire five Airbus A320-Family Aircraft.

On November 14, 2003, we entered into amendment No. 1 to the Second A320-Family Purchase Agreement to exercise three purchase rights for Airbus 319 aircraft, among other things.

On October 4, 2005, we entered into amendment No. 2 to the Second A320-Family Purchase Agreement to acquire 25 additional Airbus 320 family aircraft and 15 purchase rights for Airbus A320-Family aircraft.

On March 6, 2007, we entered into amendment No. 3 to the Second A320-Family Purchase Agreement to exercise 15 purchase rights for 15 Airbus A320-Family Aircraft.

On December 23, 2009, we entered into amendment No. 5 to the Second A320-Family Purchase Agreement to acquire 30 additional Airbus A320-Family Aircraft. The estimated gross value (at list prices) of these aircraft was US\$2.0 billion.

According to clause 12.2 of the Second A320-Family Purchase Agreement, applicable to all subsequent amendments, in case of a failure, as defined in such agreement, a service life policy for a period of 12 years after delivery of any given aircraft shall apply.

On May 10, 2010, we entered into amendment No. 6 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft and advance the scheduled delivery date of 13 aircraft.

On May 19, 2010, we entered into amendment No. 7 to the Second A320-Family Purchase Agreement to advance the scheduled delivery date of three aircraft.

On September 23, 2010, we entered into amendment No. 8 to the Second A320-Family Purchase Agreement to convert the aircraft type of one aircraft and advance the scheduled delivery date of four aircraft.

On December 21, 2010, we entered into amendment No. 9 to the Second A320-Family Purchase Agreement to acquire 50 additional Airbus A320-Family Aircraft. The estimated gross value (at list prices) of these aircraft was US\$2,600,000,000.

On June 10, 2011, we entered into amendment No. 10 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft, to select sharklets for some aircraft and to notify delivery dates for some aircraft.

On November 3, 2011, we entered into amendment No. 11 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft and defer the scheduled delivery date of four aircraft.

On November 19, 2012, we entered into amendment No. 12 to the Second A320-Family Purchase Agreement to convert the aircraft type of three aircraft, identify certain Aircraft as Sharklet Installed Aircraft and others as Sharklet Capable Aircraft, as those are defined in such Purchase Agreement, and notify the scheduled delivery month for certain aircraft.

On August 19, 2013, we entered into amendment No. 13 to the Second A320-Family Purchase Agreement to convert several A320 aircraft to A321 aircraft and to postpone the scheduled delivery dates of several aircraft.

On 31 March, 2014, we entered into amendment No. 14 to the Second A320 Family Purchase Agreement covering the rescheduling of the scheduled delivery date of one Aircraft.

On May 16, 2014, we entered into amendment No. 15 to the Second A320 Family Purchase Agreement covering the rescheduling of the scheduled delivery month of certain Aircraft.

On July 15, 2014, we entered into amendment No. 16 to the Second A320 Family Purchase Agreement covering cancellation and substitution of certain Aircraft.

On October 30, 2014, we entered into a novation agreement covering the novation of the original TAM A320/A330 Family Purchase Agreement from TAM to LATAM.

On December 11, 2014, we entered into amendment No. 17 to the Second A320 Family Purchase Agreement covering the substitution of certain Aircraft.

Between April and August 2011, we entered into Buyback Agreements No. 3001, 3030, 3062, 3214 and 3216 with Airbus Financial Services for the sale of five A318 aircraft for approximately US\$107 million.

Between August 2012 and January 2013, we entered into Buyback Agreements No. 3371, 3390, 3438, 3469 and 3509 with Airbus Financial Services for the sale of five A318 aircraft for approximately US\$102 million.

Airbus A320 NEO-Family Fleet

On June 22, 2011, we entered into A320 NEO Purchase Agreement (“A320 NEO Purchase Agreement”) to acquire 20 Airbus 320 NEO family aircraft with scheduled delivery dates in 2017 and 2018. The estimated gross value (at list prices) of these aircraft is US\$1.7 billion.

On February 27, 2014, we entered into amendment No. 1 to the A320 NEO Purchase Agreement covering the advancement of the date by which the LATAM selects the propulsion systems.

On July 15, 2014, we entered into amendment No. 2 to the A320 NEO Purchase Agreement covering the order of incremental A320 NEO Aircraft.

On December 11, 2014, we entered into amendment No. 3 to the A320 NEO Purchase Agreement covering the order of incremental A320 NEO Aircraft and A321 NEO Aircraft.

Aercap Holdings N.V.

On May 28, 2013, we entered into a framework deed with Aercap Holdings N.V. for the sale and leaseback of several A330-200 aircraft already in fleet and several new aircraft to be received from the manufacturer including A350-900, B787-8 and B787-9 aircraft. The estimated gross value (at list prices) of these aircraft is US\$3.0 billion.

Aircastle Holding Corporation Limited

On February 21, 2014, we entered into a framework deed with Aircastle Holding Corporation Limited for the lease of four B777-300ER already in fleet. The four aircraft were manufactured in 2012 and the estimated market value (at list prices) of these aircraft is US\$580 million. The average term of the leases is 60 months.

GE Commercial Aviation

On April 30, 2007, we also entered into an Aircraft Lease Common Terms Agreement with GE Commercial Aviation Services Limited and two Aircraft Lease Agreements with Wells Fargo Bank Northwest N.A., as owner trustee, for the lease of two Boeing B777-200LRF aircraft. These aircraft were delivered in 2009 and the leases shall remain in place for a term of 96 months.

GE Engine Services LLC

On June 12, 2014, we (and TAM Linhas Aereas S.A.) entered into engine services agreement with GE Engine Services, LLC and GE Celma Ltda. for the provision of maintenance services of CF6-80C2B6F engines (which powers our B767 fleet) during 200 shop visits or 10 years, whichever occurs first.

On July 28, 2009, TAM Linhas Aereas S.A. entered into an engine services agreement with GE Engine Services, Inc. for the provision of maintenance services of GE90-115BL engines, which power 10 B777 passenger fleet and 4 spare engines, for a period of 12 years per engine.

Société AIR FRANCE

On February 22, 2010, we entered into an engine services agreement with Société AIR FRANCE for the provision of maintenance services for GE90-110BL engines, which power 2 B777 freighter fleet and 1 spare engine, for a period of eight years per engine.

CFM International

On December 17, 2010, we entered into General Terms Agreement No. CFM-1-2377460475 (the “GTA”) and Letter Agreement No. 1 to GTA with CFM International, Inc. (“CFM”) for the sale and support by CFM of CFM56-5B engines to power 70 A320 family aircraft and up to 14 CFM56-5B spare engines. On the same date, we entered into a Rate Per Flight Hour Engine Shop Maintenance Services Agreement with CFM for the provision by CFM of maintenance services for the above-mentioned installed and spare engines.

On December 31, 2014, we entered Letter Agreement No. 2 to GTA with CFM International, Inc. (“CFM”) for the sale and support by CFM of CFM56-5B engines to power 20 A320 family aircraft and one spare engine.

On March 15, 2006, TAM Linhas Aereas S.A. entered into an engine services agreement with GE Celma Ltda. for the provision of maintenance services for CFM56-5B engines, which power 47 A320 Fam passenger fleet and 6 spare engines, for a period of 15 years per engine.

PW1100G-JM Engine Maintenance Agreement

In February 2014, we entered into an engine support and maintenance agreement with United Technologies International Corporation, Pratt & Whitney Division (“PW”) for the sale, support and maintenance by PW of PW1100G-JM engines to power 42 A320NEO family aircraft and nine spare engines. It is also a rate per engine flight hour contract agreement, which includes cost control mechanisms for LATAM.

Rolls-Royce PLC & Rolls-Royce TotalCare Services Limited

On September 30, 2009, we entered into General Terms Agreement No. DEG5307 (the “GTA”) with Rolls-Royce PLC for the sale and support by Rolls-Royce of Trent 1000 engines to power 32 B787 family aircraft and up to 10 Trent 1000 spare engines. On the same date, we entered into a Rate Per Flight Hour Engine Shop Maintenance Services Agreement with Rolls-Royce TotalCare Services Limited for the provision by Rolls-Royce of maintenance services for the above-mentioned installed and spare engines, for a period of 15 years per engine.

On January 11, 2011, TAM Linhas Aereas S.A. entered into General Terms Agreement No. DEG5292 (the “GTA”) with Rolls-Royce PLC for the sale and support by Rolls-Royce of Trent XWB engines to power 27 A350XWB family aircraft and up to 7 Trent XWB spare engines. On the same date, we entered into a Rate Per Flight Hour Engine Shop Maintenance Services Agreement with Rolls-Royce TotalCare Services Limited for the provision by Rolls-Royce of maintenance services for the above-mentioned installed and spare engines, for a period of 12 years per engine. Subsequently, on July 31, 2015, the aforementioned agreements were novated, so that LATAM Airlines Group S.A. replaces TAM Linhas Aereas S.A. in both agreements.

International Aero Engines AG

On October 12, 2006, we entered into an engine services agreement with IAE International Aero Engines AG for the provision of maintenance services of V2500-A5 engines, which power 53 A320 Fam passenger fleet and 9 spare engines, for a period of 12 years per engine.

On October 21, 2010, TAM Linhas Aereas S.A. entered into an engine services agreement with IAE International Aero Engines AG for the provision of maintenance services of V2500-A5 engines, which power 26 A320 Fam passenger fleet and 7 spare engines, for a period of 12 years per engine.

SABRE Contract

In November 2009, we entered into a master agreement with SABRE Inc., pursuant to which LATAM was granted with access and use of certain reservation systems and other SABRE software solutions. This agreement will remain in force for five years or until the expiration of all Work Orders to the agreement. In addition, on May 4, 2015, we entered into a Master Services License Agreement with SABRE Inc. Pursuant to this agreement SABRE Inc., will grant LATAM access and use of certain reservation systems. This agreement will enter into force after the expiration of Work Order No. 1 to the agreement entered in November 2009 by LATAM and SABRE Inc. and will be effective for an initial period of 10 years.

In addition, LATAM has distribution agreements in place with SABRE as well as with other distribution providers.

TAM Material Contracts

A320/A330 Family Purchase Agreements

In November 2006, TAM entered into a purchase agreement with Airbus S.A.S. for the purchase of 31 A320-Family Aircraft and six A330-200 aircraft, with deliveries between 2007 and 2010.

In January 2008, TAM entered into a new purchase agreement for 20 A320-Family Aircraft and four A330-200 aircraft, with deliveries between 2007 and 2014.

In July 2010, TAM entered a purchase agreement for 20 A320-Family Aircraft with deliveries between 2014 and 2015.

In October 2011, TAM entered into a new purchase agreement for 10 A320-Family Aircraft with deliveries between 2016 and 2017, plus 22 A320 NEO Family Aircraft with deliveries between 2016 and 2018, plus 10 options rights for A320 NEO Family Aircraft.

In January 2012, TAM entered into Amendment No. 12 to the A320/A330 Purchase Agreement to reschedule the delivery dates of certain aircraft.

In November 2012, TAM entered into Amendment No. 13 to the A320/A330 Purchase Agreement to convert the aircraft type of A320 family aircraft.

In December 2012, TAM entered into Amendment No. 14 to the A320/A330 Purchase Agreement to convert the aircraft type of an A320 family aircraft and reschedule the delivery date of such aircraft.

In February 2013, TAM entered into Amendment No. 15 to the A320/A330 Purchase Agreement to make some changes to the scheduled delivery month of certain A320 Family Aircraft.

In February 2013, TAM entered into Amendment No. 16 to the A320/A330 Purchase Agreement to make a change to the aircraft type of certain A320 Family Aircraft, to the scheduled delivery month/quarter of certain A320 Family Aircraft and to make certain changes to the dates by which TAM will select the propulsion systems and NEO propulsion systems for certain Aircraft.

In August 2013, TAM entered into Amendment No. 17 to the A320/A330 Purchase Agreement to make a change to the scheduled delivery month of a certain A320 Family Aircraft and to make the selection of the propulsion systems and NEO propulsion systems for certain Aircraft.

In December 2014, TAM entered into Amendment No. 19 to the A320/A330 Purchase Agreement to reschedule and substitute certain A321 Aircraft.

In June 2015, TAM entered into Amendment No. 20 to the A320/A330 Purchase Agreement to make a change to the schedule delivery month of one A321 Aircraft.

In December 2015, TAM entered into Amendment No. 21 to the A320/A330 Purchase Agreement to make a change to the schedule delivery month of two A320 NEO Aircraft.

A350 Family Purchase Agreement

In January 2008, TAM entered into a purchase agreement with Airbus S.A.S. for the purchase of 22 A350 aircraft plus 10 options rights for A350 aircraft.

In July 2010, TAM entered into amendment No. 1 to the A350 purchase agreement to exercise its option of five A350 XWB options.

In July 2014, TAM entered into amendment No. 2 to the A350 purchase agreement to reschedule the delivery of certain A350-900XWB and to amend certain provisions to reflect the latest aircraft specification.

In July 2014, TAM, LATAM and Airbus entered into a novation agreement novating the A350 purchase agreement from TAM to LATAM.

In October 2014, we entered into amendment No. 3 to the A350 purchase agreement to reschedule the scheduled delivery month of a certain A350-900XWB aircraft.

In September 2015, we entered into amendment No. 4 to the A350 purchase agreement to modify certain terms and conditions of such agreement and to convert a number of A350-900 XWB Aircraft into A350-1000 XWB Aircraft.

In November 2015, we entered into amendment No. 5 to the A350 purchase agreement to convert a number of A350-900 XWB aircraft into six A350-1000 XWB aircraft and to reschedule the delivery of certain A350-900 XWB.

Boeing 777 Purchase Agreement

In February 2007, TAM entered into a purchase agreement with Boeing for the purchase of four Boeing 777-32WER aircraft.

In August 2007, TAM entered into supplemental agreement No. 1 to the 777 Purchase Agreement to exercise four option aircraft and to define certain aircraft configuration.

In March 2008, TAM entered into supplemental agreement No. 2 to the 777 Purchase Agreement to document its agreement on the descriptions and pricing of some options and master changes related to certain aircraft.

In December 2008, TAM entered into supplemental agreement No. 3 to the 777 Purchase Agreement for the purchase of two incremental 777 aircraft.

In July 2010, TAM entered into supplemental agreement No. 5 to the 777 Purchase Agreement to reschedule the delivery of certain aircraft.

In February 2011, TAM entered into supplemental agreement No. 6 to the 777 Purchase Agreement for the purchase of two incremental 777 aircraft.

In May 2014, TAM entered into supplemental agreement No. 7 to the 777 purchase agreement to substitute two 777-300ER Aircraft originally scheduled for delivery in 2014 for two 777-F aircraft for scheduled delivery in 2017.

CFM56-5B Engine Maintenance Contract

In March 2006, TAM entered into a services agreement with GE Celma, a Brazilian subsidiary of General Electric Engine Services division, for the maintenance by GE Celma of CFM56-5B engines to power 25 A320 family aircraft and four spare engines.

In March 2007 TAM entered into the Amendment 1 to the above-mentioned services agreement with GE Celma, extending the maintenance services to the engines powering additional 16 A320 family aircraft and two spare engines.

In April 2015, TAM entered into supplemental agreement No. 8 to the 777 purchase agreement to reschedule the delivery of certain aircraft.

V2500-A5 Engine Maintenance Agreement

In 2000, TAM entered into an engine maintenance contract with MTU Motoren-und Turbinen-Union München GmbH, or MTU, pursuant to which MTU agreed to provide certain maintenance, refurbishment, repair and modification services with respect to approximately 105 TAY650-15 aircraft engines. This contract is complemented by a novation and amendment agreement between us and Rolls-Royce Brazil Ltda. pursuant to which Rolls-Royce Brazil Ltda. replaced MTU as contract counterparty. This agreement terminates on June 30, 2015.

PW4168 Engine Maintenance Agreement

In June 2007, TAM Linhas Aéreas S.A. entered into a purchase and support agreement engine sale, support and maintenance services agreement with Pratt & Whitney covering 20 engines contained in TAM's A330-200 fleet six aircraft plus two spares. It is also a rate per engine flight hour contract agreement, which includes cost control mechanisms for TAM. Amendment 3 July 2010 10 aircraft y 4 spares.

SABRE Contract

In October 2003, TAM entered into a general services agreement with SABRE Travel International Limited, pursuant to which TAM was granted a license (relating to the provision of maintenance services) for electronic reservation technology and database backup. The term of the agreement was tacitly and automatically extended to cover all Work Orders currently in force under the agreement and will expire at the same time with the expiration of the last Work Order. In addition, TAM has distribution agreements in place with SABRE as well as with other distribution providers.

In addition, on May 4, 2015, we entered into a Master Services License Agreement with SABRE Inc. Pursuant to this agreement SABRE Inc., will grant TAM access and use of certain reservation systems. This agreement will enter into force after the expiration of that Work Order No. 1 to the November 2009 agreement between LATAM and SABRE Inc., and will be effective for an initial period of 10 years.*Amadeus Contract*

In July 2009, TAM entered into a general services agreement with Amadeus IT Group S.A., pursuant to which TAM was granted a license (relating to the provision of maintenance services) for electronic reservation technology and database backup. This agreement will remain in force for ten years, unless cancelled early by either party. In addition, TAM has distribution agreements in place with Amadeus as well as with other distribution providers.

D. Exchange Controls

Foreign Investment and Exchange Controls in Chile

The Central Bank of Chile is responsible, among other things, for monetary policies and exchange controls in Chile. Equity investments, including investments in shares of stock by persons who are non-Chilean residents, have been generally subject in the past to various exchange control regulations restricting the repatriation of their investments and the earnings thereon.

Article 47 of the Central Bank Act and former Chapter XXVI of the Central Bank Foreign Exchange Regulations regulated the foreign exchange aspects of the issuance of ADSs by a Chilean company until April 2001. According to former Chapter XXVI, the Central Bank of Chile and the depository had to enter into an agreement in order to gain access to the formal exchange market. The issuers of the shares underlying the ADSs and the custodian could also be parties to these agreements.

On April 16, 2001, the Central Bank of Chile agreed that, effective April 19, 2001:

- prior foreign exchange restrictions would be eliminated; and
- a new Compendium of Foreign Exchange Regulations (*Compendio de Normas de Cambios Internacionales*) would be applied.

The main objective of these amendments, as declared by the Central Bank of Chile, is to facilitate movement of capital in and out of Chile and to encourage foreign investment.

In connection with the change in policy, the Central Bank of Chile eliminated the following restrictions:

- a reserve requirement with the Central Bank of Chile for a period of one year (this mandatory reserve was imposed on foreign loans and funds brought into Chile to purchase shares other than those acquired in the establishment of a new company or in the capital increase of the issuing company; the reserve requirement was gradually decreased from 30% of the proposed investment to 0%);
- the requirement of prior approval by the Central Bank of Chile for certain operations;
- mandatory return of foreign currency to Chile; and

- mandatory conversion of foreign currency into Chilean pesos.

Under the new regulations, only the following limitations apply to these operations:

- the Central Bank of Chile must be provided with information related to certain operations; and
- certain operations must be conducted with the Formal Exchange Market.

The Central Bank of Chile also eliminated Chapter XXVI of the Compendium of Foreign Exchange Regulations, which regulated the establishment of an ADR facility by a Chilean company. Pursuant to the new rules, it is no longer necessary to seek the Central Bank of Chile's prior approval in order to establish an ADR facility or to enter into a foreign investment contract with the Central Bank of Chile. The establishment of an ADR facility is now regarded as an ordinary foreign investment, and simply requires that the Central Bank of Chile be informed of the transaction pursuant to Chapter XIV of the amended Compendium of Foreign Exchange Regulations and that the foreign currency transactions related thereby be conducted through the Formal Exchange Market.

However, all contracts executed under the provisions of former Chapter XXVI (including the foreign investment contract among LATAM Airlines Group, the Central Bank of Chile and the ADS depository, or the "Foreign Investment Contract"), remained in full force and effect and continued to be governed by the provisions, and continued to be subject to the restrictions, set forth in former Chapter XXVI at the time of its abrogation. Our Foreign Investment Contract guaranteed ADS investors access to the Formal Exchange Market to convert amounts from Chilean pesos into U.S. dollars and repatriate amounts received with respect to deposited common shares or common shares withdrawn from deposit or surrender of ADRs (including amounts received as cash dividends and proceeds from the sale in Chile of the underlying common shares and any rights arising from them).

On May 10, 2007, the Board of the Central Bank of Chile resolved to interpret the regulations regarding the former Chapter XXVI in connection with the access granted to the Formal Exchange Market. These regulations allowed entities that carry out capital increases by means of the issuance of cash shares before August 31, 2007 to apply the aforementioned regulation to their capital increases, but only once and only if those shares can be fully subscribed and paid by August 31, 2008, among other conditions. Consequently, capital increases carried out after August 31, 2007 will have no guaranteed access to the Formal Exchange Market.

On October 17, 2012, the Central Bank of Chile, the depository and LATAM Airlines Group entered into a termination agreement in respect of LATAM's existing foreign investment contract. ADR holders were notified about this termination in accordance with Section 16 of the Deposit Agreement. Upon termination of the foreign investment contract, holders of ADSs and the depository no longer have guaranteed access to the Formal Exchange Market. Currently, the ADS facility is governed by Chapter XIV of the Compendium on "Regulations applicable to Credits, Deposits, Investments and Capital Contributions from Abroad." According to Chapter XIV, the establishment or maintenance of an ADS facility is regarded as an ordinary foreign investment, and it is not necessary to seek the Central Bank of Chile's prior approval in order to establish an ADS facility. The establishment or maintenance of an ADS facility only requires that the Central Bank of Chile be informed of the transaction, and that the foreign currency transactions related thereby be conducted through the Formal Exchange Market.

Investment in Our Shares and ADRs after the business combination with TAM

As a result of the merger with TAM, investments made in shares of our common stock are subject to the following requirements:

- any foreign investor acquiring shares of our common stock who brought funds into Chile for that purpose must bring those funds through an entity participating in the Formal Exchange Market;
- any foreign investor acquiring shares of our common stock to be converted into ADSs or deposited into an ADR program who brought funds into Chile for that purpose must bring those funds through an entity participating in the Formal Exchange Market;
- in both cases, the entity of the Formal Exchange Market through which the funds are brought into Chile must report such investment to the Central Bank of Chile;
- all remittances of funds from Chile to the foreign investor upon the sale of the acquired shares of our common stock or from dividends or other distributions made in connection therewith must be made through the Formal Exchange Market;
- all remittances of funds from Chile to the foreign investor upon the sale of shares underlying ADSs or from dividends or other distributions made in connection therewith must be made through the Formal Exchange Market; and
- all remittances of funds made to the foreign investor must be reported to the Central Bank of Chile by the intervening entity of the Formal Exchange Market.

When funds are brought into Chile for a purpose other than to acquire shares to convert them into ADSs or deposit them into an ADR program and subsequently such funds are used to acquire shares to be converted into ADSs or deposited into an ADR program such investment must be reported to the Central Bank of Chile by the custodian within 10 days following the end of each month within which the custodian is obligated to deliver periodic reports to the Central Bank of Chile.

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When funds to acquire shares of our common stock or to acquire shares to convert them into ADSs or deposit them into an ADR program are received by us abroad (i.e., outside of Chile), such investment must be reported to the Central Bank of Chile directly by the foreign investor or by an entity participating in the Formal Exchange Market within ten days following the end of the month in which the investment was made.

All payments in foreign currency in connection with our shares of common stock or ADSs made from Chile through the Formal Exchange Market must be reported to the Central Bank of Chile by the entity participating in the transaction. In the event there are payments made outside of Chile, the foreign investor must provide the relevant information to the Central Bank of Chile directly or through an entity of the Formal Exchange Market within the first ten calendar days of the month following the date on which the payment was made.

There can be no assurance that additional Chilean restrictions applicable to the holders of ADSs, the disposition of shares of our common shares underlying ADSs or the conversion or repatriation of the proceeds from such disposition will not be imposed in the future, nor can we assess the duration or impact of such restriction if imposed.

This summary does not purport to be complete and is qualified by reference to Chapter XIV of the Central Bank of Chile's Foreign Exchange Regulations, a copy of which is available in Spanish and English versions at the Central Bank's website at www.bcentral.cl.

Voting Rights

Holders of our ADSs, which represent common shares, may instruct the depositary to vote the shares underlying their ADRs. If we ask holders for instructions, the depositary will notify such holders of the upcoming vote and arrange to deliver our voting materials to such holders. The materials will describe the matters to be voted on and explain how holders may instruct the depositary to vote the shares or other deposited securities underlying their ADSs as they direct by a specified date. For instructions to be valid, the depositary must receive them on or before the date specified as "Vote Cut-Off Date." The depositary will try, as far as practical, subject to Chilean law and the provisions of our by-laws, to vote or to have its agents vote the shares or other deposited securities as holders instruct. Otherwise, holders will not be able to exercise their right to vote unless they withdraw the shares. However, holders may not know about the meeting far enough in advance to withdraw the shares. We will use our best efforts to request that the depositary notify holders of upcoming votes and ask for their instructions.

If the depositary does not receive voting instructions from a holder by the specified date, it will consider such holder to have authorized and directed it to give a discretionary proxy to a person designated by our board of directors to vote the number of deposited securities represented by such holder's ADSs. The depositary will give a discretionary proxy in those circumstances to vote on all questions to be voted upon unless we notify the depositary that:

- we do not wish to receive a discretionary proxy;
- we think there is substantial shareholder opposition to the particular question; or
- we think the particular question would have an adverse impact on our shareholders.

The depositary will only vote or attempt to vote as such holder instructs or as described above.

We cannot assure holders that they receive the voting materials in time to ensure that they can instruct the depositary to vote their shares. This means that holders may not be able to exercise their right to vote and there may be nothing they can do if their shares are not voted as they requested.

Exchange Rates

Prior to 1989, Chilean law permitted the purchase and sale of foreign exchange only in those cases explicitly authorized by the Central Bank of Chile. The Central Bank Act liberalized the rules that govern the ability to buy and sell foreign currency. The Central Bank Act empowers the Central Bank of Chile to determine that certain purchases and sales of foreign currency specified by law must be carried out exclusively in the Formal Exchange Market, which is made up of the banks and other entities authorized by the Central Bank of Chile. All payments and distributions with respect to the ADSs must be conducted exclusively in the Formal Exchange Market.

For purposes of the operation of the Formal Exchange Market, the Central Bank of Chile sets a reference exchange rate (*dólar acuerdo*). The Central Bank of Chile resets the reference exchange rate monthly, taking internal and external inflation into account, and adjusts the reference exchange rate daily to reflect variations in parities between the Chilean peso, the U.S. dollar, the Japanese yen and the European euro.

The observed exchange rate (*dólar observado*) is the average exchange rate at which transactions were actually carried out in the Formal Exchange Market on a particular day, as certified by the Central Bank of Chile on the next banking day.

Prior to September 3, 1999, the Central Bank of Chile was authorized to buy or sell dollars in the Formal Exchange Market to maintain the observed exchange rate within a specified range above or below the reference exchange rate. On September 3, 1999, the Central Bank of Chile eliminated the exchange band. As a result, the Central Bank of Chile may buy and sell foreign exchange in the Formal Exchange Market in order to maintain the observed exchange rate at a level the Central Bank of Chile determines.

Purchases and sales of foreign exchange may be effected outside the Formal Exchange Market through the Informal Exchange Market (*Mercado Cambiario Informal*) established by the Central Bank in 1990. There are no limits on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the observed exchange rate.

Although our results of operations have not been significantly affected by fluctuations in the exchange rates between the peso and the U.S. dollar because our functional currency is the U.S. dollar, we are exposed to foreign exchange losses and gains due to exchange rate fluctuations. Even though the majority of our revenues are denominated in or pegged to the U.S. dollar, the Chilean government's economic policies affecting foreign exchange and future fluctuations in the value of the peso against the U.S. dollar could adversely affect our results of operations and an investor's return on an investment in ADSs.

E. Taxation

Chilean Tax

The following discussion relates to Chilean income tax laws presently in force, including Ruling No. 324 of January 29, 1990 of the Chilean Internal Revenue Service ("Chilean IRS") and other applicable regulations and rulings, all of which are subject to change. The discussion summarizes the principal Chilean income tax consequences of an investment in the ADSs or common shares by a person who is neither domiciled in, nor a resident of, Chile or by a legal entity that is not organized under the laws of Chile and does not have a branch or a permanent establishment located in Chile (such an individual or entity is referred to herein as a Foreign Holder). For purposes of Chilean tax law, an individual holder is a resident of Chile if such person has resided in Chile for more than six consecutive months in one calendar year or for a total of six months, whether consecutive or not, in two consecutive tax years. In addition, an individual is considered domiciled in Chile in case he or she resides in Chile with the actual or presumptive intent of staying in the country. The discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor's particular tax situation.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may only be amended by another statute. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations and interpretations, but Chilean tax authorities may change these rulings, regulations and interpretations prospectively. On February 4, 2010, representatives of the governments of the United States and Chile signed an income tax treaty. The new treaty will have to be approved by the U.S. Senate.

On September 29, 2014, Chile enacted Law No. 20,780 (the "Tax Reform Act"). The Tax Reform Act introduced changes to the corporate tax rate, mandating a gradual increase of the rate from 20% to 25% or 27% in certain cases, the rules regarding minimum capitalization, and the taxation of Chilean investments abroad (the controlled-foreign-corporation rules), among others. The new rules are set to come into effect gradually, with the implementation process having commenced on October 1, 2014 and set to be completed by January 1, 2018.

Cash Dividends and Other Distributions

Cash dividends we pay with respect to the ADSs or common shares held by a Foreign Holder will be subject to a 35% Chilean withholding tax, which we withhold and pay over to the Chilean tax authorities and which we refer to as the Withholding Tax. A credit against the Withholding Tax is available based on the level of corporate income tax we actually paid on the income to be distributed (referred to herein as the First Category Tax); however, this credit does not reduce the Withholding Tax on a one-for-one basis because it also increases the base on which the Withholding Tax is imposed. If we register net income but taxable losses, no credit against the Withholding Tax will be available. In addition, if we distribute less than all of our distributable income, the credit for First Category Tax we pay is proportionately reduced. In the year 2015, Law 20,780 modified the provisional rate of the First Category Tax from 21% to 22,5%.

In general, the example below illustrates the effective Withholding Tax burden on a cash dividend received by a Foreign Holder, assuming a Withholding Tax rate of 35%, a First Category Tax rate of 22.5%, and a distribution of 30% of the consolidated net income of the Company after payment of the First Category Tax:

The Company's taxable income	100.00
First Category Tax (22.5% of Ch\$100)	(22.50)
Net distributable income	77.50
Dividend distributed (30% of net distributable income)	23.25
First category increase	6.75
Withholding Tax (35% of the sum of Ch\$23.25 dividend plus Ch\$6.75 First Category Tax paid)	(10.50)
Credit for 22.5% of First Category Tax	6.75
Net tax withheld	(3.75)
Net dividend received	19.50
Effective dividend withholding rate	16,13%

In general, the effective dividend Withholding Tax rate, after giving effect to the credit for the First Category Tax, can be calculated using the following formula:

$$(\text{Withholding Tax rate}) - (\text{First Category Tax effective rate}) \div (\text{First Category Tax effective rate})$$

Under Chilean income tax law, dividends generally are assumed to have been paid out of our oldest retained profits for purposes of determining the level of First Category Tax that we paid. The effective rate of Withholding Tax to be imposed on dividends we pay will vary depending upon the amount of First Category Tax we paid (if any) on the earnings to which the dividends are attributed, according to the Company's Taxable Profit Fund. The Effective Withholding Tax rate for dividends attributed to earnings from 1991 until 2001, for which the First Category Tax rate was 15%, which results in an effective rate of 23.5%. For 2002, the First Category Tax rate was 16.0%, which results in an effective rate of 22.62%. In 2003, the First Category Tax rate was 16.5%, which results in an effective rate of 22.16%, from 2004 until 2010, the First Category Tax rate was 17%, which results in an effective rate of Withholding Tax of 21.69%. In 2011 the First Category Tax rate was 20%, which results in an effective rate of Withholding Tax of 18.75%. In 2012 the First Category Tax rate was 20%, which results in an effective rate of Withholding Tax of 18.75%. In 2013 the First Category Tax rate was 20%, which results in an effective rate of Withholding Tax of 18.75%. In 2014 the First Category Tax rate was 21%, which results in an effective rate of Withholding Tax of 17.72%. In 2015 the First Category Tax rate was 22.5%, which results in an effective rate of Withholding Tax of 16.13%.

For dividends attributable to our profits during years when the First Category Tax was 10% (before 1991), the effective rate will be 27.8%. However, whether the First Category Tax is 10%, 15%, 16%, 16.5%, 17% or 20%, the effective overall combined tax rate imposed on our distributed profits will be 35%. In the event that profits from previous years are not sufficient to cover a particular dividend, and the dividend is attributable to the current year, we will generally withhold tax from the dividend at the full 35% rate. If as of December 31 of the year in which the dividend is paid, the withholding is determined to be excessive taking into account First Category Tax, holders may file for a refund.

Dividend distributions made in property would be subject to the same Chilean tax rules as cash dividends based on the fair market value of such property. Stock dividends and the distribution of preemptive rights are not subject to Chilean taxation.

Capital Gains

Gain from the sale or other disposition by a Foreign Holder of ADRs evidencing ADSs outside Chile will not be subject to Chilean taxation. The deposit and withdrawal of common shares in exchange for ADRs will not be subject to any Chilean taxes.

Gain recognized on a sale or disposition of common shares (as distinguished from sales or exchanges of ADRs evidencing ADSs representing such common shares) may be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter) if:

- the Foreign Holder has held the common shares for less than one year since exchanging ADSs for the Shares;
- the Foreign Holder acquired and disposed of the common shares in the ordinary course of its business or as a habitual trader of shares; or
- the Foreign Holder and the purchaser of the common shares are "related parties" or has an interest in the latter within the meaning of Article 17, Number 8, of the Chilean Income Tax Law.

In all other cases, gain on the disposition of common shares will be subject only to a flat capital gains tax which is assessed at the same rate as the First Category Tax as sole income tax 22.5% in 2015, and no withholding tax will apply. The sale of shares of common stock by a Foreign Holder to an individual or entity resident or domiciled in Chile is subject to a provisional withholding. Such a provisional withholding will be equal to (i) the difference between Withholding Tax rate and First Category Tax rate of the total (sale price) amount, without any deduction, paid to, credited to, account for, put at the disposal of, or corresponding to, the Foreign Holder if the transaction is subject to the First Category Tax too. Unless the gain subject to taxation can be determined, in which case the withholding is equal to 35%. The Foreign Holder would be entitled to request a tax refund for any amounts withheld in excess of the taxes actually due, in April of the following year upon filing its corresponding tax return. Gain recognized in the transfer of common shares that have a high presence in the stock exchange, however, is not subject to capital gains tax in Chile, provided that the common shares are transferred in a local stock exchange, in other authorized stock exchanges or within the process of a public tender of common shares governed by the Securities Market Law.

Chile's Internal Revenue Service Ruling N° 224 (issued on January 30, 2008) confirmed that capital gains stemming from the sale of shares with high stock market presence acquired through the exchange of American Depositary Receipts (ADRs) for shares is not subject to capital gains tax in Chile. Such exemption is applicable provided that the purchase of such ADR certificates has been made at stock exchanges duly authorized by SVS (which includes the New York Stock Exchange).

The common shares must also have been acquired either in a stock exchange, within the process of a public tender of common shares governed by the Securities Market Law, in an initial public offer of common shares resulting from the formation of a corporation or a capital increase of the same, or in an exchange of convertible bonds. Shares are considered to have a high presence in the stock exchange when they:

- are registered in the Securities Registry;
- are registered in a Chilean Stock exchange; and
- have an adjusted presence equal to or above 25%.

To calculate the adjusted presence of a particular share, the aforementioned regulation first requires a determination of the number of days in which the operations regarding the stock exceeded, in Chilean pesos, the equivalent of 1,000 UF (US\$36,089 as of December 31, 2015) within the previous 180 business days of the stock market. That number must then be divided by 180, multiplied by 100, and expressed in a percentage value. This tax regime does not apply if the transaction involves an amount of shares that would allow the acquirer to take control of the publicly traded corporation, in which case the ordinary tax regime referred to in the previous paragraph will apply, unless the transfer is part of a tender offer governed by the Securities Market Law or the transfer is done on a Chilean stock exchange, without substantially exceeding the market price.

Capital gains obtained in the sale of shares that are publicly traded and have a high presence in a stock exchange are also exempt from capital gains tax in Chile when the sale is made by "foreign institutional investors" such as mutual funds and pension funds, provided that the sale is made in a stock exchange or in accordance with the provisions of the Securities Market Law, or in any other form authorized by the SVS. To qualify as a foreign institutional investor, an entity must be formed outside of Chile, not have a domicile in Chile, and must be at least one of the following:

- a fund that offers its common shares or quotas publicly in a country with investment grade public debt, according to a classification performed by an international risk classification entity registered with the SVS;
- a fund registered with a regulatory agency or authority from a country with investment grade public debt, according to a classification performed by an international risk classification entity registered with the SVS, provided that its investments in Chile constitute less than 30% of the share value of the fund, including deeds issued abroad representing Chilean securities, such as ADRs of Chilean companies;
- a fund whose investments in Chile represent less than 30% of the share value of the fund, including deeds issued abroad representing Chilean securities, such as ADRs of Chilean companies, provided that not more than 10% of the share value of the fund is directly or indirectly owned by Chilean residents;
- a pension fund that is formed exclusively by natural persons that receive pensions out of an accumulated capital in the fund;
- a Foreign Capital Investment Fund, as defined in Law No. 18,657, in which case all quota holders shall be Chilean residents or domestic institutional investors; or
- any other foreign institutional investor that complies with the requirements set forth in general regulations for each category of investor or prior information from the SVS and the Chilean IRS.

The foreign institutional investor must not directly or indirectly participate in the control of the corporations issuing the shares it invests in, nor possess or participate in 10% or more of the capital or the profits of such corporations.

Another requirement for the exemption is that the foreign institutional investor must execute a written contract with a bank or a stock broker incorporated in Chile. In this contract, the bank or stock broker must undertake to execute purchase and sale orders, verify the applicability of the tax exemption or tax withholding and inform the Chilean IRS of the investors it works with and the transactions it performs. Finally, the foreign institutional investor must register with the Chilean IRS by means of a sworn statement issued by such bank or stock broker.

The tax basis of common shares received in exchange for ADRs will be the acquisition value of the common shares on the date of exchange duly adjusted for local inflation. The valuation procedure set forth in the deposit agreement, which values common shares which are being exchanged at the highest price at which they trade on the SSE on the date of the exchange, will determine the acquisition value for this purpose. Consequently, the surrender of ADRs for common shares and the immediate sale of the common shares for the value established under the Deposit Agreement will not generate a capital gain subject to taxation in Chile, provided that the sale of the common shares is made on the same date on which the exchange of ADRs for common shares is recorded, or if the price of the common shares at the exchange date, as determined above, is higher than the price at which the common shares are sold.

The exercise of preemptive rights relating to the common shares will not be subject to Chilean taxation. Any gain on the sale of preemptive rights relating to the common shares will be subject to both the First Category Tax and the Withholding Tax (the former being creditable against the latter).

Other Chilean Taxes

There are no Chilean inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of ADSs by a Foreign Holder, but such taxes generally will apply to the transfer at death or by gift of the common shares by a Foreign Holder. There are no Chilean stamp, issue, registration or similar taxes or duties payable by Foreign Holders of ADSs or common shares.

Withholding Tax Certificates

Upon request, we will provide to Foreign Holders appropriate documentation evidencing the payment of the Withholding Tax (net of the applicable First Category Tax).

United States Federal Income Tax Considerations

This section describes the material United States federal income tax consequences to a U.S. holder (as defined below) of owning common shares or ADSs. It applies to you only if you hold your common shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of our voting stock,
- a person that holds common shares or ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells common shares or ADSs as part of a wash sale for tax purposes, or
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty in effect between the United States and the Republic of Chile. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the common shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the common shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the common shares or ADSs.

You are a U.S. holder if you are a beneficial owner of common shares or ADSs and you are:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state and local and the Chilean and other tax consequences of owning and disposing of common shares and ADSs in your particular circumstances.

ADSs

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the common shares represented by those ADRs. Exchanges of common shares for ADRs, and ADRs for common shares, generally will not be subject to United States federal income tax.

Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company (“PFIC”) rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation.

If you are a noncorporate U.S. holder, dividends paid on the ADSs that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains if you hold the ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends paid on the ADSs will be treated as qualified dividend income if:

- the ADSs are readily tradable on an established securities market in the United States; and
- we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a PFIC.

We believe that our common shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes. See “—PFIC Rules” below. The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Accordingly, we expect that dividends we pay with respect to the ADSs will be qualified dividend income. Because our common shares are not expected to be listed on any United States securities market, it is unclear whether dividends we pay with respect to the common shares will also be qualified dividend income. If dividends we pay with respect to our common shares are not qualified dividend income, then the U.S. dollar amount of such dividends received by a U.S. holder (including dividends received by a noncorporate U.S. holder) will be subject to taxation at ordinary income tax rates.

You must include any Chilean tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of common shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Chilean pesos payments made, determined at the spot Chilean pesos/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the common shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to generally applicable limitations and conditions under the Internal Revenue Code, Chilean Withholding Tax withheld and paid over to the Chilean tax authorities (after taking into account the credit for the First Category Tax, when it is available) will be creditable or deductible against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available to you under Chilean law, as is the case if the amount of Chilean Withholding Tax initially withheld from a dividend is determined to be excessive as described above under “—Taxation—Chilean Tax—Cash Dividends and Other Distributions,” the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability.

Dividends will generally be income from sources outside the United States and will, depending on your circumstances, be either “passive” or “general” income for purposes of computing the foreign tax credit allowable to you.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your common shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your common shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Consequently, you may not be able to use the foreign tax credit arising from any Chilean tax imposed on the disposition of common shares or ADSs unless such credit can be applied against tax due on other income treated as derived from foreign sources in the appropriate limitation category.

PFIC Rules

We believe that common shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, gain realized on the sale or other disposition of your common shares or ADSs would in general not be treated as capital gain. Instead, if you are a U.S. holder, unless you elect to be taxed annually on a mark-to-market basis with respect to your common shares or ADSs, you would be treated as if you had realized such gain and certain “excess distributions” ratably over your holding period for the common shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. With certain exceptions, your common shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your common shares or ADSs. Dividends that you receive from us will not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the information requirements of the Exchange Act, as amended. In accordance with these requirements, we file reports, including annual reports on Form 20-F and other information with the SEC. These materials, including this annual report and the exhibits hereto, may be inspected and copied at the SEC’s public reference rooms in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. In addition, some of our SEC filings, including those filed on and after February 19, 2002, are also available to the public through the SEC’s website at www.sec.gov.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. However, we furnish our shareholders with annual reports containing financial statements audited by our independent auditors and make available to our shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. We file such quarterly reports with the SEC within two months of each quarter of our fiscal year, and we file annual reports on Form 20-F within the time period required by the SEC, which is currently six months from December 31, the end of our fiscal year.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Given the nature of its business, LATAM is exposed mainly to three types of market risk:

- Fuel price fluctuations;
- Foreign exchange fluctuations; and
- Interest rate fluctuations.

Management assesses the level of our exposure to these risks periodically to determine the extent to which we should hedge against them and the most effective mechanisms to implement the hedge. LATAM purchases derivative instruments in foreign markets to offset market risk exposure, typically utilizing a mix of financial and commodity derivatives. LATAM does not enter into or hold derivative contracts for trading purposes.

Risk of Fluctuations in Fuel Prices

Jet fuel price fluctuations are largely dependent on supply and demand for crude oil, OPEC decisions, refinery capacities, stock levels of crude oil and geopolitical factors.

LATAM fuel consumption for 2015 was 1,224.9 million gallons and the forecast for 2016 is 1,172 million gallons. To manage its exposure to the cost of fuel, LATAM has a hedging program based on an approved policy. This policy aims to hedge approximately 20-60% of our aggregate fuel consumption, using commodity derivatives for the expected fuel consumption from 12-24 months.

Jet Fuel is not the only underlying asset that LATAM may use for hedging purposes. It may also consider derivative instruments in other underlying commodity assets such as crude oil (BRENT), West Texas intermediate (WTI) or heating oil (HO).

To keep the Company competitive, a portion of the fuel consumption is not hedged, as a drop in fuel prices positively affects the Company through a reduction in costs.

We may be exposed to fuel hedging transaction losses if our counterparties default. To manage this credit risk, we select counterparties based on their credit ratings and monitor our relative market position on a daily basis. We generally are not required to post collateral and do not require our counterparties to post collateral in respect of positions under our fuel hedging transactions. For more information see “Item 3. Key Information— D. Risk Factors—Risks Related to Our Operations and the Airline Industry—*Our operations are subject to fluctuations in the supply and cost of jet fuel, which could negatively impact our business.*”

During 2015, 2014 and 2013 we entered into a mix of swaps and option contracts on BRENT, WTI and JET FUEL 54 USGC with investment grade banks and other financial entities for notional fuel purchases (non delivery forward). Details of the fuel hedging program are shown below:

	LATAM Fuel Hedging Year ended December 31,		
	2015 LATAM	2014 LATAM	2013 LATAM
	(millions of US\$)		
Gallons Purchased	544.7	684.3	823.7
% Total Annual Fuel Consumption	43.6%	55.6%	65.0%
Combined Result of Hedges (in US\$)	-239.4	-108.7	+19.8

As of December 31, 2015, the fair value of our outstanding fuel related derivative contracts was estimated to be US\$56.4 million (negative).

Gains and losses on the hedging contracts outlined above are recognized as a cost of sales in the income statement when the fuel subject to the hedge is consumed. Premiums paid related to fuel derivative contracts are recorded as prepaid expenses (current assets) and recorded as an expense at the time the contract expires.

Under IFRS, the fair value of the hedging derivatives is booked as a non-current asset or liability if the remaining maturity of the item is hedged for more than 12 months, and as a current asset or liability if the remaining term of the item is hedged for less than 12 months. The fair value of the derivative contracts is deferred within an equity reserve account. Please see Note 2.10 to our audited consolidated financial statements. As the current positions do not represent changes in cash flows but a variation in the exposure to the market value, the Company’s current hedge positions have no impact on income; they are booked as cash flow hedge contracts, so a variation in fuel prices has an impact on the Company’s net equity.

The following table shows the sensitivity analysis of our hedging contracts to reasonable changes in fuel prices and their effect on equity. The term used for the projection was December 31, 2016, the last maturity date of our current fuel hedge contracts. The calculations were made considering a parallel movement of US\$5 per barrel in the curve of the BRENT and JET crude futures benchmark price at the end of December 2015, 2014 and 2013.

	LATAM fuel price sensitivity (effect on equity)		
	Position as of December 31,		
	2015	2014	2013
	LATAM	LATAM	LATAM
	(millions of US\$ per barrel)		
BRENT or JET benchmark price			
+5	+5.41	+24.9	+24.6
-5	-2.78	-25.1	-19.1

During the periods presented, the Company has not recorded amounts for ineffectiveness in the consolidated income statement pursuant to IFRS principles for recognizing and measuring financial instruments.

Given the fuel hedge structure as of December 31, 2015, which reflects only a partial hedge of our expected fuel consumption, a vertical fall by US\$5 in the BRENT and JET benchmark price (the monthly daily average) for each month would have meant savings of approximately US\$ 125.61 million in the cost of the Company's total fuel consumption. A vertical increase by US\$5 in the JET and BRENT benchmark price (the monthly daily average) for each month would have meant an additional cost of approximately US\$116.83 million of the Company's total fuel consumption.

Risk of Variation in Foreign Exchange Rates

The functional currency of the LATAM holding company is the U.S. dollar. Because LATAM conducts its business in local currencies in several countries, it faces the risk of variations in multiple foreign currency exchange rates. Depreciation of these currencies against the U.S. dollar could have adverse effects both transactional and translational, because part of our revenues and expenses are denominated in those currencies.

At the same time, LATAM's subsidiaries are exposed to foreign exchange risk, which could in turn impact the consolidated results of the Company.

The greatest exposure to future cash flows is mainly presented by the subsidiary TAM S.A. and volatility in the R\$/US\$ exchange rate. TAM S.A.'s earnings are generated largely in R\$. We actively manage the R\$/US\$ exchange rate risk by entering into FX derivative contracts and carrying out internal operations for obtaining natural hedging.

Additionally, LATAM manages its economic exposures of future flows revenues on Euro (EUR), Great Britain Pound (GBP), Chilean Peso (CLP) and Australia Dollars (AUD) and also LATAM hedges these FX exposures by entering into FX derivative contracts.

In lower concentration, the company also faces foreign exchange risk relating to additional currencies such as: Argentinean Peso, Paraguayan Guaraní, Mexican Peso, Peruvian Nuevo Sol, Colombian Peso and New Zealand Dollars.

As of December 31, 2015, the fair value of our FX derivative contracts was estimated to be US\$8.0 million (positive).

Because changes in the values of existing FX derivative positions do not represent changes in cash flows, but a variation in the exposure of market value, the outstanding hedging positions do not impact results (they are registered as cash flow hedges under IFRS, therefore, a change in the foreign exchange rate has an impact on the equity of the Company).

The following table shows the sensitivity of the fair value of financial instruments as a result of reasonable changes in the exchange rates of Euros, British Pounds and Brazilian reais. The term projection is defined until the end of the last hedging contract in force:

LATAM foreign exchange sensitivity Derivatives	
Position as of December 31, 2015	
Appreciation (depreciation) of US\$	Effect on equity (Millions of US\$)
-10%	+16.7
+10%	-21.3

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As of January 29, 2016, the Company has FX derivatives of US\$311 million (notional) for FX BRL, US\$110 million (notional) for FX EUR, US\$15 million (notional) for FX GBP and US\$30 million (notional) for FX CLP.

Balance sheet exposure of LATAM to the Brazilian Real is related to the functional currency of TAM and its balance sheet currency mismatch, as TAM has a net US\$ liability position. When the balance sheet denominated in U.S. dollars is translated to Brazilian Real, the financial results of TAM may fluctuate and therefore could impact LATAM's financial results.

The exposure to the Brazilian real on TAM's balance sheet has been reduced from over US\$4.0 billion since the merger in June 2012 to less than US\$ 1.0 billion as of December 31, 2015. The Company continues working to mitigate this exposure through the execution of the fleet transfer from TAM to LATAM and payment of TAM's debt denominated in USD.

The following table shows the sensitivity of TAM's financial results to changes in the R\$/US\$ exchange rate:

	TAM exchange rate sensitivity		
	Position effect on pre-tax earnings as of December 31,		
	2015	2014	2013
	LATAM	LATAM	LATAM
	(millions of US\$)		
Appreciation (depreciation) of R\$/US\$			
−10%	+67.6	+69.8	+197.8
+10%	−67.6	−69.8	−197.8

Our foreign currency exchange exposure as of December 31, 2015 was as follows:

	LATAM foreign currency exchange exposure								
	U.S. Dollars MUS\$	% of total	Brazilian real MUS\$	% of total	Chilean pesos MUS\$	% of total	Other currencies MUS\$	% of total	Total MUS\$
Current assets	1.762.652	62,4%	401.996	14,2%	123.823	4,4%	534.430	18,9%	2.822.901
Other assets	10.415.799	68,2%	4.663.848	30,5%	10.004	0,1%	188.866	1,2%	15.278.517
Total assets	12.178.451	67,3%	5.065.844	28,0%	133.827	0,7%	723.296	4,0%	18.101.418
Current liabilities	3.840.176	68,1%	1.184.287	21,0%	205.949	3,7%	410.560	7,3%	5.640.972
Long-term liabilities	8.617.503	90,5%	682.328	7,2%	204.775	2,2%	18.292	0,2%	9.522.898
Total liabilities and shareholders' equity	15.395.227	85,0%	1.866.615	10,3%	410.724	2,3%	428.852	2,4%	18.101.418

For more information on Market Risk, see Note 3 "Financial Risk Management" to our audited consolidated financial statements.

Risk of Fluctuations in Interest Rates

As of December 31, 2015, LATAM had US\$ 9,120 million in outstanding interest bearing loans. LATAM uses interest rate derivatives to reduce the impact of an increase of interest rates. 70.7% of LATAM outstanding debt as of December 31, 2015 was effectively at a fixed rate, either as fixed rate loans or variable rate loans hedged using a floating to fixed rate derivative instrument.

LATAM's interest bearing loans can be classified by: variable interest rate debt, fixed interest rate debt and interest rate hedged debt. LATAM's variable interest rate debt amounts to US\$ 2,669.6 million, from which 78.1% is assigned to aircraft financing and 21.9% to non-aircraft financing. The fixed interest rate debt amounts are US\$ 6,450.5 million of which 63.6% is assigned to aircraft financing and 36.4% to non-aircraft financing. The interest rate hedged debt amounts to US\$655 million of which 99.4% is assigned to interest rate swaps and 0.6% to interest rate caps.

Under IFRS, the positive fair value of these interest rate swaps is reflected in the balance sheet as hedging assets and the negative fair value of these agreements is reflected as hedging liabilities. As of December 31, 2015, the fair value of all the interest rate swaps was estimated to be US\$39.8 million (negative).

The interest rate cap contracts qualify as cash flow hedges with no ineffectiveness associated with them due to the fact that all critical terms of the debt and the caps are matched. As of December 31, 2015, the fair value of these contracts was estimated to be close to zero.

The premiums paid on the cap contracts were allocated to individual caplets and recognized in the income statement throughout the term of each contract. Under IFRS these derivatives qualify as cash flow hedges even though some ineffectiveness exists as the notional amount over which some caps are calculated is different from the one used to determine the interest and lease payments on the aircraft. For IFRS purposes, there was no amount of ineffectiveness recorded in earnings because the change in fair value of the perfect hypothetical option was greater than the change in the fair value of the Company's option.

The use of the aforementioned hedging instruments, combined with fixed interest rate financing for our aircraft financing, has enabled the Company to have predictable interest rate costs, reducing the cash volatility.

As of December 31 2015, the average interest rate of our entire outstanding interest-bearing long-term debt rate was 3.9%.

The following table summarizes our principal payment obligations on all of our interest-bearing debt as of December 31, 2015 and the related average interest rate for such debt. The average interest rate has been calculated based on the prevailing interest rate on December 31, 2015 for each loan.

LATAM's principal payment obligations by year of expected maturity ⁽¹⁾						
	Average interest rate ⁽²⁾	2016	2017	2018	2019	2020
				(millions of US\$)		
Interest-bearing liabilities	3.9%	1,457	1,779	915	785	1,387
						2,720

(1) At cost.

(2) Average interest rate means the average prevailing interest rate on our debt on December 31, 2015 after giving effect to hedging arrangements.

The following table shows the sensitivity of changes in our long-term interest bearing liabilities and capital leases that are not hedged against interest-rate variations. These changes are considered reasonably possible based on current market conditions.

LATAM's interest rate sensitivity (effect on pre-tax earnings) Position as of December 31,			
2015 LATAM	2014 LATAM	2013 LATAM	
(millions of US\$)			
Increase (decrease) in LIBOR			
+100 basis points	-26.7	-27.5	-29.7
-100 basis points	+26.7	+27.5	+29.7

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

LATAM's interest rate sensitivity (effect on equity) Position as of December 31,			
2015 LATAM	2014 LATAM	2013 LATAM	
(millions of US\$)			
Increase (decrease) in three month LIBOR			
<i>Future rates</i>			
+100 basis points	+8.7	+15.3	+23.3
-100 basis points	+9.0	-15.9	-24.5

During the periods presented, the company has not recorded amounts for ineffectiveness in the consolidated income statement pursuant to IFRS.

There are market-related limitations in the method used for the sensitivity analysis. These limitations derive from the fact that the levels indicated by the futures curves may not be necessarily met and may change in each period.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

In the United States, our common shares trade in the form of ADS. Since August 2007, each ADS represents one common share, issued by The Bank of New York Mellon, as Depositary pursuant to a Deposit Agreement. ADSs commenced trading on the NYSE in 1997. In October 2011, our Depositary bank changed from The Bank of New York Mellon to JP Morgan Chase Bank, N.A. (“JP Morgan”).

Fees and Charges for ADR Holders

The Bank of New York Mellon, and since October 2011 JP Morgan, as depositary, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees. The depositary may also collect its annual fee for depositary services by deductions from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons depositing or withdrawing shares must pay:	For:
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none">• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US\$.02 (or less) per ADS	<ul style="list-style-type: none">• Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none">• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders
US\$.02 (or less) per ADSs per calendar year	<ul style="list-style-type: none">• Depositary services
Registration or transfer fees	<ul style="list-style-type: none">• Transfer and registration of shares on the depositary’s share register to or from the name of the depositary or its agent when investors deposit or withdraw shares
Expenses of the depositary	<ul style="list-style-type: none">• Cable, telex and facsimile transmissions• Conversion of foreign currencies into U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADS or share underlying an ADS, such as stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none">• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none">• As necessary

Fees and Direct and Indirect Payments Made by the Depositary to the Foreign Issuer**Past Fees and Payments**

During 2015, the Company received from the depositary US\$1,048,850.4 for continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), payments related to applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

Future Fees and Payments

JP Morgan, as the depositary bank, has agreed to reimburse the Company for certain of our reasonable expenses related to our ADS program and incurred by us in connection with the program. The reimbursements include direct payments (legal and accounting fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements, listing fees, investor relations expenses, advertising and public relations expenses and fees payable to service providers for the distribution of hard copy materials to beneficial ADR holders in the Depositary Trust Company, such as information related to shareholders' meetings and related voting instruction cards); and indirect payments (third-party expenses paid directly and fees waived).

PART II**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES**Controls and Procedures**

Management carried out an evaluation, with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2015. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon such evaluation, management, with the participation of the chief executive officer and chief financial officer concluded that the disclosure controls and procedures, as of December 31, 2015, were effective in providing reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management including our Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

Management's annual report on internal control over financial reporting

The management of the Company, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as amended.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate. LATAM Airlines Group S.A.'s management, including the Chief Executive Officer and the Chief Financial Officer, has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 based on the criteria established in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and, based on such criteria, LATAM Airlines Group S.A.'s management has concluded that, as of December 31, 2015, the Company's internal control over financial reporting is effective. The company's internal control over financial reporting effectiveness as of December 31, 2015 has been audited by PricewaterhouseCoopers Consultores, Auditores y Compania Limitada, an independent registered public accounting firm, as stated in their report included herein.

(c) *Attestation report of the registered public accounting firm.* See page F-156 of our audited consolidated financial statements.

(d) *Changes in internal control over financial reporting.* During 2015 TAM and its subsidiaries implemented SAP as their ERP to be in line with the rest of the LATAM Group. Consequently, internal controls over financial reporting were adjusted or changed in order to assure the new system works properly. None of the changes have materially affected, or are likely to materially affect, our internal controls over financial reporting.

ITEM 16. RESERVED

A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has designated Georges de Bourguignon Arndt as an “audit committee financial expert” within the meaning of this Item 16. A. Mr. de Bourguignon is independent within the meaning of Rule 10A-3 under the Exchange Act. See “Item 6. Directors, Senior Management and Employees— A. Directors and Senior Management.”

B. CODE OF ETHICS

We have adopted a code of ethics and conduct, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our senior management, including our Chief Executive Officer, our Chief Financial Officer and our Chief Accounting Officer, as well as to other employees. Our code is freely available online at our website, www.lan.com, under the heading “Corporate Governance” on the Investor Relations page. In addition, upon written request, by regular mail, to the following address: LATAM Airlines Group S.A., Investor Relations Department, attention: Investor Relations, Av. Presidente Riesco 5711, Piso 20, Comuna Las Condes, Santiago, Chile, or by e-mail at investor.relations@lan.com we will provide any person with a copy of it without charge. If we amend the provisions of our code of ethics that apply to our senior management or to other persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website.

C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

The following table sets forth the fees paid to our independent registered public accounting firm, PricewaterhouseCoopers, during the fiscal years ended December 31, 2015 and 2014:

	2015	2014
		USD (in thousands)
Audit fees	1,910	2,146
Audit-related fees	7	12
Tax fees	6	29
All Other fees	11	135
Total fees	1,935	2,322

Audit-related fees in the above table are the aggregate fees billed by PricewaterhouseCoopers for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or that are traditionally performed by the external auditor, including due diligence and other audit related services. Fees in 2015 and 2014 include attestation services related with revenues in Argentina.

Other fees in the above table are fees billed by PricewaterhouseCoopers as of December 31, 2015 and correspond primarily for survey salary and salary special studies in Peru and Chile. Fees in 2014 correspond to a survey salary in Peru, review of the reporting process for the business intelligence program in Chile and entity management risk consulting.

Board of Directors’ Committee Pre-Approval Policies and Procedures

Since January 2004, LATAM has complied with SEC regulations regarding the type of additional services our independent auditors are authorized to offer to us. In addition, our Board of Directors’ Committee (which serves as our Audit Committee) has decided to automatically authorize any such accepted services for an amount of up to 10% of the fees charged by the auditing firm, and for an amount of up to 50% when adding all such services provided by the auditing firm in the aggregate. If the amount of any services is larger than these thresholds, approval by the Board of Directors’ Committee will be required.

D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

None.

G. CORPORATE GOVERNANCE

New York Stock Exchange Corporate Governance Comparison

Pursuant to Section 303A.11 of the Listed Company Manual of the NYSE, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Chilean corporation with shares listed on the SSE, the Chilean Electronic Exchange and the Valparaiso Stock Exchange, our ADSs listed on the NYSE and our BDRs listed on Bovespa. Our corporate governance practices are governed by our bylaws, the Chilean Corporation Law and the Securities Market Law.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards

Our Corporate Governance Practice

Director Independence. Majority of board of directors must be independent. §303A.01

Under Chilean law, we are not required to have a majority of independent directors on our board.

Our board of directors’ committee (all of whom are members of our board of directors) is composed of three directors, two of whom must be independent if we have a sufficient number of independent directors on our board.

The definition of independence applicable to us pursuant to the Chilean Corporation Law differs in certain respects from the definition applicable to U.S. issuers under the NYSE rules.

Pursuant to Law No. 20,382 on Corporate Governance, which came into effect on January 1, 2010, we are also required to have at least one independent director.

Starting on January 1, 2010, directors are deemed to be independent if they have not fallen within any of the following categories during the 18 months prior to their election: (i) had a relevant relationship, interest or dependence on us, our subsidiaries, controlling shareholders, main executives, or had served any of the foregoing in a senior position; (ii) had a close family relationship with any of the individuals indicated in (i); (iii) had served in a non-profit organization which received significant funds from the individuals indicated in (i); (iv) had been a partner or shareholder (with a direct or indirect participation in excess of 10%) in, or had a senior position at a company which has rendered significant services to, the individuals indicated in (i); (v) had been a partner or shareholder (with a direct or indirect participation in excess of 10%) in, or had a senior position at, our main competitors, suppliers or clients. In addition, the election of such an independent director is subject to a procedure set forth by the cited Corporation Law.

NYSE Standards

Executive Sessions. *Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03*

Audit committee. *Audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act, as amended, and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07*

Nominating/corporate governance committee. *Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04*

Compensation committee. *Compensation committee of independent directors is required, which must approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.05*

Equity compensation plans. *Equity compensation plans require shareholder approval, subject to limited exemptions.*

Code of Ethics. *Corporate governance guidelines and a code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. §303A.10*

The disclosure of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards is also posted on our website and can be accessed at www.latamairlinesgroup.net

H. Mine Safety Disclosure

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements.”

Our Corporate Governance Practice

There is no similar requirement under our bylaws or under applicable Chilean law.

We are in compliance with Rule 10A-3. We are not required to satisfy the NYSE independence and other audit committee standards that are not prescribed by Rule 10A-3.

We are not required to have, and do not have, a nominating/corporate governance committee.

We are not required to have a compensation committee. Pursuant to the Chilean Corporation Law, our board of directors’ committee must approve our senior management’s and employee’s compensation.

Under the Chilean Corporation Law, equity compensation plans require shareholder approval.

We have adopted a code of ethics and conduct applicable to our senior management, including our chief executive officer, our chief financial officer and our chief accounting officer, as well as to other employees. Our code is freely available online at our website, www.latamairlinesgroup.net, under the heading “Corporate Governance” in the Investor Relations informational page. In addition, upon written request, by regular mail to LATAM Airlines Group S.A., Investor Relations Department, attention: Investor Relations, Av. Presidente Riesco 5711, 20th floor, Comuna Las Condes, Santiago, Chile or by e-mail at Investor.Relations@lan.com, we will provide any person with a copy of our code of ethics without charge. We are required by Item 16B of Form 20-F to disclose any waivers granted to our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions.

PART III

ITEM 18. FINANCIAL STATEMENTS

See our consolidated Financial Statements beginning on page F-1. The following is an index of the financial statements.

Consolidated Financial Statements for LATAM Airlines Group and its Subsidiaries

	Page
Audited Consolidated Financial Statements	F-1
Consolidated Statements of Financial Position at December 31, 2015 and 2014	F-5
Consolidated Statement of Income by Function for the years ended December 31, 2015, 2014 and 2013	F-7
Consolidated Statement of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013	F-8
Statement of Changes in Equity for the year ended December 31, 2015, 2014 and 2013	F-9
Consolidated Statements of Cash Flows – Direct Method for the years ended December 31, 2015, 2014 and 2013	F-12
Notes to Consolidated Financial Statements at December 31, 2015	F-13

ITEM 19. EXHIBITS

Documents filed as exhibits to this annual report:

Exhibit No.	Description
1.1*	Amended By-laws of LATAM Airlines Group S.A.
2.1	Second Amended and Restated Deposit Agreement, dated as of October 28, 2011, between the Company and JPMorgan Chase Bank, N.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
2.3	Indenture, dated as of April 25, 2007, among TAM Capital Inc., Tam S.A., TAM Linhas Aéreas S.A., The Bank of New York and The Bank of New York (Luxembourg) S.A., incorporated herein by reference from our second pre-effective amendment to our Registration Statement on Form F-4, File No. 333-131938.
2.4	Indenture, dated as of October 29, 2009, among TAM Capital 2 Inc., TAM S.A., TAM Linhas Aéreas S.A., The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A., incorporated herein by reference from our Annual Report for the fiscal year ended December 31, 2009 on Form 20-F, filed June 30, 2010, File. No. 333-131938.
2.5*	Indenture, dated as of June 3, 2011, between TAM Capital 3 Inc., TAM S.A., TAM Linhas Aéreas S.A., The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A.
2.6*	Indenture, dated as of November 7, 2013, between Guanay Finance Limited and Citibank N.A.
2.7*	Form of Indenture and Security Agreement between Parina Leasing Limited, Cucillo Leasing Limited, Rayador Leasing Limited or Canastero Leasing Limited and Wilmington Trust Company (including Annex A).
2.8*	Indenture, dated as of June 9, 2015, between LATAM Airlines Group S.A. and The Bank of New York Mellon.
2.9	We hereby agree to furnish to the SEC, upon its request, copies of any instruments defining the rights of holders of our long-term debt (or any long-term debt of our subsidiaries for which we are required to filed consolidated or unconsolidated financial statements), where such indebtedness does not exceed 10% of our total consolidated assets.
4.1	Second A320-Family Purchase Agreement, dated March 20, 1998, between the Company and Airbus Industry relating to Airbus A320-Family Aircraft (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on June 24, 2001 and portions of which have been omitted pursuant to a request for confidential treatment).

Exhibit No.	Description
4.1.1	Amendment No. 1 dated as of November 14, 2003 and Amendment No. 2 dated as of October 4, 2005, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (as successor to Airbus Industry) (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.2	Amendment No. 3 dated as of March 6, 2007, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.3	Amendment No. 5 dated as of December 23, 2009, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 29, 2010 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.4	Amendments No. 6, 7, 8 and 9 (dated as of May 10, 2010, May 19, 2010, September 23, 2010 and December 21, 2010, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.5	Amendments No. 10 and 11 (dated as of June 10, 2011 and November 8, 2011, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.6	Amendment No. 12 (dated as of November 19, 2012), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.7	Amendment No. 13 (dated as of August 19, 2013), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.1.8	Amendments No. 14, 15, 16 and 17 (dated as of March 31, 2014, May 16, 2014, July 15, 2015 and December 11, 2014, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.9	Novation Agreement (dated as of October 30, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A320 Family/A330 purchase agreement dated November 14, 2006, as amended and restated, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2	Purchase Agreement No. 2126 dated as of January 30, 1998, between the Company and The Boeing Company as amended and supplemented, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on December 21, 2004 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.1	Supplemental Agreements No. 16, 19, 20, 21 and 22 (dated as of November 11, 2004, April 1, April 28, and July 20, 2005, and March 31, 2006, respectively) to the Purchase Agreement No. 2126 dated January 30, 1998, between the Company and The Boeing Company, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report filed on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.2	Supplemental Agreement No. 23 dated as of December 14th, 2006 to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on April 23, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.3	Supplemental Agreement No. 24 dated as of November 10, 2008, to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2009 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.4	Supplemental Agreements No. 28 and 29 (dated as of March 22, 2010 and November 10, 2010, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of these documents have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).

Exhibit No.	Description
4.2.5	Supplemental Agreements No. 30, 31 and 32 (dated as of February 15, 2011, May 10, 2011 and December 22, 2011, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.3	Aircraft Lease Common Terms Agreement between GE Commercial Aviation Services Limited and LAN Cargo S.A., dated as of April 30, 2007, and Aircraft Lease Agreements between Wells Fargo Bank Northwest N.A., as owner trustee, and LAN Cargo S.A., dated as of April 30, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4	Purchase Agreement No. 3194 between the Company and The Boeing Company relating to Boeing Model 777-Freighter aircraft dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4.1	Supplemental Agreement No. 2 dated as of November 2, 2010, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4.2	Supplemental Agreement No. 3 dated as of September 21, 2011, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4.3	Supplemental Agreement No. 4 dated as of August 9, 2012, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5	Purchase Agreement No. 3256 between the Company and The Boeing Company relating to Boeing Model 787-8 and 787-9 aircraft dated as of October 29, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.5.1	Supplemental Agreements No. 1 and 2 (dated March 22, 2010 and July 8, 2010, respectively) to the Purchase Agreement No. 3256 dated October 29, 2007, as amended, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5.2	Supplemental Agreement No. 3 dated as of August 24, 2012, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5.3	Delay Settlement Agreement, dated as of September 16, 2013, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5.4*	Supplemental Agreements No. 4 and 5 (dated as of April 22, 2015 and July 3, 2015, respectively) to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.
4.6	General Terms Agreement No. CFM-1-2377460475 and Letter Agreement No. 1 to General Terms Agreement No. CFM-1-2377460475 between the Company and CFM International, Inc., both dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.7	Rate Per Flight Hour Engine Shop Maintenance Services Agreement between the Company and CFM International, Inc., dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.9	Implementation Agreement, dated as of January 18, 2011, among the Company, Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreedimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).
4.9.1	Extension Letter to the Implementation Agreement and Exchange Offer Agreement dated January 12, 2012 among the Company, Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreedimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).

Exhibit No.	Description
4.10	Exchange Offer Agreement, dated as of January 18, 2011, among LAN Airlines S.A., Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreendimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).
4.11	Shareholders Agreement, dated as of January 25, 2012, among Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A. and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.12	Shareholders Agreement, dated as of January 25, 2012, between the Company and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.13	Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A. and Holdco I S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.14	Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A., Holdco I S.A. and TAM S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.15	Letter Agreement No. 12 (GTA No. 6-9576), dated July 11, 2011, between the Company and the General Electric Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.16	A320 NEO Purchase Agreement, dated as of June 22, 2011, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.16.1	Amendments No. 1, 2 and 3 (dated as of February 27, 2013, July 15, 2014 and December 11, 2014, respectively), to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.16.2	Letter Agreement No. 1 (dated as of July 15, 2014) to Amendment No. 2 (dated as of July 15, 2014) to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.17	Buyback Agreement No. 3001 relating to One (1) Airbus A318-100 Aircraft MSN 3001, dated as of April 14, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).

Exhibit No.	Description
4.18	Buyback Agreement No. 3030 relating to One (1) Airbus A318-100 Aircraft MSN 3003, dated as of August 10, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.19	Buyback Agreement No. 3062, to One (1) Airbus A318-100 Aircraft MSN 3062, dated as of May 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.20	Buyback Agreement No. 3214, to One (1) Airbus A318-100 Aircraft MSN 3214, dated as of June 9, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.21	Buyback Agreement No. 3216, to One (1) Airbus A318-100 Aircraft MSN 3216, dated as of July 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.22	Aircraft General Terms Agreement Number AGTA-LAN, dated May 9, 1997, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.23	Buyback Agreement No. 3371 dated as of July 25, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.24	Buyback Agreement No. 3390, dated as of October 26, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.25	Buyback Agreement No. 3438, dated as of December 5, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).

Exhibit No.	Description
4.26	Buyback Agreement No. 3469, dated as of January 4, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.27	Buyback Agreement No. 3509, dated as of February 20, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.28	A320 Family Purchase Agreement, dated March 19, 1998, between Airbus S.A.S. (formerly known as Airbus Industrie GIE) and TAM Linhas Aéreas S.A. (formerly known as TAM Transportes Aéreas Meridionais S.A. and as successor in interest in TAM-Transportes Aéreas Regionais S.A.), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.
4.28.1	Amendments No. 12, 13 and 14 (dated as of January 27, 2012 and November 30, 2012 and December 14, 2012, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.29	A350 Family Purchase Agreement, dated December 20, 2005, between Airbus S.A.S. and TAM Linhas Aéreas S.A., incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.
4.29.1	A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.29.2	Amendments No. 1, 2 and 3 (dated July 28, 2010, July 15, 2014 and October 30, 2014, respectively) to the A350 Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).

Exhibit No.	Description
4.29.3	Novation Agreement (dated as of July 21, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.29.4*	Amendments No. 4 and 5 (dated September 15, 2015 and November 19, 2015, respectively) to the A350 Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.
4.30	V2500 Maintenance Agreement, dated September 14, 2000, between TAM Transportes Aéreos Regionais S.A. (incorporated by TAM Linhas Aéreas S.A.) and MTU Maintenance Hannover GmbH (MTU), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.
4.31	PW1100G-JM Engine Support and Maintenance Agreement, dated February 26, 2014, between LATAM Airlines Group S.A. and Pratt & Whitney Division, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).
4.32	Framework Deed, dated May 28, 2013, between LATAM Airlines Group S.A. and Aercap Holdings N.V, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).
4.33	A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.33.1	Amendments No. 15, 16, 17, 18, and 19 (dated as of February 18, 2013, February 27, 2013, August 19, 2013, July 15, 2014 and December 11, 2014, respectively) to the A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.33.2*	Amendments No. 20 and 21 (dated as of June 3, 2015 and December 21, 2015, respectively) to the A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. Portions of these document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.

Exhibit No.	Description
4.34	Supplemental Agreement No. 7 (dated as of May 2014) to the Boeing 777-32WER Purchase Agreement (dated as of February 2007) between TAM – Linhas Aereas S.A. and The Boeing Company. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.34.1*	Supplemental Agreement No. 8, dated as of April 22, 2015, to the Boeing 777-32WER Purchase Agreement (dated as of February 2007) between TAM Linhas Aéreas and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.
8.1*	List of subsidiaries of the Company.
12.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1*	Certifications of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Filed herewith.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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Consolidated Statement of Income by Function
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ARS	-	ARGENTINE PESO
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THUS\$	-	THOUSANDS OF UNITED STATES DOLLARS
COP	-	COLOMBIAN PESO
BRL/R\$	-	BRAZILIAN REAL
THR\$	-	THOUSANDS OF BRAZILIAN REAL
MXN	-	MEXICAN PESO
VEF	-	STRONG BOLIVAR

IFRS Santiago, Chile, March 21, 2016 – LATAM Airlines Group S.A. (NYSE: LFL; IPSA: LAN; BOVESPA: LATM33), the leading airline group in Latin America, announced today its consolidated financial statements for the fiscal year ended December 31, 2015. “LATAM” or “the Company” makes reference to the consolidated entity, which includes passenger and cargo airlines in Latin America. All figures were prepared in accordance with the International Financial Reporting Standards (IFRS) and are expressed in U.S. dollars.

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LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	<u>Note</u>	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

LIABILITIES	Note	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
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		<u>5,640,972</u>	<u>5,829,730</u>
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		<u>9,522,898</u>	<u>10,151,003</u>
Total liabilities		<u>15,163,870</u>	<u>15,980,733</u>
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		<u>2,937,548</u>	<u>4,503,695</u>
Total liabilities and equity		<u>18,101,418</u>	<u>20,484,428</u>

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

	<u>Note</u>	<u>2015</u> <u>ThUS\$</u>	For the period ended December 31, <u>2014</u> <u>ThUS\$</u>	<u>2013</u> <u>ThUS\$</u>
Revenue	25	9,740,045	12,093,501	12,924,537
Cost of sales		(7,636,709)	(9,624,501)	(10,054,164)
Gross margin		<u>2,103,336</u>	<u>2,469,000</u>	<u>2,870,373</u>
Other income	27	385,781	377,645	341,565
Distribution costs		(783,304)	(957,072)	(1,025,896)
Administrative expenses		(878,006)	(980,660)	(1,136,115)
Other expenses		(323,987)	(401,021)	(408,703)
Other gains/(losses)		(55,280)	33,524	(55,410)
Income from operation activities		<u>448,540</u>	<u>541,416</u>	<u>585,814</u>
Financial income		75,080	90,500	72,828
Financial costs	26	(413,357)	(430,034)	(462,524)
Share of profit of investments accounted for using the equity method		37	(6,455)	1,954
Foreign exchange gains/(losses)	28	(467,896)	(130,201)	(482,174)
Result of indexation units		481	7	214
Income (loss) before taxes		(357,115)	65,233	(283,888)
Income (loss) tax expense / benefit	17	178,383	(292,404)	20,069
NET INCOME (LOSS) FOR THE PERIOD		<u><u>(178,732)</u></u>	<u><u>(227,171)</u></u>	<u><u>(263,819)</u></u>
Income (loss) attributable to owners of the parent		(219,274)	(259,985)	(281,114)
Income (loss) attributable to non-controlling interest	13	40,542	32,814	17,295
Net income (loss) for the year		<u><u>(178,732)</u></u>	<u><u>(227,171)</u></u>	<u><u>(263,819)</u></u>
EARNINGS PER SHARE				
Basic earnings (losses) per share (US\$)	29	(0.40193)	(0.47656)	(0.57613)
Diluted earnings (losses) per share (US\$)	29	(0.40193)	(0.47656)	(0.57613)

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	2015 ThUS\$	For the period ended December 31, 2014 ThUS\$	2013 ThUS\$
NET INCOME (LOSS)		(178,732)	(227,171)	(263,819)
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)	(629,858)
Other comprehensive income, before taxes, currency translation differences		(1,409,439)	(650,439)	(629,858)
Cash flow hedges				
Gains (losses) on cash flow hedges before taxes	18	80,387	(163,993)	128,166
Other comprehensive income (losses), before taxes, cash flow hedges		80,387	(163,993)	128,166
Total other comprehensive income that will be reclassified to income before taxes		(1,329,052)	(814,432)	(501,692)
Other components of other comprehensive income (loss), before taxes		(1,343,683)	(814,432)	(501,692)
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	(19,345)
Income taxes related to components of other comprehensive income that will be reclassified to income		(21,103)	47,979	(19,345)
Total Other comprehensive income		(1,360,875)	(766,453)	(521,037)
Total comprehensive income (loss)		(1,539,607)	(993,624)	(784,856)
Comprehensive income (loss) attributable to owners of the parent		(1,551,331)	(980,697)	(768,457)
Comprehensive income (loss) attributable to non-controlling interests		11,724	(12,927)	(16,399)
TOTAL COMPREHENSIVE INCOME (LOSS)		(1,539,607)	(993,624)	(784,856)

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											
		Change in other reserves											
		Share capital ThUS\$	Treasury shares ThUS\$	Currency translation reserve ThUS\$	Cash flow hedging reserve ThUS\$	Actuarial gains or losses on defined benefit plans reserve	Shares based payments reserve	Other sundry reserve	Total other reserve	Retained earnings ThUS\$	Parent's ownership interest ThUS\$	Non-controlling interest ThUS\$	Total equity ThUS\$
						ThUS\$	ThUS\$	ThUS\$	ThUS\$				
Equity as of January 1, 2015		2,545,705	(178)	(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)	40,542	(178,732)
Other comprehensive income		-	-	(1,382,170)	60,830	(10,717)	-	-	(1,332,057)	-	(1,332,057)	(28,818)	(1,360,875)
Total comprehensive income		-	-	(1,382,170)	60,830	(10,717)	-	-	(1,332,057)	(219,274)	(1,551,331)	11,724	(1,539,607)
Transactions with shareholders													
Increase (decrease) through transfers and other changes, equity	24-33	-	-	-	-	-	6,005	(1,069)	4,936	1,034	5,970	(32,510)	(26,540)
Total transactions with shareholders		-	-	-	-	-	6,005	(1,069)	4,936	1,034	5,970	(32,510)	(26,540)
Closing balance as of December 31, 2015		2,545,705	(178)	(2,576,041)	(90,510)	(10,717)	35,647	2,634,679	(6,942)	317,950	2,856,535	81,013	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

		Attributable to owners of the parent										
		Change in other reserves										
Note	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	Shares based payments reserve	Other sundry reserve	Total other reserve	Retained earnings	Parent's ownership interest	Non-controlling interest	Total equity	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Equity as of January 1, 2014	2,389,384	(178)	(589,991)	(34,508)	21,011	2,657,800	2,054,312	795,303	5,238,821	87,638	5,326,459	
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	24	-	-	-	-	-	-	(259,985)	(259,985)	32,814	(227,171)	
Other comprehensive income		-	-	(603,880)	(116,832)	-	(720,712)	-	(720,712)	(45,741)	(766,453)	
Total comprehensive income		-	-	(603,880)	(116,832)	-	(720,712)	(259,985)	(980,697)	(12,927)	(993,624)	
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)	872	(12,549)	27,088	14,539	
Total transactions with shareholders		156,321	-	-	-	8,631	(22,052)	872	143,772	27,088	170,860	
Closing balance as of December 31, 2014		2,545,705	(178)	(1,193,871)	(151,340)	29,642	2,635,748	1,320,179	536,190	4,401,896	4,503,695	

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								Parent's ownership interest ThUS\$	Non-controlling interest ThUS\$	Total equity ThUS\$
		Change in other reserves										
		Share capital ThUS\$	Treasury shares ThUS\$	Currency translation reserve ThUS\$	Cash flow hedging reserve ThUS\$	Shares based payments reserve ThUS\$	Other sundry reserve ThUS\$	Total other reserve ThUS\$	Retained earnings ThUS\$			
Equity as of January 1, 2013		1,501,018	(203)	3,574	(140,730)	5,574	2,666,682	2,535,100	1,076,136	5,112,051	108,634	5,220,685
Total increase (decrease) in equity												
Comprehensive income												
Gain (losses)	24	-	-	-	-	-	-	-	(281,114)	(281,114)	17,295	(263,819)
Other comprehensive income		-	-	(593,565)	106,222	-	-	(487,343)	-	(487,343)	(33,694)	(521,037)
Total comprehensive income		-	-	(593,565)	106,222	-	-	(487,343)	(281,114)	(768,457)	(16,399)	(784,856)
Transactions with shareholders												
Equity issuance	24-33	888,570	-	-	-	-	-	-	-	888,570	-	888,570
Dividends	24	(25)	25	-	-	-	-	-	-	-	-	-
Increase (decrease) through transfers and other changes, equity	24-33	(179)	-	-	-	15,437	(8,882)	6,555	281	6,657	(4,597)	2,060
Total transactions with shareholders		888,366	25	-	-	15,437	(8,882)	6,555	281	895,227	(4,597)	890,630
Closing balance as of December 31, 2013		2,389,384	(178)	(589,991)	(34,508)	21,011	2,657,800	2,054,312	795,303	5,238,821	87,638	5,326,459

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 CASH FLOWS DIRECT – METHOD

		For the periods ended December 31,		
	<u>Note</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
		ThUS\$	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	13,406,275
Other cash receipts from operating activities		88,237	96,931	4,638
Payments for operating activities				
Payments to suppliers for goods and services		(7,029,582)	(8,823,007)	(9,570,723)
Payments to and on behalf of employees		(2,165,184)	(2,433,652)	(2,405,315)
Other payments for operating activities		(351,177)	(528,214)	(31,215)
Interest received		43,374	11,589	11,310
Income taxes refunded (paid)		(57,963)	(108,389)	(83,033)
Other cash inflows (outflows)	6	(184,627)	(251,657)	76,761
Net cash flows from operating activities		<u>1,715,475</u>	<u>1,331,439</u>	<u>1,408,698</u>
Cash flows used in investing activities				
Cash flows used to obtain control of subsidiaries or other businesses		-	518	(5,517)
Cash flows used in the purchase of non-controlling interest		-	-	(497)
Other cash receipts from sales of equity or debt instruments of other entities		519,460	524,370	270,485
Other payments to acquire equity or debt instruments of other entities		(704,115)	(474,656)	(440,801)
Amounts raised from sale of property, plant and equipment		57,117	564,266	225,196
Purchases of property, plant and equipment		(1,569,749)	(1,440,445)	(1,381,786)
Amounts raised from sale of intangible assets		91	-	-
Purchases of intangible assets		(52,449)	(55,759)	(43,484)
Payment from other long-term assets		-	-	22,144
Other cash inflows (outflows)	6	10,576	(17,399)	75,448
Net cash flow from (used in) investing activities		<u>(1,739,069)</u>	<u>(899,105)</u>	<u>(1,278,812)</u>
Cash flows from (used in) financing activities				
Amounts raised from issuance of shares		-	156,321	888,949
Payments to acquire or redeem the shares of the entity		-	4,661	-
Amounts raised from long-term loans		1,791,484	1,042,820	2,043,518
Amounts raised from short-term loans		205,000	603,151	1,101,159
Loans repayments		(1,263,793)	(2,315,120)	(1,952,013)
Payments of finance lease liabilities		(342,614)	(394,131)	(423,105)
Dividends paid		(35,032)	(35,362)	(29,694)
Interest paid		(383,648)	(368,789)	(361,006)
Other cash inflows (outflows)	6	(99,757)	(13,777)	(62,013)
Net cash flows from (used in) financing activities		<u>(128,360)</u>	<u>(1,320,226)</u>	<u>1,205,795</u>
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		(151,954)	(887,892)	1,335,681
Effects of variation in the exchange rate on cash and cash equivalents		(83,945)	(107,615)	(1,041)
Net increase (decrease) in cash and cash equivalents		(235,899)	(995,507)	1,334,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	989,396	1,984,903	650,263
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	<u>753,497</u>	<u>989,396</u>	<u>1,984,903</u>

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 (Valparaíso) - the Chilean Electronic Stock Exchange and the Santiago Stock Exchange; it is also quoted in the United States of America on the New York Stock Exchange (“NYSE”) in New York in the form of American Depositary Receipts (“ADRs”) and in Brazil BM & FBOVESPA S.A. – Stock Exchange, Mercadorias e Futuros, in the form of Brazilian Depositary Receipts (“BDRs”).

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

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

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

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

The majority shareholder of the Company is the Cueto Group, which through Costa Verde Aeronáutica S.A., Costa Verde Aeronáutica SpA, Inversiones Nueva Costa Verde Aeronáutica Limitada, Inversiones Priesca Dos y Cía. Ltda., Inversiones Caravia Dos y Cía. Ltda., Inversiones El Fano Dos y Cía. Ltda., Inversiones La Espasa Dos S.A., Inversiones Puerto Claro Dos Limitada, Inversiones La Espasa Dos y Cía. Ltda., Inversiones Puerto Claro Dos y Cía. Limitada and Inversiones Mineras del Cantábrico 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.

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			As December 31, 2013		
				Direct	Indirect	Total	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	99.9900	0.0100	100.0000
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US\$	99.0100	0.9900	100.0000	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	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	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	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	99.8939	0.0041	99.8980
Foreign	Conecta Corporation	U.S.A.	US\$	0.0000	100.0000	100.0000	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	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	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	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	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	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	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	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	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	0.0000	99.7100	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	0.0000	0.0000	0.0000
Foreign	TAM S.A. and Subsidiaries (*)	Brazil	BRL	63.0901	36.9099	100.0000	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.

b) Statement of financial position

		Statement of financial position									Net Income		
		As of December 31, 2015			As of December 31, 2014			As of December 31, 2013			For the periods ended December 31,		
Tax No.	Company	Assets	Liabilities	Equity	Assets	Liabilities	Equity	Assets	Liabilities	Equity	2015	2014	2013
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Gain / (loss)	ThUS\$
96.518.860-6	Lantours Division Servicios Terrestres S.A. and Subsidiary	5,613	5,522	91	3,229	2,289	940	2,722	2,210	512	2,341	2,078	787
96.763.900-1	Inmobiliaria Aeronáutica S.A.	39,302	14,832	24,470	39,920	16,854	23,066	38,553	12,124	26,429	1,404	(717)	1,231
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)	641,589	901,851	(246,521)	(35,187)	(114,511)	(104,966)
Foreign	Lan Perú S.A.	255,691	240,938	14,753	239,470	228,395	11,075	263,516	252,109	11,407	5,068	1,058	3,755
Foreign	Lan Chile Investments Limited and Subsidiary (*)	2,015	13	2,002	2,015	-	2,015	4,419	5,248	(829)	(13)	2,844	(1)
93.383.000-4	Lan Cargo S.A.	483,033	217,037	265,966	575,979	234,772	341,207	772,640	413,527	359,113	(74,408)	(17,905)	3,685
Foreign	Connecta Corporation	37,070	38,298	(1,228)	27,431	28,853	(1,422)	9	2,171	(2,162)	194	740	(356)
Foreign	Prime Airport Services Inc. and Subsidiar	6,683	11,180	(4,497)	18,120	22,897	(4,777)	13,528	18,412	(4,884)	279	107	78
96.951.280-7	Transporte Aéreo S.A.	331,117	122,666	208,451	367,570	147,278	220,292	359,693	120,399	239,294	5,878	(19,001)	(4,129)
96.634.020-7	Ediciones Iadeco América S.A.	-	-	-	-	484	(484)	-	560	(560)	-	-	-
Foreign	Aircraft International Leasing Limited	-	4	(4)	-	-	-	-	2,805	(2,805)	(4)	2,805	(5)
96.631.520-2	Fast Air Almacenes de Carga S.A.	8,985	4,641	4,344	9,601	3,912	5,689	10,675	3,684	6,991	1,811	893	1,802
96.631.410-9	Ladeco Cargo S.A.	297	13	284	346	13	333	381	13	368	(1)	16	(2)
Foreign	Laser Cargo S.R.L.	27	39	(12)	41	138	(97)	52	201	(149)	69	12	(34)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (*)	62,406	43,759	15,563	60,634	46,686	12,218	354,250	256,109	96,817	3,344	(84,603)	111,043
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiar	54,179	68,220	(12,601)	45,589	59,768	(12,711)	39,419	48,630	(9,937)	113	(4,276)	(1,246)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (*)	16,512	14,676	1,828	16,035	14,746	1,272	15,362	8,933	6,421	2,772	(4,473)	517
59.068.920-3	Technical Trainning 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	8,695,458	7,983,671	617,035	(183,912)	171,655	(458,475)

(*) 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.

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 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).

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As explained in notes 2.17 and 17, on September 29, 2014 Law No. 20,780 was issued, which introduces modifications to the income tax system in Chile and other tax matters. On October 17, 2014 the Chilean Superintendence of Securities and Insurance (the “SVS”) issued Circular No. 856, which established that the effects of the change in the income tax rates on deferred tax assets and liabilities must be recognized directly within “Retained earnings” instead of the income statement as required by IAS 12.

In order to comply with IAS 12, these financial statements are different to those presented to the SVS as the aforementioned effect has been recognized within the income statement. A reconciliation of such differences is presented as follows:

As of December 31, 2014

	Consolidated Financial Statements for SEC	Consolidated Financial Statements for SVS	Difference
	ThUS\$	ThUS\$	ThUS\$
Total Equity			
Parent's ownership			
Retained earnings			
Net Income (Loss) for the period	(259,985)	(109,790)	(150,195)
Retained earnings for the last period	796,175	645,980	150,195
Total Retained earnings	536,190	536,190	-
Non-controlling			
Retained earnings			
Net Income (Loss) for the period	32,814	32,829	(15)
Retained earnings for the last period	17,099	17,084	15
Total Retained earnings	49,913	49,913	-

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

In order to facilitate 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		
(i)	Standards and amendments	Date of issue	Mandatory
			Application: Annual periods beginning on or after
	IFRS 9: Financial instruments.	December 2009	01/01/2018
	IFRS 15: Revenue from contracts with customers.	May 2014	01/01/2017
	Amendment to IFRS 9: Financial instruments.	November 2013	01/01/2018
	Amendment to IFRS 11: Joint arrangements.	May 2014	01/01/2016
	Amendment to IAS 16: Property, plant and equipment, and IAS 38: Intangible assets.	May 2014	01/01/2016
	Amendment to IAS 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

(i) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
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
(ii) 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.		

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 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.

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 reclassified to the consolidated statement of income when the hedged transaction is finally recognized. When it is expected that the hedged transaction is no longer going to occur, the gain or loss accumulated in the statement of other comprehensive income is taken immediately to the consolidated statement of income as “Other gains (losses)”.

(c) Derivatives not booked as a hedge

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

2.11. Inventories

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

2.12. Trade and other accounts receivable

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

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

2.13. Cash and cash equivalents

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

2.14. Capital

The common shares are classified as net equity.

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

2.15. Trade and other accounts payables

Trade payables and other accounts payable are initially recognized at fair value and subsequently at amortized cost.

2.16. Interest-bearing loans

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

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

2.17. Current and deferred taxes

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

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

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

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

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

2.18. Employee benefits

(a) Personnel vacations

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

(b) Share-based compensation

The compensation plans implemented 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.

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

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:

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).

The following tables show the level of hedge for different periods:

Positions as of December 31, 2015 (*)	Maturities				
	Q116	Q216	Q316	Q416	Total
Percentage of the hedge of expected consumption value	63%	27%	27%	11%	32%

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

Positions as of December 31, 2014 (*)	Maturities				
	Q115	Q215	Q315	Q415	Total
Percentage of the hedge of expected consumption value	30%	15%	30%	20%	24%

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

Sensitivity analysis

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

The current hedge positions they are booked as cash flow hedge contracts, so a variation in the fuel price has an impact on the Company’s net equity.

The following table shows the sensitivity analysis of the financial instruments according to reasonable changes in the fuel price and their effect on equity. The term of the projection was defined until the end of the last current fuel hedge contract, being the last business day of the last quarter of 2016.

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The calculations were made considering a parallel movement of US\$ 5 per barrel in the curve of the BRENT and JET crude futures benchmark price at the end of December, 2015 and the end of December, 2014.

Benchmark price (US\$ per barrel)	Positions as of December 31, 2015 effect on equity (millions of US\$)	Positions as of December 31, 2014 effect on equity (millions of US\$)
+5	+5.41	+24.90
-5	-2.78	-25.06

Given the fuel hedge structure during the year 2015, which considers a hedge-free portion, a vertical fall by 5 dollars in the BRENT and JET benchmark price (the monthly daily average), would have meant an impact of approximately US\$ 125.61 million in the cost of total fuel consumption for the same period. For the first half of 2015, a vertical rise by 5 dollars in the BRENT and JET benchmark price (the monthly daily average) would have meant an impact of approximately US\$ 116.83 million of increased fuel costs.

(ii) Foreign exchange rate risk:

Exposition:

The functional and presentation currency of the Financial Statements of the Parent Company is the United States dollar, so the risk of Transactional exchange rate and Conversion arises mainly from its own operating activities of the business, strategic and accounting of the Company are denominated in a different currency than the functional currency.

LATAM Subsidiaries are also exposed to currency risk that impacts the consolidated results of the Company.

Most currency exposure of LATAM comes from the concentration of business in Brazil, which are mostly denominated in Brazilian Real (BRL), being actively managed by the company.

Additionally, the company manages the economic exposure to operating revenues in Euro (EUR) and Pound Sterling (GBP).

In lower concentrations the Company is therefore exposed to fluctuations in others currencies, such as: Chilean peso, Argentine peso, Paraguayan guaraní, Mexican peso, Peruvian sol, Colombian peso, Australian dollar and New Zealand dollar.

Mitigation:

The Company mitigates currency risk exposures by contracting derivative instruments or through natural hedges or execution of internal operations.

FX Hedging Results:

With the aim of reducing exposure to exchange rate risk on operating cash flows in 2015 and 2016, and secure the operating margin, LATAM and TAM conduct hedging through FX derivatives.

At December 31, 2015, the market value of its FX positions amounted to US\$ 8.0 million (positive). At end of December 2014 the market value was of US\$ 0.1 million (negative).

During the period ended at December 31, 2015 the Company recognized gains of US\$ 19.0 million on hedging FX. During the same period of 2014 the Company recognized gains of US\$ 3.8 million on hedging FX.

At end of December 2015, the Company has contracted FX derivatives for US\$ 270 million to BRL, US\$ 30 million to EUR and US\$ 15 million to GBP. At end of December 2014, the Company had contracted derivatives for US\$ 100 million to BRL, while for EUR and GBP there were no current positions.

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

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:

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

Increase (decrease) futures curve in libor 3 months	Positions as of December 31, 2015 effect on profit or loss before tax (millions of US\$)	Positions as of December 31, 2014 effect on profit or loss before tax (millions of US\$)
+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) futures curve in libor 3 months	Positions as of December 31, 2015 effect on equity (millions of US\$)	Positions as of December 31, 2014 effect on equity (millions of US\$)
+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.

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.

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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. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	%
Loans to exporters													
97.032.000-8	BBVA	Chile	US\$	100,253	-	-	-	-	100,253	100,000	At Expiration	1.00	1.00
97.036.000-K	SANTANDER	Chile	US\$	100,363	-	-	-	-	100,363	100,000	At Expiration	1.44	1.44
97.030.000-7	ESTADO	Chile	US\$	55,172	-	-	-	-	55,172	55,000	At Expiration	1.05	1.05
97.004.000-5	BANCO DE CHILE	Chile	US\$	50,059	-	-	-	-	50,059	50,000	At Expiration	1.42	1.42
97.003.000-K	BANCO DO BRASIL	Chile	US\$	70,133	-	-	-	-	70,133	70,000	At Expiration	1.18	1.18
97.951.000-4	HSBC	Chile	US\$	12,020	-	-	-	-	12,020	12,000	At Expiration	0.66	0.66
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	19,873	58,407	112,252	35,953	-	226,485	211,135	Quarterly	4.18	4.18
0-E	BANCO BLADEX	U.S.A.	US\$	-	9,702	30,526	15,514	-	55,742	50,000	Semiannual	4.58	4.58
0-E	DVB BANK SE	U.S.A.	US\$	146	430	154,061	-	-	154,637	153,514	Quarterly	1.67	1.67
97.036.000-K	SANTANDER	Chile	US\$	1,053	-	226,712	-	-	227,765	226,712	Quarterly	2.24	2.24
0-E	BANK OF NEW YORK	U.S.A.	US\$	-	36,250	72,500	554,375	-	663,125	500,000	At Expiration	7.77	7.25
Guaranteed obligations													
0-E	CREDIT AGRICOLE	Francia	US\$	31,813	92,167	210,541	55,381	12,677	402,579	389,027	Quarterly	1.83	1.66
0-E	BNP PARIBAS	U.S.A.	US\$	9,899	29,975	82,094	83,427	148,904	354,299	319,397	Quarterly	2.29	2.22
0-E	WELLS FARGO	U.S.A.	US\$	35,636	106,990	285,967	286,959	554,616	1,270,168	1,180,751	Quarterly	2.27	1.57
0-E	WILMINGTON TRUST	U.S.A.	US\$	6,110	69,232	135,334	133,363	539,019	883,058	675,696	Quarterly	4.25	4.25
0-E	CITIBANK	U.S.A.	US\$	19,478	58,741	158,957	162,459	266,273	665,908	617,002	Quarterly	2.40	1.64
97.036.000-K	SANTANDER	Chile	US\$	5,585	16,848	45,653	46,740	50,124	164,950	159,669	Quarterly	1.47	0.93
0-E	BTMU	U.S.A.	US\$	2,992	9,035	24,541	25,214	39,930	101,712	96,954	Quarterly	1.82	1.22
0-E	APPLE BANK	U.S.A.	US\$	1,471	4,445	12,079	12,431	20,099	50,525	48,142	Quarterly	1.72	1.12
0-E	US BANK	U.S.A.	US\$	18,643	55,824	147,994	146,709	303,600	672,770	591,039	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	5,923	17,881	39,185	30,729	63,268	156,986	136,698	Quarterly	3.40	3.40
0-E	NATIXIS	France	US\$	13,740	41,730	115,026	100,617	249,194	520,307	469,423	Quarterly	2.08	2.05
0-E	HSBC	U.S.A.	US\$	1,590	4,790	12,908	13,112	25,175	57,575	53,583	Quarterly	2.40	1.59
0-E	PK AirFinance	U.S.A.	US\$	2,172	6,675	18,928	20,812	18,104	66,691	62,514	Monthly	2.04	2.04
0-E	KFW IPEX-BANK	Germany	US\$	728	2,232	5,684	4,131	1,658	14,433	13,593	Quarterly	2.45	2.45
Other guaranteed obligations													
0-E	DVB BANK SE	U.S.A.	US\$	8,225	24,695	-	-	-	32,920	32,492	Quarterly	2.32	2.32
Financial leases													
0-E	ING	U.S.A.	US\$	9,214	26,054	41,527	28,234	-	105,029	94,998	Quarterly	5.13	4.57
0-E	CREDIT AGRICOLE	France	US\$	1,711	5,236	7,216	-	-	14,163	13,955	Quarterly	1.28	1.28
0-E	CITIBANK	U.S.A.	US\$	6,083	18,250	48,667	38,596	-	111,596	97,383	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	17,556	52,674	115,934	23,211	-	209,375	192,914	Quarterly	5.37	4.77
0-E	BNP PARIBAS	U.S.A.	US\$	11,368	34,292	86,206	31,782	-	163,648	153,107	Quarterly	4.08	3.64
0-E	WELLS FARGO	U.S.A.	US\$	5,594	16,768	44,663	44,565	24,125	135,715	121,628	Quarterly	3.98	3.54
0-E	DVB BANK SE	U.S.A.	US\$	4,732	14,225	14,269	-	-	33,226	32,567	Quarterly	2.06	2.06
0-E	BANC OF AMERICA	U.S.A.	US\$	703	2,756	-	-	-	3,459	2,770	Monthly	1.41	1.41
Other loans													
0-E	BOEING	U.S.A.	US\$	655	533	151,362	-	-	152,550	151,362	At Expiration	1.80	1.80
0-E	CITIBANK (*)	U.S.A.	US\$	25,820	77,850	207,190	206,749	-	517,609	450,000	Quarterly	6.00	6.00
Hedging derivatives													
-	OTROS	-	US\$	12,232	33,061	40,986	3,688	16	89,983	85,653	-	-	-
	Total			668,745	927,748	2,648,962	2,104,751	2,316,782	8,666,988	7,770,678			

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

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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. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS\$	More than 90 days to one year ThUS\$	More than one to three years ThUS\$	More than three to five years ThUS\$	More than five years ThUS\$	Total ThUS\$	Nominal value ThUS\$	Amortization	Effective rate %	Nominal rate %
Bank loans													
0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	181	493	1,315	1,314	712	4,015	3,353	Monthly	6.01	6.01
Obligation with the public	BANK OF NEW YORK	U.S.A.	US\$	440	65,321	397,785	86,590	521,727	1,071,863	800,000	At Expiration	8.17	8.00
Financial leases													
0-E	AFS INVESTMENT IX LLC	U.S.A.	US\$	2,771	7,700	20,527	18,808	-	49,806	43,505	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,715	11,054	21,830	15,730	-	52,329	49,995	Monthly	1.43	1.43
0-E	CREDIT 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	755	Monthly	1.64	1.64
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,834	11,437	9,050	-	-	24,321	23,761	Monthly	1.25	1.25
0-E	KFW IPEX-BANK	Germany	US\$	3,345	6,879	15,973	12,429	-	38,626	36,899	Monthly/Quarterly	1.72	1.72
0-E	NATIXIS	France	US\$	4,338	7,812	22,635	23,030	70,925	128,740	115,020	Quarterly/Semiannual	3.85	3.85
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	1,428	21,992	-	-	-	23,420	23,045	Monthly	1.75	1.75
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	520	1,386	3,198	14,567	-	19,671	18,368	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	11,993	31,874	85,695	214,612	-	344,174	312,486	Quarterly	3.63	3.55
0-E	BANCO IBM S.A	Brazil	BRL	267	846	1,230	-	-	2,343	1,728	Monthly	14.14	14.14
0-E	HP FINANCIAL SERVICE	Brazil	BRL	188	564	188	-	-	940	882	Monthly	10.02	10.02
0-E	SOCIÉTÉ GÉNÉRALE	France	BRL	104	330	626	-	-	1,060	775	Monthly	14.14	14.14
Total				37,789	168,049	580,336	387,080	593,364	1,766,618	1,435,072			

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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. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate %	Nominal rate %
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	442,320	14,369	-	-	-	456,689	456,689	-	-	-
			CLP	39,823	114	-	-	-	39,937	39,937	-	-	-
			BRL	301,569	16	-	-	-	301,585	301,585	-	-	-
			Others currencies	218,347	9,016	-	-	-	227,363	227,363	-	-	-
Accounts payable to related parties currents													
65.216.000-K	COMUNIDAD MUJER	Chile	CLP	10	-	-	-	-	10	10	-	-	-
78.591.370-1	BETHIA S.A. Y FILIALES	Chile	CLP	5	-	-	-	-	5	5	-	-	-
78.997.060-2	Viajes Falabella Ltda.	Chile	CLP	68	-	-	-	-	68	68	-	-	-
0-E	Consultoria Administrativa Profesional	Mexico	MXN	342	-	-	-	-	342	342	-	-	-
0-E	INVERSORA AERONÁUTICA ARGENTINA	Argentina	US\$	22	-	-	-	-	22	22	-	-	-
	Total			1,002,506	23,515	-	-	-	1,026,021	1,026,021			
Total consolidado				1,709,040	1,119,312	3,229,298	2,491,831	2,910,146	11,459,627	10,231,771			

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. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	%
Loans to exporters													
97.032.000-8	BBVA	Chile	US\$	100,102	-	-	-	-	100,102	100,000	At expiration	0.40	0.40
97.036.000-K	SANTANDER	Chile	US\$	45,044	-	-	-	-	45,044	45,000	At expiration	0.34	0.34
97.006.000-6	ESTADO	Chile	US\$	55,076	-	-	-	-	55,076	55,000	At expiration	0.52	0.52
97.030.000-7	BCI	Chile	US\$	100,157	-	-	-	-	100,157	100,000	At expiration	0.47	0.47
76.645.030-K	ITAU	Chile	US\$	15,025	-	-	-	-	15,025	15,000	At expiration	0.65	0.65
97.951.000-4	HSBC	Chile	US\$	12,010	-	-	-	-	12,010	12,000	At expiration	0.50	0.50
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	16,575	48,581	121,945	17,621	-	204,722	188,268	Quarterly	4.85	4.85
0-E	CITIBANK	Argentina	ARS	1,298	18,700	-	-	-	19,998	17,542	Monthly	31.00	31.00
0-E	BBVA	Argentina	ARS	1,713	23,403	-	-	-	25,116	21,050	Monthly	33.00	33.00
97.036.000-K	SANTANDER	U.S.A.	US\$	1,610	3,476	283,438	-	-	288,524	282,967	Quarterly	2.33	2.33
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US\$	18,670	55,089	109,536	64,101	36,625	284,021	273,569	Quarterly	1.68	1.43
0-E	BNP PARIBAS	U.S.A.	US\$	9,634	29,259	80,097	83,020	190,070	392,080	351,217	Quarterly	2.13	2.04
0-E	WELLS FARGO	U.S.A.	US\$	35,533	106,692	285,218	286,264	698,052	1,411,759	1,302,968	Quarterly	2.26	1.57
0-E	CITIBANK	U.S.A.	US\$	19,149	57,915	156,757	160,323	347,710	741,854	684,114	Quarterly	2.24	1.49
97.036.000-K	SANTANDER	Chile	US\$	5,482	16,572	44,925	46,047	73,544	186,570	180,341	Quarterly	1.32	0.78
0-E	BTMU	U.S.A.	US\$	2,931	8,863	24,091	24,778	52,541	113,204	107,645	Quarterly	1.64	1.04
0-E	APPLE BANK	U.S.A.	US\$	1,437	4,358	11,849	12,206	26,318	56,168	53,390	Quarterly	1.63	1.03
0-E	US BANK	U.S.A.	US\$	18,713	56,052	148,622	147,357	376,792	747,536	648,158	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	5,834	17,621	47,600	30,300	78,509	179,864	155,279	Quarterly	3.25	3.25
0-E	NATIXIS	France	US\$	11,783	35,803	99,012	98,632	259,912	505,142	454,230	Quarterly	1.86	1.81
0-E	HSBC	U.S.A.	US\$	1,564	4,725	12,738	12,956	31,701	63,684	59,005	Quarterly	2.29	1.48
0-E	PK AirFinance US, Inc.	U.S.A.	US\$	2,074	6,378	18,091	19,836	28,763	75,142	69,721	Monthly	1.86	1.86
0-E	KFW IPEX-BANK	Germany	US\$	696	2,124	6,048	4,587	3,771	17,226	16,088	Quarterly	2.10	2.10
Other guaranteed obligations													
0-E	DVB BANK SE	U.S.A.	US\$	8,199	24,623	32,904	-	-	65,726	64,246	Quarterly	2.00	2.00
0-E	CREDIT AGRICOLE	U.S.A.	US\$	7,864	23,394	62,540	-	-	93,798	91,337	Quarterly	1.73	1.73
Financial leases													
0-E	ING	U.S.A.	US\$	9,137	27,520	58,821	34,067	12,134	141,679	126,528	Quarterly	4.84	4.33
0-E	CREDIT AGRICOLE	France	US\$	1,643	5,036	14,152	-	-	20,831	20,413	Quarterly	1.20	1.20
0-E	CITIBANK	U.S.A.	US\$	6,083	18,250	48,667	48,667	14,262	135,929	115,449	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	17,555	52,678	138,380	67,095	3,899	279,607	252,205	Quarterly	5.35	4.76
0-E	BNP PARIBAS	U.S.A.	US\$	11,240	33,917	91,743	60,834	10,974	208,708	191,672	Quarterly	4.14	3.68
0-E	WELLS FARGO	U.S.A.	US\$	5,604	16,784	44,705	44,615	46,394	158,102	139,325	Quarterly	3.98	3.53
0-E	DVB BANK S E	U.S.A.	US\$	4,701	14,145	33,201	-	-	52,047	50,569	Quarterly	1.89	1.89
0-E	US BANK	U.S.A.	US\$	326	6,247	5,455	-	-	12,028	11,981	Monthly	-	-
0-E	BANC OF AMERICA	U.S.A.	US\$	720	2,118	2,912	-	-	5,750	5,462	Monthly	1.41	1.41
Other loans													
0-E	BOEING	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	104,852	551,360	450,000	Quarterly	6.00	6.00
Hedging derivatives													
-	OTHERS	-	US\$	11,702	30,761	48,667	7,311	245	98,686	93,513	-	-	-
Non - hedging derivatives													
-	OTHERS	-	US\$	1,002	628	-	-	-	1,630	730	-	-	-
Total				574,711	776,881	2,422,427	1,480,395	2,397,068	7,651,482	6,985,489			

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

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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. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS\$	More than 90 days to one year ThUS\$	More than one to three years ThUS\$	More than three to five years ThUS\$	More than five years ThUS\$	Total ThUS\$	Nominal value ThUS\$	Amortization	Effective rate %	Nominal rate %
Bank loans													
0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAP P IJ	Holland	US\$	184	493	1,315	1,315	1,369	4,676	3,796	Monthly	6.01	6.01
Obligation with the public	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	7.19
Financial leases													
0-E	AFS 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	10,709	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	32,805	-	-	-	35,702	35,170	Quarterly	1.10	1.10
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	12,500	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	206	554	767	-	-	1,527	1,492	Monthly	1.68	1.68
0-E	GENERAL ELECTRIC CAP ITAL CORP	U.S.A.	US\$	2,512	11,229	24,278	-	-	38,019	36,848	Monthly	1.25	1.25
0-E	KFW IP EX-BANK	Germany	US\$	3,596	11,209	19,167	14,028	5,365	53,365	50,687	Monthly/Quarterly	1.72	1.72
0-E	NATIXIS	France	US\$	5,121	9,778	27,874	28,520	87,769	159,062	139,693	Quarterly/Semiannual	3.87	3.87
0-E	P K AIRFINANCE US, INC.	U.S.A.	US\$	1,392	4,103	20,694	-	-	26,189	25,293	Monthly	1.75	1.75
0-E	WACAP OU LEASING S.A.	Luxemburg	US\$	573	1,528	3,559	2,852	13,226	21,738	19,982	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	9,777	27,207	75,066	78,964	170,509	361,523	344,106	Quarterly	3.06	3.58
0-E	BANCO DE LAGE												
0-E	LANDEN BRASIL S.A	Brazil	BRL	8	-	-	-	-	8	-	Monthly	11.70	11.70
0-E	BANCO IBM S.A	Brazil	BRL	356	1,118	3,405	40	-	4,919	3,817	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	276	829	1,381	-	-	2,486	2,229	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	547	-	-	-	-	547	114	Monthly	6.82	6.82
0-E	SOCIÉTÉ GÉNÉRALE	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
	Total			83,851	231,444	714,415	310,392	1,175,126	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
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$		%	%
Trade and other accounts payables													
-	OTHERS	OTHERS	US\$	529,043	26,483	-	-	-	555,526	555,526	-	-	-
			USD	1,107	10,449	-	-	-	11,556	11,431	Quarterly	2.11	2.11
			CLP	23,878	241	-	-	-	24,119	24,119	-	-	-
			BRL	380,766	13	-	-	-	380,779	380,779	-	-	-
			Others currencies	224,040	228	-	-	-	224,268	224,268	-	-	-
Accounts payable to related parties currents													
65.216.000-1	COMUNIDAD MUJER	Chile	CLP	2	-	-	-	-	2	2	-	-	-
78.591.370-1	BETHIA S.A. AND SUBSIDIARIES	Chile	CLP	6	-	-	-	-	6	6	-	-	-
0-E	INVERSORA AERONÁUTICA ARGENTINA	Argentina	US\$	27	-	-	-	-	27	27	-	-	-
	Total			1,158,869	37,414	-	-	-	1,196,283	1,196,158			
	Total consolidated			1,817,431	1,045,739	3,136,842	1,790,787	3,572,194	11,362,993	10,129,515			

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

2. Financial Investments:

This category includes the following instruments:

- Investments in short-term Mutual Funds (cash equivalent),

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- Bank certificate of deposit – CBD,
- Private investment funds

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

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

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

	As of December 31, 2015				As of December 31, 2014			
	Fair value measurements using values considered as				Fair value measurements using values considered as			
	Fair value ThUS\$	Level I ThUS\$	Level II ThUS\$	Level III ThUS\$	Fair value ThUS\$	Level I ThUS\$	Level II ThUS\$	Level III ThUS\$
Assets								
Cash and cash equivalents	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 CDB	-	-	-	-	18,293	-	18,293	-
Domestic and foreign bonds	158,812	158,812	-	-	41,111	41,111	-	-
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	Fair	Book	Fair
	value	value	value	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.

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).

(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.

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 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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For the periods ended

	Air transportation			Coalition and loyalty program Multiplus			Eliminations			Consolidated		
	2015	At December 31, 2014	2013	2015	At December 31, 2014	2013	2015	At December 31, 2014	2013	2015	At December 31, 2014	2013
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Income from ordinary activities from external customers (*)	9,278,041	11,587,224	12,328,634	462,004	506,277	595,903	-	-	-	9,740,045	12,093,501	12,924,537
LAN passenger	4,241,918	4,464,761	4,731,296	-	-	-	-	-	-	4,241,918	4,464,761	4,731,296
TAM passenger	3,706,692	5,409,084	5,734,359	462,004	506,277	595,903	-	-	-	4,168,696	5,915,361	6,330,262
Freight	1,329,431	1,713,379	1,862,979	-	-	-	-	-	-	1,329,431	1,713,379	1,862,979
Income from ordinary activities from transactions with other operating segments	462,004	506,277	595,903	67,826	106,030	94,457	(529,830)	(612,307)	(690,360)	-	-	-
Other operating income	230,823	217,390	272,640	154,958	160,255	68,925	-	-	-	385,781	377,645	341,565
Interest income	21,818	32,390	49,737	63,647	58,110	34,280	(10,385)	-	(11,189)	75,080	90,500	72,828
Interest expense	(423,742)	(430,030)	(472,171)	-	(4)	(1,542)	10,385	-	11,189	(413,357)	(430,034)	(462,524)
Total net interest expense	(401,924)	(397,640)	(422,434)	63,647	58,106	32,738	-	-	-	(338,277)	(339,534)	(389,696)
Depreciation and amortization	(923,311)	(983,847)	(1,037,734)	(11,095)	(7,417)	(3,999)	-	-	-	(934,406)	(991,264)	(1,041,733)
Material non-cash items other than depreciation and amortization	(507,921)	(168,573)	(593,666)	1,893	(2,350)	153	-	-	-	(506,028)	(170,923)	(593,513)
Disposal of fixed assets and inventory losses	(20,932)	(28,756)	(33,987)	-	(814)	59	-	-	-	(20,932)	(29,570)	(33,928)
Doubtful accounts	(18,292)	(9,637)	(77,754)	611	(1,522)	(123)	-	-	-	(17,681)	(11,159)	(77,877)
Exchange differences	(469,178)	(130,187)	(482,139)	1,282	(14)	217	-	-	-	(467,896)	(130,201)	(481,922)
Result of indexation units	481	7	214	-	-	-	-	-	-	481	7	214
Income (loss) attributable to owners of the parents	(356,039)	(404,346)	(389,040)	136,765	144,361	107,926	-	-	-	(219,274)	(259,985)	(281,114)
Participation of the entity in the income of associates	37	(2,175)	1,954	-	(4,280)	-	-	-	-	37	(6,455)	1,954
Expenses for income tax	249,090	(218,503)	72,155	(70,707)	(73,901)	(52,086)	-	-	-	178,383	(292,404)	20,069
Segment profit / (loss)	(315,497)	(332,287)	(344,337)	136,765	105,116	80,518	-	-	-	(178,732)	(227,171)	(263,819)
Assets of segment	16,924,200	18,759,848	21,520,500	1,182,111	1,773,584	1,118,686	(4,893)	(49,002)	(8,040)	18,101,418	20,484,430	22,631,146
Amount of non-current asset additions	1,492,281	1,522,298	1,746,913	-	-	-	-	-	-	1,492,281	1,522,298	1,746,913
Property, plant and equipment	1,439,057	1,444,402	1,685,011	-	-	-	-	-	-	1,439,057	1,444,402	1,685,011
Intangibles other than goodwill	53,224	77,896	61,902	-	-	-	-	-	-	53,224	77,896	61,902
Segment liabilities	14,700,072	15,293,668	16,604,451	490,076	723,438	775,975	(26,278)	(36,371)	(75,739)	15,163,870	15,980,735	17,304,687
Purchase of non-monetary assets of segment	1,622,198	1,496,204	1,425,270	-	-	-	-	-	-	1,622,198	1,496,204	1,425,270

(*) 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	2013
	ThUS\$	ThUS\$	ThUS\$
Peru	681,340	660,057	646,217
Argentina	979,324	813,472	950,595
U.S.A.	1,025,475	1,224,264	1,290,493
Europe	723,062	935,893	937,539
Colombia	353,007	391,678	387,999
Brazil	3,464,297	5,361,594	5,572,884
Ecuador	238,500	248,585	273,712
Chili	1,575,519	1,589,202	1,698,476
Asia Pacific and rest of Latin America	699,521	868,756	1,166,622
Income from ordinary activities	9,740,045	12,093,501	12,924,537
Other operating income	385,781	377,645	341,565

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$
Cash on hand	10,656	11,568
Bank balances	302,696	239,514
Overnight	267,764	154,666
Total Cash	581,116	405,748
Cash equivalents		
Time deposits	145,781	382,895
Mutual funds	26,600	200,753
Total cash equivalents	172,381	583,648
Total cash and cash equivalents	753,497	989,396

Cash and cash equivalents are denominated in the following currencies:

Currency	As of December 31, 2015 ThUS\$	As of December 31, 2014 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	753,497	989,396

(*) 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	2013
	ThUS\$	ThUS\$	ThUS\$
Hedging margin guarantees	87,842	(64,334)	88,925
Change reservation systems	11,000	-	-
Currency hedge	1,802	(1,153)	-
Bank commissions, taxes paid and other	(5,137)	(47,724)	(14,535)
Tax paid on bank transaction	(7,176)	-	-
Guarantees	(8,439)	(86,006)	(5,001)
Fuel derivatives premiums	(20,932)	(7,075)	(4,041)
Fuel hedge	(243,587)	(45,365)	11,413
Total Other inflows (outflows) Operation flow	<u>(184,627)</u>	<u>(251,657)</u>	<u>76,761</u>
Recovery loans convertible into shares	20,000	-	-
Certificate of bank deposits	3,497	(17,399)	75,448
Tax paid on bank transaction	(12,921)	-	-
Total Other inflows (outflows) Investment flow	<u>10,576</u>	<u>(17,399)</u>	<u>75,448</u>
Credit card loan manager	3,227	23,864	(8,965)
Early redemption of bonds TAM 2020	(15,328)	-	-
Guarantees bonds emission	(26,111)	-	-
Aircraft Financing advances	(28,144)	8,669	24,650
Settlement of derivative contracts	(35,891)	(42,962)	(61,897)
Breakage	-	-	(16,280)
Others	2,490	(3,348)	479
Total Other inflows (outflows) Financing flow	<u>(99,757)</u>	<u>(13,777)</u>	<u>(62,013)</u>

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 as fair value through profit and loss	Total
	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.

As of December 31, 2014

Assets	Loans and receivables	Hedge derivatives	Held for trading	Initial designation as fair value through profit and loss	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	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		Hedge derivatives	Held for trading	Total
	ThUS\$		ThUS\$	ThUS\$	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.

7.2. Financial instruments by currency

a) Assets

	As of December 31, 2015 ThUS\$	As of 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	2,302,213	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	102,470	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.

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

	As of December 31, 2015 ThUS\$	As of December 31, 2014 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 ThUS\$	As of December 31, 2014 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:

Currency	As of December 31, 2015 ThUS\$	As of December 31, 2014 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%

Movement in the allowance for impairment loss of Trade and other accounts receivables:

Periods	Opening balance ThUS\$	Write-offs ThUS\$	(Increase) Decrease ThUS\$	Closing balance ThUS\$
From January 1 to December 31, 2013	(75,503)	9,928	(5,027)	(70,602)
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.

NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED ENTITIES

(a) Accounts Receivable

Tax No.	Related party	Relationship	Country of origin	Currency	As of December 31, 2015 ThUS\$	As of December 31, 2014 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 Executivae 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 December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Foreign	Consultoría 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.

NOTE 10 -INVENTORIES

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Technical stock	192,930	229,313
Non-technical stock	31,978	36,726
Total production suppliers	224,908	266,039

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 ThUS\$ 15,892 (ThUS\$ 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 ThUS\$ 160,030 (ThUS\$ 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	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
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
(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	41,111	-	-	158,812	41,111
Other guarantees given	6,160	2,852	30,337	14,340	36,497	17,192
Subtotal of other financial assets	634,770	648,240	89,458	84,986	724,228	733,226
(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	16,578	2,161	-	-	16,578	2,161
Total Other Financial Assets	651,348	650,401	89,458	84,986	740,806	735,387

(*) 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.

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	As of	As of	As of	As of	As of
	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$
(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	61,969	56,169	56,350	62,651	118,319	118,820
(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 Aéro nautiques ("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	268,047	191,702	179,113	280,162	447,160	471,864
Total Other Non - Financial Assets	330,016	247,871	235,463	342,813	565,479	590,684

(*) 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 ThUS\$ 163,478 in maintenance reserves (ThUS\$ 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 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
Aerolane 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.

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
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
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
Aerolane 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
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
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	(17,905)
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	(19,001)
Aerolane 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

Name of significant subsidiary	Statement of financial position as of December 31, 2013						Results for the period ended December 31, 2013	
	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Lan Perú S.A.	263,516	237,577	25,939	252,109	250,699	1,410	1,173,391	3,755
Lan Cargo S.A.	772,640	360,733	411,907	413,527	233,363	180,164	304,060	3,685
Lan Argentina S.A.	214,426	192,590	21,836	205,672	203,567	2,105	500,128	(13,311)
Transporte Aéreo S.A.	359,693	69,459	290,234	120,399	37,049	83,350	400,518	(4,129)
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	94,160	58,867	35,293	93,535	89,802	3,733	299,138	(40,295)
Aerovías de Integración Regional, AIRES S.A.	188,518	69,591	118,927	36,009	24,936	11,073	335,854	(63,359)
TAM S.A. (*)	8,695,458	2,372,047	6,323,411	7,983,671	3,249,581	4,734,090	6,791,104	(458,475)

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

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(b) Non-controlling interest

Equity	Tax No.	Country of origin	As of December 31, 2015 %	As of December 31, 2014 %	As of December 31, 2015 ThUS\$	As of December 31, 2014 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 Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	1,256	825
Multiplus S.A.	0-E	Brazil	27.26000	27.26000	72,884	94,710
Total					<u>81,013</u>	<u>101,799</u>

Incomes	Tax No.	Country of origin	As of December 31, 2015 %	As of December 31, 2014 %	As of December 31, 2013 %	For the period ended December 31, 2015 ThUS\$	2014 ThUS\$	2013 ThUS\$
Lan Perú S.A.	0-E	Peru	30.00000	30.00000	30.00000	1,521	317	1,127
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10605	0.10605	0.10605	(69)	(125)	111
Inversiones Lan S.A. and Subsidiaries	96.575.810-0	Chile	0.00000	0.29000	0.29000	-	(14)	1
Promotora Aerea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	51.00000	1,349	396	(511)
Aerolinhas Brasileiras S.A. and Subsidiaries	0-E	Brazil	0.00000	0.00000	26.70000	-	-	(1,320)
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	0-E	Ecuador	0.00000	0.00000	28.05000	-	(5,671)	(11,303)
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	4.22000	4.22000	4.22000	281	270	188
Lan Argentina S.A.	0-E	Argentina	1.00000	1.00000	1.00000	61	58	47
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	1.00000	1	4	1
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	1.00000	5	6	-
Línea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	10.00000	14	(495)	(145)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.98307	0.98307	0.98307	(335)	(797)	(645)
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	5.02000	431	(389)	671
Multiplus S.A.	0-E	Brazil	27.26000	27.26000	27.26000	37,283	39,254	29,273
Total						<u>40,542</u>	<u>32,814</u>	<u>17,295</u>

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 Net ThUS\$	Developing software ThUS\$	Airport slots (*) ThUS\$	Trademarks and loyalty program (*) ThUS\$	Other assets Net ThUS\$	Total ThUS\$
Opening balance as of January 1, 2013	144,244	54,635	1,561,130	621,584	806	2,382,399
Additions	14,703	47,199	-	-	-	61,902
Withdrawals	(467)	(1,975)	-	-	-	(2,442)
Transfer software	46,444	(48,890)	-	-	(492)	(2,938)
Foreing exchange	(5,542)	(4,894)	(199,323)	(79,363)	(72)	(289,194)
Amortization	(56,258)	-	-	-	(161)	(56,419)
Closing balance as of December 31, 2013	143,124	46,075	1,361,807	542,221	81	2,093,308
Opening balance as of January 1, 2014	143,124	46,075	1,361,807	542,221	81	2,093,308
Additions	16,902	60,994	-	-	-	77,896
Withdrawals	(1,365)	(3,576)	-	-	-	(4,941)
Transfer software	22,351	(24,539)	-	-	-	(2,188)
Foreing 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)	(162)	-	(1)	-	(4,775)
Transfer software	28,726	(30,426)	-	-	-	(1,700)
Foreing 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

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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:

	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. Base 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.

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)	R\$/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\$/barril	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.

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

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

	Gross Book Value		Acumulated depreciation		Net Book Value	
	As of	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
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
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	<u>14,877,599</u>	<u>15,018,910</u>	<u>(3,938,942)</u>	<u>(4,245,834)</u>	<u>10,938,657</u>	<u>10,773,076</u>

(*) It includes pre-delivery payments to aircraft manufacturers for ThUS\$ 944,582 (ThUS\$ 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 ThUS\$	Land ThUS\$	Buildings net ThUS\$	Plant and equipment net ThUS\$	Information technology equipment net ThUS\$	Fixed installations & accessories net ThUS\$	Motor vehicles net ThUS\$	Leasehold improvements net ThUS\$	Other property, plant and equipment net ThUS\$	Property, Plant and equipment net ThUS\$
Opening balance as of January 1, 2013	1,153,003	65,307	175,070	6,360,115	40,463	42,343	4,722	21,728	3,944,325	11,807,076
Additions	17,731	-	11,798	1,555,667	22,146	7,663	303	-	69,703	1,685,011
Disposals	-	-	-	(141,328)	(31)	-	(161)	-	(644,637)	(786,157)
Retirements	(615)	-	(430)	(65,151)	(270)	(15)	(10)	(219)	(19,716)	(86,426)
Depreciation expenses	-	-	(11,768)	(446,503)	(14,131)	(8,893)	(312)	(12,281)	(336,586)	(830,474)
Foreing exchange	(53,452)	(5,955)	(12,414)	(71,013)	(3,375)	(1,527)	(286)	(1)	(320,738)	(468,761)
Other increases (decreases)	(258,017)	-	9,529	(384,669)	1,417	11,021	(2,512)	7,542	278,206	(337,483)
Changes, total	(294,353)	(5,955)	(3,285)	447,003	5,756	8,249	(2,978)	(4,959)	(973,768)	(824,290)
Closing balance as of December 31, 2013	858,650	59,352	171,785	6,807,118	46,219	50,592	1,744	16,769	2,970,557	10,982,786
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	1,214,282	22,239	2,190	1,586	-	154,049	1,444,402
Disposals	-	-	-	(660,129)(**)	(57)	-	(4)	-	(328)	(660,518)
Retirements	(705)	-	(403)	(39,463)	(205)	(230)	(53)	(50)	(34,282)	(75,391)
Depreciation expenses	-	-	(13,980)	(431,967)	(16,889)	(8,899)	(1,041)	(19,127)	(286,033)	(777,936)
Foreing exchange	733	(4,804)	(12,341)	(59,957)	(3,595)	(1,509)	330	-	(110,727)	(191,870)
Other increases (decreases)	48,621	-	5,309	124,205	3,297	1,639	(597)	58,931	(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	-	439	1,304,199	15,322	1,692	280	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)	-	(8,902)	(49,944)
Depreciation expenses	-	-	(7,161)	(521,688)	(16,196)	(11,649)	(378)	(13,973)	(174,474)	(745,519)
Foreing exchange	(932)	(11,786)	(18,248)	(129,933)	(6,126)	(13,269)	(638)	(1,659)	(252,709)	(435,300)
Other increases (decreases)	168,016	(889)	(49,089)	(150,677)	11	68,877	308	9	(2,058)	34,508
Changes, total	205,533	(12,675)	(75,515)	386,986	(7,120)	45,175	(440)	(2,435)	(373,928)	165,581
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.

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

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

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	Book Value	Existing Debt	Book Value
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Wilmington Trust Company	Aircraft and engines	Airbus A321 / A350	374,619	478,667	-	-
		Boeing 767	907,356	1,220,541	1,001,311	1,277,357
		Boeing 777 / 787	712,059	834,567	452,622	518,788
Banco Santander S.A.	Aircraft and engines	Airbus A319	58,527	95,387	66,318	100,485
		Airbus A320	524,682	749,192	585,008	788,706
		Airbus A321	36,334	45,380	39,739	45,161
BNP Paribas	Aircraft and engines	Airbus A319	154,828	229,798	174,714	238,103
		Airbus A320	145,506	192,957	162,304	207,881
Credit Agricole	Aircraft and engines	Airbus A319	37,755	84,129	55,797	121,038
		Airbus A320	115,339	214,726	157,514	219,460
		Airbus A321	50,591	97,257	60,288	63,939
J P Morgan	Aircraft and engines	Boeing 777	215,265	263,366	237,463	278,169
Wells Fargo	Aircraft and engines	Airbus A320	279,478	348,271	305,949	360,064
Bank of Utah	Aircraft and engines	Airbus A320	240,094	312,573	259,260	327,094
Natixis	Aircraft and engines	Airbus A320	56,223	81,355	48,814	55,946
		Airbus A321	413,201	722,876	405,416	488,198
Citibank N. A.	Aircraft and engines	Airbus A320	127,135	172,918	142,591	146,535
		Airbus A321	49,464	73,122	55,836	59,452
HSBC	Aircraft and engines	Airbus A320	53,583	64,241	59,005	59,342
KfW IP EX-Bank	Aircraft and engines	Airbus A320	13,593	16,838	16,088	17,516
P K AirFinance US, Inc.	Aircraft and engines	Airbus A320	62,514	48,691	69,721	70,102
Total direct guarantee			<u>4,628,146</u>	<u>6,346,852</u>	<u>4,355,758</u>	<u>5,443,336</u>

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

Additionally, there are indirect guarantees related to assets recorded in Property, plant and equipment whose total debt at 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).

(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.

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

		For the periods ended December 31,		
		2015	2014	2013
Average rate of capitalization of capitalized interest costs	%	2.79	2.84	3.63
Costs of capitalized interest	ThUS\$	22,551	18,426	25,625

(iv) Financial leases

The detail of the main financial leases is as follows:

Lessor	Aircraft	Model	As of December 31, 2015	As of 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
Codorniz 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
Intraelo BETA Corpotation (KFW)	Airbus A320	200	1	1
Juliana Leasing Limited	Airbus A320	200	2	2
Linnnet 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
Pilpilen Leasing Limited	Airbus A320	200	4	-
Pochard Leasing LLC	Boeing 767	300ER	2	2
Quetro Leasing LLC	Boeing 767	300ER	3	3
SG Infraestructure Italia S.R.L.	Boeing 777	300ER	1	1
SL Alcyone LTD (Showa)	Airbus A320	200	1	1
TMF Interlease Aviation B.V.	Airbus A320	200	-	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

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			As of December 31, 2013		
	Gross Value ThUS\$	Interest ThUS\$	Present Value ThUS\$	Gross Value ThUS\$	Interest ThUS\$	Present Value ThUS\$	Gross Value ThUS\$	Interest ThUS\$	Present Value ThUS\$
No later than one year	360,862	(47,492)	313,370	403,840	(48,197)	355,643	462,157	(53,925)	408,232
Between one and five years	1,003,237	(75,363)	927,874	1,121,190	(97,909)	1,023,281	1,406,384	(118,702)	1,287,682
Over five years	95,050	(1,406)	93,644	261,877	(6,409)	255,468	633,120	(19,562)	613,558
Total	<u>1,459,149</u>	<u>(124,261)</u>	<u>1,334,888</u>	<u>1,786,907</u>	<u>(152,515)</u>	<u>1,634,392</u>	<u>2,501,661</u>	<u>(192,189)</u>	<u>2,309,472</u>

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.

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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 on income for the business year 2014. The total effect on income 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:

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, 2013

	Opening Balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Others	Ending balance Asset (liability)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Depreciation	(454,845)	(124,584)	-	4,432	-	(574,997)
Leased assets	(268,619)	70,807	-	4,050	-	(193,762)
Amortization	(76,763)	(49,985)	-	2,391	-	(124,357)
Provisions	555,423	35,636	-	(65,818)	-	525,241
Revaluation of financial instruments	36,919	146	(19,345)	(1,650)	-	16,070
Tax losses (*)	420,578	148,266	-	(17,316)	-	551,528
Revaluation property, plant and equipment	22,892	3,290	-	(7,638)	-	18,544
Intangibles	(680,167)	-	-	86,842	-	(593,325)
Others	28,310	9,543	-	(28,070)	1,009	10,792
Total	(416,272)	93,119	(19,345)	(22,777)	1,009	(364,266)

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(b) From January 1 to December 31, 2014

	Opening balance Assets/(liabilities) ThUS\$	Recognized in consolidated income ThUS\$	Recognized in comprehensive income ThUS\$	Exchange rate variation ThUS\$	Effect from change in tax rate ThUS\$	Others ThUS\$	Ending balance Asset (liability) ThUS\$
Depreciation	(574,997)	(74,623)	-	3,575	(225,595)	-	(871,640)
Leased assets	(193,762)	47,749	-	3,267	(43,029)	-	(185,775)
Amortization	(124,357)	(21,621)	-	1,928	(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	<u>(364,266)</u>	<u>(46,563)</u>	<u>47,979</u>	<u>(21,930)</u>	<u>(145,166)</u>	<u>(114,625)</u>	<u>(644,571)</u>

(c) From January 1 to December 31, 2015

	Opening balance Assets/(liabilities) ThUS\$	Recognized in consolidated income ThUS\$	Recognized in comprehensive income ThUS\$	Exchange rate variation ThUS\$	Others ThUS\$	Ending balance 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	<u>(644,571)</u>	<u>270,904</u>	<u>(17,192)</u>	<u>(37,266)</u>	<u>(6,845)</u>	<u>(434,970)</u>

(*) 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 ThUS\$	As of December 31, 2014 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.

Deferred tax expense and current income taxes:

	For the period ended December 31,		
	2015 ThUS\$	2014 ThUS\$	2013 ThUS\$
Current tax expense			
Current tax expense	92,916	97,782	73,611
Adjustment to previous period's current tax	(395)	(2,151)	(561)
Total current tax expense, net	92,521	95,631	73,050
Deferred tax expense			
Deferred expense for taxes related to the creation and reversal of temporary differences	(270,904)	196,676	(92,863)
Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness	-	97	(256)
Total deferred tax expense, net	(270,904)	196,773	(93,119)
Income tax expense	(178,383)	292,404	(20,069)

Composition of income tax expense (income):

	For the period ended December 31,		
	2015	2014	2013
	ThUS\$	ThUS\$	ThUS\$
Current tax expense, net, foreign	89,460	92,272	61,118
Current tax expense, net, Chile	3,061	3,359	11,932
Total current tax expense, net	<u>92,521</u>	<u>95,631</u>	<u>73,050</u>
Deferred tax expense, net, foreign	(280,445)	168,049	(112,047)
Deferred tax expense, net, Chile	9,541	28,724	18,928
Deferred tax expense, net, total	<u>(270,904)</u>	<u>196,773</u>	<u>(93,119)</u>
Income tax expense	<u>(178,383)</u>	<u>292,404</u>	<u>(20,069)</u>

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	2013	2015	2014	2013
	ThUS\$	ThUS\$	ThUS\$	%	%	%
Tax expense using the legal rate (*)	(89,472)	6,805	(61,035)	22.50	21.00	20.00
Tax effect by change in tax rate (*)	-	150,210	-	-	463.55	-
Tax effect of rates in other jurisdictions	(21,803)	112,563	(34,287)	5.48	347.37	11.24
Tax effect of non- taxable operating revenues	(106,381)	(60,960)	(24,004)	26.75	(188.12)	7.87
Tax effect of disallowable expenses	38,677	88,643	98,211	(9.73)	273.55	(32.18)
Other increases (decreases) in legal tax charge	596	(4,857)	1,046	(0.15)	(14.99)	(0.34)
Total adjustments to tax expense using the legal rate	<u>(88,911)</u>	<u>285,599</u>	<u>40,966</u>	<u>22.35</u>	<u>881.36</u>	<u>(13.41)</u>
Tax expense using the effective rate	<u>(178,383)</u>	<u>292,404</u>	<u>(20,069)</u>	<u>44.85</u>	<u>902.36</u>	<u>6.59</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.

NOTE 18 - OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

	As of December 31, 2015	As of December 31, 2014
	ThUS\$	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	1,091,258	960,725
Obligation with the public	10,999	21,206
Financial leases	324,859	364,514
Other loans	83,030	50,937
Total current	1,510,146	1,397,382
Non-current		
Bank loans	564,128	415,667
Guaranteed obligations	4,122,995	3,827,018
Other guaranteed obligations	-	32,492
Subtotal bank loans	4,687,123	4,275,177
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	7,516,257	7,360,685
Total obligations with financial institutions	9,026,403	8,758,067

(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, at interest rate of 7.25% per annum.

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	As of December 31, 2014
Currency	ThUS\$	ThUS\$
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	9,026,403	8,758,067

Préstamos que devengan intereses por tramos de vencimiento a131 de diciembre de 2015
 Nombre empresa deudora: LATAM Airlines Group S.A. y Filiales, Rut 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Loans to exporters																		
97.032.000-8	BBVA	Chile	US\$	100,000	-	-	-	-	100,000	100,183	-	-	-	-	100,183	At Expiration	1.00	1.00
97.036.000-K		Chile	US\$	100,000	-	-	-	-	100,000	100,067	-	-	-	-	100,067	At Expiration	1.44	1.44
97.030.000-7	ESTADO	Chile	US\$	55,000	-	-	-	-	55,000	55,088	-	-	-	-	55,088	At Expiration	1.05	1.05
97.004.000-5	CHILE	Chile	US\$	50,000	-	-	-	-	50,000	50,006	-	-	-	-	50,006	At Expiration	1.42	1.42
97.003.000-K	BANCO DO BRASIL	Chile	US\$	70,000	-	-	-	-	70,000	70,051	-	-	-	-	70,051	At Expiration	1.18	1.18
97.951.000-4	HSBC	Chile	US\$	12,000	-	-	-	-	12,000	12,014	-	-	-	-	12,014	At Expiration	0.66	0.66
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	17,631	52,893	105,837	34,774	-	211,135	18,510	52,892	104,385	34,635	-	210,422	Quarterly	4.18	4.18
0-E	BLADEX	U.S.A.	US\$	-	7,500	27,500	15,000	-	50,000	134	7,500	27,125	14,875	-	49,634	Semiannual	4.58	4.58
0-E	DVB BANK SE	U.S.A.	US\$	-	-	153,514	-	-	153,514	14	-	153,514	-	-	153,528	Quarterly	1.67	1.67
97.036.000-K	SANTANDER	Chile	US\$	-	-	226,712	-	-	226,712	650	-	226,712	-	-	227,362	Quarterly	2.24	2.24
Obligations with the public																		
0-E	BANK OF YORK	U.S.A.	US\$	-	-	-	500,000	-	500,000	2,383	-	-	486,962	-	489,345	At Expiration	7.77	7.25
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	US\$	29,633	88,188	204,722	54,074	12,410	389,027	30,447	88,189	203,286	54,074	12,410	388,406	Quarterly	1.83	1.66
0-E	BNP PARIBAS	U.S.A.	US\$	8,162	25,012	70,785	75,028	140,410	319,397	9,243	25,012	70,335	74,917	140,407	319,914	Quarterly	2.29	2.22
0-E	WELLS FARGO	U.S.A.	US\$	30,895	93,511	255,536	264,770	536,039	1,180,751	34,933	93,511	227,704	252,054	525,257	1,133,459	Quarterly	2.27	1.57
0-E	WILMINGTON TRUST	U.S.A.	US\$	-	48,264	85,183	90,694	451,555	675,696	5,691	48,263	81,867	88,977	448,016	672,814	Quarterly	4.25	4.25
0-E	CITIBANK	U.S.A.	US\$	17,042	51,792	143,168	150,792	254,208	617,002	18,545	51,792	133,740	146,362	249,406	599,845	Quarterly	2.40	1.64
97.036.000-K	SANTANDER	Chile	US\$	5,233	15,862	43,552	45,416	49,606	159,669	5,514	15,862	41,434	44,599	49,281	156,690	Quarterly	1.47	0.93
0-E	BTMU	U.S.A.	US\$	2,714	8,250	22,801	24,007	39,182	96,954	2,897	8,250	21,336	23,376	38,789	94,648	Quarterly	1.82	1.22
0-E	APPLE BANK	U.S.A.	US\$	1,333	4,055	11,211	11,828	19,715	48,142	1,478	4,056	10,483	11,513	19,515	47,045	Quarterly	1.72	1.12
0-E	US BANK	U.S.A.	US\$	14,483	43,948	120,924	126,550	285,134	591,039	17,232	43,948	102,607	117,968	277,195	558,950	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	4,767	14,667	32,449	25,826	58,989	136,698	5,342	14,666	32,448	25,826	58,989	137,271	Quarterly	3.40	3.40
0-E	NATIXIS	France	US\$	11,698	35,914	97,434	83,289	241,088	469,423	12,351	35,914	97,434	83,289	241,088	470,076	Quarterly	2.08	2.05
0-E	HSBC	U.S.A.	US\$	1,374	4,180	11,533	12,112	24,384	53,583	1,504	4,180	11,533	12,112	24,384	53,713	Quarterly	2.40	1.59
0-E	PK AIRFINANCE	U.S.A.	US\$	1,882	5,846	17,171	19,744	17,871	62,514	1,937	5,846	17,171	19,744	17,871	62,569	Monthly	2.04	2.04
0-E	KFW IPEX-BANK	Germany	US\$	653	2,028	5,314	3,958	1,640	13,593	655	2,028	5,314	3,958	1,640	13,595	Quarterly	2.45	2.45
-	SWAP Aviones llegados	-	US\$	502	1,360	2,521	765	-	5,148	502	1,360	2,521	765	-	5,148	Quarterly	-	-
Other guaranteed obligations																		
0-E	DVB BANK SE	U.S.A.	US\$	8,054	24,438	-	-	-	32,492	8,075	24,438	-	-	-	32,513	Quarterly	2.32	2.32
Financial leases																		
0-E	ING	U.S.A.	US\$	8,108	23,191	36,868	26,831	-	94,998	8,894	23,191	36,066	26,682	-	94,833	Quarterly	5.13	4.57
0-E	CREDIT AGRICOLE	France	US\$	1,666	5,131	7,158	-	-	13,955	1,700	5,131	7,158	-	-	13,989	Quarterly	1.28	1.28
0-E	CITIBANK	U.S.A.	US\$	4,687	14,447	41,726	36,523	-	97,383	5,509	14,447	40,684	36,330	-	96,970	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	15,246	46,858	108,403	22,407	-	192,914	16,536	46,858	106,757	22,324	-	192,475	Quarterly	5.37	4.77
0-E	BNP PARIBAS	U.S.A.	US\$	9,956	30,678	81,373	31,100	-	153,107	10,494	30,678	79,983	30,958	-	152,113	Quarterly	4.08	3.64
0-E	WELLS FARGO	U.S.A.	US\$	4,519	13,784	38,531	41,238	23,556	121,628	4,919	13,784	37,247	40,819	23,486	120,255	Quarterly	3.98	3.54
0-E	DVB BANK SE	U.S.A.	US\$	4,567	13,873	14,127	-	-	32,567	4,625	13,873	14,127	-	-	32,625	Quarterly	2.06	2.06
0-E	BANC OF AMERICA	U.S.A.	US\$	674	2,096	-	-	-	2,770	676	2,096	-	-	-	2,772	Monthly	1.41	1.41
Other loans																		
0-E	BOEING	U.S.A.	US\$	-	-	151,362	-	-	151,362	2,294	-	151,363	-	-	153,657	At Expiration	1.80	1.80
0-E	CITIBANK (*)	U.S.A.	US\$	19,361	60,251	174,178	196,210	-	450,000	20,485	60,251	174,178	192,932	-	447,846	Quarterly	6.00	6.00
	Total			611,840	738,017	2,291,593	1,892,936	2,155,787	7,690,173	641,578	738,016	2,218,512	1,846,051	2,127,734	7,571,891			

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

Interest-bearing loans due in installments to December 31, 2015
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Préstamos bancarios 0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US\$	115	356	1,031	1,162	689	3,353	132	356	1,031	1,162	689	3,370	Monthly	6.01	6.01
Obligaciones con el público 0-E	THE BANK OF NEW YORK	U.S.A.	US\$	-	-	300,000	-	500,000	800,000	7,506	1,110	301,722	5,171	501,027	816,536	At Expiration	8.17	8.00
Arrendamientos financieros 0-E	AFS INVESTMENT IXLLC	U.S.A.	US\$	1,972	6,085	17,540	17,908	-	43,505	2,176	6,085	17,540	17,908	-	43,709	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,370	10,397	20,812	15,416	-	49,995	3,461	10,396	20,813	15,416	-	50,086	Monthly	1.43	1.43
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	4,500	-	-	-	-	4,500	4,528	-	-	-	-	4,528	Quarterly	3.25	3.25
0-E	DVB BANK SE	U.S.A.	US\$	118	355	282	-	-	755	120	355	282	-	-	757	Monthly	1.64	1.64
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US\$	3,654	11,137	8,970	-	-	23,761	3,697	11,137	8,970	-	-	23,804	Monthly	1.25	1.25
0-E	KFW IPEX-BANK	Germany	US\$	3,097	6,401	15,186	12,215	-	36,899	3,163	6,401	15,186	12,215	-	36,965	Monthly/Quarterly	1.72	1.72
0-E	NATIXIS	France	US\$	2,505	5,387	17,359	19,682	70,087	115,020	3,476	5,387	17,360	19,682	70,088	115,993	Quarterly/Semiannual	3.85	3.85
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	1,276	21,769	-	-	-	23,045	1,316	21,769	-	-	-	23,085	Monthly	1.75	1.75
0-E	WACAPOU LEASING S.A.	Luxemburg	US\$	383	1,101	2,617	14,267	-	18,368	418	1,101	2,617	14,267	-	18,403	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	8,148	25,003	71,311	208,024	-	312,486	9,552	25,003	71,311	208,024	-	313,890	Quarterly	3.63	3.55
0-E	BANCO IBM S.A	Brazil	BRL	217	651	860	-	-	1,728	217	651	860	-	-	1,728	Monthly	14.14	14.14
0-E	HP FINANCIAL SERVICE	Brazil	BRL	168	529	185	-	-	882	169	529	185	-	-	883	Monthly	10.02	10.02
0-E	SOCIETE GENERALE	France	BRL	85	256	434	-	-	775	85	256	434	-	-	775	Monthly	14.14	14.14
Total				29,608	89,427	456,587	288,674	570,776	1,435,072	40,016	90,536	458,311	293,845	571,804	1,454,512			
Total consolidado				641,448	827,444	2,748,180	2,181,610	2,726,563	9,125,245	681,594	828,552	2,676,823	2,139,896	2,699,538	9,026,403			

Interest-bearing loans due in installments to December 31, 2014
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Loans to exporters																		
97.032.000-8	BBVA	Chile	US\$	100,000	-	-	-	-	100,000	100,058	-	-	-	-	100,058	At expiration	0.40	0.40
97.036.000-K	SANTANDER	Chile	US\$	45,000	-	-	-	-	45,000	45,040	-	-	-	-	45,040	At expiration	0.34	0.34
97.030.000-7	ESTADO	Chile	US\$	55,000	-	-	-	-	55,000	55,022	-	-	-	-	55,022	At expiration	0.52	0.52
97.006.000-6	BCI	Chile	US\$	100,000	-	-	-	-	100,000	100,140	-	-	-	-	100,140	At expiration	0.47	0.47
76.645.030-K	ITAU	Chile	US\$	15,000	-	-	-	-	15,000	15,018	-	-	-	-	15,018	At expiration	0.65	0.65
97.951.000-4	HSBC	Chile	US\$	12,000	-	-	-	-	12,000	12,000	-	-	-	-	12,000	At expiration	0.50	0.50
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	14,242	42,725	113,934	17,367	-	188,268	15,542	42,725	112,160	17,187	-	187,614	Quarterly	4.85	4.85
0-E	CITIBANK	Argentina	ARS	-	17,542	-	-	-	17,542	122	17,542	-	-	-	17,664	Monthly	31.00	31.00
0-E	BBVA	Argentina	ARS	-	21,050	-	-	-	21,050	339	21,050	-	-	-	21,389	Monthly	33.00	33.00
97.036.000-K	BBVA	Chile	US\$	-	-	282,967	-	-	282,967	928	-	282,967	-	-	283,895	Quarterly	2.33	2.33
Guaranteed obligations																		
0-E	AGRICOLE	France	US\$	17,225	52,658	105,594	62,209	35,883	273,569	17,745	52,658	105,594	62,209	35,883	274,089	Quarterly	1.68	1.43
0-E	BNP PARIBAS	U.S.A.	US\$	7,815	24,005	67,806	73,475	178,116	351,217	8,940	24,005	67,248	73,287	178,078	351,558	Quarterly	2.13	2.04
0-E	WELLS FARGO	U.S.A.	US\$	30,351	91,866	251,040	260,112	669,599	1,302,968	34,771	91,866	219,808	245,026	653,056	1,244,527	Quarterly	2.26	1.57
0-E	CITIBANK	U.S.A.	US\$	16,624	50,489	139,491	146,931	330,579	684,114	18,154	50,489	128,993	141,745	323,754	663,135	Quarterly	2.24	1.49
97.036.000-K	SANTANDER	Chile	US\$	5,127	15,545	42,646	44,472	72,551	180,341	5,418	15,545	40,183	43,413	71,879	176,438	Quarterly	1.32	0.78
0-E	BTMU	U.S.A.	US\$	2,649	8,042	22,221	23,393	51,340	107,645	2,838	8,042	20,557	22,621	50,668	104,726	Quarterly	1.64	1.04
0-E	APPLE BANK	U.S.A.	US\$	1,296	3,952	10,919	11,516	25,707	53,390	1,448	3,952	10,094	11,131	25,366	51,991	Quarterly	1.63	1.03
0-E	US BANK	U.S.A.	US\$	14,158	42,960	118,206	123,705	349,129	648,158	17,169	42,960	97,791	113,644	337,272	608,836	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	US\$	4,552	14,031	39,791	24,725	72,180	155,279	5,190	14,031	39,791	24,726	72,180	155,918	Quarterly	3.25	3.25
0-E	NATIXIS	France	US\$	9,739	29,807	84,884	87,304	242,496	454,230	10,278	29,807	84,884	87,304	242,496	454,769	Quarterly	1.86	1.81
0-E	HSBC	U.S.A.	US\$	1,340	4,082	11,249	11,820	30,514	59,005	1,474	4,082	11,249	11,820	30,514	59,139	Quarterly	2.29	1.48
0-E	PK AirFinance	U.S.A.	US\$	1,755	5,452	16,014	18,412	28,088	69,721	1,810	5,452	16,014	18,412	28,088	69,776	Monthly	1.86	1.86
0-E	KFW IPEX-BANK	U.S.A.	US\$	611	1,885	5,568	4,334	3,690	16,088	613	1,885	5,568	4,334	3,690	16,090	Quarterly	2.10	2.10
-	SWAP Aircraft arrivals	-	US\$	595	1,647	3,333	1,658	157	7,390	595	1,647	3,333	1,658	157	7,390	Quarterly	-	-
Other guaranteed obligations																		
0-E	DVB BANK SE	U.S.A.	US\$	7,877	23,877	32,492	-	-	64,246	7,920	23,878	32,492	-	-	64,290	Quarterly	2.00	2.00
0-E	AGRICOLE	U.S.A.	US\$	7,459	22,378	61,500	-	-	91,337	7,696	22,378	61,500	-	-	91,574	Quarterly	1.73	1.73
Financial leases																		
0-E	ING	U.S.A.	US\$	7,744	23,786	52,041	31,151	11,806	126,528	8,754	23,786	50,985	30,853	11,771	126,149	Quarterly	4.84	4.33
0-E	AGRICOLE	France	US\$	1,581	4,877	13,955	-	-	20,413	1,628	4,877	13,955	-	-	20,460	Quarterly	1.20	1.20
0-E	CITIBANK	U.S.A.	US\$	4,409	13,657	39,402	44,177	13,804	115,449	5,384	13,657	38,125	43,767	13,762	114,695	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	US\$	14,549	44,742	125,130	63,957	3,827	252,205	16,216	44,742	122,596	63,620	3,819	250,993	Quarterly	5.35	4.76
0-E	BNP PARIBAS	U.S.A.	US\$	9,457	29,109	83,466	58,792	10,848	191,672	10,125	29,109	81,505	58,421	10,820	189,980	Quarterly	4.14	3.68
0-E	WELLS FARGO	U.S.A.	US\$	4,373	13,323	37,242	39,862	44,525	139,325	4,830	13,323	35,710	39,264	44,290	137,417	Quarterly	3.98	3.53
0-E	DVB BANK SE	U.S.A.	US\$	4,457	13,545	32,567	-	-	50,569	4,545	13,545	32,567	-	-	50,657	Quarterly	1.89	1.89
0-E	US BANK	U.S.A.	US\$	280	11,701	-	-	-	11,981	280	11,701	-	-	-	11,981	Monthly	-	-
0-E	BANC OF AMERICA	U.S.A.	US\$	643	2,049	2,770	-	-	5,462	664	2,049	2,770	-	-	5,483	Monthly	1.41	1.41
Other loans																		
0-E	BOEING	U.S.A.	US\$	-	-	179,507	-	-	179,507	3,580	-	179,507	-	-	183,087	At expiration	1.74	1.74
0-E	CITIBANK (*)	U.S.A.	US\$	-	-	164,108	184,866	101,026	450,000	1,500	-	164,108	184,866	101,026	451,500	Quarterly	6.00	6.00
	Total			517,908	630,782	2,139,843	1,334,238	2,275,865	6,898,636	543,774	630,783	2,062,054	1,299,308	2,238,569	6,774,488			

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

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

Tax No.	Creditor	Creditor country	Currency	Nominal values						Accounting values						Amortization	Effective rate %	Nominal rate %
				Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value			
				ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$			
Bank loans																		
0-E	NEDERLANDSCHE CREDITVERZEKERING MAATSCHAPPIJ	Holland	US\$	108	335	971	1,094	1,288	3,796	127	336	971	1,094	1,288	3,816	Monthly	6.01	6.01
Obligation with the public																		
0-E	THE BANK OF NEW YORK	U.S.A.	US\$	-	-	300,000	-	800,000	1,100,000	12,178	9,028	304,377	4,583	802,521	1,132,687	At Expiration	7.99	7.19
Financial leases																		
0-E	AFS INVESTMENT IXLLC	U.S.A.	US\$	1,864	5,752	16,580	18,555	8,369	51,120	2,104	5,752	16,580	18,555	8,369	51,360	Monthly	1.25	1.25
0-E	AIRBUS FINANCIAL	U.S.A.	US\$	3,189	9,836	27,070	15,262	7,664	63,021	3,303	9,836	27,070	15,262	7,664	63,135	Monthly	1.42	1.42
0-E	CREDIT AGRICOLE-CIB	U.S.A.	US\$	2,704	32,466	-	-	-	35,170	2,752	32,466	-	-	-	35,218	Quarterly	1.10	1.10
0-E	CREDIT AGRICOLE -CIB	France	US\$	1,500	4,500	4,500	-	-	10,500	1,566	4,500	4,500	-	-	10,566	Quarterly/Semiannual	3.25	3.25
0-E	DVB BANK SE	Germany	US\$	3,125	9,375	-	-	-	12,500	3,160	9,375	-	-	-	12,535	Quarterly	2.50	2.50
0-E	DVB BANK SE	U.S.A.	US\$	197	540	755	-	-	1,492	199	540	755	-	-	1,494	Monthly	1.68	1.68
GENERAL ELECTRIC CAPITAL CORPORATION																		
0-E	KFW IPEX-BANK	Germany	US\$	2,296	10,791	23,761	-	-	36,848	2,346	10,791	23,761	-	-	36,898	Monthly	1.25	1.25
0-E	NATIXIS	France	US\$	3,246	10,541	18,037	13,535	5,328	50,687	3,339	10,541	18,037	13,535	5,328	50,780	Monthly/Quarterly	1.72	1.72
0-E	NATIXIS	France	US\$	2,887	6,705	20,987	23,723	85,391	139,693	4,044	6,705	20,987	23,723	85,391	140,850	Quarterly/Semiannual	3.87	3.87
0-E	PK AIRFINANCE US, INC.	U.S.A.	US\$	1,208	3,725	20,360	-	-	25,293	1,256	3,725	20,360	-	-	25,341	Monthly	1.75	1.75
0-E	WACAPOULEASING S.A.	Luxemburg	US\$	416	1,198	2,847	2,406	13,115	19,982	456	1,198	2,847	2,406	13,115	20,022	Quarterly	2.00	2.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US\$	7,761	23,859	67,973	74,783	169,730	344,106	8,574	23,859	67,973	74,783	169,730	344,919	Quarterly	3.06	3.58
0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	-	-	-	-	-	-	8	-	-	-	-	8	Monthly	11.70	11.70
0-E	BANCO IBM S.A	Brazil	BRL	319	957	2,514	27	-	3,817	91	957	2,604	27	-	3,679	Monthly	10.58	10.58
0-E	HP FINANCIAL SERVICE	Brazil	BRL	225	707	1,297	-	-	2,229	143	707	1,379	-	-	2,229	Monthly	9.90	9.90
0-E	SOCIETE AIR FRANCE	France	EUR	114	-	-	-	-	114	547	-	-	-	-	547	Monthly	6.82	6.82
0-E	SOCIETE GENERALE	France	BRL	126	377	1,005	135	-	1,643	82	377	1,044	135	-	1,638	Monthly	11.60	11.60
Other loans																		
0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	30,281	15,576	-	-	-	45,857	30,281	15,576	-	-	-	45,857	Monthly	4.23	4.23
Total				61,566	137,240	508,657	149,520	1,090,885	1,947,868	76,556	146,269	513,245	154,103	1,093,406	1,983,579			
Total consolidated				579,474	768,022	2,648,500	1,483,758	3,366,750	8,846,504	620,330	777,052	2,575,299	1,453,411	3,331,975	8,758,067			

(b) Derivatives not recognized as a hedge

	Current liabilities		Non-current liabilities		Total derivative not recognized as a hedge	
	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\$
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	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\$
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 derivatives	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.
- (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	2013
	ThUS\$	ThUS\$	ThUS\$
Debit (credit) recognized in comprehensive income during the period	80,387	(163,993)	128,166
Debit (credit) transferred from net equity to income during the period	(151,244)	(151,520)	(18,688)

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>

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)

NOTE 20 - OTHER PROVISIONS

Other provisions:

	Current liabilities		Non-current liabilities		Total Liabilities	
	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
	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.

Movement of provisions:

	Legal claims ThUS\$	European Commission Investigation(*) ThUS\$	Total ThUS\$
Opening balance as of January 1, 2013	1,355,581	10,865	1,366,446
Increase in provisions	65,107	-	65,107
Provision used	(57,192)	-	(57,192)
Difference by subsidiaries conversion	(170,452)	-	(170,452)
Reversal of provision	(53,459)	-	(53,459)
Exchange difference	(831)	484	(347)
Closing balance as of December 31, 2013	1,138,754	11,349	1,150,103
Opening balance as of January 1, 2014	1,138,754	11,349	1,150,103
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.

(*) 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.

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	36,523
Resignation payments	8,858	5,556
Other obligations	<u>14,296</u>	<u>32,023</u>
Total liability for employee benefits	<u>65,271</u>	<u>74,102</u>

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(a) The movement in retirements and resignation payments and other obligations:

	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, 2013	38,095	9,866	(2,295)	-	-	-	45,666
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)

(b) The liability for short-term:

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Profit-sharing and bonuses (*)	81,368	16,407

(*) 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 ThUS\$	2014 ThUS\$	2013 ThUS\$
Salaries and wages	1,631,320	1,656,565	1,720,513
Short-term employee benefits	171,366	361,328	452,158
Termination benefits	51,684	84,179	67,508
Other personnel expenses	218,435	248,030	252,590
Total	2,072,805	2,350,102	2,492,769

NOTE 23 - ACCOUNTS PAYABLE, NON-CURRENT

	As of December 31, 2015 ThUS\$	As of December 31, 2014 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	417,050	577,454

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.

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:

				Nro. Of shares
Movement of authorized 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				<u>551,847,819</u>
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				<u>551,847,819</u>
Movement fully paid shares				
	N° of shares	Movement value of shares (1) ThUS\$	Cost of issuance and placement of shares (2) ThUS\$	Paid- in Capital ThUS\$
Paid shares as of January 1, 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	<u>545,547,819</u>	<u>2,552,066</u>	<u>(6,361)</u>	<u>2,545,705</u>
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	<u>545,547,819(3)</u>	<u>2,552,066</u>	<u>(6,361)</u>	<u>2,545,705</u>

(1) Amounts reported represent only those arising from the payment of the shares subscribed.

(2) Decrease of capital by capitalization of reserves for cost of issuance and placement of shares established according to Extraordinary Shareholder's Meetings, where such decreases were authorized.

(3) At 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

At December 31, 2015, the Company held no treasury stock, the remaining of ThUS\$ (178) corresponds to the difference between the amount paid for the shares and their book value, at the time of the full right decrease of the shares.

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

(d) Reserve of share- based payments

Movement of Reserves of share- based payments:

Periods	Opening balance ThUS\$	Stock option plan ThUS\$	Deferred tax ThUS\$	Deferred tax by tax effect of change in legal rate (Tax reform) (*) ThUS\$	Closing balance ThUS\$
From January 1 to December 31, 2013	5,574	18,877	(3,440)	-	21,011
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 ThUS\$	Transactions with non-controlling interest ThUS\$	Cost of issuance and placement of shares ThUS\$	Capitalization share issuance and placement cost ThUS\$	Legal reserves ThUS\$	Closing balance ThUS\$
From January 1 to December 31, 2013	2,666,682	(1,950)	(5,443)(1)	179(2)	(1,668)	2,657,800
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

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

(2) The cost of ThUS\$ 179 was capitalized during June 2013, according with minute of the Extraordinary Meeting of Shareholders held on June 11, 2013.

Balance of Other sundry reserves comprises the following:

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2013 ThUS\$
Higher value for TAM S.A. share exchange (1)	2,665,692	2,665,692	2,665,692
Reserve for the adjustment to the value of fixed assets (2)	2,620	2,620	2,620
Transactions with non-controlling interest (3)	(25,891)	(25,891)	(5,355)
Cost of issuance and placement of shares	(5,264)	(5,264)	(5,264)
Others	(2,478)	(1,409)	107
Total	<u>2,634,679</u>	<u>2,635,748</u>	<u>2,657,800</u>

- (1) Corresponds to the difference in the shares value of TAM S.A. acquired (under subscriptions) by Sister Holdco S.A. and Holdco II S.A. (under the Exchange Offer), as stipulated in the Declaration of Posting of Merger by Absorption and the fair value of these exchange shares of LATAM Airlines Group S.A. at June 22, 2012.
- (2) Corresponds to the technical revaluation of fixed assets authorized by the Superintendence of Securities and Insurance in 1979, in Circular No. 1,529. The revaluation was optional and could be taken only once, the reserve is not distributable and can only be capitalized.
- (3) The balance at December 31, 2015, correspond to the loss generated by the participation of Lan Pax Group S.A. in the acquisition of shares of Aerovías de Integración Regional Aires 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 Aerolane S.A. by Lan Pax group S.A. through Holdco Ecuador S.A. for US\$ (21,526).

(f) Reserves with effect in other comprehensive income.

Movement of Reserves with effect in other comprehensive income:

	Currency translation reserve	Cash flow hedging reserve	Actuarial gain or loss on defined benefit plans reserve	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Opening balance as of January 1, 2013	3,574	(140,730)	-	(137,156)
Derivatives valuation gains (losses)	-	124,227	-	124,227
Deferred tax	-	(18,005)	-	(18,005)
Difference by subsidiaries conversion	(593,565)	-	-	(593,565)
Closing balance as of December 31, 2013	<u>(589,991)</u>	<u>(34,508)</u>	<u>-</u>	<u>(624,499)</u>
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.

(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 ThUS\$	Result for the period ThUS\$	Other increase (decreases) ThUS\$	Closing balance ThUS\$
From January 1 to December 31, 2013	1,076,136	(281,114)	281	795,303
From January 1 to December 31, 2014	795,303	(259,985)	872	536,190
From January 1 to December 31, 2015	536,190	(219,274)	1,034	317,950

(h) Dividends per share

As of December 31, 2013

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

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

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	2013
	ThUS\$	ThUS\$	ThUS\$
Passengers LAN	4,241,918	4,464,761	4,731,296
Passengers TAM	4,168,696	5,915,361	6,330,262
Cargo	1,329,431	1,713,379	1,862,979
Total	<u>9,740,045</u>	<u>12,093,501</u>	<u>12,924,537</u>

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	2013
	ThUS\$	ThUS\$	ThUS\$
Aircraft fuel	2,651,067	4,167,030	4,414,249
Other rentals and landing fees	1,109,826	1,327,238	1,373,061
Aircraft rentals	525,134	521,384	441,077
Aircraft maintenance	437,235	452,731	477,086
Comissions	302,774	365,508	408,671
Passenger services	295,439	300,325	331,405
Other operating expenses	<u>1,293,320</u>	<u>1,487,672</u>	<u>1,644,827</u>
Total	<u>6,614,795</u>	<u>8,621,888</u>	<u>9,090,376</u>

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	2015	For the period ended December 31, 2014	2013
	ThUS\$	ThUS\$	ThUS\$
Depreciation (*)	897,670	943,731	985,317
Amortization	36,736	47,533	56,413
Total	934,406	991,264	1,041,730

(*) 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.

(d) Financial costs

The detail of financial costs is as follows:

	2015	For the period ended December 31, 2014	2013
	ThUS\$	ThUS\$	ThUS\$
Bank loan interest	331,511	330,298	382,969
Financial leases	42,855	72,242	76,343
Other financial instruments	38,991	27,494	3,212
Total	413,357	430,034	462,524

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 Loses” 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	2013
	ThUS\$	ThUS\$	ThUS\$
Tours	113,225	109,788	105,449
Aircraft leasing	46,547	31,104	36,614
Customs and warehousing	25,457	22,368	24,281
Duty free	16,408	18,076	14,748
Maintenance	11,669	15,421	12,392
Other miscellaneous income	172,475	180,888	148,081
Total	<u>385,781</u>	<u>377,645</u>	<u>341,565</u>

NOTE 28 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

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

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

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

(a) Foreign currency

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

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Current assets		
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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	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Current assets		
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

	As of December 31, 2015 ThUS\$	As of December 31, 2014 ThUS\$
Non-current assets		
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:

Current liabilities	Up to 90 days		91 days to 1 year	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
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	-

Current liabilities	Up to 90 days		91 days to 1 year	
	As of	As of	As of	As of
	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$
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	619,880	170,751	194,449
Argentine peso	18,385	44,438	11,108	-
Brazilian real	41,864	15,289	21	59
Chilean peso	127,185	59,656	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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	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, 2015 ThUS\$	December 31, 2014 ThUS\$	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$	December 31, 2015 ThUS\$	December 31, 2014 ThUS\$
Non-current liabilities						
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	-	-	-	-

General summary of foreign currency:	As of December 31, 2015 ThUS\$	As of December 31, 2014 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

(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

NOTE 29 - EARNINGS / (LOSS) PER SHARE

		For the period ended December 31,	
	2015	2014	2013
Basic earnings / (loss) per share			
Earnings / (loss) attributable to owners of the parent (ThUS\$)	(219,274)	(259,985)	(281,114)
Weighted average number of shares, basic	545,547,819	545,547,819	487,930,977
Basic earnings / (loss) per share (US\$)	(0.40193)	(0.47656)	(0.57613)
		For the period ended December 31,	
	2015	2014	2013
Diluted earnings / (loss) per share			
Earnings / (loss) attributable to owners of the parent (ThUS\$)	(219,274)	(259,985)	(281,114)
Weighted average number of shares, basic	545,547,819	545,547,819	487,930,977
Weighted average number of shares, diluted	545,547,819	545,547,819	487,930,977
Diluted earnings / (loss) per share (US\$)	(0.40193)	(0.47656)	(0.57613)

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.

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 (*) MUS\$
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-

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

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUS\$
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 MUS\$ 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 (*) MUS\$
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: MUS\$8,712; (ii) Norberto Jochmann: MUS\$ 167; (iii) Hernan Merino: MUS\$ 84; (iv) Felipe Meyer :MUS\$ 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 (*) MUS\$
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 (*) MUS\$
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

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUS\$
Aerovías de Integración Regional, S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A.	2013-20319 CA 01	<p>The July 30th , 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.</p> <p>The June 20th , 2013 AIRES SA And / Or LAN AIRLINES COLOMBIA was notified of the lawsuit filed in U.S. for Regional One INC and Dash 224 LLC for damages caused by the aircraft HK-4107 arguing failure of LAN COLOMBIA AIRLINES customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.</p>	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

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUS\$
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 (*) MUS\$
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.	1° 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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Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) MUS\$
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 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.

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- 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:

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 Trust	Airbus A320	-	1
AWAS 5125 Trust	Airbus A320	1	1
AWAS 5178 Limited	Airbus A320	1	1
AWAS 5234 Trust	Airbus A320	1	1
Baker & Spice Aviation Limited	Airbus A320	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 I 1215 DAC	Airbus A320	1	-
ECAF I 2838 DAC	Airbus A320	1	-
ECAF I 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 ThUS\$	As of December 31, 2014 ThUS\$
No later than one year	513,748	511,624
Between one and five years	1,281,454	1,202,440
Over five years	<u>858,095</u>	<u>441,419</u>
Total	<u>2,653,297</u>	<u>2,155,483</u>

The minimum lease payments charged to income are the following:

		For the period ended December 31,	
	2015	2014	2013
	ThUS\$	ThUS\$	ThUS\$
Minimum operating lease payments	525,134	521,384	441,077
Total	525,134	521,384	441,077

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 A330-200 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 Generalde 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	LATAM Airlines Group S.A.	Four letter of credit	2,810	Apr 5, 2016
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	Jan 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>	

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	2015 ThUS\$	Transaction amount with related parties As of December 31, 2014 ThUS\$	2013 ThUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CP A.	Related director	Chile	Tickets sales	CLP	15	31	17
96.847.880-K	Technical Training Latam S.A.	Associate (*)	Chile	Leases as lessor	CLP	-	209	253
				Training services received	CLP	-	(785)	(1,186)
				Training services received	US\$	-	(743)	(1,146)
65.216.000-K	Comunidad Mujer	Related director	Chile	Tickets sales	CLP	2	9	10
				Services provided for advertising	CLP	(10)	(11)	(11)
78.591.370-1	Bethia S.A and subsidiaries	Related director	Chile	Services received of cargo transport	CLP	(259)	(646)	2,697
				Other revenue	CLP	30	-	-
				Services received from National and International Courier	CLP	(227)	(496)	(382)
				Other services received	CLP	-	(10)	(478)
				Settlement of Property, plant and equipment (1)	CLP	-	-	14,217
				Commitments made on behalf of the entity	CLP	-	-	(84)
79.773.440-3	Transportes San Felipe S.A	Related director	Chile	Tickets sales	CLP	7	26	17
				Services received of transfer of passengers	CLP	(127)	(70)	(142)
				Commitments made on behalf of the entity	CLP	-	-	(84)
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	Tickets sales	CLP	117	155	231
65.216.000-K	Viajes Falabella Ltda.	Related director	Chile	Sales commissions	CLP	(50)	-	-
Foreign	Inversora Aeronáutica Argentina	Related director	Argentina	Revenue billboard advertising maintaining	ARS	1	12	9
				Leases as lessor	US\$	(269)	(334)	(358)
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Related director	Brazil	Services received of transport	BRL	-	(2)	-
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Principal shareholder of the common matrix	Brazil	Revenue from services provided	BRL	-	-	485
				Services received	BRL	(56)	(12)	-
				Commitments made on behalf of the entity	BRL	-	-	(17)
Foreign	Prismah Fidelidade S.A.	Joint Venture	Brazil	Professional counseling services received	BRL	-	(119)	(499)
Foreign	Jochmann Participações Ltda.	Other related parties	Brazil	Services received	BRL	-	-	(27)
Foreign	Consultoria Administrativa Profissional S.A. de C.V.	Associate	Mexico	Professional counseling services received	MXN	(1,191)	-	-

(*) Subsidiary from October, 2014

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.

	2015	For the period ended December 31, 2014	2013
	ThUS\$	ThUS\$	ThUS\$
Remuneration	17,185	19,507	15,148
Management fees	547	1,213	368
Non-monetary benefits	864	990	565
Short-term benefits	19,814	-	22,400
Share-based payments	10,811	16,086	17,709
Total	49,221	37,796	56,190

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.

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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:

Percentage	Period
30%	From December 21, 2014 and until December 21, 2016.
30%	From December 21, 2015 and until December 21, 2016.
40%	From June 21, 2016 and until December 21, 2016.

	Number of share options
Share options in agreements of share- based payments, as of January 1, 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

TAM Linhas Aereas 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 10-04-2010	3rd Grant 03-21-2012	4th Grant 04-03-2013	4th Extraordinary Grant 11-20-2013	Total
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 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	91,103
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	175,910

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, seeking continuous improvement and contribution to the solution of global climate change problems has been made, 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
- 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 (IEnvA), 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.

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 Director’s in an extraordinary meeting held on March 21, 2016.

NOTE 36 - CONSOLIDATION SCHEDULE

In accordance with SEC rule SX 3-10 the Company is presenting consolidation schedules as Senior Notes issued by TAM Capital (issuer), a 100% subsidiary of TAM S.A., in 2007 are fully and unconditionally guaranteed by TAM S.A (guarantor) and by TAM Linhas Aéreas (guarantor) which is also a 100% subsidiary of TAM S.A.. The consolidation schedules separately present the financial information for LATAM Airlines Group S.A. (parent company), TAM S.A. (guarantor), TAM Linhas Aéreas S.A. (guarantor) and other consolidated subsidiaries of LATAM Airlines Group S.A. (non-guarantors).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$
Assets							
Current assets							
Cash and cash equivalents	301,109	859	67	142,439	309,023	-	753,497
Other financial assets	108,263	416	-	105,439	581,773	(144,543)	651,348
Other non-financial assets	123,332	718	-	150,204	55,501	261	330,016
Trade and other accounts receivable	367,322	3,897	-	151,458	274,301	(4)	796,974
Accounts receivable from related entities	451,061	1,072	82,218	533,629	1,049,892	(2,117,689)	183
Inventories	146,241	-	-	75,238	3,429	-	224,908
Tax assets	15,711	5,824	-	11,264	31,216	-	64,015
Total current assets other than non-current assets (or disposal groups) classified as held for sale	1,513,039	12,786	82,285	1,169,671	2,305,135	(2,261,975)	2,820,941
Non-current assets and disposal groups held for sale	609	-	-	277	1,074	-	1,960
Total current assets	1,513,648	12,786	82,285	1,169,948	2,306,209	(2,261,975)	2,822,901
Non-current assets							
Other financial assets	71,776	425,952	-	221,155	1,620	(631,045)	89,458
Other non-financial assets	84,249	730	-	114,080	33,107	3,297	235,463
Accounts receivable	2,105	-	-	5,521	3,089	-	10,715
Accounts receivable from related parties	506,672	-	304,535	1	1,007,074	(1,818,282)	-
Equity accounted investments	1,065,985	11,804	-	-	392,937	(1,470,726)	-
Intangible assets other than goodwill	101,212	31,993	-	879,356	308,862	2	1,321,425
Goodwill	2,194,449	-	-	-	83,250	2,876	2,280,575
Property, plant and equipment	8,917,026	19	-	881,138	836,100	304,374	10,938,657
Current tax assets, long term portion	-	-	-	-	25,629	-	25,629
Deferred tax assets	-	15,747	-	311,059	82,901	(33,112)	376,595
Total non-current assets	12,943,474	486,245	304,535	2,412,310	2,774,569	(3,642,616)	15,278,517
Total assets	14,457,122	499,031	386,820	3,582,258	5,080,778	(5,904,591)	18,101,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$
Liabilities and shareholder's equity							
Current liabilities							
Other financial liabilities	1,459,629	-	3,318	124,778	56,415	95	1,644,235
Trade and other accounts payable	398,351	722	-	624,410	452,436	8,038	1,483,957
Accounts payable to related parties	328,618	804	75,437	786,235	951,720	(2,142,367)	447
Other provisions	29	-	-	10,776	2,894	(10,777)	2,922
Tax liabilities	12,755	-	-	-	6,623	-	19,378
Other non-financial liabilities	1,404,126	558	-	588,839	496,542	(32)	2,490,033
Total current liabilities	3,603,508	2,084	78,755	2,135,038	1,966,630	(2,145,043)	5,640,972
Non-current liabilities							
Other financial liabilities	5,785,018	-	299,775	527,207	927,846	(7,461)	7,532,385
Accounts payable	129,759	-	-	229,006	58,285	-	417,050
Accounts payable to related parties	797,109	24,395	-	-	972,543	(1,794,047)	-
Provision for losses on investments	518,975	-	-	-	19,343	(538,318)	-
Other provisions	13,768	73	-	389,120	21,535	1	424,497
Deferred tax liabilities	478,596	-	-	151,950	153,957	27,062	811,565
Employee benefits	37,854	-	-	-	27,417	-	65,271
Other non-financial liabilities	236,000	-	-	36,130	-	-	272,130
Total non-current liabilities	7,997,079	24,468	299,775	1,333,413	2,180,926	(2,312,763)	9,522,898
Total liabilities	11,600,587	26,552	378,530	3,468,451	4,147,556	(4,457,806)	15,163,870
Equity							
Share capital	2,545,705	1,289,676	111,123	1,371,505	728,944	(3,501,248)	2,545,705
Retained earnings	317,950	(1,126,588)	(102,833)	(1,191,909)	(219,031)	2,640,361	317,950
Share premium	-	19,194	-	-	501,209	(520,403)	-
Treasury shares	(178)	-	-	-	-	-	(178)
Other reserves	(6,942)	290,197	-	(65,641)	(81,070)	(143,486)	(6,942)
Parent's ownership interest	2,856,535	472,479	8,290	113,955	930,052	(1,524,776)	2,856,535
Non-controlling interest	-	-	-	-	-	81,013	81,013
Total non-current liabilities	2,856,535	472,479	8,290	113,955	930,052	(1,443,763)	2,937,548
Total liabilities	14,457,122	499,031	386,820	3,582,406	5,077,608	(5,901,569)	18,101,418

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$
Assets							
Current assets							
Cash and cash equivalents	628,367	47	398	44,326	289,244	27,014	989,396
Other financial assets	135,336	1,951	-	85,376	531,958	(104,220)	650,401
Other non-financial assets	53,427	1,055	-	129,562	88,297	(24,470)	247,871
Trade and other accounts receivable	456,622	5,732	-	562,040	360,236	(5,795)	1,378,835
Accounts receivable from related entities	184,626	1,506	-	226,225	1,140,972	(1,553,021)	308
Inventories	153,891	-	-	105,315	6,833	-	266,039
Tax assets	20,866	12,368	-	26,660	45,839	(5,025)	100,708
Total current assets other than non-current assets (or disposal groups) classified as held for sale	1,633,135	22,659	398	1,179,504	2,463,379	(1,665,517)	3,633,558
Non-current assets and disposal groups held for sale	-	-	-	407	657	-	1,064
Total current assets	1,633,135	22,659	398	1,179,911	2,464,036	(1,665,517)	3,634,622
Non-current assets							
Other financial assets	48,805	-	-	34,366	1,815	-	84,986
Other non-financial assets	121,231	788	-	157,853	51,570	11,371	342,813
Accounts receivable	3,257	-	-	5,761	21,447	-	30,465
Accounts receivable from related parties	479,784	70	389,378	65,328	1,458,330	(2,392,890)	-
Equity accounted investments	1,581,526	642,053	-	285,731	423,627	(2,932,937)	-
Intangible assets other than goodwill	91,638	14,405	-	1,277,534	449,470	47,032	1,880,079
Goodwill	3,207,664	47,032	-	-	102,861	(44,156)	3,313,401
Property, plant and equipment	8,363,122	34	-	1,351,003	809,316	249,601	10,773,076
Current tax assets, long term portion	-	-	-	-	17,663	-	17,663
Deferred tax assets	-	30,875	-	366,596	97,080	(87,228)	407,323
Total non-current assets	13,897,027	735,257	389,378	3,544,172	3,433,179	(5,149,207)	16,849,806
Total assets	15,530,162	757,916	389,776	4,724,083	5,897,215	(6,814,724)	20,484,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$
Liabilities and shareholder's equity							
Current liabilities							
Other financial liabilities	1,290,302	-	3,319	205,763	125,231	-	1,624,615
Trade and other accounts payable	463,620	397	-	534,957	491,646	(1,247)	1,489,373
Accounts payable to related parties	452,777	279	-	104,380	991,944	(1,549,324)	56
Other provisions	32	-	-	11,017	1,362	-	12,411
Tax liabilities	11,934	-	-	51	10,979	(5,075)	17,889
Other non-financial liabilities	1,272,521	6,764	-	798,087	634,319	(26,305)	2,685,386
Total current liabilities	3,491,186	7,440	3,319	1,654,255	2,255,481	(1,581,951)	5,829,730
Non-current liabilities							
Other financial liabilities	5,242,620	-	299,098	668,084	1,179,210	-	7,389,012
Accounts payable	37,582	-	-	492,519	78,015	(30,662)	577,454
Accounts payable to related parties	1,139,256	36,742	69,051	293,232	856,727	(2,395,008)	-
Provision for losses on investments	423,358	-	-	-	20,524	(443,846)	36
Other provisions	14,225	108	-	660,336	28,435	-	703,104
Deferred tax liabilities	452,374	14,405	-	352,711	228,058	4,346	1,051,894
Employee benefits	32,665	-	-	-	25,459	15,978	74,102
Other non-financial liabilities	295,000	-	-	60,379	22	-	355,401
Total non-current liabilities	7,637,080	51,255	368,149	2,527,261	2,416,450	(2,849,192)	10,151,003
Total liabilities	11,128,266	58,695	371,468	4,181,516	4,671,931	(4,431,143)	15,980,733
Equity							
Share capital	2,545,705	1,895,913	163,359	2,008,303	847,890	(4,915,465)	2,545,705
Retained earnings	536,190	(1,651,990)	(145,051)	(1,285,733)	(275,294)	3,358,068	536,190
Share premium	-	28,216	-	-	457,897	(486,113)	-
Treasury shares	(178)	-	-	-	-	-	(178)
Other reserves	1,320,179	427,082	-	(180,003)	194,791	(441,870)	1,320,179
Parent's ownership interest	4,401,896	699,221	18,308	542,567	1,225,284	(2,485,380)	4,401,896
Non-controlling interest	-	-	-	-	-	101,799	101,799
Total non-current liabilities	4,401,896	699,221	18,308	542,567	1,225,284	(2,383,581)	4,503,695
Total liabilities	15,530,162	757,916	389,776	4,724,083	5,897,215	(6,814,724)	20,484,428

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$
Revenue	2,759,969	-	-	4,224,290	3,228,372	(472,586)	9,740,045
Cost of sales	(2,670,774)	-	-	(3,745,752)	(2,928,504)	1,708,321	(7,636,709)
Gross margin	89,195	-	-	478,538	299,868	1,235,735	2,103,336
Other income	1,132,663	-	-	181,922	1,017,029	(1,945,833)	385,781
Distribution costs	(287,089)	-	-	(303,936)	(346,840)	154,561	(783,304)
Administrative expenses	(325,567)	(1,257)	-	(337,064)	(784,628)	570,510	(878,006)
Other expenses	(189,244)	(951)	(4)	(24,325)	(118,091)	8,628	(323,987)
Other gains/(losses)	(81,244)	161	-	(33,019)	45,423	13,399	(55,280)
Gains (losses) from operating activities	338,714	(2,047)	(4)	(37,884)	112,761	37,000	448,540
Financial income	9,222	1,472	14,986	58,670	65,700	(74,970)	75,080
Financial costs	(296,205)	-	(25,264)	(62,918)	(111,450)	82,480	(413,357)
Revenue and losses from associated companies	(217,530)	(165,774)	-	32,134	-	351,207	37
Exchange differences	(40,151)	(10)	4,680	(472,122)	49,177	(9,470)	(467,896)
Resut for readjustable units	23	-	-	-	457	1	481
Income / (loss) before taxes	(205,927)	(166,359)	(5,602)	(482,120)	116,645	386,248	(357,115)
Income tax expense / benefit	(13,347)	(2,790)	-	200,507	(37,385)	31,398	178,383
NET INCOME / (LOSS) FOR THE YEAR	(219,274)	(169,149)	(5,602)	(281,613)	79,260	417,646	(178,732)
Income / (loss) attributable to owners of the parent	(219,274)	(169,149)	(5,602)	(281,613)	79,260	377,104	(219,274)
Income / (loss) attributable to non-controlling	-	-	-	-	-	40,542	40,542
NET INCOME / (LOSS)	(219,274)	(169,149)	(5,602)	(281,613)	79,260	417,646	(178,732)
Total comprehensive income / (loss)	(1,551,330)	(168,932)	(4,162)	(302,015)	(57,568)	544,400	(1,539,607)
Comprehensive income / (loss) attributable to owners of the parent	(1,551,330)	(168,932)	(4,162)	(302,015)	(92,830)	567,938	(1,551,331)
Comprehensive income / (loss) attributable to non-controlling interest	-	-	-	-	35,262	(23,538)	11,724
Total comprehensive income / (loss)	(1,551,330)	(168,932)	(4,162)	(302,015)	(57,568)	544,400	(1,539,607)

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$
Revenue	3,055,416	-	-	6,391,949	3,564,135	(917,999)	12,093,501
Cost of sales	(3,075,475)	(408)	-	(5,202,839)	(3,450,252)	2,104,473	(9,624,501)
Gross margin	(20,059)	(408)	-	1,189,110	113,883	1,186,474	2,469,000
Other income	1,014,024	-	-	20,891	1,253,142	(1,910,412)	377,645
Distribution costs	(318,825)	-	-	(397,445)	(365,581)	124,779	(957,072)
Administrative expenses	(350,817)	(3,423)	-	(452,014)	(850,026)	675,620	(980,660)
Other expenses	(197,055)	(1,126)	(9)	(110,890)	(122,798)	30,857	(401,021)
Other gains/(losses)	(71,175)	(170)	-	24,828	(122,589)	202,630	33,524
Gains (losses) from operating activities	56,093	(5,127)	(9)	274,480	(93,969)	309,948	541,416
Financial income	6,353	(732)	13,789	46,414	134,249	(109,573)	90,500
Financial costs	(297,138)	(581)	(25,083)	(156,890)	(106,994)	156,652	(430,034)
Equity accounted investments	86,715	179,647	-	(7,530)	(4,280)	(261,007)	(6,455)
Exchange differences	(88,909)	339	2,198	(81,447)	35,754	1,864	(130,201)
Resut for readjustable units	-	-	-	-	7	-	7
Income / (loss) before taxes	(236,886)	173,546	(9,105)	75,027	(35,233)	97,884	65,233
Income tax expense / benefit	(23,099)	1,140	-	(33,461)	(105,194)	(131,790)	(292,404)
NET INCOME / (LOSS) FOR THE YEAR	(259,985)	174,686	(9,105)	41,566	(140,427)	(33,906)	(227,171)
Income / (loss) attributable to owners of the parent	(259,985)	174,686	(9,105)	41,566	(140,427)	(66,720)	(259,985)
Income / (loss) attributable to non-controlling	-	-	-	-	-	32,814	32,814
NET INCOME / (LOSS)	(259,985)	174,686	(9,105)	41,566	(140,427)	(33,906)	(227,171)
Total comprehensive income / (loss)	(980,697)	93,514	(9,105)	101,097	(269,379)	70,947	(993,623)
Comprehensive income / (loss) attributable to owners of the parent	(980,697)	93,514	(9,105)	101,097	(269,379)	83,874	(980,696)
Comprehensive income / (loss) attributable to non-controlling interest	-	-	-	-	-	(12,927)	(12,927)
Total comprehensive income / (loss)	(980,697)	93,514	(9,105)	101,097	(269,379)	70,947	(993,623)

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$
Revenue	3,293,992	-	-	6,608,718	3,853,047	(831,220)	12,924,537
Cost of sales	(2,945,869)	(3,957)	-	(5,370,821)	(3,493,775)	1,760,258	(10,054,164)
Gross margin	348,123	(3,957)	-	1,237,897	359,272	929,038	2,870,373
Other income	900,146	-	-	41,769	1,249,990	(1,850,340)	341,565
Distribution costs	(328,116)	-	-	(438,251)	(389,931)	130,402	(1,025,896)
Administrative expenses	(297,140)	(19,015)	-	(605,346)	(917,953)	703,339	(1,136,115)
Other expenses	(173,866)	(7,634)	(27)	(93,314)	(142,092)	8,230	(408,703)
Other gains/(losses)	(42,122)	(1,216)	-	(180,872)	(21,810)	190,610	(55,410)
Gains (losses) from operating activities	407,025	(31,822)	(27)	(38,117)	137,476	111,279	585,814
Financial income	1,966	1,668	7,150	38,284	91,106	(67,346)	72,828
Financial costs	(243,084)	(449)	(23,409)	(142,500)	(118,613)	65,531	(462,524)
Equity accounted investments	(358,929)	(430,613)	-	48,226	-	741,316	-
Revenue and losses from associated companies	(8,229)	-	-	-	(3,599)	13,782	1,954
Exchange differences	(56,159)	88	(5,006)	(421,117)	19	1	(482,174)
Resut for readjustable units	21	-	-	-	193	-	214
Income / (loss) before taxes	(257,389)	(461,128)	(21,292)	(515,224)	106,582	864,563	(283,888)
Income tax expense / benefit	(23,725)	2,689	-	105,903	(35,786)	(29,012)	20,069
NET INCOME/ (LOSS) FOR THE YEAR	(281,114)	(458,439)	(21,292)	(409,321)	70,796	835,551	(263,819)
Income / (loss) attributable to owners of the parent	(281,114)	(458,439)	(21,292)	(409,321)	70,796	818,256	(281,114)
Income / (loss) attributable to non-controlling	-	-	-	-	-	17,295	17,295
NET INCOME (LOSS)	(281,114)	(458,439)	(21,292)	(409,321)	70,796	835,551	(263,819)
Total comprehensive income / (loss)	(768,457)	(446,447)	(21,292)	(398,419)	(14,050)	863,809	(784,856)
Comprehensive income / (loss) attributable to owners of the parent	(768,457)	(446,447)	(21,292)	(398,419)	(14,050)	880,208	(768,457)
Comprehensive income / (loss) attributable to non-controlling interest	-	-	-	-	-	(16,399)	(16,399)
Total comprehensive income / (loss)	(768,457)	(446,447)	(21,292)	(398,419)	(14,050)	863,809	(784,856)

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	LATAM S.A. (parent company and guarantor)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$	As of December 31, 2015 ThUS\$
Cash flows from operating activities							
Receipts from sales of goods and services	5,506,889	(17,705)	-	5,442,905	5,041,794	(4,601,486)	11,372,397
Other receipts from operating activities	73,596	-	-	-	14,641	-	88,237
Payments to suppliers for the supply of goods and services	(3,936,180)	(392)	(22,537)	(3,853,193)	(3,869,722)	4,652,442	(7,029,582)
Payments to and on behalf of employees	(389,722)	(883)	-	(922,865)	(851,714)	-	(2,165,184)
Other payments for operating activities	(209,137)	(70)	-	9,241	(151,211)	-	(351,177)
Interest received	10,076	1,647	14,986	17,311	80,425	(81,071)	43,374
Income taxes refunded (paid)	1,838	3,902	-	(255,152)	191,449	-	(57,963)
Other inflows (outflows) of cash	(153,925)	(25,176)	(4)	(48,194)	30,876	11,796	(184,627)
Net cash flows from operating activities	903,435	(38,677)	(7,555)	390,053	486,538	(18,319)	1,715,475
Cash flows from (used in) investing activities							
Cash flows used to obtain control of subsidiaries or other businesses	-	432,360	-	-	(432,360)	-	-
Other cash receipts from sales of equity or debt instruments of other entities	42,266	1,535	-	30,992	444,667	-	519,460
Other payments to acquire equity or debt instruments of other entities	(108,464)	-	-	(81,332)	(514,319)	-	(704,115)
Other proceeds selling the shares of profit of investments accounted for using the equit	-	(295,111)	-	-	295,111	-	-
Loans to related parties	(63,326)	-	-	-	(26,461)	89,787	-
Proceeds from sale of property, plant and equipment	20,617	-	-	58,700	(22,200)	-	57,117
Purchases of property, plant and equipment	(1,195,216)	-	-	(194,464)	10,943	(191,012)	(1,569,749)
Amounts raised from sale of intangible assets	-	29,444	-	-	(29,353)	-	91
Purchases of intangible assets	(27,463)	-	-	(11,869)	(9,846)	(3,271)	(52,449)
Proceeds from related parties	-	-	-	-	59,551	(59,551)	-
Dividends received	4,889	-	-	-	4,211	(9,100)	-
Other inflows (outflows) of cash	-	-	-	3,497	7,079	-	10,576
Net cash flows from investing activities	(1,326,697)	168,228	-	(194,476)	(212,977)	(173,147)	(1,739,069)
Cash flows from (used in) financing activities							
Proceeds from issue of shares	-	-	-	-	89,761	(89,761)	-
Payments to acquire or redeem the entity's shares	-	-	-	66	(319)	253	-
Proceeds from term loans	1,487,939	-	-	-	150,031	153,514	1,791,484
Proceeds from short term loans	205,000	-	-	-	-	-	205,000
Loans from related parties	28,932	-	-	-	393,460	(422,392)	-
Repayment of loans	(707,307)	-	-	(440)	(556,046)	-	(1,263,793)
Payments of finance lease liabilities	(169,700)	-	-	(128,075)	(33,024)	(11,815)	(342,614)
Repayment of loans to related parties	(337,693)	-	-	-	(49,809)	387,502	-
Dividends Paid	(9)	-	-	82,204	(125,181)	7,954	(35,032)
Interest paid	(277,233)	-	-	(53,156)	(151,124)	97,865	(383,648)
Other inflows (outflows) of cash	(95,541)	-	-	8,250	7,369	(19,835)	(99,757)
Net cash flows from (used in) financing activities	134,388	-	-	(91,151)	(274,882)	103,285	(128,360)
Net increase (decrease) in, cash and cash equivalents before effect of exchange rate	(288,874)	129,551	(7,555)	104,426	(1,321)	(88,181)	(151,954)
Effects of variation in the exchange rate on cash and cash equivalents	(38,384)	(128,735)	7,225	(7,056)	83,005	-	(83,945)
Net increase (decrease) in cash and cash equivalents	(327,258)	816	(330)	97,370	81,684	(88,181)	(235,899)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	628,367	43	397	44,326	316,263	-	989,396
CASH AND CASH EQUIVALENTS AT END OF PERIOD	301,109	859	67	141,696	397,947	(88,181)	753,497

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$	As of December 31, 2014 ThUS\$
Cash flows from operating activities							
Receipts from sales of goods and services	5,959,058	(45,594)	-	6,147,010	6,256,083	(4,948,719)	13,367,838
Other receipts from operating activities	89,995	-	-	-	7,063	(127)	96,931
Payments to suppliers for the supply of goods and services	(4,221,845)	(3,328)	-	(4,715,944)	(5,348,418)	5,466,528	(8,823,007)
Payments to and on behalf of employees	(461,680)	(2,857)	-	(1,225,709)	(703,860)	(39,546)	(2,433,652)
Other payments for operating activities	(150,833)	-	-	6,791	(48,934)	(335,238)	(528,214)
Dividends paid	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-
Interest paid	-	-	(19,672)	-	-	19,672	-
Interest received	8,980	-	13,789	-	27,785	(38,965)	11,589
Income taxes refunded (paid)	(6,909)	(5,058)	-	614	(84,254)	(12,782)	(108,389)
Other inflows (outflows) of cash	(126,540)	4,327	(9)	15,146	(5,507)	(139,074)	(251,657)
Net cash flows from operating activities	1,090,226	(52,510)	(5,892)	227,908	99,958	(28,251)	1,331,439
Cash flows from (used in) investing activities							
Cash flows from losing control of subsidiaries or other businesses	-	-	-	-	3,024	(3,024)	-
Cash flows used to obtain control of subsidiaries or other businesses	(250,350)	(118,120)	-	33,782	(154,930)	490,136	518
Cash flows used in the purchase of non-controlling	-	-	-	-	-	-	-
Other cash receipts from sales of equity or debt instruments of other entities	-	228	-	80,405	342,908	100,829	524,370
Other payments to acquire equity or debt instruments of other entities	(36,477)	-	-	-	(138,920)	(299,259)	(474,656)
Loans to related parties	(126,630)	-	12,948	-	(55,146)	168,828	-
Proceeds from sale of property, plant and equipment	-	-	-	186,015	562,272	(184,021)	564,266
Purchases of property, plant and equipment	(1,269,024)	-	-	(255,636)	(224,816)	309,031	(1,440,445)
Amounts raised from sale of intangible assets	-	8,224	-	-	-	(8,224)	-
Purchases of intangible assets	-	-	-	(30,933)	(23,831)	(995)	(55,759)
Proceeds from other long-term assets	-	-	-	-	-	-	-
Other cash receipts from related parties	-	-	-	(75,082)	22,380	52,702	-
Income taxes refunded (paid)	-	-	-	-	-	-	-
Dividends received	9,685	-	-	-	752	(10,437)	-
Other inflows (outflows) of cash	-	-	-	(397)	(15,527)	(1,475)	(17,399)
Net cash flows from investing activities	(1,672,796)	(109,668)	12,948	(61,846)	318,166	614,091	(899,105)
Cash flows from (used in) financing activities							
Proceeds from issue of shares	156,321	219,110	-	262,702	156,402	(638,214)	156,321
Payments to acquire or redeem the entity's shares	-	-	-	-	-	4,661	4,661
Proceeds from long term loans	706,661	4,162	-	89,598	336,159	(93,760)	1,042,820
Proceeds from short term loans	597,000	-	-	84,944	6,151	(84,944)	603,151
Loans from related parties	-	-	-	-	169,746	(169,746)	-
Repayment of loans	(1,147,651)	-	-	(419,887)	(706,576)	(41,006)	(2,315,120)
Payments of finance lease liabilities	(131,484)	-	-	(181,779)	(56,262)	(24,606)	(394,131)
Repayment of loans to related parties	(9,310)	-	-	-	(3,483)	12,793	-
Dividends Paid	-	-	-	-	(13,983)	(21,379)	(35,362)
Interest paid	(246,598)	(581)	(4,807)	(49,536)	(168,938)	101,671	(368,789)
Other inflows (outflows) of cash	(37,641)	-	-	-	-	23,864	(13,777)
Net cash flows from (used in) financing activities	(112,702)	222,691	(4,807)	(213,958)	(280,784)	(930,666)	(1,320,226)
Net increase (decrease) in, cash and cash equivalents before effect of exchange rate	(695,272)	60,513	2,249	(47,896)	137,340	(344,826)	(887,892)
Effects of variation in the exchange rate on cash and cash equivalents	(45,080)	(60,573)	(1,941)	(29,882)	(173,817)	203,678	(107,615)
Net increase (decrease) in cash and cash equivalents	(740,352)	(60)	308	(77,778)	(36,477)	(141,148)	(995,507)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,368,719	103	89	122,104	325,718	168,170	1,984,903
CASH AND CASH EQUIVALENTS AT END OF PERIOD	628,367	43	397	44,326	289,241	27,022	989,396

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	LATAM S.A. (parent company)	TAM S.A. (guarantor)	TAM Capital (subsidiary issuer)	TAM Linhas Aéreas S.A. (guarantor)	Other (non-guarantor)	Consolidating adjustments	Consolidated
	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$	As of December 31, 2013 ThUS\$
Cash flows from operating activities							
Receipts from sales of goods and services	5,975,782	-	-	6,242,979	6,031,715	(4,844,201)	13,406,275
Other receipts from operating activities	12,067	-	-	-	2,918	(10,347)	4,638
Payments to suppliers for the supply of goods and services	(4,291,945)	(20,795)	(377)	(4,664,071)	(4,417,013)	3,823,478	(9,570,723)
Payments to and on behalf of employees	(423,688)	(1,332)	-	(1,572,939)	(1,340,071)	932,715	(2,405,315)
Other payments for operating activities	-	-	-	-	(64,025)	32,810	(31,215)
Dividends paid	-	-	-	-	(800)	800	-
Dividends received	-	70,950	-	-	-	(70,950)	-
Interest paid	-	-	(19,950)	-	-	19,950	-
Interest received	8,621	-	-	52,878	83,964	(134,153)	11,310
Income taxes refunded (paid)	(11,558)	4,256	-	40,393	(94,185)	(21,939)	(83,033)
Other inflows (outflows) of cash	38,011	(7,539)	(27)	(24,540)	16,575	54,281	76,761
Net cash flows from operating activities	1,307,290	45,540	(20,354)	74,700	219,078	(217,556)	1,408,698
Cash flows from (used in) investing activities							
Cash flows from losing control of subsidiaries or other businesses	-	-	-	-	200	(200)	-
Cash flows used to obtain control of subsidiaries or other businesses	(1,650,000)	(1,644,953)	-	(616,911)	(182,531)	4,088,878	(5,517)
Cash flows used in the purchase of non-controlling	-	-	-	-	-	(497)	(497)
Other cash receipts from sales of equity or debt instruments of other entities	-	409	-	(208,776)	(51,409)	530,261	270,485
Other payments to acquire equity or debt instruments of other entities	-	-	-	(29,101)	(93,526)	(318,174)	(440,801)
Loans to related parties	(288,957)	-	(218,026)	-	(86,282)	593,265	-
Proceeds from sale of property, plant and equipment	6,281	-	-	-	189,445	29,470	225,196
Purchases of property, plant and equipment	(1,523,440)	-	-	(68,471)	109,632	100,493	(1,381,786)
Amounts raised from sale of intangible assets	(12,539)	-	-	(20,529)	(14,021)	3,605	(43,484)
Proceeds from other long-term assets	-	-	-	-	14,999	7,145	22,144
Other cash receipts from related parties	-	-	-	(269,622)	30,260	239,362	-
Income taxes refunded (paid)	-	-	-	-	(77,902)	77,902	-
Other inflows (outflows) of cash	-	-	-	61,188	18,435	(4,175)	75,448
Net cash flows from investing activities	(3,468,655)	(1,644,544)	(218,026)	(1,152,222)	(142,700)	5,347,335	(1,278,812)
Cash flows from (used in) financing activities							
Proceeds from issue of shares	888,570	1,650,000	185,190	1,577,613	182,897	(3,595,321)	888,949
Payments to acquire or redeem the entity's shares	-	(900)	-	-	(200)	1,100	-
Proceeds from term loans	1,924,260	-	-	114,768	65,815	(61,325)	2,043,518
Proceeds from short term loans	963,800	-	-	145,285	51,984	(59,910)	1,101,159
Loans from related parties	1,134,875	-	-	-	315,183	(1,450,058)	-
Repayment of loans	(1,223,409)	-	-	(330,584)	(332,092)	(65,928)	(1,952,013)
Payments of finance lease liabilities	(83,088)	-	-	(281,648)	(41,234)	(17,135)	(423,105)
Repayment of loans to related parties	(87,679)	-	54,594	-	(21,874)	54,959	-
Dividends Paid	(3,288)	-	-	-	(1,053)	(25,353)	(29,694)
Interest paid	(164,186)	-	(2,294)	(329,617)	(116,762)	251,853	(361,006)
Other inflows (outflows) of cash	(51,701)	-	-	-	(59,400)	49,088	(62,013)
Net cash flows from (used in) financing activities	3,298,154	1,649,100	237,490	895,817	43,264	(4,918,030)	1,205,795
Net increase (decrease) in, cash and cash equivalents before effect of exchange rate	1,136,789	50,096	(890)	(181,705)	119,642	211,749	1,335,681
Effects of variation in the exchange rate on cash and cash equivalents	-	(50,061)	(2,819)	137,052	50,398	(135,607)	(1,041)
Net increase (decrease) in cash and cash equivalents	1,136,789	35	(3,709)	(44,653)	170,040	76,142	1,334,640
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	231,930	73	3,797	166,755	169,675	78,037	650,263
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,368,719	108	88	122,102	339,715	154,179	1,984,903



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Latam Airlines Group S.A. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of Latam Airline Group S.A.'s Annual Report on Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Latam Airlines Group S. A.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers

Santiago, Chile

April 29, 2016

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: April 29, 2016

LATAM AIRLINES GROUP S.A.

By: /s/ Enrique Cueto
Name: Enrique Cueto
Title: Latam Airlines Group CEO

EXHIBIT INDEX

Exhibit No.	Description
1.1*	Amended By-laws of LATAM Airlines Group S.A.
2.1	Second Amended and Restated Deposit Agreement, dated as of October 28, 2011, between the Company and JPMorgan Chase Bank, N.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
2.3	Indenture, dated as of April 25, 2007, among TAM Capital Inc., Tam S.A., TAM Linhas Aéreas S.A., The Bank of New York and The Bank of New York (Luxembourg) S.A., incorporated herein by reference from our second pre-effective amendment to our Registration Statement on Form F-4, File No. 333-131938.
2.4	Indenture, dated as of October 29, 2009, among TAM Capital 2 Inc., TAM S.A., TAM Linhas Aéreas S.A., The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A., incorporated herein by reference from our Annual Report for the fiscal year ended December 31, 2009 on Form 20-F, filed June 30, 2010, File. No. 333-131938.
2.5*	Indenture, dated as of June 3, 2011, between TAM Capital 3 Inc., TAM S.A., TAM Linhas Aéreas S.A., The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A.
2.6*	Indenture, dated as of November 7, 2013, between Guanay Finance Limited and Citibank N.A.
2.7*	Form of Indenture and Security Agreement between Parina Leasing Limited, Cucillo Leasing Limited, Rayador Leasing Limited or Canastero Leasing Limited and Wilmington Trust Company (including Annex A).
2.8*	Indenture, dated as of June 9, 2015, between LATAM Airlines Group S.A. and The Bank of New York Mellon.
2.9	We hereby agree to furnish to the SEC, upon its request, copies of any instruments defining the rights of holders of our long-term debt (or any long-term debt of our subsidiaries for which we are required to file consolidated or unconsolidated financial statements), where such indebtedness does not exceed 10% of our total consolidated assets.
4.1	Second A320-Family Purchase Agreement, dated March 20, 1998, between the Company and Airbus Industry relating to Airbus A320-Family Aircraft (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on June 24, 2001 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.1.1	Amendment No. 1 dated as of November 14, 2003 and Amendment No. 2 dated as of October 4, 2005, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (as successor to Airbus Industry) (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.2	Amendment No. 3 dated as of March 6, 2007, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 30, 2006 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.3	Amendment No. 5 dated as of December 23, 2009, to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 29, 2010 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.4	Amendments No. 6, 7, 8 and 9 (dated as of May 10, 2010, May 19, 2010, September 23, 2010 and December 21, 2010, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.5	Amendments No. 10 and 11 (dated as of June 10, 2011 and November 8, 2011, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.6	Amendment No. 12 (dated as of November 19, 2012), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.7	Amendment No. 13 (dated as of August 19, 2013), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.1.8	Amendments No. 14, 15, 16 and 17 (dated as of March 31, 2014, May 16, 2014, July 15, 2015 and December 11, 2014, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.1.9	Novation Agreement (dated as of October 30, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A320 Family/A330 purchase agreement dated November 14, 2006, as amended and restated, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2	Purchase Agreement No. 2126 dated as of January 30, 1998, between the Company and The Boeing Company as amended and supplemented, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on December 21, 2004 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.1	Supplemental Agreements No. 16, 19, 20, 21 and 22 (dated as of November 11, 2004, April 1, April 28, and July 20, 2005, and March 31, 2006, respectively) to the Purchase Agreement No. 2126 dated January 30, 1998, between the Company and The Boeing Company, relating to Model 767-316ER, Model 767-38EF, and Model 767-316F Aircraft (incorporated by reference to our amended annual report filed on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.2	Supplemental Agreement No. 23 dated as of December 14th, 2006 to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on April 23, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.3	Supplemental Agreement No. 24 dated as of November 10, 2008, to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2009 and portions of which have been omitted pursuant to a request for confidential treatment).
4.2.4	Supplemental Agreements No. 28 and 29 (dated as of March 22, 2010 and November 10, 2010, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company. Portions of these documents have been omitted pursuant to a request for confidential treatment (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.2.5	Supplemental Agreements No. 30, 31 and 32 (dated as of February 15, 2011, May 10, 2011 and December 22, 2011, respectively), to the Purchase Agreement No. 2126, dated as of January 30, 1998, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.3	Aircraft Lease Common Terms Agreement between GE Commercial Aviation Services Limited and LAN Cargo S.A., dated as of April 30, 2007, and Aircraft Lease Agreements between Wells Fargo Bank Northwest N.A., as owner trustee, and LAN Cargo S.A., dated as of April 30, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 7, 2007 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4	Purchase Agreement No. 3194 between the Company and The Boeing Company relating to Boeing Model 777-Freighter aircraft dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4.1	Supplemental Agreement No. 2 dated as of November 2, 2010, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4.2	Supplemental Agreement No. 3 dated as of September 21, 2011, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.4.3	Supplemental Agreement No. 4 dated as of August 9, 2012, to the Purchase Agreement No. 3194 between the Company and The Boeing Company, dated as of July 3, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5	Purchase Agreement No. 3256 between the Company and The Boeing Company relating to Boeing Model 787-8 and 787-9 aircraft dated as of October 29, 2007 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on June 25, 2008 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.5.1	Supplemental Agreements No. 1 and 2 (dated March 22, 2010 and July 8, 2010, respectively) to the Purchase Agreement No. 3256 dated October 29, 2007, as amended, between the Company and The Boeing Company (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5.2	Supplemental Agreement No. 3 dated as of August 24, 2012, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007 (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5.3	Delay Settlement Agreement, dated as of September 16, 2013, to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).
4.5.4*	Supplemental Agreements No. 4 and 5 (dated as of April 22, 2015 and July 3, 2015, respectively) to the Purchase Agreement No. 3256, as amended, between the Company and The Boeing Company, dated as of October 29, 2007. Portions of these documents have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.
4.6	General Terms Agreement No. CFM-1-2377460475 and Letter Agreement No. 1 to General Terms Agreement No. CFM-1-2377460475 between the Company and CFM International, Inc., both dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.7	Rate Per Flight Hour Engine Shop Maintenance Services Agreement between the Company and CFM International, Inc., dated December 17, 2010 (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011 and portions of which have been omitted pursuant to a request for confidential treatment).
4.9	Implementation Agreement, dated as of January 18, 2011, among the Company, Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreendimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).
4.9.1	Extension Letter to the Implementation Agreement and Exchange Offer Agreement dated January 12, 2012 among the Company, Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreendimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).

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Exhibit No.	Description
4.10	Exchange Offer Agreement, dated as of January 18, 2011, among LAN Airlines S.A., Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A., TAM S.A., TAM Empreedimentos e Participações S.A. and Maria Cláudia Oliveira Amaro, MaurícioRolimAmaro, Noemy Almeida Oliveira Amaro and João Francisco Amaro (incorporated by reference to our amended annual report on Form 20-F (File No. 001-14728) filed on May 5, 2011).
4.11	Shareholders Agreement, dated as of January 25, 2012, among Costa Verde Aeronáutica S.A., InversionesMineras del Cantábrico S.A. and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.12	Shareholders Agreement, dated as of January 25, 2012, between the Company and TEP Chile S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.13	Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A. and Holdco I S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.14	Shareholders Agreement, dated as of January 25, 2012, among the Company, TEP Chile S.A., Holdco I S.A. and TAM S.A. (incorporated by reference to our amended registration statement on Form F-4 (File No. 333-177984) filed on November 15, 2011).
4.15	Letter Agreement No. 12 (GTA No. 6-9576), dated July 11, 2011, between the Company and the General Electric Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.16	A320 NEO Purchase Agreement, dated as of June 22, 2011, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.16.1	Amendments No. 1, 2 and 3 (dated as of February 27, 2013, July 15, 2014 and December 11, 2014, respectively), to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.16.2	Letter Agreement No. 1 (dated as of July 15, 2014) to Amendment No. 2 (dated as of July 15, 2014) to the A320 NEO Purchase Agreement dated as of June 22, 2011, between the Company and Airbus S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.17	Buyback Agreement No. 3001 relating to One (1) Airbus A318-100 Aircraft MSN 3001, dated as of April 14, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.18	Buyback Agreement No. 3030 relating to One (1) Airbus A318-100 Aircraft MSN 3003, dated as of August 10, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.19	Buyback Agreement No. 3062, to One (1) Airbus A318-100 Aircraft MSN 3062, dated as of May 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.20	Buyback Agreement No. 3214, to One (1) Airbus A318-100 Aircraft MSN 3214, dated as of June 9, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.21	Buyback Agreement No. 3216, to One (1) Airbus A318-100 Aircraft MSN 3216, dated as of July 13, 2011, between the Company and Airbus Financial Services (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.22	Aircraft General Terms Agreement Number AGTA-LAN, dated May 9, 1997, between the Company and The Boeing Company (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 2, 2012 and portions of which have been omitted pursuant to a request for confidential treatment).
4.23	Buyback Agreement No. 3371 dated as of July 25, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.24	Buyback Agreement No. 3390, dated as of October 26, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.25	Buyback Agreement No. 3438, dated as of December 5, 2012, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.26	Buyback Agreement No. 3469, dated as of January 4, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.27	Buyback Agreement No. 3509, dated as of February 20, 2013, between the Company and Airbus Financial Services. Portions of this document have been omitted pursuant to a request for confidential treatment (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.28	A320 Family Purchase Agreement, dated March 19, 1998, between Airbus S.A.S. (formerly known as Airbus Industrie GIE) and TAM Linhas Aéreas S.A. (formerly known as TAM Transportes Aéreas Meridionais S.A. and as successor in interest in TAM-Transportes Aéreas Regionais S.A.), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.
4.28.1	Amendments No. 12, 13 and 14 (dated as of January 27, 2012 and November 30, 2012 and December 14, 2012, respectively), to the Second A320-Family Purchase Agreement dated as of March 20, 1998, as amended and restated, between the Company and Airbus S.A.S. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2013 and portions of which have been omitted pursuant to a request for confidential treatment).
4.29	A350 Family Purchase Agreement, dated December 20, 2005, between Airbus S.A.S. and TAM Linhas Aéreas S.A., incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.
4.29.1	A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.29.2	Amendments No. 1, 2 and 3 (dated July 28, 2010, July 15, 2014 and October 30, 2014, respectively) to the A350 Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).

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Exhibit No.	Description
4.29.3	Novation Agreement (dated as of July 21, 2014) between TAM Linhas Aereas S.A., LATAM Airlines Group S.A. and Airbus S.A.S., relating to the A350 Family Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.29.4*	Amendments No. 4 and 5 (dated September 15, 2015 and November 19, 2015, respectively) to the A350 Purchase Agreement, dated December 20, 2005, as amended and restated on January 21, 2008, between Airbus S.A.S. and TAM Linhas Aereas S.A. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.
4.30	V2500 Maintenance Agreement, dated September 14, 2000, between TAM Transportes Aéreos Regionais S.A. (incorporated by TAM Linhas Aéreas S.A.) and MTU Maintenance Hannover GmbH (MTU), incorporated herein by reference from our sixth pre-effective amendment to our Registration Statement on Form F-1, filed March 2, 2006, File No. 333-131938.
4.31	PW1100G-JM Engine Support and Maintenance Agreement, dated February 26, 2014, between LATAM Airlines Group S.A. and Pratt & Whitney Division, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).
4.32	Framework Deed, dated May 28, 2013, between LATAM Airlines Group S.A. and Aercap Holdings N.V, (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 30, 2014 and portions of which have been omitted pursuant to a request for confidential treatment).
4.33	A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.33.1	Amendments No. 15, 16, 17, 18, and 19 (dated as of February 18, 2013, February 27, 2013, August 19, 2013, July 15, 2014 and December 11, 2014, respectively) to the A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.33.2*	Amendments No. 20 and 21 (dated as of June 3, 2015 and December 21, 2015, respectively) to the A320 Family/A330 Purchase Agreement (dated as of November 14, 2006) between Airbus S.A.S. and TAM – Linhas Aereas S.A. Portions of these document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.

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Exhibit No.	Description
4.34	Supplemental Agreement No. 7 (dated as of May 2014) to the Boeing 777-32WER Purchase Agreement (dated as of February 2007) between TAM – Linhas Aereas S.A. and The Boeing Company. (incorporated by reference to our annual report on Form 20-F (File No. 001-14728) filed on April 1, 2015 and portions of which have been omitted pursuant to a request for confidential treatment).
4.34.1*	Supplemental Agreement No. 8, dated as of April 22, 2015, to the Boeing 777-32WER Purchase Agreement (dated as of February 2007) between TAM Linhas Aéreas and The Boeing Company. Portions of this document have been omitted pursuant to a request for confidential treatment. Such omitted portions have been filed separately with the Securities and Exchange Commission.
8.1*	List of subsidiaries of the Company.
12.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1*	Certifications of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	Filed herewith.

BY-LAWS**LATAM AIRLINES GROUP S.A.****SECTION ONE: Name, Registered Office and Purpose**

Article 1: An open corporation is incorporated that will be called Latam Airlines Group S.A., although it may also indistinctively use the fictitious names of “Latam Airlines,” “Latam Airlines Group,” “Latam Group,” “LAN Airlines,” “Lan Group” and/or “LAN.”

Article 2: The company will have its registered offices in the city of Santiago, borough of the same name, although it may establish agencies, branches, offices or establishments in other places in the country or abroad.

Article 3: The duration of the Company will be indefinite.

Article 4: The Company shall engage in:

- (a) the trade of any form of air and/or ground transportation, whether passenger, cargo, or mail, and of everything relating directly or indirectly to that activity, in the country or abroad, for its own account or others;
- (b) the rendering of services relating to the maintenance and repair of aircraft, whether own or of third parties;
- (c) the development and exploitation of other activities derived from the business purpose and/or linked, related, cooperative or complementary thereto;
- (d) the trade and development of activities relating to travel, tourism and lodging; and
- (e) holding interests in companies of any type or kind that facilitate the business of the Company.

SECTION TWO: Capital, Shares and Shareholders

Article 5: The capital of the Company is US\$2,652,898,072.25, divided into 551,847,819 shares in one single series, with no par value. There are no special series of shares or privileges. The form of share certificates, their issuance, exchange, ruin, misplacement, replacement and other circumstances thereof as well as the transfer of shares shall be governed by the provisions in the Companies Law and its Regulations.

Article 6: Shareholders may stipulate agreements limiting the free transfer of shares, but those agreements shall be deposited with the Company and be available to other shareholders and interested third parties, and they shall be annotated in the shareholders registry in order to be valid.

SECTION THREE: Management

Article 7: The Company will be managed by the Board of Directors that will be elected by the Shareholders Meeting.

Article 8: The Board will be comprised of 9 members and will hold office for two years. Members may be reelected. There will be no need to be a shareholder in order to be a director. The Board will appoint a Chairman and a Vice Chairman from among its members. The Vice Chairman shall substitute for the Chairman in the event of the latter's absence or impediment. The Board of Directors may appoint an Interim Chairman whenever the Chairman and Vice Chairman are absent or suffer from an impediment. The absences or impediments behind such substitution shall not have to be proven to third parties.

Article 9: The entire Board of Directors shall be elected at the next Regular Shareholders Meeting to be held by the Company whenever there is a vacancy in a Directorship. The Board may appoint a replacement in the interim.

Article 10. Directors will be compensated for their office. Whether they will be compensated and the amount thereof will be determined annually by the Regular Shareholders Meeting.

Article 11: Board meetings shall be installed by the presence of a majority of Directors. Resolutions will be adopted by an absolute majority of the Directors present, save resolutions that require a higher majority according to the law or these by-laws.

Any tie shall be decided by the vote of the Chairman of the Meeting. The Chief Executive Officer of the Company shall act as Secretary or the person expressly appointed by the Board of Directors to that position.

Article 12: The Board shall hold regular meetings on the days and at the times it determines. In any case, it shall meet at least once a month. Special meetings may be held when they are convened specially by the Chairman together with two directors and/or at the request of an absolute majority of directors, in which case the meeting must necessarily be held.

Article 13: The Board represents the Company judicially and extrajudicially and shall be vested, in order to fulfill the business purpose, which shall not be necessary to prove to third parties, with all powers of administration and disposition that the Law, Regulations and these by-laws do not reserve for the shareholders meeting. There will be no need to grant any special power of attorney, including for those acts or contracts regarding which the laws require such an event, as provided in article 40 of the Law. The foregoing is without prejudice to the judicial representation pertaining to the Chief Executive Officer of the Company.

The Board of Directors may delegate part of its authority to the General Manager, Managers, attorneys of the Company, to one director or a committee of directors, and to other people for certain special purposes.

Article 14. The deliberations and resolutions of the Board of Directors shall be written down in a minutes book that will be signed on each occasion by the directors who attended the meeting and by the Secretary.

A director who wishes to circumvent his liability for any act or resolution of the Board shall have his opposition recorded in the minutes and that opposition shall be disclosed by the Chairman at the next Regular Shareholders Meeting.

Should a director die or be unable for any reason to sign the corresponding minutes, a record of that fact shall be left at the foot of the minutes.

The minutes shall be deemed approved as from the time they have been signed by the aforesaid persons, and from that moment the resolutions indicated therein may be implemented.

Article 15: The Company will have an Executive Vice President and a Manager, who will be the legal representative of the Company. Both positions will be appointed by the Board of Directors and may be held by one same person. The Executive Vice President shall have the powers conferred thereupon by the Board of Directors. The Manager shall have the powers delegated thereto by the Board of Directors, notwithstanding those corresponding thereto by the Law and in particular:

(i) he shall represent the Company judicially with the powers listed in both subparagraphs of article seventh of the Code of Civil Procedure, which are deemed expressly set out.

(ii) he shall execute and enter into all acts and contracts, whether civil, commercial, administrative or otherwise, conducive to the purposes of the Company within the limits on amount set by the Board; and

(iii) generally, he shall implement resolutions of the Board and execute all acts for which he has been expressly delegated authority, in the form, amount and conditions that are determined. The Board shall appoint one or more persons who may individually validly represent the company in all notifications made thereto in absence of the Manager, which the interested party shall not have to evidence.

SECTION FOUR: Shareholders Meetings

Article 16: Shareholders shall meet in a regular meeting once a year between February 1 and April 30.

Article 17: Matters for a regular meeting are:

1. the annual appointment of the independent external auditors to examine the accounting, inventory, balance sheet and other financial statements of the Company;
2. the examination of the situation of the Company and of the reports by the external auditors and approval, amendment or rejection of the annual report, balance sheet and financial statements and exhibits;
3. the approval of the distribution of fiscal year profits and the payment of dividends;
4. the election or revocation of the board, liquidators and auditors of management;

5. the determination of the annual compensation of directors;
6. acknowledgement of the resolutions adopted by the Board in which there was opposition of one or more directors.
7. acknowledgement of the resolutions approving acts or contracts in which one or more directors had or have an interest personally or as the representative of another person; and
8. generally, any matter of corporate interest not reserved for a Special Shareholders Meeting.

Article 18: Matters for a Special Shareholders Meeting are:

1. a reform to the Company's by-laws;
2. the issuance of bonds or debentures convertible to shares;
3. the grant of real or personal guarantees to secure third-party obligations when those third parties are not subsidiaries; and
4. the other matters surrendered to the debate thereof by the by-laws and the law.

Article 19: Notices of meetings shall be given by a prominent advertisement that will be published at least 3 times on different days in a newspaper in the corporate domicile determined by the meeting or, failing agreement, or when compliance therewith is impossible, in the Official Gazette, in the time, form and conditions determined by the Companies Regulations.

In addition to the preceding notice, a notice should be sent by mail to each shareholder a minimum of 15 days in advance of the date of the meeting, which shall contain a reference to the matters to be discussed thereat.

The notice shall mention the resolutions of the Board that the Meeting must study according to Article 44 of the Law. Meetings attended by all issued shares may be validly held even though the formalities required for notice have not been completed.

Article 20: Regular and Special Shareholders Meeting shall be validly installed by representatives of a majority of the issued shares. If that number is not present, a new notice will be given and the Regular or Special Shareholders Meeting will be validly installed by the shareholders attending.

Special Shareholders Meetings shall be held before a notary. Second notices may only be published once the meeting has failed under a first notice or second notice, as the case may be, and a new shareholders meeting shall be convened, regardless, within 45 days after the date set for the meeting that was not held under a first notice.

Notices shall be published in the same period indicated above.

Article 21: Resolutions of both Regular and Special Shareholders Meeting shall be adopted by the affirmative vote of at least an absolute majority of the shares represented at the meeting. In any case, the resolutions indicated in the second subparagraph of article 67 of the Companies Law shall require the affirmative vote of two-thirds of the issued and voting shares. Only shareholders registered in the Shareholders Registry five days in advance of the date of the respective meeting may attend meetings and exercise their right to speak and vote. Directors shall be elected in one single voting, and the persons who earn the nine highest majorities shall be deemed elected. Shareholders may distribute their votes among candidates in the manner they deem convenient. In order to proceed with voting, save unanimously resolution otherwise, the Chairman and Secretary, together with the persons previously designated by the meeting to sign the minutes thereof, shall record in a document the votes that are cast out loud by the shareholders present, in the order of the attendance list. Any shareholder shall have the right, however, to vote on a ballot signed thereby, stating whether he signs personally or on behalf of another.

Notwithstanding the foregoing, in order to facilitate the conduct or quickness of the voting, the Chairman or the Superintendency, as the case maybe, may order that voting be taken alternatively and indistinctively out loud or by ballot. When counting votes from the annotations made by the aforesaid persons, the Chairman may read the votes out loud in order for all those present to calculate the votes themselves or to confirm the true outcome through such annotation and ballots.

The Secretary shall add up the votes and the Chairman shall proclaim the top majorities until completing the number to be elected.

The Secretary will put all papers in an envelope that he will close and seal by the company seal, which will be filed with the Company for at least two years.

Article 22: Shareholders may be represented at meetings by other shareholders or by third parties in the form and conditions set down in the Regulations. The proxy granted for the meeting not held shall be deemed valid for the new meeting held instead provided the first meeting was not held due to a lack of quorum.

Article 23: Attendees at meetings shall sign an attendance sheet that will indicate after their signature the number of shares held by the signatory, the number of shares represented by the signatory and the name of the principal.

Article 24: Deliberations and resolutions of Shareholders Meetings shall be set down in a Special Minutes Book that will be kept by the Secretary. Minutes will be signed by the Chairman or by his substitute, by the Secretary and by three Shareholders on behalf of attendees, elected by the meeting.

An abstract of the events of the meeting shall be written in minutes and the following data necessarily recorded: the name of the shareholders present, the number of shares owned or represented by each, a succinct account of any observations, an account of the motions submitted to discussion and the outcome of voting, and the list of shareholders who have voted against those motions, if anyone has requested nominal voting.

Only under the unanimous consent of attendees may the record of some event occurring at the meeting be eliminated from the minutes, provided it relates to corporate interests.

The minutes containing the election of directors shall indicate the names of all shareholders present and specify the number of shares voted by each, personally or on behalf of another, and the general outcome of the voting.

A copy of these minutes will be sent to the Superintendent of Securities and Insurance. The Company shall notify the Superintendent of the appointment of directors who are replaced within three business days.

SECTION FIVE: Annual Report, Balance Sheet and Profits

Article 25: A General Balance Sheet of the Company's assets and liabilities shall be prepared as of December 31st of each year, which will contain the indications required by the laws and regulations.

Article 26: At the Regular Shareholders Meeting, the Board of Directors shall advise shareholders of the status of the Company's business and present an annual report containing explanatory and analytical information on the transactions performed in the most recent fiscal year, accompanied by the general balance sheet, profit and loss statement and report presented by the external auditors.

All sums earned during the fiscal year by the Chairman and Director shall be placed in separate lines within the profit and loss accounts in such balance sheet.

Article 27: Dividends shall be paid exclusively against net profits from the fiscal year or retained earnings in balance sheets approved by the Shareholders Meeting. Should the Company have accumulated losses, profits earned in the fiscal year shall be first allocated to absorbing those losses. A cash dividend shall be paid annually to shareholders in proportion to their shares, amounting to at least 30% of the net profits from each fiscal year, save resolution otherwise adopted unanimously by the respective meeting.

Article 28. The annual report, balance sheet and inventory, minutes, books and other items supporting them and the report that the external auditors must present shall be available to shareholders for examination at the management's offices for 15 days prior to the date set for the Regular Shareholders Meeting. For this purpose, the Company shall keep printed or typed copies of those documents in that office. The Company shall send each of the shareholders registered in the respective Registry a copy of the balance sheet and of the annual report of the Company on a date that is no later than the date of the first notice convening a Regular Shareholders Meeting, including the opinion of the auditors and the respective notes, all without prejudice to the provisions in the second and third subparagraphs of article 75 of the law.

Article 29: The Company shall publish the information determined by the Superintendency of Securities and Insurance on its duly audited general balance sheets and profit and loss statements in a widely circulated newspaper in the corporate domicile no less than 10 nor more than 20 days in advance of the date of the Regular Shareholders Meeting that will decide on them. In that same period, the Company shall submit the number of counterparts of such documents to the Superintendency of Securities and

Insurance as determined thereby. If the balance sheet and profit and loss statements are modified by the meeting, the changes will be published in the same newspaper within 15 days following the date of the meeting, notwithstanding that they must also be sent to the Shareholders registered in the Registry. The balance sheet shall contain the name of the Chairman, directors, managers and indicate the share transactions performed by such individuals during the fiscal year.

Article 30: When the condition of corporate funds allow and the Board deems it convenient, interim dividends may be paid to Shareholders during the fiscal year on account of profits from that year, under the personal liability of directors approving the resolution, provided there are no cumulative losses.

SECTION SIX: Audit of Management

Article 31: The Regular Shareholders Meeting shall appoint independent external auditors annually to examine the accounting, inventories, balance sheets and other financial statements of the Company, under the obligation to report in writing on fulfillment of their mandate to the next Regular Shareholders Meeting.

SECTION SEVEN: Arbitration

Article 32: Any matter arising among shareholders as such or among them and the company or its managers shall be resolved without form of trial or further remedy by an arbitrator ex aequo et bono appointed by mutual consent of the parties involved, and failing consent, by the ordinary courts, in which case the arbitrator shall be a conciliator in regard to procedure and an arbiter in regard to the ruling. The appointment shall fall upon an attorney who is or has been a deputy justice of the Supreme Court of Justice for at least one year. Notwithstanding the foregoing, the plaintiff in any dispute may remove the hearing thereof from the venue of arbitrators and submit to the decision of the Ordinary Courts.

TRANSITORY ARTICLES

Sole Transitory Article: The capital of the Company is US\$2,652,898,072.25, divided into 551,847,819 shares in one single series, with no par value, which has been and will be subscribed and paid as follows:

- (One) The sum of US\$1,605,164,719.76, divided into 483,547,819 shares, fully subscribed and paid in prior to this date.
- (Two) The sum of US\$47,733,352.49, represented by 4,800,000 shares, to be allocated to compensation plans for the employees of the Company and its subsidiaries, as provided in Article 24 of the Companies Law, and to be subscribed and paid no later than December 21, 2016. The Board has full authority to create, implement and modify these stock option plans in one or several stages and to make the relevant changes to the registration of such shares in the Securities Registry kept by the Securities and Insurance Commission. It is also empowered to execute and amend stock option agreements and to set and change the subscription price of these shares according to the resolutions of the Special Shareholders Meeting delegating that authority and to the Companies Regulations. The shareholders do not enjoy a right of first refusal in regard to these shares, as provided in the third subparagraph of said Article 24. The price of these shares shall be paid at once, in the act of subscription, in cash, by check, bank check, wire transfer or any other instrument or effect representing money payable upon demand; and
- (Three) The sum of US\$1,000,000,000, divided into 63,500,000 shares to be subscribed and paid on account of the capital increase approved at the Special Shareholders Meeting of the Company held June 11, 2013.

In regard to this capital increase for an aggregate of US\$1,000,000,000, represented by said 63,500,000 shares:

- (A) a part, totaling US\$976,377,952.75, represented by 62,000,000 shares, will be preemptively offered to shareholders in LATAM Airlines Group S.A. according to Article 25 of the Companies Law. The unsubscribed balance will be offered and placed on the market in general. The price of these shares must be paid at once, at the time of subscription, in cash, by check, bank check, electronic money transfer or by any other means or instrument representing money payable on demand. The Board was authorized by the Special Shareholders Meeting held June 11, 2013 to set the placement price of the cash shares according to the second paragraph of Article 23 of the Companies Regulations, in which case placement must be made within 180 days following the date of that Meeting. That authority of the Board can be extended only once for no more than an additional 180 days by a new Shareholders Meeting. The deadline for issuance, subscription and payment shall expire, for all pertinent purposes, on June 11, 2016. These 62,000,000 shares will be preemptively offered to shareholders registered in the Shareholders Registry at midnight on the fifth business day prior to the date of publication of the right-of-first-refusal notice, for the period of 30 days after publication of said right-of-first-refusal notice, and the offer will be proportional to the shares registered in the shareholder's name. Shareholders may waive or assign their right to subscribe all or part of the shares according to the Companies Regulations. Any shareholder or option transferee who says nothing during the right-of-first-refusal period shall be deemed to have waived the right to subscribe the shares. Any remainder of shares not placed after following the above procedure, either because the shares were not subscribed by shareholders in exercise of their right of first refusal or those rights were waived in whole or in part, or any fractions of shares occurring in the proration among shareholders, may be offered freely to shareholders and/or third parties in Chile or abroad, on the dates and in the amounts deemed pertinent by the Board, which shall be amply empowered to determine the relevant procedures. Furthermore, save resolution otherwise by the Board, the shares regarding which rights of first refusal are waived in whole or in part by the entitled shareholders may be offered by the Board in the aforesaid terms from the moment when such waiver is notified, or becomes known, to the Company, without having to await the end of the legal right-of-refusal period of 30 days. Regardless, no shares may be transferred to third parties at prices and under conditions that are more favorable than those of the preemptive offer to entitled shareholders, notwithstanding the provisions in the last subparagraph of Article 29 of the Companies Regulations; and

- (B) the remainder of the increase for US\$23,622,047.25, represented by 1,500,000 shares, shall be allocated to compensation plans for the employees of the Company and its subsidiaries, as provided in Article 24 of the Companies Law. The Board was fully authorized to create and implement these stock option plans in one or several stages. The shareholders do not enjoy a right of first refusal in regard to these shares, as provided in the third subparagraph of said Article 24. The price of these shares must be paid at once, at the time of subscription, in cash, by check, bank check, wire transfer or any other instrument or effect representing money payable upon demand. The Board was authorized by the Special Shareholders Meeting held June 11, 2013 to set the placement price for the cash shares according to the rule in the third subparagraph of Article 23 of the Companies Regulations. It must set the price by June 11, 2018. The deadline for issuance, subscription and payment of these shares expires June 11, 2018; and

- (C) The Company's Board of Directors was amply empowered, within the framework of the resolutions adopted by the Special Shareholders Meeting held June 11, 2013, to proceed to issue said capital increase all at once and for all of the shares, or in parts, at the Board's discretion; to conduct or order all proceedings necessary to register the shares in the increase in the Securities Registry of the Securities and Insurance Commission of Chile, including all types of requests, measures, procedures, presentations, declarations and other measures relating to the registration and placement of the shares; and once the share issue has been registered that was approved for this capital increase, to decide on the exchange and placement thereof all at once or in parts and listing thereof on one or more stock exchanges; to represent the Company or order that it be represented before any type of authority, entity or person, including, but not limited to, government, regulatory or oversight entities, stock exchanges or others related to the securities market; to determine all matters relating to the options forming part of the compensation plans, including, but not limited to, the periods during which the options will be valid, the periods, opportunities, form and other conditions for acceptance or exercise thereof, the employees that will be benefitted thereby, the number of shares in the options offered and all other matters relating to the foregoing; to grant the powers of attorney necessary or convenient to implement all or part of the foregoing; and, in general, to resolve all situations, modalities, supplements, amendments and details that may arise or be required in relation to this bylaw reform and related matters approved by the Special Shareholders Meeting held June 11, 2013.

TAM CAPITAL 3 INC.

as Issuer

the GUARANTORS party hereto

THE BANK OF NEW YORK MELLON,
as Trustee, Registrar, Transfer Agent and Principal Paying Agent

and

THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A.
as Luxembourg Transfer Agent

INDENTURE

Dated as of June 3, 2011

8.375% Senior Guaranteed Notes Due 2021

CROSS-REFERENCE TABLE

TIA Sections			Indenture Sections
§ 310	(a)		7.09
	(b)		7.07
§ 311			7.03
§ 312			11.02
§ 313			7.01
§ 314	(a)		4, 4.02
	(c)		11.03
	(e)		11.04
§ 315	(a)		7.01, 7.02
	(b)		7.02, 7.05
	(c)		7.01
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§ 316	(a)		2.05, 6.02, 6.12, 6.13
	(b)		6.07, 6.08
	(c)		11.02
§ 317	(a) (1)		6.03
	(a) (2)		6.10
	(b)		2.03
§ 318			11.15

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EXHIBIT B	–	Form of Supplemental Indenture
EXHIBIT C	–	Form of Transfer Notice
EXHIBIT D	–	Form of Certificate for Transfer from Restricted Global Note or Certificated Note Bearing a Securities Act Legend to Regulation S Global Note or Certificated Note Not Bearing a Securities Act Legend
EXHIBIT E	–	Form of Transfer Certificate for Transfer from Regulation S Global Note or Certificated Note Not Bearing a Securities Act Legend to Restricted Global Note or Certificated Note Bearing a Securities Act Legend
EXHIBIT F	–	Form of Certificate for Removal of the Securities Act Legend on a Certificated Note

INDENTURE, dated as of June 3, 2011, among TAM CAPITAL 3 INC., an exempted company incorporated with limited liability in the Cayman Islands, as the Company, the GUARANTORS party hereto (the “**Guarantors**”), THE BANK OF NEW YORK MELLON, as Trustee, Registrar, Transfer Agent and Principal Paying Agent and THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A., as Luxembourg Transfer Agent.

RECITALS

The Company has duly authorized the issue of 8.375% Senior Guaranteed Notes Due 2021 (the “**Notes**”), initially in an aggregate principal amount of U.S.\$500,000,000, and has duly authorized the execution and delivery of this Indenture.

All things necessary have been done to make the Notes when executed and authenticated and delivered hereunder and duly issued, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company.

In addition, the Guarantors party hereto have duly authorized the execution and delivery of the Indenture as guarantors of the Notes.

Each Guarantor has done all things necessary to make the Note Guarantees, when the Notes are executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of such Guarantor, and to make the Indenture a valid agreement of such Guarantor.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. *Definitions.*

“**Act**,” when used with respect to any Holder, has the meaning specified in Section 1.05.

“**Additional Amounts**” has the meaning specified in Section 4.06.

“**Additional Notes**” means any notes issued under the Indenture in addition to the Notes, having the same terms in all respects as the Notes except for the issue date, issue price and that interest will accrue on the Additional Notes from their date of issuance.

“**Affiliate**” means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other Person who is a director or officer (i) of such specified Person, (ii) of any subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing.

“**Affiliate Transaction**” has the meaning specified in Section 4.10.

“**Agents**” means each of the Registrar, the Transfer Agents and the Paying Agents, including the Principal Paying Agent, individually, an “**Agent**.”

“**Applicable Procedures**” means the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

“**Authenticating Agent**” has the meaning specified in Section 2.02.

“**Authorized Denomination**” has the meaning specified in Section 2.02.

“**Board of Directors**” means the Board of Directors of the Company, or any Guarantor, as the case may be, or any committee thereof duly authorized to act on behalf of such Board of Directors.

“**Board Resolution**” means a copy of a resolution certified by the Secretary, the Assistant Secretary or another Officer or legal counsel performing corporate secretarial functions of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

“**Brazil**” means the Federative Republic of Brazil.

“**Brazilian Corporation Law**” means Brazilian Federal Law No. 6.404/76, as amended from time to time.

“**Business Day**” means any day other than a Saturday, a Sunday or a legal holiday in the Cayman Islands, Brazil or the United States or a day on which banking institutions or trust companies are authorized or obligated by law to close in the Cayman Islands, The City of New York, USA or São Paulo, Brazil.

“**Capital Lease Obligations**” means, with respect to any Person, any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person prepared in accordance with IFRS; the amount of such obligation shall be the capitalized amount thereof, determined in accordance with IFRS; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

“**Capital Stock**” means, with respect to any Person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting) such person’s equity, including any

preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

“**Cayman Islands**” means the Cayman Islands, a British Overseas Territory.

“**Certificated Note**” has the meaning specified in Section 2.01.

“**Change of Control**” means:

- (i) the direct or indirect sale or transfer of all or substantially all the assets of TAM S.A. to another Person (in each case, unless such other Person is a Permitted Holder); or
- (ii) the consummation of any transaction (including, without limitation, by merger, consolidation, acquisition or any other means) as a result of which any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, other than Permitted Holders) is or becomes the “beneficial owner” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of TAM S.A.; or
- (iii) the first day on which a majority of the Board of Directors of TAM S.A. consists of persons who were elected by shareholders who are not Permitted Holders.

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*, Luxembourg.

“**Closing Date**” means June 3, 2011 or such later date on which the Notes are issued hereunder.

“**Company**” means TAM Capital 3 Inc. until replaced by a successor thereof, and, thereafter, includes the successor for purposes of any provision contained herein.

“**Company Order**” means a written order signed in the name of the Company by an Officer.

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

“**Comparable Treasury Price**” means with respect to any redemption date for notes, the average of two Reference Treasury Dealer Quotations for such redemption date.

“**Corporate Trust Office**” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered (which office as of the date of this Indenture is located at 101 Barclay Street, Floor Four East, New York, NY 10286).

“**covenant defeasance option**” has the meaning specified in Section 8.01.

“**Custodian**” means any receiver, trustee, assignee, liquidator, custodian or similar official under any bankruptcy law.

“**CVM**” means the Brazilian Securities Commission (*Comissão de Valores Mobiliários*).

“**Debt**” means, with respect to any Person, without duplication:

(i) the principal of and premium, if any, in respect of (a) indebtedness of such Person for money borrowed and (b) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(ii) all Capital Lease Obligations of such Person;

(iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or other short term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations other than obligations described in clauses (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(v) all Hedging Obligations of such Person;

(vi) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment in respect thereof);

(vii) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(viii) any other obligations of such Person which are required to be, or are in such Person’s financial statements, recorded or treated as debt under IFRS.

“**Default**” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“**defeasance trust**” has the meaning specified in Section 8.02.

“**Depository**” means DTC or any successor depository for the Notes.

“**DTC**” means The Depository Trust Company.

“**Euroclear**” means Euroclear Bank S.A./N.V.

“**Event of Default**” has the meaning specified in Section 6.01.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Facsimile Instruction**” shall mean any Written Direction transmitted to the Trustee or any Agent by means of facsimile transmission.

“**Facsimile Signature**” shall mean any signature transmitted to the Trustee or any Agent by means of facsimile transmission.

“**Fitch**” means Fitch Ratings, Ltd. and its successors.

“**Global Note**” means a global note representing the Notes substantially in the form attached hereto as Exhibit A.

“**Governing Document**” shall mean any written instrument pursuant to which the Trustee or any Agent acts in any fiduciary or agency capacity on behalf of the Company or on behalf of the Holders.

“**guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“**Guarantor**” means (i) each of TAM S.A. and TAM Linhas Aéreas S.A., and (ii) each Person that executes a supplemental indenture in the form of Exhibit B to the Indenture providing for the guaranty of the payment of the Notes, or any successor obligor under the Note Guaranty pursuant to Section 5.01, in each case unless and until such Guarantor is released from its Note Guaranty pursuant to the Indenture.

“Hedging Agreement” means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates, (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

“Hedging Obligations” means, with respect to any Person, the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates or foreign exchange rates.

“Holder” or **“Noteholder”** means the Person in whose name a Note is registered in the Register.

“IFRS” means International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IASB, in each case as in effect from time to time.

“Incumbency Certificate” shall mean the list of authorized signatories of the Company on file with the Trustee.

“Indenture” means this Indenture, as amended or supplemented from time to time in accordance with the provisions hereof.

“Independent Investment Banker” means any one of the Reference Treasury Dealers appointed by the Issuer.

“Initial Purchasers” means the initial purchasers party to a purchase agreement with the Company and the Guarantors relating to the sale of the Notes by the Company.

“interest” on a Note means the interest on such Note (including any Additional Amounts payable by the Company in respect of such interest).

“Interest Payment Date” means the Payment Date of an installment of interest on the Notes.

“issue” means issue, assume, guarantee, incur or otherwise become liable for; *provided, however*, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be issued by such Subsidiary at the time it becomes a Subsidiary; and the term “issuance” has a corresponding meaning.

“Issue Date” means June 3, 2011.

“legal defeasance option” has the meaning specified in Section 8.01.

“Lien” means any mortgage, pledge, security interest, encumbrance, conditional sale or other title retention agreement or other similar lien.

“**Maturity**” means, when used with respect to any Note, the date on which the outstanding principal of and interest on such Note becomes due and payable as therein or herein provided, whether by declaration of acceleration, call for redemption or otherwise.

“**Note Guaranty**” means the guaranty of the Notes by a Guarantor pursuant to this Indenture.

“**Notes**” has the meaning specified in the first paragraph of the Recitals in this Indenture and shall be in the form of Note set forth in Exhibit A.

“**Offering Memorandum**” means the offering memorandum dated May 26, 2011 relating to the Notes.

“**Officer**” means the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary, of the Company or any Guarantor, as the case may be, or any other Person duly appointed by the shareholders of the Company, or such Guarantor, as the case may be, or the Board of Directors to perform corporate duties.

“**Officers’ Certificate**” means a certificate signed by any two Officers of the Company or any Guarantor, as the case may be, and delivered to the Trustee.

“**Opinion of Counsel**” means a written opinion of legal counsel of recognized standing (who may be an employee of or counsel to the Company or any Guarantor) and who shall be reasonably acceptable to the Trustee, which opinion is reasonably satisfactory to the Trustee.

“**Outstanding**” means, when used with respect to Notes, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

- (i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; *provided* that, if such Notes are to be redeemed pursuant to Section 3.01(b), notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;
- (iii) Notes, except to the extent provided in Sections 8.01 and 8.02, with respect to which the Company has effected legal defeasance and/or covenant defeasance as provided in Article 8; and
- (iv) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser or protected purchaser in whose hands such Notes are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Notes have given any request, demand, authorization, direction, consent, notice or waiver hereunder, Notes owned by the Company or any of its Affiliates shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, consent, notice or waiver, only Notes which a Responsible Officer of the Trustee has received written notice at its address specified herein of being so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company, or any other obligor upon the Notes or any of its or such other obligor's Affiliates.

"Paying Agent" means The Bank of New York Mellon and any other Person authorized by the Company to pay the principal of or interest on any Notes on behalf of the Company hereunder, including the Principal Paying Agent.

"Payment Date" means the date on which payment of interest on and/or principal of the Notes is due.

"Payment Default" has the meaning specified in Section 6.01.

"Permitted Holders" means any or all of the following

(i) an immediate family member of Noemy Almeida Oliveira Amaro, Maria Claudia Oliveira Amaro Demenato, Mauricio Rolim Amaro, Marcos Adolfo Tadeu Senamo Amaro and João Francisco Amaro or any Affiliate or immediate family member thereof; immediate family member of a person means the spouse, lineal descendants, father, mother, brother, sister, father-in-law, mother-in-law, brother-in-law and sister-in-law of such person; and

(ii) any Person the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned at least 51% by Persons specified in clause (i).

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

"Primary Treasury Dealer" means a primary U.S. government securities dealer in New York City.

"principal" of a Note means the principal amount of such Note (including any Additional Amounts payable by the Company in respect of such principal).

"Principal Paying Agent" means The Bank of New York Mellon, until a successor Principal Paying Agent shall have become such pursuant to the applicable provisions of this Indenture, and, thereafter, "Principal Paying Agent" shall mean such successor Principal Paying Agent.

“**Proceeding**” has the meaning specified in Section 11.10.

“**Process Agent**” has the meaning specified in Section 11.10.

“**Quotation Agent**” means the Reference Treasury Dealer appointed by the Company.

“**Rating Agency**” means Standard & Poor’s or Fitch; or if Standard & Poor’s or Fitch, or both, are not making rating of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by us, which will be substituted for Standard & Poor’s or Fitch, or both, as the case may be.

“**Rating Decline**” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible down grade by either Rating Agency) after the date of public notice of a Change of Control, or of our intention or that of any Person to effect a Change of Control, the then-applicable rating of the notes is decreased by each Rating Agency; provided that any such Rating Decline is in whole or in part in connection with a Change in Control.

“**Record Date**” means, when used with respect to the interest on the Notes payable on any Interest Payment Date, the May 18 and November 18 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date.

“**Redemption Date**” means, when used with respect to any Note to be redeemed pursuant to Section 3.01(b), the date fixed for such redemption by or pursuant to this Indenture.

“**Redemption Price**” means, when used with respect to any Notes to be redeemed pursuant to Section 3.01(b), the price at which it is to be redeemed pursuant to this Indenture.

“**Reference Treasury Dealer**” means Citigroup Global Markets Inc. and its respective successors; provided, however, that if Citigroup Global Markets Inc. shall cease to be a Primary Treasury Dealer, we will substitute therefor another Primary Treasury Dealer.

“**Reference Treasury Dealer Quotations**” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

“**Register**” has the meaning specified in Section 2.03.

“**Registrar**” means The Bank of New York Mellon, until a successor Registrar shall have become such pursuant to the applicable provisions of this Indenture, and, thereafter, “Registrar” shall mean such successor Registrar.

“**Regulation S**” means Regulation S under the Securities Act, as in effect from time to time.

“**Regulation S Global Note**” means one or more permanent Global Notes in definitive fully registered form without interest coupons representing Notes sold outside of the United States pursuant to Regulation S.

“**Relevant Date**” means, with respect to any payment on a Note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the Trustee or a Paying Agent on or prior to such due date, the date on which notice is given to the Holders that the full amount has been received by the Trustee.

“**Responsible Officer**” means any officer of the Trustee or any Agent in Corporate Trust Administration with direct responsibility for the administration of this Indenture.

“**Restricted Global Note**” means one or more permanent Global Notes in definitive fully registered form without interest coupons sold to “qualified institutional buyers” (as such term is defined in Rule 144A) pursuant to Rule 144A.

“**Restricted Period**” means the relevant 40-day distribution compliance period as defined in Regulation S.

“**Rule 144A**” means Rule 144A under the Securities Act, as in effect from time to time.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Securities Act Legend**” means the following legend, printed in capital letters:

THIS NOTE (AND RELATED NOTE GUARANTEES) HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER (1) REPRESENTS THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT OR (B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN.

“**Significant Subsidiary**” means any Subsidiary of TAM S.A. (or any successor) which at the time of determination either (i) had assets which, as of the date of TAM S.A.’s (or such successor’s) most recent quarterly consolidated balance sheet, constituted at least 10% of TAM S.A.’s (or such successor’s) total assets on a consolidated basis as of such date or (ii) had revenues for the 12 month period ending on the date of TAM S.A.’s (or such successor’s) most recent quarterly consolidated statement of income which constituted at least 10% of the TAM S.A.’s (or such successor’s) total revenues on a consolidated basis for such period.

“**Standard & Poor’s**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“**Stated Maturity**” means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the Holder thereof upon the happening of any contingency unless such contingency has occurred).

“**Subsidiary**” means, in respect of any specified Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person.

“**Taxing Jurisdiction**” has the meaning specified in Section 4.06.

“**Transfer Agent**” means The Bank of New York Mellon and any other Person authorized by the Company to effectuate the exchange or transfer of any Note on behalf of the Company hereunder.

“**Treasury Rate**” means, with respect to any redemption date, (1) the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15 (519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the maturity date of the notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined, and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

“**Trust Indenture Act**” means the U.S. Trust Indenture Act of 1939, as amended.

“**Trustee**” means The Bank of New York Mellon, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture and, thereafter, “Trustee” shall mean such successor Trustee.

“**United States**” and “**U.S.**” means the United States of America (including the States and the District of Columbia) and its territories, its possessions and other areas subject to its jurisdiction.

“**U.S. Dollars**” and “**U.S.\$**” each mean the currency of the United States.

“**U.S. Government Obligations**” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States is pledged and which are not callable at the issuer's option.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“**Wholly-Owned Subsidiary**” means a Subsidiary all of the Capital Stock of which (other than directors’ qualifying shares) is owned by the Company or another Wholly-Owned Subsidiary.

“**Written Direction**” shall mean any written instrument, directing the Trustee or any Agent to take any action that is signed by an authorized representative of the Company whose signature appears on the Incumbency Certificate.

Section 1.02. *Rules of Construction.* (a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (i) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
 - (ii) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;
 - (iii) “or” is not exclusive; and
 - (iv) “including” means including, without limitation;
 - (v) any reference to an “Article”, a “Section” or an “Exhibit” refers to an Article, a Section or an Exhibit, as the case may be, of this Indenture.
- (b) All accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with IFRS.

(c) For purposes of the definitions set forth in Article 1 and this Indenture generally, all calculations and determinations shall be made in accordance with IFRS and shall be based upon the consolidated financial statements of TAM S.A. and its Subsidiaries prepared in accordance with IFRS.

Section 1.03. *Table of Contents; Headings.* The table of contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 1.04. *Form of Documents Delivered to Trustee.* In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Officer or Officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.05. *Holder Communications; Acts of Holders.* (a) The rights of Holders to communicate with other Holders with respect to the Indenture or the Notes are as provided by the Trust Indenture Act, and the Company, the Guarantors and the Trustee shall comply with the requirements of Trust Indenture Act Sections 312(a) and 312(b). Neither the Company, the Guarantors nor the Trustee will be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

(b) (i) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in Person or by agents duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “**Act**” of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 1.05.

(ii) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner that the Trustee reviewing such instrument or writing deems sufficient.

(d) The principal amount and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Register.

(e) If the Company solicits from the Holders of Notes any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall not have any obligation to do so. Such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Notes shall be computed as of such record date; *provided* that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

ARTICLE 2

THE NOTES

Section 2.01. *Form and Dating.* The Notes and the Trustee's certificate of authentication shall be substantially in the form of Note set forth in Exhibit A, which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such notations, legends or endorsements as may be required to comply with any law, stock exchange rule, agreement to which the Company is subject, if any, or usage, *provided* that any such notation, legend or endorsement is in a form acceptable to the Company.

Each Global Note representing Notes shall be dated the Issue Date. Each definitive certificated Note ("**Certificated Note**") shall be dated the date of its authentication.

The Notes shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any stock exchange on which the Notes may be listed, if any, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Section 2.02. *Execution, Authentication and Delivery.* (a) One Director of the Company shall sign the Notes for the Company by manual or facsimile signature.

(i) If a Director whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

(ii) A Note shall not be valid until an authorized signatory of the Trustee or an authenticating agent manually signs the certificate of authentication on the Note upon Company Order. Such signature shall be conclusive evidence that the Note has been authenticated under this Indenture. Such Company Order shall specify the amount of the Notes to be authenticated and the date on which the original issue of Notes is to be authenticated.

(iii) The Trustee or an authenticating agent shall authenticate and deliver initially Notes on the Issue Date in an aggregate principal amount of U.S.\$500,000,000, and any Additional Notes for original issue from time to time after the Issue Date in such principal amounts as set forth in Section 2.14, in each case upon a Company Order.

(iv) The Company may from time to time, without the consent of the Holders of the Notes, create and issue Additional Notes having the same terms and conditions as the Notes in all respects, except for issue date, issue price and the first payment of interest thereon. Additional Notes issued in this manner shall be consolidated with and shall form a single series for non-U.S. federal income tax purposes with the previously outstanding Notes; provided that any such Additional Notes issued under the same CUSIP as any previously issued Notes shall be issued either in a “qualified reopening” for U.S. federal income tax purposes or with no more than *de minimis* original issue discount for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of this Indenture and the form of Note attached hereto, references to the Notes include any Additional Notes actually issued.

(v) The Notes shall be issued in fully registered form without coupons attached in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorized Denomination**”).

(b) The Trustee may appoint an authenticating agent, with a copy of such appointment to the Company, to authenticate the Notes (the “**Authenticating Agent**”). Unless limited by the terms of such appointment, an Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by an Authenticating Agent. An Authenticating Agent has the same rights as the Registrar or any Transfer Agent or Paying Agent or agent for service of notices and demands.

(i) Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business (and this transaction in particular) of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation.

(ii) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Company. Upon receiving such notice of resignation or upon such a termination, the Trustee may appoint a successor Authenticating Agent reasonably acceptable to the Company and shall give written notice of such appointment to the Company.

(iii) The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services and reimbursement for its reasonable expenses relating thereto.

Section 2.03. *Transfer Agent, Registrar and Paying Agent.* (a) Subject to such reasonable regulations as the Company may prescribe, the books of the Company for the exchange, registration, and registration of transfer of Notes shall be kept at the office of the Registrar (such books maintained in such office and in any other office or agency designated for such purpose being herein referred to as the “**Register**”). The Company shall also cause the Trustee to maintain books for the exchange, registration and registration of transfer of Notes. The Trustee shall notify the Registrar and the Registrar shall notify the Trustee, when necessary, upon any exchange, registration or registration of transfer of any Notes and shall cause their respective books to be amended accordingly. The Company may have one or more co-registrars and one or more additional Transfer Agents or Paying Agents. The terms “**Transfer Agent**” and “**Paying Agent**” include any additional transfer agent or paying agent, as the case may be. The term “**Registrar**” includes any co-registrar.

(i) The Company shall enter into any appropriate agency agreements with any Registrar, Transfer Agent or Paying Agent not a party to this Indenture, which shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee may act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.06. The Company initially appoints the Trustee as Registrar, Transfer Agent and Principal Paying Agent, and The Bank of New York Mellon (Luxembourg) S.A. as Transfer Agent in Luxembourg in connection with the Notes.

(b) The Registrar shall keep a record of all the Notes and shall make such record available during regular business hours for inspection upon the request of the Company provided a reasonable amount of time prior to such inspection. Such books and records shall include notations as to whether such Notes have been redeemed, or otherwise paid or cancelled, and, in the case of mutilated, destroyed, defaced, stolen or lost Notes, whether such Notes have been replaced. In the case of the replacement of any of the Notes, the Registrar shall keep a record of the Note so replaced, and the Notes issued in replacement thereof. In the case of the cancellation of any of the Notes, the Registrar shall keep a record of the Note so cancelled and the date on which such Note was cancelled. Each Transfer Agent shall notify the Trustee and the Registrar of any transfers or exchanges of Notes effected by it. The Registrar shall not be required to register the transfer of or exchange Certificated Notes for a period of 15 days preceding any date of selection of Notes for redemption, or register the transfer of or exchange any Certificated Notes previously called for redemption.

(c) All Notes surrendered for payment, redemption, registration of transfer or exchange shall be cancelled by the relevant Transfer Agent or Paying Agent, Registrar or the Trustee, as the case may be. Each Registrar, Paying Agent and Transfer Agent shall notify the Trustee of the surrender and cancellation of such Notes and shall deliver such Notes to the Trustee. The Trustee may destroy or cause to be destroyed all such Notes surrendered for payment, redemption, registration of transfer or exchange and, if so destroyed, shall upon the instructions of the Company promptly deliver a certificate of destruction to the Company.

(d) The Paying Agent shall comply with applicable backup withholding tax and information reporting requirements under the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations promulgated thereunder with respect to payments made under the Notes (including, to the extent required, the collection of Internal Revenue Service Forms W-8 and W-9 and the filing of U.S. Internal Revenue Service Forms 1099 and 1096).

Section 2.04. *Paying Agent to Hold Money in Trust.* By 10:00 A.M. New York time, no later than one Business Day prior to each Payment Date on any Note, the Company shall deposit with the Principal Paying Agent in immediately available funds a sum sufficient to pay such principal and interest when so becoming due (including any amounts under Section 4.06). The Company shall request that the bank through which such payment is to be made agree to supply to the Principal Paying Agent by 10:00 A.M. (New York time) two Business Days prior to the due date from any such payment an irrevocable confirmation (by facsimile) of its intention to make such payment. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that such Paying Agent shall hold in trust, for the benefit of Holders or the Trustee, all money held by such Paying Agent for the payment of principal and interest on the Notes and shall notify the Trustee of any default by the Company in making any such payment. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by it. Upon complying with this Section 2.04, the Paying Agent shall have no further liability for the money delivered to the Trustee.

Each payment in full of principal, redemption amount, additional amounts and/or interest payable under the Notes and this Indenture in respect of any Note made by or on behalf of the Company or a Guarantor to or to the order of the Principal Paying Agent in the manner specified herein or in the Notes on the date due shall be valid and effective to satisfy and discharge the obligation of the Company or such Guarantor, as the case may be, to make payment of principal, redemption amount, additional amounts and/or interest payable hereunder and under the Notes on such date, provided, however, that the liability of the Principal Paying Agent hereunder shall not exceed any amounts paid to it by the Company or such Guarantor, as the case may be, or held by it, on behalf of the Holders hereunder.

Section 2.05. *Payment of Principal and Interest; Principal and Interest Rights Preserved.* (a) Except as otherwise provided herein for the redemption of the Notes, the payment of principal of or interest on the Notes shall be allocated on a pro rata basis among all Outstanding Notes, without preference or priority of any kind among the Notes.

(b) Final payments in respect of any Note (whether upon redemption, declaration of acceleration or otherwise) shall be made only against presentation and surrender of such Note at the Corporate Trust Office, at the offices of the Trustee and, subject to any fiscal or other laws and regulations applicable thereto, at the specified offices of any other Paying Agent appointed by the Company.

(c) Payment of the principal of any Note on a relevant Payment Date shall be made to the Person in whose name such Note is registered in the Register at the close of business on the fifteenth day (whether or not a Business Day) immediately preceding such Payment Date, by U.S. Dollar check drawn on a bank in The City of New York and mailed to the Person entitled thereto at its address as it appears on the Register, or by wire transfer to a U.S. Dollar account maintained by the payee with a bank in The City of New York, *provided* that such Holder so elects by giving written notice to such effect designating such account, upon application to the Trustee at least 15 days prior to such Payment Date.

(d) Payment of interest on each Interest Payment Date with respect to any Note shall be made to the Person in whose name such Note is registered on the Record Date immediately preceding such Interest Payment Date by U.S. Dollar check drawn on a bank in The City of New York and mailed to the Person entitled thereto at its address as it appears on the Register, or by wire transfer to a U.S. Dollar account maintained by the payee with a bank in The City of New York, *provided* that the Holder so elects by giving written notice to such effect designating such account, which is received by the Trustee or a Paying Agent no later than the Record Date immediately preceding such Interest Payment Date. Unless such designation is revoked, any such designation made by such Holder with respect to such Note shall remain in effect with respect to any future payments with respect to such Note payable to such Holder. The Company shall pay any administrative costs imposed by banks in connection with making payments by wire transfer.

If the Payment Date in respect of any Note is not a business day at the place in which it is presented for payment, the Holder thereof shall not be entitled to payment of the amount due until the next succeeding business day at such place and shall not be entitled to any further interest or other payment in respect of any such delay.

Notwithstanding the provisions of this Section 2.05, payments on Notes registered in the name of DTC or its nominee shall be effected in accordance with the Applicable Procedures.

Section 2.06. *Holder Lists.* The Trustee shall preserve in as current a form as is reasonably practicable, the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee in writing, at least ten Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

Section 2.07. *Transfer and Exchange.* (a) Interests in the Regulation S Global Note and the Restricted Global Note shall be exchangeable or transferable, as the case may be, for physical delivery of Certificated Notes if (i) DTC notifies the Company that it is unwilling or unable to continue as depositary for such Global Note, or DTC ceases to be a “clearing agency” registered under the Exchange Act, and a successor depositary is not appointed by the Company within 90 days, or (ii) an Event of Default has occurred and is continuing with respect to such Notes, *provided* that such transfer or exchange is made in accordance with the provisions of this Indenture and the Applicable Procedures.

Upon receipt of notice by DTC or the Trustee, as the case may be, regarding the occurrence of any of the events described in the preceding paragraph, the Company shall use its best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for individual Certificated Notes, and cause the requested individual Certificated Notes to be executed and delivered to the Trustee in sufficient quantities and authenticated by the Trustee for delivery to Holders. In the case of Certificated Notes issued in exchange for the Restricted Global Note, such Certificated Notes shall bear the Securities Act Legend. Upon the registration of transfer, exchange or replacement of Notes bearing such Securities Act Legend, or upon specific request for removal of the Securities Act Legend on a Note, the Company shall deliver only Notes that bear such Securities Act Legend, or shall refuse to remove such Securities Act Legend, as the case may be, unless there is delivered to the Company a certificate in the form of Exhibit D or Exhibit F, as the case may be, or such satisfactory evidence as may reasonably be required by the Company, which may include an Opinion of Counsel, that neither the Securities Act Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. The Trustee shall exchange a Note bearing the Securities Act Legend for a Note not bearing such Securities Act Legend only if it has been directed to do so in writing by the Company, upon which direction it may conclusively rely.

(b) On or prior to the 40th day after the Closing Date, transfers by a DTC participant which is an owner of a beneficial interest in the Regulation S Global Note to a transferee who takes delivery of such interest through the Restricted Global Note shall be made only in Authorized Denominations in accordance with the Applicable Procedures and upon receipt by the Trustee or Transfer Agent of a written certification from the transferor of the beneficial interest in the form of Exhibit E to the effect that such transfer is being made to a Person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirement shall no longer apply to such transfers.

(c) Transfers by a Holder of a Certificated Note bearing the Securities Act Legend or by a DTC participant of a beneficial interest in the Restricted Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note or in the form of a Certificated Note not bearing the Securities Act Legend shall be made only in Authorized Denominations upon receipt by the Trustee or Transfer Agent of a written certification from the transferor in the form of Exhibit D to the effect that such transfer is being made in accordance with Regulation S.

Beneficial interests in the Global Notes shall be shown on, and transfers thereof shall be effected only through records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

Transfers between participants in DTC shall be effected in the ordinary way in accordance with the Applicable Procedures and shall be settled in DTC's Same Day Funds Settlement System and secondary market trading activity in such Notes shall therefore settle in immediately available funds. There can be no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the Notes. Transfers between participants in Euroclear and Clearstream, Luxembourg shall be effected in the ordinary way in accordance with Applicable Procedures.

(d) Certificated Notes may be exchanged or transferred in whole or in part in the principal amount of Authorized Denominations by surrendering such Certificated Notes at the office of the Trustee or any Transfer Agent with a written instrument of transfer as provided in this Indenture in the form of Exhibit B hereto duly executed by the Holder thereof or his attorney duly authorized in writing.

In exchange for any Certificated Note properly presented for transfer, the Trustee shall promptly authenticate and deliver or cause to be authenticated and delivered at the Corporate Trust Office, to the transferee, or send by mail (at the risk of the transferee) to such address as the transferee may request, a Certificated Note or Notes, as the case may require, registered in the name of such transferee, for the same aggregate principal amount as was transferred. In the case of the transfer of any Certificated Note in part, the Trustee shall also promptly authenticate and deliver or cause to be authenticated and delivered at the Corporate Trust Office, to the transferor, or send by mail (at the risk of the transferor) to such address as the transferor may request, a Certificated Note or Notes, as the case may require, registered in the name of such transferor, for the aggregate principal amount that was not transferred. No transfer of any Notes shall be made unless the request for such transfer is made by the registered Holder or his attorney duly authorized in writing at the Corporate Trust Office and is accompanied by a completed instrument of transfer in the form of Exhibit C attached to the Note presented for transfer.

(e) Transfer, registration and exchange of any Note or Notes shall be permitted and executed as provided in this Section 2.07 without any charge to the Holder of any such Note or Notes other than any taxes or governmental charges or insurance charges payable on transfers or any expenses of delivery by other than regular mail, but subject to such reasonable regulations as the Company, the Registrar and the Trustee may prescribe.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions, except for the expense of delivery by other than regular mail (if any) and except for the payment of a sum sufficient to cover any tax or other governmental charges or insurance charges that may be imposed in relation thereto, shall be borne by the Company.

All Certificated Notes issued upon any exchange or registration of transfer of Notes shall be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon exchange or registration of transfer.

(f) The Trustee or the Transfer Agent shall effect transfers of Global Notes and Certificated Notes. In addition, the Registrar shall keep the Register for the ownership, exchange and registration of transfer of any Notes. The Transfer Agent shall give prompt notice to the Registrar and the Registrar shall likewise give prompt notice to the Trustee of any exchange or registration of transfer of such Notes. Neither the Trustee nor any Transfer Agent shall register the exchange or the transfer of any Global Note or Certificated Note (or any portion of a Certificated Note) during the period of 15 days ending on the Record Date. The Trustee shall give prompt notice to the Company of any replacement, transfer, cancellation or destruction of the Notes.

(g) Upon any such exchange or registration of transfer of all or a portion of any Global Note for a Certificated Note or an interest in either the Restricted Global Note or the Regulation S Global Note for an interest in the other Global Note, the Global Note to be so exchanged shall be marked to reflect the reduction of its principal amount by the aggregate principal amount of such Certificated Note or the interest to be so exchanged for an interest in a Regulation S Global Note or a Restricted Global Note, as the case may be. Until so exchanged in full, the Note shall in all respects be entitled to the same benefits under this Indenture as the Notes authenticated and delivered hereunder.

Section 2.08. *Replacement Notes.* If any Note at any time becomes mutilated, defaced, destroyed, stolen or lost, such Note may be replaced at the cost of the applicant (including reasonable legal fees of the Company, the Trustee, the Transfer Agents, the Registrar and the Paying Agents) at the office of the Trustee or any Transfer Agent, upon provision of, in the case of destroyed, stolen or lost Notes, evidence satisfactory to the Trustee and the Company that such Note was destroyed, stolen or lost, together with such indemnity as the Trustee and the Company may require. Mutilated or defaced Notes must be surrendered before replacements shall be issued.

Each Note authenticated and delivered in exchange for or in lieu of any such Note shall carry rights to accrued and unpaid interest and to interest to accrue equivalent to the rights that were carried by such Note before such Note was mutilated, defaced, destroyed, stolen or lost.

Every replacement Note is an additional obligation of the Company and shall be entitled to the benefits of this Indenture.

Section 2.09. *Temporary Notes.* Subject to the provisions of Section 2.07(a), until Certificated Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Certificated Notes but may have variations that the Company considers appropriate for temporary Notes. As necessary, the Company shall prepare and the Trustee shall authenticate Certificated Notes and deliver them in exchange for temporary Notes at the office or agency of the Company or the Trustee, without charge to the Holder. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as Certificated Notes.

Section 2.10. *Cancellation*. The Company at any time may deliver Notes to the Trustee for cancellation. The Transfer Agents and the Paying Agents shall forward to the Trustee any Notes surrendered to them for transfer, exchange or payment. The Trustee or a Paying Agent and no one else shall cancel and the Trustee shall destroy in accordance with its customary procedures (subject to the record-retention requirements of the Exchange Act) all Notes surrendered for transfer, exchange, payment or cancellation and, if so destroyed, upon written instruction from the Company deliver a certificate of such destruction to the Company unless the Company directs the Trustee in writing to deliver cancelled Notes to the Company. The Company may not issue new Notes to replace Notes it has redeemed, paid or delivered to the Trustee for cancellation, which shall not prohibit the Company from issuing any Additional Notes. A Note does not cease to be outstanding because the Company, the Guarantor or any of their Affiliates holds such Note, except that such Notes will not be deemed to be Outstanding for voting purposes pursuant to and in accordance with the definition of “Outstanding” in Section 1.01.

Section 2.11. *Defaulted Interest*. If the Company defaults in a payment of interest on the Notes, the Company shall pay the defaulted interest (plus interest on such defaulted interest at the rate specified in Section 4.01 to the extent lawful) in any lawful manner not inconsistent with the requirements of any stock exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this Section 2.11, such manner of payment shall be deemed practicable by the Trustee.

The Company may pay the defaulted interest to the Persons who are Holders on a subsequent special record date, which date shall be at least five Business Days prior to the payment date of such defaulted interest. The Company shall fix or cause to be fixed any such special record date and payment date, and, at least 15 days before any such special record date, the Company shall deliver to each Holder, with a copy to the Trustee, a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

Section 2.12. *CUSIP and ISIN Numbers*. The Company in issuing the Notes may use CUSIP and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP and ISIN numbers in notices as a convenience to Holders; *provided, however*, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice and that reliance may be placed only on the other identification numbers printed on the Notes, and any such notice shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee in writing of any change in CUSIP or ISIN numbers.

Section 2.13. *Open Market Purchases*. The Company or any of its Affiliates may at any time purchase Notes in the open market or otherwise at any agreed upon price. All Notes so purchased may not be reissued or resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Section 2.14. *Issuance Of Additional Notes*. The Company shall be entitled, from time to time, without notice to, or consent of, the Holders of the Notes, to create and issue additional principal amounts of Additional Notes under this Indenture which shall have identical terms as the Notes issued on the Issue Date (other than with respect to the issue date, issue price, the payment of interest accruing prior to the issue date thereof and the first payment of interest (including Additional Interest, if any) thereon, and any Additional Amounts due with respect thereto, after the issue date thereof), as the case may be; provided that any such Additional Notes issued under the same CUSIP as any previously issued Notes shall be issued either in a “qualified reopening” for U.S. federal income tax purposes or with no more than *de minimis* original issue discount for U.S. federal income tax purposes.

With respect to any Additional Notes, the Company shall set forth in a Board Resolution and an Officers' Certificate, a copy of each shall be delivered to the Trustee, the following information:

- (i) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;
- (ii) the issue price, the issue date and the "CUSIP" and "ISIN" number of any such Additional Notes and the amount of interest payable on the first payment date applicable thereto;
- (iii) whether such Additional Notes shall be transfer restricted securities and issued in the same form as Notes, as set forth in Exhibit A to this Indenture; and
- (iv) if applicable, the resale restriction termination date relating to the Notes and the Restricted Period for such Additional Notes.

Section 2.15. *One Class Of Notes.* The Notes and any Additional Notes shall vote and consent together on all matters as one class; and none of the Notes and any Additional Notes shall have the right to vote or consent as a separate class on any matter. The Notes and any Additional Notes shall together be deemed to constitute a single class or series for all purposes, other than for U.S. federal income tax purposes, under this Indenture.

ARTICLE 3 REDEMPTION

Section 3.01. *Right of Redemption.* (a) Except as described in this Section 3.01 and Paragraph 8 of the form of Note set forth in Exhibit A, the Notes may not be redeemed.

(b) (1) On or prior to June 3, 2016, the Notes shall be redeemable, at the option of the Company, in whole or in part, on any Interest Payment Date, at a redemption price equal to the greater of (A) 100% of the principal amount of the notes to be redeemed and (B) the sum of the present values of the remaining scheduled payments of principal and interest on such notes (exclusive of interest accrued on the Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 100 basis points, plus, in either case, accrued and unpaid interest and additional amounts, if any, on the principal amount being redeemed to such Redemption Date; and

(2) After June 3, 2016, the notes will be redeemable, at the option of the Company, in whole or in part, on any Redemption Date, at the redemption prices (expressed as percentages of their principal amount at maturity), during the 12 month period commencing on June 3, 2016 of any year set forth below:

Year	Redemption Price
2016	104.188%
2017	102.792%
2018	101.396%
2019 and thereafter	100.000%

plus in the case of either (1) or (2), any interest accrued but not paid and additional amounts, if any, to the Redemption Date; *provided, however*, that if the notes are redeemed in part, at least U.S.\$100,000,000 aggregate principal amount of the notes must remain outstanding following any partial redemption. For the avoidance of doubt, any calculation of the remaining scheduled payments of principal and interest pursuant to clause (2) of the preceding sentence shall not include interest accrued as of the applicable Redemption Date.

(c) *Redemption for Taxation Reasons.* If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws, any treaties, rules, or related agreements to which the Taxing Jurisdiction is a party or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the Notes or on or after the date a successor to the Company assumes the obligations under the Notes, (i) the Company or any successor to the Company has or will become obligated to pay Additional Amounts (as defined below in Section 4.06) or (ii) either of the Guarantors or any successor to the Guarantor has or will become obligated to pay Additional Amounts in excess of the Additional Amounts either such Guarantor or any such successor to the Guarantor would be obligated to pay if payments were subject to withholding or deduction at a rate equal to the withholding tax rate imposed by Brazil as of the issue date of the notes, determined, in each case, without reference to any interest, fees, penalties, or other additions to tax (the “**Minimum Withholding Level**”), as a result of the taxes, duties, assessments and other governmental charges described above, the Company or any successor to the Company may, at their option, redeem all, but not less than all, of the Notes, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest to the date fixed for redemption, including any Additional Amounts with respect thereto, upon publication of irrevocable notice to Holders not less than 30 days nor more than 60 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 60 days prior to the earliest date on which either (x) the Company or any successor to the Company would, but for such redemption, become obligated to pay any Additional Amounts, or (y) in the case of payments made under the Guarantees, either Guarantor or any successor to the Guarantor would, but for such redemption, be obligated to pay the Additional Amounts in excess of the Minimum Withholding Level were a payment then due. For the avoidance of doubt, the Company or any successor to the Company shall not have the right to so redeem the Notes unless (a) it is obligated to pay Additional Amounts or (b) either Guarantor or any successor to the Guarantor is obliged to pay Additional Amounts that in the aggregate amount to more than the Additional Amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Company or any successor to the Company shall not have the right to so redeem the Notes unless it has taken reasonable measures to avoid the obligation to pay Additional Amounts. For the avoidance of doubt, reasonable measures do not include changing the jurisdiction of incorporation of the Company or any successor to the Company or the jurisdiction of incorporation of a Guarantor or any successor to either Guarantor.

In the event that the Company or any successor elects to so redeem the Notes pursuant to Section 3.01(c), it will deliver to the Trustee: (i) a certificate, signed in the name of the Company or any successor to the Company by any two of its executive officers or by its attorney-in -fact in accordance with its bylaws, stating that the Company or any successor to the Company is entitled to redeem the Notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Company or any successor to the Company to so redeem have occurred or been satisfied; and (ii) an Opinion of Counsel to the effect that (1) the Company or any successor to the Company has or will become obligated to pay Additional Amounts or either Guarantor or any successor to the Guarantor has or will become obligated to pay Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level, (2) such obligation is the result of a change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, as described above and (3) that all governmental requirements necessary for the Company or any successor to the Company to effect the redemption have been complied with.

Section 3.02. *Applicability of Article.* Redemption of Notes at the option of the Company, as permitted by Section 3.01 or required by any provision of this Indenture, shall be made in accordance with such provision and this Article 3. The redemption of Notes may require the prior approval of the Central Bank of Brazil.

Section 3.03. *Election to Redeem; Notice to Trustee.* The election of the Company to redeem the Notes pursuant to Section 3.01(b) or 3.01(c) shall be evidenced by a Board Resolution. In case of any redemption of Notes at the election of the Company, the Company shall, at least 70 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date.

Section 3.04. *Notice of Redemption by the Company.* In the case of redemption of Notes pursuant to Section 3.01(b) or 3.01(c), notice of redemption shall be mailed at least 30 but not more than 60 days before the Redemption Date to each Holder of any Note to be redeemed by first-class mail at its registered address and such notice shall be irrevocable. In addition, so long as the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange, notices shall be published in English in a leading newspaper having general circulation in Luxembourg.

The notice shall state:

- (i) the Redemption Date;
- (ii) the Redemption Price;
- (iii) the name and address of the Paying Agents;

- (iv) that Notes called for redemption must be surrendered to a Paying Agent to collect the Redemption Price;
- (v) that, unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;
- (vi) the paragraph of the Notes pursuant to which the Notes called for redemption are being redeemed;
- (vii) the CUSIP or ISIN number, if any; and
- (viii) that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, if any, listed in such notice or printed on the Notes.

At the Company's election and at its request, made in writing to the Trustee at least 60 days before a date for redemption of Notes, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; *provided* that the Company shall deliver to the Trustee, at least 70 days prior to the Redemption Date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.05. *Deposit of Redemption Price.* By 10:00 A.M. New York City time, no later than one Business Day prior to the Redemption Date, the Company shall deposit with the Principal Paying Agent money sufficient to pay the Redemption Price of and accrued and unpaid interest on the Notes other than Notes that have been delivered by the Company to the Trustee at least 15 days prior to the Redemption Date for cancellation. The Company shall request that the bank through which such payment is to be made agree to supply to the Principal Paying Agent by 10:00 A.M. (New York time) two Business Days prior to the due date from any such payment an irrevocable confirmation (by facsimile) of its intention to make such payment.

Section 3.06. *Effect of Notice of Redemption.* Notice of redemption having been given as aforesaid, the Notes shall, on the Redemption Date, become due and payable at the applicable Redemption Price (together with accrued and unpaid interest, if any, to the Redemption Date), and from and after such date (except in the event of a default in the payment of the Redemption Price and accrued and unpaid interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with such notice, such Note shall be paid by the Company at the Redemption Price, together with accrued and unpaid interest, if any, to the Redemption Date; *provided, however*, that installments of interest whose Payment Date is on or prior to the Redemption Date shall be payable to the Holders of such Notes registered as such at the close of business on the relevant Record Dates according to their terms.

If any Note to be redeemed shall not be so paid upon surrender thereof in accordance with the Company's instructions for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes. Upon surrender to the Paying Agent, such Notes shall be paid at the applicable Redemption Price, plus accrued and unpaid interest to the Redemption Date; *provided, however*, that installments of interest payable on or prior to the redemption date shall be payable to the Holders of such Notes registered as such at the close of business on the relevant Record Date according to their terms.

Section 3.07. *Notes Redeemed In Part.* Upon surrender of a Note that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder thereof (at the Company's expense) a new Note, equal in a principal amount to the unredeemed portion of the Note surrendered; *provided* that each new Note shall be in a principal amount of U.S.\$200,000 or an integral multiple of U.S.\$1,000 in excess thereof.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

ARTICLE 4 COVENANTS

Section 4.01. *Payment of Principal and Interest Under the Notes.* The Company shall punctually pay the principal of and interest on the Notes on the dates and in the manner provided in the form of Note set forth as Exhibit A. By 10:00 a.m. (New York City time), no later than one Business Day prior to any Payment Date, the Company shall irrevocably deposit with the Trustee or with the Principal Paying Agent money sufficient to pay such principal and interest.

The Company shall pay interest on overdue principal or installments of interest, to the extent lawful, at the rate borne by the Notes plus 1% per annum.

No interest shall be payable hereunder in excess of the maximum rate permitted by applicable law.

Section 4.02. *Maintenance of Office or Agency.* The Company shall maintain in each place of payment for the Notes an office or agency where Notes may be presented or surrendered for payment and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Corporate Trust Office of the Trustee shall be such office or agency of the Company, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company shall give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Section 4.03. *Money for Note Payments to Be Held in Trust.* If the Company shall at any time act as its own Paying Agent, it shall, on or before each due date of principal of or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Notes, it shall, on or before each due date of principal of or interest on any Notes, irrevocably deposit with a Paying Agent a sum sufficient to pay such principal and interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee in writing of such action or any failure so to act.

Each Paying Agent, subject to the provisions of this Section 4.03, shall:

- (i) hold all sums held by it for the payment of principal of or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein; *provided, however*, such sums need not be segregated from other funds held by it, except as required by law;
- (ii) give the Trustee written notice of any Default by the Company (or any other obligor upon the Notes) in the making of any payment of principal or interest; and
- (iii) at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company shall cause each Paying Agent (other than the Principal Paying Agent) to execute and deliver an instrument in which such Paying Agent shall agree with the Trustee to act as a Paying Agent in accordance with this Section 4.03.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Company at the request of the Company, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, shall, upon request and at the expense of the Company, cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in (i) the Borough of Manhattan, The City of New York and (ii) so long as the Notes continue to be listed on the Euro MTF market of the Luxembourg Stock Exchange, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining shall be repaid to the Company.

Section 4.04. *Maintenance of Corporate Existence.* TAM S.A. shall, and shall cause each of its Subsidiaries to, (i) maintain in effect its corporate existence and all registrations necessary therefor, *provided* that these restrictions shall not prohibit any transactions permitted by Article 5 or the merger of any Subsidiary with or into TAM S.A. or with or into any other Wholly-Owned Subsidiary of TAM S.A.; (ii) take all reasonable actions to maintain all rights, privileges, titles to property, franchises and the like necessary in the normal conduct of its business, activities or operations; and (iii) maintain or cause to be maintained in good repair, working order and condition (normal wear and tear excepted) all properties used in their business; *provided, however*, that neither TAM S.A. nor its Subsidiaries shall be prevented from discontinuing those operations (including through the transfer or dissolution of a Subsidiary) or suspending the maintenance of those properties (including through the sale thereof) which, in the reasonable judgment of TAM S.A. are no longer necessary in the conduct of TAM S.A.'s business, or that of its Subsidiaries; and *provided, further*, that such discontinuation of operations or suspension of maintenance shall not be materially disadvantageous to the Holders of the Notes.

Section 4.05. *Payment of Taxes and Claims.* TAM S.A. shall, and shall cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its property in respect of any of its franchises, businesses, income or profits before any penalty or interest accrues thereon, and pay all claims (including claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a Lien upon its property; *provided, however*, that any such payment shall not be required unless the failure to make such payment would have a material adverse effect upon the financial condition of TAM S.A. and its Subsidiaries considered as one enterprise or a material adverse effect on the performance of TAM S.A.'s obligations hereunder; and *provided, further*, that no such charge or claim need be paid while it is being contested in good faith by appropriate proceedings and if appropriate reserves or other provisions shall have been made therefor.

Section 4.06. *Payment of Additional Amounts.* (a) All payments by the Company in respect of the Notes or the Guarantors in respect of the Note Guarantees will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Brazil, or any authority therein or thereof or any other jurisdiction in which the Company or the Guarantors are organized, doing business or through which payments are made in respect of notes or the guarantees (any of the aforementioned being a “**Taxing Jurisdiction**”), unless the Company or the Guarantors are compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Company or the Guarantors, as applicable, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by Holders of Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such withholding or deduction (“**Additional Amounts**”). Notwithstanding the foregoing, no such Additional Amounts shall be payable:

(i) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership, or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the Note or enforcement of rights under the Indenture and the receipt of payments with respect to the Note;

(ii) in respect of Notes surrendered or presented for payment (if surrender or presentment is required) more than 30 days after the Relevant Date except to the extent that payments under such Note would have been subject to withholdings and the Holder of such Note would have been entitled to such Additional Amounts, on surrender of such Note for payment on the last day of such period of 30 days;

(iii) in respect of any withholding or deduction imposed on a payment that is to be made pursuant to Council Directive 2003/48/EC or any other Directive on the taxation of savings income implementing the conclusion of the ECOFIN Council meeting of November 26-27, 2000 or any subsequent meeting of the ECOFIN Council, or any law implementing or complying with, or introduced in order to conform to, such Directives;

(iv) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such Holder's failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such Holder or beneficial owner, if (1) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Company has given the Holders at least 30 days' notice that Holders will be required to provide such certification, identification, documentation or other requirement;

(v) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

(vi) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the Note;

(vii) in respect of any tax imposed on overall net income or any branch profits tax; or

(viii) in respect of any combination of the above.

(b) No Additional Amounts shall be paid with respect to any payment on a Note to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, any interestholder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder.

(c) The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, neither the Company nor the Guarantors shall be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

(d) In the event that Additional Amounts actually paid with respect to the Notes are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the Holder of such Notes, and, as a result thereof such Holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such Holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Company.

(e) Any reference in this Indenture or the Notes to principal, interest or any other amount payable in respect of the Notes by the Company or the Note Guaranty by the Guarantors will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this Section.

(f) Each of the Company and the Guarantors covenants that if any of the Company or the Guarantors, as applicable, is required under applicable law to make any deduction or withholding on payments of principal of or interest on the Notes for or on account of any tax, duty, assessment or other governmental charge, at least 10 days prior to the first payment date on the Notes and at least 10 days prior to each payment date thereafter where such withholding is required, the Company or the Guarantors, as applicable, shall furnish the Trustee and the Principal Paying Agent with an Officers' Certificate (but only if there has been any change with respect to the matters set forth in any previously delivered Officers' Certificate) instructing the Trustee and the Principal Paying Agent as to whether such payment of principal of or interest on the Notes shall be made without deduction or withholding for or on account of any tax, duty, assessment or other governmental charge, or, if any such deduction or withholding shall be required by the Taxing Jurisdiction, then such certificate shall: (i) specify the amount required to be deducted or withheld on such payment to the relevant recipient; (ii) certify that the Company or the Guarantors, as applicable, shall pay such deduction or withholding amount to the appropriate taxing authority; and (iii) certify that the Company or the Guarantors, as applicable, shall pay or cause to be paid to the Trustee or the Principal Paying Agent such Additional Amounts as are required by this Section 4.06.

(g) Each of the Company and the Guarantors agrees to indemnify the Trustee and the Principal Paying Agent for, and to hold each harmless against, any loss, liability or expense reasonably incurred without bad faith on its part arising out of or in connection with actions taken or omitted by it in reliance on any Officers' Certificate furnished pursuant to this Section 4.6 or any failure to furnish such a certificate.

(h) The obligations of the Company and the Guarantors pursuant to this Section 4.06 shall survive termination or discharge of this Indenture, payment of the Notes and/or resignation or removal of the Trustee or the Principal Paying Agent.

Section 4.07. *Reporting Requirements.* (a) The Company and the Guarantors shall provide the Trustee with the following reports (and shall also provide the Trustee with sufficient copies, as required, of the reports referred to in clauses (i), (ii), (iii) and (iv) for distribution, at the Company's and the Guarantors' expense, to all Holders of Notes):

(i) an English language version of TAM S.A.'s annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(ii) an English language version of TAM S.A.'s unaudited quarterly financial statements prepared in accordance with IFRS promptly upon such statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(iii) simultaneously with the delivery of each set of financial statements referred to in clauses (i) and (ii) of this Section 4.07(a), an Officers' Certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action that the Company and/or the Guarantors, as applicable, are taking or propose to take with respect thereto; one of the officers signing the Officers' Certificate delivered pursuant to this section shall be the principal executive, financial or accounting officer of the Company;

(iv) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Company and/or the Guarantors, as applicable, with (a) the CVM, (b) the Euro MTF market of the Luxembourg Stock Exchange, or any other stock exchange on which the Notes may be listed or (c) the SEC (in each case, to the extent that any such report or notice is generally available to security holders of the Company or the public in Brazil or elsewhere and, in the case of clause (c), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act, or otherwise); and

(v) upon any director or executive officer of the Company or any Guarantor becoming aware of the existence of a Default or Event of Default, an Officers' Certificate setting forth the details thereof and the action which the Company and/or such Guarantor, as applicable, are taking or propose to take with respect thereto.

Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's or the Guarantors' compliance with any of their covenants in this Indenture (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

(b) Within 60 days of the close of each of the first three fiscal quarters and within 90 days of the close of each fiscal year, for so long as any of the Notes remain Outstanding, (i) the Company shall request from DTC, a current list of the names and addresses of each DTC participant which is a Holder of an interest in a Global Note and (ii) at the Company's written request, the Trustee shall provide the Company with the names and addresses of each Holder of a Certificated Note, if any.

Section 4.08. *Available Information.* The Company shall take all action necessary to provide information to permit resales of the Notes pursuant to Rule 144A, including furnishing to any Holder of a Note or owner of a beneficial interest in a Global Note, or to any prospective purchaser designated by such a Holder or beneficial owner, upon request to such Holder or beneficial owner, financial and other information required to be delivered under paragraph (d)(4) of Rule 144A (as amended from time to time and including any successor provision) unless, at the time of such request, the Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or is exempt from such requirements pursuant to Rule 12g3-2(b) under the Exchange Act (as amended from time to time and including any successor provision).

Section 4.09. *Limitations on the Company.* The Company shall not (a) engage in any business or enter into, or be a party to, any transaction or agreement except for:

(i) the issuance, sale and redemption of the Notes and activities incidentally related thereto;

(ii) the incurrence of Debt to make inter-company loans to the Guarantors and entities controlled by the Guarantors to finance the acquisition and leasing of aircraft, equipment and supply materials by the Guarantors and such entities and activities reasonably related thereto;

(iii) entering into Hedging Agreements relating to the Notes or other such Debt;
and

(iv) any other transaction required by law;

(b) acquire or own any Subsidiaries or other assets or properties, except an interest in the inter-company loans described in Section 4.09(a)(ii) and Hedging Agreements relating to its Debt and instruments evidencing the foregoing; and

(c) enter into any consolidation, merger, amalgamation, joint venture, or other form of combination with any Person, or sell, lease, convey or otherwise dispose of any of its assets or receivables, except as otherwise permitted under Section 5.01.

Section 4.10. *Limitation on Transactions with Affiliates.* Neither the Company nor any Guarantor will, nor will the Company or any Guarantor permit any of their respective Subsidiaries to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Company or such Guarantor, other than themselves or any of their respective Subsidiaries, (an “**Affiliate Transaction**”) unless the terms of the Affiliate Transaction are no less favorable to the Company or such Guarantor or such Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm’s length dealings with a person who is not an Affiliate.

Section 4.11. *Repurchase of Notes upon a Change of Control.* Not later than 30 days following a Rating Decline that results from a Change of Control, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount plus accrued interest up to, but not including the date of purchase.

An “Offer to Purchase” must be made by written offer, which will specify the purchase price. The offer must specify an expiration date (the “**expiration date**”) not less than 30 days or more than 60 days after the date of the offer and a settlement date for the purchase (the “**purchase date**”) not more than five Business Days after the expiration date. The offer must include information required by the Securities Act, Exchange Act or any other applicable laws. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

A Holder may tender all or any portion of its Notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a Note tendered must be in a denomination of U.S.\$200,000 or an integral multiple of U.S.\$1,000 principal amount in excess thereof. Holders are entitled to withdraw Notes tendered up to the close of business on the expiration date. On the purchase date the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date.

The Company will comply with Rule 14e-1 under the Exchange Act (to the extent applicable and not in conflict with applicable Brazilian regulations) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

The Guarantors will obtain all necessary consents and approvals from the Central Bank of Brazil that may be required at the time for the remittance of funds outside of Brazil prior to making any Offer to Purchase.

ARTICLE 5 CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 5.01. *Limitation on Consolidation, Merger or Transfer of Assets.* Neither the Company nor any Guarantor shall consolidate with or merge with or into, or sell, convey, transfer or dispose of, or lease all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to, any Person, unless:

(i) the resulting, surviving or transferee Person (if not the Company or such Guarantor) shall be a Person organized and existing under the laws of the Cayman Islands, Brazil, or the United States of America, any State thereof or the District of Columbia, or any other country (or political subdivision thereof) that is a member country of the European Union or of the Organisation for Economic Co-operation and Development on the date of this Indenture, and such Person expressly assumes, by an indenture supplemental to this Indenture, executed and delivered to the Trustee, all the obligations of the Company or such Guarantor under this Indenture and the Notes and the Note Guaranty;

(ii) the resulting, surviving or transferee person (if not the Company or such Guarantor), if not organized and existing under the laws of a jurisdiction other than the Cayman Islands or Brazil, undertakes, in such supplemental indenture, (i) to pay such Additional Amounts in respect of principal (and premium, if any) and interest as may be necessary in order that every net payment made in respect of the Notes and the Note Guaranty after deduction or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein shall not be less than the amount of principal (and premium, if any) and interest then due and payable on the Notes and the Note Guaranty subject to the same exceptions set forth under Sections 4.06(a)(i) through Section 4.06(a)(viii) and (ii) that the provisions set forth in Section 3.01(c) shall apply to such person, but in both cases, replacing existing references in such Section to Cayman Islands or Brazil or to the Taxing Jurisdiction with references to the jurisdiction of organization of the resulting, surviving or transferee Person as the case may be;

(iii) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(iv) the Company or such Guarantor shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with this Indenture.

Notwithstanding anything to the contrary contained in the foregoing, any of the Guarantors may consolidate with or merge with the Company or any Subsidiary that becomes a Guarantor concurrently with the relevant transaction.

The Trustee shall be entitled to rely exclusively on and shall accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent set forth in this Section 5.01, in which event it shall be conclusive and binding on the Holders.

Section 5.02. *Successor Substituted.* Upon any consolidation or merger, or any sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Company or any Guarantor in accordance with Section 5.01 in which the Company or such Guarantor is not the continuing obligor or Guarantor, as the case may be, under this Indenture, the surviving or transferor Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company or such Guarantor, as the case may be, under this Indenture with the same effect as if such successor had been named as the Company or Guarantor therein. When a successor assumes all the obligations of its predecessor under this Indenture, the Notes and the Note Guaranty, the predecessor shall be released from those obligations; *provided* that in the case of a transfer by lease, the predecessor shall not be released from the payment of principal and interest on the Notes.

ARTICLE 6
EVENTS OF DEFAULT AND REMEDIES

Section 6.01. *Events of Default.* The term “**Event of Default**” means, when used herein, any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to, or as a result of any failure to obtain, any authorization, order, rule, regulation, judgment or decree of any governmental or administrative body or court):

(a) The Company defaults in any payment of interest (including any Additional Amounts or any Additional Interest) on any Note when the same becomes due and payable, and such Default continues for a period of 30 days;

(b) The Company defaults in the payment of principal amounts (including any Additional Amounts) of any Note when the same becomes due and payable upon acceleration or redemption or otherwise;

(c) The Company or any Guarantor fails to comply with any of its covenants or agreements in the Notes or this Indenture (other than those referred to in clauses (a) and (b) of this Section 6.01), and such failure continues for 60 days after the notice specified below;

(d) The Company, any Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Company, any such Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Company, such Guarantor or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of this Indenture, which default (i) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default (“**Payment Default**”) or (ii) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals U.S.\$50,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate;

(e) One or more final judgments or decrees for the payment of money in excess of U.S.\$50,000,000 (or the equivalent thereof at the time of determination) in the aggregate are rendered against the Company, any Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (i) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (ii) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(f) an involuntary case or other proceeding is commenced against the Company, any Guarantor or any Significant Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, *síndico*, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the Company, any Guarantor or any Significant Subsidiary under the bankruptcy laws now or hereafter in effect, and such order is not being contested by the Company, any Guarantor or any Significant Subsidiary, as the case may be, in good faith, or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made;

(g) the Company, any Guarantor or any Significant Subsidiary (i) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *síndico*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, any Guarantor or any Significant Subsidiary or for all or substantially all of the Property of the Company, any Guarantor or any Significant Subsidiary or (iii) effects any general assignment for the benefit of creditors (an event of default specified in clause (f) or this clause (g) a “**bankruptcy default**”);

(h) any event occurs that under the laws of the Cayman Islands, Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (f) or (g);

(i) any Note Guaranty ceases to be in full force and effect, other than in accordance the terms of this Indenture, or a Guarantor denies or disaffirms its obligations under its Note Guaranty; or

(j) TAM S.A. ceases to own, directly or indirectly, 100% of the outstanding share capital of the Company.

A Default under clause (c) of this Section 6.01 shall not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the Outstanding Notes notify the Company and the Guarantors of the Default and the Company does not cure such Default within the time specified after receipt of such notice.

Section 6.02. *Acceleration of Maturity, Rescission and Amendment.* If an Event of Default (other than an Event of Default specified in Section 6.01(f), Section 6.01(g) or Section 6.01(h)) occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Notes may declare all unpaid principal of and accrued and unpaid interest on all Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee, if the notice is given by the Holders), stating that such notice is an “acceleration notice,” and upon any such declaration such amounts shall become due and payable immediately. If an Event of Default specified in Section 6.01(f), Section 6.01(g) or Section 6.01(h) occurs and is continuing, then the principal of and accrued and unpaid interest on all Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article, the Holders of a majority in principal amount of the Notes by written notice to the Company and the Trustee may rescind or annul such declaration if:

(i) the Company has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue interest on Outstanding Notes, (B) all unpaid principal of the Notes that has become due otherwise than by such declaration of acceleration, (C) to the extent that payment of such interest on the Notes is lawful, interest on such overdue interest (including any Additional Amounts) as provided herein and (D) all sums paid or advanced by the Trustee and Agents hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and Agents and their agents and counsel; and

(ii) all Events of Default have been cured or waived as provided in Section 6.13 other than the nonpayment of principal that has become due solely because of acceleration.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

Section 6.03. *Collection Suit by Trustee.* If an Event of Default specified in Section 6.01(a) or 6.01(b) occurs, the Trustee, in its own name as trustee of an express trust, (i) may institute a judicial proceeding for the collection of the whole amount then due and payable on such Notes for principal and interest (including Additional Amounts), and interest on any overdue principal and, to the extent that payment of such interest (including Additional Amounts) shall be legally enforceable, upon any overdue installment of interest (including Additional Amounts), at the rate borne by the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, (ii) may prosecute such proceeding to judgment or final decree and (iii) may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by any available proceeding at law or in equity, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 6.04. *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest (including Additional Amounts) on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

Section 6.05. *Trustee May Enforce Claims Without Possession of Notes.* All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

Section 6.06. *Application of Money Collected.* Any money collected by the Trustee pursuant to this Article 6 shall be applied in the following order:

FIRST: to the Trustee for amounts due to it hereunder (including, without limitation, under Section 7.06);

SECOND: to Holders for amounts due and unpaid on the Notes for principal and interest (including Additional Amounts), ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest (including Additional Amounts), respectively; and

THIRD: to the Company or, to the extent the Trustee collects any amounts from any Guarantor, to such Guarantor or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.06. At least 15 days before such record date, the Company shall mail to each Holder and the Trustee a notice that states the record date, the payment date and amount to be paid.

Section 6.07. *Limitation on Suits.* A Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

- (i) the Holder has previously given to the Trustee written notice stating that an Event of Default has occurred and is continuing;

- (ii) the Holders of at least 25% in principal amount of the Notes have made a written request to the Trustee to pursue the remedy in respect of such Event of Default;
- (iii) such Holder or Holders has offered and provided to the Trustee security or indemnity reasonably satisfactory to the Trustee against any cost, loss, liability or expense to be incurred in compliance with such request;
- (iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and provision of security or indemnity; and
- (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Notes outstanding.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 6.08. *Rights of Holders to Receive Principal and Interest.* Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on the Notes held by such Holder, on or after the respective Payment Dates expressed in the Notes, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.09. *Restoration of Rights and Remedies.* If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Guarantors, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 6.10. *Trustee May File Proofs of Claim.* The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the trustee hereunder) and the Holders allowed in any judicial proceedings relative to the Company or any Guarantor, their respective creditors or their respective properties and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.06. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.11. *Delay or Omission Not Waiver.* No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.12. *Control by Holders.* The Holders of a majority in principal amount of the Outstanding Notes may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee shall be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of the Holders if such request or direction conflicts with any law or with this Indenture or, subject to Section 7.01, if the Trustee determines it is unduly prejudicial to the rights of other Holders (it being understood that, subject to Sections 7.01 and 7.02, the Trustee shall have no duty to ascertain whether or not such actions or forbearance are unduly prejudicial to such Holders) or would involve the Trustee in personal liability or expense; *provided, however*, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such request or direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all costs, losses, liabilities and expenses caused by taking or not taking such action.

Section 6.13. *Waiver of Past Defaults and Events of Default.* Subject to Section 6.02, the Holders of a majority in principal amount of the Outstanding Notes by written notice to the Trustee may waive an existing Default or Event of Default and its consequences except (i) a Default or Event of Default in the payment of the principal of or interest on a Note or (ii) a Default or Event of Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Holder affected. When a Default or Event of Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any consequent right.

Section 6.14. *Rights and Remedies Cumulative.* Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.08, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.15. *Waiver of Stay or Extension Laws.* The Company and each Guarantor covenant (to the extent that it may lawfully do so) that it shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or the Notes; and the Company and each Guarantor (to the extent that it may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7
TRUSTEE AND AGENTS

Section 7.01. *Duties of Trustee and Agents.* (a) If an Event of Default has occurred and is continuing and a Responsible Officer has actual knowledge thereof, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default in the case of the Trustee only, (i) the Trustee and each Agent undertake to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee or any Agent; and (ii) in the absence of bad faith on the part of the Trustee or any Agent, the Trustee or such Agent, as the case may be, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee or such Agent, as the case may be, and conforming to the requirements of this Indenture. However, in the case of any certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee or any Agent, the Trustee or such Agent, as the case may be, shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of the mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own gross negligence, bad faith or willful misconduct, except that:

(i) this Section 7.01(c) does not limit the effect of Section 7.01(b);

(ii) neither the Trustee nor any Agent shall be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee or such Agent, as the case may be, was grossly negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.7 or exercising any trust or power conferred upon it under this Indenture.

(d) Neither the Trustee nor any Agent shall be liable for interest on any money received by it except as each may agree in writing with the Company.

(e) Money held in trust by the Trustee or any Agent need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture shall require the Trustee or any Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds and/or adequate indemnity against such risk or liability is not satisfactorily assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee and any Agent shall be subject to the provisions of this Section 7.01.

Section 7.02. *Rights of Trustee.* (a) The Trustee and each Agent may rely upon, and shall be protected in acting or refraining from acting based upon, any document believed by it to be genuine and to have been signed or presented by the proper Person. Neither the Trustee nor any Agent need investigate any fact or matter stated in any such document.

(b) Before the Trustee or any Agent acts or refrains from acting, it may require an Officers' Certificate, the written advice of a qualified tax expert or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate, the qualified tax expert's written advice or Opinion of Counsel.

(c) The Trustee or any Agent may act through agents and shall not be responsible for the willful misconduct or gross negligence of any agent appointed with due care.

(d) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate of the Company (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors of the Company may be evidenced to the Trustee or any Agent by copies thereof certified by the Secretary or an Assistant Secretary (or equivalent officer) of the Company.

(e) Neither the Trustee nor any Agent shall be under an obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee or such Agent security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities that might be incurred thereby.

(f) Neither the Trustee nor any Agent shall be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture.

(g) Neither the Trustee nor any Agent shall be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; *provided* that the conduct of the Trustee or any such Agent does not constitute willful misconduct, gross negligence or bad faith.

(h) Each of the Trustee and any Agent may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(i) Neither the Trustee nor any Agent shall be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document unless, in the case of the Trustee, requested in writing by the Holders of not less than a majority in aggregate principal amount of the Notes Outstanding; *provided* that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not satisfactorily assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require from the Holders indemnity satisfactory to the Trustee against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation shall be paid by the Company or, if paid by the Trustee, shall be reimbursed by the Company upon demand.

(j) Neither the Trustee nor any Paying Agent shall be required to invest, or shall be under any liability for interest, on any moneys at any time received by it pursuant to any of the provisions of this Indenture or the Notes except as the Trustee or any Paying Agent may otherwise agree with the Company. Such moneys need not be segregated from other funds except to the extent required by mandatory provisions of law.

(k) In no event shall the Trustee or any Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(l) The permissive rights of the Trustee enumerated herein shall not be construed as duties of the Trustee.

(m) The Trustee and each Agent shall accept and act upon Written Directions when given to the Trustee or such Agent, as the case may be, in the form of Facsimile Instructions. Subsequent to the transmission of a Written Direction in the form of a Facsimile Instruction, the Company agrees to transmit to the Trustee or such Agent, in a timely manner, the originally executed Written Direction if required pursuant to the Governing Documents or at the request of the Trustee or such Agent. Additionally, the Trustee and each Agent shall accept a Facsimile Signature as if each such Facsimile Signature were an original signature, if the Trustee or such Agent believes in good faith that such signature is that of the individual whose signature it purports to be.

(n) The Trustee may rely upon and comply with instructions or directions sent via unsecured facsimile or email transmission and the Trustee shall not be liable for any loss, liability or expense of any kind incurred by the Company or the Holders due to the Trustee's reliance upon and compliance with instructions or directions given by unsecured facsimile or email transmission, provided, however, that such losses have not arisen from the negligence or willful misconduct of the Trustee, it being understood that the failure of the Trustee to verify or confirm that the person providing the instructions or directions, is, in fact, an authorized person does not constitute negligence or willful misconduct.

(o) The Trustee may request that the Company and, if applicable, the Guarantors deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(p) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

Section 7.03. *Individual Rights of Trustee.* The Trustee and any Paying Agent, Registrar or co-registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Section 7.04. *Trustee's Disclaimer.* Neither the Trustee nor any Agent shall be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication.

Section 7.05. *Notice of Defaults and Events of Default.* If a Default or Event of Default occurs and is continuing, and if it is known to the Responsible Officer, the Trustee shall mail to each Holder notice of the Default or Event of Default within 90 days after a Responsible Officer acquires actual knowledge of such Default or Event of Default. Except in the case of a Default or Event of Default in payment of principal of or interest on any Note, the Trustee may withhold the notice and shall be protected from withholding the notice if and so long as a committee of its Responsible Officers of the Trustee in good faith determines that withholding the notice is in the interests of Holders. For all purposes of this Indenture and the Notes, the Trustee shall not be deemed to have knowledge of a Default or Event of Default unless either (i) an attorney, authorized officer or agent of the Trustee with direct responsibility for the Indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the Trustee by the Company or any Holder.

Section 7.06. *Compensation and Indemnity.* The Company agrees to pay to the Trustee and each Agent from time to time such compensation as shall be agreed upon in writing for its services. The Trustee's compensation shall not be limited by any law regarding compensation of a trustee of an express trust. The Company agrees to reimburse promptly the Trustee and each Agent upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's and each Agent's agents, counsel, accountants and experts. Payments of any such expenses by the Company to the Trustee or any Agent, as the case may be, shall be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of the Cayman Islands, Brazil or any political subdivision or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Company shall pay to the Trustee or Agent, as the case may be, such Additional Amounts as may be necessary in order that every net payment made by the Company to the Trustee and such Agent, as the case may be, after deducting or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed upon or as a result of such payment by the Cayman Islands, Brazil or any political subdivision or taxing authority thereof or therein shall not be less than the amount then due and payable to the Trustee or the Principal Paying Agent, as the case may be. The Company shall indemnify each of the Trustee and each Agent against any and all loss, liability or expense (including reasonable attorneys' fees and expenses) incurred by it without gross negligence or bad faith on its part arising out of and in connection with the administration of this Indenture, the performance of its respective duties hereunder, and the exercise of its rights hereunder including, without limitation, the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture. The Company undertakes to indemnify the Trustee and each of the Agents and their affiliates against all losses, liabilities, including any and all tax liabilities, which, for the avoidance of doubt, shall include both Brazilian and Cayman Islands taxes and associated penalties, costs, claims, actions, damages, expenses or demands which any of them may incur or which may be made against any of them as a result of or in connection with the appointment of or the exercise of the powers and duties or rights by the Trustee or any Agent or its affiliates under this Indenture except as may result from its own default, gross negligence or bad faith or that of its directors, officers or employees or any of them, or breach by it of the terms of this Indenture. The Trustee and each Agent shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee or such Agent to so notify the Company shall not relieve the Company of its obligations hereunder. If the Trustee or Agent, as the case may be, determines in its reasonable discretion that no conflict of interest (or potential conflict of interest) exists, the Company will be entitled to participate in the Trustee's defense of the claim or Agent's defense of the claim, as the case may be, and the Trustee or such Agent may have separate counsel and the Company shall pay the fees and expenses of such counsel.

To secure the payment obligations of the Company in this Section 7.06, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee or the Principal Paying Agent, except that held in trust to pay principal of and interest on particular Notes.

The obligations of the Company pursuant to this Section 7.06 shall survive the payment of the Notes, resignation or removal of the Trustee or any Agent and the satisfaction and discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default or Event of Default specified in Section 6.01(h), the expenses are intended to constitute expenses of administration under any bankruptcy law.

The Company acknowledges that none of the Trustee, the Principal Paying Agent or any other Agent makes any representations as to the interpretation or characterization of the transactions herein undertaken for tax or any other purpose, in any jurisdiction. The Company represents that it has fully satisfied itself as to any tax impact of this Indenture before agreeing to the terms herein, and is responsible for any and all federal, state, local, income, franchise, withholding, value added, sales, use, transfer, stamp or other taxes imposed by any jurisdiction in respect of this Indenture.

The Company agrees to pay any and all stamp and other documentary taxes or duties which may be payable in connection with the execution, delivery, performance and enforcement of this Indenture by the Trustee or any Agent.

Section 7.07. *Replacement of Trustee.* The Trustee may resign at any time by so notifying the Company in writing. The Holders of a majority in principal amount of the Notes may remove the Trustee by so notifying the Trustee in writing and may appoint a successor Trustee. The Company shall remove the Trustee if:

- (i) the Trustee fails to comply with Section 7.09;
 - (ii) the Trustee is adjudged a bankrupt or insolvent;
 - (iii) a receiver or other public officer takes charge of the Trustee or its property;
- or
- (iv) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee) the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.09, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section 7.07, the Company's obligation under Section 7.06 shall continue for the benefit of the retiring Trustee.

Section 7.08. *Successor Trustee by Merger.* If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business (including this transaction) or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes in the name of the successor to the Trustee; and in all such cases such adopted certificates shall have the full force of all provisions within the Notes or in this Indenture relating to the certificate of the Trustee.

Section 7.09. *Eligibility; Disqualification.* The Trustee hereunder shall at all times be a corporation, bank or trust company organized and doing business under the laws of the United States or any state thereof (i) which is authorized under such laws to exercise corporate trust power, (ii) is subject to supervision or examination by governmental authorities, (iii) shall have at all times a combined capital and surplus of at least U.S.\$50,000,000 as set forth in its most recent published annual report of condition and (iv) shall have its Corporate Trust Office in The City of New York. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 7.09, it shall resign immediately in the manner and with the effect specified in Section 7.07.

ARTICLE 8

DISCHARGE OF INDENTURE; DEFEASANCE

Section 8.01. *Discharge of Liability on Notes.* (a) When (i) the Company or any Guarantor delivers to the Trustee all Outstanding Notes (other than Notes replaced pursuant to Section 2.08) for cancellation or (ii) all Outstanding Notes have become due and payable and the Company or any Guarantor deposits in trust, for the benefit of the Holders, with the Trustee finally collected funds sufficient to pay at Maturity all Outstanding Notes and interest thereon (other than Notes replaced pursuant to Section 2.08 and if in any such case the Company or any Guarantor pays all other sums payable hereunder by the Company or such Guarantor, then this Indenture, and the obligations of the Company and the Guarantors pursuant hereto, shall, subject to Sections 8.01(d) and 8.06, cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company or any Guarantor accompanied by an Officers' Certificate and an Opinion of Counsel (each stating that all conditions precedent herein provided relating to the satisfaction and discharge of this Indenture have been complied with) and at the cost and expense of the Company or any Guarantor.

(b) Subject to Sections 8.01(c), 8.02 and 8.06, the Company or any Guarantor at any time may terminate (i) all its obligations under this Indenture and the Notes (“**legal defeasance option**”) or (ii) its obligations under Sections 4.07, 4.08, 4.09, 5.01(iii) and 5.02 and the operation of Sections 6.01(c), 6.01(d), 6.01(e) and 6.01(j) (“**covenant defeasance option**”). The legal defeasance option may be exercised notwithstanding any prior exercise of the covenant defeasance option. Upon exercise by the Company or any Guarantor of the legal defeasance option or the covenant defeasance option, each Guarantor’s obligations under its Note Guaranty will terminate.

If the legal defeasance option is exercised, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the covenant defeasance option is exercised, payment of the Notes may not be accelerated because of an Event of Default specified in Sections 6.01(c), 6.01(d), 6.01(e) or 6.01(j).

Upon satisfaction of the conditions set forth herein and upon request of the Company or any Guarantor, the Trustee shall acknowledge in writing the discharge of the obligations of the Company or any Guarantor hereunder except those specified in Section 8.01(c).

(c) Notwithstanding Section 8.01(a) and Section 8.01(b), Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 4.06, 7.06, 7.07, 8.04, 8.05 and 8.06 shall survive until the Notes have been paid in full. Thereafter, the obligations of the Company or the applicable Guarantor pursuant to Sections 7.06, 7.07, 8.04 and 8.05 shall survive. Furthermore, each Guarantor’s obligations to pay fully and punctually all amounts payable by the Company or any Guarantor to the Trustee under this Indenture shall survive.

Section 8.02. *Conditions to Defeasance.* The Company or any Guarantor may exercise the legal defeasance option or the covenant defeasance option only if:

(a) the Company or any Guarantor irrevocably deposits or causes to be deposited with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders (the “**defeasance trust**”) pursuant to an irrevocable trust and security agreement in form and substance satisfactory to the Trustee, money or U.S. Government Obligations, or a combination thereof, sufficient for the payment of principal of and interest on all the Notes to Maturity or redemption;

(b) the Company or any Guarantor delivers to the Trustee a certificate from an internationally recognized firm of independent accountants expressing their opinion that the payments of principal of and interest on the Notes when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment and after payment of all federal, state and local taxes or other charges or assessments in respect thereof payable by the Trustee shall provide cash at such times and in such amounts as shall be sufficient to pay principal of and interest on all the Notes when due at Maturity or on redemption, as the case may be;

- (c) 123 days pass after the deposit is made in accordance with the terms of Section 8.02(a) and during such 123-day period no Default or Event of Default specified in Section 6.01(h) occurs which is continuing at the end of the period;
- (d) no Default or Event of Default has occurred and is continuing on the date of such deposit and after giving effect thereto;
- (e) the deposit does not constitute a default or event of default under any other agreement binding on the Company or any Guarantor;
- (f) the Company or any Guarantor delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is not qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended;
- (g) the Company or any Guarantor delivers to the Trustee an Opinion of Counsel of recognized standing with respect to Brazilian tax matters stating that, under Brazilian law, Holders (other than Brazilian persons) (1) shall not recognize income gain or loss for Brazilian tax purposes as a result of such deposit and defeasance and shall be subject to Brazilian tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred and (2) payments from the defeasance trust to any such Holder shall not be subject to withholding or deduction for or on account of any taxes, duties, assessments or other governmental charges under Brazilian law;
- (h) in the case of the legal defeasance option, the Company or any Guarantor delivers to the Trustee an Opinion of Counsel of recognized standing with respect to U.S. Federal income tax matters stating that (1) the Company or such Guarantor has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (2) since the date of this Indenture there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;
- (i) in the case of the covenant defeasance option, the Company or any Guarantor delivers to the Trustee an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that the Holders shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;
- (j) the Company or any Guarantor delivers to the Trustee an Opinion of Counsel of recognized standing with respect to Cayman Islands tax matters and Opinions of Counsel of recognized standing with respect to tax matters of any other jurisdiction in which the Company is conducting business in a manner which causes the Holders of the Notes to be liable for taxes on payments under the Notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, stating that the Holders will not recognize income, gain or loss in the relevant jurisdiction as a result of such deposit and the defeasance and will be subject to taxes in the relevant jurisdiction (including any withholding taxes) on the same amount and in the same manner and at the same times as would otherwise have been the case if such deposit and defeasance had not occurred;

(k) the Company or any Guarantor delivers to the Trustee an Opinion of Counsel, in form and substance reasonably satisfactory to Trustee, to the effect that, after the passage of 123 days following the deposit, the trust funds shall not be subject to any applicable bankruptcy, insolvency, reorganization or similar law affecting creditors' rights generally; and

(l) the Company or any Guarantor delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes as contemplated by this Article 8 have been complied with.

Before or after a deposit, the Company or any Guarantor may make arrangements satisfactory to the Trustee for the redemption of Notes at a future date in accordance with Article 3.

Section 8.03. *Application of Trust Money.* The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.02. It shall apply the deposited money and the money from U.S. Government Obligations through the Principal Paying Agent or Paying Agents and in accordance with this Indenture to the payment of principal of and interest on the Notes.

Section 8.04. *Repayment to Company.* Upon termination of the trust established pursuant to Section 8.02, the Trustee and each Paying Agent shall promptly pay to the Company upon request, any excess cash or U.S. Government Obligations held by them.

The Trustee and each Paying Agent shall pay to the Company, upon request, any money held by them for the payment of principal of or interest on the Notes that remains unclaimed for two years after the due date for such payment of principal or interest, and, thereafter, the Trustee and each Paying Agent, as the case may be, shall not be liable for payment of such amounts hereunder and the Holders shall be entitled to such recovery of such amounts only from the Company.

Section 8.05. *Indemnity for U.S. Governmental Obligations.* The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

Section 8.06. *Reinstatement.* If the Trustee or any Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company and the Guarantors under this Indenture, the Notes and the Note Guarantees shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or such Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; *provided, however*, that, if the Company or any Guarantor has made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Company and the Guarantors shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or such Paying Agent.

ARTICLE 9
AMENDMENTS

Section 9.01. *Without Consent of Holders.* The Company and the Guarantors, when authorized by a Board Resolution, and the Trustee may amend or supplement this Indenture or the Notes, without notice to or consent or vote of any Holder for the following purposes:

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to add guarantees or collateral with respect to the Notes;
- (iii) to comply with Section 5.01;
- (iv) to provide for any guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any guarantee of the Notes when such release, termination or discharge is permitted by this Indenture;
- (v) to add to the covenants of the Company or the Guarantors for the benefit of the Holders;
- (vi) to surrender any right herein conferred upon the Company or the Guarantors;
- (vii) to evidence and provide for the acceptance of an appointment by a successor Trustee;
- (viii) to provide for the issuance of Additional Notes;
- (ix) to make any other change that does not materially and adversely affect the rights of any Holder or to conform this Indenture to the section "Description of Notes" in the Offering Memorandum; or
- (x) to comply with any applicable requirements of the SEC, including in connection with a required qualification of the Indenture under the Trust Indenture Act

provided that, in the case of clause (i) or (ii) above, the Company has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate, each stating that such amendment or supplement complies with the provisions of this Section 9.01.

Upon the written request of the Company, accompanied by a Board Resolution authorizing the execution of any supplemental indenture, and upon receipt by the Trustee of the documents described in Section 9.05, the Trustee shall join with the Company and the Guarantors in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its own rights, duties or immunities under this Indenture or otherwise.

Each Guarantor must consent to any amendment or supplement hereunder.

Section 9.02. *With Consent of Holders.* Except as specified in Section 9.01, the Company, when authorized by a Board Resolution, the Guarantors and the Trustee, together, may amend or supplement this Indenture or the Notes with the written consent of the Holders of at least a majority in principal amount of the Outstanding Notes for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or modifying in any manner the rights of the Holders under this Indenture, and the Holders of at least a majority in principal amount of the Outstanding Notes may, except as set forth below, waive any past Default or compliance with any provision of this Indenture; *provided, however*, that, without the consent of each Holder affected, an amendment or waiver may not:

- (i) reduce the principal amount of or change the Stated Maturity of any payment on any Note;
- (ii) reduce the rate of any interest on any Note;
- (iii) reduce the amount payable upon the redemption of any Note or change the time at which any Note may be redeemed;
- (iv) change the currency for payment of principal of, or interest or any Additional Amounts on, any Note;
- (v) impair the right to institute suit for the enforcement of any right to payment on or with respect to any Note;
- (vi) waive a Default or Event of Default in payment of principal of and interest
on the Notes;
- (vii) reduce the principal amount of Notes whose Holders must consent to any amendment, supplement or waiver;
- (viii) make any change in this first paragraph of this Section 9.02;
- (ix) modify or change any provision of the Indenture affecting the ranking of the Notes or any Note Guaranty in a manner adverse to the Holders of the Notes; or
- (x) make any change in any Note Guaranty that would adversely affect the Holders of the Notes.

provided that the provisions of the covenants described in Section 4.09 may, except as provided above, be amended or waived with the consent of Holders holding not less than 66 2/3% in aggregate principal amount of the Notes.

Upon the written request of the Company, accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.05 hereof, the Trustee shall join with the Company and the Guarantors in the execution of such supplemental indenture but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its own rights, duties or immunities under this Indenture or otherwise.

The Company shall mail to Holders prior written notice of any amendment or waiver proposed to be adopted under this Section 9.02.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment or waiver under this Section 9.02 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment or waiver. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment or waiver under this Section 9.02.

Each Guarantor must consent to the amendment, supplement or waiver under this Section 9.02.

Section 9.03. *Revocation and Effect of Consents and Waivers.* (a) A consent to an amendment or a waiver by a Holder of Notes shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the written notice of revocation at least one Business Day prior to the date the amendment or waiver becomes effective. After it becomes effective, an amendment or waiver shall bind every Holder.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above. If a record date is fixed, then notwithstanding Section 9.03(a) those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

Section 9.04. *Notation on or Exchange of Notes.* If an amendment changes the terms of a Note, the Company may require the Holder to deliver the Note to the Trustee. If so instructed by the Company, the Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment.

Section 9.05. *Trustee to Sign Amendments.* The Trustee shall sign any amendment authorized pursuant to this Article 9 if the amendment, waiver or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. In signing such amendment, waiver or supplement, in addition to the documents required by Section 11.03, the Trustee shall be entitled to receive indemnity satisfactory to the Trustee and to receive, and, subject to Section 7.01, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel each stating and as conclusive evidence that such amendment, waiver or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it shall be valid and binding upon the Company in accordance with its terms.

Section 9.06. *Payment for Consent.* Neither the Company nor any of its Affiliates shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders which so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

ARTICLE 10

GUARANTEE

Section 10.01. *The Note Guaranty.* Subject to the provisions of this Article, each Guarantor hereby irrevocably and unconditionally guarantees, jointly and severally, on an unsecured basis, the full and punctual payment (whether at Stated Maturity, upon redemption, acceleration, or otherwise) of the principal of, premium, if any, and interest on, and all other amounts payable under, each Note, and the full and punctual payment of all other amounts payable by the Company under the Indenture. Upon failure by the Company to pay punctually any such amount, each Guarantor shall forthwith on demand pay the amount not so paid at the place and in the manner specified in this Indenture. Each of the Guarantors hereby waives any rights to which it might otherwise have a claim pursuant to Articles 827 et seq. of the Brazilian Civil Code.

Section 10.02. *Guaranty Unconditional.* The obligations of each Guarantor hereunder are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged or otherwise affected by:

- (i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under this Indenture or any Note, by operation of law or otherwise;

- (ii) any modification or amendment of or supplement to this Indenture or any Note;
- (iii) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in this Indenture or any Note;
- (iv) the existence of any claim, set-off or other rights which the Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with the Indenture or any unrelated transactions; *provided* that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim;
- (v) any invalidity or unenforceability relating to or against the Company for any reason of this Indenture or any Note, or any provision of applicable law or regulation purporting to prohibit the payment by the Company of the principal of or interest on any Note or any other amount payable by the Company under the Indenture; or
- (vi) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to such Guarantor's obligations hereunder.

Section 10.03. *Discharge; Reinstatement.* Each Guarantor's obligations hereunder will remain in full force and effect until the principal of, premium, if any, and interest on the Notes and all other amounts payable by the Company under the Indenture have been paid in full. If at any time any payment of the principal of, premium, if any, or interest on any Note or any other amount payable by the Company under this Indenture is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Company or otherwise, each Guarantor's obligations hereunder with respect to such payment will be reinstated as though such payment had been due but not made at such time.

Section 10.04. *Waiver by the Guarantors.* Each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company or any other Person.

Section 10.05. *Subrogation and Contribution.* Upon making any payment with respect to any obligation of the Company under this Article, the Guarantor making such payment will be subrogated to the rights of the payee against the Company with respect to such obligation; *provided* that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Company hereunder or under the Notes remains unpaid.

Section 10.06. *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by the Company under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise subject to acceleration under the terms of this Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

Section 10.07. *Limitation on Amount of Guaranty.* Notwithstanding anything to the contrary in this Article, each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guaranty of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the laws of the Cayman Islands, Brazil, the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Note Guaranty are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the laws of the Cayman Islands, Brazil, the United States Bankruptcy Code or any comparable provision of state law.

Section 10.08. *Execution and Delivery of Guaranty.* The execution by each Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit B) evidences the Note Guaranty of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Note Guaranty set forth in this Indenture on behalf of each Guarantor.

Section 10.09. *Release of Guaranty.* The Note Guaranty of a Guarantor will terminate upon:

- (i) a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Company or a Subsidiary) otherwise permitted by this Indenture;
- (ii) if the Note Guaranty was required pursuant to the terms of this Indenture, the cessation of the circumstances requiring the Note Guaranty; or
- (iii) defeasance or discharge of the Notes, as provided in Article 8.

Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the foregoing effect, the Trustee will execute any documents reasonably requested by the Company in writing in order to evidence the release of the Guarantor from its obligations under its Note Guaranty.

ARTICLE 11 MISCELLANEOUS

Section 11.01. *Provisions of Indenture and Notes for the Sole Benefit of Parties and Holders of Notes.* Nothing in this Indenture or the Notes, expressed or implied, shall give to any Person other than the parties hereto and their successors hereunder and the Holders of the Notes any benefit or any legal or equitable right, remedy or claim under this Indenture or the Notes.

Section 11.02. *Notices.* Any request, demand, authorization, direction, notice, consent, waiver or other communication or document provided or permitted by this Indenture to be made upon, given, provided or furnished to, or filed with, any party to this Indenture shall, except as otherwise expressly provided herein, be in writing and shall be deemed to have been received only upon actual receipt thereof by prepaid first class mail, courier, telecopier or electronic transmission, addressed to the relevant party as follows:

To the Company and the Guarantors:

Av. Jurandir, 856, Lote 4
04072 000
São Paulo, SP
Brasil
Attention: Legal Department
Facsimile: 55-11-5582-8813

With a copy to:
Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
USA
Attention: Jon Zonis
Facsimile: 1-212-878-3250

To the Trustee, Registrar, Transfer Agent or Principal Paying Agent:

The Bank of New York Mellon
Global Corporate Trust
101 Barclay Street, Floor 4 East
New York, New York 10286
USA
Telephone: (212) 815-8273
Facsimile: (212) 815-5915

With a Copy to the Transfer Agent in Luxembourg:

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building
Polaris-2-4 rue
Eugène Ruppert-L-2453
Luxembourg

Notices or communications to a Guarantor will be deemed given if given to the Company.

Any party by written notice to the other parties may designate additional or different addresses for subsequent notices or communications.

Where this Indenture provides for the giving of notice to Holders, such notice shall be deemed to have been given upon (i) the mailing of first class mail, postage prepaid, of such notice to Holders of the Notes at their registered addresses as recorded in the Register; and (ii) for so long as the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange, and it is required by the rules of the Luxembourg Stock Exchange, publication of such notice to the Holders of the Notes in English in a leading newspaper having general circulation in Luxembourg or, if such publication is not practicable, in one other leading English language daily newspaper with general circulation in Europe, such newspaper being published on each Business Day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

The Company shall also cause all other such publications of such notices as may be required from time to time by applicable Brazilian law, including, without limitation, those required under the applicable regulations issued by the CVM.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed to a Holder in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 11.03. *Officers' Certificate and Opinion of Counsel as to Conditions Precedent.* Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

- (i) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.04) stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (ii) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.04) stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 11.04. *Statements Required in Officers' Certificate or Opinion of Counsel.* Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include substantially:

- (i) a statement that each Person making or rendering such Officers' Certificate or Opinion of Counsel has read such covenant or condition and the related definitions;
- (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(iii) a statement that, in the opinion of each such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether or not, in the opinion of each such Person, such covenant or condition has been complied with.

Section 11.05. *Rules by Trustee, Registrar, Paying Agent and Transfer Agents.* The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar, the Paying Agents and the Transfer Agents may make reasonable rules for their functions.

Section 11.06. *Currency Indemnity.* U.S. Dollars are the sole currency of account and payment for all sums payable by the Company or the Guarantors under or in connection with the Notes and the Note Guarantees, including damages. Any amount received or recovered in a currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any Holder of a Note in respect of any sum expressed to be due to it from the Company or any Guarantor shall only constitute a discharge to the Company or the Guarantors, as the case may be, to the extent of the U.S. Dollar amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the recipient under any Note, the Company and the Guarantors shall indemnify such Holder against any loss sustained by it as a result, and if the amount of U.S. Dollars so purchased is greater than the sum originally due to such Holder, such Holder shall, by accepting a Note, be deemed to have agreed to repay such excess. In any event, the Company and the Guarantors shall indemnify the recipient against the cost of making any such purchase.

For the purposes of this Section 11.06, it shall be sufficient for the Holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. Dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Company and the Guarantors, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Section 11.07. *No Recourse Against Others.* No director, officer, employee or shareholder, as such, of the Company, the Guarantors or the Trustee shall have any liability for any obligations of the Company, the Guarantors or the Trustee, respectively, under this Indenture or the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

Section 11.08. *Legal Holidays*. In any case where any Interest Payment Date or Redemption Date or date of Maturity of any Note shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Notes) payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or Redemption Date or date of Maturity; *provided* that no interest shall accrue for the period from and after such Interest Payment Date or Redemption Date or date of Maturity, as the case may be on account of such delay.

Section 11.09. *Governing Law*. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTES GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY. EACH OF PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.10. *Consent to Jurisdiction; Waiver of Immunities*. (a) Each of the parties hereto hereby irrevocably submits to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan in The City of New York with respect to actions brought against it as a defendant in respect of any suit, action or proceeding or arbitral award arising out of or relating to this Indenture or the Notes or any transaction contemplated hereby or thereby (a “**Proceeding**”), and irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each of the parties hereto irrevocably waives, to the fullest extent it may do so under applicable law, trial by jury and any objection which it may now or hereafter have to the laying of the venue of any such Proceeding brought in any such court and any claim that any such Proceeding brought in any such court has been brought in an inconvenient forum. Each of the Company and the Guarantors irrevocably appoints National Corporate Research Limited (the “**Process Agent**”), with an office at 10 East 40th Street, 10th Floor, New York, NY 10016, USA, as its authorized agent to receive on behalf of it and its property service of copies of the summons and complaint and any other process which may be served in any Proceeding. If for any reason such Person shall cease to be such agent for service of process, each of the Company and the Guarantors shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Trustee a copy of the new agent’s acceptance of that appointment within 30 days. Nothing herein shall affect the right of the Trustee, any Agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company and the Guarantors in any other court of competent jurisdiction.

(b) Each of the Company and the Guarantors hereby irrevocably appoints the Process Agent as its agent to receive, on behalf of itself and its property, service of copies of the summons and complaint and any other process which may be served in any such suit, action or proceeding brought in such New York state or U.S. federal court sitting in the Borough of Manhattan in The City of New York. Such service shall be made by delivering by hand a copy of such process to the Company or any Guarantor, as the case may be, in care of the Process Agent at the address specified above. Each of the Company and the Guarantors hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. Failure of the Process Agent to give notice to the Company or any Guarantor, as the case may be, or failure of the Company or any Guarantor, as the case may be, to receive notice of such service of process shall not affect in any way the validity of such service on the Process Agent, the Company or the Guarantors. As an alternative method of service, each of the Company and the Guarantors also irrevocably consents to the service of any and all process in any such Proceeding by the delivery by hand of copies of such process to the Company or Guarantor, as the case may be, at its address specified in Section 11.02 or at any other address previously furnished in writing by the Company or the Guarantors to the Trustee. Each of the Company and the Guarantors covenants and agrees that it shall take any and all reasonable action, including the execution and filing of any and all documents, that may be necessary to continue the designation of the Process Agent above in full force and effect during the term of the Notes, and to cause the Process Agent to continue to act as such.

(c) Nothing in this Section 11.10 shall affect the right of any party, including the Trustee, any Agent or any Holder, to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other competent jurisdictions.

(d) Each of the Company and the Guarantors irrevocably agrees that, in any proceedings anywhere (whether for an injunction, specific performance or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from such proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, except to the extent required by applicable law, any such immunity being irrevocably waived, to the fullest extent permitted by applicable law. Each of the Company and the Guarantors irrevocably agrees that, where permitted by applicable law, it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under this Indenture or the Notes.

Section 11.11. *Successors and Assigns.* All covenants and agreements of the Company and the Guarantors in this Indenture, the Notes and the Note Guarantees shall bind their respective successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors.

Section 11.12. *Multiple Originals.* The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

Section 11.13. *Severability Clause.* In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any term or provision hereof invalid or unenforceable in any respect.

Section 11.14. *Force Majeure*. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 11.15. *Trust Indenture Act Of 1939*. This Indenture shall incorporate and be governed by the provisions of the Trust Indenture Act that are required to be part of and to govern indentures qualified under the Trust Indenture Act.

Section 11.16. The parties hereto acknowledge that, in accordance with Section 326 of the USA Patriot Act (Title III of Pub. L. 107–56 (signed into law October 26, 2001)) (as amended, modified or supplemented from time to time, the “USA Patriot Act”), the Trustee, like all financial institutions, is required to obtain, verify and record information that identifies each person or legal entity that opens an account. The parties to this Agreement agree that they will provide the Trustee with such information as the Trustee may request in order for the Trustee to satisfy the requirements of the USA Patriot Act.

IN WITNESS WHEREOF, the parties hereto have caused the Indenture to be duly executed as of the date first written above.

TAM CAPITAL 3 INC.,
As the Company

By: /s/ Libano Miranda Barroso

Name: Libano Miranda Barroso

Title: Diretor Presidente

By: /s/ Euzébio Angelotti Neto

Name: Euzébio Angelotti Neto

Title: Diretor

TAM S.A.,
as Guarantor

By: /s/ Marco Antonio Bologna

Name: Marco Antonio Bologna

Title: President

By: /s/ Libano Miranda Barroso

Name: Libano Miranda Barroso

Title: Diretor Presidente

TAM LINHAS AÉREAS S.A.,
as Guarantor

By: /s/ Libano Miranda Barroso

Name: Libano Miranda Barroso

Title: Diretor Presidente

By: /s/ Ricardo Froes Alves Farrioa

Name: Ricardo Froes Alves Farreioa

Title: Diretor Vice Presidente

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Witnesses:

By: /s/ Deborah C. Benites Soares
Name: Deborah C. Benites Soares
RG. 26.177.546-7 SSP-SP
CPF 303.073.498-61

By: /s/ Dalizio S. Barros Neto
Name: Dalizio S. Barros Neto
RG 32.363.805-3
CPF 208.611 988-30

THE BANK OF NEW YORK MELLON,
as Trustee, Registrar, Transfer Agent and Principal
Paying Agent

By: /s/ Teisha Wright

Name:

Teisha Wright

Title:

Senior Associate

THE BANK OF NEW YORK MELLON
(Luxembourg) S.A.,
as Luxembourg Transfer Agent

By: /s/ Teisha Wright

Name:

Teisha Wright

Title:

Senior Associate

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On the 3rd day of June, 2011, before me personally came Teisha Wright, to me known, who, being by me duly sworn, did depose and say that she is a Senior Associate of The Bank of New York Mellon (Luxembourg) S.A., one of the corporations described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

[Notarial Seal]

/s/ DANNY LEE

Notary Public
COMMISSION EXPIRES

DANNY LEE, NOTARY PUBLIC
State of New York, NO. 01LE6161129
Qualified in New York County
Commission Expires February 20, 2015

FORM OF NOTE

[FACE OF NOTE]

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK LIMITED PURPOSE TRUST COMPANY (“DTC”), TO THE COMPANY NAMED HEREIN (THE “COMPANY”) OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE IN WHOLE SHALL BE LIMITED TO TRANSFERS TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY AND TRANSFERS OF THIS GLOBAL NOTE IN PART SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE AND REFERRED TO ON THE REVERSE HEREOF.

[Include if Note is a Restricted Global Note, or a Note issued in exchange therefor, as required under this Indenture: THIS NOTE (AND RELATED NOTE GUARANTEES) HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER (1) REPRESENTS THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT OR (B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT), AND (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE INDENTURE REFERRED TO HEREIN.]

[Include if Note is Regulation S Global Note, or a Note issued in exchange therefor, in accordance with this Indenture: “THIS NOTE (AND RELATED NOTE GUARANTEES) HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THIS NOTE.”]

TAM CAPITAL 3 INC.

U.S.\$500,000,000

8.375% Senior Guaranteed Notes Due 2021

[RESTRICTED GLOBAL NOTE]
[REGULATION S GLOBAL NOTE]
[CERTIFICATED NOTE]

Representing U.S.\$_____

8.375% Senior Guaranteed Notes Due 2021

No. [R-1] [S-1]

CUSIP No. [144A: 87216V AA6] [Reg S: G86668 AA1]
ISIN No. [144A: US87216VAA61] [Reg S: USG86668AA10]
Common Code [144A: 063382019] [Reg S: 063360007]

Principal Amount
U.S.\$_____

TAM CAPITAL 3 INC., an exempted company incorporated with limited liability in the Cayman Islands (the “**Company**”, which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to Cede & Co., or registered assigns, U.S.\$_____, upon presentment and surrender of this Note on June 3, 2021 or on such date or dates as the then relevant principal sum may become payable in accordance with the provisions hereof and in the Indenture.

Interest on the outstanding principal amount shall be borne at the rate of 8.375% per annum payable semi-annually in arrears on each June 3 and December 3 (each such date an “**Interest Payment Date**”), commencing on December 3, 2011, all subject to and in accordance with the terms and conditions set forth herein and in the Indenture; *provided, however*, that in the event that the Company shall at any time default on the payment of interest or such other amounts as any may be payable in respect of the Notes, the Company shall pay interest on overdue principal or installments of interest, to the extent lawful, at the rate borne by the Notes plus 1% per annum.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication herein has been executed by the Trustee or Authenticating Agent by the manual signature of one of its authorized signatories, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

Dated: June 3, 2011

TAM CAPITAL 3 INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Witnesses:

By: _____
Name:

By: _____
Name:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within mentioned Indenture.

THE BANK OF NEW YORK MELLON,
as Trustee

By:

Name:

Title: Authorized Signatory

[FORM OF REVERSE SIDE OF NOTE]

8.375% Senior Guaranteed Notes Due 2021

TERMS AND CONDITIONS OF THE NOTES

This Note is one of a duly authorized issue of 8.375% Senior Guaranteed Notes Due 2021 of the Company. The Notes constitute unsecured unsubordinated obligations of the Company, initially in an aggregate principal amount of U.S.\$500,000,000.

1. *Indenture.*

The Notes are, and shall be, issued under an Indenture, dated as of June 3, 2011 (the “**Indenture**”), among the Company, the Guarantors party thereto, The Bank of New York Mellon, as trustee (the “**Trustee**”), Registrar, Transfer Agent and Principal Paying agent (the “**Principal Paying Agent**”) (collectively, the “**Agents**” and each individually an “**Agent**”) and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Transfer Agent. The terms of the Notes include those stated in the Indenture. The Holders of the Notes shall be entitled to the benefit of, be bound by and be deemed to have notice of, all provisions of the Indenture. Reference is hereby made to the Indenture and all supplemental indentures thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee, each Agent and the Holders of the Notes and the terms upon which the Notes, are, and are to be, authenticated and delivered. All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture. Copies of the Indenture and each Global Note shall be available for inspection at the offices of the Trustee and each Paying Agent.

The Company may from time to time, without the consent of the Holders of the Notes, create and issue Additional Notes having the same terms and conditions as the Notes in all respects, except for issue date, issue price and the first payment of interest thereon. Additional Notes issued in this manner shall be consolidated with and shall form a single series with the previously outstanding Notes; provided that any such Additional Notes issued under the same CUSIP as any previously issued Notes shall be issued either in a “qualified reopening” for U.S. federal income tax purposes or with no more than *de minimis* original issue discount for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Indenture and this Note, references to the Notes include any Additional Notes actually issued.

The Indenture imposes certain limitations on the creation of Liens by the Company or its Subsidiaries, and consolidation, merger and certain other transactions involving the Company. In addition, the Indenture requires the maintenance of insurance for the Company and its Subsidiaries, the maintenance of the existence of the Company and its Subsidiaries, the payment of certain taxes and claims and reporting requirements applicable to the Company.

The Note is one of the [Initial]¹ [Additional]² Notes referred to in the Indenture. The Notes include the Notes issued on the Issue Date and any Additional Notes issued in accordance with Section 2.14 of the Indenture. The Notes, any Additional Notes are treated as a single class of securities under the Indenture.

2. *Principal.*

The Company promises to pay the principal of this Note on June 3, 2021.

3. *Interest.*

The Notes bear interest at the rate per annum shown above from June 3, 2011, or from the most recent Interest Payment Date (as defined below) to which interest has been paid or provided for, payable semi-annually in arrears on June 3 and December 3 of each year (each such date, an “**Interest Payment Date**”), commencing on December 3, 2011. Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay interest on overdue principal or installments of interest, to the extent lawful, at the rate borne by the Notes plus 1% per annum.

4. *Method of Payment.*

Payments of interest in respect of each Note shall be made on each Interest Payment Date by the Paying Agents to the Persons shown on the Register at the close of business on the May 18 and November 18, as the case may be (each, a “**Record Date**”), immediately preceding such Interest Payment Date.

Payments in respect of each Note shall be made by U.S. Dollar check drawn on a bank in The City of New York and may be mailed to the Holder of such Note at its address appearing in the Register. Upon written application by the Holder to the specified office of any Paying Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by wire transfer to a U.S. Dollar account maintained by the payee with a bank in The City of New York. Payment of principal in respect of each Note shall be made on any Payment Date for such principal to the Person shown on the Register at the close of business on the fifteenth day immediately preceding such Payment Date.

All payments on this Note are subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of Paragraph 6 hereof. Except as provided in Section 2.08 of the Indenture, no fees or expenses shall be charged to the Holders in respect of such payments.

¹ Include if Initial Note.

² Include if Additional Note.

If the Payment Date in respect of any Note is not a business day at the place in which it is presented for payment, the Holder thereof shall not be entitled to payment of the amount due until the next succeeding business day at such place and shall not be entitled to any further interest or other payment in respect of any such delay.

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar shall annotate the Register with a record of the amount of interest, if any, in fact paid.

5. *Registrar, Paying Agent and Transfer Agent.*

The Trustee shall act as Registrar, Transfer Agent and Principal Paying Agent of the Notes. The Company may appoint and change any Registrar, Paying Agent or Transfer Agent in accordance with the terms of the Indenture. The Bank of New York Mellon (Luxembourg) S.A. shall initially act as Transfer Agent in Luxembourg.

6. *Additional Amounts.*

All payments by the Company in respect of the Notes or the Guarantors in respect of the Note Guarantees will be made free and clear of, and without withholding or deduction for, or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Brazil, or any authority therein or thereof or any other jurisdiction in which the Company or the Guarantors are organized, doing business or through which payments are made in respect of the notes or guarantees (any of the aforementioned being a “**Taxing Jurisdiction**”), unless the Company or the Guarantors are compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Company or the Guarantors, as applicable, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by Holders of Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such withholding or deduction (“**Additional Amounts**”). Notwithstanding the foregoing, no such Additional Amounts shall be payable:

(i) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership, or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the Note or enforcement of rights under the Indenture and the receipt of payments with respect to the Note;

(ii) in respect of Notes surrendered or presented for payment (if surrender or presentment is required) more than 30 days after the Relevant Date except to the extent that payments under such Note would have been subject to withholdings and the Holder of such Note would have been entitled to such Additional Amounts, on surrender of such Note for payment on the last day of such period of 30 days;

(iii) in respect of any withholding or deduction imposed on a payment that is to be made pursuant to Council Directive 2003/48/EC or any other Directive on the taxation of savings income implementing the conclusion of the ECOFIN Council meeting of November 26-27, 2000 or any subsequent meeting of the ECOFIN Council, or any law implementing or complying with, or introduced in order to conform to, such Directives;

(iv) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such Holder's failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such Holder or beneficial owner, if (1) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Company has given the Holders at least 30 days' notice that Holders will be required to provide such certification, identification, documentation or other requirement;

(v) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

(vi) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the Note;

(vii) in respect of any tax imposed on overall net income or any branch profits tax; or

(viii) in respect of any combination of the above.

No Additional Amounts shall be paid with respect to any payment on a Note to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, any interestholder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, neither the Company nor the Guarantors shall be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that Additional Amounts actually paid with respect to the Notes are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the Holder of such Notes, and, as a result thereof such Holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such Holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Company.

Any reference in the Indenture or the Notes to principal, interest or any other amount payable in respect of the Notes by the Company or the Note Guaranty by the Guarantors will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this Paragraph 6.

The foregoing obligation will survive termination or discharge of the Indenture.

7. *Open Market Purchases.*

The Company or any of its Affiliates may at any time purchase Notes in the open market or otherwise at any agreed upon price. All Notes so purchased may not be reissued or resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

8. *Redemption.*

Except as described in Section 3.01 of the Indenture and this Paragraph 8, the Notes may not be redeemed.

(1) On or prior to June 3, 2016, the Notes shall be redeemable, at the option of the Company, in whole or in part, on any Interest Payment Date, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such notes (exclusive of interest accrued on the Redemption Date) discounted to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 100 basis points, plus, in either case, accrued and unpaid interest and additional amounts, if any, on the principal amount being redeemed to such Redemption Date; and

(2) After June 3, 2016, the notes will be redeemable, at the option of the Company, in whole or in part, on any Redemption Date, at the redemption prices (expressed as percentages of their principal amount at maturity), during the 12 month period commencing on June 3, 2016 of any year set forth below:

Year	Redemption Price
2016	104.188%
2017	102.792%
2018	101.396%
2019 and thereafter	100.000%

plus in the case of either (1) or (2), any interest accrued but not paid and additional amounts, if any, to the Redemption Date; *provided, however*, that if the notes are redeemed in part, at least U.S.\$100,000,000 aggregate principal amount of the notes must remain outstanding following any partial redemption. For the avoidance of doubt, any calculation of the remaining scheduled payments of principal and interest pursuant to clause (2) of the preceding sentence shall not include interest accrued as of the applicable Redemption Date

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws, any treaties, rules, or related agreements to which a Taxing Jurisdiction is a party or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the Notes or on or after the date a successor to the Company assumes the obligations under the Notes, (i) the Company or any successor to the Company has or will become obligated to pay Additional Amounts (as defined in Section 4.06 of the Indenture and Paragraph 5 hereof) or (ii) either of the Guarantors or any successor to the Guarantor has or will become obligated to pay Additional Amounts in excess of the Additional Amounts either such Guarantor or any such successor to the Guarantor would be obligated to pay if payments were subject to withholding or deduction at a rate equal to the withholding tax rate imposed by Brazil as of the issue date of the notes, determined, in each case, without reference to any interest, fees, penalties, or other additions to tax (the “**Minimum Withholding Level**”), as a result of the taxes, duties, assessments and other governmental charges described above, the Company or any of its successors may, at their option, redeem all, but not less than all, of the Notes, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest to the date fixed for redemption, upon publication of irrevocable notice to Holders not less than 30 days nor more than 60 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 60 days prior to the earliest date on which either (x) the Issuer or successor to the Issuer would, but for such redemption, become obligated to pay any additional amounts, or (y) in the case of payments made under the Guarantees, either Guarantor or any successor to the Guarantor would, but for such redemption, be obligated to pay the Additional Amounts in excess of the Minimum Withholding Level were a payment then due. For the avoidance of doubt, the Company or any successor to the Company shall not have the right to so redeem the Notes unless (a) it is obligated to pay Additional Amounts or (b) either Guarantor or any successor to the Guarantor is obliged to pay Additional Amounts that in the aggregate amount exceed the Additional Amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Company or any successor to the Company shall not have the right to so redeem the Notes unless it has taken reasonable measures to avoid the obligation to pay Additional Amounts. For the avoidance of doubt, reasonable measures do not include changing the jurisdiction of incorporation of the Company or any successor to the Company or the jurisdiction of incorporation of a Guarantor or any successor to either Guarantor.

In the event that the Company or any successor elects to so redeem the Notes pursuant to Section 3.01(c) of the Indenture, it will deliver to the Trustee: (i) a certificate, signed in the name of the Company by any two of its executive officers or by its attorney-in-fact in accordance with its bylaws, stating that the Company or any successor to the Company is entitled to redeem the Notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Company or any successor to the Company to so redeem have occurred or been satisfied; and (ii) an Opinion of Counsel to the effect that (1) the Company or any successor to the Company has or will become obligated to pay Additional Amounts or either Guarantor or any successor to the Guarantor has or will become obligated to pay Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level, (2) such obligation is the result of a change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, as described above and (3) that all governmental requirements necessary for the Company to effect the redemption have been complied with.

9. *Denominations; Transfer; Exchange.*

The Notes are in registered form without coupons in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

A Holder may transfer or exchange Notes in accordance with the Indenture. The Trustee, the Registrar or Transfer Agent, as the case may be, may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

The Trustee, the Registrar or Transfer Agent, as the case may be, need not register the transfer or exchange of any Notes selected for redemption or any Notes for a period of 15 days before a selection of Notes to be redeemed or before an Interest Payment Date.

10. *Persons Deemed Owners.*

The registered Holder of this Note may be treated as the owner thereof for all purposes.

11. *Unclaimed Money.*

Subject to applicable law, the Trustee and the Paying Agents shall pay to the Company upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and thereafter, Holders entitled to such monies must look to the Company for payment as general creditors.

12. *Defeasance.*

Subject to the terms of the Indenture, the Company and the Guarantors at any time may terminate some or all of their obligations under the Notes, the Indenture and the Note Guarantees, as the case may be, if the Company or the Guarantors irrevocably deposit in trust with the Trustee money or U.S. Government Obligations sufficient for the payment of principal of and interest on all the Notes to Maturity or redemption. At such time, each Guarantor's obligations under its Note Guaranty will terminate.

13. *Amendment; Waiver.*

Subject to certain exceptions set forth in the Indenture, the Indenture or the Notes may be amended or supplemented without notice to any Holder but with the written consent of the Holders of at least a majority in principal amount of the Notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding. However, subject to certain exceptions set forth in the Indenture, without the consent of each Holder of an outstanding Note affected thereby, no amendment or waiver may, among other things:

- (i) reduce the principal amount of or change the Stated Maturity of any payment on any Note;
- (ii) reduce the rate of any interest on any Note;
- (iii) reduce the amount payable upon the redemption of any Note or change the time at which any Note may be redeemed;
- (iv) change the currency for payment of principal of, or interest or any Additional Amounts on, any Note;
- (v) impair the right to institute suit for the enforcement of any right to payment on or with respect to any Note;
- (vi) waive a Default or Event of Default in payment of principal of and interest on the Notes;
- (vii) reduce the principal amount of Notes whose Holders must consent to any amendment, supplement or waiver;
- (viii) make any change to the first paragraph of Section 9.02 of the Indenture;
- (ix) modify or change any provision of the Indenture affecting the ranking of the Notes or any Note Guaranty in a manner adverse to the Holders of the Notes; or
- (x) make any change in any Note Guaranty that would adversely affect the Holders of the Notes.

provided that the provisions of the covenants described in Section 4.11 of the Indenture may, except as provided above, be amended or waived with the consent of Holders holding not less than 66 2/3% in aggregate principal amount of the Notes.

The Company, the Guarantors and the Trustee may, without the consent of any Holder of the Notes, amend the Indenture or the Notes to:

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to add guarantees or collateral with respect to the Notes;
- (iii) to comply with Section 5.01 of the Indenture;
- (iv) to provide for any guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any guarantee of the Notes when such release, termination or discharge is permitted by this Indenture;
- (v) to add to the covenants of the Company or the Guarantors for the benefit of the Holders;
- (vi) to surrender any right herein conferred upon the Company or the Guarantors;
- (vii) to evidence and provide for the acceptance of an appointment by a successor Trustee;
- (viii) to provide for the issuance of Additional Notes;
- (ix) to make any other change that does not materially and adversely affect the rights of any Holder or to conform this Indenture to the section "Description of Notes" in the Offering Memorandum; or
- (x) to comply with any applicable requirements of the SEC, including in connection with an required qualification of the Indenture under the Trust Indenture Act

provided that, in such case, the Company has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate, each stating that such amendment or supplement complies with the provisions of Section 9.01 of the Indenture.

Each Guarantor must consent to any amendment, supplement or waiver.

14. *Defaults and Remedies.*

An “**Event of Default**” occurs if:

- (i) the Company defaults in any payment of interest (including any Additional Amounts) on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (ii) the Company defaults in the payment of principal amounts (including any Additional Amounts) of any Note when the same becomes due and payable upon acceleration or redemption or otherwise;
- (iii) the Company or any Guarantor fails to comply with any of its covenants or agreements in the Notes or the Indenture (other than those referred to in (i) and (ii) above), and such failure continues for 60 days after the notice specified below;
- (iv) the Company, any Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Company, any such Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Company, such Guarantor or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default (“**Payment Default**”) or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates U.S.\$50,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate;
- (v) one or more final judgments or decrees for the payment of money in excess of U.S.\$50,000,000 (or the equivalent thereof at the time of determination) in the aggregate are rendered against the Company, any Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(vi) an involuntary case or other proceeding is commenced against the Company, any Guarantor or any Significant Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, *síndico*, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the Company, any Guarantor or any Significant Subsidiary under the bankruptcy laws now or hereafter in effect, and such order is not being contested by the Company, any Guarantor or any Significant Subsidiary, as the case may be, in good faith, or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made;

(vii) the Company, any Guarantor or any Significant Subsidiary (i) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *síndico*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, any Guarantor or any Significant Subsidiary or for all or substantially all of the Property of the Company, any Guarantor or any Significant Subsidiary or (iii) effects any general assignment for the benefit of creditors;

(viii) any event occurs that under the laws of the Cayman Islands, Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (vi) or (vii);

(ix) any Note Guaranty ceases to be in full force and effect, other than in accordance the terms of the Indenture, or a Guarantor denies or disaffirms its obligations under its Note Guaranty; or

(x) TAM S.A. ceases to own, directly or indirectly, 100% of the outstanding share capital of the Company.

A Default under clause (iii) above shall not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the Outstanding Notes notify the Company and the Guarantors of the Default and the Company does not cure such Default within the time specified after receipt of such notice.

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an attorney, Responsible Officer, has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to a Responsible Officer of the Trustee by the Company or any Holder.

If an Event of Default (other than an Event of Default specified in clauses (vi), (vii) and (viii) above) occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Notes may declare all unpaid principal of and accrued and unpaid interest on all Notes to be due and payable immediately, by a notice in writing to the Company, and upon any such declaration such amounts shall become due and payable immediately. If an Event of Default specified in clause (vi), (vii) or (viii) above occurs and is continuing, then the principal of, and accrued and unpaid interest on, all Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default shall occur and be continuing, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee indemnity reasonably satisfactory to it. Subject to such provision for the indemnification of the Trustee, the Holders of a majority in aggregate principal amount of the outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

At any time after a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in the Indenture, the Holders of a majority in principal amount of the Notes by written notice to the Company and the Trustee may rescind or annul a declaration of acceleration if (i) the Company has paid or deposited with the Trustee a sum sufficient to pay all overdue interest (including any Additional Amounts) on Outstanding Notes, all unpaid principal of the Notes that has become due otherwise than by such declaration of acceleration, interest on such overdue interest (including any Additional Amounts) as provided in the Indenture and all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and (ii) all Events of Default have been cured or waived except nonpayment of principal that has become due solely because of acceleration.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

15. *Trustee Dealings with the Company.*

Subject to certain limitations imposed by the Indenture, the Trustee and any Agent or co-registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee, Agent, or such other agent.

16. *Governing Law.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUER THE INDENTURE, THIS NOTE AND THE NOTES GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

17. *No Recourse Against Others.*

No director, officer, employee or shareholder, as such, of the Company, the Guarantors or the Trustee shall have any liability for any obligations of the Company, the Guarantors or the Trustee, respectively, under this Indenture or the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

18. *CUSIP and ISIN Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP or ISIN numbers, as applicable, to be printed on the Notes and has directed the Trustee to use CUSIP or ISIN numbers, as applicable, in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture, which includes the form of this Note. Requests may be made to:

TAM Capital 3 Inc.
c/o TAM S.A.
Av. Jurandir, 856, Lote 4
04072 000
São Paulo, SP
Brasil
Attention: Legal Department
Facsimile: 55-11-5582-8813

NOTATION OF GUARANTY

For value received, each Guarantor (which term includes any successor Person under the Indenture) has unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of June 3, 2011 (as amended from time to time, the “**Indenture**”), among the Company, the Guarantor, The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Principal Paying Agent (collectively, the “**Agents**” and each individually an “**Agent**”) and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Transfer Agent, the full and punctual payment (whether at Stated Maturity, upon redemption, acceleration, or otherwise) of the principal of, premium, if any, and interest on, and all other amounts payable under, each Note, and the full and punctual payment of all other amounts payable by the Company under the Indenture. The obligations of each Guarantor to the Holders of Notes and to the Trustee pursuant to the guaranty and the Indenture are expressly set forth in Article 10 of the Indenture and reference is hereby made to the Indenture for the precise terms of the guaranty.

IN WITNESS WHEREOF, each Guarantor has caused this guaranty to be duly executed.

TAM S.A.,
as Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

TAM LINHAS AÉREAS S.A.,
as Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

Witnesses:

By: _____
Name:

By: _____
Name:

SUPPLEMENTAL INDENTURE

dated as of _____, ____

among

TAM CAPITAL 3 INC.,

the [ADDITIONAL GUARANTOR(S)] Party Hereto

and

THE BANK OF NEW YORK MELLON
as Trustee, Registrar, Transfer Agent and Principal Paying Agent

8.375% Senior Guaranteed Notes Due 2021

THIS SUPPLEMENTAL INDENTURE (this “**Supplemental Indenture**”), entered into as of _____, ____, among TAM Capital 3 Inc., an exempted company incorporated with limited liability in the Cayman Islands (the “**Company**”), [Additional Guarantor(s)] (each an “**Undersigned**”) and The Bank of New York Mellon, as trustee, registrar, transfer agent and principal paying agent (the “**Trustee**”).

RECITALS

WHEREAS, the Company, the Guarantors party thereto, The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Principal Paying Agent (the “**Trustee**”) and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Transfer Agent, entered into the Indenture, dated as of June 3, 2011 (the “**Indenture**”), relating to the Company’s 8.375% Senior Guaranteed Notes Due 2021 (the “**Notes**”);

WHEREAS, as a condition to the Trustee entering into the Indenture and the purchase of the Notes by the Holders, the Company and the Guarantors agreed pursuant to the Indenture to cause any newly acquired or created Subsidiaries to provide Guarantees in certain circumstances.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties to this Supplemental Indenture hereby agree as follows:

Section 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

Section 2. Each Undersigned, by its execution of this Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article 10 thereof. [Specify % to be guaranteed, if less than 100%.]

Section 3. This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

Section 5. This Supplemental Indenture is an amendment supplemental to the Indenture, and the Indenture and this Supplemental Indenture will henceforth be read together.

Section 6. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture or the recitals contained herein.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

TAM CAPITAL 3 INC.,
as the Company

By: _____
Name:
Title:

By: _____
Name:
Title:

[ADDITIONAL GUARANTOR],
as Guarantor

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON,
as Trustee, Registrar, Transfer Agent and Principal
Paying Agent

By: _____
Name:
Title:

FORM OF
TRANSFER NOTICE

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

-

Please print or typewrite name and address, including postal zip code, of assignee

this Note and all rights hereunder, hereby irrevocably constituting and appointing

_____ attorney to transfer said Note on the books of TAM Capital 3 Inc. with full power of substitution in the premises.

In connection with any transfer of this Note occurring prior to the date [which is two years after the original issue date of the Notes,]¹ [which is on or prior to the 40th day after the Closing Date (as defined in the Indenture governing the Notes),]² the undersigned confirms that:

[Check one]

- ☐ (a) This Note is being transferred to a person whom the Holder reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), in a transaction meeting the requirement of Rule 144A;
- ☐ (b) This Note is being transferred in an offshore transaction in accordance with Rule 904 under the Securities Act;
- ☐ (c) This Note is being transferred pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);
- ☐ (d) This Note is being transferred pursuant to an effective registration statement under the Securities Act; or
- ☐ (e) This Note is being transferred to TAM Capital 3 Inc.,

¹ **Include in Restricted Note.**

² **Include in Regulation S Note.**

in each of cases (a) through (e) above, in accordance with any applicable securities laws of any State of the United States.

If none of the foregoing boxes is checked, the Transfer Agent shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.07 of the Indenture shall have been satisfied.

Date: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of this instrument in every particular, without alteration, enlargement or any other change whatever.

FORM OF CERTIFICATE
FOR TRANSFER FROM RESTRICTED GLOBAL
NOTE OR CERTIFICATED NOTE BEARING
A SECURITIES ACT LEGEND TO REGULATION S
GLOBAL NOTE OR CERTIFICATED NOTE
NOT BEARING A SECURITIES ACT LEGEND

The Bank of New York Mellon
101 Barclay Street, Floor 4 East
New York, New York 10286
Attn: Global Finance Americas

Re: 8.375% Senior Guaranteed Notes Due 2021 (the “**Notes**”)

Reference is hereby made to the Indenture, dated June 3, 2011 (the “**Indenture**”), among TAM Capital 3 Inc., the Guarantors party thereto, The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Transfer Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S.\$_____ principal amount of Notes which are held in the form of [a beneficial interest in the Restricted Global Note with the Depositary in the name of the undersigned] [a Certificated Note bearing a Securities Act Legend].

The undersigned has requested a transfer of such [beneficial interest] [Certificated Note] to a Person who shall take delivery thereof in the form of [a beneficial interest of equal principal amount in the Regulation S Global Note (CUSIP No. G86668 AA1, ISIN No. USG86668AA10) to be held with [Euroclear] * [Clearstream, Luxembourg] ¹ (Common Code No. 063360007) through the Depositary] [a Certificated Note of equal principal amount not bearing a Securities Act Legend]. In connection with such transfer, the undersigned does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Notes and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and, accordingly, the undersigned further certifies that:

(1) the offer of the Notes was not made to a U.S. Person (as defined under Regulations);

¹ *Indicate appropriate clearing system.*

- [(2) at the time the buy order was originated, the transferee was outside the United States or the undersigned and any Person acting on behalf of the undersigned reasonably believed that the transferee was outside the United States;]²
- [(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the undersigned nor any Person acting on behalf of the undersigned knows that the transaction was prearranged with a buyer in the United States;]³
- (3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;
- (4) the undersigned is not the Company, a distributor, an affiliate of either the Company or a distributor, or a Person acting on behalf of any of the foregoing; and
- (5) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

This certificate and the statements contained herein are made for your benefit and for the benefit of TAM Capital 3 Inc. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S.

[INSERT NAME OF TRANSFEROR]

By: _____
Name:
Title:

Dated: _____, _____

cc: TAM Capital 3 Inc.

² *Insert one of the two provisions.*

³ *Insert one of the two provisions.*

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM REGULATION S GLOBAL
NOTE OR CERTIFICATED NOTE NOT BEARING
A SECURITIES ACT LEGEND TO RESTRICTED GLOBAL
NOTE OR CERTIFICATED NOTE BEARING
A SECURITIES ACT LEGEND
(PRIOR TO 40TH DAY AFTER CLOSING DATE)

The Bank of New York Mellon
101 Barclay Street, Floor 4 East
New York, New York 10286
Attn: Global Finance Americas

Re: 8.375% Senior Guaranteed Notes Due 2021 (the “Notes”).

Reference is hereby made to the Indenture, dated June 3, 2011 (the “**Indenture**”), among TAM Capital 3 Inc., the Guarantors party thereto, The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Transfer Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S.\$_____ principal amount of Notes which are held in the form of [a beneficial interest in the Regulation S Global Note (CUSIP No. G86668 AA1, ISIN No. USG86668AA10) with the Depository in the name of the undersigned] [a Certificated Note not bearing the Securities Act Legend].

The undersigned has requested a transfer of such [beneficial interest] [Certificated Note] to a Person who shall take delivery thereof in the form of [a beneficial interest in the Restricted Global Note (CUSIP No. 87216V AA6) to be held through the Depository] [a Certificated Note bearing the Securities Act Legend]. In connection with such transfer, the undersigned does hereby confirm that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Notes and pursuant to and in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended, and accordingly, the undersigned represents that:

(1) the Notes are being transferred to a transferee that the undersigned reasonably believes is purchasing the Notes for its own account or one or more accounts with respect to which the transferee exercises sole investment discretion; and

(2) the transferee and any such account is a “qualified institutional buyer” within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for your benefit and for the benefit of TAM Capital 3 Inc.

[INSERT NAME OF TRANSFEROR]

By: _____
Name:
Title:

Dated: _____, _____

cc: TAM Capital 3 Inc.

FORM OF CERTIFICATE FOR REMOVAL
OF THE SECURITIES ACT LEGEND ON A CERTIFICATED NOTE

The Bank of New York Mellon
101 Barclay Street, Floor 4 East
New York, New York 10286
Attn: Global Finance Americas

Re: 8.375% Senior Guaranteed Notes Due 2021 (the “Notes”)

Reference is hereby made to the Indenture, dated June 3, 2011 (the “**Indenture**”), among TAM Capital 3 Inc., the Guarantors party thereto, The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Transfer Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. \$_____ principal amount of Notes which are held in the form of [a beneficial interest in the Restricted Global Note (CUSIP No. 87216V AA6) with the Depository] [[a] Certificated Note(s) in the name of the undersigned.] ¹

The undersigned has requested for the restrictive Legend on the Certificated Note(s) to be removed.

In connection with such transfer, the undersigned does hereby certify that such transfer has been effected only (i) in an offshore transaction in accordance with Rule 904 under the Securities Act, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iii) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iii) in accordance with any applicable securities laws of any State of the United States.

¹ *Indicate form in which Notes are held.*

This certificate and the statements contained herein are made for your benefit and for the benefit of and TAM Capital 3 Inc.

[NAME OF UNDERSIGNED]

By: _____
Name:
Title:

Dated: _____, _____

cc: TAM Capital 3 Inc.

INDENTURE

dated as of November 7, 2013

between

GUANAY FINANCE LIMITED,
as Issuer

and

CITIBANK, N.A.,
as Indenture Trustee

Indenture

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SCHEDULE I -	Maximum Scheduled Aggregate Base Amount
SCHEDULE II	Perfection Representations and Warranties

THIS INDENTURE, dated as of November 7, 2013 (as the same may be amended, modified or supplemented, this “Indenture”), between Guanay Finance Limited, a Cayman Islands exempted company incorporated with limited liability (the “Issuer”) and Citibank, N.A., a national banking association, not in its individual capacity but solely as trustee (the “Indenture Trustee”).

WITNESSETH :

WHEREAS, the Issuer has duly authorized the issue from time to time of its debentures, notes or other evidences of indebtedness to be issued in one or more Series up to such principal amount or amounts as may from time to time be authorized in accordance with the terms of this Indenture;

WHEREAS, the Issuer has duly authorized the execution and delivery of this Indenture to provide, among other things, for the authentication, delivery and administration of the Notes; and

WHEREAS, all things necessary to make this Indenture a valid indenture and agreement according to its terms have been done;

NOW, THEREFORE, in consideration of the premises and the purchases of the Notes by the holders thereof, the Issuer and the Indenture Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Notes and of the coupons, if any, appertaining thereto as follows:

GRANTING CLAUSE

The Issuer hereby Grants to the Indenture Trustee at the Closing Date, as Indenture Trustee for the benefit of the Noteholders of each Series from time to time issued and outstanding (and each of the other Beneficiaries), to the extent applicable, all of the Issuer’s right, title and interest in and to (a) the Contract Rights in respect of such Series of Notes, whether existing on the Closing Date or thereafter arising or acquired, (b) the Receivables and Collections in respect of such Contract Rights, whether existing on the Closing Date or thereafter generated, (c) the Collection Accounts, the Debt Service Reserve Account and, with respect to each Series, the Series Account corresponding thereto, in each case, including all amounts credited thereto or carried therein, any and all investments made with funds therein, any and all other financial assets credited thereto or carried therein and any and all security entitlements with respect to such financial assets, (d) the applicable Indenture Supplement and any other Transaction Document that relate to such Series, (e) all other property of whatever kind owned from time to time by the Issuer in respect of such Series, including deposit and securities accounts and all funds and investments in each such account, (f) all present and future claims, demands, causes and *choses* in action in respect of any or all of the foregoing, (g) all other property, if any, specified and described as Collateral in the applicable Indenture Supplement for such Series, (h) all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing and (i) all proceeds, substitutions and replacements of any of the foregoing, including all accounts, instruments, chattel paper, general intangibles, investment property, goods, documents, letter-of-credit rights and money relating to or arising out of, or which are proceeds of, the property described above (collectively, the “Collateral”).

Indenture

The foregoing Grant is made in trust to secure the payment of principal of and Interest on, and any other amounts owing in respect of, each Series of Notes, and to secure compliance with the provisions of this Indenture and any Indenture Supplement, all as provided in this Indenture.

The Indenture Trustee, as trustee on behalf of the Noteholders of any applicable Series and the other Beneficiaries, acknowledges such Grant, accepts the trusts hereunder in accordance with the provisions hereof and agrees to perform its duties herein required.

ARTICLE I
DEFINITIONS

Section 1.01 Certain Terms Defined. The following terms (except as otherwise expressly provided or unless the context otherwise clearly requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. Capitalized terms used but not defined herein shall have the respective meanings set forth (including by reference) in the Assignment and Sale Agreement. All terms used in this Indenture that are defined in the Trust Indenture Act or the Securities Act, except as otherwise expressly provided or unless the context otherwise requires herein, shall have the meanings assigned to such terms in the Trust Indenture Act or the Securities Act as in force at the date of this Indenture. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term “generally accepted accounting principles” (“GAAP”) means such accounting principles as are generally accepted at the time of any computation in the applicable jurisdiction.

“Acceptable Bank” shall mean any commercial bank authorized to engage in the banking business having (a) a combined capital and surplus of at least U.S.\$1,000,000,000 and (b) the Required Ratings set forth in clause (a) of the definition thereof.

“Additional Amounts” shall mean additional amounts as may be necessary in order that the net amounts receivable by each Investor after any withholding or deduction in respect of any taxes shall equal the amounts which would have been receivable in respect of any Series of Notes in the absence of such withholding or deduction, as such payments of such additional amounts are subject to certain exceptions set forth in Section 3.13 of this Agreement.

“Additional Series” shall mean any Series other than the Series 2013-1 Notes.

“Administration Agreement” shall mean the Administration Agreement, dated November 7, 2013, between the Issuer and Maples FS Limited, as administrator.

“Affected Series” shall mean, as of any date of determination, in respect of:

(a) any action, proceeding, suit or claim against a Designated Obligor, each Series of the Notes which on such date represents an interest in the Contract Rights of such Designated Obligor;

(b) any Contract Right of any Designated Obligor, each Series of Notes which on such date represents an interest therein or in any Receivables or Collections therefrom;

(c) any action, proceeding, suit or claim against any other Person, each Series of Notes which on such date has an interest in such action, proceeding, suit or claim or in the proceeds thereof; and

(d) in addition to any of the foregoing in respect of any action, proceeding, suit or claim, each Series of Notes which is Materially and Adversely Affected by such action, proceeding, suit or claim.

“Aggregate Base Amount” shall mean, with respect to any Payment Period, the sum of the Base Amounts for such Payment Period with respect to all Series of Notes at the time outstanding, together with any other scheduled amounts distributable under the Indenture and the Indenture Supplements to any person other than the Sellers on the Payment Date immediately following the end of such Payment Period.

“Assignment and Sale Agreement” shall mean the Assignment and Sale Agreement, dated as of the date hereof, between the Initial Seller, the Issuer and each Subsequent Seller.

“AUPs” shall have the meaning set forth in Section 5.03(e).

“Authenticating Agent” shall have the meaning set forth in Section 6.14.

“Authorized Agent” shall mean the collective reference to the Paying Agent(s) and the Transfer Agent(s).

“Authorized Consultant” shall mean any of Ernst & Young, PricewaterhouseCoopers, Deloitte & Touche, KPMG, BDO or FTI Consulting.

“Authorized Officer” shall mean (a) as to the Initial Seller or the Servicer, its Director General or any Director or its Chief Financial Officer or Treasurer; (b) as to the Issuer, with respect to notices or certificates delivered by it, any two or more of the directors, Assistant Secretaries or other officers whose names are set forth in the incumbency certificate delivered by the Issuer on the Closing Date or whose names are set forth in any Officer’s Certificate delivered by the Issuer to the other parties hereto after the date hereof, and with respect to knowledge of the Issuer, any one of such Assistant Secretaries or other officers; and (c) as to the Indenture Trustee, any trust officer or other officer or assistant officer performing the duties of the Indenture Trustee.

“Authorized Persons” shall have the meaning set forth in Section 6.02(q).

“Base Amount” shall mean, with respect to each Series and any Payment Period, the sum of the Quarterly Amortization Amount, if any, and all accrued and unpaid Interest (including any Additional Amounts and any Default Amounts), due in respect of the Notes of such Series on the Payment Date immediately following the end of such Payment Period.

“Beneficiary” shall mean each of (a) the Investors and (b) the Indenture Trustee, both individually and in its capacity as indenture trustee.

“Board of Directors” shall mean either the Board of Directors of the Issuer or any committee of such Board duly authorized to act on its behalf.

“Board Resolution” shall mean a copy of one or more resolutions, certified by the secretary or an assistant secretary of the Issuer to have been duly adopted or consented to by the Board of Directors and to be in full force and effect, and delivered to the Indenture Trustee.

“Business Day” shall mean a day that is not (a) a Saturday or Sunday or (b) a day on which commercial banks in New York City, New York, Santiago, Chile, or the Cayman Islands are required or authorized to be closed.

“CAD Collection Account” shall mean a Canadian dollar-denominated account maintained by and in the name of the Indenture Trustee (as of the Closing Date, held at Citibank, N.A., New York, New York (IBAN: GB06CITI18500811780174; Swift CITIGB2L for credit to account no. 11780174; account reference: GUANAY FIN LTD CAD Collection AC)), and over which the Indenture Trustee shall have sole and exclusive dominion and control and sole and exclusive right of withdrawal.

“Collateral” shall have the meaning specified in the granting clause of this Indenture.

“Collection Accounts” shall mean, collectively, the Dollar Collection Account and the CAD Collection Account.

“Collections” shall mean all U.S. dollar- and Canadian dollar-denominated payments deposited into the Dollar Collection Account or the CAD Collection Account, as applicable, by the Designated Obligors in respect of the Receivables; *provided* that for purposes of calculating the Debt Service Coverage Ratio and the Pro Forma DSCR for any Computation Period, “Collections” shall mean the U.S. dollar and Canadian dollar payments deposited directly by the Designated Obligors into the applicable Collection Account during such Payment Period in respect of the Receivables.

“Commission” shall mean the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

“Computation Period” shall mean, with respect to any date of determination, the period of three consecutive calendar months ending on the last day of the calendar month immediately preceding such date, with the initial Computation Period ending on February 28, 2014.

“Controlling Party” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Corporate Trust Office” shall mean the office of the Indenture Trustee at which the corporate trust business of the Indenture Trustee shall, at any particular time, be principally administered, which office is, at the date as of which this Indenture is dated, located at (a) solely for the purpose of transfer, surrender, exchange or presentation for final payment of the Notes: 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey 07310 – Citibank Agency & Trust, LATAM 2013-1 and (b) for all other purposes: 388 Greenwich Street, 14th Floor, New York, New York 10013 – Citibank Agency & Trust, LATAM 2013-1.

“Debt Service Coverage Ratio” or “DSCR” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Debt Service Reserve Account” or “DSRA” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Debt Service Reserve Letter of Credit” shall mean a letter of credit payable to the Indenture Trustee and issued (or confirmed) by an Acceptable Bank and in acceptable form (a Debt Service Reserve Letter of Credit shall be deemed acceptable so long as the Rating Agency Condition is satisfied within 30 Days following delivery to the Rating Agencies of the proposed Debt Service Reserve Letter of Credit).

“Default Amount” shall mean, with respect to the Notes of any Series, any principal and Interest (accruing on all unpaid principal, Interest and other amounts at the Default Rate) which is payable but is not actually paid on any Payment Date.

“Default Rate” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Depository” shall mean, with respect to the Notes of any Series issuable or issued in the form of one or more Registered Global Notes, the Person designated as such by the Issuer pursuant to the applicable Indenture Supplement, and if at any time there is more than one such Person, “Depository” as used with respect to the Notes of any such Series shall mean the Depository with respect to the Registered Global Notes of that Series.

“Direct Sale Excluded Receivables” shall have the meaning set forth in Section 5.03(f)(ii).

“Dollar Collection Account” shall mean a Dollar-denominated account maintained by and in the name of the Indenture Trustee (as of the Closing Date, held at Citibank, N.A., New York, New York (ABA No. 021000089 for credit to account no. 36172242; F/F/C Account 111107 GUANAY FINANCE LIMITED US Collection Account reference LATAM Receivables US Collection Account)), and over which the Indenture Trustee shall have sole and exclusive dominion and control and sole and exclusive right of withdrawal.

“DSRA Required Balance” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Early Amortization Additional Payment Date” shall mean the 15th day of each calendar month (other than March, June, September or December) in which an Early Amortization Period is in effect (or if such day is not a Business Day, the next succeeding Business Day).

“Early Amortization Period” shall mean, the period beginning on the first day of the calendar month immediately following the date on which, pursuant to the Assignment and Sale Agreement, notice is given by the Issuer to the Indenture Trustee, the Rating Agencies and the Noteholders that an Early Amortization Event has occurred and continuing to and including the earlier of (a) the date on which the Series Balance of all Series of Notes, together with all Interest on such Series and all other amounts (including any Default Amount) due to the Investors in respect of such Series, has been paid in full, (b) the date on which such Early Amortization Event has been cured, and (c) the date on which the Controlling Parties of all such Series so determine.

“Eligible Investments” shall mean any of the following:

(a) direct obligations of and obligations fully guaranteed as to timely payment of principal and interest by the United States, or any agency or instrumentality of the United States the obligations of which are backed by the full faith and credit of the United States;

(b) investments in money market funds rated in the highest rating category by Standard & Poor’s or Fitch (including funds in which the Indenture Trustee or any of its Affiliates is investment manager or advisor);

(c) demand deposits, time deposits or certificates of deposit or bankers’ acceptances issued by any commercial bank that is an Acceptable Bank;

(d) repurchase obligations with respect to any security described in clause (a) above entered into with a commercial bank that is an Acceptable Bank acting as principal; or

(e) commercial paper that is issued by any U.S. corporation with the Required Rating set forth in clause (b) of the definition thereof at the time of such investment;

in each case, only to the extent payments to be made with respect to such Eligible Investments will not be subject to United States withholding taxes; and provided that each Eligible Investment shall mature not later than the Business Day before the next Payment Date.

“Email Recipient” shall have the meaning set forth in Section 6.02(p).

“ER Repayment” shall have the meaning set forth in Section 5.03(e)(ii).

“Event of Default” shall mean any event or condition specified as such in Section 5.01 which shall have occurred and be continuing.

“Excess Amounts” shall have the meaning set forth in Section 5.04(a).

“Excess ER Event” shall have the meaning set forth in Section 5.03(f)(i).

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“FATCA” shall have the meaning set forth in Section 3.13.

“FATCA Withholding” shall have the meaning set forth in Section 3.13.

“Fiscal Quarter” shall mean a fiscal quarter of any Fiscal Year.

“Fiscal Year” shall mean the fiscal year of the Initial Seller ending on December 31 of each calendar year.

“Fitch” shall mean Fitch, Inc. and any successor thereto.

“GAAP” shall have the meaning set forth in Section 1.01.

“Governmental Authority” shall mean any nation or government (including Chile, the Cayman Islands and the United States), any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any multilateral or supranational entity.

“Grant” shall mean mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create and grant a lien and a security interest in and right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the Granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring proceedings in the name of the Granting party or otherwise and generally to do and receive anything that the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

“Incur” shall mean, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), extend, assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation or the recording, as required pursuant to GAAP or otherwise, of any such Indebtedness or obligation on the balance sheet of such Person (and “Incurrence” shall have a meaning correlative to the foregoing); *provided, however*, that a change in GAAP that results in an obligation of such Person that exists at such time becoming Indebtedness shall not be deemed an Incurrence of such Indebtedness.

“Indenture” shall have the meaning set forth in the preamble hereto.

“Indenture Supplement” shall mean, with respect to any Series, an indenture supplement to this Indenture, executed and delivered in connection with the original issuance of the Notes of such Series pursuant to Section 2.03 hereof, and all amendments thereof and supplements thereto entered into in accordance herewith.

“Indenture Trustee” shall have the meaning set forth in the preamble hereto and, subject to the provisions of Article VI, shall also include any successor trustee. “Indenture Trustee” shall also mean or include each Person who is then a trustee hereunder and if at any time there is more than one such Person, “Indenture Trustee” as used with respect to the Notes of any Series shall mean the trustee with respect to the Notes of such Series.

“Independent Director” shall have the meaning set forth in Section 3.17(c).

“Initial Payment Date” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Initial Series Balance” shall have the meaning set forth in the applicable Indenture Supplement.

“Interest” shall mean, with respect to each Series and each Payment Date (or, if applicable, Early Amortization Additional Payment Date or Redemption Date for any Series), the sum of:

(a) the product of: (i) the applicable Interest Rate, (ii) the average daily Series Balance of such Series during the Interest Accrual Period for which the computation is being made and (iii) the actual number of days in such Interest Accrual Period (with respect to fixed Interest Rates, based upon a month of 30 days) *divided by* 360;

(b) the amount of any Interest accrued and payable but not paid on any prior Payment Date or Early Amortization Additional Payment Date (if applicable) in respect of such Series; and

(c) to the extent permitted by Applicable Law, the product of: (i) the applicable Default Rate, (ii) the amount determined pursuant to clause (b) and (iii) the actual number of days from and including the date when such amount became due to, but excluding, such Payment Date or Early Amortization Additional Payment Date (with respect to fixed Interest Rates, based upon a month of 30 days) *divided by* 360;

As used in the Transaction Documents, “Interest” shall be deemed to include Additional Amounts.

“Interest Accrual Period” shall mean, with respect to a Payment Date or Early Amortization Additional Payment Date, the period from and including the immediately preceding Payment Date or Early Amortization Additional Payment Date (whichever occurred later) to, but excluding, such Payment Date or Early Amortization Additional Payment Date; *provided*, that in the case of the first Payment Date with respect to a Series, the Interest Accrual Period shall begin on, and include, the date of issuance of such Series.

“Interest-Only Period” shall have, with respect to each Series, the meaning (if any) specified in the applicable Indenture Supplement.

“Interest Rate” shall have, with respect to each Series, the meaning specified in the applicable Indenture Supplement.

“Investors” shall mean each Noteholder and Note Owner.

“Issuance Date” shall have, with respect to each Series, the meaning specified in the applicable Indenture Supplement.

“Issuer” shall have the meaning set forth in the preamble hereto.

“Issuer Order” shall mean a written statement, request or order of the Issuer signed in its name by an Authorized Officer of the Issuer and delivered to the Indenture Trustee.

“Judgment Currency” shall have the meaning set forth in Section 11.12.

“Make-Whole Amount” shall have, with respect to each Series, the meaning (if any) specified in the applicable Indenture Supplement.

“Maturity Date” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Maximum Scheduled Aggregate Base Amount” shall mean, as of any determination date, the highest Aggregate Base Amount scheduled to become due on (a) the Payment Date immediately following such determination date (the “Reference Payment Date”) or (b) any subsequent Payment Date which occurs yearly thereafter on or about an anniversary of such Reference Payment Date (calculated as if no Early Amortization Period with respect to any Series exists). For purposes of reference only, examples of the Maximum Scheduled Aggregate Base Amount are set forth on Schedule I hereto.

“Monthly Servicer Report” shall have the meaning set forth in the Servicing Agreement.

“Moody's” shall mean Moody's Investors Service, Inc. and any successor thereto.

“New York Banking Day” shall have the meaning set forth in Section 11.12.

“Noteholder” shall mean the registered holder of any Note.

“Note Owner” shall mean a person who is a beneficial owner of a Note, as may be reflected on the books of the applicable Depository or on the books of a person maintaining an account with such Depository (directly or as an indirect participant in accordance with the rules of such Depository).

“Notes” shall mean the Series 2013-1 Notes and all other Series of Notes (if any) issued pursuant to this Indenture and any Indenture Supplement as part of an Additional Series.

“Officer's Certificate” shall mean a certificate signed by any Authorized Officer and delivered to the Indenture Trustee. Each such certificate shall include the statements provided for in Section 11.05.

“Opinion of Counsel” shall mean an opinion in writing signed by legal counsel to the Issuer. Each such opinion shall include the statements provided for in Section 11.05. Unless this Indenture specifically provides, such counsel may be an employee of or counsel to the Issuer or any Affiliate of the Issuer.

“original issue date” of any Note (or portion thereof) shall mean the earlier of (a) the issuance date of such Note or (b) the date of issuance of any other Note (or portion thereof) for which such Note was issued (directly or indirectly) on registration of transfer, exchange or substitution.

“Original Issue Discount Note” shall mean any Note that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 5.01.

“Outstanding” shall, subject to the provisions of Section 7.04 mean, as of any particular time, all Notes authenticated and delivered by the Indenture Trustee under this Indenture, except:

(a) Notes theretofore canceled by the Indenture Trustee or delivered to the Indenture Trustee for cancellation;

(b) Notes, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Indenture Trustee or with any paying agent (other than the Issuer) or shall have been set aside, segregated and held in trust by the Issuer for the Noteholders (if the Issuer shall act as its own paying agent); *provided* that if such Notes, or portions thereof, are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Indenture Trustee shall have been made for giving such notice; and

(c) Notes which shall have been paid or in substitution for which other Notes shall have been authenticated and delivered pursuant to the terms of Section 2.11 (except with respect to any such Note as to which proof satisfactory to the Indenture Trustee is presented that such Note is held by a person in whose hands such Note is a legal, valid and binding obligation of the Issuer).

In determining whether the Noteholders of the requisite principal amount of Outstanding Notes of any or all Series have given any request, demand, authorization, direction, notice, consent or waiver hereunder or under any other Transaction Document, (i) any Seller Acknowledgements and Notes that are in the actual knowledge of a Responsible Officer of the Trustee held by or for the account of the Issuer shall be excluded, and (ii) the principal amount of an Original Issue Discount Note that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to Section 5.01.

“Parent Group” shall have the meaning set forth in Section 3.17(c).

“Paying Agent” shall have the meaning set forth in Section 6.17(b).

“Payment Date” shall mean each of March 15th, June 15th, September 15th, and December 15th of each year, commencing on March 15, 2014 (or if such day is not a Business Day, then the next succeeding Business Day).

“Payment Period” shall mean, for each Series, the period from and including the immediately preceding Payment Date to but excluding the next Payment Date (or in the case of the first Payment Period of a Series, from and including the Issuance Date for such Series to but excluding the date specified as the Initial Payment Date in the applicable Indenture Supplement for such Series).

“Permitted Business” shall mean the acquisition of Contract Rights pursuant to the Transaction Documents, the assignments and transfers hereunder and under the Transaction Documents, the issuance of Notes hereunder, the other transactions contemplated by the Transaction Documents and any activity incidental to the foregoing and necessary or convenient to accomplish the foregoing, including entering into and performing any agreement or instrument in connection with the foregoing.

“Permitted Indebtedness” shall mean, with respect to any Series of Notes, the following indebtedness (each of which shall be given independent effect) of the Issuer (a) Indebtedness under such Notes and the Indenture Supplement with respect to such Notes, (b) Indebtedness of the Issuer incurred in connection with any Additional Series in accordance with the provisions of the relevant Transaction Documents and (c) Indebtedness of the Issuer under any Seller Acknowledgments delivered as provided in the Assignment and Sale Agreement.

“Permitted Liens” shall mean Liens: (a) created pursuant to the relevant provisions of the Transaction Documents of a Series of Notes to secure the Purchase Price of the Contract Rights acquired by the Issuer in connection with the issuance of such Series of Notes and (b) created or imposed by the laws or regulations of any applicable jurisdiction for taxes, assessments and other governmental or regulatory charges not yet due and payable.

“Principal Amortization Amount” shall have the meaning set forth in the Indenture Supplement.

“Principal Terms” shall mean, with respect to any Series: (a) the name or designation thereof (which shall distinguish such Series from all other Series); (b) the aggregate Initial Series Balance and the Quarterly Amortization Amounts of such Series; (c) the Issuance Date of such Series and the date(s) on which the principal of and Interest on such Series is or may be payable (which dates (other than for mandatory or optional redemptions) shall be Payment Dates or, if an Early Amortization Period exists with respect to such Series, Early Amortization Additional Payment Dates); (d) the Interest Rate applicable to such Series and the date from which Interest thereon shall accrue; (e) the place(s), if any, other than the corporate trust office of the Indenture Trustee where the principal of and Interest on such Series shall be payable; (f) the right or the obligation (if any) of the Issuer, in addition to the right and obligations provided in this Indenture, to redeem the principal of such Series and the period(s) within which or the date(s) on which, the price(s) at which and the terms and conditions upon which such Series shall or may be redeemed, in whole or in part; (g) any transfer restrictions applicable to such Series in addition to those described herein; (h) the Transaction Documents to be executed in connection with the issuance of such Series; (i) any Early Amortization Events and Events of Default applicable to such Series; (j) any Make-Whole Amount applicable to such Series; (k) the form of the Notes of such Series; (l) the scheduled maturity date, if any, of such Series; (m) the voting mechanics of such Series; (n) any trustees, depositaries, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the Notes of such Series; (o) the creation and designation of any Series Accounts and the terms governing the operation of, and investments of amounts in, any such Series Account; and (p) any other terms of such Series.

“Process Agent” shall have the meaning set forth in Section 11.09(c).

“Quarterly Amortization Amount” shall mean, (a) prior to an Early Amortization Period, with respect to each Series, the quarterly principal amortization amount payable on each Payment Date with respect to such Series (after any applicable Interest-Only Period) as specified in the applicable Indenture Supplement (as such amounts may be reduced from time to time in accordance with this Indenture and the applicable Indenture Supplement) or (b) following the termination of an Early Amortization Period, unless otherwise provided in the applicable Indenture Supplement, an amount equal to the quotient obtained by dividing (i) the Series Balance of the applicable Series on the last day of such Early Amortization Period, by (ii) the total number of Payment Dates remaining until the final maturity date of such Series pursuant to the corresponding Indenture Supplement.

“QIB” shall mean a “qualified institutional buyer” as such term is defined in Rule 144A.

“Record Date” shall mean, with respect to any Payment Date or Early Amortization Additional Payment Date, for the Notes of any Series, the date specified as such in the Indenture Supplement of such Series, or, if no such date is so established, the 15th day immediately preceding such Payment Date or Early Amortization Additional Payment Date, whether or not such Record Date is a Business Day.

“Redemption Date” shall mean, with respect to any redemption of all or any portion of a Series pursuant to the Transaction Documents, the date provided in Section 8.3 of the Assignment and Sale Agreement; *provided* that such date must be a New York Banking Day.

“Redemption Price” shall mean, for each Series as of any date of determination, an amount equal to the sum of: (a) the Series Balance of such Series (or, in the case of a partial redemption, the portion thereof to be redeemed), (b) all accrued and unpaid Interest (if any) on such redeemed principal amount to but excluding the applicable Redemption Date or repurchase date under Section 7.3 or 8.1 of the Assignment and Sale Agreement, (c) all unpaid Additional Amounts with respect to such Series, (d) the Make-Whole Amount (if any) for such Series (or, in the case of a partial redemption, the portion thereof to be redeemed) to but excluding the Redemption Date, and (e) all other amounts then due and payable to Investors by the Issuer and/or the Seller under the Transaction Documents in connection with such Series (including any such amounts so identified in the applicable Indenture Supplement to be included in the Redemption Price with respect to such Series). Notwithstanding anything else herein to the contrary, if a Seller is required to pay a Redemption Price with respect to any Series, then it may request the Indenture Trustee to apply towards such payment the available funds (if any) on deposit in or available under the Collection Accounts, the Series Accounts, the Debt Service Reserve Accounts and any Debt Service Reserve Letter of Credit towards the payment of such amounts.

“Reference Payment Date” shall have the meaning set forth in the definition of “Maximum Scheduled Aggregate Base Amount.”

“Register” shall have the meaning set forth in Section 2.09(a).

“Registered Global Note” shall mean a Note evidencing all or a part of a Series of Registered Notes issued to the Depositary for such Series in accordance with the applicable Indenture Supplement.

“Registered Note” shall mean any Note registered on the Register.

“Required Currency” shall have the meaning set forth in Section 11.12.

“Required Rating” shall mean (a) long-term unsecured debt ratings of not less than A by Standard & Poor’s, A2 by Moody’s, and A by Fitch (or if rated by at least one, but not by all three of such rating agencies, by those of such rating agencies that rate such investments), and (b) short-term unsecured debt ratings of not less than A-1 by Standard & Poor’s, P-1 by Moody’s, and F-1 by Fitch (or if rated by at least one, but not by all three of such rating agencies, by those of such rating agencies that rate such investments);

“Responsible Officer” when used with respect to the Indenture Trustee shall mean any officer within the Corporate Trust Office, including the chairman of the Board of Directors, any vice chairman of the board of directors, the chairman of the trust committee, the chairman of the executive committee, any vice chairman of the executive committee, the president, any vice president (whether or not designated by numbers or words added before or after the title “vice president”), the cashier, the secretary, the treasurer, any trust officer, any assistant trust officer, any assistant vice president, any assistant cashier, any assistant secretary, any assistant treasurer, or any other officer or assistant officer of the Indenture Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject, in each case having responsibility for the administration of this Indenture and the related Indenture Supplement.

“Retained Amount” shall have, with respect to a Series of Notes, the meaning set forth in the applicable Indenture Supplement.

“Retention Event” shall mean (a) in connection with the Series 2013-1 Notes, any event specified as such in the Series 2013-1 Indenture Supplement, and (b) in connection with any other Series of Notes, any event specified as such in the Indenture Supplement of such Series.

“Rule 144A” shall mean Rule 144A under the Securities Act.

“Series 2013-1 Indenture Supplement” shall mean the Indenture Supplement to this Agreement, dated as of the date hereof, between the Issuer and the Indenture Trustee.

“Series Account” shall have the meaning set forth in Section 5.03(a).

“Series Balance” shall mean, with respect to any Series, as of any date of determination, the outstanding principal balance of such Series on such date after giving effect to any payments made on or before such date for all or any portion of the principal of such Series.

“Servicing Agreement” shall mean the Servicing Agreement, dated as of the date hereof, between the Issuer and the Initial Seller.

“Standard & Poor’s” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

“Subsidiary” shall mean, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (b) any partnership, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time.

“Tax Opinion” shall mean, with respect to any action, an opinion of counsel from tax counsel nationally recognized in the relevant jurisdiction to the effect that (a)(i) for Chilean tax purposes and Cayman Islands tax purposes such action will not alter the characterization of any outstanding Series of Notes and (ii) for U.S. federal income tax purposes such action will not alter the characterization of any outstanding Series of Notes as debt securities or as interests in debt securities; (b) for Chilean tax purposes, Cayman Islands tax purposes and U.S. federal income tax purposes, such action will not cause a taxable event to the Noteholder of any Series under any then outstanding Series; (c) following such action (i) for Chilean tax purposes and Cayman Islands tax purposes, the Issuer will not be treated as an entity the income or assets of which will be subject to taxation and (ii) for U.S. federal income tax purposes, neither the Issuer nor any arrangement contemplated thereby will be treated as an association (or publicly traded partnership) taxable as a corporation the income or assets of which are subject to U.S. federal income taxation, subject only to such exceptions, qualifications and assumptions as are contained in the tax opinions delivered on the Closing Date; and (d) for U.S. federal income tax purposes, such action will not materially increase or be reasonably expected to materially increase the likelihood that the Issuer (or any arrangement contemplated thereby) would be treated as an association (or publicly traded partnership) taxable as a corporation.

“Taxing Jurisdiction” shall have the meaning set forth in Section 3.13.

“Transfer Agent” shall have the meaning set forth in Section 2.09(a).

“Trust Accounts” shall mean the Collection Accounts, the Series Accounts, the Debt Service Reserve Account and any other accounts established by the Indenture Trustee for the benefit of the Investors and/or the Indenture Trustee pursuant to this Indenture.

“Yield to Maturity” shall mean the yield to maturity on a Series of Notes, calculated at the time of issuance of such Series, or, if applicable, at the most recent redetermination of Interest on such Series, and calculated in accordance with accepted financial practice.

Section 1.02 Rules of Construction. (a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words “hereof,” “herein,” “hereunder” and similar words refer to this Indenture as a whole and not to any particular provisions of this Indenture, and any subsection, Section, Article, Annex, Schedule and Exhibit references are to this Indenture unless otherwise specified.

(c) The term “documents” includes any and all documents, instruments, agreements, certificates, indentures, notices and other writings, however evidenced (including electronically).

(d) The term “including” is not limiting and (except to the extent specifically provided otherwise) shall mean “including (without limitation).”

(e) Unless otherwise specified, in the computation of periods of time from a specified date to a later specified date, the word “from” shall mean “from and including,” the words “to” and “until” each shall mean “to but excluding,” and the word “through” shall mean “to and including.”

(f) The words “may” and “might” and similar terms used with respect to the taking of an action by any Person shall reflect that such action is optional and not required to be taken by such Person.

(g) Unless otherwise expressly provided herein: (i) references to agreements (including this Indenture) and other documents shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent that such amendments and other modifications are not prohibited by any Transaction Document, and (ii) references to any Applicable Law are to be construed as including all statutory and regulatory provisions or rules consolidating, amending, replacing, supplementing, interpreting or implementing such Applicable Law.

(h) Terms used but not defined herein and that are defined in Article 8 or 9 the UCC of the State of New York shall have the meaning given them in such Articles; *it being understood* that the term “documents” described in clause (c) shall have either the meaning set forth in such clause or in the UCC as the context requires.

ARTICLE II
NOTES

Section 2.01 Forms Generally. The Notes of each Series shall be substantially in such form (not inconsistent with this Indenture) as shall be established by or pursuant to one or more Board Resolutions (as set forth in a Board Resolution or, to the extent established pursuant to rather than set forth in a Board Resolution, an Officer's Certificate detailing such establishment) or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture and any indentures supplemental hereto, as may be required to comply with any law or with any rules or regulations pursuant thereto, all as may be determined by the officers executing such Notes, if any, as evidenced by their execution of such Notes.

The definitive Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Section 2.02 Form of Indenture Trustee's Certificate of Authentication. The Indenture Trustee's certificate of authentication on all Notes shall be in substantially the following form:

"This is one of the Notes issued under the within-mentioned Indenture.

as Indenture Trustee

By: _____
Authorized Officer"

If at any time there shall be an Authenticating Agent appointed with respect to any Series of Notes, then the Indenture Trustee's certificate of authentication to be borne by the Notes of each such Series shall be substantially as follows:

"This is one of the Notes issued under the within-mentioned Indenture.

as Indenture Trustee

By: _____
as Authenticating Agent

By: _____
Authorized Officer"

Section 2.03 Amount Unlimited; Issuable in Series. The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is unlimited.

The Notes may be issued in one or more Series on a *pari passu* basis with respect to all other unsecured and unsubordinated debt of the Issuer; *provided* that the issuance of any Series of Notes other than the Series 2013-1 Notes must comply, so long as the Series 2013-1 Notes remain outstanding, with the relevant provisions of the Transaction Documents for the Series 2013-1 Notes. There shall be established in or pursuant to one or more Board Resolutions (and to the extent established pursuant to rather than set forth in a Board Resolution, in an Officer's Certificate detailing such establishment) or established in one or more indentures supplemental hereto, prior to the initial issuance of Notes of any Series, the Principal Terms of the Notes of such Series. The terms of such indentures supplemental hereto may modify or amend the terms of this Indenture solely as such terms apply to the Notes of such new Series issued pursuant to such indenture supplement and provided such amendment or modification does not Materially and Adversely Affect the rights of the Noteholders of any previously issued Series. On or before the fifteenth (15th) day immediately preceding the original issue date for such Series, the Issuer shall give the Indenture Trustee and each Rating Agency notice of such issuance and the original issue date for such Series.

As a condition precedent to each issuance of a Series, the Issuer shall cause to be delivered to the Indenture Trustee a Tax Opinion with respect to the issuance, dated the date of issuance of such Series.

All Notes of any one Series shall be substantially identical, except in the case of Registered Notes as to denomination and except as may otherwise be provided by or pursuant to the Board Resolution or Officer's Certificate referred to above or as set forth in any such indenture supplemental hereto. All Notes of any one Series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to such Board Resolution, such Officer's Certificate or in any such indenture supplemental hereto.

Section 2.04 Conditions to Issuance of each Series. (a) A Series may be issued at any time and from time to time. In addition to the Series 2013-1 Notes, the Issuer may issue, subject to the conditions specified in this Section, one or more Additional Series that shall be *pari passu* with the Series 2013-1 Notes. The terms of the Indenture Supplement pursuant to which any Series is issued may modify or amend the terms of this Indenture in any respect solely as such terms apply to the Series corresponding thereto; *provided* that no such Indenture Supplement may modify or amend clause (b) below.

(b) The Issuer is hereby authorized to issue one or more Additional Series subject to the following terms and conditions:

(i) LATAM Airlines Group S.A. shall have notified the Issuer in writing (with a copy to the Indenture Trustee and each Rating Agency) of such proposed issuance (including a description summarizing in reasonable detail the structure and terms thereof) at least 15 Business Days prior to the issuance of such Additional Series (which requirement may be waived by the Controlling Parties of all Series of Notes at the time outstanding);

- (ii) LATAM Airlines Group S.A. shall have certified to the Issuer in each such notification that:
- (A) such proposed issuance is in compliance with the terms and conditions of the Transaction Documents, including this Section 2.04;
 - (B) no Retention Event or Early Amortization Event shall have occurred and be continuing or would result from such proposed issuance of such Additional Series;
 - (C) the Initial Seller reasonably believes that there are no facts which are likely to cause the DSCR in the future to be less than 2.5:1.0, after giving *pro forma* effect to such proposed issuance, until the Series Balance of all Series at the time outstanding have been reduced to zero in accordance with the Indenture and the Series 2013-1 Indenture Supplement;
 - (D) total Collections in each of the four preceding fiscal quarters ending at least 15 days prior to the date of the proposed issuance was greater than 2.5 times the applicable Maximum Scheduled Aggregate Base Amount in each such quarter; and
 - (E) the specified *pari passu* provisions set forth in the Transaction Documents shall be included in the transaction documents for such proposed issuance.
- (iii) each Rating Agency shall confirm to the Indenture Trustee in writing prior to such proposed issuance that such Additional Series will not result in a downgrade or withdrawal of its rating of the Notes in effect as of the date immediately prior to such Rating Agency being notified of such proposed issuance;
- (iv) such Seller shall have delivered to the Issuer and the Indenture Trustee a Tax Opinion in form and substance satisfactory to such Persons with respect to such Additional Series;
- (v) at the time of such Additional Series, an opinion of counsel of recognized standing shall be delivered to the Indenture Trustee, the Issuer and each Rating Agency as to the matters addressed in Section 2.05(a)(iv) and confirming that the Series 2013-1 Notes are not subordinated to the notes of any such Additional Series;
- (vi) the scheduled payment dates of the proposed Additional Series shall be the Payment Dates, with the exception that the first payment date applicable thereto may be the second Payment Date after the Issuance Date of such Additional Series;
- (vii) on or before the Issuance Date of such Additional Series, the Indenture Trustee shall have received duly executed copies of the Indenture Supplement pursuant to which such Additional Series is to be issued, which shall specify all of the applicable Principal Terms of such Additional Series; and

(viii) the Indenture Trustee shall have received an Issuer Order for the authentication of such Additional Series.

Section 2.05 Authentication and Delivery of Notes. (a) The Issuer may deliver Notes of any Series executed by the Issuer to the Indenture Trustee for authentication together with the applicable documents referred to below in this Section, and the Indenture Trustee shall thereupon authenticate and deliver such Notes to, upon the written order, of the Issuer (contained in the Issuer Order referred to below in this Section). The maturity date, original issue date, interest rate and any other terms of the Notes of such Series shall be determined by or pursuant to such Issuer Order and procedures. In authenticating such Notes and accepting the express responsibilities under this Indenture in relation to such Notes, the Indenture Trustee shall be entitled to receive and shall be fully protected in relying upon, unless and until such documents have been superseded or revoked:

(i) an Issuer Order requesting such authentication and setting forth delivery instructions if the Notes are not to be delivered to the Issuer;

(ii) (A) any Board Resolution, Officer's Certificate, and/or executed Indenture Supplement referred to in Sections 2.01 and 2.03 by or pursuant to which the forms and terms of the Notes were established and (B) the Transaction Documents corresponding to such Series, executed by each party thereto;

(iii) an Officer's Certificate (A) setting forth the form or forms and terms of the Notes stating that the form or forms and terms of the Notes have been established pursuant to Sections 2.01 and 2.03 and comply with this Indenture, (B) affirming that all conditions and requirements set forth in each Transaction Document have been satisfied, (C) such issuance is in compliance with, and will not conflict with or violate the terms of, or, if applicable, cause an Event of Default under this Indenture or any Indenture Supplement thereto or an Early Amortization Event under any Transaction Document delivered in connection with any of the foregoing, (D) such issuance does not have a Material Adverse Effect, and (E) covering such other matters as the Indenture Trustee may reasonably request; and

(iv) at the option of the Issuer, either an Opinion of Counsel, or a letter addressed to the Indenture Trustee from counsel permitting it to rely on an Opinion of Counsel, substantially to the effect that:

(A) the forms of the Notes have been duly authorized and established in conformity with the provisions of this Indenture;

(B) when the Notes have been executed by the Issuer and the Notes have been authenticated by the Indenture Trustee in accordance with the provisions of this Indenture and delivered to and duly paid for by the purchasers thereof, they will have been duly issued under this Indenture and will be valid and legally binding obligations of the Issuer, enforceable in accordance with their respective terms, and will be entitled to the benefits of this Indenture; and

(C) such issuance is in compliance with, and will not conflict with or violate the terms of, this Indenture, any indenture supplemental hereto or any Transaction Document relating to any other outstanding Series thereof delivered in connection with any of the foregoing and the conditions precedent to such issuance have been fulfilled and it is authorized and permitted pursuant to the terms of this Indenture and any applicable Indenture Supplement.

(b) In rendering such opinions, such counsel may qualify any opinions as to enforceability by stating that such enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other similar laws affecting the rights and remedies of creditors and is subject to general principles of equity. Such counsel may, without independent investigation, rely, as to all matters governed by the laws of jurisdictions other than the State of New York and the federal law of the United States, upon opinions of other counsel (copies of which shall be delivered to the Indenture Trustee), in which case the opinion shall state that such counsel believes that it and the Indenture Trustee are entitled so to rely. Such counsel may also state that, insofar as such opinion involves factual matters, he has relied, to the extent he deems proper, upon certificates of officers of the Issuer and its subsidiaries and certificates of public officials.

(c) In addition, in rendering such opinions, such counsel may state that it has assumed the authenticity of all documents submitted to it as originals, the conformity to the originals of all documents submitted to it as copies and the accuracy of the English translations of all documents not originally in English, and that it has assumed and has not verified the accuracy as to factual matters of each document it has reviewed. Such counsel may also state that, insofar as such opinion relates to the legality, validity, binding effect or enforceability of any agreement or obligation of the Issuer, it has assumed that the Issuer and each other party to such agreement or obligation has satisfied those legal requirements that are applicable to it to the extent necessary to make such agreement or obligation enforceable against it.

(d) The Indenture Trustee shall have the right to decline to authenticate and deliver any Notes under this Section if the Indenture Trustee in good faith by its board of directors or board of trustees, executive committee, a trust committee of directors, a trust committee of its trustees or its Responsible Officers shall determine that such action would expose the Indenture Trustee to personal liability to existing Noteholders or would adversely affect the Indenture Trustee's own rights, duties or immunities under the Notes, this Indenture or otherwise.

(e) The Issuer shall execute and the Indenture Trustee shall, in accordance with this Section and the Issuer Order with respect to such Series, authenticate and deliver one or more Registered Global Notes that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Notes of such Series issued and not yet canceled, (ii) shall be registered in the name of the Depositary for such Registered Global Note or Notes or the nominee of such Depositary, (iii) shall be delivered by the Indenture Trustee to such Depositary or pursuant to such Depositary's instructions and (iv) shall bear a legend or legends as required pursuant to the applicable Indenture Supplement.

(f) Each Depositary designated pursuant to the applicable Indenture Supplement must, at the time of its designation and at all times while it serves as Depositary, be a clearing agency registered under the Exchange Act and any other applicable statute or regulation.

Section 2.06 Execution of Notes. The Notes shall be signed on behalf of the Issuer by an Authorized Officer under its corporate seal which may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. The seal of the Issuer may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Notes. Typographical and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Note that has been duly authenticated and delivered by the Indenture Trustee.

In case any officer of the Issuer who shall have signed any of the Notes shall cease to be such officer before the Note so signed shall be authenticated and delivered by the Indenture Trustee or disposed of by the Issuer, such Note nevertheless may be authenticated and delivered or disposed of as though the person who signed such Note had not ceased to be such officer of the Issuer; and any Note may be signed on behalf of the Issuer by such persons as, at the actual date of the execution of such Note, shall be the Authorized Officers of the Issuer, although at the date of the execution and delivery of this Indenture any such person was not such an officer.

Section 2.07 Certificate of Authentication. Only such Notes as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, executed by the Indenture Trustee by the manual signature of one of its authorized officers, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. The execution of such certificate by the Indenture Trustee upon any Note executed by the Issuer shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Noteholder is entitled to the benefits of this Indenture.

Section 2.08 Denomination and Date of Notes; Payments of Interest. The Notes of each Series shall be issuable as Registered Notes in denominations established under the terms and conditions of the Transaction Documents or, with respect to the Registered Notes of any Series, if not so established, in denominations of U.S.\$250,000 and any integral multiple of U.S.\$1,000 above such denomination. The Notes of each Series shall be numbered, lettered or otherwise distinguished in such manner or in accordance with such plan as the officers of the Issuer executing the same may determine with the approval of the Indenture Trustee, as evidenced by the execution and authentication thereof.

Each Registered Note shall be dated the date of its authentication. The Notes of each Series shall bear Interest, if any, from the date, and such Interest shall be payable on the dates, established as contemplated by Section 2.03.

The person in whose name any Registered Note of any Series is registered at the close of business on any Record Date applicable to a particular Series with respect to any interest payment date for such Series shall be entitled to receive the Interest, if any, payable on such interest payment date notwithstanding any transfer or exchange of such Registered Note subsequent to the Record Date and prior to such interest payment date, except if and to the extent the Issuer shall default in the payment of the Interest due on such interest payment date for such Series, in which case such defaulted Interest shall be paid to the persons in whose names Outstanding Registered Notes for such Series are registered at the close of business on a subsequent Record Date (which shall be not less than five Business Days prior to the date of payment of such defaulted Interest) established by notice given by mail by or on behalf of the Issuer to the Noteholders of Registered Notes not less than 15 days preceding such subsequent Record Date.

Section 2.09 Registration, Transfer and Exchange. (a) The Indenture Trustee shall register Notes and transfers and exchanges thereof as provided herein and in the Indenture Supplements. The Indenture Trustee (in its capacity as transfer agent and registrar) and each other co-transfer agent and registrar (if any) appointed with respect to the Notes (or any Series of Notes) shall be referred to collectively as the “Transfer Agent.” The Indenture Trustee shall cause to be kept at the office or agency to be maintained by it in accordance with Section 6.17 a register (the “Register”) in which, subject to restrictions on transfer set forth herein and in the applicable Indenture Supplements, and such other reasonable regulations as it may prescribe, the Indenture Trustee shall provide for: (i) the registration of the Notes and (ii) the registration of transfers and exchanges thereof as provided herein and in the Indenture Supplements. Such Register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Noteholders received by the Indenture Trustee.

(b) Subject to any restrictions on transfer set forth in the applicable Indenture Supplement, upon surrender for registration of transfer of any Note at the Corporate Trust Office or such other office or agency maintained by the Indenture Trustee in accordance with Section 6.17, the Indenture Trustee shall authenticate and deliver in the name of the designated transferee (and, if the transfer is for less than all of the applicable Note, the transferor) a new Note or Notes executed by the Issuer of the same Series, maturity date, Interest Rate and original issue date in authorized denominations for a like aggregate principal amount.

Each Note presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Issuer or the Indenture Trustee (or the applicable Transfer Agent) duly executed by the applicable Noteholder or its attorney duly authorized in writing.

No service charge shall be charged to a Noteholder (or any Note Owner) for any registration of transfer or exchange of Notes, but the Indenture Trustee may require payment of a sum sufficient to cover any Tax or other governmental charge imposed in connection therewith.

The Issuer or the Transfer Agent shall not be required to exchange or register a transfer of (a) any Notes of any Series for a period of 15 days next preceding the first mailing of notice of redemption of Notes of such Series to be redeemed or (b) any Notes selected, called or being called for redemption, in whole or in part, except, in the case of any Note to be redeemed in part, the portion thereof not so to be redeemed.

All Notes surrendered for registration of transfer or exchange shall be canceled and subsequently destroyed or retained by the Indenture Trustee in accordance with its standard retention policy.

In addition to the other provisions herein, the Issuer and the Indenture Trustee reserve the right to impose such transfer, certificate, exchange or other requirements, and to require such restrictive legends on a Note, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states thereof and any other Applicable Laws (upon which, any further sales or other dispositions thereof shall be subject to the requirements indicated in such legends).

(c) The Indenture Trustee shall, upon at least two of its Business Days' prior written notice and during regular business hours of the Indenture Trustee, permit any Noteholder to reasonably inspect and copy the Register and certain other books and records of the Indenture Trustee to the extent directly relating to the Notes of the applicable Series at such Noteholder's own cost.

(d) All Notes issued upon any transfer or exchange of Notes shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such transfer or exchange.

(e) Each Noteholder hereby indemnifies the Indenture Trustee against any liability that may result from the transfer, exchange or assignment of such Noteholder's Note in violation of any provision of this Indenture and/or applicable U.S. federal or state securities law.

Section 2.10 Payment of Notes. (a) The principal of, and Interest (and any other amount, if any) on, each Note shall be payable by the Issuer when due hereunder in the applicable currency, in immediately available funds, from the applicable Series Account in accordance with Section 3.05.

(b) Except as specified in clause (c), payments of all amounts that become due and payable in respect of any Note shall be made by the Indenture Trustee without surrender or presentation of such Note to the Indenture Trustee. The Indenture Trustee shall have no responsibility regarding notations of payment on a Note and shall be responsible only for maintaining its records in accordance with this Indenture and the Indenture Supplements. Absent manifest error, the records of the Indenture Trustee shall be controlling as to payments in respect of the Notes.

(c) Notwithstanding clause (b), the final payment of principal of any Note shall be made only against surrender of such Note at the Corporate Trust Office of the Indenture Trustee (or such other location as the Indenture Trustee shall notify the applicable Noteholder) unless otherwise provided in the applicable Indenture Supplement.

(d) Payments to Noteholders shall be by check sent by first-class mail to the address of such Noteholder appearing on the Register as of the relevant Record Date or, if transfer instructions have been provided to the Indenture Trustee, by electronic funds transfer in immediately available funds to an account maintained by such Noteholder with a bank having electronic funds transfer capability; *provided* that the final payment in respect of any Note shall be made only as provided in clause (c). Unless such designation for payment by electronic funds transfer is revoked, any such designation made by such Noteholder shall remain in effect with respect to any future payments to such Noteholder. The Issuer shall pay wiring or similar administrative charges (if any) that are imposed in connection with the remitting of such payments to any Noteholder (for which charges such Seller has agreed to reimburse the Issuer pursuant to Section 2.6 of the Servicing Agreement).

Section 2.11 *Mutilated, Defaced, Destroyed, Lost and Stolen Notes*. In case any temporary or definitive Note shall become mutilated, defaced or be destroyed, lost or stolen, upon the written request of any Authorized Officer of the Issuer, the Indenture Trustee shall authenticate and deliver a substitute Note of the same Series, maturity date, interest rate and original issue date, bearing a number or other distinguishing symbol not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substitute Note shall furnish to the Issuer and to the Indenture Trustee and any agent of the Issuer or the Indenture Trustee such security or indemnity as may be required by them to indemnify and defend and to hold each of them harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof and in the case of mutilation or defacement shall surrender the Note to the Indenture Trustee or such agent.

The Issuer may require the payment of a sum sufficient to cover any Tax or other governmental charge that may be imposed in relation to the issuance of any substitute Note and any other expenses (including the fees and expenses of the Indenture Trustee) or its agent connected therewith.

In case any Note which has matured or is about to mature or has been called for redemption in full shall become mutilated or defaced or be destroyed, lost or stolen, the Indenture Trustee (acting at the direction of an Authorized Officer of the Issuer) may instead of issuing a substitute Note, pay or authorize the payment of the Note (without surrender thereof except in the case of a mutilated or defaced Note), if the applicant for such payment shall furnish to the Issuer and to the Indenture Trustee and any agent of the Issuer or the Indenture Trustee such security or indemnity as any of them may require to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Issuer and the Indenture Trustee and any agent of the Issuer or the Indenture Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

Every substitute Note of any Series issued pursuant to the provisions of this Section by virtue of the fact that any such Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Notes of such Series duly authenticated and delivered hereunder. All Notes shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced or destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.12 Cancellation of Notes; Destruction Thereof. All Notes surrendered for payment, redemption, registration of transfer or exchange, or for credit against any payment in respect of a sinking or analogous fund, if surrendered to the Issuer or any agent of the Issuer or the Indenture Trustee or any agent of the Indenture Trustee, shall be delivered to the Indenture Trustee or its agent for cancellation or, if surrendered to the Indenture Trustee, shall be canceled by it; and no Notes shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Indenture Trustee or its agent shall dispose of canceled Notes held by it in accordance with its standard procedures and deliver, upon written request, a certificate of disposition to the Issuer. If the Issuer or its agent shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are delivered to the Indenture Trustee or its agent for cancellation.

Section 2.13 Monthly Servicer Reports and other Information to Noteholders. (a) Promptly after its receipt thereof, the Indenture Trustee shall send or otherwise make available to the Noteholders, and each Note Owner who so requests in accordance with this paragraph, a copy of the Monthly Servicer Reports received from the Servicer pursuant to the Servicing Agreement. Commencing with the first Payment Date that is 20 or more days after the date on which the Indenture Trustee receives from any Note Owner a written request containing: (i) a certificate that such Person is a Note Owner and (ii) an address for delivery, the Indenture Trustee, until it receives notice or determines that such Person is no longer a Note Owner (which notice each such Person shall promptly provide to the Indenture Trustee), shall deliver or otherwise make available a copy of the Monthly Servicer Reports to such Note Owner within the period required above.

(b) On or before January 31 of each year, the Indenture Trustee shall furnish to each Person who at any time during the preceding calendar year was a Noteholder, if requested in writing by such Person, a statement prepared by the Indenture Trustee containing such customary information as the Indenture Trustee deems necessary or desirable to enable each Investor to prepare its tax returns to the extent substantially similar information has not been previously delivered or made available to such person.

Section 2.14 Temporary Notes. Pending the preparation of definitive Notes for any Series, the Issuer may execute and the Indenture Trustee, upon written request, shall authenticate and deliver temporary Notes for such Series (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Indenture Trustee). Temporary Notes of any Series shall be issuable as Registered Notes without coupons of any authorized denomination, and substantially in the form of the definitive Notes of such Series but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Issuer as evidenced by the execution thereof. Temporary Notes may contain such references to any provisions of this Indenture as may be appropriate. Every temporary Note shall be executed by the Issuer and be authenticated by the Indenture Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Notes. Without unreasonable delay the Issuer shall execute and shall furnish definitive Notes of such Series and thereupon temporary Registered Notes of such Series may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Indenture Trustee for that purpose pursuant to Section 6.17, and the Indenture Trustee shall authenticate and deliver in exchange for such temporary Notes of such Series an equal aggregate principal amount of definitive Notes of the same Series having authorized denominations. Until so exchanged, the temporary Notes of any Series shall be entitled to the same benefits under this Indenture as definitive Notes of such Series, unless otherwise established pursuant to Section 2.03.

ARTICLE III
COVENANTS AND REPRESENTATIONS OF THE ISSUER

The Issuer covenants and agrees that, so long as any amount payable under any Note remains unpaid, it shall observe and perform each of the covenants set forth in this Article.

Section 3.01 Limitation on Indebtedness. The Issuer will not, directly or indirectly, Incur any Indebtedness; *provided* that the foregoing limitation on the Incurrence of Indebtedness will not apply to the Incurrence by the Issuer of Permitted Indebtedness.

Section 3.02 Negative Pledge. The Issuer will not, directly or indirectly, Incur any Lien (other than a Permitted Lien) on or with respect to any property of the Issuer to secure Indebtedness.

Section 3.03 Use of Proceeds. The Issuer will apply the net proceeds of the issuance of each Series of Notes to purchase Contract Rights, whether existing at the time or generated thereafter, from a Seller in accordance with the applicable Transaction Document.

Section 3.04 Compliance with Transaction Documents. The Issuer will perform and comply with each and every obligation, covenant and agreement required to be performed or observed by it in, or pursuant to, any Transaction Document to which it is a party.

Section 3.05 Payment of Principal and Interest. The Issuer covenants and agrees for the benefit of the Investors of each Series that it will duly and punctually pay or cause to be paid the principal of, and Interest on, each of the Notes of such Series (together with any Additional Amounts and any Default Amounts payable pursuant to the terms of such Notes) at the place or places, at the respective times and in the manner provided in such Notes and in this Indenture. The Interest on Registered Notes (together with any Additional Amounts and any Default Amounts payable pursuant to the terms of such Notes) shall be payable to the Noteholders thereof and, to the extent set forth in the Board Resolution or applicable Indenture Supplement pursuant to which the Series of which such Notes are a part were created, may be paid by wire transfer or by mailing checks for such Interest payable to or upon the written order of such Noteholders at their last addresses as they appear on the Register as of the most recent Record Date with respect to such Registered Notes. The Issuer hereby agrees that its obligations under this Section shall be absolute and unconditional, shall not be subject to any counterclaim, set-off, deduction, diminution, abatement, recoupment, suspension, deferment, reduction or defense (other than full and strict compliance by the Issuer with its obligations hereunder) based upon any claim of the Issuer or any other Person against the Indenture Trustee or any Investor.

Section 3.06 *Compliance with Law and Contractual Obligations.* The Issuer covenants and agrees to comply in all material respects with all Applicable Law, the provisions of the Transaction Documents to which it is a party and all other material contractual obligations applicable to the Issuer, and to not take, or knowingly permit to be taken (to the extent it is within the Issuer's power to prevent to be taken), any action that would result in the termination or discharge, or materially affect the validity or effectiveness, of any of the Transaction Documents.

Section 3.07 *Preservation of Corporate Existence.* The Issuer covenants and agrees to preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation.

Section 3.08 *Limitation on Transfers of Contract Rights; Investments.* The Issuer covenants and agrees not to, at any time, (a) sell, transfer or otherwise dispose of any of the Contract Rights, Receivables, Collections or the proceeds thereof, other than pursuant to the Transaction Documents or by way of Permitted Liens, or (b) make any investment other than Eligible Investments.

Section 3.09 *Business of the Issuer.* The Issuer covenants and agrees to not engage at any time in any business or business activity other than a Permitted Business.

Section 3.10 *Appointment to Fill a Vacancy in Office of Indenture Trustee.* The Issuer, whenever necessary to avoid or fill a vacancy in the office of Indenture Trustee, will appoint, in the manner provided in Section 6.10, a successor Indenture Trustee, so that there shall at all times be a Indenture Trustee with respect to each Series of Notes hereunder.

Section 3.11 *Paying Agents.* As provided in Sections 5.03 and 5.04 and the applicable Indenture Supplement, all payment of amounts due and payable with respect to any Notes that are to be made from amounts withdrawn from the Series Account shall be made on behalf of the Issuer by the Indenture Trustee or by another paying agent, and no amounts so withdrawn from the Series Account for payments of the Notes shall be paid over to the Issuer except as provided in this Indenture and any Indenture Supplement. Whenever the Issuer shall appoint a paying agent other than the Indenture Trustee with respect to the Notes of any Series, it will cause such paying agent to execute and deliver to the Indenture Trustee an instrument in which such agent shall agree with the Indenture Trustee, subject to the provisions of this Section that it will:

(a) hold all sums received by it as such agent for the payment of the principal of or Interest on the Notes of such Series (whether such sums have been paid to it by the Issuer or by any other obligor on the Notes of such Series) in trust for the benefit of the Investors of such Series, if any, or of the Indenture Trustee through and including the Sale Termination Date;

(b) give the Indenture Trustee notice of any default or failure by the Issuer (or by any other obligor on the Notes of such Series) to make any payment required to be made on the Notes of such Series when the same shall be due and payable;

(c) pay any such sums so held in trust by it to the Indenture Trustee upon the Indenture Trustee's written request at any time during the continuance of the default or failure referred to in Section 3.11(b);

(d) immediately resign as a paying agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a paying agent at the time of its appointment; and

(e) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

The Issuer will, at least one Business Day prior to each due date of the principal of or Interest on the Notes of such Series, deposit with the Indenture Trustee a sum sufficient to pay such principal or Interest so becoming due, and (unless such paying agent is the Indenture Trustee) the Issuer will promptly notify the Indenture Trustee of any failure to take such action.

If the Issuer shall act as its own paying agent with respect to the Notes of any Series, it will, on or before each due date of the principal of or Interest on the Notes of such Series, set aside, segregate and hold in trust for the benefit of the Investors of such Series a sum sufficient to pay such principal or Interest so becoming due. The Issuer will promptly notify the Indenture Trustee of any failure to take such action.

Anything in this Section to the contrary notwithstanding, but subject to Section 10.01, the Issuer may at any time, for the purpose of obtaining a satisfaction and discharge with respect to one or more or all Series of Notes hereunder, or for any other reason, pay or cause to be paid to the Indenture Trustee all sums held in trust for any such Series by the Issuer or any paying agent hereunder, as required by this Section, such sums to be held by the Indenture Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Sections 10.03 and 10.04.

Section 3.12 Notices. The Issuer covenants and agrees to notify the Indenture Trustee promptly (and in any event, within two Business Days after the acquisition of such knowledge by such officer) upon the acquisition of knowledge by any Authorized Officer of the Issuer of the occurrence of (a) any Early Amortization Event, Event of Default or Retention Event, (b) any material default (including any material payment) under, or termination of, any Transaction Document, (c) any material litigation, arbitration, administrative, governmental or other similar proceedings that is instituted or threatened against the Issuer or any of its material properties, or (d) other material developments which could reasonably be expected to have a Material Adverse Effect.

Section 3.13 Payments of Additional Amounts. All payments in respect of any Series of Notes, including, without limitation, payments of principal and Interest, shall be made by the Issuer without withholding or deduction for or on account of any present or future taxes, duties, levies, or other governmental charges of whatever nature in effect on the date of this Indenture or imposed or established in the future by or on behalf of the Cayman Islands, Chile or the jurisdiction of the paying agent appointed by the Issuer (each of Cayman Islands, Chile and such jurisdiction of a paying agent, a "Taxing Jurisdiction") or any authority in a Taxing Jurisdiction.

In the event any such taxes or liabilities are so imposed or established, the Issuer shall pay, or shall cause the payment of, such Additional Amounts as may be necessary in order that the net amounts receivable by the Noteholders of any Series after any withholding or deduction in respect of such tax or liability shall equal the amounts which would have been receivable in respect of such Series of Notes in the absence of such withholding or deduction; except that no such Additional Amounts will be payable with respect to any withholding or deduction on any security to, or to a third party on behalf of, an Investor of such Notes for or on account of any such taxes or liabilities:

(a) that would not have been imposed on such Investor of such Notes (other than the Issuer or the Indenture Trustee) had such Investor (or a Related Person to such Investor) not engaged in business, activities or transactions in a Taxing Jurisdiction as the case may be, or with Persons located in a Taxing Jurisdiction, as the case may be, which are unrelated to the transactions contemplated by this Indenture or any other Transaction Document; *provided, however*, that no such unrelated activity of any such Investor or any Related Person with respect to such Investor shall relieve the Issuer of its obligations under this Section 3.13 to any Investor other than the Investor carrying on such unrelated activity,

(b) that result from a breach by such Investor of any covenant, provision or agreement in any Transaction Document,

(c) that result from such Investor being a citizen or resident of a Taxing Jurisdiction, as applicable, or being an entity organized under the laws of a Taxing Jurisdiction, as applicable,

(d) that are imposed on or with respect to a U.S. Investor that is a partnership, to the extent such taxes or liabilities are in excess of the taxes or liabilities that would have been imposed had such U.S. Investor been a corporation organized under the laws of the United States,

(e) that are being contested by the Initial Seller in good faith and by proper proceedings in accordance with the Transaction Documents;

(f) to the extent such taxes or liabilities are estate, inheritance, gift, sales, transfer or personal property taxes or any similar taxes, duties, assessments or governmental charges, or

(g) to the extent such Taxes are imposed by reason of a failure to comply with the provisions of Section 6.3(d) of the Assignment and Sale Agreement;

provided that in the case of taxes described in clause (e) above, if there is a final determination as to the liability for such taxes, then the Issuer shall (i) promptly pay to the Investor the amount of such taxes deducted or withheld and successfully contested or (ii) indemnify the Investor for the amount of such taxes imposed, as appropriate.

Whenever in this Indenture there is a reference, in any context, to the payment of the principal of or Interest on, or in respect of, any Series of Notes, such payment shall be deemed to include the payment of Additional Amounts provided for in this Section to the extent that, in such context, Additional Amounts are, were, or would be payable in respect of such payment pursuant to the provisions of this Section and express mention of the payment of Additional Amounts (if applicable) in any provision hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

In addition, the Issuer shall pay any stamp, issue, registration, documentary or other similar taxes and duties, including interest and penalties, payable in a Taxing Jurisdiction or any political subdivision thereof or taxing authority of or in the foregoing in respect of the issuance and offering of the Notes. The Issuer shall also pay and indemnify the Investors from and against all court taxes or other similar taxes and duties, including interest and penalties, paid by any of them in any jurisdiction in connection with any action permitted to be taken by the Investors to enforce the obligations of the Issuer under the Notes.

Notwithstanding any other provision, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) ("FATCA"), pursuant to any intergovernmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("FATCA Withholding"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any FATCA Withholding deducted or withheld by the Issuer, a paying agent or any other party as a result of any person not being entitled to receive payments free of FATCA Withholding; and

Section 3.14 Protection of Collateral. The Issuer will from time to time execute and deliver, or cause to be executed and delivered, all such supplements and amendments hereto and all such filings, financing statements and other instruments, and will take such other action necessary or advisable to (a) maintain and preserve the lien and security interest (and the priority thereof) of the Indenture Trustee or carry out more effectively the purposes set forth herein; (b) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture; (c) enforce any of the Collateral; (d) preserve and defend title to the Collateral and the rights of the Indenture Trustee and the Investors in such Collateral against the claims of all Persons; or (e) pay any and all taxes levied or assessed upon all or any part of the Collateral, in each case at the expense of the Issuer. The Issuer further agrees (i) to take all such lawful actions to enforce its rights under the Transaction Documents and to compel or secure the performance and observance by the Initial Seller of its obligations to the Issuer under or in connection with any of the Transaction Documents and (ii) not to waive the benefit of the representations received from the Sellers in Section 4.4 of the Assignment and Sale Agreement.

Section 3.15 Rule 144A Information. For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer shall furnish, upon the request of any Investor, such information as is specified in Rule 144A(d)(4) under the Securities Act: (a) to such Investor, (b) to a prospective purchaser of such Note (or beneficial interests therein) who is a QIB designated by such Investor and (c) to the Indenture Trustee for delivery to any applicable Investors or such prospective purchaser so designated, in each case in order to permit compliance by such Investor with Rule 144A in connection with the resale of such Note (or beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or is entitled to claim exemption from the registration requirements of Section 12(g) of the Exchange Act pursuant to Rule 12(g)3-2(b) thereunder. All such information shall be in the English language.

Section 3.16 Consolidations, Mergers. The Issuer shall not consolidate or merge with or into any other Person (except pursuant to the Transaction Documents). sell, lease or otherwise transfer, directly or indirectly, all or any part of its properties to any other Person or sell or otherwise dispose of any of its capital stock to any other Person.

Section 3.17 Separate Existence of Issuer. The Issuer hereby acknowledges that the Investors and the Indenture Trustee are entering into the transactions contemplated by this Indenture and the other Transaction Documents in reliance upon the Issuer's identity as a legal entity separate from any Seller, the Servicer and their respective Affiliates. Therefore, the Issuer shall take all steps specifically required by this Indenture or reasonably required to continue the Issuer's identity as a separate legal entity and to make it apparent to third Persons that the Issuer is an entity with assets and liabilities distinct from those of any Seller, the Servicer and any other Person, and is not a division of any Seller, the Servicer, their respective Affiliates or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the other covenants set forth herein, the Issuer shall take such actions as shall be required in order that:

(a) The Issuer will be an exempted company incorporated with limited liability whose primary activities are restricted in its Memorandum and Articles of Association to: (i) incurring of Indebtedness by the issuance and sale of the Notes pursuant to this Indenture and any Indenture Supplement; (ii) the use of the proceeds of the Notes to acquire the Contract Rights; (iii) acquiring, owning and holding the Contract Rights (and receiving the Collections thereon); (iv) using the Collections in or towards making payments to the relevant parties entitled thereto as set out in the Transaction Documents; (v) entering into, and performing its obligations under the Transaction Documents to which it is a party; and (vi) such other activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith or contemplated thereby.

(b) The Issuer shall not engage in any business or activity except as set forth in this Indenture;

(c) Not fewer than one member of the Issuer's board of directors (the "Independent Director") shall be a natural person who has never been, and shall at no time be, an equityholder, director, officer, manager, employee or associate, or any relative of the foregoing, of any member of the Parent Group (as hereinafter defined) (other than the corporation and any other bankruptcy-remote special purpose entity formed for the sole purpose of securitizing, or facilitating the securitization of, financial assets of any member or members of the Parent Group). For purposes of this clause (c), "Parent Group" shall mean (i) a Seller, (ii) each person that directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, five percent (5%) or more of the membership interests in any Seller, (iii) each person that controls, is controlled by or is under common control with any Seller, and (iv) each of such person's officers, directors, managers, joint venturers and partners. For the purposes of this definition, "control" of a person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise. A person shall be deemed to be an "associate" of (A) a corporation or organization of which such person is an officer, director, partner or manager or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, (B) any trust or other estate in which such person serves as trustee or in a similar capacity, and (C) any relative or spouse of a person described in clause (A) or (B) of this sentence, or any relative of such spouse.

In addition to the foregoing requirements, the director designated as the Issuer's Independent Director shall (A) have prior experience as an independent director for a corporation or limited liability company whose charter documents required the unanimous consent of all independent directors thereof before such corporation or limited liability company could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy; and (B) have at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities.

The Issuer shall (A) give written notice to the Indenture Trustee of the election or appointment, or proposed election or appointment, of a new Independent Director of the Issuer (which notice the Indenture Trustee shall make available to the Noteholders but shall have no further responsibility with respect to), which notice shall be given not later than 10 days prior to the date such appointment or election would be effective (except when such election or appointment is necessary to fill a vacancy caused by the death, disability, or incapacity of the existing Independent Director, or the failure of such Independent Director to satisfy the criteria for an Independent Director set forth in this clause (c), in which case the Issuer shall provide written notice of such election or appointment within one business day), and (B) with any such written notice, certify to the Indenture Trustee that the Independent Director satisfies the criteria for an Independent Director set forth in this clause (c).

The Issuer covenants that: (A) the Issuer's board of directors shall not approve, or take any other action to cause the filing of, a voluntary bankruptcy petition with respect to the Issuer unless the Independent Director shall approve the taking of such action in writing before the taking of such action, and (B) such provision and each other provision requiring an Independent Director cannot be amended without the prior written consent of the Independent Director;

(d) The Independent Director shall not at any time serve as a trustee in bankruptcy for the Issuer, any Seller, the Servicer or any of their respective Affiliates;

(e) The Issuer shall not amend, modify or otherwise change any of its organizational documents in any way that would modify its ability to comply with the terms and provisions of any of the Transaction Documents, including Sections 3.16 and 3.17.

shall maintain its organizational documents in conformity with this Indenture, such that it does not amend, restate, supplement or otherwise modify its ability to comply with the terms and provisions of any of the Transaction Documents;

(f) The Issuer shall conduct its affairs strictly in accordance with its organizational documents and the Transaction Documents and observe all necessary, appropriate and customary company formalities, including, but not limited to, holding all regular and special members' and board of directors' meetings appropriate to authorize all corporate action, keeping separate and accurate minutes of its meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, payroll and intercompany transaction accounts;

(g) Any employee, consultant or agent of the Issuer will be compensated from the Issuer's funds for services provided to the Issuer. The Issuer will not engage any agents other than its attorneys, auditors and other professionals, and a servicer and any other agent contemplated by the Transaction Documents for the Contract Rights, which servicer will be fully compensated for its services by payment of the servicing fee;

(h) The Issuer will contract with the Servicer to perform for the Issuer all operations required on a daily basis to service the Contract Rights. The Issuer will not incur any indirect or overhead expenses for items shared with any Seller (or any other Affiliate thereof) that are not reflected in the servicing fee. To the extent, if any, that the Issuer (or any Affiliate thereof) shares items of expenses not reflected in the servicing fee, such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered; *it being understood* that the Sellers shall pay all expenses relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including legal, agency and other fees;

(j) The Issuer will have its own separate stationery;

(k) The Issuer's books and records will be maintained separately from those of each Seller and any other Affiliate thereof and in a manner such that it will not be difficult or costly to segregate, ascertain or otherwise identify the assets and liabilities of Issuer;

(l) The Issuer's assets will be maintained in a manner that facilitates their identification and segregation from those of each Seller or any Affiliates thereof;

(m) The Issuer will strictly observe corporate formalities in its dealings with each Seller or any Affiliates thereof, and funds or other assets of the Issuer will not be commingled with those of any Seller or any Affiliates thereof except as permitted by this Indenture in connection with servicing the Contract Rights. The Issuer shall not maintain joint bank accounts or other depository accounts to which any Seller or any Affiliate thereof has independent access. The Issuer is not named, and has not entered into any agreement to be named, directly or indirectly, as a direct or contingent beneficiary or loss payee on any insurance policy with respect to any loss relating to the property of any Seller or any Subsidiaries or other Affiliates thereof. The Issuer will pay to the appropriate Affiliate the marginal increase or, in the absence of such increase, the market amount of its portion of the premium payable with respect to any insurance policy that covers the Issuer and such Affiliate;

(n) The Issuer will maintain arm's-length relationships with each Seller (and any Affiliates thereof). Any Person that renders or otherwise furnishes services to the Issuer will be compensated by the Issuer at market rates for such services it renders or otherwise furnishes to the Issuer. Neither the Issuer on the one hand, nor any Seller, on the other hand, will be or will hold itself out to be responsible for the debts of the other or the decisions or actions respecting the daily business and affairs of the other. The Issuer and each Seller will immediately correct any known misrepresentation with respect to the foregoing, and they will not operate or purport to operate as an integrated single economic unit with respect to each other or in their dealing with any other entity; and

(o) To the extent that Issuer and any Seller have offices in the same location, there shall be a fair and appropriate allocation of overhead costs between them, and Issuer shall bear its fair share of such expenses, which may be paid through the servicing fee or otherwise.

Section 3.18 Perfection Representations and Warranties. The parties hereto agree that the representations, warranties and covenants set forth in Schedule II shall be a part of this Indenture for all purposes.

ARTICLE IV

NOTEHOLDERS LISTS AND REPORTS BY THE ISSUER AND THE INDENTURE TRUSTEE

Section 4.01 Issuer to Furnish Indenture Trustee Information as to Names and Addresses of Noteholders. The Issuer covenants and agrees that it will furnish or cause to be furnished to the Indenture Trustee a list in such form as the Indenture Trustee may reasonably require of the names and addresses of the Noteholders of the Registered Notes of each Series:

(a) semiannually and not more than 15 days after each Record Date for the payment of Interest on such Registered Notes, as hereinabove specified, as of such Record Date and on dates to be determined pursuant to Section 2.03 for non-interest bearing Registered Notes in each year;

(b) at such other times as the Indenture Trustee may request in writing, within 30 days after receipt by the Issuer of any such request as of a date not more than 15 days prior to the time such information is furnished; and

(c) the Indenture Trustee shall be permitted to fully rely on the most recently delivered list without any liability in connection therewith,

provided, however, that if and so long as the Indenture Trustee shall be the Note registrar for such Series, such list shall not be required to be furnished.

Section 4.02 Preservation and Disclosure of Noteholders Lists. (a) The Indenture Trustee shall preserve, in as current a form as is reasonably practicable, all information as to the names and addresses of the Noteholders of each Series of Registered Notes (i) contained in the most recent list furnished to it as provided in Section 4.01 and (ii) received by it in the capacity of Note registrar for such Series, if so acting. The Indenture Trustee may destroy any list furnished to it as provided in Section 4.01 upon receipt of a new list so furnished.

(b) Noteholders may communicate as provided in Section 312(b) of the Trust Indenture Act with other Noteholders with respect to their rights under this Indenture or under the Notes.

(c) Each and every Noteholder, by receiving and holding the same, agrees with the Issuer and the Indenture Trustee that neither the Issuer nor the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Noteholders in accordance with the provisions of Section 4.02(b), regardless of the source from which such information was derived, and that the Indenture Trustee shall not be held accountable by reason of mailing or otherwise distributing or making available any material pursuant to a request made under such Section 4.02(b).

ARTICLE V

EVENTS OF DEFAULT; REMEDIES; TRUST ACCOUNTS; ALLOCATION OF AMOUNTS IN THE COLLECTION ACCOUNTS

Section 5.01 Event of Default Defined; Acceleration of Maturity; Waiver of Default. “Event of Default” with respect to Notes of any Series wherever used herein, means that any of the following events shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the occurrence of any “Mandatory Repurchase Event” set forth in the Assignment and Sale Agreement; or

(b) it becomes unlawful for the Issuer to perform any of its obligations under the Indenture, the Indenture Supplement or the Notes; or

(c) the Issuer (or any entity that has assumed its obligations under the Transaction Documents) revokes or terminates the Indenture, the Indenture Supplement or any of the Notes or the Indenture, the Indenture Supplement or any of the Notes ceases to be in full force and effect other than pursuant to its terms or is repudiated by the Issuer; or

(d) (i) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, sequestrator (or similar official) of the Issuer, as appropriate, or for all or any substantial part of its property or ordering the winding up or liquidation of its affairs or its dissolution or reorganization, and in each case such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or (ii) the Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer as appropriate, or for all or any substantial part of its property, or make any general assignment for the benefit of creditors or admits its inability to pay its debts as they come due; or

- (e) any other Event of Default provided in the Indenture Supplement under which such Series of Notes is issued or in the form of the Notes for such Series.

If an Event of Default occurs and is continuing, then, and in each and every such case, the Indenture Trustee, at the written direction of the Controlling Party of each relevant Series, shall declare that the entire principal (or, if any Notes are Original Issue Discount Notes, such portion of the principal as may be specified in the terms thereof) of all the Notes then Outstanding of such Series, and Interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable; *provided* that in the case of an Event of Default described in clause (d), above, all amounts payable under the Notes shall automatically become immediately due and payable, without any further action of any Person.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal (or, if the Notes are Original Issue Discount Notes, such portion of the principal as may be specified in the terms thereof) of the Notes of any Series (or of all the Notes, as the case may be) shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Indenture Trustee a sum sufficient to pay all matured installments of Interest upon all the Notes of such Series (or of all the Notes, as the case may be) and the principal of any and all Notes of each such Series (or of all the Notes, as the case may be) which shall have become due otherwise than by acceleration (with Interest upon such principal and, to the extent that payment of such Interest is enforceable under Applicable Law, on overdue installments of Interest, at the same rate as the Interest Rate or Yield to Maturity (in the case of Original Issue Discount Notes) specified in the Notes of each such Series (or at the respective Interest Rates or Yields to Maturity of all the Notes, as the case may be) to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of gross negligence or bad faith, and if any and all Events of Default hereunder, other than the non-payment of the principal of Notes which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then and in every such case, the Noteholders of a majority in aggregate principal amount of all the Notes of each such Series, or of all the Notes, in each case voting as a single class, then Outstanding, by written notice to the Issuer and to the Indenture Trustee, may waive all defaults with respect to each such Series (or with respect to all the Notes, as the case may be) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

For all purposes under this Indenture, if a portion of the principal of any Original Issue Discount Notes shall have been accelerated and declared due and payable pursuant to the provisions hereof, then, from and after such declaration, unless such declaration has been rescinded and annulled, the principal amount of such Original Issue Discount Notes shall be deemed, for all purposes hereunder, to be such portion of the principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of the principal thereof as shall be due and payable as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Original Issue Discount Notes.

Section 5.02 Collection of Indebtedness by Indenture Trustee; Indenture Trustee May Prove Debt. The Issuer covenants that (a) in case default shall be made in the payment of any installment of Interest on any of the Notes of any Series when such Interest shall have become due and payable, and such default shall have continued for a period of 30 days or (b) in case default shall be made in the payment of all or any part of the principal of any of the Notes of any Series when the same shall have become due and payable, whether upon maturity of the Notes of such Series or upon any redemption or by declaration or otherwise, then upon demand of the Indenture Trustee, the Issuer will pay to the Indenture Trustee for the benefit of the Noteholders of such Series the whole amount that then shall have become due and payable on all Notes of such Series for principal or Interest, as the case may be (with interest to the date of such payment upon the overdue principal and, to the extent that payment of such Interest is enforceable under Applicable Law, on overdue installments of Interest at the same rate as the Interest Rate or Yield to Maturity (in the case of Original Issue Discount Notes) specified in the Notes of such Series); and in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, their respective agents, attorneys and counsel, and any expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of its gross negligence or bad faith.

Until such demand is made by the Indenture Trustee, the Issuer may pay the principal of and Interest on the Notes of any Series to the registered Noteholders, whether or not the Notes of such Series are overdue.

In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Indenture Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or other obligor upon the Notes and collect in the manner provided by law out of the property of the Issuer or other obligor upon the Notes, wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Issuer or any other obligor upon the Notes under any applicable bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, the Indenture Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and Interest (or, if the Notes of any Series are Original Issue Discount Notes, such portion of the principal amount as may be specified in the terms of such Series) owing and unpaid in respect of the Notes of any Series, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of gross negligence or bad faith) and of the Noteholders allowed in any judicial proceedings relative to the Issuer or other obligor upon the Notes, or to the creditors or property of the Issuer or such other obligor, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Noteholders and of the Indenture Trustee on their behalf; and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Noteholders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to the Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of gross negligence or bad faith.

Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes of any Series or the rights of any Noteholder thereof, or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding.

All rights of action and of asserting claims under this Indenture, or under any of the Notes of any Series, may be enforced by the Indenture Trustee without the possession of any of the Notes of such Series or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Noteholders in respect of which such action was taken.

In any proceedings brought by the Indenture Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party) the Indenture Trustee shall be held to represent all the Noteholders in respect to which such action was taken, and it shall not be necessary to make any Noteholders of such Notes parties to any such proceedings.

Section 5.03

Trust Accounts.

(a) The Indenture Trustee shall establish or cause to be established with an account bank that has agreed in writing to the ownership and/or security interest perfection provisions contemplated by clause (b): (i) the Dollar Collection Account, to which account all Collections denominated in US Dollars shall be deposited; (ii) the CAD Collection Account, to which account all Collections denominated in Canadian Dollars shall be deposited; (iii) a trust account for each Series (each, a “Series Account”) maintained by and in the name of the Indenture Trustee (as the customer of the account bank); and (iv) if so required under the applicable Indenture Supplement, the Debt Service Reserve Account. The above accounts shall be non-interest bearing. Amounts allocated to the applicable Series Account in respect of each Series pursuant to Section 5.04 shall be applied in accordance with the applicable Indenture Supplement.

(b) The Indenture Trustee agrees that it shall not open any Trust Account unless the Indenture Trustee’s ownership of or security interest in such account shall be perfected, including perfection under the applicable UCC (for example, to the extent required under the applicable UCC, the bank or other financial institution at which such account is maintained shall agree in writing that: (i) each Trust Account is a “securities account” as defined in Section 8-501 of the UCC, (ii) such bank or other financial institution is a “securities intermediary” as defined in Section 8-102 of the UCC, (iii) the “securities intermediary’s jurisdiction” for such Trust Account for purposes of Section 8-110(e) of the UCC is New York, (iv) all property credited to such Trust Accounts shall be treated as “financial assets” under Article 8 of the UCC and (v) the Indenture Trustee shall be the “entitlement holder” (as defined in Section 8-102(a)(7) of the UCC)).

(c) During each Payment Period, Collections denominated in Canadian Dollars and deposited into the CAD Collection Account shall be retained in the CAD Collection Account until Collections denominated in US Dollars have been deposited in the Dollar Collection Account in an amount sufficient to pay in full all amounts payable in accordance with this Indenture on or before the next Payment Date other than amounts owed to the Initial Seller, after which the balance of such amounts on deposit in the CAD Collection Account will be paid to the Initial Seller (all payments under this clause to constitute a payment to the Initial Seller under its Seller Acknowledgement). At the direction of the Servicer, at any time, or on a daily basis during the existence of a Retention Event or Early Amortization Period, amounts on deposit in the CAD Collection Account shall not be distributed to the Initial Seller as provided above, and shall be converted by the Indenture Trustee into US Dollars (at the spot exchange rate quoted by the Indenture Trustee or any of its Affiliates on the date the conversion takes place) and deposited into the Dollar Collection Account for application as set forth in Section 5.04 below.

(d) The valuation of Collections denominated in Canadian Dollars that have not been converted into US Dollars, as set forth in clause (c) above, for purposes of the computation of the Debt Service Coverage Ratio and the Pro Forma DSCR, shall be made by the Servicer at the exchange rate published by the Bank of Canada as the rate of exchange between Canadian Dollars and US Dollars at approximately 11:00 a.m. (New York City time) on the Business Day as of which the computation is made.

(e) Upon receipt of instructions from the Servicer to transfer the amounts set forth below included in either the Servicer's daily report or Monthly Servicer Report that identifies any Excluded Receivables, the Indenture Trustee shall promptly transfer to the account designated for such purpose by the Initial Seller the aggregate amount of any payments deposited into a Collection Account in respect of such Excluded Receivables. If at the time of receipt of any such instructions, the corresponding amounts in respect of such Excluded Receivables have already been allocated by the Indenture Trustee as provided under Section 5.04.

(i) no such allocation will be reversed; and

(ii) the amounts owed to the Initial Seller or an Affiliate thereof in respect of such Excluded Receivables (an "ER Repayment") shall be paid by the Indenture Trustee out of future Collections or other amounts deposited into the Collection Accounts in accordance with the Servicer's instructions included in either the Servicer's daily report or Monthly Servicer Report. The Servicer shall only give such transfer instructions so long as:

(A) neither the Initial Seller nor any Affiliate thereof shall have received the payments or proceeds in respect of such Excluded Receivables pursuant to Section 5.04; and

(B) such instructions shall be received by the Indenture Trustee not later than 30 Business Days after the payments in respect of such Excluded Receivables referred to therein were deposited into a Collection Account.

In no event shall the Indenture Trustee be required to make any ER Repayments more than once in any one calendar month. Following the occurrence and during the continuation of an Excess ER Event, the Servicer shall not instruct the Indenture Trustee to make any ER Repayments prior to the date on which the Servicer shall have received written notice from the Initial Seller that the Initial Seller has retained an Authorized Consultant to perform certain agreed-upon procedures (the "AUPs").

(f) For purposes of the foregoing:

(i) An "Excess ER Event" shall be deemed to have occurred on the first day of the month immediately following a calendar month during which the Excluded Receivables identified by the Servicer are greater than or equal to 2.0% of the aggregate amount of Collections deposited into the Collection Account during such month, and shall continue until the last day of the third consecutive calendar month during each of which the Excluded Receivables identified by the Servicer are less than 2.0% of the aggregate amount of gross Receivables generated during such month.

(ii) The AUPs to be performed by the Authorized Consultant shall be limited to the Excluded Receivables arising out of direct sales by the Initial Seller (the "Direct Sale Excluded Receivables") and shall include:

(A) the review and verification of the amounts which, during the six-month period preceding the occurrence of an Excess ER Event, have been classified by the Servicer as Direct Sale Excluded Receivables; and

(B) the delivery to the Indenture Trustee, the Servicer and the Initial Seller of: (1) an initial report, covering the six-month period referred to above, with the Authorized Consultant's conclusions regarding whether the amounts characterized by the Servicer during such period as Direct Sale Excluded Receivables were correctly characterized as such in accordance with the definition of "Direct Sale Excluded Receivables"; and (2) for as long as the Excess ER Event is continuing, annual reports with the Authorized Consultant's conclusions regarding whether the amounts characterized by the Servicer during the period covered by the report as Direct Sale Excluded Receivables were correctly characterized as such in accordance with the definition of "Direct Sale Excluded Receivables".

The Authorized Consultant shall conduct the AUPs with statistically significant samples of the Direct Sale Excluded Receivables that are selected on a random basis. The reports shall set forth any inconsistencies or incorrect classifications of the amounts previously identified as Direct Sale Excluded Receivables in the applicable Servicing Reports.

(iii) If after performing the AUPs, it is determined that an excess amount has been released or paid to the Initial Seller in connection with the Direct Sales Excluded Receivables, then upon the earlier of: (A) notice thereof from the Indenture Trustee acting solely at the written instruction of Noteholders of a majority in aggregate principal amount of the applicable Notes and (B) knowledge thereof by the Initial Seller, the Initial Seller shall pay an amount equal to such excess to the Indenture Trustee for deposit into the Dollar Collection Account no later than 10 Business Days after obtaining notice or knowledge thereof.

Section 5.04 Daily Allocations of Collections. Amounts in the Dollar Collection Account, net of any payments made to the Initial Seller in respect of the Excluded Receivables as provided in Section 5.03(e), shall (based solely upon information furnished to the Indenture Trustee by the Servicer pursuant to Section 2.3 of the Servicing Agreement) be: (x) allocated by the Indenture Trustee among the separate Series Accounts for all Series at the time outstanding or (y) retained in and distributed from the Dollar Collection Account for payment to the appropriate Person(s), on each New York Banking Day in the following order of priority:

(a) first, the amounts necessary to pay the Indenture Trustee any fees and reimburse any expenses or indemnities due on or before the next Payment Date or Early Amortization Additional Payment Date shall be retained in the Dollar Collection Account and paid to the Indenture Trustee on the date(s) when due; *provided* that, while there shall be no cap on these amounts during the continuation of an Event of Default, so long as no Event of Default shall have occurred and be continuing, (i) the amounts payable to the Indenture Trustee under this clause (a) in any one Fiscal Quarter may not exceed U.S.\$250,000 in the aggregate (any such amounts in excess of U.S.\$250,000, the "Excess Amounts") and (ii) any Excess Amounts not paid to the Indenture Trustee in any Fiscal Quarter under clause (e) below shall be carried over to the next succeeding Fiscal Quarter and, subject to subclause (i) above, paid to the Indenture Trustee);

(b) second, all remaining amounts in the Dollar Collection Account shall be retained in the Dollar Collection Account to the extent necessary to pay (on a *pro rata* basis based upon the following amounts due and payable on or before the next Payment Date or Early Amortization Additional Payment Date): (i) any fees due the Cayman Islands Registry of Companies, (ii) fees due to the administrator pursuant to the Administration Agreement, and (iii) the amount of servicing fees due the Servicer (if the Servicer is not the Initial Seller or an Affiliate thereof) payable on the next Payment Date or Early Amortization Additional Payment Date, which amounts shall be paid to such persons on such Payment Date or Early Amortization Additional Payment Date;

(c) third, all remaining amounts in the Dollar Collection Account shall be deposited into the Series Accounts to the extent necessary to pay on a *pro rata* basis any Interest owing in respect of the Notes of each Series and payable on the next Payment Date or Early Amortization Additional Payment Date;

(d) fourth, all remaining amounts in the Dollar Collection Account shall be deposited into the applicable Series Account(s) to the extent necessary to pay (on a *pro rata* basis based upon the following amounts due and payable for each Series) the Quarterly Amortization Amount or Principal Amortization Amount (as applicable): (i) scheduled to be paid in respect of such Series on the next Payment Date or Early Amortization Additional Payment Date (as applicable) plus (ii) scheduled to be paid in respect of such Series on any previous Payment Date or Early Amortization Additional Payment Date that has not yet been paid;

(e) fifth, all remaining amounts in the Dollar Collection Account shall be retained in the Dollar Collection Account to the extent necessary to pay (on a *pro rata* basis based upon the following amounts due and payable on or before the next Payment Date or Early Amortization Additional Payment Date) each person (other than the Initial Seller, the Issuer or any Affiliate of any thereof) to whom (i) any other amount under the Transaction Documents is due and payable, including any amounts due and payable to the Indenture Trustee and not paid under clause (a) above, and (ii) any taxes payable by the Issuer that have not been paid by the Initial Seller, and paid to such persons on the dates when due;

(f) sixth, if an Early Amortization Period shall exist, then all remaining amounts in the Dollar Collection Account (and all remaining amounts in the CAD Collection Account (following their conversion into US Dollars pursuant to Section 5.03)) will be allocated among the Series Accounts corresponding to all Notes at the time outstanding, on a *pro rata* basis, until the amount deposited into each such Series Account equals the Series Balance of such Series as of the next Payment Date;

(g) seventh, if a Retention Event shall have occurred and be continuing with respect to any Series, all remaining amounts in the Dollar Collection Account shall be allocated among the Series Accounts corresponding to all Notes at the time outstanding, on a *pro rata* basis, until the amount deposited into each such Series Account equals the Series Balance of such Series as of the next Payment Date;

(h) eighth, all remaining amounts in the Dollar Collection Account shall be retained in the Dollar Collection Account to the extent necessary to pay the Issuer any other amounts under the Transaction Documents that are due and payable to the Issuer, and paid to the Issuer on the date(s) when due;

(i) ninth, all remaining amounts in the Dollar Collection Account will be retained in the Dollar Collection Account to the extent necessary to pay the Servicer the amount of servicing fees payable to it on or before the next Payment Date or Early Amortization Additional Payment Date (if the Servicer is a Seller or an Affiliate thereof); and

(j) tenth, all remaining amounts in the Dollar Collection Account will be paid to the Initial Seller, as agent for all the Sellers, to be allocated among the Sellers as agreed in writing amongst them (all payments under this clause to constitute a payment to the Sellers under the applicable Seller Acknowledgment).

Section 5.05 Funds in Series Accounts, Etc. (a) The Indenture Trustee shall deposit into the applicable Series Accounts: (i) the amounts allocable thereto pursuant to Section 5.04, (ii) all amounts payable by a Seller in respect of any redemption of the applicable Series or the payment of any Additional Amounts pursuant to Section 6.3 of the Assignment and Sale Agreement and (iii) any amounts allocable thereto from each Debt Service Reserve Account in respect of the Notes of any Series.

(b) On each Payment Date, Redemption Date or Early Amortization Additional Payment Date, if applicable, the Indenture Trustee shall apply or transfer amounts from each of the applicable Series Accounts in the manner specified in the applicable Indenture Supplement (for payments to Noteholders, based upon the Noteholders of record as of the Record Date preceding such date of payment).

(c) Upon receipt of any payments from a Seller or any other Person, which have not been transferred directly into the Dollar Collection Account or the applicable Series Account, the Indenture Trustee shall deposit such amounts into the Dollar Collection Account or the Series Account to which such amounts relate based upon written instructions from the Servicer; *provided, however*, that if the Indenture Trustee does not receive any such instructions as to the appropriate Trust Account as to which such amounts relate, the Indenture Trustee shall promptly deposit such amounts into the Dollar Collection Account. Each Indenture Supplement and Transaction Document shall provide that payments allocable to each Series of Notes issued pursuant to such Indenture Supplement or Transaction Document are to be made to the appropriate Series Account for such Series. In the event that any unallocated amounts are deposited into the Dollar Collection Account, the Indenture Trustee, promptly after a Responsible Officer of the Indenture Trustee obtains knowledge of such deposit, shall notify the applicable Seller of such amount on deposit and shall request by facsimile from such Seller instructions as to the appropriate application of such amounts. Pending receipt of information from such Seller, the Indenture Trustee shall retain all such amounts in the Dollar Collection Account. Upon receipt of instructions from such Seller specifying the application of such funds, the Indenture Trustee shall transfer the amounts on deposit in the Dollar Collection Account to the Series Accounts based on such instructions.

(d) All amounts which are on deposit in the Dollar Collection Account, each Debt Service Reserve Account or a Series Account at the close of any Business Day shall be invested by the Indenture Trustee in Eligible Investments selected in writing by the Servicer (which may be a standing instruction) maturing on a date no later than the Business Day immediately prior to the next Payment Date. Absent such prior, specific written direction to the Indenture Trustee, all amounts on deposit in such accounts shall be held uninvested. Any interest or other gain/loss on any such investment shall remain, or be deposited, in (or be deducted from) the Dollar Collection Account, each Debt Service Reserve Account or applicable Series Account for allocation/distribution therefrom in accordance herewith, and the Indenture Trustee shall not be required to reimburse any such losses or otherwise have any liability therefor.

Section 5.06 Suits for Enforcement. Subject to Section 5.01, in case an Event of Default has occurred, has not been waived and is continuing, the Indenture Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Indenture Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

Section 5.07 Limitations on Suits by Noteholders. No Noteholder of any Series shall have any right by virtue or by availing of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless such Noteholder previously shall have given to the Indenture Trustee written notice of an Event of Default and of the continuance thereof, as hereinbefore provided, and unless also the Noteholders of not less than 50% of the aggregate principal amount of the Notes of each Affected Series then Outstanding (treated as a single class) shall have made written request upon the Indenture Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Indenture Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding and no direction inconsistent with such written request shall have been given to the Indenture Trustee by the Noteholders of a majority in aggregate principal amount of the Notes of such Affected Series then Outstanding; it being understood and intended that no one or more Noteholders of any Series shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other such Noteholder, or to obtain or seek to obtain priority over or preference to any other such Noteholder or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Noteholders of the applicable Series. For the protection and enforcement of the provisions of this Section, each and every Noteholder and the Indenture Trustee shall be entitled to such relief as can be given either at law or in equity.

Section 5.08 Rights of Noteholders Unimpaired. Notwithstanding any other provision in this Indenture and any provision of any Note, the right of any Noteholder to receive payment of the principal of and Interest on such Note on or after the respective due dates expressed in such Note, or to institute suit for the enforcement of any such payment on or after such respective dates, shall be absolute and unconditional and shall not be impaired or affected without the consent of such Noteholder.

Section 5.09 *Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default.* Except as provided in Section 5.07, no right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No delay or omission of the Indenture Trustee or of any Noteholder to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 5.07, every power and remedy given by this Indenture or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as shall be deemed expedient, by the Indenture Trustee or by the Noteholders.

Section 5.10 *Control by Noteholders.* The Noteholders of a majority in aggregate principal amount of the Notes of each Series affected (with all such Series voting as a single class) at the time Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee with respect to the Notes of such Series by this Indenture or any other Transaction Document, including the giving of any Early Amortization Event notice or the approval of any amendment, modification, supplement or waiver of any Transaction Document; *provided* that such direction shall not be otherwise than in accordance with any rule of law or the provisions of this Indenture and *provided further* that the Indenture Trustee shall have the right to decline to follow any such direction if the Indenture Trustee shall determine that the action or proceeding so directed conflicts with law or this Indenture, would involve the Indenture Trustee in personal liability or the actions or forbearances specified in or pursuant to such direction would be unduly prejudicial to the interests of other Noteholders of all Series so affected not joining in the giving of said direction, it being understood that the Indenture Trustee shall have no duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Noteholders.

Nothing in this Indenture shall impair the right of the Indenture Trustee in its discretion to take any action deemed proper by the Indenture Trustee and which is not inconsistent with such direction or directions by Noteholders; *provided* that the Indenture Trustee shall have no duty, responsibility or obligation to take any such actions and, in the absence of gross negligence or willful misconduct by the Indenture Trustee, shall have no liability for failing to do so.

Section 5.11 Waiver of Past Defaults. Prior to the acceleration of the maturity of any Notes as provided in Section 5.01, the Noteholders of the percentage specified in Section 5.01 for declaring such an acceleration with respect to the applicable Event of Default in aggregate principal amount of the Notes of any Series at the time Outstanding with respect to which such Event of Default shall have occurred and be continuing may on behalf of the Noteholders of all Notes of such Series waive any past default or Event of Default described in Section 5.01 and its consequences (other than an Event of Default described in Section 5.01(a) or 5.01(d)), the waiver of which shall require the consent of all Noteholders of such Notes of such Series, at the time Outstanding) with respect to such Series only. In the case of any such waiver, the Issuer, the Indenture Trustee and the Noteholders of all such Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 5.12 Indenture Trustee to Give Notice of Default; But May Withhold in Certain Circumstances. If a default with respect to the Notes of any Series occurs and is continuing and if it is known to the Indenture Trustee, the Indenture Trustee shall, within five days after the occurrence of a default with respect to the Notes of any Series, give notice of all defaults, Events of Default and Early Amortization Events with respect to that Series known to the Indenture Trustee to all Noteholders of such Series in accordance with Section 6.16, unless in each case such defaults shall have been cured before the mailing or publication of such notice (the term “defaults” for the purpose of this Section being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default); *provided* that, except in the case of default in the payment of the principal of or Interest on any of the Notes of such Series, or in the payment of any sinking fund installment on such Series, the Indenture Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or trustees and/or Responsible Authorized Officers of the Indenture Trustee in good faith determines that the withholding of such notice is in the interests of the Noteholders of such Series.

Section 5.13 Right of Court to Require Filing of Undertaking to Pay Costs. All parties to this Indenture agree, and each Noteholder by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys’ fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Indenture Trustee, to any suit instituted by any Noteholder or group of Noteholders of any Series holding in the aggregate more than 10% in aggregate principal amount of the Notes of such Series, or, in the case of any suit relating to or arising under Section 5.01(d) hereof (if the suit relates to Notes of more than one but less than all Series), 10% in aggregate principal amount of Notes then Outstanding and affected thereby, or in the case of any suit relating to or arising under Section 5.01(d) hereof (if the suit under Section 5.01(d) hereof relates to all the Notes then Outstanding), 10% in aggregate principal amount of all Notes then Outstanding, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or Interest on any Note on or after the due date expressed in such Note or any date fixed for redemption.

Section 5.14 Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law, wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15 Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer (including, without limitation, the Contract Rights).

Section 5.16 Priorities. Subject to Section 5.04, if the Indenture Trustee collects any money pursuant to this Article V or any other provision in the Indenture, it shall distribute such money, *first*, to the Indenture Trustee for amounts due under Section 6.06 hereof, and, *second*, to Noteholders pursuant to this Indenture and any Indenture Supplement.

ARTICLE VI
CONCERNING THE INDENTURE TRUSTEE

Section 6.01 Duties and Responsibilities of the Indenture Trustee; During Default; Prior to Default. With respect to the Noteholders of any Series issued hereunder, the Indenture Trustee, prior to the occurrence of an Event of Default of which a Responsible Officer of the Indenture Trustee has actual knowledge with respect to the Notes of a particular Series and after the curing or waiving of all Events of Default which may have occurred with respect to such Series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and any Indenture Supplement. In case an Event of Default with respect to the Notes of a Series has occurred (which has not been cured or waived), the Indenture Trustee shall exercise with respect to such Series of Notes such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such Person's own affairs.

No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default with respect to the Notes of any Series of which a Responsible Officer of the Indenture Trustee has actual knowledge and after the curing or waiving of all such Events of Default with respect to such Series which may have occurred:

(i) the duties and obligations of the Indenture Trustee with respect to the Notes of any Series shall be determined solely by the express provisions of this Indenture and any Indenture Supplement and the Indenture Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on the part of the Indenture Trustee, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Indenture Trustee, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(c) the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Noteholders pursuant to Section 5.10 relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee, under this Indenture;

(d) none of the provisions contained in this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or indemnity satisfactory to it against such loss, liability or expense is not reasonably assured to it; and

(e) in the case of an Event of Default, the Indenture Trustee shall have no right or obligation to accelerate unless it is instructed to do so in accordance with the provisions of Section 5.01.

Section 6.02 Certain Rights of the Indenture Trustee. Subject to Section 6.01:

(a) the Indenture Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, and the Indenture Trustee need not investigate any statement, representation or warranty or any fact or matter stated in any such document and may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein;

(b) any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Indenture Trustee by a copy thereof certified by the secretary or an assistant secretary of the Issuer;

(c) the Indenture Trustee may consult with counsel and any advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in reliance upon such advice or opinion of counsel;

(d) the Indenture Trustee shall be under no obligation to exercise any of the trusts, rights or powers vested in it by this Indenture at the request, order or direction of any of the Noteholders pursuant to the provisions of this Indenture, unless such Noteholders shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request;

(e) the Indenture Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) the Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys and the Indenture Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder;

(g) anything in this Indenture to the contrary notwithstanding, the Indenture Trustee shall have no liability whatsoever for or on account of punitive, special, indirect, incidental or consequential losses or damages of any kind whatsoever (including but not limited to lost profits), whether or not any such damages were foreseeable or contemplated, even if the Indenture Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(h) the Indenture Trustee shall not be deemed to have notice or knowledge of any default, Early Amortization Event or Event of Default (except a default, Early Amortization Event or Event of Default caused by a payment default) unless a Responsible Officer of the Indenture Trustee shall have received written notice or obtained actual knowledge thereof; *provided* that the Indenture Trustee shall be deemed to have notice of the failure of any Person to deliver funds, reports, certificates or other documents to the Indenture Trustee when scheduled to be delivered to the Indenture Trustee under the Transaction Documents to which it is a party (or a third-party beneficiary or a pledgee) (in the absence of receipt of such notice or actual knowledge, the Indenture Trustee may conclusively assume there is no default, Early Amortization Event or Event of Default);

(i) the Indenture Trustee shall have no duty (A) to see to any recording, filing, or depositing of this Indenture or any agreement referred to herein or any financing statement or continuation statement evidencing a security interest, or to see to the maintenance of any such recording or filing or depositing or to any rerecording, refiling or redepositing of any thereof or (B) to see to the payment or discharge of any tax, assessment, or other governmental charge or any lien or encumbrance of any kind. The Indenture Trustee nevertheless agrees that it shall: (x) sign any document provided to it that it reasonably believes is necessary or desirable to accomplish any such results and (y) at its own cost and expense, promptly take all action as may be necessary to discharge any Liens on any part of the Collateral that result from actions by, or claims against, the Indenture Trustee (including in its individual capacity) that are not related to the ownership or the administration of the Collateral for the purposes hereof (unless so instructed to take such actions at the written direction of the Controlling Party of the relevant Series in accordance with Section 5.10). The parties hereto agree that the Indenture Trustee may (but shall not be required to) file any applicable UCC financing statements, and continuation statements with respect thereto, that do not require the signature of the Issuer (provided that the Indenture Trustee shall have no liability for filing or failing to file any such UCC);

(j) the right of the Indenture Trustee to perform any discretionary act enumerated in this Indenture shall not be construed as a duty, and the Indenture Trustee shall not be answerable for other than its gross negligence or willful misconduct in the performance or omission of such act;

(k) the Indenture Trustee shall not be required to give any bond or surety in respect of the Collateral or the powers granted hereunder;

(l) the Indenture Trustee shall not be responsible for delays or failures in performance resulting directly or indirectly from forces beyond its control (including, without limitation, acts of God, strikes, work stoppages, lockouts, accidents, severe weather, floods, nuclear or natural catastrophes, riots, civil or military disturbances or hostilities, acts of war or terrorism, any provision of any present or future law or regulation or any act of any governmental authority, and any interruption, loss or malfunction of utilities, communications, computer services (software or hardware) or Federal Reserve Bank wire service); *it being understood* that the Indenture Trustee shall use reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances;

(m) in making or disposing of any investment permitted by this Indenture, the Indenture Trustee is authorized to deal with itself (in its individual capacity) or with any one or more of its affiliates, in each case on an arm's-length basis and on standard market terms, whether it or such affiliate is acting as a subagent of the Indenture Trustee or for any third person or dealing as principal for its own account;

(n) delivery of reports, information and documents to the Indenture Trustee shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or any other entity's compliance with any covenants under this Indenture, the Notes or any other related documents. The Indenture Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Issuer's or any other entity's compliance with the covenants described herein or with respect to any reports or other documents filed under this Indenture, the Notes or any other related document;

(o) no provision of this Indenture, the Notes or any other related document shall be deemed to impose any duty or obligation on the Indenture Trustee to take or omit to take any action, or suffer any action to be taken or omitted, in the performance of its duties or obligations under this Indenture, the Notes or any other related document, or to exercise any right or power thereunder, to the extent that taking or omitting to take such action or suffering such action to be taken or omitted would violate applicable law binding upon it (which determination may be based on the advice or opinion of counsel);

(p) the rights, privileges, protections, immunities and benefits provided to the Indenture Trustee hereunder (including but not limited to its right to be indemnified) are extended to, and shall be enforceable by, the Indenture Trustee in each of its capacities hereunder and to each of its Responsible Officers and other persons or entities duly employed by the Indenture Trustee hereunder as if they were each expressly set forth herein for the benefit of the Indenture Trustee in each such capacity, Responsible Officers or employees of the Indenture Trustee *mutatis mutandis*;

(q) notwithstanding anything to the contrary herein, any and all email communications (both text and attachments) by or from the Indenture Trustee that the Indenture Trustee deems to contain confidential, proprietary, and/or sensitive information may be encrypted. The recipient (the “Email Recipient”) of the encrypted email communication will be required to complete a registration process. Instructions on how to register and/or retrieve an encrypted message will be included in the first secure email sent by the Indenture Trustee to the Email Recipient. Additional information and assistance on using the encryption technology can be found at Citibank’s Secure Email website at <http://www.citigroup.net/informationsecurity/dataprotect.htm> or by calling (866) 535-2504 (in the U.S.) or (904) 954-6181;

(r) the Indenture Trustee shall have the right to require that any directions, instructions or notices provided to it be signed by an Authorized Person (as hereinafter defined), be provided on corporate letterhead, be notarized or contain a medallion signature guarantee, or contain such other evidence as may be reasonably requested by the Indenture Trustee to establish the identity and/or signatures thereon. The identity of such Authorized Persons, as well as their specimen signatures, title, telephone number and e-mail address, shall be delivered to the Indenture Trustee in the list of authorized signers and shall remain in effect until the applicable party, or an entity acting on its behalf, notifies the Indenture Trustee of any change thereto (the person(s) so designated from time to time, the “Authorized Persons”); and

(s) to help the U.S. government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. When an account is opened, the Indenture Trustee will ask for information that will allow the Indenture Trustee to identify relevant parties. The parties hereto hereby acknowledge such information disclosure requirements and agree to comply with all such information disclosure requests from time to time from the Indenture Trustee.

Section 6.03 Indenture Trustee Not Responsible for Recitals, Disposition of Notes or Application of Proceeds Thereof. The recitals contained herein and in the Notes, except the Indenture Trustee's certificates of authentication, shall be taken as the statements of the Issuer, and the Indenture Trustee assumes no responsibility for the correctness of the same. The Indenture Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Notes. The Indenture Trustee shall not be accountable for the use or application by the Issuer of any of the Notes or of the proceeds thereof.

Section 6.04 Indenture Trustee and Agents May Hold Notes; Collections, etc. The Indenture Trustee or any agent of the Issuer or the Indenture Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Indenture Trustee or such agent and, subject to Sections 5.03, 5.04 and 6.13 and, may otherwise deal with the Issuer and receive, collect, hold and retain Collections from the Issuer with the same rights it would have if it were not the Indenture Trustee or such agent.

Section 6.05 Moneys Held by Indenture Trustee. Subject to the provisions of Sections 5.03, 5.04 and 10.04 hereof, all moneys received by the Indenture Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received. Neither the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be under any liability for interest on any moneys received by it hereunder except as otherwise agreed with the Issuer.

Section 6.06 Compensation and Indemnification of Indenture Trustee and Its Prior Claim. The Issuer covenants and agrees to pay to the Indenture Trustee from time to time, and the Indenture Trustee shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Issuer covenants and agrees to pay or reimburse the Indenture Trustee and each predecessor Indenture Trustee upon its request on an after-tax basis for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture, including in its capacity as registrar and paying agent (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its gross negligence or bad faith. The Issuer also covenants to indemnify the Indenture Trustee and each predecessor Indenture Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder, including in its capacity as registrar and paying agent, including the costs and expenses of defending itself against or investigating any claim of liability in the premises. The Indenture Trustee shall notify the Issuer promptly of any claim for which it may seek indemnity. The obligations of the Issuer under this Section to compensate and indemnify the Indenture Trustee and each predecessor Indenture Trustee, including in its capacity as registrar and paying agent, and to pay or reimburse the Indenture Trustee and each predecessor Indenture Trustee, including in its capacity as registrar and paying agent, for expenses, disbursements and advances shall constitute additional Indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional Indebtedness shall be a senior claim to that of the Notes upon all property and funds held or collected by the Indenture Trustee as such, except funds held in trust for the benefit of the Noteholders of particular Notes, and the Notes are hereby subordinated to such senior claim. As security for the performance of the obligations of the Indenture Trustee hereunder, the Indenture Trustee shall have a Lien prior to the Notes upon all property or funds held or collected by the Indenture Trustee, in its capacity as Indenture Trustee.

The Issuer shall indemnify the Indenture Trustee, in its individual capacity, for, and shall defend and hold the Indenture Trustee harmless from and against, on an after-tax basis, any Taxes (other than gross or net income or franchise taxes on the fees, compensation and other amounts paid to the Indenture Trustee pursuant to the preceding paragraph) that may at any time be imposed, incurred or asserted against the Indenture Trustee in connection with the transactions contemplated by the Transaction Documents, whether or not the Initial Seller is obligated to indemnify or reimburse with respect to such Taxes under Section 6.3 of the Assignment and Sale Agreement or this Section.

Section 6.07 *Right of Indenture Trustee to Rely on Officer's Certificate, etc.* Subject to Sections 6.01 and 6.02 and, whenever in the administration of the trusts of this Indenture the Indenture Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or bad faith on the part of the Indenture Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Indenture Trustee, and such certificate, in the absence of gross negligence or bad faith on the part of the Indenture Trustee, shall be full warrant to the Indenture Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

Section 6.08 *Qualification of Indenture Trustee; Conflicting Interests.* The Indenture Trustee for the Notes of any Series issued hereunder shall be subject to the provisions of Section 310(b) of the Trust Indenture Act to the extent required therein. In determining whether the Indenture Trustee has a conflicting interest as defined in Section 310(b) of the Trust Indenture Act with respect to the Notes of any Series, there shall be excluded for purposes of the conflicting interest provisions of such Section 310(b) the Notes of every other Series issued under this Indenture. Nothing herein shall prevent the Indenture Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

Section 6.09 *Persons Eligible for Appointment as Indenture Trustee.* The Indenture Trustee for each Series of Notes hereunder shall at all times be a corporation organized and doing business under the laws of the United States or of any State or the District of Columbia that has a combined capital and surplus of at least U.S.\$250,000,000 and both a short-term deposit rating of at least P-2 and a long-term deposit rating of at least A3 by Moody's and A by Standard & Poor's and, if rated by Fitch, at least the equivalent rating by any such Rating Agencies, and which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by Federal, State or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Indenture Trustee shall cease to be eligible in accordance with the provisions of this Section, the Indenture Trustee shall resign immediately in the manner and with the effect specified in Section 6.10.

Section 6.10 Resignation and Removal; Appointment of Successor Indenture Trustee.

(a) The Indenture Trustee, or any trustee or trustees hereafter appointed, may at any time resign with respect to all Series of Notes by giving written notice of resignation to the Issuer and by mailing notice of such resignation to the Noteholders of then Outstanding Registered Notes of each Series at their addresses as they shall appear on the Register. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor trustee or trustees by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Indenture Trustee and one copy to the successor trustee or trustees. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may appoint or petition any court of competent jurisdiction for the appointment of a successor trustee, or any Noteholder who has been a bona fide Noteholder of a Note or Notes of the applicable Series for at least six months may, subject to the provisions of Section 5.13, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Indenture Trustee shall fail to comply with the provisions of Section 6.08 with respect to any Series of Notes after written request therefor by the Issuer or by any Noteholder who has been a bona fide Noteholder of a Note or Notes of such Series for at least six months; or

(ii) the Indenture Trustee shall cease to be eligible in accordance with the provisions of Section 6.09 and shall fail to resign after written request therefor by the Issuer or by any Noteholder; or

(iii) the Indenture Trustee shall become incapable of acting with respect to any Series of Notes, or shall be adjudged a bankrupt or insolvent, or a receiver or liquidator of the Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Issuer may remove the Indenture Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Issuer, one copy of which instrument shall be delivered to the Indenture Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 5.13, any Noteholder who has been a bona fide Noteholder of a Note or Notes for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Indenture Trustee and appoint a successor trustee.

(c) The Noteholders of a majority in aggregate principal amount of the Notes of each Series at the time Outstanding may at any time remove the Indenture Trustee and appoint a successor trustee by delivering to the Indenture Trustee so removed, to the successor trustee so appointed and to the Issuer the evidence provided for in Section 7.01 of the action in that regard taken by the Noteholders.

(d) Any resignation or removal of the Indenture Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section 6.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 6.11.

(e) If at any time the Indenture Trustee shall be removed as provided herein or otherwise become incapable of acting, the appointment and designation of a trustee in writing, duly acknowledged, shall be delivered to the predecessor indenture trustee and the Issuer by the successor trustee, and filed for the record in each public office, if any, in which any of the Transaction Documents are required to be filed. Any filing for record of the instrument appointing a successor indenture trustee as hereinabove provided shall be at the expense of the Issuer.

(f) The resignation of any trustee and the instrument or instruments removing any trustee, together with all other instruments, deeds and conveyances provided for in this Section 6.10 shall, if required by law, be forthwith recorded, registered and filed by and at the expense of the Issuer wherever this Indenture and any Indenture Supplement relating to a Series of Notes with respect to which such trustee is a trustee is recorded, registered and filed.

(g) Notwithstanding replacement of the Indenture Trustee pursuant to this Section 6.10, the Issuer's obligations under Section 6.06 shall continue for the benefit of the replaced or retired Indenture Trustee.

Section 6.11 Acceptance of Appointment by Successor Indenture Trustee. Any successor trustee appointed as provided in Section 6.10 shall execute and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee with respect to all or any applicable Series shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations with respect to such Series of its predecessor hereunder, with like effect as if originally named as trustee for such Series hereunder; but, nevertheless, on the written request of the Issuer or of the successor trustee, upon payment of its charges then unpaid, the trustee ceasing to act shall, subject to Section 10.04, pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers.

If a successor trustee is appointed, the Issuer, the predecessor Indenture Trustee and each successor trustee shall execute and deliver an Indenture Supplement hereto which shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the predecessor Indenture Trustee with respect to the Notes of any Series as to which the predecessor Indenture Trustee is not retiring shall continue to be vested in the predecessor Indenture Trustee, and shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, it being understood that nothing herein or in such Indenture Supplement shall constitute such trustees of the same trust and that each such trustee shall be trustee of a trust or trusts under separate indentures.

No successor trustee shall accept appointment as provided in this Section 6.11 unless at the time of such acceptance such successor trustee shall be qualified under the provisions of Section 6.08 and eligible under the provisions of Section 6.09.

Upon acceptance of appointment by any successor trustee as provided in this Section 6.11, the Issuer shall give notice thereof to the Noteholders of Registered Notes of each Series, by mailing such notice to such Noteholders at their addresses as they shall appear on the Register. If the acceptance of appointment is substantially contemporaneous with the resignation, then the notice called for by the preceding sentence may be combined with the notice called for by Section 6.10. If the Issuer fails to give such notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be given at the expense of the Issuer.

Section 6.12 Merger, Conversion, Consolidation or Succession to Business of Indenture Trustee. Any corporation into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder, provided that such corporation shall be qualified under the provisions of Section 6.08 and eligible under the provisions of Section 6.09, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Indenture Trustee shall succeed to the trusts created by this Indenture any of the Notes of any Series shall have been authenticated but not delivered, any such successor to the Indenture Trustee may adopt the certificate of authentication of any predecessor Indenture Trustee and deliver such Notes so authenticated; and, in case at that time any of the Notes of any Series shall not have been authenticated, any successor to the Indenture Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor Indenture Trustee; and in all such cases such certificate shall have the full force which it is anywhere in the Notes of such Series or in this Indenture provided that the certificate of the Indenture Trustee shall have; *provided* that the right to adopt the certificate of authentication of any predecessor Indenture Trustee or to authenticate Notes of any Series in the name of any predecessor Indenture Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

Section 6.13

Preferential Collection of Claims Against the Issuer.

(a) Subject to the provisions of this Section, if the Indenture Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Issuer within three months prior to a default, as defined in Section 6.13(c), or subsequent to such a default, then, unless and until such default shall be cured, the Indenture Trustee shall set apart and hold in a special account for the benefit of the Indenture Trustee individually, the Noteholders and the holders of other indenture securities (as defined in this Section):

(i) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such three months' period and valid as against the Issuer and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in subsection (a)(2) of this Section, or from the exercise of any right of set-off which the Indenture Trustee could have exercised if a petition in bankruptcy had been filed by or against the Issuer upon the date of such default; and

(ii) all property received by the Indenture Trustee in respect of any claim as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such three months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Issuer and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Indenture Trustee:

(A) to retain for its own account (1) payments made on account of any such claim by any Person (other than the Issuer) who is liable thereon, (2) the proceeds of the bona fide sale of any such claim by the Indenture Trustee to a third Person, and (3) distributions made in cash, securities or other property in respect of claims filed against the Issuer in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable state law;

(B) to realize, for its own account, upon any property held by it as security for any such claim, if such property was so held prior to the beginning of such three months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such three months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Indenture Trustee shall sustain the burden of proving that at the time such property was so received the Indenture Trustee had no reasonable cause to believe that a default as defined in Section 6.13(c) would occur within three months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in such paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such three months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Indenture Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Indenture Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned between the Indenture Trustee, the Noteholders and the holders of other indenture securities in such manner that the Indenture Trustee, such Noteholders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Issuer in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Indenture Trustee anything on account of the receipt by it from the Issuer of the funds and property in such special account and before crediting to the respective claims of the Indenture Trustee, such Noteholders and the holders of other indenture securities dividends on claims filed against the Issuer in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable State law, but after crediting thereon receipts on account of the Indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or in proceedings for reorganization pursuant to Title 11 of the United States Code or applicable State law, whether such distribution is made in cash, securities or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceeding for reorganization is pending shall have jurisdiction (i) to apportion between the Indenture Trustee, such Noteholders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and the proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Indenture Trustee, such Noteholders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Indenture Trustee who has resigned or been removed after the beginning of such four months' period shall be subject to the provisions of this Section 6.13(a) as though such resignation or removal had not occurred. If any Indenture Trustee has resigned or been removed prior to the beginning of such three months' period, it shall be subject to the provisions of this Section 6.13(a) if and only if the following conditions exist:

- (1) the receipt of property or reduction of claim which would have given rise to the obligation to account, if such Indenture Trustee had continued as trustee, occurred after the beginning of such three months' period; and
- (2) such receipt of property or reduction of claim occurred within three months after such resignation or removal.
- (b) There shall be excluded from the operation of this Section a creditor relationship arising from:
- (i) the ownership or acquisition of securities issued under any indenture or any security or securities having a maturity of one year or more at the time of acquisition by the Indenture Trustee;
- (ii) advances authorized by a receivership or bankruptcy court of competent jurisdiction or by this Indenture for the purpose of preserving any property which shall at any time be subject to the Lien of this Indenture or of discharging tax liens or other prior Liens or encumbrances thereon, if notice of such advance and of the circumstances surrounding the making thereof is given to the Noteholders at the time and in the manner provided in this Indenture;
- (iii) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;
- (iv) an Indebtedness created as a result of services rendered or premises rented or an Indebtedness created as a result of goods or securities sold in a cash transaction as defined in clause (c)(iii) below;
- (v) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Issuer; or
- (vi) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper as defined in clause (c)(iv) of this Section.
- (c) As used in this Section:
- (i) the term "default" shall mean any failure to make payment in full of the principal of or Interest upon any of the Notes or upon the other indenture securities when and as such principal or Interest becomes due and payable;
- (ii) the term "other indenture securities" shall mean securities upon which the Issuer is an obligor (as defined in the Trust Indenture Act) outstanding under any other indenture (A) under which the Indenture Trustee is also trustee, (B) which contains provisions substantially similar to the provisions of clause (a) of this Section, and (C) under which a default exists at the time of the apportionment of the funds and property held in said special account;

(iii) the term “cash transaction” shall mean any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand;

(iv) the term “self-liquidating paper” shall mean any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Issuer for the purpose of financing the purchase, processing, manufacture, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Indenture Trustee simultaneously with the creation of the creditor relationship with the Issuer arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation; and

(v) the term “Issuer” shall mean any obligor upon the Notes.

Section 6.14 Appointment of Authenticating Agent. As long as any Notes of a Series remain Outstanding, the Indenture Trustee may, by an instrument in writing, appoint an authenticating agent (the “Authenticating Agent”) which shall be authorized to act on behalf of the Indenture Trustee to authenticate Notes, including Notes issued upon exchange, registration of transfer, partial redemption or pursuant to Section 2.11. Notes of each such Series authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Indenture Trustee. Whenever reference is made in this Indenture to the authentication and delivery of Notes of any Series by the Indenture Trustee or to the Indenture Trustee’s certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Indenture Trustee by an Authenticating Agent for such Series and a certificate of authentication executed on behalf of the Indenture Trustee by such Authenticating Agent. Such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least U.S.\$50,000,000 (determined as provided in Section 6.09 with respect to the Indenture Trustee) and subject to supervision or examination by Federal or State authority.

Any corporation into which any Authenticating Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency business of any Authenticating Agent, shall continue to be the Authenticating Agent with respect to all Series of Notes for which it served as Authenticating Agent without the execution or filing of any paper or any further act on the part of the Indenture Trustee or such Authenticating Agent. Any Authenticating Agent may at any time, and if it shall cease to be eligible shall, resign by giving written notice of resignation to the Indenture Trustee.

Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.14 with respect to one or more Series of Notes, the Indenture Trustee shall appoint a successor Authenticating Agent. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent. The Issuer agrees to pay to the Authenticating Agent for such Series from time to time reasonable compensation. The Authenticating Agent for the Notes of any Series shall have no responsibility or liability for any action taken by it as such at the direction of the Indenture Trustee.

Any provision of this Indenture shall be applicable to any Authenticating Agent.

Section 6.15 Representations, Warranties and Covenants of the Indenture Trustee. Citibank, N.A. represents, warrants and agrees as of the Closing Date to the Issuer as follows:

(a) The Indenture Trustee is a national banking association or a bank and trust company, duly organized and validly existing under the laws of the United States of America, licensed to conduct a trust business in the State of New York and maintaining a corporate trust office in New York City, and, in its capacity as Indenture Trustee, has the necessary power (corporate or otherwise) and authority to accept the trusts created under this Indenture and to execute, deliver and perform all action required of it under this Indenture and to carry on its business as now conducted.

(b) The execution, delivery and performance by the Indenture Trustee of this Indenture and the acceptance of the trusts created under this Indenture, have been duly authorized by all necessary corporate action on the part of the Indenture Trustee, and this Indenture has been duly executed and delivered by the Indenture Trustee and this Indenture constitutes the legal, valid and binding obligation of the Indenture Trustee, enforceable against the Indenture Trustee in accordance with its respective terms.

(c) The execution, delivery and performance by the Indenture Trustee of this Indenture (i) will not violate any law, rule or regulation or any order, writ, judgment or decree of any court of the United States, its jurisdiction of organization or the State of New York governing the banking or trust powers of the Indenture Trustee and (ii) will not violate any provision of the certificate of incorporation or bylaws or other charter documents of the Indenture Trustee.

(d) The execution, delivery and performance by the Indenture Trustee of this Indenture will not require any corporate, financial, regulatory or other action by it, including, without limitation, the authorization, consent, or approval of, the filing with, or the taking of other action by, any governmental authority of the United States, its jurisdiction of organization or the State of New York having jurisdiction over the banking or trust powers of the Indenture Trustee.

- (e) The Indenture Trustee covenants that it shall not, without the consent of Standard & Poor's, if Standard & Poor's is then rating any outstanding Series, waive any representation or warranty, or a breach of any representation or warranty, set forth in Schedule II hereto.

Section 6.16 Documents Furnished to the Noteholders.

(a) Subject to Section 2.13, promptly (but in no event later than five Business Days) upon its receipt thereof, the Indenture Trustee shall furnish or otherwise make available to each applicable Noteholder (and each applicable Note Owner who so requests in accordance with this paragraph) and each Rating Agency in the manner provided in Section 11.04 a copy of any material certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal or other paper or document it receives from the Issuer, a Seller or the Servicer pursuant to this Indenture or any other Transaction Document to be furnished to the Indenture Trustee. Upon the Indenture Trustee's receipt from any Note Owner of a written request containing: (i) a certificate that such Person is a Note Owner and (ii) an address for delivery, the Indenture Trustee shall, until the Indenture Trustee receives notice or determines that such Person is no longer a Note Owner (which notice each such Person shall promptly provide to the Indenture Trustee), deliver to such Note Owner a copy of any such certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal or other paper or document promptly after its receipt thereof.

- (b) As promptly as practicable after, and in any event within five of its Business Days after, the receipt by the Indenture Trustee of notice or its actual knowledge of a Responsible Officer of any Early Amortization Event with respect to any Series (or an event that would be an Early Amortization Event with respect to any Series with the expiration of any applicable grace period, giving of notice or both), the Indenture Trustee shall promptly notify the Noteholders of such Series and each Rating Agency rating such Series.

Section 6.17 Maintenance of Agencies.

(a) There shall at all times be maintained by the Indenture Trustee an office or agency where Notes may be presented or surrendered for registration of transfer or for exchange and for final payment in the manner required by Section 2.10(c) and where notices and demands to or upon the Indenture Trustee in respect of the Transaction Documents may be served. Such office or agency shall be initially at the applicable Corporate Trust Office. The Indenture Trustee shall give written notice of any change of location thereof to the Issuer, each Seller (and, if no Seller is the Servicer, the Servicer), the Noteholders and each Rating Agency. In the event that no such office or agency shall be maintained or no such notice of location or of change of location shall be given, presentations and demands may be made and notices may be served at the applicable Corporate Trust Office.

- (b) The Indenture Trustee shall be the paying agent for the Notes. The Indenture Trustee (in its capacity as paying agent) and any other co-paying agents shall be referred to herein collectively as the "Paying Agent."

(c) Any corporation or other entity into which any Authorized Agent (other than the Indenture Trustee, matters with respect to which are specified in Section 6.12) may be merged or converted or with which it may be consolidated, or any corporation or other entity resulting from any merger, consolidation or conversion to which any Authorized Agent shall be a party, or any corporation or other entity succeeding to all or substantially all of the corporate trust business of any Authorized Agent, shall be the successor of such Authorized Agent hereunder, if such successor corporation is otherwise eligible under this Article, without the execution or filing of any document or any further act on the part of the parties hereto or such Authorized Agent or such successor corporation or other entity.

(d) Any Authorized Agent (other than the Indenture Trustee, matters with respect to which are specified in Section 6.10) may at any time resign by giving written notice of resignation to the Indenture Trustee, the Issuer and the Initial Seller (and, if the Initial Seller is not the Servicer, the Servicer). The Issuer may, and at the request of the Indenture Trustee or the Majority Controlling Parties shall, at any time terminate the agency of any Authorized Agent (other than the Indenture Trustee, matters with respect to which are specified in Section 6.10) by giving written notice of termination to such Authorized Agent and to the Indenture Trustee. Upon the resignation or termination of an Authorized Agent or in case at any time any such Authorized Agent shall cease to be eligible under this Section (when, in either case, there is no other Authorized Agent performing the functions of such Authorized Agent), the Issuer shall promptly appoint one or more qualified successor Authorized Agent(s), reasonably satisfactory to the Indenture Trustee, to perform the functions of the Authorized Agent that has resigned or whose agency has been terminated or who shall have ceased to be eligible under this Article. The Issuer shall give written notice of any such appointment made by it to the Indenture Trustee; and in each case the Indenture Trustee shall mail notice of such appointment to all applicable Noteholders as their names and addresses appear on the Register.

(e) Other than the Indenture Trustee (for whom compensation is provided pursuant to Section 6.06), the Issuer agrees to pay, or cause to be paid, from time to time to each Authorized Agent reasonable compensation for its services and to reimburse it for its reasonable and duly documented expenses (including the reasonable costs and expenses of counsel). All such payments and reimbursements shall be made as provided in Section 5.04. The Issuer agrees that it will not agree to any annual payments (exclusive of cost reimbursements) to any such Authorized Agent in excess of U.S.\$2,500 (as increased from time to time by any increase in the published U.S. Consumer Price Index from January 1, 2006) without the prior written consent of the Initial Seller.

ARTICLE VII

CONCERNING THE NOTEHOLDERS

Section 7.01 Evidence of Action Taken by Noteholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by a specified percentage in principal amount of the Noteholders of any or all Series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such specified percentage of Noteholders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Article.

Section 7.02 *Proof of Execution of Instruments and of Holding of Notes.* The execution of any instrument by a Noteholder or his agent or proxy may be proved in the following manner:

(a) The fact and date of the execution by any Noteholder of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgments of deeds or administer oaths that the person executing such instruments acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit alone shall also constitute sufficient proof of the authority of the person executing the same.

(b) In the case of Registered Notes, the ownership of such Notes shall be proved by the Register or by a certificate of the Note registrar.

Section 7.03 *Noteholders to Be Treated as Owners.* The Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee may deem and treat the person in whose name any Note shall be registered upon the Register for such Series as the absolute owner of such Note (whether or not such Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of this Indenture, Interest on such Note and for all other purposes; and neither the Issuer nor the Indenture Trustee nor any agent of the Issuer or the Indenture Trustee shall be affected by any notice to the contrary.

Section 7.04 *Notes Owned by Certain Persons Deemed Not Outstanding.* In determining whether the Noteholders of the requisite aggregate principal amount of Outstanding Notes of any or all Series have concurred in any direction, consent or waiver under this Indenture, Notes which are owned by a Seller or the Issuer with respect to which such determination is being made or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Seller or the Issuer with respect to which such determination is being made shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Indenture Trustee shall be protected in relying on any such direction, consent or waiver only Notes which a Responsible Officer of the Indenture Trustee knows are so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not a Seller, the Issuer or any other obligor upon the Notes or any Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Seller, the Issuer or any other obligor on the Notes. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Indenture Trustee in reliance upon such advice. Upon request of the Indenture Trustee, the Issuer shall furnish to the Indenture Trustee promptly an Officer's Certificate listing and identifying all Notes, if any, known by the Issuer to be owned or held by or for the account of any of the above-described persons; and the Indenture Trustee shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are Outstanding for the purpose of any such determination.

Section 7.05 *Right of Revocation of Action Taken*. At any time prior to (but not after) the evidencing to the Indenture Trustee, as provided in Section 7.01, of the taking of any action by the Noteholders of the percentage in aggregate principal amount of the Notes of any or all Series, as the case may be, specified in this Indenture in connection with such action, any Noteholder the serial number of which is shown by the evidence to be included among the serial numbers of the Notes the Noteholders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Note. Except as aforesaid any such action taken by the Noteholder shall be conclusive and binding upon such Noteholder and upon all future Noteholders and Note Owners of such Note and of any Notes issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon any such Note. Any action taken by the Noteholders of the percentage in aggregate principal amount of the Notes of any or all Series, as the case may be, specified in this Indenture in connection with such action shall be conclusively binding upon the Issuer, the Indenture Trustee and the Noteholders of all the Notes affected by such action.

ARTICLE VIII
INDENTURE SUPPLEMENTS

Section 8.01 *Indenture Supplements Without Consent of Noteholders*. The Issuer, when authorized by a resolution of its Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order), and the Indenture Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force at the date of the execution thereof) for one or more of the following purposes:

- (a) to convey, transfer, assign, mortgage or pledge to the Indenture Trustee as security for the Notes of one or more Series any property or assets;
- (b) to evidence the succession of another corporation to the Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Issuer pursuant to Article IX;
- (c) to add to the covenants of the Issuer such further covenants, restrictions, conditions or provisions as the Issuer and the Indenture Trustee shall consider to be for the protection of the Noteholders, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth;

(d) to cure any ambiguity or to correct or supplement any provision contained herein or in any Indenture Supplement which may be defective or inconsistent with any other provision contained herein or in any Indenture Supplement, or to make any other provisions as the Issuer may deem necessary or desirable, provided that no such action shall adversely affect the interests of the Noteholders;

(e) to establish the form or terms of Notes of any Series as permitted by Sections 2.01 and 2.03; and

(f) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Notes of one or more Series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Section 6.11.

The Indenture Trustee is hereby authorized to join with the Issuer in the execution of any such Indenture Supplement, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Indenture Trustee shall not be obligated to enter into any such Indenture Supplement which affects the Indenture Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any Indenture Supplement authorized by the provisions of this Section may be executed without the consent of the Noteholders of any of the Notes at the time Outstanding, notwithstanding any of the provisions of Section 8.02, provided that in the case of an indenture or Indenture Supplement entered into for the purposes described in clause (a) of this Section, the Issuer has obtained an opinion of nationally recognized United States tax counsel to the effect that Noteholders in any then Outstanding Notes will not recognize gain or loss for United States federal income tax purposes and will be subject to federal income tax on the same amount, in the same manner and at the same time in respect of such Notes as would have been the case had no such indenture or Indenture Supplement been executed.

Section 8.02 Indenture Supplements with Consent of Noteholders. With the consent (evidenced as provided in Article VII) of the Noteholders of not less than a majority in aggregate principal amount of the Notes at the time Outstanding of all Series affected by such Indenture Supplement (voting as one class), the Issuer, when authorized by a resolution of its Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order), and the Indenture Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto (which shall conform to the provisions of the Trust Indenture Act as in force at the date of execution thereof) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any Indenture Supplement or of modifying in any manner the rights of the Noteholders of each such Series; *provided* that no such Indenture Supplement shall, without the consent of every Noteholder of each Series adversely affected thereby: (i) reduce in any manner the amount of, or delay the timing of or alter the priority of, any payments that are required to be made on any Series of Notes, or change any date of payment on any Series of Notes, or change the place of payment where, or the coin or currency in which, any Series of Notes is payable, or impair the Indenture Trustee's right to institute suit for the enforcement of any such payment, (ii) permit the disposition of the Collateral or any portion thereof, (iii) reduce the percentage of the aggregate outstanding principal amount of such Series that is required for any such amendment or reduce such percentage required for any waiver or instruction provided for in the Indenture or Indenture Supplements, (iv) modify Section 11.12, or (v) materially increase the discretionary authority of the Indenture Trustee.

An Indenture Supplement which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular Series of Notes in respect of such Series of Notes, or which modifies the rights of Noteholders of such Series, with respect to such covenant or provision, shall be deemed not to affect the rights under this Indenture of the Noteholders of any other Series.

Upon the request of the Issuer, accompanied by a copy of a resolution of the Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order) certified by the secretary or an assistant secretary of the Issuer authorizing the execution of any such Indenture Supplement, and upon the filing with the Indenture Trustee of evidence of the consent of the Noteholders as aforesaid and other documents, if any, required by Section 7.01 or 8.04, the Indenture Trustee shall join with the Issuer in the execution of such Indenture Supplement unless such Indenture Supplement affects the Indenture Trustee's own rights, duties, obligations, protections or immunities under this Indenture or otherwise, in which case the Indenture Trustee may in its discretion, but shall not be obligated to, enter into such Indenture Supplement.

It shall not be necessary for the consent of the Noteholders under this Section to approve the particular form of any proposed Indenture Supplement, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Indenture Trustee of any Indenture Supplement pursuant to the provisions of this Section, the Issuer shall give notice thereof to the Noteholders of then Outstanding Registered Notes of each Series affected thereby, by mailing a notice thereof by first-class mail to such Noteholders at their addresses as they shall appear on the Register. Any failure of the Issuer to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Indenture Supplement.

Section 8.03 Effect of Indenture Supplement. Upon the execution of any Indenture Supplement pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Indenture Trustee, the Issuer and the Noteholders of each Series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Indenture Supplement shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 8.04 Documents to Be Given to Indenture Trustee. The Indenture Trustee, subject to the provisions of Sections 6.01 and 6.02, may receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any Indenture Supplement proposed to be executed pursuant to this Article VIII complies with the applicable provisions of this Indenture and that its execution of such Indenture Supplement is authorized and permitted pursuant to the terms of this Indenture.

Section 8.05 Notation on Notes in Respect of Indenture Supplements. Notes of any Series authenticated and delivered after the execution of any Indenture Supplement pursuant to the provisions of this Article may bear a notation in form approved by the Indenture Trustee for such Series as to any matter provided for by such indenture supplement or as to any action taken by Noteholders. If the Issuer shall so determine, new Notes of any Series so modified as to conform, in the opinion of the Board of Directors, to any modification of this Indenture contained in any such Indenture Supplement may be prepared by the Issuer, authenticated by the Indenture Trustee and delivered in exchange for the Notes of such Series then Outstanding.

Section 8.06 Meetings of Noteholders. (a) A meeting of Noteholders of any Series may be held at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by such Noteholders. The Indenture Trustee may at any time call a meeting of the Noteholders of any Series for any such purpose to be held at such time and at such place as the Indenture Trustee shall reasonably determine. Notice of every meeting of the Noteholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given by the Indenture Trustee to each applicable Noteholder not less than 10 nor more than 60 days before the date fixed for the meeting. In case at any time the Issuer or Noteholders holding at least 10% of the aggregate Series Balance of any Series shall have requested the Indenture Trustee to call a meeting of the Noteholders of such Series for any such purpose, by written request setting forth in reasonable detail the action proposed to be taken at such meeting, the Indenture Trustee shall call such a meeting for such purposes by giving notice thereof.

(b) To be entitled to vote at any meeting of Noteholders, a Person must be a Noteholder or a Person duly appointed by an instrument in writing as proxy for a Noteholder. The quorum at any meeting of any Series called to adopt a resolution shall be Persons that would constitute the Controlling Party for such Series. Any instrument given by or on behalf of any Noteholder in connection with any consent to any modification, amendment or waiver shall be irrevocable once given and shall be conclusive and binding on all subsequent holders of such Note. Any action taken at a duly called and held meeting of any Noteholders of any Series shall be conclusive and binding on all Noteholders of such Series, whether or not they gave consent or were present at the meeting; *it being understood* that, in taking any actions for which an indicated portion of the Noteholders is required to approve, such level of approval shall be required. The Indenture Trustee may make such reasonable and customary regulations as it shall deem advisable for any meeting of Noteholders with respect to proof of the appointment of proxies, the record date for determining the registered Noteholders entitled to vote (which date shall be specified in the notice of meeting), the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of such meeting, the conduct of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem appropriate. A record of the proceedings of each meeting of Noteholders shall be prepared by the party calling the meeting and a copy thereof shall be delivered to the Issuer and the Indenture Trustee.

Section 8.07 Amendments to Transaction Documents. If the Indenture Trustee receives a request for a consent to any amendment, modification, waiver or supplement in respect of any Transaction Document (other than this Indenture, any Indenture Supplement or any Note, amendments to each of which are addressed in Sections 8.01 and 8.02), then the Indenture Trustee shall promptly (and, in any event, within one of its Business Days) send a notice of such proposed amendment, modification, waiver or supplement to each affected Noteholder that is registered on the Register as of such date, and (if a different Person) each affected Controlling Party. The Indenture Trustee shall request from the applicable Controlling Party and Noteholders directions as to: (a) whether or not the Indenture Trustee should take or refrain from taking any action that it has the option to take and (b) whether or not to give or execute any waivers, consents, amendments, modifications or supplements that it is entitled to give or execute. Provided that such a request for such direction shall have been made, in directing any action or casting any such vote or giving any such consent, the Indenture Trustee shall vote in favor of such amendment, modification, waiver or supplement only with the consent of the applicable Controlling Party and otherwise shall vote against such amendment, modification, waiver or supplement.

ARTICLE IX
CONSOLIDATION, MERGER, SALE OR CONVEYANCE

Section 9.01 Covenant Not to Merge, Consolidate, Sell or Convey property Except Under Certain Conditions. The Issuer covenants that it will not merge or consolidate with any other Person or sell, lease or convey all or substantially all of its assets to any other Person, unless (a) either the Issuer shall be the continuing corporation or the successor corporation, or in the event the Person which acquires by sale, lease or conveyance substantially all the assets of the Issuer (if other than the Issuer) is incorporated in the Cayman Islands, and shall expressly assume the due and punctual payment of the principal of and Interest due under the Notes and the due and punctual performance and observance of all of the covenants and conditions of this Indenture and each other Transaction Document to which it is a party to be performed or observed by the Issuer, by an Indenture Supplement, in form satisfactory to the Indenture Trustee, executed and delivered to the Indenture Trustee by such corporation, and (b) the Issuer, such Person or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale, lease or conveyance, be in default in the performance of any such covenant or condition.

Section 9.02 Successor Corporation Substituted. In case of any such consolidation, merger, sale, lease or conveyance, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Issuer, with the same effect as if it had been named herein. Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Issuer prior to such succession any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuer and delivered to the Indenture Trustee; and, upon the order of such successor corporation, instead of the Issuer, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Indenture Trustee shall authenticate and shall deliver any Notes together which previously shall have been signed and delivered by the officers of the Issuer to the Indenture Trustee for authentication, and any Notes which such successor corporation thereafter shall cause to be signed and delivered to the Indenture Trustee for that purpose. All of the Notes so issued shall in all respects have the same legal rank and benefit under this Indenture as the Notes theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Notes had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, lease or conveyance such changes in phrasing and form (but not in substance) may be made in the Notes thereafter to be issued as may be appropriate as evidenced by an Indenture Supplement.

In the event of any such sale or conveyance (other than a conveyance by way of lease) the Issuer or any successor corporation which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under this Indenture and the Notes and may be liquidated and dissolved.

Section 9.03 Opinion of Counsel Delivered to Indenture Trustee. The Indenture Trustee may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Indenture.

ARTICLE X

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

Section 10.01 Satisfaction and Discharge of Indenture. If at any time (a) the Issuer shall have paid or caused to be paid the principal of and Interest on all the Notes of any Series Outstanding hereunder (other than Notes of such Series which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.11) as and when the same shall have become due and payable, or (b) the Issuer shall have delivered to the Indenture Trustee for cancellation all Notes of any Series theretofore authenticated (other than any Notes of such Series which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.11); and if, in any such case, the Issuer shall also pay or cause to be paid in full all other sums payable hereunder by the Issuer, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange of Notes of such Series and the Issuer's right of optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and Interest thereon, upon the original stated due dates therefor (but not upon acceleration), and remaining rights of the Noteholders to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties, indemnities and immunities of the Indenture Trustee hereunder, (v) the rights of the Noteholders of such Series as beneficiaries hereof with respect to the property so deposited with the Indenture Trustee payable to all or any of them, and (vi) the obligations of the Issuer under Section 3.03) and the Indenture Trustee, on demand of the Issuer accompanied by an Officer's Certificate and an Opinion of Counsel confirming the conditions precedent have been fulfilled and such satisfaction and discharge is permitted pursuant to the terms of this Indenture and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture. The Issuer agrees to reimburse the Indenture Trustee for any costs or expenses thereafter reasonably and properly incurred and to compensate the Indenture Trustee for any services thereafter reasonably and properly rendered by the Indenture Trustee in connection with this Indenture or the Notes of such Series.

Section 10.02 Application by Indenture Trustee of Funds Deposited for Payment of Notes. Subject to Section 10.04, all moneys deposited with the Indenture Trustee (or other trustee) pursuant to this Indenture and the Notes shall be held in trust and applied by it, in accordance with the provisions of this Indenture and the Notes, to the payment, either directly or through any paying agent (including the Issuer acting as its own paying agent), to the Noteholders of the particular Notes of such Series for the payment or redemption of which such moneys have been deposited with the Indenture Trustee, of all sums due and to become due thereon for principal and Interest; but such money need not be segregated from other funds except to the extent required herein or in the Transaction Documents or required by law.

Section 10.03 Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to Notes of any Series, all moneys then held by any paying agent under the provisions of this Indenture with respect to such Series of Notes shall, upon written demand of the Issuer, be repaid to it or paid to the Indenture Trustee to be held and applied according to Section 3.11 and thereupon such paying agent shall be released from all further liability with respect to such moneys.

Section 10.04 Return of Moneys Held by Indenture Trustee and Paying Agent Unclaimed for Two Years. Any moneys deposited with or paid to the Indenture Trustee or any paying agent for the payment of the principal of or Interest on any Note of any Series and not applied but remaining unclaimed for two years after the date upon which such principal or Interest shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Indenture Trustee for such Series or such paying agent, and the Noteholder of such Series shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such Noteholder may be entitled to collect, and all liability of the Indenture Trustee or any paying agent with respect to such moneys shall thereupon cease; *provided, however*, that the Indenture Trustee or such paying agent, before being required to make any such repayment with respect to moneys deposited with it for any payment in respect of Registered Notes of any Series, shall at the expense of the Issuer, mail by first-class mail to Noteholders of such Notes at their addresses as they shall appear on the Register, notice, that such moneys remain and that, after a date specified therein, which shall not be less than thirty days from the date of such mailing or publication, any unclaimed balance of such money then remaining will be repaid to the Issuer.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.01 Incorporators, Stockholders, Authorized Officers and Directors of Issuer Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Note, or because of any Indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer or director, as such, of the Issuer or of any successor, either directly or through the Issuer or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Notes by the Noteholders thereof and as part of the consideration for the issue of the Notes.

Section 11.02 Provisions of Indenture for the Sole Benefit of Parties and Noteholders. Nothing in this Indenture or in the Notes, expressed or implied, shall give or be construed to give to any Person, firm or corporation, other than the parties hereto and their successors and the Noteholders any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Noteholders.

Section 11.03 Successors and Assigns of Issuer Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 11.04 Notices. (a) Except as otherwise provided in any Indenture Supplement for any Series, all notices, instructions, directions, requests, consents and demands delivered in connection herewith shall be in English and shall be in writing (including by fax or (except with respect to notices to the Indenture Trustee) electronic delivery) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when received (including by courier), addressed as follows in the case of the Indenture Trustee, the Issuer, the Rating Agencies and each Noteholder:

If to the Indenture Trustee:	Citibank, N.A. 388 Greenwich Street, 14th Floor New York, NY 10013 Attention: Citibank Agency & Trust - LATAM 2013-1 Telephone: 800-422-2066 Facsimile: 212-816-5527
If to the Issuer:	to its address specified in the Assignment and Sale Agreement with a copy to the applicable Seller at its address specified in the Assignment and Sale Agreement
If to Fitch:	Fitch Ratings, Inc. 70 West Madison Street, Suite 1100 Chicago, IL 60602 Attention: Gregory Lane Telephone: 312-606-2304 Facsimile: 312-263-1032

If to Standard & Poor's:

Standard & Poor's
55 Water Street
New York, NY 10041
Attention: Structured Finance Ratings–Latin
American Surveillance
Telephone: 212-438-6791

If to a Noteholder:

to it at its address appearing in the Register

If delivered by fax or other electronic means, original copies of such notices, instructions, directions, requests, consents and demands shall be sent to the recipient promptly thereafter by registered mail, courier or messenger.

- (b) The Issuer, the Indenture Trustee or the Rating Agencies, by notice to the others, may designate additional or different addresses for subsequent notices or communications.
- (c) Any notice or communication to a Noteholder shall be deemed to have been duly given upon the mailing of such notice by first-class mail to such Noteholder or electronic delivery at its registered addresses as recorded in the Register not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed in this Indenture for the giving of such notice.
- (d) If the Issuer gives a notice or communication to any Noteholder, it shall promptly thereafter give a copy thereof to the Indenture Trustee.
- (e) The Indenture Trustee shall promptly furnish the Issuer with a copy of any material demand, notice or written communication received by the Indenture Trustee hereunder from any Noteholder.

Section 11.05 Officer's Certificates and Opinions of Counsel; Statements to Be Contained Therein. Upon any application or demand by the Issuer to the Indenture Trustee to take any action under any of the provisions of this Indenture, the Issuer shall furnish to the Indenture Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of specified documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificate or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Indenture Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any certificate or statement of an officer of the Issuer may be based, insofar as it relates to legal matters, upon an opinion of or representations by counsel, unless such officer knows that the opinion or representations with respect to the matters upon which his certificate or statement may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any statement or opinion of counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the Issuer, upon the certificate or statement of or representations by an officer or officers of the Issuer, unless such counsel knows that the certificate or statement or representations with respect to the matters upon which his statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Issuer or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Indenture Trustee shall contain a statement that such firm is independent.

Section 11.06 Payments Due on Saturdays, Sundays or Holidays. If the date of maturity of Interest on or principal of the Notes of any Series or the date fixed for redemption or repayment of any such Note shall not be a Business Day, then payment of Interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no Interest shall accrue for the period after such date.

Section 11.07 Conflict of Any Provision of Indenture with Trust Indenture Act. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included herein by any of Sections 310 to 317, inclusive, of the Trust Indenture Act, such required provision shall control.

Section 11.08 New York Law to Govern. This Indenture and each Note shall be deemed to be a contract under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of such State, except as may otherwise be required by mandatory provisions of law.

Section 11.09 Waiver of Immunity; Submission to Jurisdiction and Appointment of Agent for Service of Process. (a) The Issuer represents and warrants to the Indenture Trustee and the Noteholders that it is not entitled to, and does not intend to, claim in the future any immunity from jurisdiction of any court for any reason.

(b) To the extent that the Issuer (including any of its revenues, assets or properties) has or hereafter may acquire any immunity from jurisdiction of any court, from service or notice, attachment prior to judgment, attachment in aid of execution of judgment, or any other legal process for enforcement of judgment in any action or proceeding in any manner arising out of this Indenture, the Notes, or the transactions contemplated hereby or thereby, the Issuer hereby irrevocably agrees not to plead or claim, and irrevocably waives any such immunity, and any defense based on such immunity, in respect of its obligations arising out of this Indenture, the Notes and the transactions contemplated hereby and thereby. Without limiting the foregoing, the Issuer hereby expressly and irrevocably waives (and agrees not to plead or claim or raise as a defense) any sovereign immunity from (i) any action or proceeding in any Federal or state court in the United States arising out of this Indenture, the Notes and the transactions contemplated hereby and thereby and (ii) attachment prior to judgment, attachment in aid of execution, or execution of a judgment arising out of this Indenture, the Notes and the transactions contemplated hereby and thereby against the revenues, assets or properties of the Issuer located in the United States.

(c) The Issuer agrees that any legal suit, action or proceeding brought by the Indenture Trustee or any Noteholder arising out of or based upon this Indenture or the Notes may be brought in the federal courts of the United States for the Southern District of New York (and the courts of appeal thereto), and if they cannot or will not hear such an action, then in the state courts of the County and State of New York (and courts of appeal thereto), waives any claim that such proceeding has been brought in an inconvenient forum, irrevocably submits to and accepts the nonexclusive jurisdiction of such courts in any such proceeding and irrevocably hereby appoints Law Debenture Corporate Services Inc., with offices on the date hereof at 400 Madison Avenue, 4th Floor, New York, New York 10017, and its successors, as its process agent (the “Process Agent”) upon which process may be served in any such action which may be instituted in any such court. The Issuer agrees to take any and all action, including the filing of any and all documents and instruments that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Process Agent and written notice of such service to the Issuer (mailed or delivered to the Issuer at its address set forth above) shall be deemed effective service of process upon the Issuer, as the case may be. Notwithstanding the foregoing, any action based on this Indenture, the Notes or the transactions contemplated hereby or thereby may be instituted by the Indenture Trustee or any Noteholder in any competent court, including courts in the Cayman Islands and Chile.

Section 11.10 Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic format (i.e., “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 11.11 Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.12 *Judgment Currency*. The Issuer agrees, to the fullest extent that it may effectively do so under Applicable Law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of or Interest on the Notes of any Series or any other amounts under this Indenture (the “Required Currency”) into a currency in which a judgment will be rendered (the “Judgment Currency”), the rate of exchange used shall be the rate at which in accordance with normal banking in The City of New York the Required Currency could have been purchased with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a New York Banking Day, then, to the extent permitted by Applicable Law, the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Indenture Trustee could purchase in The City of New York the Required Currency could have been purchased with the Judgment Currency on the New York Banking Day preceding the day on which final unappealable judgment is entered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, “New York Banking Day” means any day except a Saturday, Sunday or a legal holiday in The City of New York or a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.

Section 11.13 *Waiver of Jury Trial*. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY LEGAL OR EQUITABLE ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE OR THE NOTES.

Section 11.14 *No Partnership or Joint Venture*. Nothing herein contained shall constitute a partnership between or joint venture by the parties hereto or constitute either party the agent of the other. Neither party shall hold itself out contrary to the terms of this Section and neither party shall become liable by any representation, act or omission of the other contrary to the provisions hereof.

Section 11.15 *Severability*. Any term or provision of this Indenture that is held by a court of competent jurisdiction to be invalid, void or unenforceable shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the invalid, void or unenforceable term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid, void or unenforceable, the parties agree that the court making such determination shall have the power to reduce the scope, duration or applicability of the term or provision, to delete specific words or phrases or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid, void or unenforceable term or provision.

Section 11.16 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any person, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by applicable law.

Section 11.17 English Language. Any and all reports, certificates, notices, statements, instruments, opinions, requests, consents, directions, orders or other documents delivered to the Indenture Trustee hereunder shall be in the English language. The Indenture Trustee shall have no obligations, duties, liabilities or other responsibilities for any reports, certificates, notices, statements, instruments, opinions, requests, consents, directions, orders or other documents delivered to the Indenture Trustee in any language other than English.

ARTICLE XII

REDEMPTION OF NOTES

Section 12.01 Applicability of Article. Except as may otherwise be provided in any Indenture Supplement, the provisions of this Article shall be applicable to the Notes of any Series which are redeemable before their maturity in accordance with and pursuant to the applicable Transaction Document.

Section 12.02 Notice of Redemption; Partial Redemptions. Notice of redemption to the Noteholders of Registered Notes of any Series to be redeemed as a whole or in part at the option of the Issuer shall be given by mailing notice of such redemption by first class mail, postage prepaid, or by electronic delivery at least 25 days and not more than 60 days prior to the Redemption Date to such Noteholders of such Series at their last addresses as they shall appear upon the Register. Any notice which is mailed or otherwise delivered in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Noteholder receives the notice. Failure to give notice by mail or other delivery, or any defect in the notice to the Noteholder of a Series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Note of such Series.

The notice of redemption to each such Noteholder shall specify the principal amount of each Note of such Series held by such Noteholder to be redeemed, the Redemption Date, the Redemption Price, the place or places of payment, that payment will be made upon presentation and surrender of such Notes, that such redemption is pursuant to the mandatory or optional sinking fund, or both, if such be the case, that Interest accrued to the Redemption Date will be paid as specified in such notice and that on and after said date Interest thereon or on the portions thereof to be redeemed will cease to accrue. In case any Note of a Series is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the Redemption Date, upon surrender of such Note, a new Note or Notes of such Series in principal amount equal to the unredeemed portion thereof will be issued.

The notice of redemption of Notes of any Series to be redeemed at the option of the Issuer shall be given by the Issuer or, at the Issuer's request, by the Indenture Trustee in the name, as prepared by and at the expense of the Issuer.

Prior to the Redemption Date specified in the notice of redemption given as provided in this Section, the Issuer will deposit with the Indenture Trustee or with one or more paying agents (or, if the Issuer is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.11) an amount of money sufficient to redeem on the Redemption Date all the Notes of such Series so called for redemption at the appropriate Redemption Price, together with accrued Interest to the Redemption Date. The Issuer will deliver to the Indenture Trustee at least five Business Days prior to the Redemption Date an Officer's Certificate stating the aggregate principal amount of Notes to be redeemed. In case of a redemption at the election of the Issuer prior to the expiration of any restriction on such redemption, the Issuer shall deliver to the Indenture Trustee, prior to the giving of any notice of redemption to Noteholders pursuant to this Section, an Officer's Certificate stating that such restriction has been complied with.

If less than all the Notes of a Series are to be redeemed, the Indenture Trustee shall select, in such manner as it shall deem appropriate and fair which may but need not be by random lot, Notes of such Series to be redeemed in whole or in part; *provided* that if the Notes of such Series are held by a Depositary the Notes to be redeemed will be determined by the rules and regulations of such Depositary at such time. Notes may be redeemed in part in multiples equal to the minimum authorized denomination for Notes of such Series or any multiple thereof. The Indenture Trustee shall promptly notify the Issuer in writing of the Notes of such Series selected for redemption and, in the case of any Notes of such Series selected for partial redemption, the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Notes of any Series shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

Section 12.03 Payment of Notes Called for Redemption. If notice of redemption has been given as above provided, the Notes or portions of Notes specified in such notice shall become due and payable on the Redemption Date and at the place stated in such notice at the applicable Redemption Price, together with Interest accrued to the Redemption Date, and on and after said date (unless the Issuer shall default in the payment of such Notes at the Redemption Price, together with Interest accrued to said date) Interest on the Notes or portions of Notes so called for redemption shall cease to accrue and, except as provided in Sections 6.05 and 10.04, such Notes shall cease from and after the Redemption Date to be entitled to any benefit or security under this Indenture, and the Noteholders thereof shall have no right in respect of such Notes except the right to receive the Redemption Price thereof and unpaid Interest to the Redemption Date. On the Redemption Date, said Notes or the specified portions thereof shall be paid and redeemed by the Issuer at the applicable Redemption Price, together with Interest accrued thereon to the Redemption Date; *provided* that payment of Interest becoming due on or prior to the Redemption Date shall be payable in the case of Registered Notes, to the Noteholders of such Registered Notes registered as such on the relevant Record Date subject to the terms and provisions of Sections 2.03 and 2.08 hereof.

If any Note called for redemption shall not be so paid, the principal shall, until paid or duly provided for, bear Interest from the Redemption Date at the Interest Rate or Yield to Maturity (in the case of an Original Issue Discount Note) borne by such Note.

If requested by the Noteholder of any Note redeemed in part only, the Issuer shall execute and, upon written request of the Issuer, the Indenture Trustee shall authenticate and deliver to or on the order of the Noteholder thereof, at the expense of the Issuer, a new Note or Notes of such Series, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

Section 12.04 Exclusion of Certain Notes from Eligibility for Selection for Redemption. Notes shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number in an Officer's Certificate delivered to the Indenture Trustee at least 40 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Issuer or (b) an entity specifically identified in such written statement as directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer.

Section 12.05 Limited Recourse and Non-Petition. The Indenture Trustee (and each Noteholder and Note Owner) shall have recourse only to the proceeds of the realization of the Contract Rights purchased by the Issuer once the proceeds have been applied in accordance with the terms of the Indenture (the "Net Proceeds"). If the Net Proceeds are insufficient to discharge all payments which, but for the effect of this clause, would then be due (the "Amounts Due"), the obligation of the Issuer shall be limited to the amounts available from the Net Proceeds and no debt shall be owed by the Issuer for any further sum. The Indenture Trustee (and each Noteholder and Note Owner, by its acceptance of a Note or a beneficial interest therein) shall not take any action or commence any proceedings against the Issuer to recover any amounts due and payable by the Issuer under this Agreement except as expressly permitted by the provisions of this Agreement. The Indenture Trustee (and each Noteholder and Note Owner) shall not take any action or commence any proceedings or petition a court for the liquidation of the Issuer, nor enter into any arrangement, reorganization or insolvency proceedings in relation to the Issuer whether under the laws of the Cayman Islands or other applicable bankruptcy laws until one year and one day after the later to occur of the payment of all of the Amounts Due or the application of all of the Net Proceeds. The provisions of this Section 12.05 shall survive the termination of this Agreement.

Section 12.06 Corporate Obligations. The Indenture Trustee (and each Noteholder and Note Owner) hereby acknowledge and agrees that the Issuer's obligations under this Agreement, the Notes and the other Transaction Documents will be solely the corporate obligations of the Issuer, and that neither the Indenture Trustee (and each Noteholder or Note Owner) nor any other Person shall have any recourse against any of the directors, officers or employees of the Issuer for any claims, losses, damages, liabilities, indemnities or other obligations whatsoever in connection with any transactions contemplated by this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, as of the date first above written.

GUANAY FINANCE LIMITED, as Issuer

By: /s/ Jarladth Travers
Name: Jarladth Travers
Title: Director

CITIBANK, N.A., not in its individual capacity, but solely as Indenture Trustee

By: /s/ Cirino Emanuele
Name: Cirino Emanuele
Title: Vice President

Indenture

MAXIMUM SCHEDULED AGGREGATE BASE AMOUNT

The following examples in this Schedule are for illustrative purposes only, and are based on these assumptions:

- (a) the Aggregate Base Amounts are as follows:

On the Payment Dates falling on March 10 of each year through the Maturity Date, the highest scheduled Aggregate Base Amount due on such date is U.S.\$9.66;

On the Payment Dates falling on June 10 of each year through the Maturity Date, the highest scheduled Aggregate Base Amount due on such date is U.S.\$9.67;

On the Payment Dates falling on September 10 of each year through the Maturity Date, the highest scheduled Aggregate Base Amount due on such date is U.S.\$9.67; and

On the Payment Dates falling on December 10 of each year through the Maturity Date, the highest scheduled Aggregate Base Amount due on such date is U.S.\$11.00; and

- (b) the only applicable Series are the Series 2013-1 Notes.

Subject to the assumptions set forth above,

- (i) if the Maximum Scheduled Aggregate Base Amount is calculated on February 1 of any year, then the relevant Aggregate Base Amount would be the highest scheduled Aggregate Base Amount payable on any Payment Date occurring in March or U.S.\$9.66;

- (ii) if the Maximum Scheduled Aggregate Base Amount is calculated on June 1 of any year, then the relevant Aggregate Base Amount would be the highest scheduled Aggregate Base Amount payable on any Payment Date occurring in June or U.S.\$9.67; and

- (iii) if the Maximum Scheduled Aggregate Base Amount is calculated on October 1 of any year, then the relevant Aggregate Base Amount would be the highest scheduled Aggregate Base Amount payable on any Payment Date occurring in December or U.S.\$11.00.

Indenture

PERFECTION REPRESENTATIONS AND WARRANTIES (SECTION 3.18)

In addition to the representations, warranties and covenants contained in the Indenture, the Issuer hereby represents, warrants and covenants to the Indenture Trustee as follows:

(a) The Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Issuer's rights in the Collateral in favor of the Indenture Trustee, which security interest is prior to all other Liens (other than Permitted Liens), and is enforceable as such against creditors of and purchasers from the Issuer.

(b) The Contract Rights constitute "accounts" within the meaning of the UCC.

(c) The Issuer owns and has good and marketable title to the Collateral free and clear of any Lien, claim or encumbrance of any Person (other than Permitted Liens).

(d) The Issuer has caused, or will have caused within ten (10) days after the Issuance Date, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest granted to the Indenture Trustee under the Indenture in the Collateral.

(e) Other than the security interest granted to the Indenture Trustee pursuant to the Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed the Collateral except as contemplated by the Indenture. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Collateral, other than any financing statement relating to the security interest granted to the Indenture Trustee hereunder, or that has been terminated. The Issuer is not aware of any judgment or tax lien filings against the Issuer.

(f) Notwithstanding any other provision of the Indenture, the representations and warranties set forth in this Schedule II shall be continuing, and remain in full force and effect, until such time as the Notes cease to be outstanding.

Indenture

INDENTURE AND SECURITY AGREEMENT
([MSN])

Dated as of _____, 20__¹

between

[PARINA LEASING LIMITED]/[CUCLILLO LEASING LIMITED]/[RAYADOR LEASING LIMITED]/[CANASTERO LEASING LIMITED]²,

and

WILMINGTON TRUST COMPANY,
as Loan Trustee

*

¹ To insert the relevant Closing Date.

² To insert the relevant Owner.

One [Aircraft Manufacturer and Model]
(Generic Manufacturer and Model [Generic Manufacturer and Model]) Aircraft
[Chilean]/[Brazilian] Registration No. [MSN]

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[MSN]

**INDENTURE AND SECURITY AGREEMENT
([MSN])**

This INDENTURE AND SECURITY AGREEMENT ([MSN]), dated as of _____, 20__³, is made by and between [PARINA LEASING LIMITED]/[CUCLILLO LEASING LIMITED]/[RAYADOR LEASING LIMITED]/[CANASTERO LEASING LIMITED]⁴, an exempted company with limited liability incorporated under the laws of the Cayman Islands (together with its successors and permitted assigns, the "Owner"), and WILMINGTON TRUST COMPANY, a Delaware trust company, not in its individual capacity, except as expressly stated herein, but solely as Loan Trustee hereunder (together with its permitted successors hereunder, the "Loan Trustee").

WITNESSETH:

WHEREAS, the parties desire by this Indenture (such term and other capitalized terms used herein without definition being defined as provided in Article I), among other things, to provide for (i) the issuance by the Owner of the Equipment Notes specified on **Schedule I** hereto and Additional Series and (ii) the assignment, mortgage and pledge by the Owner to the Loan Trustee, as part of the Collateral hereunder, among other things, of all of the Owner's estate, right, title and interest in and to the Aircraft, as security for, among other things, the Owner's obligations to the Loan Trustee, for the equal and proportionate benefit and security of the Noteholders, the Indenture Indemnitees and the Related Indenture Indemnitees, subject to Section 2.13 and Article III;

WHEREAS, all things have been done to make the Equipment Notes of the Series listed on **Schedule I** hereto (as, in the case of any Additional Series Equipment Notes issued after the Closing Date, such Schedule I may be amended in connection with such issuance), when executed by the Owner and authenticated and delivered by the Loan Trustee hereunder, the valid, binding and enforceable obligations of the Owner; and

WHEREAS, all things necessary to make this Indenture a legal, valid and binding obligation of the Owner for the uses and purposes herein set forth, in accordance with its terms, have been done and performed and have occurred;

³ To insert the relevant Closing Date.

⁴ To insert the relevant Owner.

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[MSN]

GRANTING CLAUSE

NOW, THEREFORE, (x) to secure (i) the prompt and complete payment (whether at stated maturity, by acceleration or otherwise) of principal of, interest on (including interest on any overdue amounts), and Make-Whole Amount, if any, with respect to, and all other amounts due under, the Equipment Notes, (ii) all other amounts payable by the Owner and Lessee under the Financing Agreements and (iii) the performance and observance by the Owner of all the agreements and covenants to be performed or observed by the Owner for the benefit of the Noteholders and the Indenture Indemnitees contained in the Financing Agreements, and (y) to secure the Related Secured Obligations, and in consideration of the premises and of the covenants contained in the Financing Agreements and the Related Indentures, and for other good and valuable consideration given by the Noteholders, the Indenture Indemnitees and the Related Indenture Indemnitees to the Owner at or before the Closing Date, the receipt and adequacy of which are hereby acknowledged, the Owner does hereby grant, bargain, sell, convey, transfer, mortgage, assign, pledge and confirm unto the Loan Trustee and its successors in trust and permitted assigns, for the security and benefit of the Noteholders, the Indenture Indemnitees and the Related Indenture Indemnitees, a first priority security interest in, and mortgage lien on, all estate, right, title and interest of the Owner in, to and under, all and singular, the following described properties, rights, interests and privileges, whether now owned or hereafter acquired (which, collectively, together with all property hereafter specifically subject to the Lien of this Indenture by the terms hereof or any supplement hereto, are included within, and are referred to as, the “Collateral”):

(1) the Aircraft, including the Airframe and the Engines, whether or not any such Engine may from time to time be installed on the Airframe or any other airframe or any other aircraft, and any and all Parts relating thereto, and, to the extent provided herein, all substitutions and replacements of, and additions, improvements, accessions and accumulations to, the Aircraft, including the Airframe, the Engines and any and all Parts (in each case other than any substitutions, replacements, additions, improvements, accessions and accumulations that constitute items excluded from the definition of Parts by clauses (b), (c) and (d) thereof) relating thereto (such Airframe and Engines as more particularly described in the Indenture Supplement executed and delivered with respect to the Aircraft on the Closing Date or with respect to any substitutions or replacements therefor), and together with all flight records, logs, manuals, maintenance data and inspection, modification and overhaul records at any time required to be maintained with respect to the Aircraft in accordance with the rules and regulations of the applicable Aviation Authority;

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(2) all right, title, interest, claims and demands of the Owner, as lessor, in, to and under the Lease, together with all rights, powers, privileges, options and other benefits of the Owner as lessor under the Lease, including the immediate and continuing right to receive and collect all Rent, insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable to or receivable by the Owner under the Lease but excluding all proceeds of, and any rights under, any insurance maintained by the Owner and not required, or in excess of that required, under Section 10 of the Lease, and the right to make all waivers and agreements, to give and receive copies of all notices and other instruments or communications, to accept surrender or redelivery of the Aircraft or any part thereof, as well as all the rights, powers and remedies on the part of the Owner, as lessor, under the Lease, to take such action upon the occurrence of a Lease Event of Default thereunder, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by applicable law, and to do any and all other things whatsoever which the Owner or any lessor is or may be entitled to do under or in respect of the Lease and any right to restitution from LATAM, as lessee, or any other Person in respect of any determination of invalidity of the Lease;

(3) subject to the Warranty Assignments, the Warranty Rights, together with all rights, powers, privileges, options and other benefits of the Owner in respect of such Warranty Rights;

(4) all requisition proceeds with respect to the Aircraft, the Airframe, any Engine or any Part thereof, and all insurance proceeds with respect to the Aircraft, the Airframe, any Engine or any Part thereof;

(5) all moneys and securities held by the Loan Trustee pursuant to subclause (ix) of clause "third" of Section 3.03, all rents, revenues and other proceeds collected by the Loan Trustee pursuant to Section 4.02(a), all moneys and securities from time to time paid or deposited or required to be paid or deposited to or with the Loan Trustee by or for the account of the Owner pursuant to any term of any Financing Agreement and held or required to be held by the Loan Trustee hereunder or thereunder, including the Securities Account and all monies and securities deposited into the Securities Account; and

(6) all proceeds of the foregoing;

PROVIDED, HOWEVER, that notwithstanding any of the foregoing provisions, so long as no Indenture Event of Default shall have occurred and be continuing, Loan Trustee shall not take or cause to be taken any action contrary to Lessee's right under the Lease to quiet enjoyment of the Airframe and Engines, and to possess, use, retain and control the Airframe and Engines and all revenues, income and profits derived therefrom;

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(LATAM 2015-1 Aircraft EETC)

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, and its successors and permitted assigns, in trust for the equal and proportionate benefit and security of the Noteholders, the Indenture Indemnitees and the Related Indenture Indemnitees, except as otherwise provided in this Indenture, including Section 2.13 and Article III, without any priority of any one Equipment Note over any other, or any Related Equipment Note over any other, by reason of priority of time of issue, sale, negotiation, date of maturity thereof or otherwise for any reason whatsoever, and for the uses and purposes and in all cases and as to all property specified in paragraphs (1) through (6) inclusive above, subject to the terms and provisions set forth in this Indenture.

It is expressly agreed that notwithstanding anything herein to the contrary, the Owner shall remain liable under the Purchase Agreement and the Lease to perform all of its obligations thereunder, and, except to the extent expressly provided in any Financing Agreement, none of any Noteholder, the Loan Trustee, any other Indenture Indemnitee or any Related Indenture Indemnitee shall be required or obligated in any manner to perform or fulfill any obligations of the Owner under or pursuant to any Financing Agreement, or to have any obligation or liability under the Purchase Agreement by reason of or arising out of the assignment hereunder, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim or take any action to collect or enforce the payment of any amount that may have been assigned to it or to which it may be entitled at any time or times.

The Owner does hereby irrevocably constitute the Loan Trustee the true and lawful attorney of the Owner (which appointment is coupled with an interest) with full power (in the name of the Owner or otherwise) to ask for, require, demand and receive any and all monies and claims for monies (in each case including insurance and requisition proceeds) due and to become due to the Owner under or arising out of the Lease, to enforce directly in the name of the Loan Trustee, any other right of the Owner under the Lease, and all other property which now or hereafter constitutes part of the Collateral, to endorse any checks or other instruments or orders in connection therewith and to file any claims or to take any action or to institute any proceedings which the Loan Trustee may deem to be necessary or advisable in the premises. The Owner agrees that, promptly upon receipt thereof, to the extent required by the Financing Agreements, it will transfer to the Loan Trustee any and all monies from time to time received by the Owner constituting part of the Collateral, for distribution by the Loan Trustee pursuant to this Indenture.

The Owner does hereby warrant and represent that it has not sold, assigned or pledged, and hereby covenants and agrees that it will not sell, assign or pledge, so long as this Indenture shall remain in effect and the Lien hereof shall not have been released pursuant to the provisions hereof, any of its estate, right, title or interest hereby assigned, to any Person other than the Loan Trustee, except as otherwise provided in or permitted by any Financing Agreement.

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The Owner agrees that at any time and from time to time, upon the written request of the Loan Trustee, the Owner shall promptly and duly execute and deliver or cause to be duly executed and delivered any and all such further instruments and documents as the Loan Trustee may reasonably deem necessary to perfect, preserve or protect the mortgage, security interests and assignments created or intended to be created hereby or to obtain for the Loan Trustee the full benefit of the assignment hereunder and of the rights and powers herein granted; provided that any instrument or other document so executed by the Owner will not expand any obligations or limit any rights of the Owner in respect of the transactions contemplated by the Financing Agreements.

Owner hereby represents and warrants that it has not assigned or pledged, and hereby covenants and agrees that it shall not assign or pledge, so long as the assignment hereunder shall remain in effect, and the Lien hereof shall not have been released pursuant to Section 10.01 hereof, any of its right, title or interest hereby assigned, to anyone other than Security Trustee, and that it shall not, except as otherwise permitted by the Financing Agreements (i) accept any payment forming part of the Collateral from Lessee or any Permitted Sublessee under any Financing Agreement, (ii) enter into any agreement amending or supplementing any Financing Agreement, (iii) settle or compromise any claim arising under any Indenture Agreement or (iv) submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any Financing Agreement to arbitration thereunder.

Owner hereby agrees that it shall not without the written consent of Loan Trustee receive or collect or agree to the receipt or collection of Rent, or any other payment to be made pursuant to the Lease and which forms part of the Collateral prior to the Business Day before the date for payment thereof provided for by the Lease or assign or transfer (other than to Loan Trustee) any Rent, or any other payment to be made pursuant to Section 3 or 10 of the Lease (then due or to accrue in the future under the Lease) in each case in respect of the Airframe and Engines.

It is hereby further agreed that any and all Collateral described or referred to in the granting clauses hereof which is hereafter acquired by Owner shall automatically, and without any other conveyance, assignment or act on the part of Owner or Loan Trustee, become and be subject to the Lien herein granted as fully and completely as though specifically described herein, but nothing contained in this paragraph shall be deemed to modify or change the obligations of Owner contained in the foregoing paragraphs.

Owner hereby ratifies and confirms the Lease and hereby agrees that it shall not violate any covenant or agreement made by it therein, herein or in any other Financing Agreement.

IT IS HEREBY COVENANTED AND AGREED by and between the parties hereto as follows:

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(LATAM 2015-1 Aircraft EETC)

ARTICLE I

DEFINITIONS

For all purposes of this Indenture, unless the context otherwise requires, capitalized terms used but not defined herein have the respective meanings set forth or incorporated by reference in Annex A.

ARTICLE II

THE EQUIPMENT NOTES

Section 2.01. Form of Equipment Notes. The Equipment Notes shall be substantially in the form set forth below: THIS EQUIPMENT NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR PURSUANT TO THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. ACCORDINGLY, THIS EQUIPMENT NOTE MAY NOT BE OFFERED FOR SALE OR SOLD UNLESS EITHER REGISTERED UNDER THE ACT AND SUCH APPLICABLE STATE OR OTHER LAWS OR EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS ARE AVAILABLE. IN ADDITION, THIS EQUIPMENT NOTE IS SUBJECT TO RESTRICTIONS ON TRANSFER PURSUANT TO THE PARTICIPATION AGREEMENT REFERRED TO HEREIN.

[[PARINA LEASING LIMITED]/[CUCLILLO LEASING LIMITED]/[RAYADOR LEASING LIMITED]/[CANASTERO LEASING LIMITED]⁵]
SERIES 2015-1[___][MSN] EQUIPMENT NOTE DUE _____, 20____
ISSUED IN CONNECTION WITH THE [AIRBUS] [BOEING] MODEL [MODEL]
(GENERIC MODEL [GENERIC MODEL]) AIRCRAFT
BEARING [CHILEAN]/[BRAZILIAN] REGISTRATION NUMBER [REG. NO.] BEING LEASED TO LATAM AIRLINES GROUP S.A.

No.____
DEBT RATE
[___]%

Date: [____, __]

\$ _____
MATURITY DATE
_____, 20____

⁵ To insert the relevant Owner

Indenture and Security Agreement
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[[PARINA LEASING LIMITED]/[CUCLILLO LEASING LIMITED]/[RAYADOR LEASING LIMITED]/[CANASTERO LEASING LIMITED]]^{6]} (together with its successors and permitted assigns, the “Owner”) hereby promises to pay to _____, or the registered assignee thereof, the principal amount of _____ Dollars (\$_____) [on _____]^{7]} in installments on the Payment Dates set forth in Schedule I hereto, each such installment to be in an amount computed by multiplying the original principal amount of this Equipment Note by the percentage set forth in Schedule I hereto opposite the Payment Date on which such installment is due,^{8]} and to pay, on each Payment Date, interest in arrears on the principal amount remaining unpaid from time to time from the date hereof, or from the most recent date to which interest hereon has been paid or duly provided for, until paid in full at a rate per annum (calculated on the basis of a year of 360 days comprised of twelve 30-day months) equal to the Debt Rate shown above as such Debt Rate may be changed from time to time for such period(s), and in such amount(s) and circumstances, as provided in Section 2(d) of the relevant Registration Rights Agreement. [Notwithstanding the foregoing, the final payment made on this Equipment Note shall be in an amount sufficient to discharge in full the unpaid principal amount and all accrued and unpaid interest on, and any other amounts due under, this Equipment Note.]^{9]} Notwithstanding anything to the contrary contained herein, if any date on which a payment under this Equipment Note becomes due and payable is not a Business Day, then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date, and if payment is made on such next succeeding Business Day, no interest shall accrue on the amount of such payment from and after such scheduled date.

For purposes hereof, the term “Indenture” means the Indenture and Security Agreement ([MSN]), dated as of _____, 20__, between the Owner and Wilmington Trust Company, as Loan Trustee (the “Loan Trustee”), as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms. All capitalized terms used in this Equipment Note and not defined herein, unless the context otherwise requires, shall have the respective meanings set forth or incorporated by reference, and shall be construed and interpreted in the manner described, in the Indenture.

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- 6 To insert the relevant Owner

 - 7 To be inserted in non-installment Equipment Notes.

 - 8 To be inserted in installment Equipment Notes.

 - 9 To be inserted in installment Equipment Notes.

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(LATAM 2015-1 Aircraft EETC)

This Equipment Note shall bear interest, payable on demand, at the Past Due Rate (and not the Debt Rate) (calculated on the basis of a year of 360 days comprised of twelve 30-day months) on any principal amount and (to the extent permitted by applicable law) Make-Whole Amount, if any, interest and any other amounts payable hereunder not paid when due for any period during which the same shall be overdue, in each case for the period the same is overdue. Amounts shall be overdue if not paid in the manner provided herein or in the Indenture when due (whether at stated maturity, by acceleration or otherwise).

There shall be maintained an Equipment Note Register for the purpose of registering transfers and exchanges of Equipment Notes at the Corporate Trust Office of the Loan Trustee, or at the office of any successor trustee, in the manner provided in Section 2.07 of the Indenture.

The principal amount and interest and other amounts due hereunder shall be payable in Dollars in immediately available funds at the Corporate Trust Office of the Loan Trustee, or as otherwise provided in the Indenture. The Owner shall not have any responsibility for the distribution of any such payment to the Noteholder of this Equipment Note. Each such payment shall be made on the date such payment is due and without any presentment or surrender of this Equipment Note, except that in the case of any final payment with respect to this Equipment Note, this Equipment Note shall be surrendered to the Loan Trustee for cancellation.

The holder hereof, by its acceptance of this Equipment Note, agrees that, except as provided in the Indenture, including the subordination provisions referred to below, each payment of an installment of principal amount, interest and Make-Whole Amount, if any, received by it hereunder shall be applied: *first*, to the payment of accrued interest on this Equipment Note (as well as any interest on (i) any overdue principal amount, and (ii) to the extent permitted by law, any overdue Make-Whole Amount, if any, any overdue interest and any other overdue amounts hereunder) to the date of such payment; *second*, to the payment of Make-Whole Amount, if any, with respect to this Equipment Note; *third*, to the payment of the principal amount of this Equipment Note (or portion thereof) then due hereunder, if any; and *fourth*, the balance, if any, remaining thereafter to the payment of installments of the principal amount of this Equipment Note (or portion thereof) remaining unpaid in the inverse order of their maturity.

This Equipment Note is one of the Equipment Notes referred to in the Indenture which have been or are to be issued by the Owner pursuant to the terms of the Indenture. The Collateral is held by the Loan Trustee as security, in part, for the Equipment Notes. The provisions of this Equipment Note are subject to the Indenture, the Related Indentures, the Participation Agreement, the other Financing Agreements and the Pass Through Documents. Reference is hereby made to the Indenture, the Related Indentures, the Participation Agreement, the other Financing Agreements and the Pass Through Documents for a complete statement of the rights and obligations of the holder of, and the nature and extent of the security for, this Equipment Note (including as a "Related Equipment Note" under each Related Indenture) and the rights and obligations of the holders of, and the nature and extent of the security for, any other Equipment Notes executed and delivered under the Indenture, to all of which terms and conditions in the Indenture, the Related Indentures, the Participation Agreement, the other Financing Agreements and the Pass Through Documents each holder hereof agrees by its acceptance of this Equipment Note.

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(LATAM 2015-1 Aircraft EETC)

As provided in the Indenture and subject to certain limitations therein set forth, this Equipment Note is exchangeable for an equal aggregate principal amount of Equipment Notes of the same Series of different authorized denominations, as requested by the holder surrendering the same. Prior to the due presentment for registration of transfer of this Equipment Note, the Owner and the Loan Trustee shall deem and treat the Person in whose name this Equipment Note is registered on the Equipment Note Register as the absolute owner and holder hereof for the purpose of receiving all amounts payable with respect to this Equipment Note and for all purposes, and neither the Owner nor the Loan Trustee shall be affected by notice to the contrary.

This Equipment Note is subject to redemption as provided in Section 2.10, Section 2.11 and Section 2.12 of the Indenture but not otherwise. In addition, this Equipment Note may be accelerated as provided in Section 4.02 of the Indenture.

This Equipment Note is subject to certain restrictions set forth in Section 4.01(a)(ii) and Section 4.01(a)(iii) of the Intercreditor Agreement, as further specified in Section 2.07 of the Indenture, to all of which terms and conditions in the Intercreditor Agreement each holder hereof agrees by its acceptance of this Equipment Note.

The holder hereof, by its acceptance of this Equipment Note, agrees that no payment or distribution shall be made on or in respect of the Secured Obligations (as defined in the Indenture) or the Secured Obligations (as defined in any Related Indenture) owed to such holder, including, without limitation, any payment or distribution of cash, property or securities after the occurrence of any of the events referred to in Section 4.01(f) of the Indenture or after the commencement of any proceedings of the type referred to in Section 4.01(g), Section 4.01(h) or Section 4.01(i) of the Indenture, except, in each case, as expressly provided in Article III of the Indenture or Article III of the applicable Related Indenture, as appropriate.

The holder hereof, by its acceptance of this Equipment Note, agrees to treat this Equipment Note as indebtedness for all U.S. federal, state and local income tax purposes.

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(LATAM 2015-1 Aircraft EETC)

The indebtedness evidenced by this Equipment Note is[],¹⁰ [(i)] to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of the Secured Obligations in respect of [Series A Equipment Notes]¹¹ [Series A Equipment Notes and Series B Equipment Notes]¹², and certain other Secured Obligations, and [(ii)]¹³ to the extent and in the manner provided in each Related Indenture, subordinate and subject in right of payment to the prior payment in full under such Related Indenture of the “Secured Obligations” in respect of the “Equipment Notes” issued under such Related Indenture, and this Equipment Note is issued subject to such provisions. The Noteholder of this Equipment Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Loan Trustee or the Related Loan Trustee under the applicable Related Indenture, as appropriate, on such Noteholder’s behalf to take any action necessary or appropriate to effectuate the subordination as provided in this Indenture or the applicable Related Indenture and (c) appoints the Loan Trustee or the Related Loan Trustee under the applicable Related Indenture, as appropriate, as such Noteholder’s attorney-in-fact for such purpose.

Without limiting the foregoing, the Noteholder of this Equipment Note, by accepting the same, agrees that if such Noteholder, in its capacity as a Noteholder, shall receive any payment or distribution on any Secured Obligation in respect of this Equipment Note that it is not entitled to receive under Section 2.13 or Article III of the Indenture, it shall hold any amount so received in trust for the Loan Trustee and forthwith turn over such amount to the Loan Trustee in the form received to be applied as provided in Article III of the Indenture.

Unless the certificate of authentication hereon has been executed by or on behalf of the Loan Trustee by manual signature, this Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

THIS EQUIPMENT NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

IN WITNESS WHEREOF, the Owner has caused this Equipment Note to be executed in its corporate name by its officer thereunto duly authorized on the date hereof.

¹⁰ To be inserted in the case of a Series A Equipment Note.

¹¹ To be inserted in the case of a Series B Equipment Note.

¹² To be inserted in the case of an Additional Series Equipment Note

¹³ To be inserted in the case of a Series B Equipment Note, or an Additional Series Equipment Note.

[[PARINA LEASING LIMITED]/[CUCLILLO LEASING LIMITED]/[RAYADOR LEASING LIMITED]/[CANASTERO LEASING LIMITED]¹⁴]

By: _____
Name:
Title:

¹⁴ To insert the relevant Owner

Indenture and Security Agreement
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LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY,

not in its individual capacity but solely as Loan Trustee

By: _____

Name: _____

Title: _____

SCHEDULE I¹⁵

EQUIPMENT NOTE AMORTIZATION

Payment Date	Percentage of Original Principal Amount to be Paid
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[SEE "EQUIPMENT NOTES AMORTIZATION" ON SCHEDULE I TO

THIS INDENTURE]

* * *
- - -

¹⁵ To be inserted in installment Equipment Notes.

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)

Section 2.02. Issuance and Terms of Equipment Notes. The Equipment Notes (other than Additional Series Equipment Notes) shall be dated the date of issuance thereof, shall be issued in (a) separate Series consisting of Series A Equipment Notes, Series B Equipment Notes, and Additional Series Equipment Notes (if issued) (if more than one series Additional Series Equipment Notes are so issued whether at the same or different times, each such series shall have a different designation such as, for example, “Series C” and “Series D”) and (b) the maturities and original principal amounts and shall bear interest at the applicable Debt Rates specified in **Schedule I** hereto (as, in the case of any Additional Series Equipment Notes issued after the Closing Date, such Schedule I may be amended in connection with such issuance). On the date of original issuance thereof, each Series A Equipment Note, Series B Equipment Note and Additional Series Equipment Note (if issued) shall be issued to the Subordination Agent on behalf of each of the Pass Through Trustees for the applicable Pass Through Trust created under the Pass Through Trust Agreements referred to in **Schedule II**. Subject to compliance with the conditions set forth in Section 4(b)(iv) of the Note Purchase Agreement, Section 2.02 of the Participation Agreement and Section 8.01(d) of the Intercreditor Agreement, the Owner shall have the option to issue Additional Series Equipment Notes at any time and from time to time (including any Additional Series Equipment notes of the same series designation as previously issued Additional Series Equipment Notes that have been paid in full). In addition, if all of the Series B Equipment Notes (whether issued on or after the Closing Date) shall have been redeemed pursuant to Section 2.11(b), the Owner shall, subject to compliance with the conditions set forth in Section 4(b)(iv) of the Note Purchase Agreement, Section 2.02 of the Participation Agreement and Section 8.01(c) of the Intercreditor Agreement, have the option to issue new Series B Equipment Notes with the same Series B designation as, but with terms that may be the same as or different from those of, the redeemed Series B Equipment Notes. Any Series B Equipment Notes issued after the Closing Date pursuant to the immediately preceding sentence shall have such maturities, original principal amounts and interest rate as specified in **Schedule I** hereto in respect of Series B Equipment Notes, as such **Schedule I** may be amended in connection with any such issuance. One or more separate series of Additional Series Equipment Notes may be issued at any time and such series of Additional Series Equipment Notes shall be dated the date of original issuance thereof and shall have such maturities, principal amounts and interest rates as specified in an amendment to this Indenture. Without limitation of the foregoing, new Series B Equipment Notes, and, if any Additional Series Equipment Notes shall have been issued hereunder, new Additional Series Equipment Notes may be issued pursuant to the provisions of Section 2.11(b). The Equipment Notes shall be issued in registered form only. The Equipment Notes shall be issued in denominations of \$1,000 and integral multiples thereof, except that one Equipment Note of each Series may be in an amount that is not an integral multiple of \$1,000.

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Each Equipment Note shall bear interest at the Debt Rate specified for such Series calculated on the basis of a year of 360 days comprised of twelve 30-day months, payable in arrears on each Payment Date on the unpaid principal amount thereof from time to time outstanding from the most recent Payment Date to which interest has been paid or duly provided for (or, if no interest has been so paid or provided for, from the date of issuance of such Equipment Note) until such principal amount is paid in full, as further provided in the form of Equipment Note set forth in Section 2.01. The principal amount of each Series A Equipment Note, each Series B Equipment Note, and each Additional Series Equipment Note (if issued) shall be payable in installments or in a single payment on the Payment Dates set forth in Schedule I to such Equipment Note, each such installment, if any, to be in an amount computed by multiplying the original principal amount of such Equipment Note by the corresponding percentage set forth in **Schedule I** hereto (as, in the case of any Additional Series Equipment Notes issued after the Closing Date, such **Schedule I** may be amended in connection with such issuance) applicable to such Series, the applicable portion of which shall be attached as Schedule I to such Equipment Note, opposite the Payment Date on which such installment is due. Each Additional Series Equipment Note, if issued, shall be payable in installments or in a single payment as set forth in an amendment to this Indenture, and if payable in installments, such installments shall be calculated as set forth in the preceding sentence. Notwithstanding the foregoing, the final payment made under each Equipment Note shall be in an amount sufficient to discharge in full the unpaid principal amount and all accrued and unpaid interest on, and any other amounts due under, such Equipment Note. Each Equipment Note shall bear interest, payable on demand, at the Past Due Rate (and not at the Debt Rate) (calculated on the basis of a year of 360 days comprised of twelve 30-day months) on any principal amount and (to the extent permitted by applicable law) Make-Whole Amount, if any, interest and any other amounts payable thereunder not paid when due for any period during which the same shall be overdue, in each case for the period the same is overdue. Amounts shall be overdue under an Equipment Note if not paid in the manner provided therein or in this Indenture when due (whether at stated maturity, by acceleration or otherwise). Notwithstanding anything to the contrary contained herein, if any date on which a payment hereunder or under any Equipment Note becomes due and payable is not a Business Day, then such payment shall not be made on such scheduled date but shall be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date, and if such payment is made on such next succeeding Business Day, no interest shall accrue on the amount of such payment from and after such scheduled date.

The Equipment Notes shall be executed on behalf of the Owner by the manual or facsimile signature of one of its authorized officers. Equipment Notes bearing the signatures of individuals who were at the time of execution the proper officers of the Owner shall bind the Owner, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Equipment Notes or did not hold such offices at the respective dates of such Equipment Notes. No Equipment Note shall be secured by or entitled to any benefit under this Indenture or be valid or obligatory for any purposes unless there appears on such Equipment Note a certificate of authentication in the form provided herein executed by the Loan Trustee by the manual signature of one of its authorized officers, and such certificate upon any Equipment Notes shall be conclusive evidence, and the only evidence, that such Equipment Note has been duly authenticated and delivered hereunder.

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(LATAM 2015-1 Aircraft EETC)

Section 2.03. Method of Payment. The principal amount of, interest on, Make-Whole Amount, if any, and, except to the extent expressly provided herein, all other amounts due under each Equipment Note or otherwise payable hereunder shall be payable by the Owner in Dollars by wire transfer of immediately available funds not later than 10:00 a.m. (New York City time) on the due date of payment to the Loan Trustee at the Corporate Trust Office for distribution among the Noteholders in the manner provided herein, and payment of such amount by or on behalf of the Owner to the Loan Trustee shall be deemed to satisfy the Owner's obligation to make such payment. The Owner shall not have any responsibility for the distribution of such payment to any Noteholder. Notwithstanding the foregoing or any provision in any Equipment Note to the contrary, the Loan Trustee will use reasonable efforts to pay or cause to be paid, if so directed in writing by any Noteholder (with a copy to the Owner), all amounts paid by the Owner hereunder and under such Noteholder's Equipment Note or Equipment Notes to such Noteholder or a nominee therefor (including all amounts distributed pursuant to Article III) by transferring, or causing to be transferred, by wire transfer of immediately available funds in Dollars, prior to 12:00 noon (New York City time) on the due date of payment, to an account maintained by such Noteholder with a bank located in the continental United States the amount to be distributed to such Noteholder, for credit to the account of such Noteholder maintained at such bank; provided that, in the event the Equipment Notes are not held by the Subordination Agent on behalf of the Pass Through Trustees, the Loan Trustee shall, unless instructed by the Owner to use another method, pay such amounts by check mailed to the Noteholder's address as it appears on the Equipment Note Register. If, after its receipt of funds at the place and prior to the time specified above in the immediately preceding sentence, the Loan Trustee shall fail (other than as a result of a failure of the Noteholder to provide it with wire transfer instructions) to make any such payment required to be paid by wire transfer as provided in the immediately preceding sentence on the Business Day it receives such funds, the Loan Trustee, in its individual capacity and not as trustee, agrees to compensate such Noteholders for loss of use of funds at the Federal Funds Rate until such payment is made and the Loan Trustee shall be entitled to any interest earned on such funds until such payment is made. Any payment made hereunder shall be made without any presentment or surrender of any Equipment Note, except that, in the case of the final payment in respect of any Equipment Note, such Equipment Note shall be surrendered to the Loan Trustee for cancellation. Notwithstanding any other provision of this Indenture to the contrary, the Loan Trustee shall not be required to make, or cause to be made, wire transfers as aforesaid prior to the first Business Day on which it is practicable for the Loan Trustee to do so in view of the time of day when the funds to be so transferred were received by it if such funds were received after 1:00 p.m. (New York City time) at the place of payment, in which case the Loan Trustee shall make such required payment on the next succeeding Business Day. So long as any signatory to the Participation Agreement or nominee thereof shall be a registered Noteholder, all payments to it shall be made to the account of such Noteholder specified in Schedule I to the Participation Agreement, or otherwise in the manner provided in or pursuant to the Participation Agreement, unless it shall have specified some other account or manner of payment by notice to the Loan Trustee consistent with this Section 2.03.

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Section 2.04. Withholding Taxes. The Loan Trustee shall exclude and withhold at the appropriate rate from each payment of principal amount of, interest on, Make-Whole Amount, if any, and other amounts due hereunder or under each Equipment Note (which exclusion and withholding shall constitute payment of such amounts payable hereunder or in respect of such Equipment Notes, as applicable) any and all withholding taxes applicable thereto as required by law. The Loan Trustee agrees to act as such withholding agent and, in connection therewith, whenever any present or future taxes or similar charges are required by law to be withheld with respect to any amounts payable hereunder or in respect of the Equipment Notes, to withhold such amounts (which withholding shall constitute payment of such amounts payable hereunder or in respect of such Equipment Notes, as applicable) and timely pay the same to the appropriate authority in the name of and on behalf of the Noteholders, that it will file any necessary withholding tax returns or statements when due, and that as promptly as possible after the payment thereof it will deliver to each Noteholder (with a copy to the Owner) appropriate documentation showing the payment thereof, together with such additional documentary evidence as any such Noteholder may reasonably request from time to time. The Loan Trustee agrees to file any other information reports as it may be required to file under law.

Section 2.05. Application of Payments. Subject always to Section 2.13 and except as otherwise provided in Article III, in the case of each Equipment Note, each payment of an installment of principal amount, Make-Whole Amount, if any, and interest paid thereon shall be applied:

first, to the payment of accrued interest on such Equipment Note (as well as any interest on (i) any overdue principal amount, and (ii) to the extent permitted by applicable law, any overdue Make-Whole Amount, if any, any overdue interest and any other overdue amounts thereunder) to the date of such payment;

second, to the payment of Make-Whole Amount, if any, with respect to such Equipment Note;

third, to the payment of the principal amount of such Equipment Note (or portion thereof) then due thereunder, if any; and

fourth, the balance, if any, remaining thereafter to the payment of installments of the principal amount of such Equipment Note (or portion thereof) remaining unpaid in the inverse order of their maturity.

Section 2.06. Termination of Interest in Collateral. No Noteholder or Indenture Indemnitee shall, as such, have any further interest in, or other right with respect to, the Collateral when and if the principal amount of, Make-Whole Amount, if any, and interest (including, to the extent permitted by applicable law, post-petition interest and interest on any overdue amounts) due on and all other amounts due under all Equipment Notes held by such Noteholder and all other sums then due and payable to such Noteholder or Indenture Indemnitee, as the case may be, hereunder and under the other Financing Agreements (including, without limitation, under Section 2.14 and under Sections 4.03 and 4.04 of the Participation Agreement) by the Owner, or Lessee, as the case may be, (the "Secured Obligations") have been paid in full.

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Subject to Section 10.01 hereof, no Related Indenture Indemnitee shall, as such, have any further interest in, or other right with respect to, the Collateral when and if all Related Secured Obligations have been paid in full.

Section 2.07. Registration, Transfer and Exchange of Equipment Notes. The Loan Trustee shall keep a register or registers (the “Equipment Note Register”) in which the Loan Trustee shall provide for the registration of Equipment Notes and the registration of transfers of Equipment Notes. No such transfer shall be given effect unless and until registration hereunder shall have occurred. The Equipment Note Register shall be kept at the Corporate Trust Office of the Loan Trustee. The Loan Trustee is hereby appointed “Equipment Note Registrar” for the purpose of registering Equipment Notes and transfers of Equipment Notes as herein provided. A holder of any Equipment Note intending to exchange or transfer such Equipment Note shall surrender such Equipment Note to the Loan Trustee at the Corporate Trust Office, together with a written request from the registered holder thereof for the issuance of a new Equipment Note of the same Series, specifying, in the case of a surrender for transfer, the name and address of the new holder or holders. Upon surrender for registration of transfer of any Equipment Note and subject to satisfaction of Section 2.09, the Owner shall execute, and the Loan Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Equipment Notes of an equal aggregate principal amount and of the same Series. At the option of the Noteholder, Equipment Notes may be exchanged for other Equipment Notes of the same Series of any authorized denominations of an equal aggregate principal amount, upon surrender of the Equipment Notes to be exchanged to the Loan Trustee at the Corporate Trust Office. Whenever any Equipment Notes are so surrendered for exchange, the Owner shall execute, and the Loan Trustee shall authenticate and deliver, the Equipment Notes which the Noteholder making the exchange is entitled to receive. All Equipment Notes issued upon any registration of transfer or exchange of Equipment Notes (whether under this Section 2.07 or under Section 2.08 or otherwise under this Indenture) shall be the valid obligations of the Owner evidencing the same respective obligations, and entitled to the same security and benefits under this Indenture, as the Equipment Notes surrendered upon such registration of transfer or exchange. Every Equipment Note presented or surrendered for registration of transfer shall (if so required by the Owner or the Loan Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Loan Trustee, duly executed by the Noteholder or such Noteholder’s attorney duly authorized in writing, and the Owner and the Loan Trustee shall require evidence satisfactory to it as to the compliance of any such transfer with the Securities Act and the securities laws of any applicable state or jurisdiction. The Loan Trustee shall make a notation on each new Equipment Note of the amount of all payments of principal amount previously made on the old Equipment Note or Equipment Notes with respect to which such new Equipment Note is issued and the date to which interest on such old Equipment Note or Equipment Notes has been paid. Principal, interest and all other amounts shall be deemed to have been paid on such new Equipment Note to the date on which such amounts shall have been paid on such old Equipment Note. The Owner shall not be required to exchange any surrendered Equipment Notes as provided above (a) during the ten-day period preceding the due date of any payment on such Equipment Note or (b) that has been called for redemption. The Owner and the Loan Trustee shall in all cases deem and treat the Person in whose name any Equipment Note shall have been issued and registered on the Equipment Note Register as the absolute owner and the Noteholder of such Equipment Note for the purpose of receiving payment of all amounts payable with respect to such Equipment Note and for all other purposes, and neither the Owner nor the Loan Trustee shall be affected by any notice to the contrary. The Loan Trustee will promptly notify the Owner of each registration of a transfer of an Equipment Note. Any such transferee of an Equipment Note, by its acceptance of an Equipment Note, agrees to the provisions of the Indenture, the Related Indentures, the Participation Agreement, the other Financing Agreements and the Pass Through Documents applicable to the Noteholders or, in the case of each Related Indenture, Related Noteholders, and, without limiting the generality of the foregoing, any such transferee of an Equipment Note, by its acceptance of an Equipment Note: (i) agrees to the applicable provisions of Section 6.01, Section 7.10 and Section 7.11 of the Participation Agreement, and shall be deemed to have represented, warranted and covenanted to the parties to the Participation Agreement as to the matters represented, warranted and covenanted by the Noteholders, including the Pass Through Trustees, in the Participation Agreement and (ii) agrees to the restrictions set forth in Section 4.01(a)(ii) and Section 4.01(a)(iii) of the Intercreditor Agreement, and shall be deemed to have covenanted to the parties to the Intercreditor Agreement not to give any direction to, or otherwise authorize, the Loan Trustee to take any action that would violate Section 4.01(a)(ii) or Section 4.01(a)(iii) of the Intercreditor Agreement. Subject to compliance by the Noteholder and its transferee (if any) of the requirements set forth in this Section 2.07 and in Section 2.09, the Loan Trustee and the Owner shall use all reasonable efforts to issue new Equipment Notes upon transfer or exchange within ten Business Days of the date an Equipment Note is surrendered for transfer or exchange.

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Section 2.08. Mutilated, Destroyed, Lost or Stolen Equipment Notes. If any Equipment Note becomes mutilated, destroyed, lost or stolen, the Owner shall, upon the written request of the holder of such Equipment Note and subject to satisfaction of this Section 2.08 and of Section 2.09, execute and the Loan Trustee shall authenticate and deliver in replacement thereof a new Equipment Note of the same Series, payable in the same principal amount, dated the same date and captioned as issued in connection with the Aircraft. If the Equipment Note being replaced has become mutilated, such Equipment Note shall be surrendered to the Loan Trustee, and a photocopy thereof shall be furnished to the Owner. If the Equipment Note being replaced has been destroyed, lost or stolen, the holder of such Equipment Note shall furnish to the Owner and the Loan Trustee such security or indemnity as may be required by them to save the Owner and the Loan Trustee harmless and evidence satisfactory to the Owner and the Loan Trustee of the destruction, loss or theft of such Equipment Note and of the ownership thereof.

Section 2.09. Payment of Expenses on Transfer; Cancellation. (a) No service charge shall be made to a Noteholder for any registration of transfer or exchange of Equipment Notes, but the Loan Trustee, as Equipment Note Registrar, may require payment of a sum sufficient to cover any Tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Equipment Notes.

(b) The Loan Trustee shall cancel all Equipment Notes surrendered for replacement, redemption, transfer, exchange, payment or cancellation, shall keep a copy of such cancelled Equipment Notes, and shall send the original canceled Equipment Notes marked "cancelled" to the Owner.

Section 2.10. Mandatory Redemption of Equipment Notes. (a) On the date on which the Lessee (i) is required pursuant to Section 9(a) of the Lease to make payment for an Event of Loss with respect to the Airframe or (ii) pursuant to Section 3(e)(i) of the Lease elects to make payment due to illegality, all of the Equipment Notes shall be redeemed in whole at a redemption price equal to 100% of the unpaid principal amount thereof, together with all accrued interest thereon to the date of redemption and all other Secured Obligations (plus Related Secured Obligations in respect of an Affected Related Aircraft in the case of a prepayment pursuant to clause (ii) above) owed or then due and payable to the Noteholders but without Make-Whole Amount.

(b) If the Loan Trustee receives notice from the Owner or the Lessee that the Lease or any Related Lease has been or will be terminated with respect to the Aircraft (whether by purchase of the Aircraft by Lessee or otherwise) other than pursuant to Section 9(a) or Section 3(e)(i) of the Lease or such Related Lease on a specified date, the Loan Trustee shall give the Noteholders revocable prior written notice that all of the Equipment Notes will be redeemed by the Owner on such specified date, and on such specified date all the Equipment Notes shall be redeemed in whole at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued interest thereon to the date of redemption and all other Secured Obligations owed or then due and payable to the Noteholders, plus Make-Whole Amount, if any.

Section 2.11. Voluntary Redemption of Equipment Notes. (a) Except as provided in Section 2.11(b), all, but not less than all, of the Equipment Notes may be redeemed by the Owner at any time upon at least 15 days' revocable prior written notice to the Loan Trustee and the Noteholders, and such Equipment Notes shall be redeemed in whole at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued and unpaid interest thereon to (but excluding) the date of redemption and all other Secured Obligations owed or then due and payable to the Noteholders, plus Make-Whole Amount, if any; provided that no redemption shall be permitted under this Section 2.11(a) unless, simultaneously with such redemption, the Related Equipment Notes shall also be redeemed.

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(b) All of the Series B Equipment Notes, or all of any series of Additional Series Equipment Notes (or any combination of the foregoing) may be redeemed by the Owner upon at least 15 days' revocable prior written notice to the Loan Trustee and the Noteholders of each Series to be redeemed, and such Series of Equipment Notes being redeemed pursuant to this Section 2.11(b) shall be redeemed in whole at a redemption price equal to 100% of the unpaid principal amount thereof, together with accrued and unpaid interest thereon to (but excluding) the date of redemption and all other Secured Obligations owed or then due and payable to the Noteholders of such Series, plus Make-Whole Amount, if any; provided that:

(i) no redemption shall be permitted under this Section 2.11(b) unless, simultaneously with such redemption, the Related Series B Equipment Notes (in the case of redemption hereunder of Series B Equipment Notes), or the Related Additional Series Equipment Notes in respect of the Additional Series Equipment Notes being redeemed (in the case of redemption hereunder of any series of Additional Series Equipment Notes), as the case may be, shall also be redeemed; and

(ii) if, simultaneously with such redemption, new Series B Equipment Notes (in the case of redemption hereunder of Series B Equipment Notes), or a new series of Additional Series Equipment Notes of the same series designation as the Addition Series Equipment Notes being redeemed (in the case of redemption hereunder of a series of Additional Series Equipment Notes), which, in any such case, may have terms that may be the same as or different from those of the redeemed Equipment Notes, are being issued, such new Equipment Notes shall be issued in accordance with Section 2.02 of the Participation Agreement, Section 4(b)(iv) of the Note Purchase Agreement and Section 8.01(c) of the Intercreditor Agreement.

(c) Notwithstanding anything to the contrary in Section 2.11(a) or (b), so long as LATAM, the Owner or any of their respective Affiliates (or any combination thereof) beneficially owns 100% of the Pass Through Certificates issued by any Pass Through Trustee, the redemption price shall not include, and no Noteholder shall have any right to otherwise claim, any Make-Whole Amount with respect to the Series of Equipment Notes issued to the Subordination Agent for the benefit of such Pass Through Trustee.

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Section 2.12. Redemptions; Notice of Redemptions; Repurchases. (a) No redemption of any Equipment Note may be made except to the extent and in the manner expressly permitted by this Indenture. The Owner may at any time repurchase any of the Equipment Notes not held by the Subordination Agent at any price and may hold or resell such Equipment Notes or surrender such Equipment Notes to the Loan Trustee for cancellation.

(b) Notice of redemption with respect to the Equipment Notes shall be given by the Loan Trustee by first-class mail, postage prepaid, mailed not less than 15 nor more than 60 days prior to the applicable redemption date, to each Noteholder of such Equipment Notes to be redeemed, at such Noteholder's address appearing in the Equipment Note Register; provided that such notice shall be revocable by written notice from the Owner to the Loan Trustee given no later than three days prior to the redemption date. All such notices of redemption shall state: (1) the redemption date, (2) the applicable basis for determining the redemption price, (3) that on the redemption date, the redemption price will become due and payable upon each such Equipment Note, and that, if any such Equipment Notes are then outstanding, interest on such Equipment Notes shall cease to accrue on and after such redemption date and (4) the place or places where such Equipment Notes are to be surrendered for payment of the redemption price.

(c) On or before the redemption date, the Owner (or any person on behalf of the Owner) shall, to the extent an amount equal to the redemption price for the Equipment Notes to be redeemed on the redemption date shall not then be held in the Collateral, deposit or cause to be deposited with the Loan Trustee by 11:00 a.m. (New York City time) on the redemption date in immediately available funds the redemption price of the Equipment Notes to be redeemed.

(d) Notice of redemption having been given as aforesaid (and not revoked as permitted by this Section 2.12), the Equipment Notes to be redeemed shall, on the redemption date, become due and payable at the Corporate Trust Office of the Loan Trustee, and from and after such redemption date (unless there shall be a default in the deposit of the redemption price pursuant to Section 2.12(c)) any such Equipment Notes then outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption in accordance with said notice, such Equipment Note shall be redeemed at the redemption price.

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Section 2.13. Subordination. (a) The indebtedness evidenced by the Series B Equipment Notes is, to the extent and in the manner provided in this Indenture, subordinate and subject in right of payment to the prior payment in full of the Secured Obligations in respect of the Series A Equipment Notes, and the Series B Equipment Notes are issued subject to such provisions. The indebtedness evidenced by any Additional Series Equipment Notes, if issued, will be, to the extent and in the manner provided in this Indenture (as this Indenture may be amended in connection with any such issuance of Additional Series Equipment Notes), subordinate and subject in right of payment to the prior payment in full of the Secured Obligations in respect of the Series A Equipment Notes, the Series B Equipment Notes and, if applicable, any previously or concurrently issued Additional Series Equipment Notes with a series designation ranking senior to such Additional Series Equipment Notes, and any Additional Series Equipment Notes, if issued, shall be issued subject to such provisions. The indebtedness evidenced by the Series A Equipment Notes and the Series B Equipment Notes is, and the indebtedness evidenced by any Additional Series Equipment Notes, if issued, will be, to the extent and in the manner provided in each Related Indenture, subordinate and subject in right of payment to the prior payment in full under such Related Indenture of the “Secured Obligations” in respect of the “Equipment Notes” issued under such Related Indenture, and the Series A Equipment Notes and the Series B Equipment Notes are, and any Additional Series Equipment Notes shall be, issued subject to such provisions. By acceptance of its Equipment Notes of any Series, each Noteholder of such Series (i) agrees to and shall be bound by such provisions, (ii) authorizes and directs the Loan Trustee or the Related Loan Trustee under the applicable Related Indenture, as applicable, on such Noteholder’s behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Indenture and the applicable Related Indenture, and (iii) appoints the Loan Trustee or the Related Loan Trustee under the applicable Related Indenture, as applicable, as such Noteholder’s attorney-in-fact for such purpose.

(b) The Owner, the Loan Trustee and, by acceptance of its Equipment Notes of any Series, each Noteholder of such Series, hereby agree that no payment or distribution shall be made on or in respect of the Secured Obligations, or the “Secured Obligations” under any Related Indenture, owed to such Noteholder of such Series, including any payment or distribution of cash, property or securities after the occurrence of any of the events referred to in Section 4.01(f) or after the commencement of any proceedings of the type referred to in Section 4.01(g), Section 4.01(h) or Section 4.01(i), except, in each case, as expressly provided in Article III of this Indenture or Article III of the applicable Related Indenture, as appropriate.

(c) By the acceptance of its Equipment Notes of any Series, each Noteholder of such Series agrees that (i) if such Noteholder, in its capacity as a Noteholder, shall receive any payment or distribution on any Secured Obligations in respect of such Series that it is not entitled to receive under this Section 2.13 or Article III hereof, it will hold any amount so received in trust for the Loan Trustee and forthwith turn over such amount to the Loan Trustee in the form received to be applied as provided in Article III hereof, and (ii) if such Noteholder, in its capacity as a “Noteholder” under any Related Indenture, receives any payment or distribution on any “Secured Obligations” in respect of “Equipment Notes” of any “Series” issued under such Related Indenture that it is not entitled to receive under Section 2.13 or Article III of such Related Indenture, it will hold any amount so received in trust for the Related Loan Trustee under such Related Indenture and forthwith turn over such amount to such Related Loan Trustee under such Related Indenture in the form received to be applied as provided in Article III of such Related Indenture.

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Section 2.14. Certain Payments The Owner agrees to pay to the Loan Trustee for distribution in accordance with Section 3.04:

(a) an amount or amounts equal to the fees payable to the Liquidity Providers under Section 2.03 of each Liquidity Facility and the Fee Letter (as defined in the Intercreditor Agreement) related thereto (or similar provisions of any Replacement Liquidity Facility therefor and any related fee letter), multiplied by a fraction, the numerator of which shall be the sum of the then outstanding aggregate principal amount of the Series A Equipment Notes and the Series B Equipment Notes and the denominator of which shall be the sum of the then outstanding aggregate principal amount of all "Series A Equipment Notes" and "Series B Equipment Notes" (each as defined in the Note Purchase Agreement) with respect to all of the "Indentures" (as defined in the Note Purchase Agreement);

(b) an amount equal to interest on any Special Termination Advance (other than any Applied Special Termination Advance) payable under Section 3.07 of each Liquidity Facility (or similar provisions of any Replacement Liquidity Facility therefor) minus Investment Earnings from such Special Termination Advance, multiplied by the fraction specified in the foregoing clause (a);

(c) an amount equal to interest on any Downgrade Advance (other than any Applied Downgrade Advance) payable under Section 3.07 of each Liquidity Facility (or similar provisions of any Replacement Liquidity Facility therefor) minus Investment Earnings from such Downgrade Advance, multiplied by the fraction specified in the foregoing clause (a);

(d) an amount equal to interest on any Non-Extension Advance (other than any Applied Non-Extension Advance) payable under Section 3.07 of each Liquidity Facility (or similar provisions of any Replacement Liquidity Facility therefor) minus Investment Earnings from such Non-Extension Advance, multiplied by the fraction specified in the foregoing clause (a);

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(e) if any payment default shall have occurred and be continuing with respect to interest on any “Series A Equipment Notes” or “Series B Equipment Notes” (each as defined in the Note Purchase Agreement), (x) the excess, if any, of (1) the amount equal to the sum of interest on any Unpaid Advance (other than a Special Termination Advance), Applied Provider Advance or Applied Special Termination Advance payable under Section 3.07 of each Liquidity Facility (or similar provisions of any Replacement Liquidity Facility therefor) plus any other amounts payable in respect of such Unpaid Advance, Applied Provider Advance or Applied Special Termination Advance under Section 3.01, Section 3.03 or Section 3.09 of each Liquidity Facility (or similar provisions of any Replacement Liquidity Facility therefor) under which such Unpaid Advance, Applied Provider Advance or Applied Special Termination Advance was made over (2) the sum of Investment Earnings from any Final Advance plus any amount of interest at the Past Due Rate actually payable (whether or not in fact paid) by the Owner in respect of the overdue scheduled interest on the “Series A Equipment Notes” and “Series B Equipment Notes” (each as defined in the Note Purchase Agreement) in respect of which such Unpaid Advance, Applied Provider Advance or Applied Special Termination Advance was made, multiplied by (y) a fraction, the numerator of which shall be the then aggregate overdue amounts of interest on the Series A Equipment Notes and Series B Equipment Notes (other than interest becoming due and payable solely as a result of acceleration of any such Equipment Notes) and the denominator of which shall be the then aggregate overdue amounts of interest on all “Series A Equipment Notes” and “Series B Equipment Notes” (each as defined in the Note Purchase Agreement) with respect to all of the “Indentures” (as defined in the Note Purchase Agreement) (other than interest becoming due and payable solely as a result of acceleration of any such “Equipment Notes”);

(f) any amounts owed to the Liquidity Providers by the Subordination Agent as borrower under Section 3.01 (other than in respect of an Unpaid Advance, Applied Provider Advance or Applied Special Termination Advance), Section 3.03 (other than in respect of an Unpaid Advance, Applied Provider Advance or Applied Special Termination Advance), Section 7.05 and Section 7.07 of each Liquidity Facility (or similar provisions of any Replacement Liquidity Facility therefor) multiplied by the fraction specified in the foregoing clause (a); and

(g) an amount or amounts equal to the compensation, including reasonable expenses and disbursements actually incurred, payable to the Subordination Agent under Section 6.07 of the Intercreditor Agreement, multiplied by the fraction specified in the foregoing clause (a) (but in any event without duplication of any amount or amounts payable by the Owner in respect of such compensation under any other Financing Agreement or Pass Through Document).

For purposes of this paragraph, the terms “Applied Downgrade Advance”, “Applied Non-Extension Advance”, “Applied Provider Advance”, “Applied Special Termination Advance”, “Downgrade Advance”, “Final Advance”, “Investment Earnings”, “Non-Extension Advance”, “Special Termination Advance” and “Unpaid Advance” shall have the meanings specified in each Liquidity Facility or the Intercreditor Agreement, as applicable.

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Section 2.15. Repayment of Monies for Equipment Note Payments Held by the Loan Trustee. Any money held by the Loan Trustee in trust for any payment of the principal of, Make-Whole Amount, if any, or interest or any other amounts due on, any Equipment Note, including, without limitation, any money deposited pursuant to Section 2.12(c) or Section 10.01, and remaining unclaimed for a 730-day period (for purposes of calculating this 730-day period, all days on which the payment of such money shall not have been made because of operation of law shall be excluded) after the due date for such payment (or such lesser time as the Loan Trustee shall be satisfied, after 60 days' notice from the Owner, is one month prior to the escheat period provided under applicable state law) shall be paid to the Owner. The Noteholders of any outstanding Equipment Notes shall thereafter, as unsecured general creditors, look only to the Owner for payment thereof, and all liability of the Loan Trustee with respect to such trust money shall thereupon cease; provided that the Loan Trustee, before being required to make any such repayment, may at the expense of the Owner cause to be mailed to each such Noteholder notice that such money remains unclaimed and that, after a date specified in such notice which shall not be less than 30 days from the date of mailing, any unclaimed balance of such money then remaining will be repaid to the Owner as provided herein.

Section 2.16. Directions by the Subordination Agent. So long as the Subordination Agent is a Noteholder, notwithstanding anything contained herein or in any other Financing Agreement to the contrary, in exercising its right to vote the Equipment Notes held by it, or in giving or taking any direction, consent, request, demand, instruction, authorization, notice, waiver or other action provided by this Indenture or in respect of the Equipment Notes to be given or taken by a Noteholder (each such vote or other action, a "Direction") in respect of such Equipment Notes, the Subordination Agent may act in accordance with any votes, directions, consents, requests, demands, instructions, authorizations, notices, waivers or other actions given or taken by any applicable Pass Through Trustee or the Controlling Party pursuant to the Intercreditor Agreement, including without limitation pursuant to Section 2.06, Article IV or Section 8.01(b) thereof. The Subordination Agent shall be permitted (x) to give a Direction with respect to less than the entire principal amount of any single Equipment Note held by it, and (y) to give different Directions with respect to different portions of the principal amount of any single Equipment Note held by it. Any Direction given by the Subordination Agent at any time with respect to more than a majority in aggregate unpaid principal amount of all of the Equipment Notes issued and then outstanding hereunder shall be deemed to have been given by a Majority in Interest of Noteholders.

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ARTICLE III

RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME
FROM THE COLLATERAL

Section 3.01. Basic Distributions. Except as otherwise provided in Section 3.02, Section 3.03 and Section 3.04, each periodic payment by the Owner of regularly scheduled installments of principal or interest on the Equipment Notes received by the Loan Trustee shall be promptly distributed in the following order of priority:

first, so much of such payment as shall be required to pay in full the aggregate amount of the payment or payments of principal amount and interest (as well as any interest on any overdue principal amount and, to the extent permitted by applicable law, on any overdue interest and any other overdue amounts) then due under all Series A Equipment Notes shall be distributed to the Noteholders of Series A Equipment Notes ratably, without priority of one over the other, in the proportion that the amount of such payment or payments then due under each Series A Equipment Note bears to the aggregate amount of the payments then due under all Series A Equipment Notes;

second, after giving effect to clause “first” above, so much of such payment remaining as shall be required to pay in full the aggregate amount of the payment or payments of principal amount and interest (as well as any interest on any overdue principal amount and, to the extent permitted by applicable law, on any overdue interest and any other overdue amounts) then due under all Series B Equipment Notes shall be distributed to the Noteholders of Series B Equipment Notes ratably, without priority of one over the other, in the proportion that the amount of such payment or payments then due under each Series B Equipment Note bears to the aggregate amount of the payments then due under all Series B Equipment Notes;

third, after giving effect to clause “second” above (if any Additional Series Equipment Notes of a specified series shall have been issued hereunder and except as this clause “third” may be modified pursuant to clause (xv) of Section 9.01 in connection with any issuance or redemption and issuance from time to time of Additional Series Equipment Notes of one or more series), so much of such payment remaining as shall be required to pay in full the aggregate amount of the payment or payments of principal amount and interest (as well as any interest on any overdue principal amount and, to the extent permitted by applicable law, on any overdue interest and any other overdue amounts) then due under all Additional Series Equipment Notes of such series shall be distributed to the Noteholders of Additional Series Equipment Notes of such series ratably, without priority of one over the other, in the proportion that the amount of such payment or payments then due under each Additional Series Equipment Note of such series bears to the aggregate amount of the payments then due under all Additional Series Equipment Notes of such series; and

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fourth, the balance, if any, of such installment remaining thereafter shall be distributed to the Owner.

Section 3.02. Event of Loss; Mandatory Redemption; Voluntary Redemption. Except as otherwise provided in Section 3.03 and Section 3.04 and subject to the following proviso, any payments (including insurance and requisition proceeds) received by the Loan Trustee as the result of (a) an Event of Loss with respect to the Airframe or the Airframe and one or more Engines installed thereon (including amounts paid by the Owner pursuant to Section 2.10), (b) due to illegality affecting the Lease, (c) due to termination of the Lease or any Related Lease or (d) a voluntary redemption of Equipment Notes pursuant to Section 2.11 shall be applied to redemption of Equipment Notes pursuant to Section 2.10 or Section 2.11, as applicable, and to payment of all other Secured Obligations and Related Secured Obligations then due by applying such payments in the following order of priority:

first, so much of such payments as shall be required (i) to reimburse the Loan Trustee and the Noteholders for any reasonable costs or expenses actually incurred in connection with such redemption for which they are entitled to reimbursement, or indemnity by the Owner, under the Financing Agreements; and then (ii) to pay all other Secured Obligations then due to the Noteholders, the Loan Trustee and the other Indenture Indemnitees under this Indenture, the Aircraft Security Documents, the Participation Agreement or the Equipment Notes (other than amounts specified in clauses “second” and “third” below);

second, after giving effect to clause “first” above:

(i) so much of such payments remaining as shall be required to pay the amounts specified in subclause (i) of clause “third” of Section 3.03 plus Make-Whole Amount, if any, then due and payable in respect of the Series A Equipment Notes;

(ii) after giving effect to subclause (i) above, so much of such payments remaining as shall be required to pay the amounts specified in subclause (ii) of clause “third” of Section 3.03 plus Make-Whole Amount, if any, then due and payable in respect of the Series B Equipment Notes;

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(iii) after giving effect to subclause (ii) above (if any Additional Series Equipment Notes of a specified series shall have been issued hereunder and except as this subclause (iii) may be modified pursuant to clause (xv) of Section 9.01 in connection with the original issuance or subsequent redemption and issuance from time to time of Additional Series Equipment Notes), so much of such payments remaining as shall be required to pay the amounts specified in subclause (iii) of clause “third” of Section 3.03 plus Make-Whole Amount, if any, then due and payable in respect of such Additional Series Equipment Notes of such series;

third, after giving effect to clause “second” above, so much of such payments remaining as shall be required to pay the amounts as provided in clause “third” of Section 3.03 in respect of Related Secured Obligations under each Defaulted Operative Indenture other than subclause (ix) of clause “third” of Section 3.03; and

fourth, the balance, if any, of such payments shall be distributed as provided in clause “fourth” of Section 3.03;

provided that (i) in the case an Event of Loss with respect to the Airframe or the Airframe and one or more Engines installed thereon, (x) any payments, including any insurance, condemnation, requisition or similar proceeds, resulting from such Event of Loss that are received by the Loan Trustee shall be held or disbursed subject to Sections 9(f) and 10(c) of the Lease (provided that any such proceeds that are held by the Loan Trustee shall be invested as provided in Section 5.06); and (y) no Make-Whole Amount shall be payable on the Equipment Notes in connection with their redemption as a result of such Event of Loss; and (ii) in the case of a redemption of Equipment Notes pursuant to Section 2.11(b), if a particular Series is not being redeemed pursuant thereto, no application of funds shall be made pursuant to the paragraphs in clause “second” above that refer to such Series in connection with such redemption.

Section 3.03. Payments After Indenture Event of Default. Except as otherwise provided in Section 3.04, all payments received and amounts held or realized by the Loan Trustee (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Article IV or pursuant to any Aircraft Security Document) after both an Indenture Event of Default shall have occurred and be continuing and the Equipment Notes shall have become due and payable pursuant to Section 4.02(a), as well as all payments or amounts then held by the Loan Trustee as part of the Collateral, shall be promptly distributed by the Loan Trustee in the following order of priority:

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first, so much of such payments or amounts as shall be required to (i) reimburse the Loan Trustee or WTC, to the extent the Loan Trustee or WTC is entitled to be reimbursed or indemnified under the Financing Agreements, for any Tax, expense or other loss (including, without limitation, all amounts to be expended at the expense of, or charged upon the tolls, rents, revenues, issues, products and profits of, the property included in the Collateral pursuant to Section 4.02(a)) actually incurred by the Loan Trustee or WTC (to the extent not previously reimbursed), the expenses of any sale, taking or other proceeding, reasonable attorneys' fees and expenses, court costs and any other expenditures actually incurred or expenditures or advances made by the Loan Trustee, WTC or the Noteholders in the protection, exercise or enforcement of any right, power or remedy or any damages sustained by the Loan Trustee, WTC or any Noteholder, liquidated or otherwise, upon such Indenture Event of Default shall be applied by the Loan Trustee as between itself, WTC and the Noteholders in reimbursement of such expenses and any other expenses for which the Loan Trustee, WTC or the Noteholders are entitled to reimbursement under any Financing Agreement, and (ii) pay all Secured Obligations then due to the other Indenture Indemnitees under this Indenture, the Participation Agreement or the Equipment Notes (other than amounts specified in clauses "second" and "third" below); and in case the aggregate amount so to be distributed shall be insufficient to pay as aforesaid in clauses (i) and (ii), then ratably, without priority of one over the other, in proportion to the amounts owed each hereunder;

second, after giving effect to clause "first" above, so much of such payments or amounts remaining as shall be required to reimburse the then existing or prior Noteholders for payments made pursuant to Section 5.03 (to the extent not previously reimbursed) shall be distributed to such then existing or prior Noteholders ratably, without priority of one over the other, in accordance with the amount of the payment or payments made by each such then existing or prior Noteholder pursuant to Section 5.03;

third, after giving effect to clause "second" above:

(i) so much of such payments or amounts remaining as shall be required to pay in full the aggregate unpaid principal amount of all Series A Equipment Notes, and the accrued but unpaid interest and other amounts due thereon and all other Secured Obligations in respect of the Series A Equipment Notes to the date of distribution, shall be distributed to the Noteholders of Series A Equipment Notes, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that (x) the aggregate unpaid principal amount of all Series A Equipment Notes held by each holder thereof plus the accrued but unpaid interest and other amounts due in respect thereof hereunder or thereunder to the date of distribution bears to (y) the aggregate unpaid principal amount of all Series A Equipment Notes held by all holders thereof plus the accrued but unpaid interest and other amounts due thereon to the date of distribution;

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(ii) after giving effect to subclause (i) above, so much of such payments or amounts remaining as shall be required to pay in full the aggregate unpaid principal amount of all Series B Equipment Notes, and the accrued but unpaid interest and other amounts due thereon and all other Secured Obligations in respect of the Series B Equipment Notes to the date of distribution, shall be distributed to the Noteholders of Series B Equipment Notes, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that (x) the aggregate unpaid principal amount of all Series B Equipment Notes held by each holder thereof plus the accrued but unpaid interest and other amounts due in respect thereof hereunder or thereunder to the date of distribution bears to (y) the aggregate unpaid principal amount of all Series B Equipment Notes held by all holders thereof plus the accrued but unpaid interest and other amounts due thereon to the date of distribution;

(iii) after giving effect to subclause (ii) above (if any Additional Series Equipment Notes of a specified series shall have been issued hereunder and except as this subclause (iii) may be modified pursuant to clause (xv) of Section 9.01 in connection with the original issuance or subsequent redemption and issuance from time to time of Additional Series Equipment Notes in one or more series), so much of such payments or amounts remaining as shall be required to pay in full the aggregate unpaid principal amount of all Additional Series Equipment Notes of such series, and the accrued but unpaid interest and other amounts due thereon and all other Secured Obligations in respect of such Additional Series Equipment Notes to the date of distribution, shall be distributed to the Noteholders of Additional Series Equipment Notes of such series, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that (x) the aggregate unpaid principal amount of all Additional Series Equipment Notes of such series held by each holder thereof plus the accrued but unpaid interest and other amounts due in respect thereof hereunder or thereunder to the date of distribution bears to (y) the aggregate unpaid principal amount of all Additional Series Equipment Notes of such series held by all holders thereof plus the accrued but unpaid interest and other amounts due thereon to the date of distribution;

(iv) after giving effect to subclause (iii) above, so much of such payments or amounts remaining as shall be required to pay in full the amounts then due and covered by clause “first” of Section 3.03 of each Defaulted Operative Indenture shall be distributed to the Related Loan Trustee under each respective Defaulted Operative Indenture, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in accordance with the priorities and prorations in such clause “first”;

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(v) after giving effect to subclause (iv) above, so much of such payments or amounts remaining as shall be required to pay in full the amounts then due and covered by clause “second” of Section 3.03 of each Defaulted Operative Indenture shall be distributed to the Related Loan Trustee under each respective Defaulted Operative Indenture, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in accordance with the priorities and prorations in such clause “second”;

(vi) after giving effect to subclause (v) above, so much of such payments or amounts remaining as shall be required to pay in full the aggregate amount of the payment or payments of principal amount and interest (as well as any interest on any overdue principal amount and, to the extent permitted by applicable law, on any overdue interest and any other overdue amounts) then due under all Related Series A Equipment Notes, if any, issued under any Defaulted Operative Indenture shall be distributed to the Related Loan Trustee under each respective Defaulted Operative Indenture under which any Related Series A Equipment Notes are outstanding, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that (x) the amount of such payment or payments then due under all Related Series A Equipment Notes issued under each Defaulted Operative Indenture bears to (y) the aggregate amount of the payments then due under all Related Series A Equipment Notes issued under all Defaulted Operative Indentures;

(vii) after giving effect to subclause (vi) above, so much of such payments or amounts remaining as shall be required to pay in full the aggregate amount of the payment or payments of principal amount and interest (as well as any interest on any overdue principal amount and, to the extent permitted by applicable law, on any overdue interest and any other overdue amounts) then due under all Related Series B Equipment Notes, if any, issued under any Defaulted Operative Indenture shall be distributed to the Related Loan Trustee under each respective Defaulted Operative Indenture under which any Related Series B Equipment Notes are outstanding, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that (x) the amount of such payment or payments then due under all Related Series B Equipment Notes issued under each Defaulted Operative Indenture bears to (y) the aggregate amount of the payments then due under all Related Series B Equipment Notes issued under all Defaulted Operative Indentures;

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(viii) after giving effect to subclause (vii) above (if any Related Additional Series Equipment Notes of a specified series shall have been issued under any Related Indenture and except as this subclause (viii) may be modified pursuant to clause (xv) of Section 9.01 in connection with the original issuance or subsequent redemption and issuance from time to time of Related Additional Series Equipment Notes in one or more series), so much of such payments or amounts remaining as shall be required to pay in full the aggregate amount of the payment or payments of principal amount and interest (as well as any interest on any overdue principal amount and, to the extent permitted by applicable law, on any overdue interest and any other overdue amounts) then due under all Related Additional Series Equipment Notes of such series, if any, issued under any Defaulted Operative Indenture shall be distributed to the Related Loan Trustee under each respective Defaulted Operative Indenture under which any Related Additional Series Equipment Notes of such series are outstanding, and in case the aggregate amount so to be distributed shall be insufficient to pay in full as aforesaid, then ratably, without priority of one over the other, in the proportion that (x) the amount of such payment or payments then due under all Related Additional Series Equipment Notes of such series issued under each Defaulted Operative Indenture bears to (y) the aggregate amount of the payments then due under all Related Additional Series Equipment Notes of such series issued under all Defaulted Operative Indentures; and

(ix) after giving effect to subclause (viii) above, if any Related Equipment Note is outstanding, any of such payments or amounts remaining and any invested Permitted Investments shall be held by Loan Trustee in an Eligible Account in accordance with the provisions of Section 3.07 (and invested as provided in Section 5.06) as additional security for the Related Secured Obligations, and such amounts (and any investment earnings thereon) shall be distributed from time to time in accordance with the foregoing provisions of this clause “third” as and to the extent any such Related Secured Obligation shall at any time and from time to time become due and remain unpaid after the giving of any required notice and the expiration of any applicable grace period; and, upon the payment in full of all such Related Secured Obligations the balance, if any, of any such remaining amounts and investment earnings thereon shall be applied as provided in clause “fourth” of this Section 3.03; and

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fourth, the balance, if any, of such payments or amounts remaining thereafter shall be distributed to the Owner.

No Make-Whole Amount shall be payable on the Equipment Notes as a consequence of or in connection with an Indenture Event of Default or the acceleration of the Equipment Notes.

Section 3.04. Certain Payments. (a) Any payments received by the Loan Trustee for which provision as to the application thereof is made in this Indenture other than in this Article III shall be applied as provided in those provisions. Without limiting the foregoing, any payments received by the Loan Trustee which are payable to the Owner pursuant to any of the provisions of this Indenture other than those set forth in this Article III (including Section 5.06 hereof) shall be so paid to the Owner. Any payments received by the Loan Trustee for which no provision as to the application thereof is made in this Indenture and for which such provision is made in any other Financing Agreement shall be applied forthwith to the purpose for which such payment was made in accordance with the terms of such other Financing Agreement.

(b) Notwithstanding anything to the contrary contained in this Article III, the Loan Trustee will distribute promptly upon receipt any indemnity payment received by it from LATAM pursuant to Section 4.03 or 4.04 of the Participation Agreement payable to (i) WTC and the Loan Trustee, (ii) the Subordination Agent, (iii) any separate or additional trustee appointed pursuant to Section 8.02, (iv) the Pass Through Trustees and (v) each Liquidity Provider, in each case, directly to the Person entitled thereto. Any payment received by the Loan Trustee from the Owner under Section 2.14 shall be distributed to the Subordination Agent to be distributed in accordance with Section 2.04(c) of the Intercreditor Agreement.

(c) Any payments received by the Loan Trustee not constituting part of the Collateral or otherwise for which no provision as to the application thereof is made in any Financing Agreement shall be distributed by the Loan Trustee to the Owner. Further, and except as otherwise provided in Section 3.02 and Section 3.03, all payments received and amounts realized by the Loan Trustee with respect to the Aircraft, to the extent received or realized at any time after payment in full of all Secured Obligations, as well as any amounts remaining as part of the Collateral after the occurrence of such payment in full, shall be distributed by the Loan Trustee to the Owner.

Section 3.05. Payments to the Owner. Any amounts distributed hereunder by the Loan Trustee to the Owner shall be paid to the Owner (within the time limits contemplated by Section 2.03) by wire transfer of funds of the type received by the Loan Trustee at such office and to such account or accounts of such entity or entities as shall be designated by notice from the Owner to the Loan Trustee from time to time.

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Section 3.06. Cooperation. Prior to making any distribution under this Article III, the Loan Trustee shall consult with the Related Loan Trustees to determine amounts payable with respect to the Related Secured Obligations. The Loan Trustee shall cooperate with the Related Loan Trustees and shall provide such information as shall be reasonably requested by each Related Loan Trustee to enable such Related Loan Trustee to determine amounts distributable under Article III of its Related Indenture.

Section 3.07. Securities Account. In furtherance of the provisions of Section 3.03, WTC agrees to act as an Eligible Institution under this Indenture in accordance with the provisions of this Indenture (in such capacity, the “Securities Intermediary”). Except in its capacity as Loan Trustee, WTC waives any claim or lien against any Eligible Account it may have, by operation of law or otherwise, for any amount owed to it by the Owner. The Securities Intermediary hereby agrees that, notwithstanding anything to the contrary in this Indenture, (i) any amounts to be held by the Loan Trustee pursuant to subclause (ix) of clause “third” of Section 3.03 and any investment earnings thereon or other Permitted Investments in which such amounts are invested will be credited to an Eligible Account (the “Securities Account”) for which it is a “securities intermediary” (as defined in Section 8-102(a)(14) of the NY UCC) and the Loan Trustee is the “entitlement holder” (as defined in Section 8-102(a)(7) of the NY UCC) of the “security entitlement” (as defined in Section 8-102(a)(17) of the NY UCC) with respect to each “financial asset” (as defined in Section 8-102(a)(9) of the NY UCC) credited to such Eligible Account, (ii) all such amounts, Permitted Investments and all other property acquired with cash credited to the Securities Account will be credited to the Securities Account, (iii) all items of property (whether cash, investment property, Permitted Investments, other investments, securities, instruments or other property) credited to the Securities Account will be treated as a “financial asset” under Article 8 of the NY UCC, (iv) its “securities intermediary’s jurisdiction” (as defined in Section 8-110(e) of the NY UCC) with respect to the Securities Account is the State of New York, and (v) all securities, instruments and other property in order or registered form and credited to the Securities Account shall be payable to or to the order of, or registered in the name of, the Securities Intermediary or shall be indorsed to the Securities Intermediary or in blank, and in no case whatsoever shall any financial asset credited to the Securities Account be registered in the name of the Owner, payable to or to the order of the Owner or specially indorsed to the Owner except to the extent the foregoing have been specially indorsed by the Owner to the Securities Intermediary or in blank. The Loan Trustee agrees that it will hold (and will indicate clearly in its books and records that it holds) its “security entitlements” to the “financial assets” credited to the Securities Account in trust for the benefit of the Noteholders, each Indenture Indemnitee and each Related Indenture Indemnitee as set forth in this Indenture. The Owner acknowledges that, by reason of the Loan Trustee being the “entitlement holder” in respect of the Securities Account as provided above, the Loan Trustee shall have the sole right and discretion, subject only to the terms of this Indenture, to give all “entitlement orders” (as defined in Section 8-102(a)(8) of the NY UCC) with respect to the Securities Account and any and all financial assets and other property credited thereto to the exclusion of the Owner. If any Person asserts any Lien (including, without limitation, any writ, garnishment, judgment, warrant of attachment, execution or similar process) against the Securities Account or any financial asset carried therein, WTC will promptly notify the Loan Trustee and the Owner thereof.

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ARTICLE IV

EVENTS OF DEFAULT; REMEDIES OF LOAN TRUSTEE

Section 4.01. Events of Default. Subject to the proviso at the end of this Section 4.01, each of the following events shall constitute an “Indenture Event of Default” whether such event shall be voluntary or involuntary or shall come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body and each such Indenture Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied or explicitly waived:

- (a) the Owner shall fail to make any payment within 15 days after the same shall have become due of principal amount of, interest on, or Make-Whole Amount, if any, with respect to, any Equipment Note;
- (b) the Owner shall fail to make payment when the same shall become due of any amount (other than amounts referred to in Section 4.01(a)) due hereunder, under any Equipment Note or under any other Financing Agreement, and such failure shall continue unremedied for 30 days after the receipt by the Owner of written notice thereof from the Loan Trustee or any Noteholder;
- (c) a Lease Event of Default shall have occurred and be continuing;
- (d) the Owner shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under any Financing Agreement, and such failure shall continue unremedied for a period of 60 days after receipt by the Owner of written notice thereof from the Loan Trustee or any Noteholder, provided that, if such failure is capable of being remedied, no such failure shall constitute an Indenture Event of Default for a period of one year after such notice is received by the Owner so long as the Owner is diligently proceeding to remedy such failure;

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(e) any representation or warranty made by LATAM or the Owner in any Financing Agreement shall prove to have been incorrect in any material respect at the time made, and such incorrectness shall continue to be material to the transactions contemplated hereby and shall continue unremedied for a period of 60 days after receipt by LATAM or the Owner of written notice thereof from the Loan Trustee or any Noteholder, provided that, if such incorrectness is capable of being remedied, no such incorrectness shall constitute an Indenture Event of Default for a period of one year after such notice is received by the Owner so long as the Owner is diligently proceeding to remedy such incorrectness;

(f) the Owner shall consent to the appointment of or the taking of possession by a receiver, trustee or liquidator of itself or of a substantial part of its property, shall admit in writing its inability to pay its debts generally as they come due or shall make a general assignment for the benefit of creditors;

(g) the Owner shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, liquidation or other relief as a debtor in a case under any bankruptcy laws or insolvency laws (as in effect at such time) or an answer admitting the material allegations of a petition filed against the Owner as a debtor in any such case, or the Owner shall seek relief as a debtor, by voluntary petition, answer or consent, under the provisions of any other bankruptcy or other similar law providing for the reorganization or winding-up of corporations (as in effect at such time), or the Owner shall seek an agreement, composition, extension or adjustment with its creditors under such laws;

(h) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Owner, a receiver, trustee or liquidator of the Owner or sequestering any substantial part of its property, or granting any other relief in respect of the Owner as a debtor under any bankruptcy laws or insolvency laws (as in effect at such time), and any such order, judgment or decree of appointment or sequestration shall remain in force undismissed, unstayed or unvacated for a period of 90 days after the date of entry thereof;

(i) a petition against the Owner as a debtor in a case under the federal bankruptcy laws or other insolvency laws (as in effect at such time) is filed and not withdrawn or dismissed within 90 days thereafter, or if, under the provisions of any law providing for reorganization or winding-up of corporations that may apply to the Owner, any court of competent jurisdiction assumes jurisdiction, custody or control of the Owner or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days;

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- (j) an “Indenture Event of Default” (as defined in any Related Indenture) shall have occurred and be continuing; or
- (k) a breach of Section 6.03(c) of the Participation Agreement shall have occurred;

provided that notwithstanding anything to the contrary contained in this Section 4.01, any failure of the Owner to perform or observe any covenant, condition or agreement shall not constitute an Indenture Event of Default if such failure arises by reason of an event referred to in the definition of “Event of Loss” so long as the Lessee is continuing to comply with all of the terms of Section 9 of the Lease.

Section 4.02. Remedies. (a) If an Indenture Event of Default shall have occurred and be continuing and so long as the same shall continue unremedied, then and in every such case the Loan Trustee may, and upon the written instructions of a Majority in Interest of Noteholders, the Loan Trustee shall, do one or more of the following to the extent permitted by, and subject to compliance with the requirements of, applicable law then in effect:

(i) declare by written notice to the Owner all the Equipment Notes to be due and payable, whereupon the aggregate unpaid principal amount of all Equipment Notes then outstanding, together with accrued but unpaid interest thereon and all other amounts due thereunder (but for the avoidance of doubt, without Make-Whole Amount), shall immediately become due and payable without presentment, demand, protest or other notice, all of which are hereby waived; provided that if an Indenture Event of Default referred to in Section 4.01(f), Section 4.01(g), Section 4.01(h), Section 4.01(i) or a Lease Event of Default under Section 13(g), (h), (i), (j) or (k) of the Lease shall have occurred and be continuing, then and in every such case the unpaid principal amount of the Equipment Notes then outstanding, together with accrued but unpaid interest thereon and all other amounts due thereunder (but for the avoidance of doubt, without Make-Whole Amount), shall immediately and without further act become due and payable without presentment, demand, protest or notice, all of which are hereby waived; and, following such declaration or deemed declaration:

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(ii) (A) cause the Owner, upon the written demand of the Loan Trustee, at the Owner's expense, to deliver promptly, and the Owner shall deliver promptly, all or such part of the Airframe or any Engine as the Loan Trustee may so demand to the Loan Trustee or its order, or, if the Owner shall have failed to so deliver the Airframe or any Engine after such demand, the Loan Trustee, at its option, may enter upon the premises where all or any part of the Airframe or any Engine are located and take immediate possession of and remove the same together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; provided that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held at the expense of the Owner for the account of any such owner, lessor, lienor, secured party; (B) sell all or any part of the Airframe and any Engine at public or private sale, whether or not the Loan Trustee shall at the time have possession thereof, as the Loan Trustee may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of the Airframe or such Engine as the Loan Trustee, in its sole discretion, determines, all free and clear of any rights or claims of the Owner and LATAM, and the proceeds of such sale or disposition shall be applied as set forth in Section 3.03; (C) exercise any and all of the remedies pursuant to Section 14 of the Lease and pursuant to any Permitted Sublease then in effect, or (D) exercise any other remedy of a secured party under the Uniform Commercial Code of the State of New York (whether or not in effect in the jurisdiction in which enforcement is sought) [provided that, notwithstanding anything to the contrary set forth herein or in any other Financing Agreement, (i) as permitted by Article 15 of the Cape Town Convention, the provisions of Chapter III of the Cape Town Convention are hereby excluded and made inapplicable to this Indenture and the other Financing Agreements, except for those provisions of such Chapter III that cannot be derogated from; and (ii) as permitted by Article IV(3) of the Aircraft Protocol, the provisions of Chapter II of the Aircraft Protocol are hereby excluded and made inapplicable to this Indenture and the other Financing Agreements, except for (x) Article XVI of the Aircraft Protocol and (y) those provisions of such Chapter II that cannot be derogated from.]¹⁶ In furtherance of the foregoing, the parties hereto agree that the exercise of remedies hereunder and the Aircraft Security Documents is subject to other applicable law, including without limitation, the NY UCC and applicable bankruptcy and insolvency laws, and that nothing herein derogates from the rights of the Owner or the Loan Trustee under or pursuant to such other applicable law, including without limitation, the NY UCC or applicable bankruptcy and insolvency laws.

Upon every such taking of possession of Collateral under this Section 4.02, the Loan Trustee may, from time to time, at the expense of the Collateral, make all such expenditures for maintenance, insurance, repairs, alterations, additions and improvements to and of the Collateral as it deems necessary to cause the Collateral to be in such condition as required by the provisions of this Indenture and any Aircraft Security Document. In each such case, the Loan Trustee may maintain, use, operate, store, insure, lease, control, manage or dispose of the Collateral and may exercise all rights and powers of the Owner relating to the Collateral as the Loan Trustee reasonably deems best, including the right to enter into any and all such agreements with respect to the maintenance, use, operation, storage, insurance, leasing, control, management or disposition of the Collateral or any part thereof as the Loan Trustee may reasonably determine; and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents, revenues, issues, income, products and profits of the Collateral and every part thereof, without prejudice, however, to the rights of the Loan Trustee under any provision of this Indenture to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. Such tolls, rents, revenues, issues, income, products and profits shall be applied to pay the expenses of the use, operation, storage, insurance, leasing, control, management or disposition of the Collateral, and of all maintenance, repairs, replacements, alterations, additions and improvements, and to make all payments that the Loan Trustee is required or elects to make, if any, for Taxes, insurance or other proper charges assessed against or otherwise imposed upon the Collateral or any part thereof, and all other payments which the Loan Trustee is required or expressly authorized to make under any provision of this Indenture, as well as just and reasonable compensation for the services of the Loan Trustee, and shall otherwise be applied in accordance with Article III.

¹⁶ Include only for Brazilian aircraft.

If an Indenture Event of Default shall have occurred and be continuing and the Equipment Notes shall either have been accelerated pursuant to this Section 4.02 or have become due at maturity and the Loan Trustee shall be entitled to exercise rights hereunder, at the request of the Loan Trustee, the Owner shall promptly execute and deliver to the Loan Trustee such instruments of title and other documents as the Loan Trustee reasonably deems necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Collateral to which the Loan Trustee shall at the time be entitled hereunder. If the Owner shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee may seek a judgment conferring on the Loan Trustee the right to immediate possession and requiring the Owner to execute and deliver such instruments and documents to the Loan Trustee, to the entry of which judgment the Owner hereby specifically consents to the fullest extent it may lawfully do so. All actual and reasonable expenses of obtaining such judgment or of pursuing, searching for and taking such property shall, until paid, be secured by the Lien of this Indenture.

(b) The Loan Trustee shall give the Owner at least 30 days' prior written notice of any public sale or of the date on or after which any private sale will be held, which notice the Owner hereby agrees to the extent permitted by applicable law is reasonable notice. Any Noteholder or Noteholders shall be entitled to bid for and become the purchaser of any Collateral offered for sale pursuant to this Section 4.02 and to credit against the purchase price bid at such sale by such Noteholders all or any part of the unpaid amounts owing to such Noteholders under the Financing Agreements and secured by the Lien of this Indenture (but only to the extent that such purchase price would have been paid to such Noteholders pursuant to Article III if such purchase price were paid in cash and the foregoing provision of this Section 4.02(b) were not given effect). The Loan Trustee may exercise such right without possession or production of the Equipment Notes or proof of ownership thereof, and as a representative of the Noteholders may exercise such right without notice to the Noteholders as party to any suit or proceeding relating to the foreclosure of any Collateral. The Owner shall also be entitled to bid for and become the purchaser of any Collateral offered for sale pursuant to this Section 4.02.

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(c) To the extent permitted by applicable law, the Owner irrevocably appoints, while an Indenture Event of Default has occurred and is continuing, the Loan Trustee the true and lawful attorney-in-fact of the Owner (which appointment is coupled with an interest) in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or delivery for the enforcement of the Lien of this Indenture, whether pursuant to foreclosure or power of sale, or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as may be necessary or appropriate, with full power of substitution, the Owner hereby ratifying and confirming all that such attorney or any substitute shall do by virtue hereof in accordance with applicable law; provided that if so requested by the Loan Trustee or any purchaser, the Owner shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may reasonably be designated in any such request.

(d) At any time after the Loan Trustee has declared the unpaid principal amount of all Equipment Notes then outstanding to be due and payable, or all Equipment Notes shall have become due and payable as provided in the proviso to Section 4.02(a)(i), and, in either case, prior to the sale of any part of the Collateral pursuant to this Article IV, a Majority in Interest of Noteholders, by written notice to the Owner and the Loan Trustee, may rescind and annul such declaration, whether made by the Loan Trustee on its own accord or as directed or deemed declaration, and its consequences if: (i) there has been paid to or deposited with the Loan Trustee an amount sufficient to pay all overdue installments of principal amount of, and interest on, the Equipment Notes, and all other amounts owing under the Financing Agreements, that have become due otherwise than by such declaration of acceleration and (ii) all other Events of Default, other than nonpayment of principal amount or interest on the Equipment Notes that have become due solely because of such acceleration, have been either cured or waived; provided that no such rescission or annulment shall extend to or affect any subsequent default or Indenture Event of Default or impair any right consequent thereon.

(e) Notwithstanding anything contained herein, (i) so long as the Pass Through Trustee under any Pass Through Trust Agreement or the Subordination Agent on its behalf is a Noteholder, the Loan Trustee will not be authorized or empowered to acquire title to any Collateral or take any action with respect to any Collateral so acquired by it if such acquisition or action would cause any Pass Through Trust to fail to qualify as a “grantor trust” for U.S. federal income tax purposes, and (ii) the Loan Trustee will not take any action that would violate Section 4.01(a)(ii) or Section 4.01(a)(iii) of the Intercreditor Agreement.

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Section 4.03. Remedies Cumulative. To the extent permitted under applicable law, each and every right, power and remedy specifically given to the Loan Trustee herein or otherwise in this Indenture shall be cumulative and shall be in addition to every other right, power and remedy specifically given herein or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically given herein or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in the pursuance of any remedy shall, to the extent permitted by applicable law, impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Owner or to be an acquiescence therein.

Section 4.04. Discontinuance of Proceedings. In case the Loan Trustee shall have instituted any proceedings to enforce any right, power or remedy under this Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Loan Trustee, then and in every such case the Owner and the Loan Trustee shall, subject to any determination in such proceedings, be restored to their former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Loan Trustee shall continue as if no such proceedings had been undertaken (but otherwise without prejudice).

Section 4.05. Waiver of Past Defaults. Upon written instruction from a Majority in Interest of Noteholders, the Loan Trustee shall waive any past default hereunder and its consequences, and upon any such waiver such default shall cease to exist and any Indenture Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture and the other Financing Agreements, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon; provided that in the absence of written instructions from each of the affected Noteholders, the Loan Trustee shall not waive any default (i) in the payment of the principal amount, Make-Whole Amount, if any, or interest due under any Equipment Note then outstanding (other than with the consent of the holder thereof), or (ii) in respect of a covenant or provision hereof which, under Article IX, cannot be modified or amended without the consent of each such affected Noteholder.

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Section 4.06. Noteholders May Not Bring Suit Except Under Certain Conditions. A Noteholder of any Series shall not have the right to institute any suit, action or proceeding at law or in equity or otherwise with respect to this Indenture for the appointment of a receiver or for the enforcement of any other remedy under this Indenture, unless:

- (1) such Noteholder previously shall have given written notice to the Loan Trustee of a continuing Indenture Event of Default;
- (2) a Majority in Interest of Noteholders shall have requested the Loan Trustee in writing to institute such action, suit or proceeding and shall have offered to the Loan Trustee indemnity as provided in Section 5.03;
- (3) the Loan Trustee shall have refused or neglected to institute any such action, suit or proceeding for 60 days after receipt of such notice, request and offer of indemnity; and
- (4) no direction inconsistent with such written request shall have been given to the Loan Trustee during such 60-day period by a Majority in Interest of Noteholders.

Except to the extent provided in the Intercreditor Agreement or in any Indenture Supplement, it is understood and intended that no one or more of the Noteholders of any Series shall have any right in any manner whatsoever hereunder or under the Indenture Supplement or under the Equipment Notes of such Series to (i) surrender, impair, waive, affect, disturb or prejudice any Collateral, or the Lien of the Indenture on any Collateral, or the rights of the Noteholders of such Series, (ii) obtain or seek to obtain priority over or preference with respect to any other such Noteholder of such Series or (iii) enforce any right under this Indenture, except in the manner provided in this Indenture and for the equal, ratable and common benefit of all the Noteholders of such Series subject to the provisions of this Indenture.

Section 4.07. Appointment of a Receiver. To the extent permitted by applicable law, if an Indenture Event of Default shall have occurred and be continuing, and the Equipment Notes either shall have been accelerated pursuant to Section 4.02 or have become due at maturity, the Loan Trustee shall, as a matter of right, be entitled to the appointment of a receiver (who may be the Loan Trustee or any successor or nominee thereof) for all or any part of the Collateral, whether such receivership be incidental to a proposed sale of the Collateral or the taking of possession thereof or otherwise, and, to the extent permitted by applicable law, the Owner hereby consents to the appointment of such a receiver and will not oppose any such appointment. Any receiver appointed for all or any part of the Collateral shall be entitled to exercise all the rights and powers of the Loan Trustee with respect to the Collateral.

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ARTICLE V

DUTIES OF THE LOAN TRUSTEE

Section 5.01. Notice of Indenture Event of Default. If the Loan Trustee shall have knowledge of an Indenture Event of Default or of a default arising from a failure by the Owner to pay when due any payment of principal amount, interest, or Make-Whole Amount, if any, due and payable under any Equipment Note, the Loan Trustee shall promptly give notice thereof to the Owner, each Liquidity Provider and each Noteholder by telegram, cable, facsimile or telephone (to be promptly confirmed in writing). Subject to the terms of Section 4.02, Section 4.05, Section 5.02 and Section 5.03, the Loan Trustee shall take such action, or refrain from taking such action, with respect to such default or Indenture Event of Default (including with respect to the exercise of any rights or remedies hereunder) as the Loan Trustee shall be instructed in writing by a Majority in Interest of Noteholders. Subject to the provisions of Section 5.03, if the Loan Trustee shall not have received instructions as above provided within 20 Business Days after giving notice of such default or Indenture Event of Default to the Noteholders, the Loan Trustee may, subject to instructions thereafter received pursuant to the preceding provisions of this Section 5.01, take such action, or refrain from taking such action with respect to such default or Indenture Event of Default as it shall reasonably determine to be advisable and in the best interests of the Noteholders, but shall be under no duty to take or refrain from taking any action. The Loan Trustee shall use the same degree of care and skill in connection therewith as a prudent person would use under the circumstances in the conduct of his or her own affairs. The Loan Trustee may not sell the Airframe or any Engine without the consent of a Majority in Interest of Noteholders.

For all purposes of this Indenture, in the absence of actual knowledge, the Loan Trustee shall not be deemed to have knowledge of a default or an Indenture Event of Default unless notified in writing by the Owner or one or more Noteholders; and “actual knowledge” (as used in the foregoing clause) of the Loan Trustee shall mean actual knowledge of an officer in the Corporate Trust Office of the Loan Trustee; provided that the Loan Trustee shall be deemed to have actual knowledge of (i) the failure of the Owner to pay any principal amount of, or interest on, the Equipment Notes directly to the Loan Trustee when the same shall become due or (ii) the failure of Lessee to maintain insurance as required under Section 10 of the Lease if the Loan Trustee receives written notice thereof from an insurer or insurance broker.

Section 5.02. Action upon Instructions; Certain Rights and Limitations. Subject to the terms of Article IV and this Article V, upon the written instructions at any time of a Majority in Interest of Noteholders, the Loan Trustee shall promptly (i) give such notice, direction, consent, waiver or approval or exercise such right, remedy or power hereunder in respect of all or any part of the Collateral or (ii) take such other action permitted hereunder, in each case, as is specified in such instructions.

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The Loan Trustee will cooperate with the Owner in connection with the recording, filing, re-recording and refiling of the Indenture and any supplements to it and any financing statements or other documents as are necessary to maintain the perfection hereof or otherwise protect the security interests created hereby. The Loan Trustee shall furnish to the Owner upon request such information and copies of such documents as the Loan Trustee may have and as are necessary for the Owner to perform its duties under Article II hereof.

Section 5.03. Indemnification. The Loan Trustee shall not be required to take any action or refrain from taking any action under Section 5.01 (other than the first sentence thereof) or Section 5.02 or Article IV unless it shall have received indemnification against any risks incurred in connection therewith in form and substance reasonably satisfactory to it, including, without limitation, adequate advances against costs that may be actually incurred by it in connection therewith. The Loan Trustee shall not be required to take any action under Section 5.01 (other than the first sentence thereof) or Section 5.02 or Article IV, nor shall any other provision of any Financing Agreement be deemed to impose a duty on the Loan Trustee to take any action, if the Loan Trustee shall have been advised by outside counsel that such action is contrary to the terms hereof or is otherwise contrary to law.

Section 5.04. No Duties Except as Specified in Indenture or Instructions. The Loan Trustee shall not have any duty or obligation to manage, control, lease, use, sell, operate, store, dispose of or otherwise deal with the Aircraft or any other part of the Collateral, or to otherwise take or refrain from taking any action under, or in connection with, this Indenture, except as expressly provided by the terms of this Indenture or the Participation Agreement or as expressly provided in written instructions received pursuant to the terms of Section 5.01 or Section 5.02; and no implied duties or obligations shall be read into this Indenture against the Loan Trustee.

Section 5.05. No Action Except under Indenture or Instructions. The Loan Trustee agrees that it will not manage, control, use, sell, lease, operate, store, dispose of or otherwise deal with the Aircraft or any other part of the Collateral except in accordance with the powers granted to, or the authority conferred upon, the Loan Trustee pursuant to this Indenture and in accordance with the express terms hereof.

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Section 5.06. Investment of Amounts Held by the Loan Trustee. Any monies (including for the purpose of this Section 5.06 any amounts held by the Loan Trustee pursuant to Section 3.02, Section 3.03 or Section 3.07 or pursuant to any provision of any other Financing Agreement providing for amounts to be held by the Loan Trustee which are not distributed pursuant to the other provisions of Article III, or any cash received by the Loan Trustee pursuant to Section 10 of the Lease or otherwise, or Permitted Investments purchased by the use of such cash pursuant to this Section 5.06 or any cash constituting the proceeds of the maturity, sale or other disposition of any such Permitted Investments) held by the Loan Trustee hereunder as part of the Collateral, until paid out by the Loan Trustee as herein provided, (i) subject to clause (ii) below and Section 3.07, may be carried by the Loan Trustee on deposit with itself or on deposit to its account with any bank, trust company or national banking association incorporated or doing business under the laws of the United States or one of the states thereof having combined capital and surplus and retained earnings of at least \$100,000,000, and the Loan Trustee shall not have any liability for interest upon any such monies except as otherwise agreed in writing with the Owner, or (ii) at any time and from time to time, so long as no Indenture Event of Default shall have occurred and be continuing, at the request of the Owner, shall be invested and reinvested in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest or its equivalent, as are set forth in such request, and, as provided in Section 3.07, such Permitted Investments shall be held by the Loan Trustee in trust as part of the Collateral until so sold; provided that the Owner shall upon demand pay to the Loan Trustee the amount of any loss realized upon maturity, sale or other disposition of any such Permitted Investment and, so long as no Indenture Event of Default or Payment Default shall have occurred and be continuing, the Owner shall be entitled to receive from the Loan Trustee, and the Loan Trustee shall promptly pay to the Owner, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment. All Permitted Investments held by the Loan Trustee pursuant to this Section 5.06 shall be held pursuant to Section 3.07. If an Indenture Event of Default or Payment Default shall have occurred and be continuing, any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment shall be held as part of the Collateral and shall be applied by the Loan Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof pursuant to which such amounts were required to be held. Subject to Section 3.03, at such time as there shall not be continuing any such Indenture Event of Default or Payment Default, such income, profit, interest, dividend or gain shall be paid to the Owner. In addition, subject to Section 3.03, if any moneys or investments are held by the Loan Trustee solely because an Indenture Event of Default or Payment Default has occurred and is continuing, at such time as there shall not be continuing any such Indenture Event of Default or Payment Default, such moneys and investments shall be paid to the Owner. The Loan Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Section 5.06 other than by reason of its willful misconduct or negligence.

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ARTICLE VI

THE LOAN TRUSTEE

Section 6.01. Acceptance of Trusts and Duties. WTC accepts the trusts and duties created hereby and by the other Aircraft Security Documents and applicable to it and agrees to perform such duties, but only upon the terms of this Indenture or the other Aircraft Security Documents, as the case may be, and agrees to receive, handle and disburse all monies received by it as Loan Trustee constituting part of the Collateral in accordance with the terms hereof. WTC shall have no liability hereunder except (a) for its own willful misconduct or negligence, (b) as provided in the fourth sentence of Section 2.03 and the last sentence of Section 5.06, (c) for liabilities that may result from the inaccuracy of any representation or warranty of WTC in the Participation Agreement or expressly made hereunder and (d) as otherwise expressly provided in the Financing Agreements.

For the avoidance of doubt, the Loan Trustee shall also be accountable in its capacity as Securities Intermediary with respect to the Security Account, as set forth in Section 3.07.

Section 6.02. Absence of Certain Duties. Except in accordance with written instructions furnished pursuant to Section 5.01, Section 5.02 or Section 6.06, and except as provided in, and without limiting the generality of, Section 5.02, Section 5.03 and Section 5.04, the Loan Trustee shall have no duty (a) to see to any registration of the Aircraft or any recording or filing of this Indenture or any other document, or to see to the maintenance of any such registration, recording or filing, (b) to see to any insurance on the Aircraft or to effect or maintain any such insurance, whether or not the Owner shall be in default with respect thereto, (c) to confirm, verify or inquire into the failure to receive any financial statements of the Owner or (d) to inspect the Aircraft at any time or ascertain or inquire as to the performance or observance of any of the Owner's covenants hereunder with respect to the Aircraft.

Section 6.03. No Representations or Warranties as to the Documents. Except as provided in Article V of the Participation Agreement, the Loan Trustee shall not be deemed to have made any representation or warranty as to the validity, legality, enforceability or sufficiency of any Financing Agreement or any other document or instrument, or as to the correctness of any statement (other than a statement by the Loan Trustee) contained herein or therein, except that the Loan Trustee hereby represents and warrants that each of said specified documents to which it is a party has been or will be duly executed and delivered by one of its officers who is and will be duly authorized to execute and deliver such document on its behalf.

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Section 6.04. No Segregation of Monies; No Interest. Subject to Section 5.06 and except as provided in Section 3.07, all moneys received by the Loan Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law, and neither the Loan Trustee nor any agent of the Loan Trustee shall be under any liability for interest on any moneys received by it hereunder; provided that any payments received, or applied hereunder, by the Loan Trustee shall be accounted for by the Loan Trustee so that any portion thereof paid or applied pursuant hereto shall be identifiable as to the source thereof.

Section 6.05. Reliance; Agents; Advice of Counsel. The Loan Trustee shall not incur any liability to anyone in acting upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it to be genuine and reasonably believed by it to be signed by the proper party or parties. The Loan Trustee may accept a copy of a resolution of the Board of Directors of any party to the Participation Agreement, certified by the Secretary or an Assistant Secretary of such party as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically described herein, the Loan Trustee may for all purposes hereof rely on a certificate, signed by a duly authorized officer of the Owner, as to such fact or matter, and such certificate shall constitute full protection to the Loan Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon. In the administration of the trusts hereunder, the Loan Trustee may (a) execute any of the trusts or powers hereof and perform its powers and duties hereunder directly or through agents (including paying agents or registrars) or attorneys, and (b) at the expense of the Collateral, consult with counsel, accountants and other skilled Persons to be selected and retained by it; provided that, prior to retaining agents (including paying agents or registrars), counsel, accountants or other skilled Persons, so long as no Indenture Event of Default exists, the Loan Trustee shall obtain the Owner's consent (such consent not to be unreasonably withheld). The Loan Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled Persons acting within such counsel's, accountants' or Person's area of competence (so long as the Loan Trustee shall have exercised reasonable care and judgment in selecting such Persons).

Section 6.06. Instructions from Noteholders. In the administration of the trusts created hereunder, the Loan Trustee shall have the right to seek instructions from a Majority in Interest of Noteholders should any provision of this Indenture appear to conflict with any other provision herein or any other Financing Agreement or Pass Through Document or should the Loan Trustee's duties or obligations hereunder be unclear, and the Loan Trustee shall incur no liability in refraining from acting until it receives such instructions. The Loan Trustee shall be fully protected for acting in accordance with any instructions received under this Section 6.06.

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ARTICLE VII

OPERATING COVENANTS OF THE OWNER

Section 7.01. Liens. The Owner shall not directly or indirectly create, incur, assume or suffer to exist any Lien or with respect to the Airframe or any Engine, title to any of the foregoing or any interest of the Owner therein, except for Permitted Liens not attributable to the Owner (a “Permitted Owner Lien”). The Owner shall promptly, at its own expense, take such action as may be necessary to duly discharge (by bonding or otherwise) any Lien other than a Permitted Owner Lien arising at any time.

Section 7.02. Merger of Owner. Owner shall not consolidate with or merge into any other Person.

Section 7.03. Possession, Operation and Use

(a) Possession. Except pursuant to the Lease, the Owner shall not, without the prior written consent of the Loan Trustee, lease or otherwise in any manner deliver, transfer or relinquish possession of the Aircraft, the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe.

(b) Identification of Loan Trustee’s Interest. If not prevented by applicable law or regulations or by any government, the Owner agrees to cause Lessee to affix as promptly as practicable after the Closing Date and thereafter to maintain in the cockpit of the Aircraft, in a clearly visible location, and on each Engine, a nameplate bearing the inscription “THIS [AIRFRAME/ENGINE] IS OWNED BY [[PARINA LEASING LIMITED] [CUCLILLO LEASING LIMITED] [RAYADOR LEASING LIMITED] [CANASTERO LEASING LIMITED]¹⁷], LEASED TO LATAM AIRLINES GROUP S.A., AND SUBJECT TO A MORTGAGE IN FAVOR OF WILMINGTON TRUST COMPANY AS LOAN TRUSTEE ACTING ON BEHALF OF CERTAIN SECURED PARTIES.” (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Loan Trustee). Such placards may be removed temporarily, if necessary, in the course of maintenance of the Airframe or Engines. If any such nameplate is damaged beyond repair or becomes illegible, the Owner shall promptly replace it with a nameplate complying with the requirements of this Section.

¹⁷ Insert relevant Lessor.

ARTICLE VIII

SUCCESSOR AND ADDITIONAL TRUSTEES

Section 8.01. Resignation or Removal; Appointment of Successor. (a) The resignation or removal of the Loan Trustee and the appointment of a successor Loan Trustee shall become effective only upon the successor Loan Trustee's acceptance of appointment as provided in this Section 8.01. The Loan Trustee or any successor thereto must resign if at any time it ceases to be eligible in accordance with the provisions of Section 8.01(c) and may resign at any time without cause by giving at least 60 days' prior written notice to the Owner and each Noteholder. In addition, either the Owner (so long as no Indenture Event of Default or Payment Default shall have occurred and be continuing) or a Majority in Interest of Noteholders (but only with the consent of the Owner so long as no Indenture Event of Default or Payment Default shall have occurred and be continuing), may at any time remove the Loan Trustee without cause by an instrument in writing delivered to the Loan Trustee and each Noteholder, and, in case of a removal by a Majority in Interest of Noteholders, to the Owner. In the case of the resignation or removal of the Loan Trustee, the Owner shall promptly appoint a successor Loan Trustee. If a successor Loan Trustee shall not have been appointed within 60 days after such notice of resignation or removal, the Loan Trustee, the Owner or any Noteholder may apply to any court of competent jurisdiction to appoint a successor Loan Trustee to act until such time, if any, as a successor shall have been appointed as above provided. The successor Loan Trustee so appointed by such court shall immediately and without further act be superseded by any successor Loan Trustee appointed as above provided.

(b) Any successor Loan Trustee, however appointed, shall execute and deliver to the predecessor Loan Trustee and the Owner an instrument accepting such appointment and assuming the obligations of the Loan Trustee arising from and after the time of such appointment, and thereupon such successor Loan Trustee, without further act, shall become vested with all the estates, properties, rights, powers and duties of the predecessor Loan Trustee hereunder in the trust hereunder applicable to it with like effect as if originally named the Loan Trustee herein; but nevertheless upon the written request of such successor Loan Trustee, such predecessor Loan Trustee shall execute and deliver an instrument transferring to such successor Loan Trustee all the estates, properties, rights and powers of such predecessor Loan Trustee, and such predecessor Loan Trustee shall duly assign, transfer, deliver and pay over to such successor Loan Trustee all monies or other property and all other books and records, or true, correct and complete copies thereof, then held by such predecessor Loan Trustee hereunder.

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(c) This Indenture shall at all times have a Loan Trustee, however appointed, that is a bank or trust company having a combined capital and surplus of at least \$100,000,000 (or a combined capital and surplus in excess of \$5,000,000 and the obligations of which, whether now in existence or hereafter incurred, are fully and unconditionally guaranteed by a corporation organized and doing business under the laws of the United States or any state or territory thereof or the District of Columbia and having a combined capital and surplus of at least \$100,000,000) or a corporation with a net worth of at least \$100,000,000, if there be such an institution willing, able and legally qualified to perform the duties of the Loan Trustee hereunder upon reasonable or customary terms. If such bank, trust company or corporation publishes reports of conditions at least annually, pursuant to law or to the requirements of federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 8.01(c) the combined capital and surplus of such bank, trust company or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published. In case at any time the Loan Trustee shall cease to be eligible in accordance with the provisions of this Section 8.01(c), the Loan Trustee shall resign immediately in the manner and with the effect specified in Section 8.01(a).

(d) Any corporation, bank, trust company or other financial institution into which the Loan Trustee may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or other financial institution resulting from any merger, conversion or consolidation to which the Loan Trustee shall be a party, or any corporation, bank, trust company or other financial institution to which substantially all the corporate trust business of the Loan Trustee may be transferred, shall, subject to the terms of Section 8.01(c), be a successor Loan Trustee under this Indenture without further act.

Section 8.02. Appointment of Additional and Separate Trustees. (a) Whenever (i) the Loan Trustee shall deem it necessary or desirable in order to conform to any law of any jurisdiction in which all or any part of the Collateral shall be situated or to make any claim or bring any suit with respect to or in connection with the Collateral, any Financing Agreement or any of the transactions contemplated by the Financing Agreements, (ii) the Loan Trustee shall be advised by counsel satisfactory to it that it is necessary or prudent in the interests of the Noteholders (and the Loan Trustee shall so advise the Owner) or (iii) the Loan Trustee shall have been requested to do so by a Majority in Interest of Noteholders, then in any such case, the Loan Trustee and, upon the written request of the Loan Trustee, the Owner, shall execute and deliver an indenture supplemental hereto and such other instruments as may from time to time be necessary or advisable either (1) to constitute one or more banks or trust companies or corporations meeting the requirements of Section 8.01(c) and approved by the Loan Trustee, either to act jointly with the Loan Trustee as additional trustee or trustees of all or any part of the Collateral or to act as separate trustee or trustees of all or any part of the Collateral, in each case with such rights, powers, duties and obligations consistent with this Indenture as may be provided in such supplemental indenture or other instruments as the Loan Trustee or a Majority in Interest of Noteholders may deem necessary or advisable, or (2) to clarify, add to or subtract from the rights, powers, duties and obligations theretofore granted any such additional or separate trustee, subject in each case to the remaining provisions of this Section 8.02. If no Indenture Event of Default has occurred and is continuing, no additional or supplemental trustee shall be appointed without the Owner's consent. If the Owner shall not have taken any action requested of it under this Section 8.02(a) that is required by its terms within 15 days of a written request from the Loan Trustee to do so, or if an Indenture Event of Default shall have occurred and be continuing, the Loan Trustee may act under the foregoing provisions of this Section 8.02(a) without the concurrence of the Owner, and, to the extent permitted by applicable law, the Owner hereby irrevocably appoints (which appointment is coupled with an interest) the Loan Trustee as its agent and attorney-in-fact to act for it under the foregoing provisions of this Section 8.02(a). The Loan Trustee may, in such capacity, execute, deliver and perform any such supplemental indenture, or any such instrument, as may be required for the appointment of any such additional or separate trustee or for the clarification of, addition to or subtraction from the rights, powers, duties or obligations theretofore granted to any such additional or separate trustee, subject in each case to the remaining provisions of this Section 8.02. In case any additional or separate trustee appointed under this Section 8.02(a) shall become incapable of acting, resign or be removed, all the assets, property, rights, powers, trusts, duties and obligations of such additional or separate trustee shall revert to the Loan Trustee until a successor additional or separate trustee is appointed as provided in this Section 8.02(a).

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(b) No additional or separate trustee shall be entitled to exercise any of the rights, powers, duties and obligations conferred upon the Loan Trustee in respect of the custody, investment and payment of monies and all monies received by any such additional or separate trustee from or constituting part of the Collateral or otherwise payable under any Financing Agreements to the Loan Trustee shall be promptly paid over by it to the Loan Trustee. All other rights, powers, duties and obligations conferred or imposed upon any additional or separate trustee shall be exercised or performed by the Loan Trustee and such additional or separate trustee jointly except to the extent that applicable law of any jurisdiction in which any particular act is to be performed renders the Loan Trustee incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations (including the holding of title to all or part of the Collateral in any such jurisdiction) shall be exercised and performed by such additional or separate trustee. No additional or separate trustee shall take any discretionary action except on the instructions of the Loan Trustee or a Majority in Interest of Noteholders. No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, except that the Loan Trustee shall be liable for the consequences of its lack of reasonable care in selecting, and the Loan Trustee's own actions in acting with, any additional or separate trustee. Each additional or separate trustee appointed pursuant to this Section 8.02 shall be subject to, and shall have the benefit of Article IV, Article V, Article VI, Article VIII, Article IX and Article X hereof insofar as they apply to the Loan Trustee. The powers of any additional or separate trustee appointed pursuant to this Section 8.02 shall not in any case exceed those of the Loan Trustee hereunder.

(c) If at any time the Loan Trustee shall deem it no longer necessary or desirable for an additional or separate trustee to be appointed hereunder or in the event that the Loan Trustee shall have been requested to do so in writing by a Majority in Interest of Noteholders, the Loan Trustee and, upon the written request of the Loan Trustee, the Owner, shall execute and deliver an indenture supplemental hereto and all other instruments and agreements necessary or advisable to remove any additional or separate trustee. The Loan Trustee may act on behalf of the Owner under this Section 8.02(c) when and to the extent it could so act under Section 8.02(a) hereof. In any case, the Owner may remove an additional or separate trustee in the manner set forth in Section 8.01.

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ARTICLE IX

AMENDMENTS AND WAIVERS

Section 9.01. Instructions of Majority; Limitations

(a) The Owner agrees it shall not enter into any amendment of or supplement to the Lease or any other Financing Agreement or execute and deliver any written waiver or modification of, or consent under, the terms of the Lease or any other Financing Agreement unless such supplement, amendment, waiver, modification or consent is consented to in writing by the Loan Trustee and, except as otherwise provided in Section 9.01(c), a Majority in Interest of Noteholders.

(b) Subject to (c) below, the Loan Trustee agrees with the Noteholders that it shall not enter into any amendment, waiver or modification of, supplement or consent to this Indenture, or any other Financing Agreement to which it is a party, unless such supplement, amendment, waiver, modification or consent is consented to in writing by a Majority in Interest of Noteholders, but upon the written request of a Majority in Interest of Noteholders, the Loan Trustee shall from time to time enter into any such supplement or amendment, or execute and deliver any such waiver, modification or consent, as may be specified in such request and as may be (in the case of any such amendment, supplement or modification), to the extent such agreement is required, agreed to by the Owner and, as may be appropriate, the Lessee, the Manufacturer or the Engine Manufacturer; provided, however, that, without the consent of each holder of an affected Equipment Note then outstanding and the Liquidity Providers, no such amendment, waiver or modification of the terms of, or consent under, any thereof, shall (i) modify any of the provisions of this Section 9.01, or of Article II or III or Section 4.01, 4.02 or 5.02 hereof, Section 3(a), (b) or (c), 5(a) or (b), 7(a), 9(a) or (b) or 10(c) of the Lease, Section 9 of the Note Purchase Agreement, the definitions of "Indenture Event of Default," "Indenture Default," "Lease Event of Default," "Lease Default," "Majority in Interest of Noteholders," "Make-Whole Amount" or "Noteholder," or the percentage of Noteholders required to take or approve any action hereunder, (ii) reduce the amount, or change the time of payment or method of calculation of any amount, of principal amount of any Equipment Note, Make-Whole Amount, if any, or interest with respect to any Equipment Note (including in respect of any such amounts payable by the Lessee pursuant to the Lease in connection with the termination of the Lease), or alter or modify the provisions of Article III hereof with respect to the order of priorities in which distribution thereunder shall be made as among the Noteholders, the Owner and Lessee, (iii) reduce, modify or amend any indemnities in favor of the Loan Trustee or the Noteholders (except that the Loan Trustee may consent to any waiver or reduction of an indemnity payable to it), or the other Indenture Indemnitees, (iv) consent to any change in the Indenture or the Lease which would permit redemption of Equipment Notes earlier than permitted under Section 2.10 or 2.11 hereof or the purchase of the Equipment Notes by the Owner, (v) reduce the amount or extend the time of payment of any amount payable under Sections 9(a) or 5(a) and (b) of the Lease or Rent or other amount payable by the Lessee pursuant to Section 3(a), (b) or (c), 5(a) or (b), 7(a), 9(a) or (b) or 10(c) of the Lease, in each case as set forth in the Lease, or modify, amend or supplement the Lease or consent to any assignment of the Lease, in either case releasing Lessee from its obligations in respect of the payment of any amount payable under Sections 3(e), 9(a) or 5(a) and (b) of the Lease or Rent or other amount payable by the Lessee pursuant to Section 3(a), (b) or (c), 5(a) or (b), 7(a), 9(a) or (b) or 10(c) of the Lease, in each case as set forth in the Lease, or altering the absolute and unconditional character of the obligations of Lessee to pay Rent as set forth in Section 3 and Section 11 of the Lease, or (vi) permit the creation of any Lien on the Collateral or any part thereof other than Permitted Liens or deprive any Noteholder of the benefit of the Lien of this Indenture or any Aircraft Security Document on the Collateral, as the case may be, except as provided in connection with the exercise of remedies under Article IV hereof; provided, further, that without the consent of each holder of an affected Related Equipment Note then outstanding, no such amendment, waiver or modification of terms of, or consent under, any thereof shall modify Section 3.03 or deprive any Related Note Holder of the benefit of the Lien of this Indenture or any Aircraft Security Document on the Collateral, as the case may be, except as provided in connection with the exercise of remedies under Article IV hereof. Notwithstanding the foregoing, without the consent of the affected Liquidity Provider neither the Owner nor the Loan Trustee shall enter into any amendment, waiver or modification of, supplement or consent to this Indenture or the other Financing Agreements which shall reduce, modify or amend any indemnities in favor of such Liquidity Provider.

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(c) At any time after the date hereof, the Owner and the Loan Trustee may enter into one or more agreements supplemental hereto and to amend the Equipment Notes or any other Financing Agreement without the consent of any Noteholder for any of the following purposes: (i) to evidence the succession of another Person to the Lessee and the assumption by any such successor of the covenants of the Lessee contained in any Operative Documents pursuant to Section 6.02(e) of the Participation Agreement; (ii) (a) to cure any defect or inconsistency herein, in any Financing Agreement or in the Equipment Notes, or to make any change not inconsistent with the provisions hereof (provided that such change does not adversely affect the interests of any Noteholder in its capacity solely as Noteholder, or (b) to cure any ambiguity or correct any mistake; (iii) to evidence the succession of another party as the Owner or Loan Trustee in accordance with the terms hereof or to evidence the succession of a new trustee or securities intermediary hereunder pursuant hereto, the removal of the trustee or securities intermediary hereunder or to provide for or facilitate the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees pursuant to Section 8.02 hereof; (iv) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or questions arising hereunder or under the other Financing Agreements so long as such action shall not adversely affect the interests of the Noteholders in its capacity solely as Noteholder; (v) to correct or amplify the description of any property at any time subject to the Lien of this Indenture or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Indenture, or to subject to the Lien of this Indenture the Airframe or Engines or any Replacement Engine; (vi) to add to the covenants of the Owner for the benefit of the Noteholders or to surrender any rights or power herein conferred upon the Owner or the Lessee; (vii) to add to the rights of the Noteholders, the Indenture Indemnitees or Related Indenture Indemnitees; (viii) to provide for the reissuance of Additional Series Equipment Notes (and any Related Additional Series Equipment Notes) and for the issuance of pass through certificates issued by any pass through trust that acquires any such Series B Equipment Notes (and Related Series B Equipment Notes) or Additional Series Equipment Notes (and Related Additional Series Equipment Notes) and to make changes relating to any of the foregoing, (including, without limitation, to provide for any prefunding mechanism in connection therewith, or to provide for the relative priority of different series of Additional Series Equipment Notes as between such series) and to provide for any credit support for any pass through certificates relating to any such Series B Equipment Notes (and Related Series B Equipment Notes) (including, without limitation, to secure claims for fees, interest, expenses, reimbursement of advances and other obligations arising from such credit support (including, without limitation, to specify such credit support as a “Liquidity Facility” and the provider of any such credit support as a “Liquidity Provider” and, if such Liquidity Facility is to be comprised of more than one instrument, to incorporate appropriate mechanics for multiple Liquidity Facilities for a single Pass Through Trust)), provided that such Equipment Notes are issued in accordance with the Note Purchase Agreement and Section 7.01 of the Intercreditor Agreement; and (ix) to include on the Equipment Notes any legend as may be required by applicable law or as may otherwise be necessary or advisable; (x) to comply with any applicable requirements of the Trust Indenture Act or any other requirements of applicable law or of any regulatory body; (xi) to give effect to the replacement of a Liquidity Provider with a Replacement Liquidity Provider and the replacement of a Liquidity Facility with a Replacement Liquidity Facility therefor, and, if a Replacement Liquidity Facility is to be comprised of more than one instrument as contemplated by the definition of the term “Replacement Liquidity Facility” in the Intercreditor Agreement, to incorporate appropriate mechanics for multiple Liquidity Facilities for a single Pass Through Trust; (xii) to give effect to the replacement of the Depositary with a Replacement Depositary (as defined in the Note Purchase Agreement) and the replacement of a Deposit Agreement with a Replacement Deposit Agreement (as defined in the Note Purchase Agreement); (xiii) to evidence the succession of a new escrow agent or a new paying agent under an Escrow Agreement pursuant thereto or the removal of the escrow agent or the paying agent thereunder; and (xiv) to provide for the issuance, in connection with a refinancing, of Series B Equipment Notes (and Related Series B Equipment Notes) or the issuance (including the issuance of at any time following the payment in full of any previously issued Additional Series Equipment Notes of new Additional Series Equipment Notes of the same series designation as such Additional Series Equipment Notes that have been paid in full) or successive redemption and issuance from time to time of one or more separate series.

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(LATAM 2015-1 Aircraft EETC)

Section 9.02. Revocation and Effect of Consents. Until an amendment or waiver becomes effective, a consent to it by a Noteholder is a continuing consent by the Noteholder and every subsequent Noteholder, even if notation of the consent is not made on any Equipment Note.

Section 9.03. Notation on or Exchange of Equipment Notes. The Loan Trustee may place an appropriate notation about an amendment or waiver on any Equipment Note thereafter executed. The Loan Trustee in exchange for such Equipment Notes may execute new Equipment Notes that reflect the amendment or waiver.

Section 9.04. Trustee Protected. If, in the reasonable opinion of the institution acting as the Loan Trustee hereunder, any document required to be executed by it pursuant to the terms of Section 9.01 adversely affects any right, duty, immunity or indemnity with respect to such institution under this Indenture, such institution may in its discretion decline to execute such document.

Section 9.05. No Consent of Individual Indenture Indemnitees Required. Notwithstanding anything in this Indenture or any other Financing Agreement to the contrary, when any provision hereof or thereof would otherwise require a consent of an Indenture Indemnitee, such provision shall always be construed to require only the consent of an Indenture Indemnitee other than any Indenture Indemnitee covered by clause (ix) of the definition of "Indenture Indemnities".

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(LATAM 2015-1 Aircraft EETC)

ARTICLE X

MISCELLANEOUS

Section 10.01. Termination of Indenture. Upon payment in full of the principal amount of, Make-Whole Amount, if any, and interest on and all other amounts due under all Equipment Notes and provided that (i) there shall then be (x) no other Secured Obligations due to the Noteholders, the Loan Trustee and the other Indenture Indemnitees hereunder, under the Participation Agreement or any other Financing Agreement, and (y) no Related Secured Obligations due under any Related Indenture or any other “Financing Agreement” (as defined in any Related Indenture) and (ii) in the case of any redemption of all of the Equipment Notes pursuant to Section 2.11(a), the provisions of the foregoing clause (i) shall apply and no Related Indenture Event of Default shall have occurred and be continuing, the Owner shall direct the Loan Trustee to execute and deliver to or as directed in writing by the Owner an appropriate instrument releasing the Aircraft and the Engines and (subject to subclause (ix) of clause “third” of Section 3.03, if applicable) all other Collateral from the Lien of this Indenture and the Loan Trustee shall execute and deliver such instrument as aforesaid; provided that this Indenture and the trusts created hereby shall earlier terminate and this Indenture shall be of no further force or effect upon any sale or other final disposition by the Loan Trustee of all property constituting part of the Collateral and the final distribution by the Loan Trustee of all monies or other property or proceeds constituting part of the Collateral in accordance with the terms hereof. Except as aforesaid otherwise provided, this Indenture and the trusts created hereby shall continue in full force and effect in accordance with the terms hereof.

Section 10.02. No Legal Title to Collateral in the Noteholders. No holder of an Equipment Note or a Related Equipment Note shall have legal title to any part of the Collateral. No transfer, by operation of law or otherwise, of any Equipment Note, Related Equipment Note or other right, title and interest of any Noteholder or Related Noteholder in and to the Collateral or hereunder shall operate to terminate this Indenture or entitle such holder or any successor or transferee of such holder to an accounting or to the transfer to it of any legal title to any part of the Collateral.

Section 10.03. Sale of Aircraft by Loan Trustee Is Binding. Any sale or other conveyance of the Aircraft, the Airframe, any Engine or any interest therein by the Loan Trustee made pursuant to the terms of this Indenture shall bind the Noteholders and the Owner and shall be effective to transfer or convey all right, title and interest of the Loan Trustee, the Owner and such Noteholders in and to such Aircraft, Airframe, Engine or interest therein. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such sale or conveyance or as to the application of any sale or other proceeds with respect thereto by the Loan Trustee or the Noteholders.

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Section 10.04. Indenture for Benefit of Owner, Noteholders, Loan Trustee, Other Indenture Indemnitees and Related Indenture Indemnitees. Nothing in this Indenture, whether express or implied, shall be construed to give any Person other than the Owner, the Noteholders, the Loan Trustee, the other Indenture Indemnitees, the Related Loan Trustees and the Related Indenture Indemnitees any legal or equitable right, remedy or claim under or in respect of this Indenture.

Section 10.05. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all notices, requests, demands, authorizations, directions, consents or waivers required or permitted under the terms and provisions of this Indenture shall be in English and in writing, and given by United States registered or certified mail, return receipt requested, overnight courier service or facsimile, and any such notice shall be effective when received (or, if delivered by facsimile, upon completion of transmission and confirmation by the sender (by a telephone call to a representative of the recipient or by machine confirmation) that such transmission was received) and addressed as follows:

if to the Owner, addressed to:

[Parina Leasing Limited/Rayador Leasing Limited/Cucillo Leasing Limited/Canastero Leasing Limited]
c/o Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

if to the Loan Trustee, addressed to:

Wilmington Trust Company
1100 North Market Street
Wilmington, Delaware 19890
Attention: Corporate Trust Admin/Drew Davis
Reference: LATAM 2015-1 EETC
Telephone: 302-636-6182
Facsimile: 302-636-4140
E-mail: DHDavis@Wilmingtontrust.com

if to any Noteholder, addressed to such Noteholder at its address set forth in the Equipment Note Register maintained pursuant to Section 2.07;

if to any Indenture Indemnitee other than the Loan Trustee, addressed to the address of such party (if any) set forth in Section 7.01 of the Participation Agreement or to such other address as such Indenture Indemnitee shall have furnished by notice to the Owner and the Loan Trustee; and

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if to any Related Indenture Indemnitee, addressed to such Related Indenture Indemnitee at its address set forth in the Equipment Note Register (defined in the applicable Related Indenture) maintained pursuant to Section 2.07 of the applicable Related Indenture.

Any party, by notice to the other parties hereto, may designate different addresses for subsequent notices or communications. Whenever the words “notice” or “notify” or similar words are used herein, they mean the provision of formal notice as set forth in this Section 10.05.

Section 10.06. Severability. To the extent permitted by applicable law, any provision of this Indenture that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.07. No Oral Modification or Continuing Waivers. No terms or provisions of this Indenture or of the Equipment Notes may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Owner and the Loan Trustee, in compliance with Article IX. Any waiver of the terms hereof or of any Equipment Note shall be effective only in the specific instance and for the specific purpose given.

Section 10.08. Successors and Assigns. All covenants and agreements contained herein shall bind and inure to the benefit of, and be enforceable by, each of the parties hereto and the successors and permitted assigns of each, all as herein provided. Any request, notice, direction, consent, waiver or other instrument or action by any Noteholder shall bind the successors and permitted assigns of such Noteholder. Each Noteholder by its acceptance of an Equipment Note agrees to be bound by (i) this Indenture and all provisions of the Participation Agreement, the other Financing Agreements and the Pass Through Documents applicable to a Noteholder and (ii) all provisions of each Related Indenture applicable to a Related Noteholder to the extent such Noteholder is such Related Noteholder.

Section 10.09. Headings. The headings of the various Articles and Sections herein and in the Table of Contents hereto are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 10.10. [Reserved].

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)

Section 10.11. Voting by Noteholders. All votes of the Noteholders shall be governed by a vote of a Majority in Interest of Noteholders, except as otherwise provided herein.

Section 10.12. U.S. Tax Treatment of the Equipment Notes. All Noteholders shall be required to treat the Equipment Notes as indebtedness for all U.S. federal, state and local tax purposes.

Section 10.13. The Owner's Performance and Rights. Any obligation imposed on the Owner herein shall require only that the Owner perform or cause to be performed such obligation, even if stated as a direct obligation, and the performance of any such obligation by any permitted assignee, lessee or transferee under an assignment, lease or transfer agreement then in effect and in accordance with the provisions of the Financing Agreements shall constitute performance by the Owner and, to the extent of such performance, discharge such obligation by the Owner. Except as otherwise expressly provided herein, any right granted to the Owner in this Indenture shall grant the Owner the right to permit such right to be exercised by any such assignee, lessee or transferee, and, in the case of a lessee, as if the terms hereof were applicable to such lessee were such lessee the Owner hereunder. The inclusion of specific references to obligations or rights of any such assignee, lessee or transferee in certain provisions of this Indenture shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in respect of which specific reference to any such assignee, lessee or transferee has not been made in this Indenture.

Section 10.14. Counterparts. This Indenture may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Indenture including a signature page or pages executed by each of the parties hereto shall be an original counterpart of this Indenture, but all of such counterparts together shall constitute one instrument.

Section 10.15. Governing Law. THIS INDENTURE HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND THIS INDENTURE, ANY INDENTURE SUPPLEMENT AND THE EQUIPMENT NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)

Section 10.16. Confidential Information. The term “Confidential Information” means: (a) the existence and terms of the Lease and any Permitted Sublease of the Airframe or Engines and the identity of the Permitted Sublessee thereunder; (b) all information obtained in connection with any inspection conducted by the Loan Trustee or their respective representatives pursuant to Section 7(h) of the Lease, (c) each certification and all information contained in each report furnished to the Loan Trustee or any Liquidity Provider pursuant to Section 10 of the Lease; (d) all information regarding the Warranty Rights; and (e) all other information designated by the Owner as non-public information. All Confidential Information shall be held confidential by the Loan Trustee, each Liquidity Provider and each Noteholder and each affiliate, agent, officer, director, or employee of any thereof and shall not be furnished or disclosed by any of them to anyone other than (i) the Loan Trustee or any Noteholder and (ii) their respective bank examiners, auditors, accountants, agents and legal counsel, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority.

Section 10.17. Submission to Jurisdiction. Each of the parties hereto, and by acceptance of Equipment Notes, each Noteholder, to the extent it may do so under applicable law, for purposes hereof and of all other Financing Agreements hereby (a) irrevocably submits itself to the non-exclusive jurisdiction of the courts of the State of New York sitting in the City of New York and to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Indenture, the subject matter hereof or any of the transactions contemplated hereby brought by any party or parties hereto or thereto, or their successors or permitted assigns and (b) waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Indenture or the Equipment Notes or the subject matter hereof or any of the transactions contemplated hereby may not be enforced in or by such courts. The Owner hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents of any of the aforementioned courts in any such suit, action or proceeding may be made by mailing copies thereof by registered or certified mail, postage prepaid, to its agent for process set forth in Schedule IV to the Note Purchase Agreement.

[Signature Pages Follow.]

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective officers thereof duly authorized, as of the date first above written.

[PARINA LEASING LIMITED] / [CUCLILLO LEASING LIMITED]/[RAYADOR
LEASING LIMITED]/[CANASTERO LEASING LIMITED]

By: _____
Name:
Title:

WILMINGTON TRUST COMPANY, not in its individual capacity, except as expressly
provided herein, but solely as Loan Trustee

By: _____
Name:
Title:

[2015-1 EETC Signature Page to Indenture and Security Agreement]

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

FORM OF INDENTURE SUPPLEMENT

INDENTURE SUPPLEMENT (IMSN) NO.

INDENTURE SUPPLEMENT (IMSN) NO. __, dated _____, ____ (“Indenture Supplement”), between [_____] (the “Owner”) and WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Loan Trustee under the Indenture (each as hereinafter defined).

WITNESSETH:

WHEREAS, the Indenture and Security Agreement (IMSN), dated as of _____ __, 20__ (the “Indenture”; capitalized terms used herein without definition shall have the meanings specified therefor in Annex A to the Indenture), between the Owner and Wilmington Trust Company, not in its individual capacity, except as expressly provided therein, but solely as Loan Trustee (the “Loan Trustee”), provides for the execution and delivery of supplements thereto substantially in the form hereof which shall particularly describe the Aircraft, and shall specifically grant a security interest in the Aircraft to the Loan Trustee; and

[WHEREAS, the Indenture relates to the Airframe and Engines described in Annex A attached hereto and made a part hereof, and a counterpart of the Indenture is attached to and made a part of this Indenture Supplement;]¹⁸

[WHEREAS, the Owner has, as provided in the Indenture, heretofore executed and delivered to the Loan Trustee Indenture Supplement(s) for the purpose of specifically subjecting to the Lien of the Indenture certain airframes and/or engines therein described, which Indenture Supplement(s) is/are dated [_____]]¹⁹

NOW, THEREFORE, (x) to secure (i) the prompt and complete payment (whether at stated maturity, by acceleration or otherwise) of principal of, interest on (including interest on any overdue amounts), and Make-Whole Amount, if any, with respect to, and all other amounts due under, the Equipment Notes, (ii) all other amounts payable by the Owner under the Financing Agreements and (iii) the performance and observance by the Owner of all the agreements and covenants to be performed or observed by the Owner for the benefit of the Noteholders and the Indenture Indemnitees contained in the Financing Agreements, and (y) to secure the Related Secured Obligations, and in consideration of the premises and of the covenants contained in the Financing Agreements and the Related Indentures, and for other good and valuable consideration given by the Noteholders, the Indenture Indemnitees and the Related Indenture Indemnitees to the Owner at or before the Closing Date, the receipt and adequacy of which is hereby acknowledged, the Owner does hereby grant, bargain, sell, convey, transfer, mortgage, assign, pledge and confirm unto the Loan Trustee and its successors in trust and permitted assigns, for the security and benefit of the Noteholders, the Indenture Indemnitees and the Related Indenture Indemnitees, a first priority security interest in, and mortgage lien on, all estate, right, title and interest of the Owner in, to and under the Aircraft, including the Airframe and Engines described in Annex A attached hereto, whether or not any such Engine may from time to time be installed on the Airframe or any other airframe or any other aircraft, and any and all Parts relating thereto, and, to the extent provided in the Indenture, all substitutions and replacements of, and additions, improvements, accessions and accumulations to, the Aircraft, including the Airframe, the Engines and any and all Parts (in each case other than any substitutions, replacements, additions, improvements, accessions and accumulations that constitute items excluded from the definition of Parts by clauses (b), (c) and (d) thereof) relating thereto;

¹⁸ Use for Indenture Supplement No. 1 only.

¹⁹ Use for all Indenture Supplements other than Indenture Supplement No. 1.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, and its successors and permitted assigns, in trust for the equal and proportionate benefit and security of the Noteholders, the Indenture Indemnitees and the Related Indenture Indemnitees, except as otherwise provided in the Indenture, including Section 2.13 and Article III of the Indenture, without any priority of any one Equipment Note over any other, or any Related Equipment Note over any other, by reason of priority of time of issue, sale, negotiation, date of maturity thereof or otherwise for any reason whatsoever, and for the uses and purposes and subject to the terms and provisions set forth in the Indenture.

This Indenture Supplement shall be construed as supplemental to the Indenture and shall form a part thereof, and the Indenture is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

THIS INDENTURE SUPPLEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

[Signature Pages Follow.]

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

IN WITNESS WHEREOF, the undersigned have caused this Indenture Supplement No. ____ to be duly executed by their respective duly authorized officers, on the date first above written.

[_____]

By: _____
Name:
Title:

WILMINGTON TRUST COMPANY, not in its individual capacity, except as expressly provided in the Indenture, but solely as Loan Trustee

By: _____
Name:
Title:

Signature Page

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

DESCRIPTION OF AIRFRAME AND ENGINES

AIRFRAME

Manufacturer	Model	Generic Manufacturer and Model	FAA Registration No.	Manufacturer's Serial No.
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ENGINES

Manufacturer	Model	Generic Manufacturer and Model	FAA Registration No.	Manufacturer's Serial Nos.
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Each Engine has 550 or more rated takeoff horsepower or the equivalent of such horsepower and is a jet propulsion aircraft engine having at least 1750 pounds of thrust or the equivalent of such thrust.

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

DESCRIPTION OF EQUIPMENT NOTES

	Original Principal Amount ²⁰	Maturity Date
Series A		
Equipment Notes:	[\$_____]	November 15, 2027
Series B		
Equipment Notes:	[\$_____]	November 15, 2023

CERTAIN DEFINED TERMS

Defined Term	Definition ²¹
Debt Rate for Series A Equipment Notes	4.200% per annum.
Make-Whole Spread for Series A Equipment Notes	0.30%.
Debt Rate for Series B Equipment Notes	4.500% per annum.
Make-Whole Spread for Series B Equipment Notes	0.45%.

²⁰ For each Series, to insert the amount set forth for such Series in the line captioned “At Issuance” in the “Equipment Note Ending Balance” column for such Series relating to the relevant aircraft in Appendix V to the Offering Memorandum relating to LATAM Pass Through Certificate, Series 2015-1.

²¹ Each Debt Rate per annum specified under the column “Definition” with respect to each Series of Equipment Notes may be changed from time to time for such period(s), and in such amount(s) and circumstances, as provided in Section 2(d) of the relevant Registration Rights Agreement.

EQUIPMENT NOTES AMORTIZATION

SERIES A EQUIPMENT NOTES²²
[Aircraft Manufacturer] [Model]
[MSN]

Payment Date	Percentage of Original Principal Amount to be Paid
--------------	--

²² For each Aircraft (as defined in the Note Purchase Agreement), to be completed based on the amortization schedule in Schedule III to the Note Purchase Agreement.

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

SERIES B EQUIPMENT NOTES²³
[Aircraft Manufacturer] [Model]
[MSN]

Payment Date	Percentage of Original Principal Amount to be Paid
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²³ For each Aircraft (as defined in the Note Purchase Agreement), to be completed based on the amortization schedule in Schedule III to the Note Purchase Agreement.

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

**PASS THROUGH TRUST AGREEMENT AND
PASS THROUGH TRUST SUPPLEMENTS**

Pass Through Trust Agreement, dated as of [], 2015, between LATAM Airlines Group S.A. and Wilmington Trust Company, as trustee, as supplemented by Trust Supplement No. 2015-1A, dated as of [], 2015 and Trust Supplement No. 2015-1B, dated as of [], 2015.

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

DEFINITIONS

Indenture and Security Agreement
(LATAM 2015-1 Aircraft EETC)
[MSN]

[MSN]
PART I ANNEX A to
 Participation Agreement,
 Indenture and Security Agreement and
 Lease Agreement

DEFINITIONS

“Acceptance Certificate” means the acceptance certificate to be entered into between the Lessee and the Lessor on the Closing Date substantially in the form of Exhibit II to the Lease.

[“Acknowledgment of Assignment” means the acknowledgment of assignment from the Initial Sublessee (MSN []) in connection with the Initial Sublease.]¹

“Act” means the Federal Aviation Act of 1958.

“Additional Insureds” has the meaning set forth in Section 10(b) of the Lease.

“Additional Series” or “Additional Series Equipment Notes” means Equipment Notes issued under the Indenture and designated as a series (other than “Series A”, or “Series B”, thereunder, if any, in the principal amounts and maturities and bearing interest as specified in Schedule I to the Indenture amended at the time of original issuance of such Additional Series under the heading for such series.

“Additional Series Pass Through Certificates” means the pass through certificates, if any, issued by any Additional Series Pass Through Trust (including, without limitation, any “Refinancing Certificates” (as such term is defined in the Intercreditor Agreement”) issued by a “Refinancing Trust” described in clause (ii) of the definition of “Additional Series Pass Through Trust”).

“Additional Series Pass Through Trust” means (i) initially, a grantor trust, if any, created pursuant to the applicable Pass Through Trust Agreement to facilitate the issuance and sale of pass through certificates in connection with the initial issuance of any Additional Series Equipment Notes and (ii) any “Refinancing Trust” (as such term is defined in the Intercreditor Agreement) created in connection with any subsequent redemption of such Additional Series Equipment Notes and issuance of new Additional Series Equipment Notes.

¹ For Brazilian aircraft only.

“Additional Series Pass Through Trust Agreement” means a Trust Supplement entered into in connection with the creation of an Additional Series Pass Through Trust, together with the Basic Pass Through Trust Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Additional Series Pass Through Trustee” means, with respect to any Additional Series Pass Through Trust, the trustee under the Additional Series Pass Through Trust Agreement for such Additional Series Pass Through Trust, in its capacity as pass through trustee thereunder.

“Administration Agreement” means the administration agreement dated on or about the Issuance Date between the Owner, LATAM, the Subordination Agent and the Administrator as to the administration of the Owner.

“Administrator” means MaplesFS Limited.

“Affected Related Aircraft” has the meaning set forth in Section 3(e)(i) of the Lease.

“Affiliate” of any Person means (i) any other Person directly or indirectly controlling, directly or indirectly controlled by, or under direct or indirect common control with, such Person; or if such Person is a partnership, any general partner of such Person or a Person controlling such general partner and/or (ii) any other Person who would, under IFRS, be consolidated or required to be consolidated for accounting purposes with such Person. For purposes of this definition, "control" (including "controlled by" and "under common control with") shall mean the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities or by contract or otherwise. In no event shall WTC be deemed to be an Affiliate of the Loan Trustee or vice versa.

“After-Tax Basis” means that indemnity and compensation payments required to be made on such basis will be supplemented by the Person paying the base amount by that amount (the “additional amount”) which, when added to such base amount, and after deduction of all federal, state, local and foreign Taxes required to be paid by or on behalf of the payee with respect of the receipt or realization of the base amount and any such supplemental amounts, and after consideration of any current tax savings of such payee resulting by way of any deduction, credit or other tax benefit actually and currently realized that is attributable to such base amount or additional amount (or the circumstances giving rise to the payment of the base amount or the additional amount), shall net such payee the full amount of such base amount.

Annex A
(LATAM 2015-1 Aircraft EETC)
[MSN]

“Agreement” and “Participation Agreement” mean that certain Participation Agreement ([MSN]), dated on or before the Closing Date, among LATAM, [Initial Sublessee], the Owner, WTC, the Pass Through Trustee under each Pass Through Trust Agreement in effect as of the date of execution and delivery of such Participation Agreement, the Subordination Agent and the Loan Trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Aircraft” means one (1) new [Airbus][Boeing] model [A321-200][A350-900][787-9] aircraft comprising the Airframe together with the two (2) new [model] Engines described in the Indenture Supplement originally executed and delivered under the Indenture (or any Replacement Engine that may from time to time be substituted for any of such Engines pursuant to Section 7(j) or 9(b) of the Lease), whether or not any of such initial or substituted Engines may from time to time be installed on such Airframe or installed on any other airframe or on any other aircraft.

[“Aircraft Protocol” means the official English language text of the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, adopted on November 16, 2001, at a diplomatic conference in Cape Town, South Africa, and all amendments, supplements, and revisions thereto (and from and after the effective date of the Cape Town Treaty in the relevant country, means when referring to the Aircraft Protocol with respect to that country, the Aircraft Protocol as in effect in such country, unless otherwise indicated).]²

“Aircraft Security Documents” means the Note Guarantee, the Local Mortgage, the Assignment of Insurances, [the Lease Assignment, the Sublease Assignment,] any Subordination Acknowledgment, the [the Lessee Power of Attorney and the Lessor Power of Attorney]³/[the IDERA in respect of the Aircraft]⁴ and the Warranty Assignments.

“Airframe” means (a) the [Boeing]/[Airbus] model [A321-2—]/[A350-900]/[787-9] airframe further described in Annex A to the Indenture Supplement originally executed and delivered under the Indenture (except the Engines or engines from time to time installed thereon and any and all Parts related to such Engine or engines) and (b) and any and all Parts, whether or not the same shall be incorporated or installed in or attached to the Airframe so long as title thereto shall remain vested in the Owner in accordance with the terms of Section 8(a) of the Lease, together with the Manuals and Technical Records therefor.

2 Include for Brazilian aircraft only.

3 Include for Chilean aircraft.

4 Include for Brazilian aircraft.

["Airframe Warranties Agreement"] means the airframe warranties agreement dated as of the Closing Date among the Lessee[, the Initial Sublessee]⁵, the Lessor, the Loan Trustee and the Manufacturer in respect of the Airframe, substantially in the form of Exhibit [L-1]/[L-2]/[L-3]/[L-4]/[L-5] to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.]⁶

"Airworthiness Directive" means any requirement for the inspection, repair or modification of the Aircraft, any Engine or any Part as issued by the Aviation Authority.

["ANAC"] means Agência Nacional de Aviação Civil of Brazil.]⁷

"Applicable Laws" means, with respect to any Person or property (including the Aircraft and any Collateral), all applicable laws, treaties, conventions, ordinances, judgments, decrees, injunctions, writs, rules, regulations, orders, interpretations, licenses, permits and orders of any Government Body in any relevant jurisdiction, in each case applicable to such Person or property (including the Aircraft and any Collateral).

"Approved Maintenance Facility" has the meaning set forth in Section 7(c)(i) of the Lease.

"Approved Maintenance Program" has the meaning set forth in Section 7(c)(i) of the Lease.

"Assignment of Insurances" means the Assignment of Insurances dated as of the Closing Date between [LATAM]⁸/[the Initial Sublessee]⁹ and the Loan Trustee substantially in the form of Exhibit H to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

5 Include only for Brazilian aircraft.

6 Include only for Airbus aircraft. Use form set forth in footnotes to definition of "Purchase Agreement Assignment."

7 Include only for Brazilian aircraft.

8 Include for Chilean aircraft.

9 Include for Brazilian aircraft.

["ATAN"] means Assessoria para Assuntos de Tarifas de Navegação Aérea (ATAN), a division of the Departamento de Controle do Espaço Aéreo (DECEA) of Brazil, or its successor, any authority or Government Body which, under the laws of Brazil, from time to time, has control or supervision in that state of the air navigation charges.

"ATAN Letter" means a letter signed or to be signed by the Initial Sublessee addressed to ATAN.]¹⁰

"Average Life Date" means, for each Equipment Note to be redeemed, the date which follows the redemption date by a period equal to the Remaining Weighted Average Life at the redemption date of such Equipment Note. "Remaining Weighted Average Life" of an Equipment Note, at the redemption date of such Equipment Note, means the number of days equal to the quotient obtained by dividing: (i) the sum of the products obtained by multiplying (A) the amount of each then remaining installment of principal, including the payment due on the maturity date of such Equipment Note, by (B) the number of days from and including the redemption date to but excluding the scheduled Payment Date of such principal installment by (ii) the then unpaid principal amount of such Equipment Note.

"Aviation Authority," means (i) the Dirección General de Aeronáutica Civil of Chile and any successor organization and each other Government Body or other Person who shall from time to time be vested with the control and supervision of, or have jurisdiction over, the registration, airworthiness and operation of aircraft or other matters relating to civil aviation in Chile, [(ii) if the Aircraft is subject to the Initial Sublease, the ANAC and/or any of its sub departments, or any successor organization and each other Government Body or other Person who shall from time to time be vested with the control and supervision of, or have jurisdiction over, the registration, airworthiness and operation of the Aircraft or other matters relating to civil aviation in Brazil or such other jurisdiction] or [(ii)][(iii)] if the Aircraft is subleased to, or operated by, a Permitted Sublessee and is re-registered in accordance with Section 7(b) of the Lease, such Government Body or other Person who shall from time to time be vested with the control and supervision of, or have jurisdiction over, the registration, airworthiness and operation of aircraft or other matters relating to civil aviation in the applicable Permitted Jurisdiction.

"Bankruptcy Law" means any domestic or foreign bankruptcy, insolvency, receivership or similar law.

"Basic Pass Through Trust Agreement" means that certain Pass Through Trust Agreement, dated as of May 29, 2015, between LATAM and WTC, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms (but does not include any Trust Supplement).

¹⁰ Include only for Brazilian aircraft.

“Basic Rent” has the meaning set forth in Section 3(b)(i) of the Lease.

“Basic Rent Payment Date” means, in respect of the Basic Rent, (x) the first Payment Date occurring after the Closing Date and (y) each of the successive Payment Dates thereafter (or, in each case, if any such day is not a Business Day, the next succeeding Business Day).

“Bill of Sale” means the bill of sale for the Aircraft executed by the Manufacturer in favor of the Owner dated the date on which the Aircraft [is]/[was] delivered to the Owner and pursuant to which the Owner obtained title to such Aircraft, substantially in the form set out in [Schedule 1 (Bill of Sale)] to the Purchase Agreement Assignment.

“Brazil” shall mean the Federal Republic of Brazil.

“Business Day” means any day other than a Saturday, Sunday or day on which commercial banks are required or authorized to close in New York, New York, Santiago, Chile, Wilmington, Delaware, or, if different from the foregoing, the city in which the Loan Trustee, any Pass Through Trustee or the Subordination Agent maintains its corporate trust office or receives and disburses funds.

“Call Option Agreements” has the meaning set forth in Section 1.01 of the Intercreditor Agreement.

[“Cape Town Convention” means the official English language text of the Convention on International Interests in Mobile Equipment, adopted on November 16, 2001, at a diplomatic conference in Cape Town, South Africa, and all amendments, supplements, and revisions thereto (and from and after the effective date of the Cape Town Treaty in the relevant country, means when referring to the Cape Town Convention with respect to that country, the Cape Town Convention as in effect in such country, unless otherwise indicated).]¹¹

[“Cape Town Treaty” means, collectively, the official English language text of (a) the Convention on International Interests in Mobile Equipment, and (b) the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, in each case adopted on November 16, 2001, at a diplomatic conference in Cape Town, South Africa, and from and after the effective date of the Cape Town Treaty in the relevant country, means when referring to the Cape Town Treaty with respect to that country, the Cape Town Treaty as in effect in such country, unless otherwise indicated, and (c) all rules and regulations adopted pursuant thereto and, in the case of each of the foregoing described in clauses (a) through (c), all amendments, supplements, and revisions thereto.]¹²

¹¹ Include only for Brazilian aircraft.

¹² Include only for Brazilian aircraft.

“Certificate of Airworthiness” means with respect to the Aircraft, the certificate of airworthiness issued by the Aviation Authority.

“Certificate of Registration” means, with respect to the Aircraft, the certificate of aircraft registration issued by the Aviation Authority.

“Certificate Purchase Agreement” means, as applicable, that certain Purchase Agreement, dated as of May 14, 2015, among LATAM, the Owner, each Related Owner and Citigroup Global Markets Inc., as representative of the initial purchasers named therein, and the Depositary, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Change in Law” means, in each case after the date of the Indenture or as otherwise specified in any relevant Financing Agreements, any implementation, introduction, abolition, withdrawal or variation of any Applicable Law, regulation, published practice or concession or official directive, ruling, request, notice, guideline, statement of policy or practice statement by any Government Body (whether or not having the force of law but in respect of which compliance by banks or other financial institutions in the relevant jurisdiction is generally customary) or any change in any interpretation, or the introduction or making of any new or further interpretation, or any new or different interpretation by any court, tribunal, governmental, revenue, local, federal, international, national, fiscal or other competent authority or compliance with any new or different request or direction (in either case whether or not having the force of law but in respect of which compliance by banks or other financial institutions in the relevant jurisdiction is generally customary) from any Government Body.

“Charter” shall mean any contractual agreement (other than a contractual agreement with respect to a regularly scheduled flight of the Lessee) entered into by the Lessee with any Person other than an air carrier for the use (but not operation) of the Aircraft or any Part thereof.

“Chile” shall mean the Republic of Chile.

“Class A Certificates” means Pass Through Certificates issued by the Class A Pass Through Trust.

“Class A Liquidity Facility” has the meaning set forth in the Intercreditor Agreement.

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“Class A Liquidity Provider” has the meaning set forth in the Intercreditor Agreement.

“Class A Pass Through Trust” means the LATAM Pass Through Trust 2015-1A created pursuant to the Basic Pass Through Trust Agreement, as supplemented by Trust Supplement No. 2015-1A, dated as of the Issuance Date, between LATAM and WTC, as Class A Trustee.

“Class A Trustee” means the trustee for the Class A Pass Through Trust.

“Class B Certificates” means Pass Through Certificates issued by the Class B Pass Through Trust.

“Class B Liquidity Facility” has the meaning set forth in the Intercreditor Agreement.

“Class B Liquidity Provider” has the meaning set forth in the Intercreditor Agreement.

“Class B Pass Through Trust” means the LATAM Pass Through Trust 2015-1B created pursuant to the Basic Pass Through Trust Agreement, as supplemented by Trust Supplement No. 2015-1B, dated as of the Issuance Date, between LATAM, and WTC, as Class B Trustee.

“Class B Trustee” means the trustee for the Class B Pass Through Trust.

“Closing” has the meaning specified in Section 2.03 of the Participation Agreement.

“Closing Date” means the date of the closing of the transaction contemplated by the Financing Agreements.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collateral” means all or part of the property subject to the Liens created by the Indenture or any Security Document, as the context may require.

“Confidential Information” has the meaning specified in Section 10.16 of the Indenture.

“Controlling Party” has the meaning specified in Section 2.06 of the Intercreditor Agreement.

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“Corporate Trust Office” has the meaning specified in Section 1.01 of the Intercreditor Agreement.

“Debt Rate” means, with respect to any Series of Equipment Notes, (i) the rate per annum specified for the applicable Series as such in **Schedule I** to the Indenture (as, in the case of any Additional Series Equipment Notes issued after the Closing Date, such **Schedule I** may be amended in connection with such issuance) and as such rate may be changed from time to time for such period(s), and in such amounts and circumstances, as provided in Section 2(d) of the relevant Registration Rights Agreement, and (ii) for any other purpose, with respect to any period, the weighted average interest rate per annum during such period borne by the outstanding Equipment Notes, excluding any interest payable at the Past Due Rate.

“Default” means a Lease Event of Default or an event or a condition that, with the giving of notice or lapse of time or both, would become a Lease Event of Default.

“Defaulted Operative Indenture” means any Operative Indenture (the terms “Indenture Event of Default”, “Equipment Notes” and “Payment Default” used in this definition have the meanings specified therefor in such Operative Indenture) with respect to which (i) a Payment Default has occurred and is continuing or an Indenture Event of Default described in Section 4.01(a) of such Operative Indenture has occurred and is continuing or (ii) an Indenture Event of Default other than an Indenture Event of Default described in Section 4.01(a) of such Operative Indenture has occurred and is continuing and, in any such case, either (x) the Equipment Notes issued thereunder have been accelerated and such acceleration has not been rescinded and annulled in accordance therewith or (y) the loan trustee under such Operative Indenture has given the Owner a notice of its intention to exercise one or more of the remedies specified in Section 4.02(a) of such Operative Indenture.

“Delivery” shall mean the time when the Owner (through the Lessee, if applicable) shall accept delivery of the Aircraft from the Manufacturer pursuant to the terms of the Purchase Agreement.

“Delivery Date” shall mean the date on which the Delivery of the Aircraft occurs under the applicable Purchase Agreement, which for the avoidance of doubt, shall be the same as the “Closing Date”.

“Deposit Agreement” means, subject to Section 5(f) of the Note Purchase Agreement, each of the two Deposit Agreements, dated as of the applicable Issuance Date, between the Escrow Agent and the Depositary, which relate to the Class A Pass Through Trust or the Class B Pass Through Trust, respectively; provided that, for purposes of any obligation of Owner, no amendment, modification or supplement to, or substitution or replacement of, any such Deposit Agreement shall be effective unless consented to by the Owner.

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“Depository” means, subject to Section 5(f) of the Note Purchase Agreement, Natixis, acting through its New York Branch, as Depository under each Deposit Agreement.

“Direction” has the meaning specified in Section 2.16 of the Indenture.

“Directors Services Agreement” means the director services agreement dated on or about the Issuance Date among the Administrator, the Owner and the Subordination Agent.

“Dollars” “US Dollars”, “U.S.\$”, “US\$” and “\$” mean immediately available and freely transferable lawful currency of the United States of America.

“Dry Lease” means any lease of the Aircraft (other than a Wet Lease).

“Eligible Account” means an account established by and with an Eligible Institution at the request of the Loan Trustee, which institution agrees, for all purposes of the NY UCC including Article 8 thereof, that (a) such account shall be a “securities account” (as defined in Section 8-501(a) of the NY UCC), (b) such institution is a “securities intermediary” (as defined in Section 8-102(a)(14) of the NY UCC), (c) all property (other than cash) credited to such account shall be treated as a “financial asset” (as defined in Section 8-102(a)(9) of the NY UCC), (d) the Loan Trustee shall be the “entitlement holder” (as defined in Section 8-102(a)(7) of the NY UCC) in respect of such account, (e) it will comply with all entitlement orders issued by the Loan Trustee to the exclusion of the Owner, (f) it will waive or subordinate in favor of the Loan Trustee all claims (including, without limitation, claims by way of security interest, lien or right of set-off or right of recoupment), and (g) the “securities intermediary jurisdiction” (under Section 8-110(e) of the NY UCC) shall be the State of New York.

“Eligible Institution” means the corporate trust department of (a) WTC or any other Person that becomes a successor Loan Trustee under the Indenture, in each case, acting solely in its capacity as a “securities intermediary” (as defined in Section 8-102(a)(14) of the NY UCC), or (b) a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any United States branch of a foreign bank), which has a Long-Term Rating of at least A2 (or its equivalent) from Moody’s and A (or its equivalent) from S&P.

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“Engine” means (a) each of the two [CFM International, Inc./Rolls-Royce] engines (generic manufacturer and model [Generic Manufacturer and Model]) listed by manufacturer’s serial number and further described in Annex A to the Indenture Supplement originally executed and delivered under the Indenture, whether or not from time to time installed on the Airframe or installed on any other airframe or on any other aircraft, and (b) any Replacement Engine; in each case whether or not such engine or Replacement Engine at any time is installed on the Aircraft or is installed on any other aircraft or airframe, so long as title thereto shall remain vested in the Lessor in accordance with the terms of Section 7(e) of the Lease, together with the Manual and Technical Records therefor; together in each case with any and all related Parts, but excluding items installed or incorporated in or attached to any such engine from time to time that are excluded from the definition of Parts. At such time as a Replacement Engine shall be so substituted and the Engine for which substitution is made shall be released from the Lien of the Indenture and the Aircraft Security Documents, such replaced Engine shall cease to be an Engine under the Indenture and the Aircraft Security Documents.

“Engine Agreement” means [the CFM General Terms Agreement No. CFM-1-2377460475 dated 17 December 2010 between the Engine Manufacturer CFM International, Inc. and the Lessee, but solely to the extent such General Terms Agreement relates to the Engines, as amended, modified or supplemented from time to time, including all letter agreements thereto;][means the General Terms Agreement No. DEG 5307 dated 30 September 2009 between the Engine Manufacturer Rolls-Royce plc and Lessee, but solely to the extent such General Terms Agreement relates to the Engines, as amended, modified or supplemented from time to time, including all letter agreements thereto;][means the General Terms Agreement No. DEG 5292 dated 11 January 2011 between the Engine Manufacturer Rolls-Royce plc and Lessee, but solely to the extent such General Terms Agreement relates to the Engines, as amended, modified or supplemented from time to time, including all letter agreements thereto.]

“Engine Manufacturer” means [CFM International, Inc.]/[Rolls-Royce plc].

“Engine Warranties Agreement” means the Engine Warranties Agreement dated as of the Closing Date among [the Engine Manufacturer, LATAM, the Owner and the Loan Trustee, substantially in the form of Exhibit M-1 to the Note Purchase Agreement]¹³ / [the Owner, LATAM and the Loan Trustee, substantially in the form of Exhibit M-2 to the Note Purchase Agreement]¹⁴ / [the Owner, LATAM, the Initial Sublessee and the Loan Trustee, substantially in the form of Exhibit M-3 to the Note Purchase Agreement]¹⁵, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

13 Include for Aircraft using Rolls Royce engines.

14 Include for Chilean Aircraft using CFM engines.

15 Include for Brazilian aircraft using CFM engines.

“Equipment Note” means and includes any equipment notes issued under the Indenture in the form specified in Section 2.01 thereof (as such form may be varied pursuant to the terms of the Indenture) and any Equipment Note issued in exchange therefor or replacement thereof pursuant to Section 2.07 or 2.08 of the Indenture.

“Equipment Note Register” has the meaning specified in Section 2.07 of the Indenture.

“Equipment Note Registrar” has the meaning specified in Section 2.07 of the Indenture.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA as in effect at the date of the Participation Agreement and any subsequent provisions of ERISA amendatory thereof, supplemental thereto or substituted therefor.

“Escrow Agent” means Wilmington Trust, National Association, a national banking association, as escrow agent under each Escrow Agreement, or any successor agent thereto.

“Escrow Agreement” means each of the two Escrow and Paying Agent Agreement, dated as of the Issuance Date, among the Escrow Agent, the Paying Agent, Citigroup Global Markets Inc., as representative of the applicable Initial Purchasers, and one of the Pass Through Trustees, which relate to the Class A Pass Through Trust or the Class B Pass Through Trust; provided that, for purposes of any obligation of the Owner, no amendment, modification or supplement to, or substitution or replacement of, any such Escrow Agreement shall be effective unless consented to by the Owner.

“Event of Loss” means, with respect to the Aircraft, the Airframe or any Engine, any of the following events: (i) the destruction of or damage to such property that renders repair uneconomic or that renders such property permanently unfit for normal use; (ii) any damage or loss to or other circumstance in respect of such property that results in an insurance settlement with respect to such property on the basis of a total loss, or a constructive, compromised or arranged total loss; (iii) the confiscation or nationalization of, or requisition of title to such property by any Government Body; (iv) the theft, hijacking or disappearance of such property that shall have resulted in the loss of possession of such property by the Lessee (or a Permitted Sublessee) for a period in excess of sixty (60) days; (v) grounding of the Aircraft or other prohibition on the operation or use of the Aircraft in the normal course of Lessee’s business for a period of one hundred twenty (120) consecutive days due to action by a Government Body; or (vi) the seizure of, sequestration of, condemnation, confiscation or taking of, or requisition for use of, such property by any Government Body that shall have resulted in the loss of possession of such property by the Lessee (or Permitted Sublessee) and such requisition for use shall have continued beyond the earlier of (A) sixty (60) days and (B) the date of receipt of insurance or condemnation proceeds with respect thereto. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

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An Event of Loss shall be deemed to have occurred:

(a) in the case of an actual total loss, at 12:00 midnight (New York time) on the actual date the Aircraft was lost or, if such date is not known, 12:00 midnight (New York time) on the day on which the Aircraft was last heard from;

(b) in the case of any of the events described in paragraph (i) of the definition of Event of Loss above (other than an actual total loss), upon the date of occurrence of such destruction, damage or rendering unfit;

(c) in the case of any of the events described in paragraph (ii) of the definition of Event of Loss above (other than an actual total loss), the date and time at which either a total loss is subsequently admitted by the insurers or a competent court or arbitration tribunal issues a judgment to the effect that a total loss has occurred;

(d) in the case of any of the events referred to in paragraph (iii) of the definition of Event of Loss above, upon the occurrence thereof; and

(e) in the case of any of the events referred to in paragraphs (iv), (v) and (vi) of the definition of Event of Loss above, upon the expiration of the period of time specified therein.

“Expenses” means any and all liabilities, obligations, losses, damages, settlements, penalties, claims, actions, suits, reasonable costs, reasonable expenses and disbursements (including, without limitation, reasonable fees and disbursements of legal counsel, accountants, appraisers, inspectors or other professionals, and costs of investigation).

“FAA” means the Federal Aviation Administration of the United States of America and any successor Government Body or other Person who shall from time to time be vested with the control and supervision of, or have jurisdiction over, the registration, airworthiness and operation of aircraft or other matters relating to civil aviation in the United States of America.

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“Federal Funds Rate” means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by WTC from three Federal funds brokers of recognized standing selected by it.

“Final Maturity Date” means, with respect to each Equipment Note, the final scheduled Payment Date applicable to such Equipment Note (or if such day is not a Business Day, the next succeeding Business Day).

“Financial Indebtedness” of any Person shall mean, on any date, all indebtedness of such Person as of such date, and shall include the following: (i) all indebtedness of such Person for borrowed money; (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations of such Person to pay the deferred purchase price of property or services other than in the ordinary course of business; (iv) all obligations of such Person under finance or capital leases which would be shown as an obligation in a balance sheet prepared in accordance with IFRS; (v) all indebtedness of others in respect of obligations referred to in (i) to (iv) above, guaranteed in any manner, directly or indirectly, by such Person and (vi) all net reimbursement obligations of such Person in respect of letters of credit, foreign currency sale agreements and bankers' acceptances, except such as are obtained by such Person to secure performance of obligations (other than for borrowed money or similar obligations). Notwithstanding the foregoing, intercompany debt and trade payables incurred in the ordinary course of business shall not constitute “Financial Indebtedness”.

“Financing Agreements” means, collectively, the Participation Agreement, the Indenture, each Indenture Supplement, the Lease, [the Initial Sublease,] the Aircraft Security Documents, the Manufacturer’s Consent and the Equipment Notes.

“Government” means the government of any of [Brazil,] Canada, Cayman Islands, Chile, France, Germany, Japan, The Netherlands, Sweden, Switzerland, the United Kingdom or the United States and any instrumentality or agency thereof.

“Government Body” means (whether having a distinct legal personality or not) any nation or government, any state or other political subdivision thereof or local jurisdiction therein, any agency, authority, instrumentality, board commission, department, division, organ, regulatory body, court, central bank or other entity, however constituted, exercising executive, legislative, judicial, taxing, regulatory, supervisory or administrative functions of or pertaining to government, any securities exchange and any self regulatory organization.

“Government of Registry” shall mean Chile[or, if the Aircraft is subject to the Initial Sublease, Brazil] or any Permitted Jurisdiction in which the Aircraft is registered as permitted under Section 7(b) of the Lease and any agency or instrumentality thereof.

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“Guarantor” means each Related Owner under the Note Guarantee.

[“IDERA” shall mean the Owner IDERA and/or the Initial Sublessee IDERA.]¹⁶

“IFRS” shall mean the International Financial Reporting Standards.

“Indemnatee” has the meaning specified in Section 4.03(a) of the Participation Agreement.

“Indenture” means that certain Indenture and Security Agreement ([MSN]), dated as of the Closing Date, between the Owner and the Loan Trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms, including supplementation by an Indenture Supplement pursuant to the Indenture.

“Indenture Event of Default” has the meaning specified in Section 4.01 of the Indenture.

“Indenture Indemnatee” means (i) the Loan Trustee, (ii) WTC, (iii) each separate or successor or additional trustee appointed pursuant to Section 8.02 of the Indenture, (iv) so long as it holds any Equipment Notes as agent and trustee of any Pass Through Trustee, the Subordination Agent, (v) each Liquidity Provider, (vi) so long as it is the holder of any Equipment Notes, each Pass Through Trustee, (vii) the Paying Agent, (viii) the Escrow Agent, and (ix) any of their respective successors and permitted assigns in such capacities, directors, officers, employees, agents and servants. No holder of a Pass Through Certificate in its capacity as such shall be an Indenture Indemnatee.

“Indenture Supplement” means a supplement to the Indenture, substantially in the form of Exhibit A to the Indenture, which shall particularly describe the Aircraft and any Replacement Engine included in the property subject to the Lien of the Indenture.

“Independent Director” means one of the directors of the Owner, who shall be a Person who, at any time during his/her/its tenure as director or during the five years preceding his/her/its appointment as director (i) does not have and is not committed to acquire any direct or indirect financial, legal or beneficial interest in the Owner or LATAM and is not a creditor, supplier, family member, manager, contractor, shareholder, director, officer, employee, subsidiary or Affiliate of the Owner or LATAM; (ii) is not connected with the Owner, LATAM or any creditor, supplier, family member, manager, contractor, shareholder, director, officer, employee, subsidiary or Affiliate of LATAM; (iii) is not, and has not been on the board of directors of and does not control (directly, indirectly or otherwise) LATAM or any of its Affiliates (except in the capacity of independent director of LATAM), and provided that, for the avoidance of doubt, any director provided to the Owner by MaplesFS Limited or any of its Affiliates from time to time pursuant to the terms of the Administration Agreement, Directors Services Agreement or any other services agreement with such entity shall be an Independent Director for the purposes of this definition and the Articles of Association of the Owner, and provided further that for the avoidance of doubt, in circumstances where two or more directors are provided by Maples FS Limited or any of its Affiliates from time to time under the Administration Agreement, Directors Services Agreement or any other services agreement with such entity, then MaplesFS Directors Limited shall be an Independent Director for the purposes of this definition.

¹⁶ Include only for Brazilian aircraft.

“Initial Purchaser” means, as applicable, each of the initial purchasers identified as such in the Certificate Purchase Agreement.

“Initial Basic Rent Installment” shall mean the amount designated therefor in the Lease Supplement delivered on the Delivery Date.

[“Initial Sublease” means the sublease agreement entered into between the Lessee, as sublessor and the Initial Sublessee in relation to the Aircraft, substantially in the form of Exhibit G to the Note Purchase Agreement, as the same may be amended, supplemented, renewed or otherwise modified from time to time in accordance with its terms.]¹⁷

[“Initial Sublessee” means TAM Linhas Aereas S.A.]¹⁸

[“Initial Sublessee IDERA” shall mean an irrevocable deregistration and export request authorization in relation to the Aircraft from the Initial Sublessee in favor of the Loan Trustee.]¹⁹

“Insolvency” or “Liquidation Proceeding” means (i) a voluntary proceeding under any Bankruptcy Law with respect to the Owner or the Lessee; (ii) a voluntary or involuntary appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Owner or the Lessee or for a substantial part of the property of the assets of the Owner or the Lessee; (iii) any voluntary or involuntary winding up or liquidation of the Owner or the Lessee; or (iv) a general assignment for the benefit of creditors of the Owner or the Lessee.

¹⁷ Include only for Brazilian aircraft.

¹⁸ Include only for Brazilian aircraft.

¹⁹ Include only for Brazilian aircraft.

“Insurance Proceeds” means any and all proceeds realized from the Insurances (other than third party liability insurances).

“Insurances” has the meaning given to such term in Section 10(a) of the Lease.

“Interchange Counterparty” has the meaning set forth in Section 7(e)(v) of the Lease Agreement.

“Intercreditor Agreement” means that certain Intercreditor Agreement, dated as of the Issuance Date, among the Pass Through Trustees, the Liquidity Providers and the Subordination Agent, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms; provided that, for purposes of any obligations of LATAM or the Owner, no amendment, modification or supplement to, or substitution or replacement of, such Intercreditor Agreement shall be effective unless consented to by LATAM.

[“International Interest” has the meaning ascribed to the defined term “international interest” under the Cape Town Treaty.]²⁰

[“International Registry” means the international registry established pursuant to the Cape Town Treaty.]²¹

“Interest Rate” means, with respect to any period, the weighted average interest rate per annum during such period borne by the outstanding Equipment Notes, excluding any interest payable at the Past Due Rate.

[“IR Filings” shall mean the filings made or to be made with the International Registry in accordance the Participation Agreement.]²²

“Issuance Date” means May 29, 2015.

“LATAM” has the meaning set forth in the first paragraph of the Participation Agreement.

“Lease” or “Lease Agreement” means the Lease Agreement MSN [____] dated as of the Closing Date between the Owner, as lessor, and LATAM, as lessee, substantially in the form of Exhibit F to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms, including as supplemented by the Lease Supplement.

²⁰ Include only for Brazilian aircraft.

²¹ Include only for Brazilian aircraft.

²² Include only for Brazilian aircraft.

["Lease Assignment"] means the Lease Security Assignment dated as of the Closing Date between the Owner and the Loan Trustee, substantially in the form of Exhibit I to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.]²³

"Lease Event of Default" means any "Lease Event of Default" as defined under the Lease.

"Lease Supplement" means the Lease Supplement substantially in the form of Exhibit I to the Lease, which shall particularly describe the Aircraft subject to the Lease.

"Leasing Affiliate" means a subsidiary of the Lessee or any other Person controlled by the Lessee, in each case that is, if the relevant Person is the operator or proposed operator of the Aircraft, a commercial air carrier possessing at all times while the Aircraft is operated by such person, all necessary authorizations (including, without limitation, those required to operate the Aircraft), consents and licenses; provided that in no event shall any Person be a Leasing Affiliate if such Person is, at the time of the proposed entry into of any sublease or interchange: (i) insolvent, or (ii) located in a country subject to EU or UN sanctions. For the purposes of this definition, the Lessee shall be deemed to "control" another Person if:

- (a) Lessee possesses, directly or indirectly, the power to direct the management or policies of such other Person whether through:
 - (i) the ownership of voting rights;
 - (ii) control of the board (including control of its composition) of the other Person;
 - (iii) indirect control of (i) and (ii); or
- (b) such other Person would, under relevant accounting principles, be consolidated or required to be consolidated for accounting purposes with the Lessee.

"Lessee" has the meaning set forth in the first sentence of the Participation Agreement.

²³ Include only for Brazilian aircraft

“Lessee Bankruptcy Event” means the occurrence and continuation of a Lease Event of Default under any of clauses 13(g), (h), (i), (j) or (k) of the Lease.

“Lessee Power of Attorney” means each power of attorney executed by the Lessee in favor of the Loan Trustee in connection with the repossession, re-export and deregistration of each Aircraft in form and substance satisfactory to the Loan Trustee.

“Lessor” means the Owner as lessor under the Lease.

“Lessor Parent” means the owner from time to time of the issued share capital of the Lessor, being:

(a) as at the date of this Lease Agreement, the Lessee; or

(b) subject to paragraph (c) below and at any time following the exercise by the Lessee of its option under the Put Option Agreement with respect to the Lessor to transfer, or procure the transfer of, its holding of the issued share capital of the Lessor (which option may only be exercised once), the person nominated as the transferee of such holding of the issued share capital of the Lessor; or

(c) at any time following the exercise of the option under the Call Option Agreement with respect to the Lessor by the Subordination Agent (in the capacity therein described) pursuant to its terms, the Subordination Agent (in the capacity therein described) or its nominee.

“Lessor Power of Attorney” means each power of attorney executed by the Owner in favor of the Loan Trustee in connection with the repossession, re-export and deregistration of each Aircraft in form and substance satisfactory to the Loan Trustee.

“Lien” means as applied to the property or assets (or the income or profits therefrom) of any Person (in each case, whether the same is consensual or non-consensual or arises by contract, operation of law, legal process or otherwise), any lien, mortgage, hypothec, encumbrance, pledge, attachment, levy, charge, lease, encumbrance, right of seizure or detention, inscription on a public record, claim, prior claim, right of others or security interest of any kind, including any thereof arising under any conditional sale or other title retention agreement and any agreement to give any thereof in respect of any property or assets of such Person, or upon the income or profits therefrom.

“Liquidity Facilities” means, collectively, the Class A Liquidity Facility and the Class B Liquidity Facility.

“Liquidity Providers” means, collectively, the Class A Liquidity Provider and the Class B Liquidity Provider.

Annex A
(LATAM 2015-1 Aircraft EETC)
[MSN]

“Loan Trustee” has the meaning specified in the introductory paragraph of the Indenture.

“Loan Trustee Liens” means any Lien attributable to WTC or the Loan Trustee with respect to the Aircraft, any interest therein or any other portion of the Collateral arising as a result of (i) claims against WTC or the Loan Trustee not related to its interest in the Aircraft or the administration of the Collateral pursuant to the Indenture, (ii) acts of WTC or the Loan Trustee not permitted by, or the failure of WTC or the Loan Trustee to take any action required by, the Financing Agreements or the Pass Through Documents, (iii) claims against WTC or the Loan Trustee relating to Taxes or claims for Expenses that are excluded from the indemnification provided by Section 4.03 or 4.04 of the Participation Agreement pursuant to said Section 4.03 or 4.04 or (iv) claims against WTC or the Loan Trustee arising out of the transfer by any such party of all or any portion of its interest in the Aircraft, the Collateral, the Financing Agreements or the Pass Through Documents, except while an Indenture Event of Default is continuing and prior to the time that the Loan Trustee has received all amounts due to it pursuant to the Indenture.

“Local Mortgage” means (i) the Chilean law aircraft mortgage dated on or about the date of the Delivery granted by the Lessor in favor of the Loan Trustee, substantially in the form of Exhibit D to the Note Purchase Agreement[, (ii) if the Aircraft is subject to the Initial Sublease, the Brazilian law aircraft mortgage dated on or about the date of the Delivery granted by the Lessor in favor of the Loan Trustee, substantially in the form of Exhibit E to the Note Purchase Agreement] or [(ii)][(iii)] if the Aircraft is subleased to, or operated by, a Permitted Sublessee and is registered in accordance with Section 7(b) of the Lease, an aircraft mortgage governed by the laws of the applicable Permitted Jurisdiction granted by the Lessor in favor of the Loan Trustee dated on or about the date of such sublease, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Long-Term Rating” has the meaning specified in the Intercreditor Agreement.

“Loss Payment Date” means the earlier of (i) the date on which the Lessee, the Owner or the Loan Trustee received the insurance proceeds pursuant to Section 10 of the Lease and (ii) sixty (60) days after the occurrence of an Event of Loss.

Annex A
(LATAM 2015-1 Aircraft EETC)
[MSN]

“Majority in Interest of Noteholders” means, as of a particular date of determination and subject to Section 2.16 of the Indenture, the holders of at least a majority in aggregate unpaid principal amount of all Equipment Notes outstanding as of such date (excluding any Equipment Notes held by LATAM, the Owner or any Affiliate thereof, it being understood that a Pass Through Trustee shall be considered an Affiliate of the Owner as long as more than 50% in the aggregate face amount of Pass Through Certificates issued by the corresponding Pass Through Trust are held by LATAM, the Owner or an Affiliate thereof or a Pass Through Trustee is otherwise under the control of LATAM, the Owner or such Affiliate (unless all Equipment Notes then outstanding are held by LATAM, the Owner or any Affiliate thereof, or any combination thereof, including the Pass Through Trustees which are considered Affiliates of LATAM or the Owner pursuant hereto)); provided that for the purposes of directing any action or casting any vote or giving any consent, waiver or instruction hereunder, any Noteholder of an Equipment Note or Equipment Notes may allocate, in such Noteholder’s sole discretion, any fractional portion of the principal amount of such Equipment Note or Equipment Notes in favor of or in opposition to any such action, vote, consent, waiver or instruction.

“Make-Whole Amount” means, with respect to any Equipment Note, the amount (as determined by an independent investment banker selected by LATAM), if any, by which (i) the present value of the remaining scheduled payments of principal and interest from the redemption date to maturity of such Equipment Note computed by discounting each such payment on a semiannual basis from its respective Payment Date (assuming a 360-day year of twelve 30 day months) using a discount rate equal to the Treasury Yield plus the Make-Whole Spread exceeds (ii) the outstanding principal amount of such Equipment Note plus accrued but unpaid interest thereon to the date of redemption. For purposes of determining the Make-Whole Amount, “Treasury Yield” means, at the date of determination, the interest rate (expressed as a semiannual equivalent and as a decimal rounded to the number of decimal places as appears in the Debt Rate of such Equipment Note and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Average Life Date and trading in the public securities market either as determined by interpolation between the most recent weekly average constant maturity, non-inflation-indexed series yield to maturity for two series of United States Treasury securities, trading in the public securities markets, (A) one maturing as close as possible to, but earlier than, the Average Life Date and (B) the other maturing as close as possible to, but later than, the Average Life Date, in each case as reported in the most recent H.15(519) or, if a weekly average constant maturity, non-inflation-indexed series yield to maturity for United States Treasury securities maturing on the Average Life Date is reported in the most recent H.15(519), such weekly average yield to maturity as reported in such H.15(519). “H.15(519)” means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System. The date of determination of a Make-Whole Amount shall be the third Business Day prior to the applicable redemption date and the “most recent H.15(519)” means the latest H.15(519) published prior to the close of business on the third Business Day prior to the applicable redemption date.

“Make-Whole Spread” means, with respect to any Series of Equipment Notes, the percentage specified for the applicable Series as such in **Schedule I** to the Indenture, as, in the case of any Additional Series of Equipment Notes issued after the Closing Date, such **Schedule I** may be amended in connection with such issuance.

Annex A
(LATAM 2015-1 Aircraft EETC)
[MSN]

“**Manuals and Technical Records**” means, with respect to the Aircraft or any Engine, all logs, logbooks, manuals and data, and inspection, modification and overhaul records (including all job cards) and other records required to be maintained under applicable rules and regulations of the Aviation Authority and if any of the same are not in the English language, certified English translations thereof.

“**Manufacturer**” means [The Boeing Company, a Delaware corporation, and its successors and assigns]²⁴[Airbus S.A.S., a *société par actions simplifiée* organized and existing under the laws of the Republic of France]²⁵.

[“**Manufacturer’s Consent**” means the Manufacturer’s Consent and Agreement to Assignment of Warranties, dated as of the Closing Date, substantially in the form of Exhibit A to the Purchase Agreement Assignment]²⁶.

“**Material Adverse Effect**” means, in relation to any Person, as the context may require, (a) a material adverse effect upon the business, operations or condition (financial or otherwise) of such Person or upon the ability of such Person to perform its obligations under the Financing Agreements, (b) a material adverse effect on the validity or enforceability of any of the Financing Agreements, (c) a material adverse effect on the rights or remedies of any Secured Party under any of the Financing Agreements or of the Owner or any Secured Party under any manufacturer’s warranty with respect to the Aircraft or any Engine or (d) any event or circumstance which adversely affects the Airframe or any Engine or such Person’s interest therein or involves any risk of the sale, seizure, detention or forfeiture of the Airframe or any Engine or any other part of the Aircraft.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Note Guarantee**” means the Note Guarantee dated as of the Closing Date and issued by each Related Owner for the benefit of the Loan Trustee, substantially in the form of Exhibit O to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“**Note Value**” shall mean, as of any particular date of computation, an amount calculated in accordance with Schedule 2 to the Lease Supplement.²⁷

24 Include in the case of Boeing aircraft.

25 Include in the case of Airbus aircraft.

26 To be inserted for Boeing aircraft.

27 To reflect the aggregate outstanding principal amount of the Equipment Notes as of such date.

“Noteholder” means any Person in whose name an Equipment Note is registered on the Equipment Note Register (including, for so long as it is the registered holder of any Equipment Notes, the Subordination Agent on behalf of the Pass Through Trustees pursuant to the provisions of the Intercreditor Agreement).

“Noteholder Liens” means any Lien attributable to any Noteholder on or against the Aircraft, any interest therein or any other portion of the Collateral, arising out of any claim against such Noteholder that is not related to the Financing Agreements or Pass Through Documents, or out of any act or omission of such Noteholder that is not related to the transactions contemplated by, or that constitutes a breach by such Noteholder of its obligations under, the Financing Agreements or the Pass Through Documents.

“Note Purchase Agreement” means the Note Purchase Agreement, dated as of the Issuance Date, among LATAM, the Owner, each Related Owner, the Subordination Agent, the Escrow Agent, the Paying Agent, and the Pass Through Trustee under each Pass Through Trust Agreement providing for, among other things, the issuance and sale of certain equipment notes, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

[“Notice of Assignment” means the notice of assignment from the Sublessee (MSN [___]) from the Lessee, the Owner and the Loan Trustee in connection with the Initial Sublease.]²⁸

“Notice of Assignment of Insurances” means, with respect to the Assignment of Insurances, each notice of assignment of insurances from the [Lessee][the Initial Sublessee] and the Loan Trustee to the insurer on or about the date of the Indenture substantially in the form of Exhibit A to the Assignment of Insurances.

“NY UCC” means UCC as in effect in the State of New York.

“Obligors” means each of the Lessor Parent, the Owner, the Lessee and the Guarantors and “Obligor” means the Lessor Parent, the Owner, the Lessee or any Guarantor, as the context may require.

“Operative Agreements” has the meaning set forth in Annex A to the Note Purchase Agreement.

“Operative Indentures” means, as of any date, each “Indenture” (as such term is defined in the Note Purchase Agreement), including the Indenture, whether or not any other “Indenture” shall have been entered into before or after the date of the Indenture, but only if as of such date all “Equipment Notes” (as defined in each such “Indenture”) are held by the “Subordination Agent” under the “Intercreditor Agreement”, as such terms are defined in each such “Indenture”.

²⁸ Include only for Brazilian aircraft.

“Other Party Liens” means any Lien attributable to any Pass Through Trustee (other than in its capacity as Noteholder), the Subordination Agent (other than in its capacity as Noteholder) or any Liquidity Provider on or against the Aircraft, any interest therein, or any other portion of the Collateral arising out of any claim against such party that is not related to the Financing Agreements or the Pass Through Documents, or out of any act or omission of such party that is not related to the transactions contemplated by, or that constitutes a breach by such party of its obligations under, the Financing Agreements or the Pass Through Documents.

“Owner” means [Parina Leasing Limited]/[Cuclillo Leasing Limited]/[Rayador Leasing Limited]/[Canastero Leasing Limited], an exempted company with limited liability incorporated in the Cayman Islands.

[“Owner Consent” means the consent by the Owner to the RAB in respect of the Initial Sublease.]²⁹

[“Owner IDERA” shall mean an irrevocable deregistration and export request authorization from the Owner in favor of the Loan Trustee.]³⁰

“Participation Agreement” has the meaning set forth under the definition of “Agreement”.

“Parts” means with respect to the Airframe or any Engine, all appliances, components, parts, instruments (including avionics), appurtenances, accessories, furnishings and other equipment of whatever nature (other than complete Engines, or engines), that may from time to time be incorporated or installed in or attached to the Airframe or any Engine or removed from the Airframe or such Engine so long as the Lessor’s interest therein shall continue and any Replacement Part which may from time to time be substituted for a Part.

“Pass Through Certificates” means the pass through certificates issued by any Pass Through Trust (and any other pass through certificates for which such pass through certificates may be exchanged).

²⁹ Include only for Brazilian Aircraft.

³⁰ Include only for Brazilian Aircraft.

“Pass Through Documents” means each Pass Through Trust Agreement, the Note Purchase Agreement, each Escrow Agreement, each Deposit Agreement, the Intercreditor Agreement and each Liquidity Facility.

“Pass Through Trust” means each of the two separate grantor trusts that have been or will be created pursuant to the Pass Through Trust Agreements to facilitate certain of the transactions contemplated by the Financing Agreements.

“Pass Through Trust Agreement” means each of the two separate Trust Supplements relating to the Pass Through Trusts, together in each case with the Basic Pass Through Trust Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Pass Through Trustee” means the trustee under each Pass Through Trust Agreement, together with any successor in interest and any successor or other trustee appointed as provided in such Pass Through Trust Agreement.

“Past Due Rate” means the lesser of (a) with respect to (i) any payment made to a Noteholder under any Series of Equipment Notes, the Debt Rate then applicable to such Series plus 1% and (ii) any other payment made under any Financing Agreement to any other Person, the Debt Rate plus 1% (computed on the basis of a year of 360 days comprised of twelve 30-day months) and (b) the maximum rate permitted by applicable law.

“Paying Agent” means WTC, as paying agent under each Escrow Agreement, and any successor agent thereto.

“Payment Date” means, for any Equipment Note, each February 15th, May 15th, August 15th and November 15th, commencing with [___].

“Payment Default” means the occurrence of an event that would give rise to an Indenture Event of Default under Section 4.01(a) of the Indenture upon the giving of notice or the passing of time or both.

Annex A
(LATAM 2015-1 Aircraft EETC)
[MSN]

“Permitted Investments” means each of (a) direct obligations of the United States and agencies thereof having maturities no later than 365 days following the date of such investment; (b) obligations fully guaranteed by the United States having maturities no later than 365 days following the date of such investment; (c) certificates of deposit issued by, or bankers’ acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States or one of the states thereof having combined capital and surplus and retained earnings of at least \$100,000,000 and having a Long-Term Rating of A, its equivalent or better issued by S&P or A2 by Moody’s (or, if neither such organization then rates such institutions, by any nationally recognized rating organization in the United States), having maturities no later than 365 days following the date of such investment; (d) commercial paper of any holding company of a bank, trust company or national banking association described in clause (c), having maturities no later than 365 days following the date of such investment; (e) commercial paper of companies having a Short-Term Rating assigned to such commercial paper by either Moody’s or S&P (or, if neither such organization then rates such commercial paper, by any nationally recognized rating organization in the United States) equal to the highest (in case of Moody’s) or either of the two highest (in case of S&P) ratings assigned by such organization, having maturities no later than 365 days following the date of such investment; (f) Dollar-denominated certificates of deposit issued by, or time deposits with, the European subsidiaries of (i) any bank, trust company or national banking association described in clause (c), or (ii) any other bank or financial institution described in clause (g), (h) or (j) below, having maturities no later than 365 days following the date of such investment; (g) United States-issued Yankee certificates of deposit issued by, or bankers’ acceptances of, or commercial paper issued by, any bank having combined capital and surplus and retained earnings of at least \$100,000,000 and headquartered in Canada, Japan, the United Kingdom, France, Germany, Switzerland or The Netherlands and having a Long-Term Rating of A, its equivalent or better issued by S&P or A2, its equivalent or better issued by Moody’s (or, if neither such organization then rates such institutions, by any nationally recognized rating organization in the United States), having maturities no later than 365 days following the date of such investment; (h) Dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earnings of at least \$100,000,000 and having a Long-Term Rating of A, its equivalent or better issued by S&P or A2, its equivalent or better issued by Moody’s (or, if neither such organization then rates such institutions, by any nationally recognized rating organization in the United States), having maturities no later than 365 days following the date of such investment; (i) Canadian Treasury Bills fully hedged to Dollars having maturities no later than 365 days following the date of such investment; (j) repurchase agreements with any financial institution having combined capital and surplus and retained earnings of at least \$100,000,000 collateralized by transfer of possession of any of the obligations described in clauses (a) through (i) above; and (k) such other investments approved in writing by the Loan Trustee; provided that the instruments described in the foregoing clauses shall have a maturity no later than the earliest date when such investments may be required for distribution. The bank acting as the Pass Through Trustee or the Loan Trustee is hereby authorized, in making or disposing of any investment described herein, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Pass Through Trustee or the Loan Trustee or for any third person or dealing as principal for its own account.

“Permitted Jurisdiction” shall mean any jurisdiction listed in Annex B to the Lease.

Annex A
(LATAM 2015-1 Aircraft EETC)
[MSN]

“Permitted Lien” means (i) the respective rights of each of the parties to the Financing Agreements as provided in the Financing Agreements; (ii) the rights of the Lessee and other Persons under leases and other agreements and arrangements to the extent permitted by the terms of Sections 7 and 8 of the Lease; (iii) Liens for fees or charges of any airport or air navigation authority not yet due and payable by the Owner or the Lessee or which are being contested in good faith, on reasonable grounds and by appropriate proceedings so long as such Liens do not involve any material risk of the sale, seizure, forfeiture, detention or loss of the Aircraft, any Part thereof, title thereto, or any interest therein or the use thereof (any of which a “**Lien Loss**”); (iv) Liens for Taxes payable by the Owner or the Lessee either not yet overdue or being contested in good faith by appropriate proceedings that do not involve any material risk of Lien Loss and that do not involve any potential for criminal liability, and in the case of such proceedings so long as adequate reserves are maintained in respect of such Taxes in accordance with applicable accounting principles; (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens on the Aircraft, the Airframe or any Engine arising in the ordinary course of business of the Lessee for amounts the payment of which is either not yet due or which are being contested in good faith by appropriate proceedings that do not involve any material likelihood of Lien Loss and in the case of such proceedings so long as adequate reserves are maintained by the Lessee in respect of such amounts in accordance with applicable accounting principles; (vi) Liens arising out of judgments or awards against the Owner or the Lessee with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith by appropriate proceedings that do not involve any material likelihood of Lien Loss and in the case of such proceedings so long as an adequate bond to stay enforcement is in effect, and (vii) salvage or similar rights of insurers under insurance policies maintained pursuant to and in accordance with Section 10 of the Lease.

“Permitted Owner Lien” has the meaning set forth in Section 7.01 of the Indenture.

“Permitted Sublessee” has the meaning set forth in Section 7(e)(v) of the Lease [, and, for the avoidance of doubt, shall include the Initial Sublessee.]³¹

“Person” means any person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof.

“Pledge Agreements” has the meaning set forth in Section 1.01 of the Intercreditor Agreement.

³¹ Include only for Brazilian aircraft.

“Post-Delivery Authorizations and Filings” means, with respect to a Brazilian Aircraft, the authorizations and filings set out in Section 3.01(u)(iv)(A)–(H) of the Participation Agreement.

“Powers of Attorney” means collectively, the Lessee Power of Attorney and the Lessor Power of Attorney.

[“Pre-Delivery Authorizations and Filings” means the:

(a) print-out of the authorization of the Central Bank of Brazil (registration of financial operations (*Registro de Operação Financeira*) – ROF) approving the financial condition of the Initial Sublease with respect to the remittance of all regularly scheduled payments due thereunder, by Lessee, certified as accurate by a director of or an officer of or in-house counsel to Lessee;

(b) a copy of the evidence, in the form of a “protocol”, of the filing with the RAB of the of the (i) Initial Sublease, (ii) Local Mortgage (and any consents thereto), (iii) Subordination Acknowledgment, (iv) Notice of Assignment, (v) the Acknowledgment of Assignment, (vi) Sublease Assignment, (vii) Lease Assignment, (viii) Owner Consent, (ix) IDERA granted by the Sublessee and (x) Bill of Sale, together with their respective sworn translations into Portuguese;

(c) evidence of filing, in the form of a "protocol", of the (i) Initial Sublease, (ii) Local Mortgage, (iii) Subordination Acknowledgment, (iv) Notice of Assignment, (v) the Acknowledgment of Assignment, (vi) Sublease Assignment, (vii) Lease Assignment, (viii) Owner Consent and (ix) Bill of Sale, each together with its sworn public translation into Portuguese, with the RTD of the City of São Paulo;

(d) a copy of the ATAN Letter from the Initial Sublessee to the Brazilian air traffic control authority pursuant to which the Initial Sublessee authorizes the addressee to issue to the Owner and the Lessee, amongst others, upon request from time to time, a statement of account of all sums due by the Lessee to the authority in respect of the Aircraft;

(e) copies of the Initial Sublessee’s air transport license, air operator’s certificates, and any other licenses, certificates and permits that the Initial Sublessee is required to obtain in relation to, or in connection with, the operation of the Aircraft (including any type of certification); and

(f) such other authorizations and/or filings as the Lessee, the Owner or the Loan Trustee may reasonably require.]³²

³² Include only for Brazilian aircraft.

“Process Agent” means the Process Agent set forth on Schedule IV to the Note Purchase Agreement.

“Purchase Agreement” means the Purchase Agreement as described in **Schedule I** to the Participation Agreement.

“Purchase Agreement Assignment” means [the Purchase Agreement Assignment dated as of the Closing Date among The Boeing Company, LATAM, the Owner and the Loan Trustee substantially in the form of Exhibit K-1 to the Note Purchase Agreement]³³/ [(i) the Purchase Agreement Assignment dated as of the Closing Date between the Lessee and the Owner substantially in the form of Exhibit K-2 to the Note Purchase Agreement and (ii) the Airframe Warranties Agreement dated as of the Closing Date among Airbus S.A.S, the Owner, LATAM and the Loan Trustee, substantially in the form of Exhibit [L-1]³⁴/[L-2]³⁵ to the Note Purchase Agreement]³⁶ / [(i) the Purchase Agreement Assignment dated as of the Closing Date between the Lessee and the Owner substantially in the form of Exhibit K-3 to the Note Purchase Agreement and (ii) the Airframe Warranties Agreement dated as of the Closing Date among Airbus S.A.S., the Owner, LATAM, the Initial Sublessee and the Loan Trustee, substantially in the form of Exhibit [L-3]³⁷/[L-4]³⁸ to the Note Purchase Agreement]³⁹ / [(i) the Purchase Agreement Assignment dated as of the Closing Date between the Lessee and the Owner substantially in the form of Exhibit K-4 to the Note Purchase Agreement and (ii) the Airframe Warranties Agreement dated as of the Closing Date among Airbus S.A.S., the Owner, LATAM, the Initial Sublessee and the Loan Trustee, substantially in the form of Exhibit L-5 to the Note Purchase Agreement]⁴⁰, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

“Put Option Agreements” has the meaning set forth in Section 1.01 the Intercreditor Agreement.

-
- 33 Include for Boeing aircraft.
 - 34 Include for Chilean aircraft.
 - 35 Include for Brazilian aircraft.
 - 36 Include for Airbus A321 delivered under LAN Purchase Agreement.
 - 37 Include for Chilean aircraft.
 - 38 Include for Brazilian aircraft.
 - 39 Include for Airbus A321 delivered under TAM Purchase Agreement.
 - 40 Include for Airbus A350 aircraft.

["RAB"] shall mean Registro Aeronautico Brasileiro.]⁴¹

"Rating Agencies" has the meaning specified in the Intercreditor Agreement.

"Reinsurances" shall mean any and all contracts or policies of reinsurance maintained by the Owner (or the [Lessee][Initial Sublessee]) in respect of the Aircraft pursuant to Section 10 of the Lease.

"Related Additional Series Equipment Note" means, with respect to any particular series of Additional Series Equipment Notes and as of any date, an "Additional Series Equipment Note," as defined in each Related Indenture, having the same designation (*i.e.*, "Series C" or the like) as such Additional Series Equipment Notes, but only if as of such date it is held by the "Subordination Agent" under the "Intercreditor Agreement," as such terms are defined in such Related Indenture.

"Related Aircraft" means each of the eleven (11) Airbus A321-200 aircraft, two (2) Airbus A350-900 aircraft, and four (4) Boeing 787-9 aircraft referred to in Note Purchase Agreement, excluding the Aircraft, or any of them.

"Related Equipment Note" means, as of any date, an "Equipment Note" as defined in each Related Indenture, but only if as of such date it is held by the "Subordination Agent" under the "Intercreditor Agreement", as such terms are defined in such Related Indenture.

"Related Lease" means each lease agreement in effect from time to time with respect to a Related Aircraft, or any of them.

"Related Lease Event of Default" means a "Lease Event of Default" under (and as defined in) any Related Lease.

"Related Lessor" means each "Lessor" as described in a Related Lease.

"Related Indemnatee Group" has the meaning specified in Section 4.03(a) of the Participation Agreement.

"Related Indenture" means each Operative Indenture (other than the Indenture).

"Related Indenture Event of Default" means any "Indenture Event of Default" under any Related Indenture.

"Related Indenture Indemnatee" means each Related Noteholder.

⁴¹ Include only for Brazilian aircraft.

“Related Loan Trustee” means the “Loan Trustee” as defined in each Related Indenture.

“Related Make-Whole Amount” means the “Make-Whole Amount”, as defined in each Related Indenture.

“Related Noteholder” means a registered holder of a Related Equipment Note.

“Related Obligors” means the “Obligors” as defined in each Related Lease, or any of them, and “Related Obligor” means any of them, as the context may require.

“Related Owner” means each “Owner” as described in a Related Indenture.

“Related Participation Agreement” means any “Participation Agreement” as defined in a Related Lease, or, collectively, each of them.

“Related Secured Obligations” means, as of any date, the outstanding principal amount of the Related Equipment Notes issued under each Related Indenture, the accrued and unpaid interest (including, to the extent permitted by applicable law, post-petition interest and interest on any overdue amounts) due thereon in accordance with such Related Indenture as of such date, the Related Make-Whole Amount, if any, with respect thereto due thereon in accordance with such Related Indenture as of such date, and any other amounts payable as of such date under the “Financing Agreements” (as defined in each Related Indenture).

“Related Series A Equipment Note” means, as of any date, a “Series A Equipment Note”, as defined in each Related Indenture, but only if as of such date it is held by the “Subordination Agent” under the “Intercreditor Agreement”, as such terms are defined in such Related Indenture.

“Related Series B Equipment Note” means, as of any date, a “Series B Equipment Note”, as defined in each Related Indenture, but only if as of such date it is held by the “Subordination Agent” under the “Intercreditor Agreement”, as such terms are defined in such Related Indenture.

“Rent” shall mean collectively, Basic Rent and Supplemental Rent.

“Replacement Engine” means a [Engine Manufacturer and Model] engine (or an engine of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe with the other Engine (or any other Replacement Engine being substituted simultaneously therewith)) that shall have been made subject to the Lien of the Indenture pursuant the terms thereof and Section 7(j) or 9(b) of the Lease, together with all Parts relating to such engine, but excluding items installed or incorporated in or attached to any such engine from time to time that are excluded from the definition of Parts.

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“Replacement Liquidity Facility” has the meaning set forth in the Intercreditor Agreement.

“Replacement Liquidity Provider” has the meaning set forth in the Intercreditor Agreement.

“Reserved Matters” means the following:

(a) amalgamation, consolidation or merger of the Owner with or into any other entity;

(b) submission to the Registrar of Companies in and for the Cayman Islands of an application to strike from the Register of Companies pursuant to Section 156 of the Companies Law (2013 Revision) of the Cayman Islands);

(c) sale of any assets of the Owner (other than the disposition of any engine or aircraft or part thereof that is permitted under the Operative Agreements);

(d) discontinuance of the Owner under the Statute and continuance in a jurisdiction outside the Cayman Islands;

(e) institution of any proceeding by the Owner, in relation to itself, seeking liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property;

(f) in the case of any such proceeding described in paragraph (e) above being instituted against the Owner (but not instituted by the Owner), authorizing or consenting to such proceedings (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for it, or any substantial part of its property, or that of any subsidiary);

(g) any proposal put to the Owner’s Members (as defined in the Companies Law (2013 Revision) of the Cayman Islands) to wind up or terminate the corporate existence of the Owner;

(h) consent to any amendment, modification or waiver of any of the Required Terms (as defined in the Note Purchase Agreement) unless the same has been consented to by the Subordination Agent; or

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(i) any proposal put to the Owner’s Members to amend and restate the memorandum of association and articles of association of the Owner by special resolution.

“Responsible Officer” means, with respect to LATAM or the Owner, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, its General Counsel, any Vice President, the Treasurer, the Assistant Treasurer, the Secretary or any other management employee or, in the case of the Owner, any Director or, in the case of Reserved Matters, the Independent Director (a) whose power to take the action in question has been authorized, directly or indirectly, by the Board of Directors of LATAM or the Owner, as the case may be (b) working directly under the supervision of its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary and (c) whose responsibilities include the administration of the transactions and agreements contemplated by the Participation Agreement and the Indenture.

“Replacement Part” shall mean an appliance, part, accessory, furnishing, instrument, appurtenance or other item of equipment of whatever nature (other than complete Engines or engines) which shall have been leased under the Lease and subjected to the Lien of the Lease, the Indenture and the Local Mortgage, in each case in compliance with the requirements thereof and of the other Financing Agreements.

[“RTD” means a Registry of Deeds and Titles located in São Paulo, SP, Brazil.]⁴²

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“Secured Obligations” has the meaning specified in Section 2.06 of the Indenture.

“Secured Parties” shall mean, collectively, the Loan Trustee, each Pass Through Trustee, the Subordination Agent, each Liquidity Provider and each Noteholder (but shall not include the holder of any Pass Through Certificate) and “Secured Party” shall mean any of them.

“Securities Account” has the meaning specified in Section 3.07 of the Indenture.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Securities Intermediary” has the meaning specified in Section 3.07 of the Indenture.

⁴² Include only for Brazilian aircraft.

“Security Documents” means the Pledge Agreements, the Call Option Agreement, the Indenture and the Aircraft Security Documents.

“Series” means any series of Equipment Notes, including the Series A Equipment Notes, the Series B Equipment Notes, or any Additional Series Equipment Notes.

“Series A” or “Series A Equipment Notes” means Equipment Notes issued and designated as “Series A Equipment Notes” under the Indenture, in the original principal amount and maturities as specified in **Schedule I** to the Indenture under the heading “Series A Equipment Notes” and bearing interest at the Debt Rate for Series A Equipment Notes specified in **Schedule I** to the Indenture.

“Series B” or “Series B Equipment Notes” means Equipment Notes issued and designated as “Series B Equipment Notes” under the Indenture, in the original principal amount and maturities as specified in **Schedule I** to the Indenture under the heading “Series B Equipment Notes” and bearing interest at the Debt Rate for Series B Equipment Notes specified in **Schedule I** to the Indenture.

“Service Bulletin” shall mean any document issued by the Manufacturer or the Engine Manufacturer recommending an improvement, inspection, repair or modification to the Aircraft, Airframe, any Engine or any Part.

“Short-Term Rating” has the meaning specified in the Intercreditor Agreement.

[“RTD” shall mean the Registry of Deeds and Documents of the City of São Paulo, State of São Paulo, Brazil.]

“Sublease” means any sublease permitted by the terms of Section 7(e)(v) of the Lease.

[“Sublease Acceptance Certificate” means the acceptance certificate to be entered into between the Lessee, as sublessor and the Initial Sublessee on the Closing Date substantially in the form of Exhibit II to the Initial Sublease.]⁴³

[“Sublease Assignment” means the Sublease Security Assignment dated as of the Closing Date among LATAM and the Loan Trustee, substantially in the form of Exhibit J to the Note Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.]

“Subordination Agent” has the meaning specified in the introductory paragraph to the Participation Agreement.

⁴³ For Brazilian aircraft only

“Subordination Acknowledgment” shall mean a subordination acknowledgment with respect to the rights of any Permitted Sublessee in relation to the Aircraft under any Permitted Sublease entered into, or to be entered into, by such Permitted Sublessee substantially in the form of Exhibit N to the Note Purchase Agreement [and shall include the subordination acknowledgment dated the Closing Date entered into by the Initial Sublessee for the benefit of the Loan Trustee with respect to the rights of the Initial Sublessee in relation to the Aircraft under the Initial Sublease.]⁴⁴

“Supplemental Rent” shall mean any and all amounts, liabilities and obligations (excluding Basic Rent) that the Lessee assumes or agrees to pay to the Owner or any other Person under the Lease, the Participation Agreement or any other Financing Agreement and (without duplication) any amount payable by the Owner under the terms of the Indenture and the Financing Agreements (including any amounts payable in respect of amounts contemplated in Sections 4.03, 4.04 and 4.08 of the Participation Agreement and including interest on the Equipment Notes calculated at the Past Due Rate).

“Tax” and “Taxes” mean all governmental fees (including, without limitation, license, filing and registration fees) and all taxes (including, without limitation, franchise, excise, stamp, value added, income, gross receipts, sales, use and property taxes), withholdings, assessments, levies, imposts, duties or charges, of any nature whatsoever, together with any related penalties, fines, additions to tax or interest thereon imposed, withheld, levied or assessed by any country, taxing authority or governmental subdivision thereof or therein or by any international authority, including any taxes imposed on any Person as a result of such Person being required to collect and pay over withholding taxes.

“Tax Indemnitee” means (a) the Owner, (b) WTC, WTNA, and the Loan Trustee, (c) each separate or additional trustee appointed pursuant to the Indenture, (d) so long as it holds any Equipment Notes as agent and trustee of any Pass Through Trustee, the Subordination Agent, (e) so long as it is the holder of any Equipment Notes, each Pass Through Trustee (as Pass Through Trustee under each of the Pass Through Trust Agreements), (f) each Liquidity Provider, (g) each Noteholder, (h) the Escrow Agent, (i) the Paying Agent and (j) the respective successors, assigns, agents and servants of the foregoing. No holder of a Pass Through Certificate in its capacity as such holder shall be a Tax Indemnitee.

⁴⁴ To be inserted for Brazilian aircraft.

“**Taxing Authority**” means (a) any federal, provincial, state or local government or other taxing authority in the United States or Chile, (b) any other government or any political subdivision or taxing authority, (c) any international taxing authority or (d) any territory or possession of the United States or any taxing authority thereof.

“**Term**” means (i) the period commencing on the Closing Date to and including the final scheduled Basic Rent Payment Date, or (ii) such shorter period that may result from any earlier termination in respect of the Lease in accordance with the terms of the Lease.

“**Transfer**” means the transfer, sale, assignment or other conveyance of all or any interest in any property, right or interest.

“**Trust Indenture Act**” means the Trust Indenture Act of 1939, as amended from time to time.

“**Trust Supplements**” means (i) those agreements supplemental to the Basic Pass Through Trust Agreement referred to in **Schedule III** to the Participation Agreement as of the Closing Date and (ii) in the case of any Additional Series Pass Through Certificates, if issued, whether in connection with the initial issuance of any Additional Series Equipment Notes or in connection with any subsequent redemption of any Additional Series Equipment Notes, an agreement supplemental to the Basic Pass Through Trust Agreement pursuant to which (a) a separate trust is created for the benefit of the holders of such Additional Series Pass Through Certificates, (b) the issuance of such Additional Series Pass Through Certificates representing fractional undivided interests in the Additional Series Pass Through Trust is authorized and (c) the terms of such Additional Series Pass Through Certificates are established.

“**UCC**” or “**Uniform Commercial Code**” means the Uniform Commercial Code as in effect in any applicable jurisdiction.

“**United States**”, “**U.S.**” or “**US**” means the United States of America.

“**Warranty Assignments**” means, collectively, the Purchase Agreement Assignment, the [Manufacturer’s Consent]⁴⁵ and the Engine Warranties Agreement.

“**Warranty Bill of Sale**” means [the warranty (as to title) bill of sale covering the Aircraft, executed by the Manufacturer in favor of the Owner and specifically referring to each Engine, as well as the Airframe, constituting a part of the Aircraft]⁴⁶ [, collectively, (a) the warranty (as to title) bill of sale covering the Aircraft, executed by the Manufacturer in favor of Boeing Sales Corporation and specifically referring to each Engine, as well as the Airframe, constituting a part of the Aircraft and (b) the warranty (as to title) bill of sale covering the Aircraft, executed by Boeing Sales Corporation in favor of the Owner and specifically referring to each Engine, as well as the Airframe, constituting a part of the Aircraft]⁴⁷ ..

⁴⁵ Include for Boeing aircraft.

⁴⁶ To be inserted for all Airbus aircraft.

⁴⁷ To be inserted for Boeing aircraft. TBD if 787-9 are sold this way.

“Warranty Rights” means the Warranty Rights as described in **Schedule I** to the Participation Agreement.

“Wet Lease” means any arrangement whereby the Owner agrees to furnish the Airframe and the Engines or engines installed thereon to an air carrier and pursuant to which the Airframe and the Engines or engines (i) shall be operated solely by cockpit crew provided by the Owner possessing all current certificates and licenses required by Applicable Laws, (ii) shall be maintained by the Lessee in accordance with the normal maintenance provisions of the Lease, (iii) shall continue to be insured by the Lessee in accordance with the terms of the Lease, and (iv) shall not be subject to any change in its state of registration.

“WTC” has the meaning specified in the introductory paragraph to the Participation Agreement.

“WTNA” means Wilmington Trust, National Association, a national banking association in its individual capacity.

Annex A, Part II
Construction

The definitions stated in **Annex A, Part I** apply equally to both the singular and the plural forms of the terms defined.

All references in the Participation Agreement, the Indenture or the Lease to designated “Articles”, “Sections”, “Subsections”, “Schedules”, “Exhibits”, “Annexes” and other subdivisions are to the designated Article, Section, Subsection, Schedule, Exhibit, Annex or other subdivision thereof, unless otherwise specifically stated.

The words “herein”, “hereof” and “hereunder” and other words of similar import refer to the Participation Agreement, the Indenture or the Lease, as the case may be, as a whole and not to any particular Article, Section, Subsection, Schedule, Exhibit, Annex or other subdivision.

All references in the Participation Agreement, the Indenture or the Lease, as the case may be, to a “government” are to such government and any instrumentality or agency thereof.

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Unless the context otherwise requires, whenever the words “including”, “include” or “includes” are used herein, they shall be deemed to be followed by the phrase “without limitation”.

All references in the Participation Agreement, the Indenture or the Lease, as the case may be, to a Person shall include successors and permitted assigns of such Person.

LATAM AIRLINES GROUP S.A.

as Issuer

and

THE BANK OF NEW YORK MELLON,
as Trustee, Registrar, Transfer Agent and Paying Agent

INDENTURE

Dated as of June 9, 2015

7.250% Senior Notes Due 2020

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INDENTURE, dated as of June 9, 2015, among LATAM AIRLINES GROUP S.A., a *sociedad anónima abierta* organized under the laws of Chile, as the issuer (the “**Company**”), and THE BANK OF NEW YORK MELLON, as Trustee, Registrar, Transfer Agent and Paying Agent.

RECITALS

The Company has duly authorized (i) the issue of 7.250% Senior Notes Due 2020 (the “**Initial Notes**” and, together with any Additional Notes, as hereinafter defined, the “**Notes**”), initially in an aggregate principal amount of U.S. \$500,000,000 and (ii) has duly authorized the execution and delivery of this Indenture.

All things necessary have been done to make the Notes when executed and authenticated and delivered hereunder and duly issued, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. *Definitions.*

“**Act**” when used with respect to any Holder, has the meaning specified in Section 1.05.

“**Additional Amounts**” has the meaning specified in Section 4.06.

“**Additional Notes**” means any notes issued under the Indenture in addition to the Initial Notes having the same terms in all respects as the Initial Notes except for the issue date, issue price and that interest will accrue on the Additional Notes from their date of issuance.

“**Affiliate**” means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other Person who is a director or officer (i) of such specified Person, (ii) of any subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, and the terms “**controlling**” and “**controlled**” have meanings correlative to the foregoing.

“**Affiliate Transaction**” has the meaning specified in Section 4.09.

“**Agents**” means each of the Registrar, the Transfer Agents and the Paying Agents, and each, individually, an “**Agent.**”

“**Applicable Procedures**” means the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

“**Authenticating Agent**” has the meaning specified in Section 2.02.

“**Authorized Denomination**” has the meaning specified in Section 2.02.

“**Board of Directors**” means the Board of Directors of the Company, or any committee thereof duly authorized to act on behalf of such Board of Directors.

“**Board Resolution**” means a copy of a resolution certified by the Secretary, the Assistant Secretary or another Officer or legal counsel performing corporate secretarial functions of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

“**Business Day**” means any day other than a Saturday, a Sunday or a legal holiday in Chile or the United States or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York or Santiago, Chile.

“**Capital Stock**” means, with respect to any Person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting) such person’s equity, including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

“**Certificated Note**” has the meaning specified in Section 2.01.

“**Change of Control**” means:

(i) the direct or indirect sale or transfer of all or substantially all the assets of LATAM Airlines Group S.A. and its Subsidiaries, taken as a whole, to any transferee Person other than the Permitted Holders, other than a transaction in which such transferee Person becomes the obligor in respect of the Notes and a Subsidiary of the transferor of such assets; or

(ii) the consummation of any transaction (including, without limitation, by merger, consolidation, acquisition or any other means) as a result of which any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) other than the Permitted Holders is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of LATAM Airlines Group S.A.

“**Change of Control Event**” means the occurrence of both a Change of Control and a Ratings Decline.

“**Chile**” means the Republic of Chile.

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*, Luxembourg.

“**Closing Date**” means June 9, 2015 or such later date on which the Notes are issued hereunder.

“**Company**” means LATAM Airlines Group S.A. until replaced by a successor thereof, and, thereafter, includes the successor for purposes of any provision contained herein.

“**Company Order**” means a written order signed in the name of the Company by an Officer.

“**Comparable Treasury Issue**” means the U.S. Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

“**Comparable Treasury Price**” means with respect to any redemption date for notes, the (A) arithmetic average of the Reference Treasury Dealer Quotations for such redemption date after excluding the highest and lowest Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the arithmetic average of all Reference Treasury Dealer Quotations for such redemption date.

“**Corporate Trust Office**” means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered (which office as of the date of this Indenture is located at 101 Barclay Street, Floor 7 East, New York, NY 10286).

“**covenant defeasance option**” has the meaning specified in Section 8.01(b).

“**Custodian**” means any receiver, trustee, assignee, liquidator, custodian or similar official under any bankruptcy law.

“**Debt**” means, with respect to any Person, without duplication:

(i) the principal of and premium, if any, in respect of (a) indebtedness of such Person for money borrowed and (b) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(ii) all Finance Lease Obligations of such Person;

(iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or other short term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations other than obligations described in clauses (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(v) all Hedging Obligations of such Person;

(vi) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment in respect thereof);

(vii) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(viii) any other obligations of such Person which are required to be, or are in such Person's financial statements, recorded or treated as debt under IFRS.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"defeasance trust" has the meaning specified in Section 8.02(a).

"Depository" means DTC or any successor depository for the Notes.

"Distribution Compliance Period" means the relevant 40-day distribution compliance period as defined in Regulation S.

"DTC" means The Depository Trust Company.

"Equity Offering" means a private or public offering for cash by the Company or any direct or indirect parent of the Company, as applicable, of its Capital Stock (in the case of any direct or indirect parent of the Company, to the extent such cash proceeds are contributed to the Company), other than (x) public offerings with respect to the Company's or any such direct or indirect parent's, as applicable, Capital Stock registered on Form S-4, F-4 or S-8, or (y) an issuance to any Subsidiary or (z) any offering of Capital Stock issued in connection with a transaction that constitutes a Change of Control.

"Euroclear" means Euroclear Bank S.A./N.V.

"Event of Default" has the meaning specified in Section 6.01.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

“**Facsimile Instruction**” shall mean any Written Direction transmitted to the Trustee or any Agent by means of facsimile transmission.

“**Facsimile Signature**” shall mean any signature transmitted to the Trustee or any Agent by means of facsimile transmission.

“**Finance Lease Obligations**” means, with respect to any Person, any obligation which is required to be classified and accounted for as a finance lease on the face of a balance sheet of such Person prepared in accordance with IFRS; the amount of such obligation will be the capitalized amount thereof, determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

“**Fitch**” means Fitch Ratings, Ltd. and its successors.

“**Global Note**” means a global note representing the Notes substantially in the form attached hereto as Exhibit A.

“**Governing Document**” shall mean any written instrument pursuant to which the Trustee or any Agent acts in any fiduciary or agency capacity on behalf of the Company or on behalf of the Holders.

“**Hedging Obligations**” means, with respect to any Person, the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates or foreign exchange rates.

“**Holder**” or “**Noteholder**” means the Person in whose name a Note is registered in the Register.

“**IFRS**” means the International Financial Reporting Standards as issued by the International Accounting Standards Board.

“**Incumbency Certificate**” shall mean the list of authorized signatories of the Company on file with the Trustee.

“**Indenture**” means this Indenture, as amended or supplemented from time to time in accordance with the provisions hereof.

“**Independent Investment Banker**” means one of the Reference Treasury Dealers appointed by the Company.

“**Initial Notes**” means the Notes issued on the Issue Date and any Notes issued in replacement thereof.

“**Initial Purchasers**” means the initial purchasers party to a purchase agreement with the Company relating to the sale of the Initial Notes by the Company.

“**interest**” on a Note means the interest on such Note (including any Additional Amounts payable by the Company in respect of such interest).

“**Interest Payment Date**” means the Payment Date of an installment of interest on the Notes.

“**issue**” means issue, assume, guarantee, incur or otherwise become liable for; *provided*, however, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be issued by such Subsidiary at the time it becomes a Subsidiary; and the term “issuance” has a corresponding meaning.

“**Issue Date**” means June 9, 2015.

“**legal defeasance option**” has the meaning specified in Section 8.01.

“**Lien**” means any mortgage, pledge, security interest, encumbrance, conditional sale or other title retention agreement or other similar lien.

“**Maturity**” means, when used with respect to any Note, the date on which the outstanding principal of and interest on such Note becomes due and payable as therein or herein provided, whether by declaration of acceleration, call for redemption or otherwise.

“**Net Cash Proceeds**” with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale, net of attorney’s fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultants and other fees incurred in connection with such issuance or sale.

“**Notes**” has the meaning specified in the first paragraph of the Recitals in this Indenture and shall be in the form of Note set forth in Exhibit A.

“**Offering Memorandum**” means the offering memorandum dated June 4, 2015 relating to the Notes.

“**Officer**” means the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary, of the Company, or any other Person duly appointed by the shareholders of the Company, or the Board of Directors to perform corporate duties.

“**Officers’ Certificate**” means a certificate signed by any two Officers of the Company and delivered to the Trustee.

“**Opinion of Counsel**” means a written opinion of legal counsel of recognized standing (who may be an employee of or counsel to the Company) and who shall be reasonably acceptable to the Trustee, which opinion is reasonably satisfactory to the Trustee.

“**Outstanding**” means, when used with respect to Notes, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; *provided* that, if such Notes are to be redeemed pursuant to Section 3.01(b), notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Notes, except to the extent provided in Sections 8.01 and 8.02, with respect to which the Company has effected legal defeasance and/or covenant defeasance as provided in Article 8; and

(iv) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser or protected purchaser in whose hands such Notes are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Notes have given any request, demand, authorization, direction, consent, notice or waiver hereunder, Notes owned by the Company or any of its Affiliates shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, consent, notice or waiver, only Notes which a Responsible Officer of the Trustee has received written notice at its address specified herein of being so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company, or any other obligor upon the Notes or any of its or such other obligor's Affiliates.

"Paying Agent" means The Bank of New York Mellon, until a successor Paying Agent shall have become such pursuant to the applicable provisions of this Indenture, and, thereafter, "Paying Agent" shall mean such successor Paying Agent.

"Payment Date" means the date on which payment of interest on and/or principal of the Notes is due.

"Payment Default" has the meaning specified in Section 6.01.

"Permitted Holders" means

(i) any of Enrique Cueto Plaza, Ignacio Cueto Plaza and Juan Jose Cueto Plaza;

(ii) any spouse, descendant, heir, trust or estate of Enrique Cueto Plaza, Ignacio Cueto Plaza or Juan Jose Cueto Plaza; or

(iii) any Person as to whom more than 50% of the total voting power of the Voting Stock of such Person is beneficially owned (as such term is used in Rule 13d-3 under the Exchange Act) by one or more of the Persons specified in clauses (i) and (ii).

“**Person**” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

“**Primary Treasury Dealer**” means a primary U.S. government securities dealer in New York City.

“**principal**” of a Note means the principal amount of such Note (including any Additional Amounts payable by the Company in respect of such principal).

“**Proceeding**” has the meaning specified in Section 10.11.

“**Process Agent**” has the meaning specified in Section 10.11.

“**Quotation Agent**” means the Reference Treasury Dealer appointed by the Company.

“**Rating Agency**” means Standard & Poor’s or Fitch; or if Standard & Poor’s or Fitch, or both, are not making rating of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Company, which will be substituted for Standard & Poor’s or Fitch, or both, as the case may be.

“**Ratings Decline**” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by either Rating Agency) after the date of public notice of a Change of Control, or of our intention or that of any Person to effect a Change of Control, the then-applicable rating of the notes is decreased by each Rating Agency; provided that any such Ratings Decline results from a Change of Control.

“**Record Date**” means, when used with respect to the interest on the Notes payable on any Interest Payment Date, the May 25 and November 25 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date.

“**Redemption Price**” means, when used with respect to any Notes to be redeemed pursuant to Section 3.01(b), the price at which it is to be redeemed pursuant to this Indenture.

“**Reference Treasury Dealer**” means each of Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated and their respective successors and at least one additional primary U.S. government securities dealer in New York City designed by the Company not later than the fifth business day preceding such redemption date; *provided however* that if any of the foregoing or their affiliates shall cease to be a primary U.S. government securities dealer in New York City (a “Primary Treasury Dealer”), the Company will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

“Register” has the meaning specified in Section 2.03.

“Registrar” means The Bank of New York Mellon, until a successor Registrar shall have become such pursuant to the applicable provisions of this Indenture, and, thereafter, “Registrar” shall mean such successor Registrar.

“Regulation S” means Regulation S under the Securities Act, as in effect from time to time.

“Regulation S Global Note” means one or more permanent Global Notes in definitive fully registered form without interest coupons representing Notes sold outside of the United States pursuant to Regulation S.

“Relevant Date” means, with respect to any payment on a Note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the Trustee or a Paying Agent on or prior to such due date, the date on which notice is given to the Holders that the full amount has been received by the Trustee.

“Resale Restriction Termination Date” means, for any Restricted Global Note (or beneficial interest therein), one year from the Issue Date or, if any Additional Notes that are Restricted Global Notes have been issued before the Resale Restriction Termination Date for any Restricted Global Notes, from the latest such original issue date of such Additional Notes.

“Responsible Officer” means any officer of the Trustee or any Agent in Corporate Trust Administration with direct responsibility for the administration of this Indenture.

“Restricted Global Note” means one or more permanent Global Notes in definitive fully registered form without interest coupons sold to “qualified institutional buyers” (as such term is defined in Rule 144A) pursuant to Rule 144A.

“Rule 144A” means Rule 144A under the Securities Act, as in effect from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Securities Act Legend” means the following legend, printed in capital letters:

NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO LATAM AIRLINES GROUP S.A. OR A SUBSIDIARY THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (3) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. AS A CONDITION TO REGISTRATION OF TRANSFER OF THIS GLOBAL NOTE IN ACCORDANCE WITH CLAUSE (4) ABOVE, LATAM AIRLINES GROUP S.A. OR THE TRUSTEE MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE THAT IT, IN ITS ABSOLUTE DISCRETION, DEEMS NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION.

THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF LATAM AIRLINES GROUP S.A.

“**Significant Subsidiary**” means any Subsidiary of LATAM Airlines Group S.A. (or any successor) which at the time of determination either (i) had assets which, as of the date of LATAM Airlines Group S.A.’s (or such successor’s) most recent quarterly consolidated balance sheet, constituted at least 10% of LATAM Airlines Group S.A.’s (or such successor’s) total assets on a consolidated basis as of such date or (ii) had revenues for the 12 month period ending on the date of LATAM Airlines Group S.A.’s (or such successor’s) most recent quarterly consolidated statement of income which constituted at least 10% of LATAM Airlines Group S.A.’s (or such successor’s) total revenues on a consolidated basis for such period.

“**Standard & Poor’s**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“**Stated Maturity**” means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the Holder thereof upon the happening of any contingency unless such contingency has occurred).

“**Subsidiary**” means, in respect of any specified Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person; *provided that* TAM S.A. and its Subsidiaries shall be deemed to be Subsidiaries of the Company for so long as the Company is required to consolidate TAM S.A. and its Subsidiaries in the Company’s consolidated financial statements pursuant to IFRS or any other accounting standards applicable to the Company, as in effect from time to time.

“**SVS**” means the Chilean Securities Commission (*Superintendencia de Valores y Seguros*).

“**Taxing Jurisdiction**” has the meaning specified in Section 4.06.

“**Transfer Agent**” means The Bank of New York Mellon and any other Person authorized by the Company to effectuate the exchange or transfer of any Note on behalf of the Company hereunder.

“**Treasury Rate**” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on a third business day preceding the redemption date.

“**Trust Indenture Act**” means the U.S. Trust Indenture Act of 1939, as amended.

“**Trustee**” means The Bank of New York Mellon, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture and, thereafter, “Trustee” shall mean such successor Trustee.

“**United States**” and “**U.S.**” means the United States of America (including the States and the District of Columbia) and its territories, its possessions and other areas subject to its jurisdiction.

“**U.S. Dollars**” and “**U.S. \$**” each mean the currency of the United States.

“**U.S. Government Obligations**” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States is pledged and which are not callable at the issuer’s option.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“**Wholly-Owned Subsidiary**” means a Subsidiary all of the Capital Stock of which (other than directors’ qualifying shares) is owned by the Company or another Wholly-Owned Subsidiary.

“**Written Direction**” shall mean any written instrument, directing the Trustee or any Agent to take any action that is signed by an authorized representative of the Company whose signature appears on the Incumbency Certificate.

Section 1.02. *Rules of Construction.* (a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (i) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (ii) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;
- (iii) “or” is not exclusive; and
- (iv) “including” means including, without limitation;
- (v) any reference to an “Article”, a “Section” or an “Exhibit” refers to an Article, a Section or an Exhibit, as the case may be, of this Indenture.

(b) All accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with IFRS.

(c) For purposes of the definitions set forth in Article 1 and this Indenture generally, all calculations and determinations shall be made in accordance with IFRS and shall be based upon the consolidated financial statements of LATAM Airlines Group S.A. and its Subsidiaries prepared in accordance with IFRS.

Section 1.03. *Table of Contents; Headings.* The table of contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 1.04. *Form of Documents Delivered to Trustee.* In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Officer or Officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.05. *Communications by Holders with other Holders.* (a) Holders may communicate with other Holders of Notes with respect to their rights under this Indenture and the Notes pursuant to Section 312(b) of the Trust Indenture Act. The Company, the Trustee and any and all other persons benefitted by this Indenture shall have the protection afforded by Section 312(c) of the Trust Indenture Act.

(b) (i) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in Person or by agents duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “**Act**” of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 1.05.

(ii) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner that the Trustee reviewing such instrument or writing deems sufficient.

(d) The principal amount and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Register.

(e) If the Company solicits from the Holders of Notes any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall not have any obligation to do so. Such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Notes have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Notes shall be computed as of such record date; *provided* that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than eleven months after the record date.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

ARTICLE 2
THE NOTES

Section 2.01. *Form and Dating.* The Notes and the Trustee's certificate of authentication shall be substantially in the form of Note set forth in Exhibit A, which is hereby incorporated in and expressly made a part of this Indenture. The Notes may have such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such notations, legends or endorsements as may be required to comply with any law, stock exchange rule, agreement to which the Company is subject, if any, or usage, provided that any such notation, legend or endorsement is in a form acceptable to the Company.

Each Global Note representing Initial Notes shall be dated the Issue Date. Each definitive certificated Note ("**Certificated Note**") and Global Note shall be dated the date of its authentication.

The Notes shall be printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any stock exchange on which the Notes may be listed, if any, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Section 2.02. *Execution, Authentication and Delivery.* (a) One Officer of the Company shall sign the Notes for the Company by manual or facsimile signature.

(i) If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

(ii) A Note shall not be valid until an authorized signatory of the Trustee or an authenticating agent manually signs the certificate of authentication on the Note upon Company Order. Such signature shall be conclusive evidence that the Note has been authenticated under this Indenture. Such Company Order shall specify the amount of the Notes to be authenticated and the date on which the original issue of Notes is to be authenticated.

(iii) The Trustee or an authenticating agent shall authenticate and deliver initially Initial Notes on the Issue Date in an aggregate principal amount of U.S. \$500,000,000 and any Additional Notes for original issue from time to time after the Issue Date in such principal amounts as set forth in Section 2.14, in each case upon a Company Order.

(iv) The Company may from time to time, without the consent of the Holders of the Notes, create and issue Additional Notes having the same terms and conditions as the Notes in all respects, except for issue date, issue price and the first payment of interest thereon. Additional Notes issued in this manner shall be consolidated with and shall form a single series for non-U.S. federal income tax purposes with the previously outstanding Notes. Unless the context otherwise requires, for all purposes of this Indenture and the form of Note attached hereto, references to the Notes include any Additional Notes actually issued.

(v) The Notes shall be issued in fully registered form without coupons attached in minimum denominations of U.S. \$200,000 and integral multiples of U.S. \$1,000 in excess thereof (each, an “**Authorized Denomination**”).

(b) The Trustee may appoint an authenticating agent, with a copy of such appointment to the Company, to authenticate the Notes (the “**Authenticating Agent**”). Unless limited by the terms of such appointment, an Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by an Authenticating Agent. An Authenticating Agent has the same rights as the Registrar or any Transfer Agent or Paying Agent or agent for service of notices and demands.

(i) Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business (and this transaction in particular) of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation.

(ii) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Company. Upon receiving such notice of resignation or upon such a termination, the Trustee may appoint a successor Authenticating Agent reasonably acceptable to the Company and shall give written notice of such appointment to the Company.

(iii) The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services and reimbursement for its reasonable expenses relating thereto.

Section 2.03. *Transfer Agent, Registrar and Paying Agent.* (a) Subject to such reasonable regulations as the Company may prescribe, the books of the Company for the exchange, registration, and registration of transfer of Notes shall be kept at the office of the Registrar (such books maintained in such office and in any other office or agency designated for such purpose being herein referred to as the “**Register**”). The Company shall also cause the Trustee to maintain books for the exchange, registration and registration of transfer of Notes. The Trustee shall notify the Registrar and the Registrar shall notify the Trustee, when necessary, upon any exchange, registration or registration of transfer of any Notes and shall cause their respective books to be amended accordingly. The Company may have one or more co-registrars and one or more additional Transfer Agents or Paying Agents. The terms “**Transfer Agent**” and “**Paying Agent**” include any additional transfer agent or paying agent, as the case may be. The term “**Registrar**” includes any co-registrar.

(b) The Company shall enter into any appropriate agency agreements with any Registrar, Transfer Agent or Paying Agent not a party to this Indenture, which shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee may act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.06. The Company initially appoints the Trustee as Registrar, Transfer Agent and Paying Agent in connection with the Notes.

(c) The Registrar shall keep a record of all the Notes and shall make such record available during regular business hours for inspection upon the request of the Company provided a reasonable amount of time prior to such inspection. Such books and records shall include notations as to whether such Notes have been redeemed, or otherwise paid or cancelled, and, in the case of mutilated, destroyed, defaced, stolen or lost Notes, whether such Notes have been replaced. In the case of the replacement of any of the Notes, the Registrar shall keep a record of the Note so replaced, and the Notes issued in replacement thereof. In the case of the cancellation of any of the Notes, the Registrar shall keep a record of the Note so cancelled and the date on which such Note was cancelled. Each Transfer Agent shall notify the Trustee and the Registrar of any transfers or exchanges of Notes effected by it. The Registrar shall not be required to register the transfer of or exchange Certificated Notes for a period of 15 days preceding any date of selection of Notes for redemption, or register the transfer of or exchange any Certificated Notes previously called for redemption.

(d) All Notes surrendered for payment, redemption, registration of transfer or exchange shall be cancelled by the relevant Transfer Agent or Paying Agent, Registrar or the Trustee, as the case may be. Each Registrar, Paying Agent and Transfer Agent shall notify the Trustee of the surrender and cancellation of such Notes and shall deliver such Notes to the Trustee. The Trustee may destroy or cause to be destroyed all such Notes surrendered for payment, redemption, registration of transfer or exchange and, if so destroyed, shall, upon the instructions of the Company, promptly deliver a certificate of destruction to the Company.

(e) The Paying Agent shall comply with applicable backup withholding tax and information reporting requirements under the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations promulgated thereunder with respect to payments made under the Notes (including, to the extent required, the collection of Internal Revenue Service Forms W-8 and W-9 and the filing of U.S. Internal Revenue Service Forms 1099 and 1096).

Section 2.04. *Paying Agent to Hold Money in Trust.* By 10:00 A.M. New York time, no later than one Business Day prior to each Payment Date on any Note, the Company shall deposit with the Paying Agent in immediately available funds a sum sufficient to pay such principal and interest when so becoming due (including any amounts under Section 4.06). The Company shall request that the bank through which such payment is to be made agree to supply to the Paying Agent by 10:00 A.M. (New York time) two Business Days prior to the due date from any such payment an irrevocable confirmation (by facsimile) of its intention to make such payment. The Company shall require the Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust, for the benefit of Holders or the Trustee, all money held by the Paying Agent for the payment of principal and interest on the Notes and shall notify the Trustee of any default by the Company in making any such payment. The Company at any time may require the Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by it. Upon complying with this Section 2.04, the Paying Agent shall have no further liability for the money delivered to the Trustee.

Each payment in full of principal, redemption amount, additional amounts and/or interest payable under the Notes and this Indenture in respect of any Note made by or on behalf of the Company to or to the order of the Paying Agent in the manner specified herein or in the Notes on the date due shall be valid and effective to satisfy and discharge the obligation of the Company to make payment of principal, redemption amount, additional amounts and/or interest payable hereunder and under the Notes on such date, provided, however, that the liability of the Paying Agent hereunder shall not exceed any amounts paid to it by the Company, or held by it, on behalf of the Holders hereunder.

Section 2.05. *Payment of Principal and Interest; Principal and Interest Rights Preserved.* (a) Except as otherwise provided herein for the redemption of the Notes, the payment of principal of or interest on the Notes shall be allocated on a pro rata basis among all Outstanding Notes, without preference or priority of any kind among the Notes.

(b) Final payments in respect of any Note (whether upon redemption, declaration of acceleration or otherwise) shall be made only against presentation and surrender of such Note at the Corporate Trust Office, at the offices of the Trustee and, subject to any fiscal or other laws and regulations applicable thereto, at the specified offices of any other Paying Agent appointed by the Company.

(c) Payment of the principal of any Note on a relevant Payment Date shall be made to the Person in whose name such Note is registered in the Register at the close of business on the fifteenth day (whether or not a Business Day) immediately preceding such Payment Date, by U.S. Dollar check drawn on a bank in The City of New York and mailed to the Person entitled thereto at its address as it appears on the Register, or by wire transfer to a U.S. Dollar account maintained by the payee with a bank in The City of New York, *provided* that such Holder so elects by giving written notice to such effect designating such account, upon application to the Trustee at least 15 days prior to such Payment Date.

(d) Payment of interest on each Interest Payment Date with respect to any Note shall be made to the Person in whose name such Note is registered on the Record Date immediately preceding such Interest Payment Date by wire or by U.S. Dollar check drawn on a bank in The City of New York and delivered to the Person entitled thereto at its address as it appears on the Register, or by wire transfer to a U.S. Dollar account maintained by the payee with a bank in The City of New York, *provided* that the Holder so elects by giving written notice to such effect designating such account, which is received by the Trustee or a Paying Agent no later than the Record Date immediately preceding such Interest Payment Date. Unless such designation is revoked, any such designation made by such Holder with respect to such Note shall remain in effect with respect to any future payments with respect to such Note payable to such Holder. The Company shall pay any administrative costs imposed by banks in connection with making payments by wire transfer.

If the Payment Date in respect of any Note is not a business day at the place in which it is presented for payment, the Holder thereof shall not be entitled to payment of the amount due until the next succeeding business day at such place and shall not be entitled to any further interest or other payment in respect of any such delay.

Notwithstanding the provisions of this Section 2.05, payments on Notes registered in the name of DTC or its nominee shall be effected in accordance with the Applicable Procedures.

Section 2.06. *Holder Lists.* The Trustee shall preserve in as current a form as is reasonably practicable, the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee in writing, at least ten Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

Section 2.07. *Transfer and Exchange.* (a) Interests in the Regulation S Global Note and the Restricted Global Note shall be exchangeable or transferable, as the case may be, for physical delivery of Certificated Notes if (i) DTC notifies the Company that it is unwilling or unable to continue as depository for such Global Note, or DTC ceases to be a “clearing agency” registered under the Exchange Act, and a successor depository is not appointed by the Company within 90 days, or (ii) an Event of Default has occurred and is continuing with respect to such Notes, provided that such transfer or exchange is made in accordance with the provisions of this Indenture and the Applicable Procedures.

Upon receipt of notice by DTC or the Trustee, as the case may be, regarding the occurrence of any of the events described in the preceding paragraph, the Company shall use its best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for individual Certificated Notes, and cause the requested individual Certificated Notes to be executed and delivered to the Trustee in sufficient quantities and authenticated by the Trustee for delivery to Holders. In the case of Certificated Notes issued in exchange for the Restricted Global Note, such Certificated Notes shall bear the Securities Act Legend. Upon the registration of transfer, exchange or replacement of Notes bearing such Securities Act Legend, or upon specific request for removal of the Securities Act Legend on a Note, the Company shall deliver only Notes that bear such Securities Act Legend, or shall refuse to remove such Securities Act Legend, as the case may be, unless there is delivered to the Company a certificate in the form of Exhibit C or Exhibit E, as the case may be, or such satisfactory evidence as may reasonably be required by the Company, which may include an Opinion of Counsel, that neither the Securities Act Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. The Trustee shall exchange a Note bearing the Securities Act Legend for a Note not bearing such Securities Act Legend only if it has been directed to do so in writing by the Company, upon which direction it may conclusively rely.

(b) On or prior to the 40th day after the Closing Date, transfers by a DTC participant which is an owner of a beneficial interest in the Regulation S Global Note to a transferee who takes delivery of such interest through the Restricted Global Note shall be made only in Authorized Denominations in accordance with the Applicable Procedures and upon receipt by the Trustee or Transfer Agent of a written certification from the transferor of the beneficial interest in the form of Exhibit D to the effect that such transfer is being made to a Person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirement shall no longer apply to such transfers.

(c) Transfers by a Holder of a Certificated Note bearing the Securities Act Legend or by a DTC participant of a beneficial interest in the Restricted Global Note to a transferee who takes delivery of such interest through the Regulation S Global Note or in the form of a Certificated Note not bearing the Securities Act Legend shall be made only in Authorized Denominations upon receipt by the Trustee or Transfer Agent of a written certification from the transferor in the form of Exhibit C to the effect that such transfer is being made in accordance with Regulation S.

Beneficial interests in the Global Notes shall be shown on, and transfers thereof shall be effected only through records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

Transfers between participants in Euroclear and Clearstream, Luxembourg shall be effected in the ordinary way in accordance with Applicable Procedures.

(d) Certificated Notes may be exchanged or transferred in whole or in part in the principal amount of Authorized Denominations by surrendering such Certificated Notes at the office of the Trustee or any Transfer Agent with a written instrument of transfer as provided in this Indenture in the form of Exhibit B hereto duly executed by the Holder thereof or his attorney duly authorized in writing.

In exchange for any Certificated Note properly presented for transfer, the Trustee shall promptly authenticate and deliver or cause to be authenticated and delivered at the Corporate Trust Office, to the transferee, or send by mail (at the risk of the transferee) to such address as the transferee may request, a Certificated Note or Notes, as the case may require, registered in the name of such transferee, for the same aggregate principal amount as was transferred. In the case of the transfer of any Certificated Note in part, the Trustee shall also promptly authenticate and deliver or cause to be authenticated and delivered at the Corporate Trust Office, to the transferor, or send by mail (at the risk of the transferor) to such address as the transferor may request, a Certificated Note or Notes, as the case may require, registered in the name of such transferor, for the aggregate principal amount that was not transferred. No transfer of any Notes shall be made unless the request for such transfer is made by the registered Holder or his attorney duly authorized in writing at the Corporate Trust Office and is accompanied by a completed instrument of transfer in the form of Exhibit B attached to the Note presented for transfer.

(e) Transfer, registration and exchange of any Note or Notes shall be permitted and executed as provided in this Section 2.07 without any charge to the Holder of any such Note or Notes other than any taxes or governmental charges or insurance charges payable on transfers or any expenses of delivery by other than regular mail, but subject to such reasonable regulations as the Company, the Registrar and the Trustee may prescribe.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions, except for the expense of delivery by other than regular mail (if any) and except for the payment of a sum sufficient to cover any tax or other governmental charges or insurance charges that may be imposed in relation thereto, shall be borne by the Company.

All Certificated Notes issued upon any exchange or registration of transfer of Notes shall be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits, as the Notes surrendered upon exchange or registration of transfer.

(f) The Trustee or the Transfer Agent shall effect transfers of Global Notes and Certificated Notes. In addition, the Registrar shall keep the Register for the ownership, exchange and registration of transfer of any Notes. The Transfer Agent shall give prompt notice to the Registrar and the Registrar shall likewise give prompt notice to the Trustee of any exchange or registration of transfer of such Notes. Neither the Trustee nor any Transfer Agent shall register the exchange or the transfer of any Global Note or Certificated Note (or any portion of a Certificated Note) during the period of 15 days ending on the Record Date. The Trustee shall give prompt notice to the Company of any replacement, transfer, cancellation or destruction of the Notes.

(g) Upon any such exchange or registration of transfer of all or a portion of any Global Note for a Certificated Note or an interest in either the Restricted Global Note or the Regulation S Global Note for an interest in the other Global Note, the Global Note to be so exchanged shall be marked to reflect the reduction of its principal amount by the aggregate principal amount of such Certificated Note or the interest to be so exchanged for an interest in a Regulation S Global Note or a Restricted Global Note, as the case may be. Until so exchanged in full, the Note shall in all respects be entitled to the same benefits under this Indenture as the Notes authenticated and delivered hereunder.

Section 2.08. *Replacement Notes.* If any Note at any time becomes mutilated, defaced, destroyed, stolen or lost, such Note may be replaced at the cost of the applicant (including reasonable legal fees of the Company, the Trustee, the Transfer Agents, the Registrar and the Paying Agents) at the office of the Trustee or any Transfer Agent, upon provision of, in the case of destroyed, stolen or lost Notes, evidence satisfactory to the Trustee and the Company that such Note was destroyed, stolen or lost, together with such indemnity as the Trustee and the Company may require. Mutilated or defaced Notes must be surrendered before replacements shall be issued.

Each Note authenticated and delivered in exchange for or in lieu of any such Note shall carry rights to accrued and unpaid interest and to interest to accrue equivalent to the rights that were carried by such Note before such Note was mutilated, defaced, destroyed, stolen or lost.

Every replacement Note is an additional obligation of the Company and shall be entitled to the benefits of this Indenture.

Section 2.09. *Temporary Notes.* Subject to the provisions of Section 2.07(a), until Certificated Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of Certificated Notes but may have variations that the Company considers appropriate for temporary Notes. As necessary, the Company shall prepare and the Trustee shall authenticate Certificated Notes and deliver them in exchange for temporary Notes at the office or agency of the Company or the Trustee, without charge to the Holder. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as Certificated Notes.

Section 2.10. *Cancellation.* The Company at any time may deliver Notes to the Trustee for cancellation. The Transfer Agent and the Paying Agent shall forward to the Trustee any Notes surrendered to them for transfer, exchange or payment. The Trustee or Paying Agent and no one else shall cancel and the Trustee shall destroy in accordance with its customary procedures (subject to the record-retention requirements of the Exchange Act) all Notes surrendered for transfer, exchange, payment or cancellation and, if so destroyed, upon written instructions from the Company deliver a certificate of such destruction to the Company unless the Company directs the Trustee in writing to deliver cancelled Notes to the Company. The Company may not issue new Notes to replace Notes it has redeemed, paid or delivered to the Trustee for cancellation, which shall not prohibit the Company from issuing any Additional Notes. A Note does not cease to be outstanding because the Company or any of its Affiliates holds such Note, except that such Notes will not be deemed to be Outstanding for voting purposes pursuant to and in accordance with the definition of “Outstanding” in Section 1.01.

Section 2.11. *Defaulted Interest.* If the Company defaults in a payment of interest on the Notes, the Company shall pay the defaulted interest (plus interest on such defaulted interest at the rate specified in Section 4.01 to the extent lawful) in any lawful manner not inconsistent with the requirements of any stock exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after written notice given by the Company to the Trustee of the proposed payment pursuant to this Section 2.11, such manner of payment shall be deemed practicable by the Trustee.

The Company may pay the defaulted interest to the Persons who are Holders on a subsequent special record date, which date shall be at least five Business Days prior to the payment date of such defaulted interest. The Company shall fix or cause to be fixed any such special record date and payment date, and, at least 15 days before any such special record date, the Company shall deliver to each Holder, with a copy to the Trustee, a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

Section 2.12. *CUSIP and ISIN Numbers.* The Company in issuing the Notes may use CUSIP and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP and ISIN numbers in notices as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice and that reliance may be placed only on the other identification numbers printed on the Notes, and any such notice shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee in writing of any change in CUSIP or ISIN numbers.

Section 2.13. *Open Market Purchases.* The Company or its Affiliates may at any time purchase Notes in the open market or otherwise at any price. Any such purchased Notes may not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Section 2.14. *Issuance Of Additional Notes.* The Company shall be entitled, from time to time, without notice to, or consent of, the Holders of the Notes, to create and issue additional principal amounts of Additional Notes under this Indenture which shall have identical terms as the Initial Notes issued on the Issue Date (other than with respect to the issue date, issue price, the payment of interest accruing prior to the issue date thereof and the first payment of interest (including Additional Interest, if any) thereon, and any Additional Amounts due with respect thereto, after the issue date thereof), as the case may be; provided, however, that unless such additional notes are issued under a separate CUSIP number, such additional notes must be fungible with the original notes for U.S. federal income tax purposes.

With respect to any Additional Notes, the Company shall set forth in a Board Resolution and an Officers' Certificate, a copy of each which shall be delivered to the Trustee, the following information:

- (i) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;
- (ii) the issue price, the issue date and the "CUSIP" and "ISIN" number of any such Additional Notes and the amount of interest payable on the first payment date applicable thereto;
- (iii) whether such Additional Notes shall be transfer restricted securities and issued in the same form as Initial Notes as set forth in Exhibit A to this Indenture; and
- (iv) if applicable, the Resale Restriction Termination Date relating to the Notes and the Distribution Compliance Period for such Additional Notes.

Section 2.15. *One Class Of Notes.* The Initial Notes and any Additional Notes shall vote and consent together on all matters as one class; and none of the Initial Notes or any Additional Notes shall have the right to vote or consent as a separate class on any matter. The Initial Notes and any Additional Notes shall together be deemed to constitute a single class or series for all purposes, other than for U.S. federal income tax purposes, under this Indenture.

ARTICLE 3
REDEMPTION

Section 3.01. *Right of Redemption.* (a) Except as described in this Section 3.01 and Paragraph 8 of the form of Note set forth in Exhibit A, the Notes may not be redeemed.

(b) *Optional Redemption with a Make-Whole Premium.* The Notes shall be redeemable, at the option of the Company, at any time, in whole or in part, at a Redemption Price equal to the greater of:

(1) 100% of the principal amount of the notes to be redeemed; and

(2) the sum of the present value at such redemption date of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, on the principal amount being redeemed to such redemption date.

(c) *Optional Redemption with Proceeds from Equity Offerings.* Prior to June 9, 2018, the Company may on any one or more occasions redeem up to 35% of the outstanding aggregate principal amount of the notes with the Net Cash Proceeds of one or more Equity Offerings at a redemption price equal to 107.250% of the aggregate principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to but excluding the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*

(i) At least 65% of the original aggregate principal amount of the notes remains outstanding after each such redemption; and

(ii) Such redemption occurs within 90 days after the closing of such Equity Offering.

(d) *Optional Redemption Upon a Tax Event.* If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws, rules or regulations, or any treaties or related agreements to which the Taxing Jurisdiction is a party (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the Notes (or if the Taxing Jurisdiction became a Taxing Jurisdiction on a later date, such later date), the Company or any successor to the Company has or will become obligated to pay Additional Amounts (as defined below in Section 4.06), the Company or any successor to the Company may, at its option, redeem all, but not less than all, of the Notes, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest to but excluding the date fixed for redemption, including any Additional Amounts with respect thereto, upon publication of irrevocable notice to Holders not less than 30 days nor more than 60 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 60 days prior to the earliest date on which the Company or any successor to the Company would, but for such redemption, become obligated to pay any Additional Amounts were payment then due. For the avoidance of doubt, the Company or any successor to the Company shall not have the right to so redeem the Notes unless it is or will become obligated to pay Additional Amounts. Notwithstanding the foregoing, the Company or any successor to the Company shall not have the right to so redeem the Notes unless it has taken reasonable measures to avoid the obligation to pay Additional Amounts. For the avoidance of doubt, reasonable measures do not include changing the jurisdiction of incorporation of the Company or any successor to the Company.

In the event that the Company or any successor elects to so redeem the Notes pursuant to this Section 3.01(d), it will deliver to the Trustee: (i) a certificate, signed in the name of the Company or any successor to the Company by any two of its executive officers or by its attorney-in-fact in accordance with its bylaws, stating that the Company or any successor to the Company is entitled to redeem the Notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Company or any successor to the Company to so redeem have occurred or been satisfied; and (ii) an Opinion of Counsel to the effect that (1) the Company or any successor to the Company has or will become obligated to pay Additional Amounts, (2) such obligation is the result of a change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, as described above and (3) that all governmental requirements necessary for the Company or any successor to the Company to effect the redemption have been complied with.

Section 3.02. *Applicability of Article.* Redemption of Notes at the option of the Company, as permitted by Section 3.01 or required by any provision of this Indenture, shall be made in accordance with such provision and this Article 3.

Section 3.03. *Election to Redeem; Notice to Trustee.* The election of the Company to redeem the Notes pursuant to Section 3.01(b), 3.01(c) or 3.01(d) shall be evidenced by a Board Resolution. In case of any redemption of Notes at the election of the Company, the Company shall, at least 70 days prior to the redemption date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such redemption date.

Section 3.04. *Notice of Redemption by the Company.* In the case of redemption of Notes pursuant to Section 3.01(b), 3.01(c) or 3.01(d) notice of redemption shall be delivered at least 30 but not more than 60 days before the Redemption Date to each Holder of any Note to be redeemed by first-class mail at its registered address and such notice shall be irrevocable.

The notice shall state:

- (i) the redemption date;
- (ii) the Redemption Price;
- (iii) the name and address of the Paying Agents;
- (iv) that Notes called for redemption must be surrendered to a Paying Agent to collect the Redemption Price;

(v) that, unless the Company defaults in making such redemption payment or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture, interest on Notes or portions thereof called for redemption ceases to accrue on and after the redemption date;

(vi) the paragraph of the Notes pursuant to which the Notes called for redemption are being redeemed;

(vii) the CUSIP or ISIN number, if any; and

(viii) that no representation is made as to the correctness or accuracy of the CUSIP or ISIN number, if any, listed in such notice or printed on the Notes.

At the Company's election and at its request, made in writing to the Trustee at least 60 days before a date for redemption of Notes, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense; *provided* that the Company shall deliver to the Trustee, at least 70 days prior to the Redemption Date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.05. *Deposit of Redemption Price.* By 10:00 A.M. New York City time, no later than one Business Day prior to the Redemption Date, the Company shall deposit with the Paying Agent money sufficient to pay the Redemption Price of and accrued and unpaid interest on the Notes other than Notes that have been delivered by the Company to the Trustee at least 15 days prior to the redemption date for cancellation. The Company shall request that the bank through which such payment is to be made agree to supply to the Paying Agent by 10:00 A.M. (New York time) two Business Days prior to the due date from any such payment an irrevocable confirmation (by facsimile) of its intention to make such payment.

Section 3.06. *Effect of Notice of Redemption.* Notice of redemption having been given as aforesaid, the Notes shall, on the redemption date, become due and payable at the applicable Redemption Price (together with accrued and unpaid interest, if any, to the redemption date), and from and after such date (except in the event of a default in the payment of the Redemption Price and accrued and unpaid interest) such Notes shall cease to bear interest. Upon surrender of any such Note for redemption in accordance with such notice, such Note shall be paid by the Company at the Redemption Price, together with accrued and unpaid interest, if any, to the redemption date; provided, however, that installments of interest whose Payment Date is on or prior to the redemption date shall be payable to the Holders of such Notes registered as such at the close of business on the relevant Record Dates according to their terms.

If any Note to be redeemed shall not be so paid upon surrender thereof in accordance with the Company's instructions for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes. Upon surrender to the Paying Agent, such Notes shall be paid at the applicable Redemption Price, plus accrued and unpaid interest to the Redemption Date; *provided, however*, that installments of interest payable on or prior to the redemption date shall be payable to the Holders of such Notes registered as such at the close of business on the relevant Record Date according to their terms.

Section 3.07. *Notes Redeemed In Part.* Upon surrender of a Note that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder thereof (at the Company's expense) a new Note, equal in a principal amount to the unredeemed portion of the Note surrendered; provided that each new Note shall be in a principal amount of U.S. \$200,000 or an integral multiple of U.S. \$1,000 in excess thereof.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of such Note which has been or is to be redeemed.

ARTICLE 4 COVENANTS

Section 4.01. *Payment of Principal and Interest Under the Notes.* The Company shall punctually pay the principal of and interest on the Notes on the dates and in the manner provided in the form of Note set forth as Exhibit A. By 10:00 a.m. (New York City time), no later than one Business Day prior to any Payment Date, the Company shall irrevocably deposit with the Trustee or with the Paying Agent money sufficient to pay such principal and interest.

The Company shall pay interest on overdue principal or installments of interest, to the extent lawful, at the rate borne by the Notes plus 1% per annum.

No interest shall be payable hereunder in excess of the maximum rate permitted by applicable law.

Section 4.02. *Maintenance of Office or Agency.* The Company shall maintain in each place of payment for the Notes an office or agency where Notes may be presented or surrendered for payment and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Corporate Trust Office of the Trustee shall be such office or agency of the Company, unless the Company shall designate and maintain some other office or agency for one or more of such purposes. The Company shall give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

Section 4.03. *Money for Note Payments to Be Held in Trust.* If the Company shall at any time act as its own Paying Agent, it shall, on or before each due date of principal of or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Notes, it shall, on or before each due date of principal of or interest on any Notes, irrevocably deposit with a Paying Agent a sum sufficient to pay such principal and interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee in writing of such action or any failure so to act.

Each Paying Agent, subject to the provisions of this Section 4.03, shall:

- (i) hold all sums held by it for the payment of principal of or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein; *provided, however*, such sums need not be segregated from other funds held by it, except as required by law;
- (ii) give the Trustee written notice of any Default by the Company (or any other obligor upon the Notes) in the making of any payment of principal or interest; and
- (iii) at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company shall cause the Paying Agent to execute and deliver an instrument in which such Paying Agent shall agree with the Trustee to act as a Paying Agent in accordance with this Section 4.03.

The Company shall at all times maintain at least one Paying Agent that will not be obligated to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to such EU Savings Directive.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Company at the request of the Company, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, shall, upon request and at the expense of the Company, cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining shall be repaid to the Company.

Section 4.04. *Maintenance of Corporate Existence.* LATAM Airlines Group S.A. shall, and shall cause each of its Subsidiaries to, (i) maintain in effect its corporate existence and all registrations necessary therefor, provided that these restrictions shall not prohibit any transactions permitted by Article 5 or the merger of any Subsidiary with or into LATAM Airlines Group S.A. or with or into any other Wholly-Owned Subsidiary of LATAM Airlines Group S.A.; (ii) take all reasonable actions to maintain all rights, privileges, titles to property, franchises and the like necessary in the normal conduct of its business, activities or operations; and (iii) maintain or cause to be maintained in good repair, working order and condition (normal wear and tear excepted) all properties used in their business; provided, however, that neither LATAM Airlines Group S.A. nor its Subsidiaries shall be prevented from discontinuing those operations (including through the transfer or dissolution of a Subsidiary) or suspending the maintenance of those properties (including through the sale thereof) which, in the reasonable judgment of LATAM Airlines Group S.A. are no longer necessary in the conduct of LATAM Airlines Group S.A.'s business, or that of its Subsidiaries; and provided, further, that such discontinuation of operations or suspension of maintenance shall not be materially disadvantageous to the Holders of the Notes.

Section 4.05. *Payment of Taxes and Claims.* LATAM Airlines Group S.A. shall, and shall cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its property in respect of any of its franchises, businesses, income or profits before any penalty or interest accrues thereon, and pay all claims (including claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a Lien upon its property; provided, however, that any such payment shall not be required unless the failure to make such payment would have a material adverse effect upon the financial condition of LATAM Airlines Group S.A. and its Subsidiaries considered as one enterprise or a material adverse effect on the performance of LATAM Airlines Group S.A.'s obligations hereunder; and provided, further, that no such charge or claim need be paid while it is being contested in good faith by appropriate proceedings and if appropriate reserves or other provisions shall have been made therefor.

Section 4.06. *Payment of Additional Amounts.* (a) All payments (including any premium paid upon redemption of the notes) by the Company in respect of the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Chile or any authority therein or thereof or any other jurisdiction in which the Company is organized, doing business or through which payments are made in respect of the notes (any of the aforementioned being a "**Taxing Jurisdiction**"), unless the Company is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Company will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by Holders of Notes after such withholding or deduction shall equal the respective amounts of principal and interest (or other amounts stated to be payable under the Notes) which would have been receivable in respect of the Notes in the absence of such withholding or deduction ("**Additional Amounts**").

Notwithstanding the foregoing, no such Additional Amounts shall be payable:

(i) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership, or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the Note or enforcement of rights under this Indenture and the receipt of payments with respect to the Note;

(ii) in respect of Notes surrendered or presented for payment (if surrender or presentment is required) more than 30 days after the Relevant Date except to the extent that payments under such Note would have been subject to withholdings and the Holder of such Note would have been entitled to such Additional Amounts, on surrender of such Note for payment on the last day of such period of 30 days;

(iii) where such Additional Amount is imposed and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;

(iv) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such Holder's failure to comply, with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such Holder, if (1) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Company has given the Holders at least 30 days' notice that Holders will be required to provide such certification, identification, documentation or other requirement;

(v) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

(vi) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of (including premium) or interest on the Note;

(vii) in respect of any tax imposed on overall net income or any branch profits tax; or

(viii) in respect of any combination of the above.

(b) Notwithstanding anything to the contrary in this Section 4.06, none of the Company, the Paying Agent or any other person shall be required to pay any additional amounts with respect to any payment in respect of any taxes imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code.

(c) No Additional Amounts shall be paid with respect to any payment on a Note to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder.

(d) The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, the Company shall not be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

(e) In the event that Additional Amounts actually paid with respect to the Notes are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the Holder of such Notes, and, as a result thereof such Holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such Holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Company.

(f) Any reference in this Indenture or the Notes to principal, interest or any other amount payable in respect of the Notes by the Company will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this Section.

(g) The Company covenants that if the Company is required under applicable law to make any deduction or withholding on payments of principal of or interest on the Notes for or on account of any tax, duty, assessment or other governmental charge, at least 10 days prior to the first payment date on the Notes and at least 10 days prior to each payment date thereafter where such withholding is required, the Company, shall furnish the Trustee and the Paying Agent with an Officers' Certificate (but only if there has been any change with respect to the matters set forth in any previously delivered Officers' Certificate) instructing the Trustee and the Paying Agent as to whether such payment of principal of or interest on the Notes shall be made without deduction or withholding for or on account of any tax, duty, assessment or other governmental charge, or, if any such deduction or withholding shall be required by the Taxing Jurisdiction, then such certificate shall: (i) specify the amount required to be deducted or withheld on such payment to the relevant recipient; (ii) certify that the Company, shall pay such deduction or withholding amount to the appropriate taxing authority; and (iii) certify that the Company, shall pay or cause to be paid to the Trustee or the Paying Agent such Additional Amounts as are required by this Section 4.06.

(h) The Company will furnish to the Holders, within 60 days after the date the payment of any Taxes so deducted or withheld is due pursuant to the applicable law, either certified copies of tax receipts evidencing such payment by the Company, or, if such receipts are not obtainable, other evidence of such payments by the Company reasonably satisfactory to the Holders.

(i) The Company will pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by Chile (or any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution, delivery or registration of the Notes or any other document or instrument relating thereto.

(j) The Company agrees to indemnify the Trustee and the Paying Agent for, and to hold each harmless against, any loss, liability or expense reasonably incurred without bad faith on its part arising out of or in connection with actions taken or omitted by it in reliance on any Officers' Certificate furnished pursuant to this Section 4.06 or any failure to furnish such a certificate.

(k) The obligations of the Company pursuant to this Section 4.06 shall survive termination or discharge of this Indenture, payment of the Notes and/or resignation or removal of the Trustee or the Paying Agent.

Section 4.07. *Reporting Requirements.* (a) The Company shall provide the Trustee with the following reports (and shall also provide the Trustee with sufficient copies, as required, of the reports referred to in clauses (i)-(iii) of this Section 4.07(a) for distribution, at the Company's expense, to all Holders of Notes):

(i) an English language version of LATAM Airlines Group S.A. annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(ii) an English language version of LATAM Airlines Group S.A. unaudited quarterly financial statements prepared in accordance with IFRS promptly upon such statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year); and

(iii) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Company with (a) the SVS or (b) the SEC (in each case, to the extent that any such report or notice is generally available to security holders of the Company or the public in Chile or elsewhere and, in the case of clause (b), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act, or otherwise).

Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of their covenants in this Indenture (as to which the Trustee is entitled to rely exclusively on Officers' Certificates). The requirement to provide any report to the trustee shall be deemed satisfied if such report has been filed with the SEC through the Electronic Data Gathering Analysis and Retrieval (EDGAR) system (or any successor method of filing) or if such report is made available on the Company's website (and the Company shall provide the relevant URL to the Trustee upon request).

(b) Within 60 days of the close of each of the first three fiscal quarters and within 90 days of the close of each fiscal year, for so long as any of the Notes remain Outstanding, (i) the Company shall request from DTC, a current list of the names and addresses of each DTC participant which is a Holder of an interest in a Global Note and (ii) at the Company's written request, the Trustee shall provide the Company with the names and addresses of each Holder of a Certificated Note, if any.

Section 4.08. *Available Information.* The Company shall take all action necessary to provide information to permit resales of the Notes pursuant to Rule 144A, including furnishing to any Holder of a Note or owner of a beneficial interest in a Global Note, or to any prospective purchaser designated by such a Holder or beneficial owner, upon request to such Holder or beneficial owner, financial and other information required to be delivered under paragraph (d)(4) of Rule 144A (as amended from time to time and including any successor provision) unless, at the time of such request, the Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or is exempt from such requirements pursuant to Rule 12g3-2(b) under the Exchange Act (as amended from time to time and including any successor provision).

Section 4.09. *Limitation on Transactions with Affiliates.* The Company will not, nor will the Company permit any of its Subsidiaries to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Company other than itself or any of its Subsidiaries, (an "**Affiliate Transaction**") unless the terms of the Affiliate Transaction are no less favorable to the Company or such Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's length dealings with a person who is not an Affiliate.

Section 4.10. *Repurchase of Notes upon a Change of Control.* Not later than 30 days following a Change of Control Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount plus accrued interest up to, but not including the date of purchase; provided that the Company shall not be required to make such an Offer to Purchase if (a) a third party makes such an Offer to Purchase in the manner, at the times and otherwise in compliance with, the requirements set forth in this Section 4.10 with respect to an Offer to Purchase made by the Company and (b) such third party purchases all notes validly tendered and not withdrawn under its Offer to Purchase.

An "Offer to Purchase" must be made by written offer, which will specify the purchase price. The offer must specify an expiration date (the "**expiration date**") not less than 30 days or more than 60 days after the date of the offer and a settlement date for the purchase (the "**purchase date**") not more than five Business Days after the expiration date. An Offer to Purchase may be made in advance of a Change of Control and conditioned on a Change of Control occurring if a definitive agreement is in place at the time such conditional Offer to Purchase is made that, if consummated, would result in a Change of Control. The offer must include information required by the Securities Act, Exchange Act or any other applicable laws. The offer will also contain instructions and materials necessary to enable Holders to tender notes pursuant to the offer.

A Holder may tender all or any portion of its Notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a Note tendered must be in a denomination of U.S. \$200,000 and integral multiples of U.S. \$1,000 principal amount in excess thereof. Holders are entitled to withdraw Notes tendered up to the close of business on the expiration date. On the purchase date the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date.

The Company will comply with Rule 14e-1 under the Exchange Act (to the extent applicable and not in conflict with applicable Chilean regulations) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

ARTICLE 5

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 5.01. *Limitation on Consolidation, Merger or Transfer of Assets.* The Company shall not consolidate with or merge with or into, or sell, convey, transfer or dispose of, or lease all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to, any Person, unless:

(i) the resulting, surviving or transferee Person (if not the Company) shall be a Person organized and existing under the laws of Chile, Brazil, Peru or the United States of America, any State thereof or the District of Columbia, or any other country (or political subdivision thereof) that is a member country of the European Union or of the Organisation for Economic Co-operation and Development on the date of this Indenture, and such Person expressly assumes, by a supplemental indenture hereto, executed and delivered to the Trustee, all the obligations of the Company under this Indenture and the Notes;

(ii) the resulting, surviving or transferee person (if not the Company), if organized and existing under the laws of a jurisdiction other than Chile, undertakes in such supplemental indenture, (i) to pay such Additional Amounts in respect of principal (and premium, if any) and interest as may be necessary in order that every net payment made in respect of the Notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein shall not be less than the amount of principal (and premium, if any) and interest then due and payable on the Notes subject to the same exceptions set forth under Section 4.06(a)(i)-(viii) and (ii) that the provisions set forth in Section 3.01(d) shall apply to such person, but in both cases, replacing existing references in such Section to Chile with references to the jurisdiction of organization of the resulting, surviving or transferee Person, as the case may be;

(iii) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with this Indenture.

The Trustee shall accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent set forth in this Section 5.01, in which event it shall be conclusive and binding on the Holders.

Section 5.02. *Successor Substituted.* Upon any consolidation or merger, or any sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Company in accordance with Section 5.01 in which the Company is not the continuing obligor under this Indenture, the surviving or transferor Person shall succeed to, and be substituted for, and may exercise every right and power of the Company under this Indenture with the same effect as if such successor had been named as the Company therein. When a successor assumes all the obligations of its predecessor under this Indenture and the Notes the predecessor shall be released from those obligations; provided that in the case of a transfer by lease, the predecessor shall not be released from the payment of principal and interest on the Notes.

ARTICLE 6

EVENTS OF DEFAULT AND REMEDIES

Section 6.01. *Events of Default.* The term "**Event of Default**" means, when used herein, any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to, or as a result of any failure to obtain, any authorization, order, rule, regulation, judgment or decree of any governmental or administrative body or court):

(a) The Company defaults in any payment of interest (including any related Additional Amounts) on any Note when the same becomes due and payable, and such Default continues for a period of 30 days;

(b) The Company defaults in the payment of the principal (including any related Additional Amounts) of any Note when the same becomes due and payable upon acceleration or redemption or otherwise;

(c) The Company fails to comply with any of its covenants or agreements in the Notes or this Indenture (other than those referred to in clauses (a) and (b) of this Section 6.01), and such failure continues for 60 days after the notice specified below;

(d) The Company or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Company or any such Significant Subsidiary (or the payment of which is guaranteed by the Company or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of this Indenture, which default (i) is caused by failure to pay principal of or premium, if any, on such Debt after giving effect to any grace period provided in such Debt on the date of such default (“**Payment Default**”) or (ii) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals U.S. \$75,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate;

(e) One or more final judgments or decrees for the payment of money of U.S. \$75,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate (determined net of any amount covered by an insurance policy or policies issued by insurance companies with sufficient financial resources to perform their obligations under such policies) are rendered against the Company or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (i) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (ii) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(f) A decree or order by a court having jurisdiction has been entered adjudging the Company or any of its Significant Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of or by the Company or any of its Significant Subsidiaries and such decree or order continues undischarged or unstayed for a period of 60 days; or a decree or order by a court having jurisdiction for the appointment of a receiver or liquidator or for the liquidation or dissolution of the Company or any of its Significant Subsidiaries, has been entered, and such decree or order continues undischarged or unstayed for a period of 60 days; provided that any Significant Subsidiary may be liquidated or dissolved if, pursuant to such liquidation or dissolution, all or substantially all of its assets are transferred to the Company or another Significant Subsidiary of the Company;

(g) the Company or any Significant Subsidiary (i) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *veedor*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the Property of the Company or any Significant Subsidiary or (iii) effects any general assignment for the benefit of creditors; and

(h) any event occurs that under the laws of Chile or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (f) or (g).

A Default under clause (c) of this Section 6.01 shall not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the Outstanding Notes notify the Company of the Default and the Company does not cure such Default within 60 days after receipt of such notice.

As soon as possible, and in any event within 15 business days after the Company becomes aware of the existence of a Default or Event of Default, the Company shall deliver to the Trustee an Officers' Certificate setting forth the details thereof and the action which the Company is taking or propose to take with respect thereto.

Section 6.02. *Acceleration of Maturity, Rescission and Amendment.* If an Event of Default (other than an Event of Default specified in Section 6.01(f), Section 6.01(g) or Section 6.01(h)) occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Notes may declare all unpaid principal of and accrued and unpaid interest on all Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee, if the notice is given by the Holders), stating that such notice is an "acceleration notice," and upon any such declaration such amounts shall become due and payable immediately. If an Event of Default specified in Section 6.01(f), Section 6.01(g) or Section 6.01(h) occurs and is continuing, then the principal of and accrued and unpaid interest on all Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided in this Article, the Holders of a majority in principal amount of the Notes by written notice to the Company and the Trustee may rescind or annul such declaration if:

(i) the Company has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue interest on Outstanding Notes, (B) all unpaid principal of the Notes that has become due otherwise than by such declaration of acceleration, (C) to the extent that payment of such interest on the Notes is lawful, interest on such overdue interest (including any Additional Amounts) as provided herein and (D) all sums paid or advanced by the Trustee and Agents hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee and Agents and their agents and counsel; and

(ii) all Events of Default have been cured or waived as provided in Section 6.13 other than the nonpayment of principal that has become due solely because of acceleration.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

Section 6.03. *Collection Suit by Trustee.* If an Event of Default specified in Section 6.01(a) or 6.01(b) occurs, the Trustee, in its own name as trustee of an express trust, (i) may institute a judicial proceeding for the collection of the whole amount then due and payable on such Notes for principal and interest (including Additional Amounts), and interest on any overdue principal and, to the extent that payment of such interest (including Additional Amounts) shall be legally enforceable, upon any overdue installment of interest (including Additional Amounts), at the rate borne by the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, (ii) may prosecute such proceeding to judgment or final decree and (iii) may enforce the same against the Company or any other obligor upon the Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Notes, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by any available proceeding at law or in equity, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 6.04. *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of or interest (including Additional Amounts) on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

Section 6.05. *Trustee May Enforce Claims Without Possession of Notes.* All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

Section 6.06. *Application of Money Collected.* Any money collected by the Trustee pursuant to this Article 6 shall be applied in the following order:

FIRST: to the Trustee for amounts due to it hereunder (including, without limitation, under Section 7.06);

SECOND: to Holders for amounts due and unpaid on the Notes for principal and interest (including Additional Amounts), ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest (including Additional Amounts), respectively; and

THIRD: to the Company or as a court of competent jurisdiction may direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.06. At least 15 days before such record date, the Company shall deliver to each

Holder and the Trustee a notice that states the record date, the payment date and amount to be paid.

Section 6.07. *Limitation on Suits.* A Holder may not pursue any remedy with respect to this Indenture or the Notes unless:

- (i) the Holder has previously given to the Trustee written notice stating that an Event of Default has occurred and is continuing;
- (ii) the Holders of at least 25% in principal amount of the Notes have made a written request to the Trustee to pursue the remedy in respect of such Event of Default;
- (iii) such Holder or Holders has offered and provided to the Trustee security or indemnity reasonably satisfactory to the Trustee against any cost, loss, liability or expense to be incurred in compliance with such request;
- (iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and provision of security or indemnity; and
- (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Notes outstanding.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 6.08. *Rights of Holders to Receive Principal and Interest.* Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal of and interest on the Notes held by such Holder, on or after the respective Payment Dates expressed in the Notes, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.09. *Restoration of Rights and Remedies.* If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 6.10. *Trustee May File Proofs of Claim.* The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the trustee hereunder) and the Holders allowed in any judicial proceedings relative to the Company, its creditors or their respective properties and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.06. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.11. *Delay or Omission Not Waiver.* No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article 6 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.12. *Control by Holders.* The Holders of a majority in principal amount of the Outstanding Notes may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee shall be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of the Holders if such request or direction conflicts with any law or with this Indenture or, subject to Section 7.01, if the Trustee determines it is unduly prejudicial to the rights of other Holders (it being understood that, subject to Sections 7.01 and 7.02, the Trustee shall have no duty to ascertain whether or not such actions or forbearance are unduly prejudicial to such Holders) or would involve the Trustee in personal liability or expense; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such request or direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all costs, losses, liabilities and expenses caused by taking or not taking such action.

Section 6.13. *Waiver of Past Defaults and Events of Default.* Subject to Section 6.02, the Holders of a majority in principal amount of the Outstanding Notes by written notice to the Trustee may waive an existing Default or Event of Default and its consequences except (i) a Default or Event of Default in the payment of the principal of or interest on a Note or (ii) a Default or Event of Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Holder affected. When a Default or Event of Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any consequent right.

Section 6.14. *Rights and Remedies Cumulative.* Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.08, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.15. *Waiver of Stay or Extension Laws.* The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture or the Notes; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7
TRUSTEE AND AGENTS

Section 7.01. *Duties of Trustee.* (a) If an Event of Default has occurred and is continuing and a Responsible Officer has actual knowledge thereof, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default in the case of the Trustee only, (i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and (ii) in the absence of bad faith on the part of the Trustee, the Trustee, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee, and conforming to the requirements of this Indenture. However, in the case of any certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of the mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own gross negligence, bad faith or willful misconduct, except that:

(i) this Section 7.01(c) does not limit the effect of Section 7.01(b);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.07 or exercising any trust or power conferred upon it under this Indenture.

(d) The Trustee shall not be liable for interest on any money received by it except as each may agree in writing with the Company.

(e) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds and/or adequate indemnity against such risk or liability is not satisfactorily assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 7.01.

Section 7.02. *Rights of Trustee.* (a) The Trustee may conclusively rely upon, and shall be protected in acting or refraining from acting based upon, any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in any such document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate, the written advice of a qualified tax expert or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the Officers' Certificate, the qualified tax expert's written advice or Opinion of Counsel.

(c) The Trustee may act through agents or attorneys and shall not be responsible for the willful misconduct or gross negligence of any agent or attorneys appointed with due care.

(d) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate of the Company (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors of the Company may be evidenced to the Trustee or any Agent by copies thereof certified by the Secretary or an Assistant Secretary (or equivalent officer) of the Company.

(e) The Trustee shall not be under an obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities that might be incurred thereby.

(f) The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture, *provided* that the conduct of the Trustee does not constitute willful misconduct, gross negligence or bad faith.

(g) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(h) The Trustee may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(i) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document unless, in the case of the Trustee, requested in writing by the Holders of not less than a majority in aggregate principal amount of the Notes Outstanding; *provided* that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not satisfactorily assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require from the Holders indemnity satisfactory to the Trustee against such expenses or liabilities as a condition to proceeding; the reasonable expenses of every such investigation shall be paid by the Company or, if paid by the Trustee, shall be reimbursed by the Company upon demand.

(j) Neither the Trustee nor any Paying Agent shall be required to invest, or shall be under any liability for interest, on any moneys at any time received by it pursuant to any of the provisions of this Indenture or the Notes except as the Trustee or any Paying Agent may otherwise agree with the Company. Such moneys need not be segregated from other funds except to the extent required by mandatory provisions of law.

(k) In no event shall the Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, lost profits), even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(l) The permissive rights of the Trustee enumerated herein shall not be construed as duties of the Trustee.

(m) The Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

(n) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder (including its Agent roles), and to each agent, custodian and other Person employed to act hereunder.

Section 7.03. *Individual Rights of Trustee.* The Trustee and any Paying Agent, Registrar or co-registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Section 7.04. *Trustee's Disclaimer.* Neither the Trustee nor any Agent shall be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication.

Section 7.05. *Notice of Defaults and Events of Default.* If a Default or Event of Default occurs and is continuing, and if it is known to the Responsible Officer, the Trustee shall mail or deliver to each Holder notice of the Default or Event of Default within 90 days after a Responsible Officer acquires actual knowledge of such Default or Event of Default. Except in the case of a Default or Event of Default in payment of principal of or interest on any Note, the Trustee may withhold the notice and shall be protected from withholding the notice if and so long as a committee of its Responsible Officers of the Trustee in good faith determines that withholding the notice is in the interests of Holders. For all purposes of this Indenture and the Notes, the Trustee is not to be charged with knowledge of a Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an attorney, authorized officer or agent of the Trustee with direct responsibility for the Indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the Trustee by the Company or any Holder.

Section 7.06. *Compensation and Indemnity.* The Company agrees to pay to the Trustee from time to time such compensation as shall be agreed upon in writing for its services. The Trustee's compensation shall not be limited by any law regarding compensation of a trustee of an express trust. The Company agrees to reimburse promptly the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. Payments of any such expenses by the Company to the Trustee shall be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of Chile or any political subdivision or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Company shall pay to the Trustee such Additional Amounts as may be necessary in order that every net payment made by the Company to the Trustee after deducting or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed upon or as a result of such payment by Chile or any political subdivision or taxing authority thereof or therein shall not be less than the amount then due and payable to the Trustee or the Paying Agent, as the case may be. The Company shall indemnify each of the Trustee and each Agent against any and all loss, liability or expense (including reasonable attorneys' fees and expenses) incurred by it without gross negligence or bad faith on its part arising out of and in connection with the administration of this Indenture, the performance of its respective duties hereunder, and the exercise of its rights hereunder including, without limitation, the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture. The Company undertakes to indemnify the Trustee and each of the Agents and their affiliates against all losses, liabilities, including any and all tax liabilities, which, for the avoidance of doubt, shall include without limitation Chilean taxes and associated penalties, costs, claims, actions, damages, expenses or demands which any of them may incur or which may be made against any of them as a result of or in connection with the appointment of or the exercise of the powers and duties or rights by the Trustee or any Agent or its affiliates under this Indenture except as may result from its own gross negligence or willful misconduct. The Trustee and each Agent shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee or such Agent to so notify the Company shall not relieve the Company of its obligations hereunder. If the Trustee or Agent, as the case may be, determines in its reasonable discretion that no conflict of interest (or potential conflict of interest) exists, the Company will be entitled to participate in the Trustee's defense of the claim or Agent's defense of the claim, as the case may be, and the Trustee or such Agent may have separate counsel and the Company shall pay the fees and expenses of such counsel.

To secure the payment obligations of the Company in this Section 7.06, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee or the Paying Agent, except that held in trust to pay principal of and interest on particular Notes.

The obligations of the Company pursuant to this Section 7.06 shall survive the payment of the Notes, resignation or removal of the Trustee or any Agent and the satisfaction, discharge and termination of this Indenture. When the Trustee incurs expenses after the occurrence of a Default or Event of Default specified in Section 6.01(h), the expenses are intended to constitute expenses of administration under any bankruptcy law.

The Company acknowledges that none of the Trustee, the Paying Agent or any other Agent makes any representations as to the interpretation or characterization of the transactions herein undertaken for tax or any other purpose, in any jurisdiction. The Company represents that it has fully satisfied itself as to any tax impact of this Indenture before agreeing to the terms herein, and is responsible for any and all federal, state, local, income, franchise, withholding, value added, sales, use, transfer, stamp or other taxes imposed by any jurisdiction in respect of this Indenture.

The Company agrees to pay any and all stamp and other documentary taxes or duties which may be payable in connection with the execution, delivery, performance and enforcement of this Indenture by the Trustee or any Agent.

Section 7.07. *Replacement of Trustee.* The Trustee may resign at any time by so notifying the Company in writing. The Holders of a majority in principal amount of the Notes may remove the Trustee by so notifying the Trustee in writing and may appoint a successor Trustee. The Company shall remove the Trustee if:

- (i) the Trustee fails to comply with Section 7.09;
- (ii) the Trustee is adjudged a bankrupt or insolvent;

- (iii) a receiver or other public officer takes charge of the Trustee or its property; or
- (iv) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee) the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.09, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the replacement of the Trustee pursuant to this Section 7.07, the Company's obligation under Section 7.06 shall continue for the benefit of the retiring Trustee.

Section 7.08. *Successor Trustee by Merger.* If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business (including this transaction) or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes in the name of the successor to the Trustee; and in all such cases such adopted certificates shall have the full force of all provisions within the Notes or in this Indenture relating to the certificate of the Trustee.

Section 7.09. *Eligibility; Disqualification.* The Trustee hereunder shall at all times be a corporation, bank or trust company organized and doing business under the laws of the United States or any state thereof (i) which is authorized under such laws to exercise corporate trust power, (ii) is subject to supervision or examination by governmental authorities, (iii) shall have at all times a combined capital and surplus of at least U.S. \$50,000,000 as set forth in its most recent published annual report of condition and (iv) shall have its Corporate Trust Office in The City of New York. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 7.09, it shall resign immediately in the manner and with the effect specified in Section 7.07.

ARTICLE 8
DISCHARGE OF INDENTURE; DEFEASANCE

Section 8.01. *Discharge of Liability on Notes.* (a) This Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of Notes, as expressly provided for in this Indenture) as to all Notes when (i) either (A) all the Notes heretofore authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the trustee for cancellation; or (B) all Notes not theretofore delivered to the trustee for cancellation (x) have become due and payable or will become due and payable within one year or (y) are to be called for redemption within one year under irrevocable arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and, in each case, the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not heretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit (in the case of Notes that have become due and payable) or to the maturity or redemption date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment; (ii) if in any such case no Default or Event of Default has occurred and is continuing on the date of such deposit after giving effect thereto; (iii) the Company pays all other sums payable hereunder and under the Notes by the Company and (iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided relating to the satisfaction and discharge of this Indenture have been complied with and at the cost and expense of the Company.

(b) Subject to Sections 8.01(c), 8.02 and 8.06, the Company at any time may terminate (i) all its obligations under this Indenture and the Notes ("**legal defeasance option**") or (ii) its obligations under Sections 4.07, 4.08, 4.09, 5.01(iii) and 5.02 and the operation of Sections 6.01(c), 6.01(d) and 6.01(e) ("**covenant defeasance option**"). The legal defeasance option may be exercised notwithstanding any prior exercise of the covenant defeasance option.

If the legal defeasance option is exercised, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the covenant defeasance option is exercised, payment of the Notes may not be accelerated because of an Event of Default specified in Sections 6.01(c), 6.01(d) or 6.01(e).

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of the obligations of the Company hereunder except those specified in Section 8.01(c).

(c) Notwithstanding Section 8.01(a) and Section 8.01(b), Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 4.06, 7.06, 7.07, 8.04, 8.05 and 8.06 shall survive until the Notes have been paid in full. Thereafter, the obligations of the Company pursuant to Sections 7.06, 7.07, 8.04 and 8.05 shall survive.

Section 8.02. *Conditions to Defeasance.* The Company may exercise the legal defeasance option or the covenant defeasance option only if:

(a) the Company irrevocably deposits or causes to be deposited with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders (the “**defeasance trust**”) pursuant to an irrevocable trust and security agreement in form and substance satisfactory to the Trustee, money or U.S. Government Obligations, or a combination thereof, sufficient for the payment of principal of, premium, if any, and interest on all the Notes to Maturity or redemption;

(b) the Company delivers to the Trustee a written certificate from an internationally recognized firm of independent public accountants expressing their opinion that, without consideration of any reinvestment, the payments of principal of and interest on the Notes when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment and after payment of all federal, state and local taxes or other charges or assessments in respect thereof payable by the Trustee shall provide cash at such times and in such amounts as shall be sufficient to pay principal of, premium, if any, and interest on all the Notes when due at Maturity or on redemption, as the case may be;

(c) 123 days pass after the deposit is made in accordance with the terms of Section 8.02(a) and during such 123-day period no Default or Event of Default specified in Section 6.01(h) occurs which is continuing at the end of the period;

(d) no Default or Event of Default has occurred and is continuing on the date of such deposit and after giving effect thereto;

(e) the deposit does not constitute a default or event of default under any other agreement binding on the Company;

(f) the Company delivers to the Trustee an Opinion of Counsel of recognized standing with respect to Chilean matters stating that, under Chilean law, Holders (1) shall not recognize income, gain or loss for Chilean income tax purposes as a result of such deposit and defeasance and shall be subject to Chilean tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred and (2) payments from the defeasance trust to any such Holder shall not be subject to withholding or deduction for or on account of any taxes, duties, assessments or other governmental charges under Chilean law;

(g) in the case of the legal defeasance option, the Company delivers to the Trustee an Opinion of Counsel of recognized standing with respect to U.S. Federal income tax matters stating that (1) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (2) since the date of this Indenture there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(h) in the case of the covenant defeasance option, the Company delivers to the Trustee an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that the Holders shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(i) the Company delivers to the Trustee an Opinion of Counsel of recognized standing with respect to Chilean tax matters and Opinions of Counsel of recognized standing with respect to tax matters of any other jurisdiction in which the Company is conducting business in a manner which causes the Holders of the Notes to be liable for taxes on payments under the Notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, stating that the Holders will not recognize income, gain or loss in the relevant jurisdiction as a result of such deposit and the defeasance and will be subject to taxes in the relevant jurisdiction (including any withholding taxes) on the same amount and in the same manner and at the same times as would otherwise have been the case if such deposit and defeasance had not occurred;

(j) the Company delivers to the Trustee an Opinion of Counsel, in form and substance reasonably satisfactory to Trustee, to the effect that, after the passage of 123 days following the deposit, the trust funds shall not be subject to any applicable bankruptcy, insolvency, reorganization or similar law affecting creditors' rights generally; and

(k) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes as contemplated by this Article 8 have been complied with.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Notes at a future date in accordance with Article 3.

Section 8.03. *Application of Trust Money.* The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.02. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent or Paying Agents and in accordance with this Indenture to the payment of principal of and interest on the Notes.

Section 8.04. *Repayment to Company.* Upon termination of the trust established pursuant to Section 8.02, the Trustee and each Paying Agent shall promptly pay to the Company upon request, any excess cash or U.S. Government Obligations held by them.

The Trustee and each Paying Agent shall pay to the Company, upon request, any money held by them for the payment of principal of or interest on the Notes that remains unclaimed for two years after the due date for such payment of principal or interest, and, thereafter, the Trustee and each Paying Agent, as the case may be, shall not be liable for payment of such amounts hereunder and the Holders shall be entitled to such recovery of such amounts only from the Company.

Section 8.05. *Indemnity for U.S. Governmental Obligations.* The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

Section 8.06. *Reinstatement.* If the Trustee or any Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture, the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or such Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; *provided, however*, that, if the Company has made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or such Paying Agent.

ARTICLE 9 AMENDMENTS

Section 9.01. *Without Consent of Holders.* The Company when authorized by a Board Resolution, and the Trustee may amend or supplement this Indenture or the Notes, without the consent or vote of any Holder for the following purposes:

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to comply with Section 5.01;
- (iii) to add to the covenants of the Company for the benefit of the Holders;
- (iv) to surrender any right herein conferred upon the Company;
- (v) to evidence and provide for the acceptance of an appointment by a successor Trustee;
- (vi) to provide for the issuance of Additional Notes;
- (vii) to provide for any guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any guarantee of the Notes when such release termination or discharge is permitted by this Indenture;
- (viii) to make any other change that does not materially and adversely affect the rights of any Holder or to conform this Indenture to the section "Description of Notes" in the Offering Memorandum; or

- (ix) to comply with any applicable requirements of the SEC.

provided that, in the case of clause (i) above, the Company has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate, each stating that such amendment or supplement complies with the provisions of this Section 9.01.

Upon the written request of the Company, accompanied by a Board Resolution authorizing the execution of any supplemental indenture, and upon receipt by the Trustee of the documents described in Section 9.05, the Trustee shall join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02. *With Consent of Holders.* Except as specified in Section 9.01, the Company, when authorized by a Board Resolution, and the Trustee, together, may amend or supplement this Indenture or the Notes with the written consent of the Holders of at least a majority in principal amount of the Outstanding Notes for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or modifying in any manner the rights of the Holders under this Indenture, and the Holders of at least a majority in principal amount of the Outstanding Notes may, except as set forth below, waive any past Default or compliance with any provision of this Indenture; provided, however, that, without the consent of each Holder affected, an amendment or waiver may not:

- (i) reduce the principal amount of or change the Stated Maturity of any payment on any Note;
- (ii) reduce the rate or change the time for payment of interest on any Note;
- (iii) reduce the amount payable upon the redemption of any Note or change the time at which any Note may be redeemed;
- (iv) change the place of payment for or the currency for payment of principal of, premium, if any, or interest or any Additional Amounts on, any Note;
- (v) impair the right to institute suit for the enforcement of any right to payment on or with respect to any Note;
- (vi) waive a Default or Event of Default in payment of principal of and interest on the Notes;
- (vii) reduce the principal amount of Notes whose Holders must consent to any amendment or waiver;
- (viii) make any change in this first paragraph of this Section 9.02; or
- (ix) modify or change any provision of this Indenture affecting the ranking of the Notes in a manner adverse to the Holders of the Notes.

Upon the written request of the Company, accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.05 hereof, the Trustee shall join with the Company in the execution of such supplemental indenture but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its own rights, duties or immunities under this Indenture or otherwise.

The Company shall mail to Holders prior written notice of any amendment or waiver proposed to be adopted under this Section 9.02.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment or waiver under this Section 9.02 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment or waiver. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment or waiver under this Section 9.02.

Section 9.03. *Revocation and Effect of Consents and Waivers.* (a) A consent to an amendment or a waiver by a Holder of Notes shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the written notice of revocation at least one Business Day prior to the date the amendment or waiver becomes effective. After it becomes effective, an amendment or waiver shall bind every Holder.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above. If a record date is fixed, then notwithstanding Section 9.03(a) those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

Section 9.04. *Notation on or Exchange of Notes.* If an amendment changes the terms of a Note, the Company may require the Holder to deliver the Note to the Trustee. If so instructed by the Company, the Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment.

Section 9.05. *Trustee to Sign Amendments.* The Trustee shall sign any amendment authorized pursuant to this Article 9 if the amendment, waiver or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. In signing such amendment, waiver or supplement, in addition to the documents required by Section 10.03, the Trustee shall be entitled to receive indemnity satisfactory to the Trustee and to receive, and, subject to Section 7.01, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel each stating and as conclusive evidence that such amendment, waiver or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it shall be valid and binding upon the Company in accordance with its terms.

Section 9.06. *Payment for Consent.* Neither the Company nor any of its Affiliates shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders which so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

ARTICLE 10
MISCELLANEOUS

Section 10.01. *Provisions of Indenture and Notes for the Sole Benefit of Parties and Holders of Notes.* Nothing in this Indenture or the Notes, expressed or implied, shall give to any Person other than the parties hereto and their successors hereunder and the Holders of the Notes any benefit or any legal or equitable right, remedy or claim under this Indenture or the Notes.

Section 10.02. *Notices.* Any request, demand, authorization, direction, notice, consent, waiver or other communication or document provided or permitted by this Indenture to be made upon, given, provided or furnished to, or filed with, any party to this Indenture shall, except as otherwise expressly provided herein, be in writing and shall be deemed to have been received only upon actual receipt thereof by prepaid first class mail, courier, telecopier or electronic transmission, addressed to the relevant party as follows:

To the Company:

LATAM Airlines Group S.A.
Ptde Riesco 574, 20th Floor
Las Condes Santiago, Chile

With a copy to:

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019
USA
Attention: Gary Brooks
Facsimile: 212-878-8375

To the Trustee, Registrar, Transfer Agent or Paying Agent:

The Bank of New York Mellon
Corporate Trust Administration- Global Finance Americas
101 Barclay Street, Floor 7 East
New York, New York 10286
USA
Telephone: (212) 815-8273
Facsimile: (212) 815-5390

Any party by written notice to the other parties may designate additional or different addresses for subsequent notices or communications.

Where this Indenture provides for the giving of notice to Holders, such notice shall be deemed to have been given upon the mailing of first class mail, postage prepaid, of such notice to Holders of the Notes at their registered addresses as recorded in the Register; and

The Company shall also cause all other such publications of such notices as may be required from time to time by applicable Chilean law, including, without limitation, those required under the applicable regulations issued by the SVS.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed to a Holder in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 10.03. *Electronic Instructions to Trustee.* The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, pdf, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Company elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction, except as may result from its own gross negligence or willful misconduct. The Company agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 10.04. *Officers' Certificate and Opinion of Counsel as to Conditions Precedent.* Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(i) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05) stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(ii) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05) stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 10.05. *Statements Required in Officers' Certificate or Opinion of Counsel.* Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include substantially:

- (i) a statement that each Person making or rendering such Officers' Certificate or Opinion of Counsel has read such covenant or condition and the related definitions;
- (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;
- (iii) a statement that, in the opinion of each such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (iv) a statement as to whether or not, in the opinion of each such Person, such covenant or condition has been complied with.

Section 10.06. *Rules by Trustee, Registrar, Paying Agent and Transfer Agents.* The Trustee may make reasonable rules for action by or a meeting of Holders. The Registrar, the Paying Agents and the Transfer Agents may make reasonable rules for their functions.

Section 10.07. *Currency Indemnity.* U.S. Dollars are the sole currency of account and payment for all sums payable by the Company under or in connection with the Notes including damages. Any amount received or recovered in a currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any Holder of a Note in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company, to the extent of the U.S. Dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the recipient under any Note, the Company shall indemnify such Holder against any loss sustained by it as a result, and if the amount of U.S. Dollars so purchased is greater than the sum originally due to such Holder, such Holder shall, by accepting a Note, be deemed to have agreed to repay such excess. In any event, the Company shall indemnify the recipient against the cost of making any such purchase.

For the purposes of this Section 10.07, it shall be sufficient for the Holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. Dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Company, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Section 10.08. *No Recourse Against Others.* No director, officer, employee or shareholder, as such, of the Company or the Trustee shall have any liability for any obligations of the Company or the Trustee, respectively, under this Indenture or the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

Section 10.09. *Legal Holidays.* In any case where any Interest Payment Date or Redemption Date or date of Maturity of any Note shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Notes) payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date or Redemption Date or date of Maturity; provided that no interest shall accrue for the period from and after such Interest Payment Date or Redemption Date or date of Maturity, as the case may be on account of such delay.

Section 10.10. *Governing Law.* THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 10.11. *Consent to Jurisdiction; Waiver of Immunities.* (a) Each of the parties hereto hereby irrevocably submits to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in the Borough of Manhattan in The City of New York with respect to actions brought against it as a defendant in respect of any suit, action or proceeding or arbitral award arising out of or relating to this Indenture or the Notes or any transaction contemplated hereby or thereby (a “**Proceeding**”), and irrevocably accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each of the parties hereto irrevocably waives, to the fullest extent it may do so under applicable law, trial by jury and any objection which it may now or hereafter have to the laying of the venue of any such Proceeding brought in any such court and any claim that any such Proceeding brought in any such court has been brought in an inconvenient forum. The Company irrevocably appoints Law Debenture Corporate Services (the “**Process Agent**”), with an office at 400 Madison Avenue, 4th Floor, New York, NY 10017, as its authorized agent to receive on behalf of it and its property service of copies of the summons and complaint and any other process which may be served in any Proceeding. If for any reason such Person shall cease to be such agent for service of process the Company shall forthwith appoint a new agent of recognized standing for service of process in the State of New York and deliver to the Trustee a copy of the new agent’s acceptance of that appointment within 30 days. Nothing herein shall affect the right of the Trustee, any Agent or any Holder to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Company in any other court of competent jurisdiction.

(b) The Company hereby irrevocably appoints the Process Agent as its agent to receive, on behalf of itself and its property, service of copies of the summons and complaint and any other process which may be served in any such suit, action or proceeding brought in such New York state or U.S. federal court sitting in the Borough of Manhattan in The City of New York. Such service shall be made by delivering by hand a copy of such process to the Company, in care of the Process Agent at the address specified above. The Company irrevocably authorizes and directs the Process Agent to accept such service on its behalf. Failure of the Process Agent to give notice to the Company or failure of the Company to receive notice of such service of process shall not affect in any way the validity of such service on the Process Agent or the Company. As an alternative method of service the Company consents to the service of any and all process in any such Proceeding by the delivery by hand of copies of such process to the Company at its address specified in Section 10.02 or at any other address previously furnished in writing by the Company to the Trustee. The Company covenants and agrees that it shall take any and all reasonable action, including the execution and filing of any and all documents, that may be necessary to continue the designation of the Process Agent above in full force and effect during the term of the Notes, and to cause the Process Agent to continue to act as such.

(c) Nothing in this Section 10.11 shall affect the right of any party, including the Trustee, any Agent or any Holder, to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other competent jurisdictions.

(d) The Company irrevocably agrees that, in any proceedings anywhere (whether for an injunction, specific performance or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from such proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, except to the extent required by applicable law, any such immunity being irrevocably waived, to the fullest extent permitted by applicable law. Each of the Company irrevocably agrees that, where permitted by applicable law, it and its assets are, and shall be, subject to such proceedings, attachment or execution in respect of its obligations under this Indenture or the Notes.

Section 10.12. *Successors and Assigns.* All covenants and agreements of the Company this Indenture and the Notes shall bind their respective successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors.

Section 10.13. *Multiple Originals.* The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

Section 10.14. *Severability Clause.* In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any term or provision hereof invalid or unenforceable in any respect.

Section 10.15. *Force Majeure.* In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 10.16. *Trustee Compliance with FATCA.* In order to comply with applicable tax laws, rules and regulations (inclusive of directives, guidelines and interpretations promulgated by competent authorities) in effect from time to time (“Applicable Law”) that a foreign financial institution, issuer, paying agent, Holder or other institution is or has agreed to be subject to related to this Indenture, the Company agrees (i) to provide to the Trustee sufficient information about Holders or other applicable parties and/or transactions (including any modification to the terms of such transactions), to the extent the Company has access to such information, so the Trustee can determine whether it has tax related obligations under Applicable Law, (ii) that the Trustee shall be entitled to make any withholding or deduction from payments under the Indenture to the extent necessary to comply with Applicable Law for which the Trustee shall not have any liability except as may result from its own gross negligence or willful misconduct and (iii) to hold harmless the Trustee for any losses it may suffer due to the actions it takes to comply with such Applicable Law except as may result from its own gross negligence or willful misconduct. The terms of this section shall survive the termination of this Indenture.

Section 10.17. *Indenture Controls.* If and to the extent that any provision of the Notes limits, qualifies or conflicts with a provision of this Indenture, such provision of this Indenture shall control.

Section 10.18. *Limited Incorporation by Reference of Trust Indenture.* This Indenture is not subject to the mandatory provisions of the Trust Indenture Act. The provisions of the Trust Indenture Act are not incorporated by reference in or made part of this Indenture unless specifically provided herein.

Section 10.19. *USA Patriot Act.* The parties hereto acknowledge that, in accordance with Section 326 of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (as amended, modified or supplemented from time to time, the “**USA Patriot Act**”), the Trustee, like all financial institutions, is required to obtain, verify and record information that identifies each person or legal entity that opens an account. The parties to this Agreement agrees that they will provide the Trustee with such information as the Trustee may request in order for the Trustee to satisfy the requirements of the USA Patriot Act.

IN WITNESS WHEREOF, the parties hereto have caused the Indenture to be duly executed as of the date first written above.

LATAM AIRLINES GROUP S.A.,
as the Company

By: [ILLEGIBLE]
Name: [ILLEGIBLE]
Title: [ILLEGIBLE]

By: [ILLEGIBLE]
Name:
Title:

LAN  TAM
ANDRES DEL VALLE E.
Senior Vicepresident Corporate Finance
LATAM Airlines Group

[Signature page to Indenture]

THE BANK OF NEW YORK MELLON,
As Trustee, Registrar, Transfer Agent and
Paying Agent

By: /s/ Catherine F. Donohue
Name: Catherine F. Donohue
Title: Vice President

[Signature page to Indenture]

FORM OF NOTE

[[RESTRICTED]][REGULATION S] GLOBAL NOTE]

Include the following legend on all Notes that are Global Notes

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS NOTE (OTHER THAN A TRANSFER OF THIS NOTE AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (“DTC”) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY DEFINITIVE NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Include the following Securities Act Legend on all Notes that are Restricted Notes.

NEITHER THIS GLOBAL SECURITY NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). NEITHER THIS GLOBAL SECURITY NOR ANY BENEFICIAL INTEREST HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO LATAM AIRLINES GROUP S.A. OR A SUBSIDIARY THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (3) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. AS A CONDITION TO REGISTRATION OF TRANSFER OF THIS GLOBAL SECURITY AS SET FORTH IN CLAUSE (4) ABOVE, LATAM AIRLINES GROUP S.A. MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE THAT IT, IN ITS ABSOLUTE DISCRETION, DEEMS NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION.

THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF LATAM AIRLINES GROUP S.A.

Include the following Regulation S Legend on all Notes that are Regulation S Notes.

NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS GLOBAL NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE OF WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES.

Include the following legend on all Notes that are Certificated Notes

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND ANY TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH REGISTRAR OR TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

[FORM OF FACE OF NOTE]

LATAM AIRLINES GROUP S.A.

U.S. \$[_____]

7.250% Senior Notes Due 2020

[RESTRICTED GLOBAL NOTE]
[REGULATION S GLOBAL NOTE]
[CERTIFICATED NOTE]
Representing U.S. \$ [_____]
7.250% Senior Notes Due 2020

No. [R-1] [S-1]

CUSIP No. [144A: 51817R AA4] [Reg S: P62138 AA3]
ISIN No. [144A: US51817RAA41] [Reg S: USP62138AA30]
Common Code [144A: 124570204] [Reg S: 124567351]

Principal Amount
U.S. \$ _____
as revised by the Schedule of Increases and Decreases in Global
Note attached hereto

LATAM AIRLINES GROUP S.A., a *sociedad anónima abierta* organized under the laws of Chile (the “**Company**,” which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to Cede & Co., or registered assigns, U.S. \$[_____], upon presentment and surrender of this Note on June 9, 2020 or on such date or dates as the then relevant principal sum may become payable in accordance with the provisions hereof and in the Indenture.

Interest on the outstanding principal amount shall be borne at the rate of 7.250% per annum payable semi-annually in arrears on each June 9 and December 9 (each such date an “**Interest Payment Date**”), commencing on December 9, 2015, all subject to and in accordance with the terms and conditions set forth herein and in the Indenture; *provided, however*, that in the event that the Company shall at any time default on the payment of interest or such other amounts as any may be payable in respect of the Notes, the Company shall pay interest on overdue principal or installments of interest, to the extent lawful, at the rate borne by the Notes plus 1% per annum.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication herein has been executed by the Trustee or Authenticating Agent by the manual signature of one of its authorized signatories, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

Dated: June 9, 2015

LATAM AIRLINES GROUP S.A.

By: _____
Name:
Title:

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within mentioned Indenture.

THE BANK OF NEW YORK MELLON, as Trustee

By: _____
Name:
Title: Authorized Signatory

[FORM OF REVERSE SIDE OF NOTE]
7.250% Senior Notes Due 2020

TERMS AND CONDITIONS OF THE NOTES

This Note is one of a duly authorized issue of 7.250% Senior Notes Due 2020 of the Company. The Notes constitute unsecured unsubordinated obligations of the Company, initially in an aggregate principal amount of U.S. \$500,000,000

1. *Indenture.*

The Notes are, and shall be, issued under an Indenture, dated as of June 9, 2015 (the “**Indenture**”), among the Company and The Bank of New York Mellon, as trustee (the “**Trustee**”), Registrar, Transfer Agent and Paying Agent (the “**Paying Agent**”) (collectively, the “**Agents**” and each individually an “**Agent**”). The terms of the Notes include those stated in the Indenture. The Holders of the Notes shall be entitled to the benefit of, be bound by and be deemed to have notice of, all provisions of the Indenture. Reference is hereby made to the Indenture and all supplemental indentures thereto for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee, each Agent and the Holders of the Notes and the terms upon which the Notes, are, and are to be, authenticated and delivered. All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture. Copies of the Indenture and each Global Note shall be available for inspection at the offices of the Trustee and each Paying Agent.

The Company may from time to time, without the consent of the Holders of the Notes, create and issue Additional Notes having the same terms and conditions as the Notes in all respects, except for issue date, issue price and the first payment of interest thereon. Additional Notes issued in this manner shall be consolidated with and shall form a single series with the previously outstanding Notes. Unless the context otherwise requires, for all purposes of the Indenture and this Note, references to the Notes include any Additional Notes actually issued.

The Indenture imposes certain limitations on consolidation, merger and certain other transactions involving the Company. In addition, the Indenture requires the maintenance of insurance for the Company and its Subsidiaries, the maintenance of the existence of the Company and its Subsidiaries, the payment of certain taxes and claims and reporting requirements applicable to the Company.

The Note is one of the [Initial]¹[Additional]² Notes referred to in the Indenture. The Notes include the Initial Notes issued on the Issue Date and any Additional Notes issued in accordance with Section 2.14 of the Indenture. The Initial Notes and any Additional Notes are treated as a single class of securities under the Indenture.

¹Include if Initial Note.

²Include if Additional Note.

2. *Principal.*

The Company promises to pay the principal of this Note on June 9, 2020.

3. *Interest.*

The Notes bear interest at the rate per annum shown above from June 9, 2015 or from the most recent Interest Payment Date (as defined below) to which interest has been paid or provided for, payable semi-annually in arrears on June 9 and December 9 of each year (each such date, an “**Interest Payment Date**”), commencing on December 9, 2015. Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay interest on overdue principal or installments of interest, to the extent lawful, at the rate borne by the Notes plus 1% per annum.

4. *Method of Payment.*

Payments of interest in respect of each Note shall be made on each Interest Payment Date by the Paying Agents to the Persons shown on the Register at the close of business on the May 25 and November 25, as the case may be (each, a “**Record Date**”), immediately preceding such Interest Payment Date.

Payments in respect of each Note shall be made by wire or by U.S. Dollar check drawn on a bank in The City of New York and may be delivered to the Holder of such Note at its address appearing in the Register. Upon written application by the Holder to the specified office of any Paying Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by wire transfer to a U.S. Dollar account maintained by the payee with a bank in The City of New York. Payment of principal in respect of each Note shall be made on any Payment Date for such principal to the Person shown on the Register at the close of business on the fifteenth day immediately preceding such Payment Date.

All payments on this Note are subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of Paragraph 6 hereof. Except as provided in Section 2.08 of the Indenture, no fees or expenses shall be charged to the Holders in respect of such payments.

If the Payment Date in respect of any Note is not a business day at the place in which it is presented for payment, the Holder thereof shall not be entitled to payment of the amount due until the next succeeding business day at such place and shall not be entitled to any further interest or other payment in respect of any such delay.

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar shall annotate the Register with a record of the amount of interest, if any, in fact paid.

5. *Registrar, Paying Agent and Transfer Agent.*

The Trustee shall act as Registrar, Transfer Agent and Paying Agent of the Notes. The Company may appoint and change any Registrar, Paying Agent or Transfer Agent in accordance with the terms of the Indenture.

6. *Additional Amounts.*

All payments (including any premium paid upon redemption of the Notes) by the Company in respect of the Notes will be made free and clear of, and without withholding or deduction for, or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Chile, or any authority therein or thereof or any other jurisdiction in which the Company is organized, doing business or through which payments are made in respect of the notes (any of the aforementioned being a “**Taxing Jurisdiction**”), unless the Company is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Company will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by Holders of Notes after such withholding or deduction shall equal the respective amounts of principal and interest (or other amounts stated to be payable under the Notes) which would have been receivable in respect of the Notes in the absence of such withholding or deduction (“**Additional Amounts**”). Notwithstanding the foregoing, no such Additional Amounts shall be payable:

(i) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership, or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the Note or enforcement of rights under the Indenture and the receipt of payments with respect to the Note;

(ii) in respect of Notes surrendered or presented for payment (if surrender or presentment is required) more than 30 days after the Relevant Date except to the extent that payments under such Note would have been subject to withholdings and the Holder of such Note would have been entitled to such Additional Amounts, on surrender of such Note for payment on the last day of such period of 30 days;

(iii) where such Additional Amount is imposed and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;

(iv) to, or to a third party on behalf of, a Holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such Holder’s failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such Holder, if (1) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Company has given the Holders at least 30 days’ notice that Holders will be required to provide such certification, identification, documentation or other requirement;

- (v) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;
- (vi) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of (including premium) or interest on the Note;
- (vii) in respect of any tax imposed on overall net income or any branch profits tax; or
- (viii) in respect of any combination of the above.

Notwithstanding anything to the contrary in this section, none of the Company, the Paying Agent or other person shall be required to pay any additional amounts with respect to any payment in respect of any taxes imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1)

No Additional Amounts shall be paid with respect to any payment on a Note to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, the Company shall not be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

The Company will furnish to the Holders, within 60 days after the date the payment of any Taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment by the Company, or, if such receipts are not obtainable, other evidence of such payments by the Company reasonably satisfactory to the Holders.

In the event that Additional Amounts actually paid with respect to the Notes are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the Holder of such Notes, and, as a result thereof such Holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such Holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Company.

Any reference in the Indenture or the Notes to principal, interest or any other amount payable in respect of the Notes by the Company will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this Paragraph 6.

The Company will pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by Chile (or any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution, delivery or registration of the Notes or any other document or instrument relating thereto.

The foregoing obligation will survive termination or discharge of the Indenture.

7. *Open Market Purchases.*

The Company or its Affiliates may at any time purchase Notes in the open market or otherwise at any price. Any such purchased Notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

8. *Redemption.*

Except as described in Section 3.01 of the Indenture and this Paragraph 8, the Notes may not be redeemed.

(a) The Notes shall be redeemable, at the option of the Company at any time, in whole or in part, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a Redemption Price equal to the greater of:

(1) 100% of the principal amount of the notes to be redeemed; and

(2) The sum of the present value of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus, in each case, accrued and unpaid interest and additional amounts, if any, on the principal amount being redeemed to such redemption date.

(b) Prior to June 9, 2018, the Company may on any one or more occasions redeem up to 35% of the outstanding aggregate principal amount of the notes with the Net Cash Proceeds of one or more Equity Offerings at a redemption price equal to 107.250% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to but excluding the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*

(1) At least 65% of the original aggregate principal amount of the notes remains outstanding after each such redemption; and

(2) Such redemption occurs within 90 days after the closing of such Equity Offering.

(c) If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws rules or regulations or, any treaties, or related agreements to which a Taxing Jurisdiction is a party (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the Notes (or, if the Taxing Jurisdiction become a Taxing Jurisdiction on a later date, such alter date), the Company or any successor to the Company has or will become obligated to pay Additional Amounts (as defined in Section 4.06 of the Indenture and Paragraph 5 hereof), the Company or any of its successors may, at its option, redeem all, but not less than all, of the Notes, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest to but excluding the date fixed for redemption, upon publication of irrevocable notice to Holders not less than 30 days nor more than 60 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 60 days prior to the earliest date on which the Company or successor to the Company would, but for such redemption, become obligated to pay any additional amounts were payments then due. For the avoidance of doubt, the Company or any successor to the Company shall not have the right to so redeem the Notes unless it is obligated or will become obligation to pay Additional Amounts. Notwithstanding the foregoing, the Company or any successor to the Company shall not have the right to so redeem the Notes unless it has taken reasonable measures to avoid the obligation to pay Additional Amounts. For the avoidance of doubt, reasonable measures do not include changing the jurisdiction of incorporation of the Company or any successor to the Company.

In the event that the Company or any successor elects to so redeem the Notes pursuant to Section 3.01(b) of the Indenture, it will deliver to the Trustee: (i) a certificate, signed in the name of the Company by any two of its executive officers or by its attorney-in-fact in accordance with its bylaws, stating that the Company or any successor to the Company is entitled to redeem the Notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Company or any successor to the Company to so redeem have occurred or been satisfied; and (ii) an Opinion of Counsel to the effect that (1) the Company or any successor to the Company has or will become obligated to pay Additional Amounts, (2) such obligation is the result of a change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, as described above and (3) that all governmental requirements necessary for the Company to effect the redemption have been complied with.

9. *Denominations; Transfer; Exchange.*

The Notes are in registered form without coupons in minimum denominations of U.S. \$200,000 and integral multiples of U.S. \$1,000 in excess thereof.

A Holder may transfer or exchange Notes in accordance with the Indenture. The Trustee, the Registrar or Transfer Agent, as the case may be, may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

The Trustee, the Registrar or Transfer Agent, as the case may be, need not register the transfer or exchange of any Notes selected for redemption or any Notes for a period of 15 days before a selection of Notes to be redeemed or before an Interest Payment Date.

10. *Persons Deemed Owners.*

The registered Holder of this Note may be treated as the owner thereof for all purposes.

11. *Unclaimed Money.*

Subject to applicable law, the Trustee and the Paying Agents shall pay to the Company upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and thereafter, Holders entitled to such monies must look to the Company for payment as general creditors.

12. *Defeasance.*

Subject to the terms of the Indenture, the Company at any time may terminate some or all of their obligations under the Notes and the Indenture, as the case may be, if the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations sufficient for the payment of principal of and interest on all the Notes to Maturity or redemption.

13. *Amendment; Waiver.*

Subject to certain exceptions set forth in the Indenture, the Indenture or the Notes may be amended or supplemented without notice to any Holder but with the written consent of the Holders of at least a majority in principal amount of the Notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding. However, subject to certain exceptions set forth in the Indenture, without the consent of each Holder of an outstanding Note affected thereby, no amendment or waiver may, among other things:

- (i) reduce the principal amount of or change the Stated Maturity of any payment on any Note;
- (ii) reduce the rate of or change the time for payment of any interest on any Note;
- (iii) reduce the amount payable upon the redemption of any Note or change the time at which any Note may be redeemed;
- (iv) change the place of payment for or the currency for payment of principal of, premium, if any, or interest or any Additional Amounts on, any Note;

- (v) impair the right to institute suit for the enforcement of any right to payment on or with respect to any Note;
- (vi) waive a Default or Event of Default in payment of principal of and interest on the Notes;
- (vii) reduce the principal amount of Notes whose Holders must consent to any amendment, supplement or waiver;
- (viii) make any change to the first paragraph of Section 9.02 of the Indenture; or
- (ix) modify or change any provision of the Indenture affecting the ranking of the Notes in a manner adverse to the Holders of the Notes.

The Company and the Trustee may, without the consent of any Holder of the Notes, amend the Indenture or the Notes to:

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to comply with Section 5.01 of the Indenture;
- (iii) to add to the covenants of the Company for the benefit of the Holders;
- (iv) to surrender any right herein conferred upon the Company;
- (v) to evidence and provide for the acceptance of an appointment by a successor Trustee;
- (vi) to provide for the issuance of Additional Notes;
- (vii) to provide for any guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any guarantee of the Notes when such release, termination or discharge is permitted by this Indenture;
- (viii) to make any other change that does not materially and adversely affect the rights of any Holder or to conform this Indenture to the section "Description of Notes" in the Offering Memorandum; or
- (ix) to comply with any applicable requirements of the SEC.

provided that, in such case, the Company has delivered to the Trustee an Opinion of Counsel and an Officers' Certificate, each stating that such amendment or supplement complies with the provisions of Section 9.01 of the Indenture.

14. *Defaults and Remedies.*

An "**Event of Default**" occurs if:

(i) the Company defaults in any payment of interest (including any related Additional Amounts) on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(ii) the Company defaults in the payment of the principal (including any related Additional Amounts) of any Note when the same becomes due and payable upon acceleration or redemption or otherwise;

(iii) the Company fails to comply with any of its covenants or agreements in the Notes or the Indenture (other than those referred to in (i) and (ii) above), and such failure continues for 60 days after the notice specified below;

(iv) the Company or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Company or any such Significant Subsidiary (or the payment of which is guaranteed by the Company or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the Indenture, which default (a) is caused by failure to pay principal of or premium, if any, on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("**Payment Default**") or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates U.S. \$75,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate;

(v) one or more final judgments or decrees for the payment of money of U.S. \$75,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate (determined net of any amount covered by an insurance policy or policies issued by insurance companies with sufficient financial resources to perform their obligations under such policies) are rendered against the Company or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(vi) a decree or order by a court having jurisdiction has been entered adjudging the Company or any of its Significant Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of or by the Company or any of its Significant Subsidiaries and such decree or order continues undischarged or unstayed for a period of 60 days; or a decree or order by a court having jurisdiction for the appointment of a receiver or liquidator or for the liquidation or dissolution of the Company or any of its Significant Subsidiaries, has been entered, and such decree or order continues undischarged or unstayed for a period of 60 days; provided that any Significant Subsidiary may be liquidated or dissolved if, pursuant to such liquidation or dissolution, all or substantially all of its assets are transferred to the Company or another Significant Subsidiary of the Company;

(vii) the Company or any Significant Subsidiary (i) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *veedor*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or for all or substantially all of the Property of the Company or any Significant Subsidiary or (iii) effects any general assignment for the benefit of creditors; or

(viii) any event occurs that under the laws of Chile or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (vi) or (vii).

A Default under clause (iii) above shall not constitute an Event of Default until the Trustee or the Holders of at least 25% in principal amount of the Outstanding Notes notify the Company of the Default and the Company does not cure such Default within 60 days after receipt of such notice.

If an Event of Default (other than an Event of Default specified in clauses (vi), (vii) and (viii) above) occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Notes may declare all unpaid principal of and accrued and unpaid interest on all Notes to be due and payable immediately, by a notice in writing to the Company, and upon any such declaration such amounts shall become due and payable immediately. If an Event of Default specified in clause (vi), (vii) or (viii) above occurs and is continuing, then the principal of, and accrued and unpaid interest on, all Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

As soon as possible, and in any event within 15 business days after the Company becomes aware of the existence of a Default or Event of Default, the Company shall deliver to the trustee an Officers' Certificate setting forth the details thereof and the action which the Company is taking or propose to take with respect thereto.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default shall occur and be continuing, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders, unless such Holders shall have offered to the Trustee indemnity reasonably satisfactory to it. Subject to such provision for the indemnification of the Trustee, the Holders of a majority in aggregate principal amount of the outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

At any time after a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in the Indenture, the Holders of a majority in principal amount of the Notes by written notice to the Company and the Trustee may rescind or annul a declaration of acceleration if (i) the Company has paid or deposited with the Trustee a sum sufficient to pay all overdue interest (including any Additional Amounts) on Outstanding Notes, all unpaid principal of the Notes that has become due otherwise than by such declaration of acceleration, interest on such overdue interest (including any Additional Amounts) as provided in the Indenture and all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and (ii) all Events of Default have been cured or waived except nonpayment of principal that has become due solely because of acceleration.

No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

15. *Trustee Dealings with the Company.*

Subject to certain limitations imposed by the Indenture, the Trustee and any Agent or co-registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee, Agent, or such other agent.

16. *Governing Law.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUCT THE INDENTURE, THIS NOTE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

17. *No Recourse Against Others.*

No director, officer, employee or shareholder, as such, of the Company or the Trustee shall have any liability for any obligations of the Company under the Notes or any obligations of the Company or the Trustee, respectively, under this Indenture or the Notes or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

18. *CUSIP and ISIN Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP or ISIN numbers, as applicable, to be printed on the Notes and has directed the Trustee to use CUSIP or ISIN numbers, as applicable, in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture, which includes the form of this Note. Requests may be made to:

LATAM AIRLINES GROUP S.A.
Pdte Riesco 5711, 20th Floor
Las Condes Santiago, Chile
Attention: Andres del Valle
Facsimile: (562) 2565 8764

[To be attached to Global Notes only]

SCHEDULE OF INCREASES AND DECREASES IN GLOBAL NOTE

The initial principal amount of this Global Note is \$[_____]. The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Note Custodian
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FORM OF
TRANSFER NOTICE

FOR VALUE RECEIVED, the undersigned Holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

Please print or typewrite name and address, including postal zip code, of assignee

this Note and all rights hereunder, hereby irrevocably constituting and appointing

attorney to transfer said Note on the books of LATAM Airlines Group S.A. with full power of substitution in the premises.

In connection with any transfer of this Note occurring prior to the date [which is one year after the original issue date of the Notes,]¹ [which is on or prior to the 40th day after the Closing Date (as defined in the Indenture governing the Notes),]² the undersigned confirms that:

[Check one]

- ☐ (a) This Note is being transferred to a person whom the Holder reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), in a transaction meeting the requirement of Rule 144A;
- ☐ (b) This Note is being transferred in an offshore transaction in accordance with Rule 904 under the Securities Act;
- ☐ (c) This Note is being transferred pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);
- ☐ (d) This Note is being transferred pursuant to an effective registration statement under the Securities Act; or
- ☐ (e) This Note is being transferred to LATAM Airlines Group S.A.,

in each of cases (a) through (e) above, in accordance with any applicable securities laws of any State of the United States.

¹*Include in Restricted Note.*

²*Include in Regulation S Note.*

If none of the foregoing boxes is checked, the Transfer Agent shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.07 of the Indenture shall have been satisfied.

Date: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of this instrument in every particular, without alteration, enlargement or any other change whatever.

FORM OF CERTIFICATE
FOR TRANSFER FROM RESTRICTED GLOBAL
NOTE OR CERTIFICATED NOTE BEARING
A SECURITIES ACT LEGEND TO REGULATION S
GLOBAL NOTE OR CERTIFICATED NOTE
NOT BEARING A SECURITIES ACT LEGEND

The Bank of New York Mellon
101 Barclay Street, Floor 7 East
New York, New York 10286
Attn: Global Finance Americas

Re: 7.250% Senior Notes Due 2020 (the “Notes”)

Reference is hereby made to the Indenture, dated June 9, 2015 (the “**Indenture**”), among LATAM Airlines Group S.A. and The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Paying Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. \$_____ principal amount of Notes which are held in the form of [a beneficial interest in the Restricted Global Note with the Depositary in the name of the undersigned] [a Certificated Note bearing a Securities Act Legend].

The undersigned has requested a transfer of such [beneficial interest] [Certificated Note] to a Person who shall take delivery thereof in the form of [a beneficial interest of equal principal amount in the Regulation S Global Note (ISIN No. USP62138AA30) to be held with [Euroclear]* [Clearstream, Luxembourg]¹ (Common Code No. 124567351) through the Depositary] [a Certificated Note of equal principal amount not bearing a Securities Act Legend]. In connection with such transfer, the undersigned does hereby certify that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Notes and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and, accordingly, the undersigned further certifies that:

(1) the offer of the Notes was not made to a U.S. Person (as defined under Regulation S);

[(2) at the time the buy order was originated, the transferee was outside the United States or the undersigned and any Person acting on behalf of the undersigned reasonably believed that the transferee was outside the United States;]²

¹Indicate appropriate clearing system.

²Insert one of the two provisions.

- [(2) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the undersigned nor any Person acting on behalf of the undersigned knows that the transaction was prearranged with a buyer in the United States;]³
- (3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;
- (4) the undersigned is not the Company, a distributor, an affiliate of either the Company or a distributor, or a Person acting on behalf of any of the foregoing; and
- (5) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

This certificate and the statements contained herein are made for your benefit and for the benefit of LATAM Airlines Group S.A. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S.

[INSERT NAME OF TRANSFEROR]

By: _____
Name:
Title:

Dated: _____, _____

cc: LATAM Airlines Group S.A.

³ *Insert one of the two provisions.*

FORM OF TRANSFER CERTIFICATE
FOR TRANSFER FROM REGULATION S GLOBAL
NOTE OR CERTIFICATED NOTE NOT BEARING
A SECURITIES ACT LEGEND TO RESTRICTED GLOBAL
NOTE OR CERTIFICATED NOTE BEARING
A SECURITIES ACT LEGEND
(PRIOR TO 40TH DAY AFTER CLOSING DATE)

The Bank of New York Mellon
101 Barclay Street, Floor 7 East
New York, New York 10286
Attn: Global Finance Americas

Re: 7.250% Senior Notes Due 2020 (the “**Notes**”).

Reference is hereby made to the Indenture, dated June 9, 2015 (the “**Indenture**”), among LATAM Airlines Group S.A. and The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Paying Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. \$_____ principal amount of Notes which are held in the form of [a beneficial interest in the Regulation S Global Note (ISIN No. USP62138AA30) with the Depositary in the name of the undersigned] [a Certificated Note not bearing the Securities Act Legend].

The undersigned has requested a transfer of such [beneficial interest] [Certificated Note] to a Person who shall take delivery thereof in the form of [a beneficial interest in the Restricted Global Note (CUSIP No. 51817R AA4) to be held through the Depositary] (Common Code No. 124570204) [a Certificated Note bearing the Securities Act Legend]. In connection with such transfer, the undersigned does hereby confirm that such transfer has been effected in accordance with the transfer restrictions set forth in the Indenture and the Notes and pursuant to and in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended, and accordingly, the undersigned represents that:

(1) the Notes are being transferred to a transferee that the undersigned reasonably believes is purchasing the Notes for its own account or one or more accounts with respect to which the transferee exercises sole investment discretion; and

(2) the transferee and any such account is a “qualified institutional buyer” within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for your benefit and for the benefit of LATAM Airlines Group S.A.

[INSERT NAME OF TRANSFEROR]

By: _____
Name:
Title:

Dated: _____, _____

cc: LATAM Airlines Group S.A.

FORM OF CERTIFICATE FOR REMOVAL
OF THE SECURITIES ACT LEGEND ON A CERTIFICATED NOTE

The Bank of New York Mellon
101 Barclay Street, Floor 7 East
New York, New York 10286
Attn: Global Finance Americas

Re: 7.250% Senior Notes Due 2020 (the “Notes”)

Reference is hereby made to the Indenture, dated June 9, 2015 (the “**Indenture**”), among LATAM Airlines Group S.A., and The Bank of New York Mellon, as Trustee, Registrar, Transfer Agent and Paying Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to U.S. \$_____ principal amount of Notes which are held in the form of [a beneficial interest in the Restricted Global Note (CUSIP No. 51817RAA4) with the Depository] [[a] Certificated Note(s) in the name of the undersigned.]¹

The undersigned has requested for the restrictive Legend on the Certificated Note(s) to be removed.

In connection with such transfer, the undersigned does hereby certify that such transfer has been effected only (i) in an offshore transaction in accordance with Rule 904 under the Securities Act, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iii) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iii) in accordance with any applicable securities laws of any State of the United States.

This certificate and the statements contained herein are made for your benefit and for the benefit of and LATAM Airlines Group S.A.

[NAME OF UNDERSIGNED]

By: _____

Name:

Title:

Dated: _____, _____

cc: LATAM Airlines Group S.A.

¹ *Indicate form in which Notes are held.*

Supplemental Agreement No. 4

to

Purchase Agreement No. 3256

between

THE BOEING COMPANY

and

LATAM AIRLINES GROUP S.A.

Relating to Boeing Model 787-916/787-816 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of April ____, 2015, (“**Supplemental Agreement Number 4” or “SA-4”**) by and between THE BOEING COMPANY, a Delaware corporation (**Boeing**), and LATAM Airlines Group S.A. (formerly having the legal name LAN Airlines S.A. and doing business as LAN Airlines), a Chilean corporation (**Customer**);

WITNESSETH:

WHEREAS, the parties entered into Purchase Agreement No. 3256, dated as of October 29, 2007 relating to the purchase and sale of Boeing Model 787-916 and Model 787-816 Aircraft (the Purchase Agreement) as amended by Supplemental Agreements No. 1, 2 and 3;

WHEREAS, Customer and Boeing wish to document [***].

WHEREAS, Customer and Boeing have agreed to [***];

WHEREAS, Customer and Boeing wish to [***];

WHEREAS, Customer and Boeing have agreed to [***];

WHEREAS, Customer and Boeing have agreed to [***]; and

WHEREAS, Customer and Boeing have agreed to [***];

AGREEMENT:

P.A. No. 3256

SA4-1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

1. Table of Contents. The Table of Contents of the Purchase Agreement is deleted in its entirety and is replaced by the new Table of Contents and is attached as Exhibit 1 to this SA-4.
2. Articles – N/A in this SA-4.
3. Tables
 - 3.1 Table 1-ROLLS 787-916 Rev 1 is deleted in its entirety and replaced by Table 1-ROLLS 787-916 Rev 2, which (i) [***]; (ii) [***]; and (iii) [***].
 - 3.2 Table 1-ROLLS 787-816 Rev 2 is deleted in its entirety and replaced by Table 1-ROLLS 787-816 Rev 3, which [***].
 - 3.3 Table 3 is deleted in its entirety and replaced by Table 3 Rev 1, which [***].
 - 3.4 Table 4 is deleted in its entirety and the [***].
4. Exhibits and Supplemental Exhibits
 - 4.1 Exhibit A for 787-916 Aircraft is attached as Exhibit 2 to this SA-4.
5. Letter Agreements
 - 5.1 Letter Agreement [***] is attached as Exhibit 3 to this SA-4.
 - a. For the avoidance of doubt, [***] will supersede and control in any conflict between [***].
 - 5.2 Letter Agreement [***] is deleted in its entirety and replaced by Letter Agreement [***] and is attached as [***] to this SA-4.
6. Miscellaneous

This Supplemental Agreement 4 results in Customer owing additional advance payments in the amount of [***] (**PDP Top Up**). Per Customer’s request, Boeing agrees to [***].

7. Confidential Treatment.

Boeing and Customer understand that the commercial and financial information contained in this Supplemental Agreement Number 4 is considered by the parties as confidential (***Confidential Information***) and both agree not to disclose such Confidential Information except as provided herein. In addition to the parties' respective officers, directors and employees who need to know the Confidential Information and who understand the obligation to keep it confidential, the parties may disclose Confidential Information (1) to the extent required by law, including without limitation judicial order or by a requirement of a governmental agency and (2) to its agents, auditors and advisors who need to know the Confidential Information for purposes of enabling each party to understand, perform its obligations under, or receive the benefits of, this Supplemental Agreement Number 4 and who have agreed not to use or disclose the Confidential Information for any other purpose without the other party's prior written consent. In the event that a party concludes that disclosure of Confidential Information contained in this Supplemental Agreement Number 4 is required by applicable law, the party will so advise the other party promptly in writing and endeavor to protect the confidentiality of such Confidential Information to the widest extent possible. In the event of a legal dispute with Boeing, nothing herein will preclude Customer from sharing with its legal counsel information necessary for purposes of enabling counsel to advise or represent Customer provided that so long as Customer causes its legal counsel to maintain the confidentiality of information that is the subject of this Article. Except as provided in the assignment provisions of [***], Customer will not disclose this Supplemental Agreement Number 4 for purposes of financing payments without the prior written consent of Boeing, which consent will be provided once the financier enters into a Non Disclosure Agreement with Boeing in form and substance reasonably satisfactory to Boeing, which will include agreeing not to disclose or use Confidential Information except for the purpose set forth herein. This provision shall not apply to any Confidential Information that is in the public domain except that a party will be liable to the other for breach of its obligations under this provision if the Confidential Information entered the public domain as a consequence of a wrongful act or omission on its part.

Unless the context otherwise requires, all capitalized terms used herein and not otherwise defined shall have the same meanings as in the Purchase Agreement. The Purchase Agreement will be deemed to be amended to the extent provided herein and as so amended will continue in full force and effect. In the event of any inconsistency between the above provisions and the provisions contained in the referenced exhibits to this Supplemental Agreement Number 4, the terms of the exhibits will control.

This Supplemental Agreement Number 4 is not binding until executed by both Boeing and Customer.

P.A. No. 3256

SA4-3
BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

THE BOEING COMPANY

By: David Hilby

Its Attorney-In-Fact

LATAM AIRLINES GROUP S.A.

By: _____

Its: _____

By: _____

Its: _____

P.A. No. 3256

SA4-4

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

TABLE OF CONTENTS

ARTICLES	SA NUMBER
1. Quantity, Model and Description	SA-1
2. Delivery Schedule	SA-1
3. Price	SA-1
4. Payment	SA-1
5. Miscellaneous	SA-1

<u>TABLE</u>		
1-ROLLS	787-916 Aircraft Information Table 1 Rev 2	SA-4
1-GENX	787-916 Aircraft Information Table 1	
1-ROLLS	787-816 Aircraft Information Table 1 Rev 3	SA-4
1-GENX	787-816 Aircraft Information Table 1	
Table 2	787-816 Aircraft Information Table 1 for [***] Aircraft	Deleted SA-3
Table 3	787-816 Aircraft Information Table 1 for [***] Aircraft Rev 1	SA-4
Table 4	787-816 Aircraft Information Table 1 for [***] Aircraft	Deleted SA-4
Table 5	787-816 Aircraft Information Table 1 for Table 5 Aircraft	SA-3
Table 6	787-816 Aircraft Information Table 1 for Table 6 Aircraft	SA-3

<u>EXHIBIT</u>		
A.	787-916 Aircraft Configuration	SA-4
A.	787-816 Aircraft Configuration	SA-3
A1	787-816 Aircraft Configuration for [***] Aircraft	Deleted SA-3
B.	Aircraft Delivery Requirements and Responsibilities	

BOEING PROPRIETARY
“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

<u>SUPPLEMENTAL EXHIBITS</u>		<u>SA NUMBER</u>
AE1.	Escalation Adjustment/Airframe and Optional Features	
BFE1.	Buyer Furnished Equipment Variables	
BFE2.	Buyer Furnished Equipment Variables for Accelerated Aircraft	SA-1 & SA-2 Art. 6.2
CS1.	Customer Support Variables	
EE1.ROLLS	Engine Escalation and Engine Warranty	
EE1.GENx	Engine Escalation and Engine Warranty	
SLP1.	Service Life Policy Components	

LETTER AGREEMENTS

3256-01	787 Spare Parts Initial Provisioning	SA-1 & SA-2 (Art 7.1)
3256-02	Open Configuration Matters	SA-1& SA-2 (Art 7.2)
3256-03	787 e-Enabling Letter Agreement	
3256-04	787 Spare Parts Commitment	
6-1162-ILK-0310R4	[***] (including)	SA-4
	Attachment 1 – Option Aircraft	
	Attachment 2 – Substitution Aircraft	
	Appendix 1 – Form of Supplemental Agreement for Option Aircraft	
	Appendix 2 - Form of Supplemental Agreement for Substitution Aircraft	
6-1162-ILK-0311	[***]	
6-1162-ILK-0312R2	[***]	SA-3
6-1162-ILK-0313	[***]	
6-1162-ILK-0314R1	[***]	SA-1 & SA-2 (Art 7.5) SA-3 Art 6.3 & 6.4
6-1162-ILK-0315	Special Matters Relating to Advance Payments Requirements	SA-1 & SA-2 (Art 7.6) SA-3 Art. 6.5
6-1162-ILK-0316	Aircraft Model [***]	SA-1 (Art 7.8)

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

LETTER AGREEMENTS		SA NUMBER
6-1162-ILK-0317	Option Aircraft	
6-1162-ILK-0318	Alternate Engine Selection	SA1 & SA2 (Art 2)
6-1162-ILK-0319R1	Tailored Escalation	SA-3
6-1162-ILK-0319R1	Table A to Tailored Escalation Letter Agreement, Data Elements	SA-3
6-1162-ILK-0320	Delivery Flexibility	
6-1162-ILK-0321	Demonstration Flight Waiver	
6-1162-ILK-0322	AGTA Article 8.2 Insurance; Warranty Coverage; and Exhibit B Matters for Certain Boeing Model 787-9 Aircraft Leased from International Lease Finance Corporation by LAN Airlines S.A.	
6-1162-ILK-0323	Special Matters Customer Support	SA-1 (Art 7.9); SA-2 (Art 7.8)
6-1162-ILK-0324	Special Matters Warranty	
6-1162-ILK-0325	NOT USED	
6-1162-ILK-0326	Special Matters Customer 787 Fleet	SA-1(Art 7.10) SA-2 (Art 7.8) SA-2 (Art7.10)
6-1162-ILK-0327	Performance Guarantees 787-916/-816	SA-2 (Art7.10)
6-1162-ILK-0328	Performance Retention Commitment	SA-1
6-1162-ILK-0329	Extended Operations (ETOPS) Matters	
6-1162-ILK-0330	Remedy for Deviation from 787-9 Payload Guarantees	
6-1162-ILK-0331	Remedy for Deviation from 787-8 Payload Guarantees	SA-2 (Art 7.11)
6-1162-KSW-6446	[***] Aircraft	Deleted SA-3
6-1162-KSW-6447	Remedy for [***]	Deleted SA-3
6-1162-KSW-6453	TRENT1000-A Powered 787-816 Performance Retention Commitment	SA-1
6-1162-KSW-6453R1	TRENT1000-A Powered 787-816 Performance Retention Commitment	SA-2 & SA-3 (Art. 6.9)
6-1162-KSW-6458	TRENT1000-A Powered 787-916 Performance Retention Commitment	SA-1
6-1162-KSW-6473	Delivery Flexibility for September 2011 Accelerated Aircraft	SA-2 & SA-3 (Art 6.10)
6-1167-MAG-0496	[***] for 787-816 Table 6 Aircraft	SA-3
6-1167-MAG-0500	Advance Payment Special Matters – SA-3	SA-3
6-1167-MAG-0502	787 Post Delivery Software & Data Loading	SA-3
6-1167-MAG-0506	[***] for Table 6 Aircraft	SA-3
	[***]	
[***]		SA-4

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

**Table 1 Rev 2 to
SA-4
Purchase Agreement No. PA-03256
787-916 Aircraft Delivery, Description, Price and Advance Payments**

Airframe Model/MTOW:	787-9	***	Detail Specification:	***	
Engine Model/Thrust:	TRENT1000-J	***	Airframe Price Base Year/Escalation Formula:	***	ECI-MFG/CPI
Airframe Price:		***	Engine Price Base Year/Escalation Formula:	***	787 ECI-MFG CPI Eng
Optional Features:		***			
Sub-Total of Airframe and Features:		***	<u>Airframe Escalation Data:</u>		
Engine Price (Per Aircraft):		***	Base Year Index (ECI):	***	
Aircraft Basic Price (Excluding BFE/SPE):		***	Base Year Index (CPI):	***	
Buyer Furnished Equipment (BFE) Estimate:		***	<u>Engine Escalation Data:</u>		
In-Flight Entertainment (IFE) Estimate:		***	Base Year Index (ECI):	***	
		***	Base Year Index (CPI):	***	
Deposit per Aircraft:		***			

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Manufacturer Serial Number	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						At Signing 1%	24 Mos. 4%	21/18/12/9/6 Mos. 5%	Total 30%
Aug-2015	***	***	***	***	***	***	***	***	***
Sep-2015	***	***	***	***	***	***	***	***	***
Dec-2015	***	***	***	***	***	***	***	***	***
Jan-2016	***	***	***	***	***	***	***	***	***
Mar-2016	***	***	***	***	***	***	***	***	***
May-2016	***	***	***	***	***	***	***	***	***
Jun-2016	***	***	***	***	***	***	***	***	***
Sep-2016	***	***	***	***	***	***	***	***	***
Feb-2018	***	***	***	***	***	***	***	***	***
May-2018	***	***	***	***	***	***	***	***	***
Aug-2018	***	***	***	***	***	***	***	***	***
Nov-2018	***	***	***	***	***	***	***	***	***
Total:	***	***	***	***	***	***	***	***	***

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

**Table 1 Rev 3 to
SA-4
Purchase Agreement No. PA-03256
787-816 Aircraft Delivery, Description, Price and Advance Payments**

Airframe Model/MTOW:	787-8	***	Detail Specification:	***
Engine Model/Thrust:	TRENT1000-A	***	Airframe Price Base Year/Escalation Formula:	*** Non-Standard
Airframe Price:		***	Engine Price Base Year/Escalation Formula:	*** 787 ECI-MFG CPI Eng
Optional Features:		***		
Sub-Total of Airframe and Features:		***	<u>Airframe Escalation Data:</u>	
Engine Price (Per Aircraft):		***	Base Year Index (ECI):	***
Aircraft Basic Price (Excluding BFE/SPE):		***	Base Year Index (CPI):	***
Buyer Furnished Equipment (BFE) Estimate:		***	<u>Engine Escalation Data:</u>	
Catalog Selected In Flight Entertainment (IFE) Estimate:		***	Base Year Index (ECI):	***
Refundable Deposit/Aircraft at Proposal Accept:		***	Base Year Index (CPI):	***

Delivery Date	Number of Aircraft	3% Escalation Factor (Airframe)	Escalation Factor (Engine)	Manufacturer Serial Number	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						At Signing 1%	24 Mos. 4%	21/18/12/9/6 Mos. 5%	Total 30%
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

**Table 3 R1 To
SA-4
Aircraft Delivery, Description, Price and Advance Payments (2012-2013 Aircraft)**

Airframe Model/MTOW:	787-8	***	Detail Specification:	***
Engine Model/Thrust:	TRENT1000-A	***	Airframe Price Base Year/Escalation Formula:	*** Non-Standard
Airframe Price:		***	Engine Price Base Year/Escalation Formula:	*** 787 ECI-MFG CPI Eng
Optional Features:		***		
Sub-Total of Airframe and Features:		***	<u>Airframe Escalation Data:</u>	
Engine Price (Per Aircraft):		***		
Aircraft Basic Price (Excluding BFE/SPE):		***	<u>Engine Escalation Data:</u>	
Buyer Furnished Equipment (BFE) Estimate:		***	Base Year Index (ECI):	***
Seller Purchased Equipment (SPE) Estimate:		***	Base Year Index (CPI):	***
Deposit/Aircraft at Proposal Acceptance		***		

Delivery Date	Number of Aircraft	3% Escalation Factor (Airframe)	Escalation Factor (Engine)		Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						At Signing 1%	24 Mos. 4%	21/18/12/9/6 Mos. 5%	Total 30%
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
Total:	0								

*Indicative pricing for midmonth of quarter.

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AIRCRAFT CONFIGURATION

between

THE BOEING COMPANY

and

LATAM Airlines Group S.A.

787-916 Exhibit A to Purchase Agreement Number 3256

LAN-PA-03256-EXA

***]
EXA Page 1

BOEING PROPRIETARY

“***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Exhibit A

AIRCRAFT CONFIGURATION

Dated _____

relating to

BOEING MODEL 787-916 AIRCRAFT

The Detail Specification is Boeing document number [***] scheduled to release on or about [***] before the delivery of the first 787-9 Aircraft. The Detail Specification provides further description of Customer's configuration set forth in this Exhibit A. Such Detail Specification will be comprised of Boeing configuration specification [***] dated [***] as amended to incorporate the optional features (**Options**) listed below, including the effects on Manufacturer's Empty Weight (**MEW**) and Operating Empty Weight (**OEW**). As soon as practicable, Boeing will furnish to Customer copies of the Detail Specification, which copies will reflect such Options.

The Aircraft Basic Price reflects and includes all effects of such Options, except such Aircraft Basic Price does not include the price effects of any Buyer Furnished Equipment or In-Flight Entertainment.

LAN-PA-03256-EXA

[***]
EXA Page 2

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

[Replace this page with the Exhibit A sheets provided by pricing.]

LAN-PA-03256-EXA

BOEING PROPRIETARY

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

BOEING PROPRIETARY

Exhibit A To
Purchase Agreement No 3256

Configuration Item Number	Title	2006 Dollars Price Per A/C
***	MAJOR MODEL 787 AIRPLANE	***
***	MINOR MODEL 787-9 AIRPLANE	***
***	INTERIOR ARRANGEMENT - 313 PASSENGERS - LAN	***
***	TYPE CERTIFICATION AND EXPORT CERTIFICATION OF AIRWORTHINESS	***
***	TAKEOFF AND LANDING WITH TAILWIND UP TO 15 KNOTS	***
***	ENGINE INOPERATIVE TEN-MINUTE TAKEOFF THRUST OPERATION	***
***	ALTERNATE FORWARD CENTER-OF-GRAVITY VALUES	***
***	FLIGHT CREW OPERATIONS MANUAL DATA IN COMPLIANCE WITH FAA REQUIREMENTS	***
***	AIRPLANE FLIGHT MANUAL DATA	***
***	CUSTOMER SPECIFIED INCREASED OPERATIONAL WEIGHTS	***
***	CUSTOMIZED LOADING SCHEDULE FOR WEIGHT AND BALANCE CONTROL - ALIGNMENT CHART LOADING	***
***	CONFIGURATOR USAGE - MISCELLANEOUS WEIGHT COLLECTOR	***
***	EXTERIOR COLOR SCHEME AND MARKING	***
***	INTERIOR PASSENGER COMPARTMENT PLACARDS AND MARKINGS	***
***	LEASING/OWNERSHIP NAMEPLATES	***
***	SERVICE OPTION - ENHANCED AIRBORNE FLIGHT RECORDER (EAFR) STATEMENT OF COMPLIANCE LETTER	***
***	PERSONAL AIR OUTLET (PAO) FOR PASSENGER	***
***	FLIGHT DECK HUMIDIFICATION SYSTEM	***
***	EMERGENCY LOCATOR TRANSMITTER (ELT) - ANTENNA & CONTROL PANEL	***
***	ATN DATALINK	***
***	FLIGHT DECK ENTRY VIDEO SURVEILLANCE SYSTEM (FDEVSS)	***
***	TBS3 - MOUNTING PROVISIONS - CUSTOMER UNIQUE FEATURE PANELS	***
***	TBS3 - CUSTOMER UNIQUE FEATURE PANEL - INSTALLATION - DOOR 2 LEFT, AFT	***
***	PASSENGER SERVICE UNIT (PSU) & OXYGEN MASK LOCATION ARRANGEMENT INSTALLATION	***
***	CLOSET - FULL HEIGHT - DOOR 2R, AFT	***
***	CLOSET - FULL HEIGHT - DOOR 2 CENTER, FWD	***
***	CLOSET - FULL HEIGHT - DOOR 4 CENTER, FWD	***
***	CLOSET - FULL HEIGHT - DOOR 3 CENTERLINE, FWD - LBL 28	***
***	PARTITION - DOOR 2 LEFT, AFT	***
***	CURTAIN - DOOR 1 LEFT	***
***	CURTAIN - DOOR 1 RIGHT	***
***	CURTAIN - DOOR 2 GALLEY COMPLEX - LEFT	***
***	CURTAIN - DOOR 2 GALLEY COMPLEX - RIGHT	***
***	CURTAIN - DOOR 4 LEFT, FWD	***
***	CURTAIN - DOOR 4 RIGHT, FWD	***
***	CURTAIN - CREW REST ENCLOSURE - DOOR 4L, FWD	***
***	CURTAIN - CREW REST ENCLOSURE - DOOR 4R, FWD	***
***	CURTAIN - DOOR 2 LEFT, AFT - WITH FABRIC CLOSEOUT HEADER	***
***	CURTAIN - DOOR 2 RIGHT, AFT - WITH FABRIC CLOSEOUT HEADER	***
***	ECONOMY CLASS SEAT - B/E AEROSPACE - PINNACLE - 9 ABREAST SEATING (3-3-3)	***
***	BUSINESS CLASS SEAT - ZODIAC SEATS UK - AURA LITE - 6 ABREAST SEATING (2-2-2)	***

BOEING PROPRIETARY

Configuration Item Number	Title	2006 Dollars Price Per A/C
***]	TBS3 - BUSINESS CLASS SEATS - CUSTOMER UNIQUE TEXT PLACARDS - CUSTOM COLORS	***]
***]	BFE PREMIUM ECONOMY CLASS SEATS INSTALLATION (PREVIOUSLY INTEGRATED)	***]
***]	TBS3 - CABIN ATTENDANT STATIONS - CABIN ATTENDANT PANEL - CUSTOMER UNIQUE LOCATION - DOOR 2 RIGHT, AFT	***]
***]	VIDEO CONTROL STATION (VCS) - 15 INCH - OUTBOARD	***]
***]	ATTENDANT SEAT - STANDARD - AS1F-1L	***]
***]	ATTENDANT SEAT - STANDARD - AS1A-1R	***]
***]	ATTENDANT SEAT - STANDARD - AS2F-1L	***]
***]	ATTENDANT SEAT - STANDARD - AS2F-1R	***]
***]	ATTENDANT SEAT - STANDARD - AS2A-1R	***]
***]	ATTENDANT SEAT - STANDARD - AS3F-1R	***]
***]	ATTENDANT SEAT - STANDARD - AS4F-1R	***]
***]	ATTENDANT SEAT - STANDARD - AS4A-1L	***]
***]	ATTENDANT SEAT - STANDARD - AS4A-1R	***]
***]	ATTENDANT SEAT - HIGH COMFORT - AS1A-1L	***]
***]	ATTENDANT SEAT - STANDARD - AS3F-1L	***]
***]	CABIN ATTENDANT PANEL	***]
***]	TBS3 - GALLEY & ENTRY FLOOR MAT - NON-ICO COLOR AND PATTERN	***]
***]	FLOOR COVERING COLLECTOR	***]
***]	OVERHEAD STOWAGE BINS	***]
***]	LITERATURE POCKETS	***]
***]	FLOOR MOUNTED STOWAGE UNIT - DOOR 3L, FWD	***]
***]	FLOOR MOUNTED STOWAGE UNIT - DOOR 3R, FWD	***]
***]	FLOOR MOUNTED STOWAGE UNIT - DOOR 3C, FWD	***]
***]	FLOOR MOUNTED STOWAGE UNIT - DOOR 4C, FWD	***]
***]	FLOOR MOUNTED STOWAGE UNIT - DOOR 4L, FWD	***]
***]	FLOOR MOUNTED STOWAGE UNIT - DOOR 4R, FWD	***]
***]	ATTENDANT MODULES (AMODS)	***]
***]	OVERHEAD FLIGHT CREW REST (OFCR) - 58"" SINGLE SEAT - STABLE SYSTEMS, EQUIPMENT AND MODULES	***]
***]	OVERHEAD FLIGHT CREW REST (OFCR) - 58-INCH SINGLE SEAT ENCLOSURE SELECTABLES	***]
***]	MEDICAL ELECTRICAL OUTLETS	***]
***]	TBS3 - PAPER TOWEL HOLDER, BOX TYPE - CUSTOM LOCATION - GALLEY FAMILY 50	***]
***]	TBS3 - INSTALLATION OF GALLEY MIRRORS - FAMILY 53 - G4F-1C	***]
***]	TBS3 - CUSTOMER SUPPLIED GALLEY CARTS AND BOEING PROVIDED DKA GALLEY CARTS - CERTIFICATION	***]
***]	TBS3 - GALLEY STANDARD CONTAINER CERTIFICATION	***]
***]	GALLEY - FAMILY 1 - G1F-1C	***]
***]	GALLEY - FAMILY 37 - G1A-1L	***]
***]	GALLEY - FAMILY 24 - G2A-1C	***]
***]	GALLEY - FAMILY 29 - G4F-1R	***]
***]	GALLEY - FAMILY 53 - G4F-1C	***]
***]	GALLEY - FAMILY 50 - G4A-1C	***]
***]	GALLEY INSERT PART NUMBERS - NON-ELECTRICAL	***]
***]	GALLEY INSERT PART NUMBERS - ELECTRICAL	***]
***]	TBS3 - GALLEY - DOUBLE DEEP CONTAINER RETRIEVAL STRAP WITH METAL RING HANDLE	***]
***]	LAVATORY - FAMILY 12 - L3F-1L	***]

BOEING PROPRIETARY

Configuration Item Number	Title	2006 Dollars Price Per A/C
***	LAVATORY - FAMILY 11 - L3F-1R	***
***	LAVATORY - WHEELCHAIR ACCESSIBLE - FAMILY 95 - L3F-2LC	***
***	LAVATORY - WHEELCHAIR ACCESSIBLE - FAMILY 96 - L3F-2RC	***
***	LAVATORY - LAV/CLOSET - FAMILY 65B - L3F-1RC	***
***	LAVATORY - FAMILY 14 - L4F-1L	***
***	LAVATORY - FAMILY 1 - L1F-1L	***
***	LAVATORY - FAMILY 12 - L1A-1R	***
***	PROTECTIVE BREATHING EQUIPMENT- FLIGHT DECK - AVOX - P/N 802300-14	***
***	CREW LIFE VESTS - FLIGHT DECK	***
***	OVERWATER EMERGENCY EQUIPMENT	***
***	DETACHABLE EMERGENCY EQUIPMENT	***
***	ESCAPE SYSTEM, PASSENGER CAPACITY UP TO 355 WITH SLIDE/RAFTS AT ALL DOORS (C-A-A-A)	***
***	EXTENDED CARGO COMPARTMENT FIRE SUPPRESSION - DURATION - APPROXIMATELY 300 MINUTES	***
***	WHEELS AND CARBON BRAKES - MESSIER-BUGATTI	***
***	LIGHTING SCENES - DYNAMIC CABIN LIGHTING SYSTEM - CUSTOMER SPECIFIC	***
***	PASSENGER OXYGEN MEDIUM CAPACITY DESCENT	***
***	POTABLE WATER STORAGE CAPACITY INCREASE - 270 GALLONS	***
***	POTABLE WATER PRE-SELECT AT SERVICE PANEL	***
***	TWO CONTENT SERVERS TWO NETWORK CONTROLLERS CONFIGURATION E-2 RACK INSTALLATIONS (-9 ONLY) - PANASONIC	***
***	TBS3 -15-INCH VIDEO CONTROL STATION (VCS) EQUIPMENT - PANASONIC - SFE	***
***	TBS3 - PANASONIC IN-SEAT VIDEO EQUIPMENT - UNIQUE AUDIO JACK - BUSINESS CLASS SEATS	***
***	TBS3 - PANASONIC IN-SEAT VIDEO EQUIPMENT - UNIQUE PED POWER OUTLET - BUSINESS CLASS, ECONOMY CLASS AND OVERHEAD FLIGHT CREW REST	***
***	INFLIGHT ENTERTAINMENT SYSTEM - PANASONIC - COLOR SELECTIONS - LAN	***
***	PANASONIC IN-SEAT VIDEO EQUIPMENT - ECONOMY CLASS SEATS	***
***	PANASONIC IN-SEAT VIDEO EQUIPMENT - PREMIUM ECONOMY CLASS SEATS	***
***	PANASONIC IN-SEAT VIDEO EQUIPMENT - BUSINESS CLASS SEATS	***
***	OVERHEAD VIDEO INSTALLATION - PANASONIC	***
***	OVERHEAD FLIGHT CREW REST IFE EQUIPMENT INSTALLATION - PANASONIC	***
***	EXTERNAL COMMUNICATION SYSTEM - INSTALLATION - PANASONIC EXCELL 3G GSM CELLULAR DATA MODEM - CSE	***
***	EXTERNAL COMMUNICATION SYSTEM - COMPONENT PART NUMBER COLLECTOR - PANASONIC - CSE	***
***	SECOND MAINTENANCE SYSTEMS FILE SERVER MODULE	***
***	CREW WIRELESS LAN UNIT	***
***	TERMINAL CELLULAR SYSTEM	***
***	TRANSVERSE LD-4 / LD-8 CARGO CONTAINER LOADING - FWD CARGO COMPARTMENT	***
***	WINDOW PLUGS	***
***	ROLLS-ROYCE PROPULSION SYSTEM	***
***	ROLLS ROYCE TRENT 1000 THRUST RATINGS	***
***	LUBRICATING OIL - BP2197	***

BOEING PROPRIETARY

Configuration Item Number	Title	2006 Dollars Price Per A/C
INT_ALLOWANCE	INTERIOR ALLOWANCE FOR ALL MINOR MODELS (FOR USE ON DCAC-CONFIGURED AIRPLANES ONLY)	***
OPTIONS: 124	TOTAL - SPECIAL FEATURES - EXHIBIT A:	***
FIXED PRICE CHANGES		
***	TBS3 -15-INCH VIDEO CONTROL STATION (VCS) EQUIPMENT - PANASONIC - FIXED PRICE IFE - SFE	***
***	TBS3 - PANASONIC IN-SEAT VIDEO EQUIPMENT - UNIQUE AUDIO JACK - BUSINESS CLASS SEATS - FIXED PRICE IFE	***
***	TBS3 - PANASONIC IN-SEAT VIDEO EQUIPMENT - UNIQUE PED POWER OUTLET - BUSINESS CLASS, ECONOMY CLASS AND OVERHEAD FLIGHT CREW REST - FIXED PRICE IFE	***
***	ILF - LAN - PANASONIC IFE SYSTEM - COLLECTOR - SFE	***
OPTIONS: 4	TOTAL - FIXED PRICE CHANGES:	***

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

6-1162-ILK-0310R4

LATAM Airlines Group S.A.
Avenida Presidente Riesco 5711
Piso 19
Las Condes
Santiago, Chile

Subject: Special Matters

Reference: Purchase Agreement No. 3256 (the Purchase Agreement) between The Boeing Company (Boeing) and LATAM Airlines Group S.A. (formerly having the legal name LAN Airlines S.A. and doing business as LAN Airlines) (Customer) relating to Boeing Model 787-916/-816 aircraft (Aircraft)

This letter agreement (Letter Agreement) cancels and supercedes Letter Agreement 6-1162-ILK-0310R2 and amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. Definitions.

1.1 “STE” when used specifically in relation to any credit memorandum contained in this letter agreement shall mean that the relevant credit memorandum shall be escalated to the month of delivery in the same manner as the [***].

1.2 “Limitations on Use” when used in relation to any credit memorandum contained in this letter agreement shall mean that the applicable credit memorandum may be used for the purchase of Boeing goods and services or applied to the final delivery payment for the Aircraft for which the credit was issued, but that the relevant credit memorandum shall be prohibited from use for satisfaction of any Advance Payment obligation. .

1.3 [***] as set forth in Table 3.

1.4 [***] as set forth in Table 3,.

1.5 [***]

1.6 [***]

1.7 [***]

P.A. No. 3256
Special_Matters

S.A. 4

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



2. 787-9/-8 Credit Memoranda.

Subject to Customer’s adherence to the Limitations on Use, Boeing will provide the Customer a credit memorandum concurrently with the delivery of each 787-916 and each 787-816 [***]

Article 2 Credit Memoranda Table

Article 2 Credit Memoranda	787-9 Concession Stated as a Percentage of Airframe Price	787-8 Concession Stated as a Percentage of Airframe Price
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

3. [***]
[***]

4. [***]
4.1. [***]
4.1.1. [***]
4.1.2. [***]
4.1.3. [***]

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



- 4.2 [***]
- 4.2.1 [***]
- 4.2.2 [***]

- 5. [***]
- 5.1. [***]

6. Economic Considerations for the Option Aircraft.

Subject to Customer’s adherence to the Limitations on Use, Boeing agrees that the [***]
Additionally, Boeing agrees that [***] Letter Agreement to the Purchase Agreement. [***]

- (i) Customer to provide Boeing with its notice of option exercise rights no later than [***] and
- (ii) for [***] delivery year Option Aircraft: Customer to provide Boeing with its notice of option exercise rights no later than [***]

Notwithstanding Article 4.2 of the Option Aircraft Letter, Boeing may not [***]. Accordingly, the tables conforming to this Article 6 are provided as [***]. A sample form of supplemental agreement (illustrative of the contractual documentation incident to implementation of the Customer’s exercise of its rights in respect of the purchase of Option Aircraft) that is acceptable to Boeing is attached as [***] to this Letter Agreement. [***].

7. Economic Considerations for the Substitution Aircraft.

In the event of substitution of an Aircraft by the Customer pursuant to the Aircraft Model Substitution Letter Agreement to the Purchase Agreement, Boeing agrees to provide Customer with [***] concurrent with the [***] and subject to Customer’s adherence to the Limitations on Use. [***]. A sample form of supplemental agreement (illustrative of the contractual documentation incident to implementation of the Customer’s [***]).



8. Correction Time Objectives.

In the event that Boeing is able to make improvements to Correction Time Objectives as defined in Article 8.3.1 of Exhibit C to the AGTA, Product Assurance Document, then Boeing will revise the referenced Article to reflect the revision, e.g., to reflect subsequent schedule improvement to the extent realized.

9. Fuel Provided by Boeing.

Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft as follows:

Aircraft Model	Fuel Provided
Boeing Model 787 Aircraft, including all minor models	***

10. Assignment.

***.

i. ***;

ii. ***; and

iii. ***

11. MTOW and Other Configuration Matters.

11.1 ***

BOEING PROPRIETARY

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



11.2 [***] to the Purchase Agreement.

12. Acknowledgement of Financing Support.

[***]

13. Confidential Treatment.

Boeing and Customer understand that the commercial and financial information contained in this Letter Agreement is considered by the parties as confidential (**Confidential Information**) and both agree not to disclose such Confidential Information except as provided herein. In addition to the parties' respective officers, directors and employees who need to know the Confidential Information and who understand the obligation to keep it confidential, the parties may disclose Confidential Information (1) to the extent required by law including without limitation judicial order or by requirement of a governmental agency and (2) to its agents, auditors and advisors who need to know the Confidential Information for purposes of enabling each party to understand, perform its obligations under, or receive the benefits of, this Agreement and who have agreed not to use or disclose the Confidential Information for any other purpose without the other party's prior written consent. In the event that a party concludes that disclosure of Confidential Information contained in this Letter Agreement is required by applicable law, the party will so advise the other party promptly in writing and endeavor to protect the confidentiality of such Confidential Information to the widest extent possible. In the event of a legal dispute with Boeing, nothing herein will preclude Customer from sharing with its legal counsel information necessary for purposes of enabling counsel to advise or represent Customer provided that so long as Customer causes its legal counsel to maintain the confidentiality of information that is the subject of this Article. Except as provided in the assignment provisions of Article 10 of this Special Matters Letter Agreement, Customer will not disclose this Letter Agreement for purposes of financing payments without the prior written consent of Boeing, which consent will be provided once the financier enters into a Non Disclosure Agreement with Boeing in form and substance reasonably satisfactory to Boeing, which will include agreeing not to disclose or use Confidential Information except for the purpose set forth herein. This provision shall not apply to any Confidential Information that is in the public domain except that a party will be liable to the other for breach of its obligations under this provision if the Confidential Information entered the public domain as a consequence of a wrongful act or omission on its part.

P.A. No. 3256
Special_Matters

S.A. 4

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.



LATAM Airlines Group S.A.
6-1162-ILK-0310R3
Page 6

Very truly yours,

THE BOEING COMPANY

By: _____
David J. Hilby

Its: _____
Attorney-In-Fact

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated herein, please indicate your acceptance and approval.

ACCEPTED AND AGREED TO

Date: April_____, 2015

LATAM AIRLINES GROUP S.A.

By: _____

Its: _____

By: _____

Its: _____

P.A. No. 3256
Special_Matters

S.A. 4

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

LAN Airlines S.A.
Attachment 1 to 6-1162-ILK-0310R3

**Attachment 1 ROLLS to
Special Matters Letter Agreement No. 6-1162-ILK-0310R3
TRENT1000-A Powered 787-8 Option Aircraft Delivery, Description, Price and Advance Payments**

[***]

P.A. No. 3256, APR 45875
Special_Matters, Attachment 1

Exhibit 4 to S.A. 3

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

**Attachment 1 GENX to
Special Matters Letter Agreement No. 6-1162-ILK-0310R3
GENX Powered 787-8 Option Aircraft Delivery, Description, Price and Advance Payments**

[***]

P.A. No. 3256
Special_Matters

Exhibit 4 to S.A. 3

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Attachment 2 Substitution Aircraft Credit Memoranda Table

Article 5 Credit Memoranda	Substitution 787-9 Aircraft	Substitution 787-8 Aircraft	Substitution 787-10 Aircraft
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***

P.A. No. 3256,
Special_Matters, Attachment 2

Exhibit 4 to S.A. 3

BOEING PROPRIETARY

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

[***] INDICATED CONFIDENTIAL MATERIAL OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND FILED WITH THE SECURITIES AND EXCHANGE COMMISSION SEPARATELY WITH A REQUEST FOR CONFIDENTIAL TREATMENT.

Supplemental Agreement No. 5

to

Purchase Agreement No. 3256

between

THE BOEING COMPANY

and

LATAM AIRLINES GROUP S.A.

Relating to Boeing Model 787-916/787-816 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of July ____, 2015, (“**Supplemental Agreement Number 5” or “ SA-5**”) by and between THE BOEING COMPANY, a Delaware corporation (**Boeing**), and LATAM Airlines Group S.A. (formerly having the legal name LAN Airlines S.A. and doing business as LAN Airlines), a Chilean corporation (**Customer**);

WITNESSETH:

WHEREAS, the parties entered into Purchase Agreement No. 3256, dated as of October 29, 2007 relating to the purchase and sale of Boeing Model 787-916 and Model 787-816 Aircraft (the Purchase Agreement) as amended by Supplemental Agreements No. 1, 2, 3 and 4;

WHEREAS, Customer and Boeing wish to document the [***].

AGREEMENT:

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

P.A. No. 3256

SA5-1

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

1. Table of Contents. The Table of Contents of the Purchase Agreement is deleted in its entirety and is replaced by the new Table of Contents and is attached as Exhibit 1 to this SA-5.

2. Articles – N/A in this SA-5.

3. Tables

3.1 Table 1-ROLLS 787-916 Rev 2 is deleted in its entirety and replaced by Table 1-ROLLS 787-916 Rev 3, which incorporates the revised [***].

4. Exhibits and Supplemental Exhibits

4.1 N/A in this SA-5.

5. Letter Agreements

5.1 Letter Agreement Amendment #1 to LAN-PBO-1300269 “Amendment #1 to Model 787 Aircraft Delivery Delay Settlement Agreement” is deleted in its entirety and replaced by Amendment #1 to LAN-PBO-1300269R-1 “ Revision Number 1 to Amendment #1 to Model 787 Aircraft Delivery Delay Settlement Agreement” attached as Exhibit 2 to this SA-5.

5.2 Letter Agreement 6-1162-ILK-0310R4 "Special Matters" is deleted in its entirety and replaced by Letter Agreement 6-1162-ILK-0310R5 "Special Matters" and is attached as Exhibit 3 to this SA-5.

6. Miscellaneous

This Supplemental Agreement 5 results in excess advance payments in the [***] by Boeing and may be used by Customer [***] on the Purchase Agreement.

P.A. No. 3256

SA5-2

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

7. Confidential Treatment.

Boeing and Customer understand that the commercial and financial information contained in this Supplemental Agreement Number 5 is considered by the parties as confidential (**Confidential Information**) and both agree not to disclose such Confidential Information except as provided herein. In addition to the parties' respective officers, directors and employees who need to know the Confidential Information and who understand the obligation to keep it confidential, the parties may disclose Confidential Information (1) to the extent required by law, including without limitation judicial order or by a requirement of a governmental agency and (2) to its agents, auditors and advisors who need to know the Confidential Information for purposes of enabling each party to understand, perform its obligations under, or receive the benefits of, this Supplemental Agreement Number 5 and who have agreed not to use or disclose the Confidential Information for any other purpose without the other party's prior written consent. In the event that a party concludes that disclosure of Confidential Information contained in this Supplemental Agreement Number 5 is required by applicable law, the party will so advise the other party promptly in writing and endeavor to protect the confidentiality of such Confidential Information to the widest extent possible. In the event of a legal dispute with Boeing, nothing herein will preclude Customer from sharing with its legal counsel information necessary for purposes of enabling counsel to advise or represent Customer provided that so long as Customer causes its legal counsel to maintain the confidentiality of information that is the subject of this Article. Except as provided in the assignment provisions of Article 10 of the Special Matters Letter Agreement 6-1162-ILK-0310R3, Customer will not disclose this Supplemental Agreement Number 5 for purposes of financing payments without the prior written consent of Boeing, which consent will be provided once the financier enters into a Non Disclosure Agreement with Boeing in form and substance reasonably satisfactory to Boeing, which will include agreeing not to disclose or use Confidential Information except for the purpose set forth herein. This provision shall not apply to any Confidential Information that is in the public domain except that a party will be liable to the other for breach of its obligations under this provision if the Confidential Information entered the public domain as a consequence of a wrongful act or omission on its part.

Unless the context otherwise requires, all capitalized terms used herein and not otherwise defined shall have the same meanings as in the Purchase Agreement. The Purchase Agreement will be deemed to be amended to the extent provided herein and as so amended will continue in full force and effect. In the event of any inconsistency between the above provisions and the provisions contained in the referenced exhibits to this Supplemental Agreement Number 5, the terms of the exhibits will control.

This Supplemental Agreement will become effective upon execution and receipt by both Parties on or before July 10, 2015, after which date this Supplemental Agreement will be null and void and have no force or effect.

P.A. No. 3256

SA5-3
BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

THE BOEING COMPANY

By: _____
David Hilby
Its _____
Attorney-In-Fact

LATAM AIRLINES GROUP S.A.

By: _____
Its: _____
By: _____
Its: _____

P.A. No. 3256

SA5-4

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

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LETTER AGREEMENTS

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TOC -3
BOEING PROPRIETARY

SA-4

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Airframe Model/MTOW:	787-9	***	Detail Specification:	***	
Engine Model/Thrust:	TRENT1000-J	***	Airframe Price Base Year/Escalation Formula:	***	ECI-MFG/CPI
Airframe Price:		***	Engine Price Base Year/Escalation Formula:	***	787 ECI-MFG CPI Eng
Optional Features:		***			
Sub-Total of Airframe and Features:		***	<u>Airframe Escalation Data:</u>		
Engine Price (Per Aircraft):		***	Base Year Index (ECI):	***	
Aircraft Basic Price (Excluding BFE/SPE):		***	Base Year Index (CPI):	***	
Buyer Furnished Equipment (BFE) Estimate:		***	<u>Engine Escalation Data:</u>		
In-Flight Entertainment (IFE) Estimate:		***	Base Year Index (ECI):	***	
		***	Base Year Index (CPI):	***	
Deposit per Aircraft:		***			

Delivery Date	Number of Aircraft	Escalation Factor (Airframe)	Escalation Factor (Engine)	Manufacturer Serial Number	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
						At Signing	24 Mos.	21/18/12/9/6 Mos.	Total
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[**]	[***]	[***]	[**]	[***]	[**]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
Total:	[**]			[**]	[***]	[**]	[**]		[**]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

*** INDICATED CONFIDENTIAL MATERIAL OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND FILED WITH THE SECURITIES AND EXCHANGE COMMISSION SEPARATELY WITH A REQUEST FOR CONFIDENTIAL TREATMENT.

6-1162-ILK-0310R5

LATAM Airlines Group S.A.
Avenida Presidente Riesco 5711
Piso 19
Las Condes
Santiago, Chile

Subject: Special Matters

Reference: Purchase Agreement No. 3256 (the **Purchase Agreement**) between The Boeing Company (**Boeing**) and LATAM Airlines Group S.A. (formerly having the legal name LAN Airlines S.A. and doing business as LAN Airlines) (**Customer**) relating to Boeing Model 787-916/-816 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) cancels and supercedes Letter Agreement 6-1162-ILK-0310R2 and amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. **Definitions.**

1.1 **“STE”** when used specifically in relation to any credit memorandum contained in this letter agreement shall mean that the relevant credit memorandum shall be escalated to the month of delivery in the same manner as ***]

1.2 **“Limitations on Use”** when used in relation to any credit memorandum contained in this letter agreement shall mean that the applicable credit memorandum may be used for the purchase of Boeing goods and services or applied to the final delivery payment for the Aircraft for which the credit was issued, but that the relevant credit memorandum shall be prohibited from use for satisfaction of any Advance Payment obligation. .

1.3 *****]**

1.4 *****]**

1.5 *****]**

1.6 **“September 2011 Accelerated Aircraft”** [***]

P.A. No. 3256
Special_Matters

SA-5

BOEING PROPRIETARY

“***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

- 1.7 “Table 6 Aircraft” [***] identified in Supplemental Agreement 1 and 2 to the Purchase Agreement.
2. 787-9/-8 Credit Memoranda.

Subject to Customer’s adherence to the Limitations on Use, Boeing will provide the Customer a credit memorandum concurrently with the delivery of each 787-916 and each 787-816 Aircraft [***]

Article 2 Credit Memoranda Table

	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]
	[***]		[***]		[***]

3. [***].
- [***]
4. [***].
- 4.1. [***].
- 4.1.1. [***]
- 4.1.2. [***].

4.1.3. [***]

4.2 [***]

4.2.2 [***]

5. [***]

5.1. [***]

6. Economic Considerations for the Option Aircraft.

Subject to Customer's adherence to the Limitations on Use, Boeing agrees that the [***]

Additionally, Boeing agrees that Customer obligation for [***] of the amount reflected in the Option Aircraft Letter Agreement to the Purchase Agreement. [***]

(Option Aircraft Letter) as follows:

(i) Customer to provide Boeing with its notice of option exercise rights [***] and

Notwithstanding Article 4.2 of the Option Aircraft Letter, Boeing may not [***] Accordingly, the tables conforming to this Article 6 are provided as [***]. A sample form of supplemental agreement (illustrative of the contractual documentation incident to implementation of the Customer's exercise of its rights in respect of the purchase of Option Aircraft) that is acceptable to Boeing is attached as [***].

7. Economic Considerations for the Substitution Aircraft.

In the event of substitution of an Aircraft by the Customer pursuant to the Aircraft Model Substitution Letter Agreement to the Purchase Agreement, Boeing agrees to provide Customer with [***] concurrent with the delivery [***] and subject to Customer's adherence to the Limitations on Use. [***]. A sample form of supplemental agreement (illustrative of the contractual documentation incident to implementation of the Customer's [***].

8. Correction Time Objectives.

In the event that Boeing is able to make improvements to Correction Time Objectives as defined in Article 8.3.1 of Exhibit C to the AGTA, Product Assurance Document, then Boeing will revise the referenced Article to reflect the revision, e.g., to reflect subsequent schedule improvement to the extent realized.

9. Fuel Provided by Boeing.

Boeing will provide to Customer, without charge, the amount of fuel shown in U.S. gallons in the table below for the model of Aircraft being delivered and full capacity of engine oil at the time of delivery or prior to the ferry flight of the Aircraft as follows:

Aircraft Model	Fuel Provided
Boeing Model 787 Aircraft, including all minor models	***

10. Assignment.

i. ***;

ii. ***; and

iii. ***

11. ***.

11.1 ***

11.2 [***]

12. Acknowledgement of Financing Support.

Boeing acknowledges that financing assistance has been requested by Customer and discussions have been held between Customer and Boeing Capital Corporation.

13. Confidential Treatment.

Boeing and Customer understand that the commercial and financial information contained in this Letter Agreement is considered by the parties as confidential (**Confidential Information**) and both agree not to disclose such Confidential Information except as provided herein. In addition to the parties' respective officers, directors and employees who need to know the Confidential Information and who understand the obligation to keep it confidential, the parties may disclose Confidential Information (1) to the extent required by law including without limitation judicial order or by requirement of a governmental agency and (2) to its agents, auditors and advisors who need to know the Confidential Information for purposes of enabling each party to understand, perform its obligations under, or receive the benefits of, this Agreement and who have agreed not to use or disclose the Confidential Information for any other purpose without the other party's prior written consent. In the event that a party concludes that disclosure of Confidential Information contained in this Letter Agreement is required by applicable law, the party will so advise the other party promptly in writing and endeavor to protect the confidentiality of such Confidential Information to the widest extent possible. In the event of a legal dispute with Boeing, nothing herein will preclude Customer from sharing with its legal counsel information necessary for purposes of enabling counsel to advise or represent Customer provided that so long as Customer causes its legal counsel to maintain the confidentiality of information that is the subject of this Article. Except as provided in the assignment provisions of Article 10 of this Special Matters Letter Agreement, Customer will not disclose this Letter Agreement for purposes of financing payments without the prior written consent of Boeing, which consent will be provided once the financier enters into a Non Disclosure Agreement with Boeing in form and substance reasonably satisfactory to Boeing, which will include agreeing not to disclose or use Confidential Information except for the purpose set forth herein. This provision shall not apply to any Confidential Information that is in the public domain except that a party will be liable to the other for breach of its obligations under this provision if the Confidential Information entered the public domain as a consequence of a wrongful act or omission on its part.

P.A. No. 3256
Special_Matters

SA-5

BOEING PROPRIETARY

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Very truly yours,

THE BOEING COMPANY

By: _____
David J. Hilby

Its: _____
Attorney-In-Fact

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated herein, please indicate your acceptance and approval.

ACCEPTED AND AGREED TO

Date: July_____, 2015

LATAM AIRLINES GROUP S.A.

By: _____

Its: _____

By: _____

Its: _____

P.A. No. 3256
Special_Matters

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

**Attachment 1 ROLLS to
Special Matters Letter Agreement No. 6-1162-ILK-0310R5
TRENT1000-A Powered 787-8 Option Aircraft Delivery, Description, Price and Advance Payments**

[***]

P.A. No. 3256, APR 45875
Special_Matters, Attachment 1

SA-5

BOEING PROPRIETARY
“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

**Attachment 1 GENX to
Special Matters Letter Agreement No. 6-1162-ILK-0310R5
GENX Powered 787-8 Option Aircraft Delivery, Description, Price and Advance Payments**

[***]

P.A. No. 3256
Special_Matters

SA-5

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Attachment 2 Substitution Aircraft Credit Memoranda Table

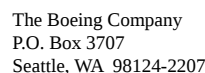
Article 5 Credit Memoranda		[**]	[**]	[**]
5.1	Basic Credit Memorandum, STE	[**]	[**]	[**]
5.2	Twenty-six (26) Firm Aircraft Credit Memorandum, STE	[**]	[**]	[**]
5.3	Future Years Credit Memorandum, STE	[**]	[**]	[**]
5.4	Purchase Credit Memorandum, STE	[**]	[**]	[**]
5.5	Engine Thrust Credit Memorandum, STE	[**]	[**]	[**]
5.6	787-9, 787-10 Credit Memorandum, STE	[**]	[**]	[**]
5.7	Multi Model - 787-8 Cash Credit Memorandum, STE	[**]	[**]	[**]
5.7	Configuration Protection Credit Memorandum, STE	[**]	[**]	[**]
Total Article 5 787-8/ 787-10 Substitute Aircraft Credit Memoranda		[**]	[**]	[**]

P.A. No. 3256,
Special_Matters, Attachment 2

SA-5

BOEING PROPRIETARY

“[**]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



Amendment #1 to LAN-PBO-1300269R-1

Subject: Revision Number 1 to Amendment #1 to Model 787 Aircraft Delivery Delay Settlement Agreement

(b) LAN-PBO-1300269 between Boeing and LATAM (**Delay Settlement Agreement**)

1. Table 1 in Article 1, Revised Delivery of Aircraft, is amended as shown below to reflect new Revised Delivery Months and Model type for certain Aircraft:

* Notes re-contracted 787-9 aircraft according to Clause 2.5.

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



2. Table 2 in Article 2.1, Escalation Adjustment Credit Memoranda, is amended as shown below to reflect new Original Delivery Months, Revised Delivery Months, and Model for certain Aircraft:

[illegible]

*Notes re-contracted 787-9 aircraft according to Clause 2.5.

Amendment #1 to LAN-PBO-1300269R-1
Model 787 Aircraft Delivery Delay Settlement Agreement

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



5. Article 2.3.3 is added to reflect negotiated terms governing payment of Liquidated Damages on the four (4) Table 1-ROLLS 787-816 Rev 3 Aircraft:

2.3.3 Notwithstanding anything to the contrary, Boeing will pay Customer Liquidated Damages due on each of the [***].

6. Article 2.4.2 is amended to reflect that [***].

2.4.2 [***].

7. Table 4 in Article 2.5, Recontracted Aircraft, is revised as listed below to reflect an amended sequence of delivery and to add [***]:

2.5 Reccontracted Aircraft. LATAM will recontract for the purchase of [***] (“**Recontracted Aircraft**”), as follows:

Table 4		
MSN	787-8 SA-3 Delivery	787-9 Contract Delivery
	Months	Months
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

8. Article 2.5.2 Advance Payment Deferral, is revised as shown below to reflect that only [***] are subject to the advance payment deferral:

2.5.2 Advance Payment Deferral. Notwithstanding anything to the contrary contained in the Purchase Agreement (including in particular the Supplemental Agreement No.3), Boeing [***].

9. Article 2.6 is revised as shown below to reflect an extension of the [***] Aircraft:

2.6 [***]:

[***]



10. Article 2.7 is revised as shown below to reflect that the Substitution Rights for the Aircraft identified in article 2.1.4

2.7 [***]. Notwithstanding paragraph 2 of Letter Agreement [***], LATAM will provide written notice of its intention to [***] Aircraft no later than the first day of the [***] of the Aircraft which [***]. For Aircraft specifically described in article 2.1.4 only, the Notice Date will be defined as the first day of the month that is [***] which will be [***].

Amendment #1 to LAN-PBO-1300269R-1
Model 787 Aircraft Delivery Delay Settlement Agreement

BOEING PROPRIETARY

Page 5

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



The Delay Settlement Agreement is amended as set forth above, and all other terms and conditions of the Delay Settlement Agreement remain unchanged and are in full force and effect.

This Amendment No. 1 will be binding once it is executed by the duly authorized representatives of both Boeing and LATAM.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be executed as of the date written below by their officers or agents thereunto duly authorized.

THE BOEING COMPANY

D. J. Hilby

Aircraft Contracts
Boeing Commercial Airplanes

ACCEPTED AND AGREED TO this ____ day of _____ of 2015

LATAM AIRLINES GROUP S.A.

By: _____

Its: _____

LATAM AIRLINES GROUP S.A.

By: _____

Its: _____

Amendment #1 to LAN-PBO-1300269R-1
Model 787 Aircraft Delivery Delay Settlement Agreement

BOEING PROPRIETARY

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AMENDMENT N°4
TO THE
A350 XWB PURCHASE AGREEMENT
BETWEEN
AIRBUS S.A.S.
as Seller
AND
LATAM AIRLINES GROUP S.A.
as Buyer

REF: D10013836

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AMENDMENT N°4
TO THE
A350 XWB PURCHASE AGREEMENT

This Amendment N°4 is made as of the 15th day of September 2015,

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte
31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse *Registre du Commerce et des Sociétés* under number RCS Toulouse 383 474 814 (hereinafter referred to as "**the Seller**") of the one part,

AND

LATAM AIRLINES GROUP S.A., having its principal office at:

Edificio Huidobro
Avenida Presidente Riesco 5711 – 20th Floor
Las Condes
SANTIAGO

CHILE

(herein after referred to as "**the Buyer**") of the other part.

The Seller and the Buyer are hereinafter referred together as the "**Parties**" or each as a "**Party**"

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

WHEREAS

- A- The Seller and TAM Linhas Aereas S.A. (the “**Original Buyer**”) have signed on 20 December 2005 (as amended and restated on 21 January 2008) an A350 XWB Purchase Agreement (Reference CSC.337.0179/07) relating to the purchase by the Original Buyer and the sale by the Seller of certain A350 XWB aircraft as amended pursuant to an amendment N°1 dated 28 July 2010 (“**Amendment N°1**”) and an amendment N°2 dated 15 July 2014 (“**Amendment N°2**”) which, together with all Exhibits, Appendixes and Letter Agreements, is hereinafter referred to as the “**Agreement**”.
- B- The Buyer, Seller and Original Buyer entered into a novation agreement dated 21 July 2014 (the “**Novation Agreement**”) novating the Agreement from the Original Buyer to the Buyer. The Agreement, as novated pursuant to the Novation **Agreement** and as further amended pursuant to an amendment N°3 dated 30 October 2014 (“**Amendment N°3**”), is hereinafter referred to as the “**A350 XWB Purchase Agreement**”.
- C- The Buyer and the Seller now wish to enter into this amendment N°4 (“**Amendment N°4**”) to modify certain terms and conditions of the A350 XWB Purchase Agreement.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

1. SCOPE

The scope of this Amendment N°4 is to [***] and to [***] subject to terms and conditions set out herein.

2. A350XWB AIRCRAFT [***]

2.1 Pursuant to the Amended and Restated Letter Agreement N°4 to the A350 XWB Purchase Agreement, the Seller has granted the Buyer [***].

Notwithstanding the foregoing, subject to the terms and conditions of this Amendment N°4, the Buyer has requested and the Seller hereby agrees to [***] and to [***] in accordance with the following scheduled delivery periods (the “New Scheduled Delivery Periods”):

Aircraft Rank No	CACID	[***] Aircraft Type	[***] Scheduled Delivery Period	[***] Aircraft Type	[***] Scheduled Delivery Period
16	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
17	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
18	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
21	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
22	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
23	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]

Such [***] shall not prejudice the rights of the Buyer to [***] pursuant to [***] to the A350 XWB Purchase Agreement.

For the sake of clarity, the term [***] shall mean the period starting on [***].

2.2 In consideration of the Seller agreeing [***] as set forth in Clause 2.1 above, the Buyer hereby irrevocably waives any and all its rights to [***] under the A350 XWB Purchase Agreement. Upon signature of this Amendment N°4, the provisions of [***] to the A350 XWB Purchase Agreement (as amended under Clause 2.6 of Amendment N°3) shall become null and void and of no force and effect.

3. TERMS APPLICABLE TO THE [***] A350-[***] XWB AIRCRAFT

3.1 Each [***] Aircraft shall be deemed to be an [***] Aircraft within the meaning of the A350 XWB Purchase Agreement and, unless otherwise expressly stipulated herein, all terms and conditions applicable to the [***] Aircraft under the A350 XWB Purchase Agreement shall apply to the [***] Aircraft.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

3.2 For the avoidance of doubt, the [***] Aircraft shall not be subject to [***].

4. A350XWB AIRCRAFT [***] DELIVERY SCHEDULE

As a result of (a) the [***] set forth in Clause 2.1 above and (b) the Parties agreeing to [***], the delivery schedule set forth in Clause 9.1.1 of the A350 XWB Purchase Agreement (as amended from time to time) shall be hereby cancelled and replaced with the following:

Aircraft Rank	New CACID	Aircraft Type	Delivery Date
Aircraft N° 1	[***]	A350-[***] XWB	[***]
Aircraft N° 2	[***]	A350-[***] XWB	[***]
Aircraft N° 3	[***]	A350-[***] XWB	[***]
Aircraft N° 4	[***]	A350-[***] XWB	[***]
Aircraft N° 5	[***]	A350-[***] XWB	[***]
Aircraft N° 6	[***]	A350-[***] XWB	[***]
Aircraft N° 7	[***]	A350-[***] XWB	[***]
Aircraft N° 8	[***]	A350-[***] XWB	[***]
Aircraft N° 9	[***]	A350-[***] XWB	[***]
Aircraft N° 10	[***]	A350-[***] XWB	[***]
Aircraft N° 11	[***]	A350-[***] XWB	[***]
Aircraft N° 12	[***]	A350-[***] XWB	[***]
Aircraft N° 13	[***]	A350-[***] XWB	[***]
Aircraft N° 14	[***]	A350-[***] XWB	[***]
Aircraft N° 15	[***]	A350-[***] XWB	[***]
Aircraft N° 16	[***]	A350-[***] XWB	[***]
Aircraft N° 17	[***]	A350-[***] XWB	[***]
Aircraft N° 18	[***]	A350-[***] XWB	[***]
Aircraft N° 19	[***]	A350-[***] XWB	[***]
Aircraft N° 20	[***]	A350-[***] XWB	[***]
Aircraft N° 21	[***]	A350-[***] XWB	[***]
Aircraft N° 22	[***]	A350-[***] XWB	[***]
Aircraft N° 23	[***]	A350-[***] XWB	[***]
Aircraft N° 24	[***]	A350-[***] XWB	[***]
Aircraft N° 25	[***]	A350-[***]XWB	[***]
Aircraft N° 26	[***]	A350-[***] XWB	[***]
Aircraft N° 27	[***]	A350-[***] XWB	[***]

In respect of the [***] [***] Aircraft to be delivered pursuant to Clause 9.1.1 of the A350 XWB Purchase Agreement (as amended from time to time), the Scheduled Delivery [***] shall be notified in writing by the Seller to the Buyer no later than [***] prior to the [***] day of the [***].

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

The Scheduled Delivery [***] of the [***] Aircraft to be delivered to the Buyer pursuant to Clause 9.1.1 of the A350 XWB Purchase Agreement (as amended from time to time) shall be within [***] prior to the [***] day of the Scheduled Delivery [***] of the [***] XWB Aircraft to be delivered to the Buyer pursuant to Clause 9.1.1 of the A350 XWB Purchase Agreement (as amended from time to time). For the avoidance of doubt, the Seller shall be under no obligation to establish that [***] Aircraft to be delivered to the Buyer pursuant to Clause 9.1.1 of the A350 XWB Purchase Agreement (as amended from time to time) are [***].

5. PREDELIVERY PAYMENTS

5.1 As a consequence of the [***] set forth in Clause 2.1 above, in respect of each [***] XWB Aircraft, the [***] shall be [***] based on (a) the [***] set out in Clause 5.3.1.2 of the Agreement (as amended by Letter Agreement N°11, and as further amended by Clause 5 of Amendment N°2) in respect of A350-[***] XWB Aircraft and (b) the [***] set out in Clause 2.1 hereof. Such Predelivery Payments shall be made pursuant to the schedule set out in Clause 5.3.2 of the Agreement (as amended by Letter Agreement N°11) and Predelivery Payments in the amount of USD [***] (US dollars—[***] and becoming due [***] as a result of the [***] shall be paid by the Buyer to the Seller on such date.

5.2 Clause 5.3.1.1 of the Agreement, as amended by Letter Agreement N°11, and as further amended by Clause 5 of Amendment N°2 and Clause 2.4 of Amendment N°3, is hereby cancelled in its entirety and replaced by the following quoted provisions:

QUOTE
5.3.1.1 [***]

[***]

UNQUOTE

5.3 For the avoidance of doubt, Clause 5.3.1.1 of the A350 XWB Purchase Agreement (as amended under Clause 5.2 of this Amendment N°4) shall not apply to the [***] XWB Aircraft bearing CAC ID [***].

[***]
6.1 [***]

6.1.1 [***]

6.1.2 [***].

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

6.2 [***]
[***]
6.3 [***]
[***]:
[***]
2.1 [***]
[***].
[***]

6. [***]
7.
7.1 [***]:
[***]
7. [***]
[***]:
· [***]:
[***]
· [***]:
[***]
[***].
[***].
[***].
[***]

7.2 [***].
8. [***]
8.1 [***]:

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

[***].

[***].

8.2 [***]:

[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]

8.3 [***]

8.4 [***].

8.5 [***].

8.6 [***].

8.7 [***]:

[***] [***];

[***]

[***]

[***] : [***];

[***] : [***];

[***] : [***]

[***] : [***]

[***],

[***] [***].

9. TRAINING MATTERS

9.1 The first paragraph of Appendix A to Clause 16 of the Agreement is hereby cancelled in its entirety and replaced by the following quoted provisions:

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

QUOTE

For the avoidance of doubt, all quantities indicated below are the total quantities granted for the whole of the Buyer's fleet of [***], unless otherwise specified.

UNQUOTE

9.2 Clause 1.1 of Appendix A to Clause 16 of the Agreement is hereby cancelled in its entirety and replaced by the following quoted provisions:

QUOTE

1.1 Flight Crew Training (standard transition course or cross crew qualification (CCQ))

The Seller shall provide flight crew training (standard transition course) free of charge for [***] of the Buyer's flight crews per firmly ordered Aircraft. The Buyer shall be entitled to convert any [***] standard transition course into [***] Cross Crew Qualification training courses (CCQ). Such CCQ shall be between A320 or A330 and A350.

UNQUOTE

9.3 The Seller hereby confirms that the training required to transition flight crews between A350-[***] XWB aircraft and A350-[***] XWB aircraft shall consist in a courseware familiarisation briefing (via e-learning) that shall be provided to the Buyer [***].

10. MISCELLANEOUS PROVISIONS

If not otherwise expressly stated in this Amendment N°4, the A350 XWB Purchase Agreement shall apply also to this Amendment N°4.

This Amendment N°4 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein. This Amendment N°4 shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the A350 XWB Purchase Agreement. The terms "herein", "hereof" and "hereunder" and words of similar import refer to this Amendment N°4.

In the event of any inconsistency between the A350 XWB Purchase Agreement and this Amendment N°4, the latter shall prevail to the extent of said inconsistency.

Save to the extent expressly amended by the terms of this Amendment N°4, the A350 XWB Purchase Agreement shall remain in full force and effect in accordance with its terms.

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

This Amendment N°4 (and its existence) shall be treated by each Party as confidential in accordance with the terms of Clause 22.10 of the A350 XWB Purchase Agreement.

This Amendment N°4 may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Amendment N°4.

11. LAW AND JURISDICTION

11.1 This Amendment N°4 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment N°4 shall be within the exclusive jurisdiction of the Courts of England.

11.2 The following documents shall, notwithstanding any provision to the contrary, be governed by and construed in accordance with the laws of England and any dispute arising out of or in connection with any of these documents shall be within the exclusive jurisdiction of the Courts of England:

- (i) [***]
- (ii) Amendment N°1 and Letter Agreement No. 1 attached thereto, and
- (iii) Amendment N°2 and Letter Agreements Nos. 1 and 2 attached thereto, and
- (iv) [***]
- (v) Novation Agreement.

11.3 The Buyer appoints the person from time to time appointed by the Buyer under the Companies Act 2006 and notified to Seller in writing to receive on its behalf in England service of any proceedings under the A350 XWB Purchase Agreement. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Buyer) and shall be valid until such time as the Seller has received prior written notice that such agent has ceased to act as agent. The name and address of the agent appointed by the Buyer at the time of execution of this Amendment N°4 shall be notified in writing to the Seller at such time. If for any reason such agent ceases to be able to act as agent or no longer has an address in England, the Buyer shall forthwith appoint a substitute acceptable to the Seller and deliver to the Seller the new agent's name and address in England.

11.4 The Seller appoints [***] as its agent to receive on its behalf in England service of any proceedings under the A350 XWB Purchase Agreement. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Seller) and shall be valid until such time as the Buyer has received prior written notice that such agent has ceased to act as agent. If for any reason such agent ceases to be able to act as agent or no longer has an address in England, the Seller shall forthwith appoint a substitute acceptable to the Buyer and deliver to the Buyer the new agent's name and address in England.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

12. SEVERABILITY

In the event that any provision of this Amendment N°4 should for any reason be held ineffective, the remainder of this Amendment N°4 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment N°4 prohibited or unenforceable in any respect. Any provisions of this Amendment N°4 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment N°4.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

This Amendment N°4 has been executed in two (2) original specimens which are in English.

IN WITNESS WHEREOF this Amendment N°4 to the A350 XWB Purchase Agreement was duly entered into the day and year first above written.

For and on behalf of

LATAM AIRLINES GROUP S.A.

Name :

Title :

Name:

Title

Witness

Name:

Title:

For and on behalf of

AIRBUS S.A.S.

Name :

Title :

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AMENDMENT N°5
TO THE
A350 XWB PURCHASE AGREEMENT
BETWEEN
AIRBUS S.A.S.
as Seller
AND
LATAM AIRLINES GROUP S.A.
as Buyer
REF: D10013836

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AMENDMENT N°5
TO THE
A350 XWB PURCHASE AGREEMENT

This Amendment N°5 is made as of the 19th day of November 2015,

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte
31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse *Registre du Commerce et des Sociétés* under number RCS Toulouse 383 474 814 (hereinafter referred to as "**the Seller**") of the one part,

AND

LATAM AIRLINES GROUP S.A., having its principal office at:

Edificio Huidobro
Avenida Presidente Riesco 5711 – 20th Floor
Las Condes
SANTIAGO

CHILE

(herein after referred to as "**the Buyer**") of the other part.

The Seller and the Buyer are hereinafter referred together as the "**Parties**" or each as a "**Party**"

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

WHEREAS

- A- The Seller and TAM Linhas Aereas S.A. (the “**Original Buyer**”) have signed on 20 December 2005 (as amended and restated on 21 January 2008) an A350 XWB Purchase Agreement (Reference CSC.337.0179/07) relating to the purchase by the Original Buyer and the sale by the Seller of certain A350 XWB aircraft as amended pursuant to an amendment N°1 dated 28 July 2010 (“**Amendment N°1**”) and an amendment N°2 dated 15 July 2014 (“**Amendment N°2**”) which, together with all Exhibits, Appendixes and Letter Agreements, is hereinafter referred to as the “**Agreement**”.
- B- The Buyer, Seller and Original Buyer entered into a novation agreement dated 21 July 2014 (the “**Novation Agreement**”) novating the Agreement from the Original Buyer to the Buyer. The Agreement, as novated pursuant to the Novation Agreement and as further amended pursuant to an amendment N°3 dated 30 October 2014 (“**Amendment N°3**”), an amendment N°4 dated 15 September 2015 (“**Amendment N°4**”) and the revised scheduled delivery quarter notification dated 30 September 2015 (the “**Rescheduling Notification**”), is hereinafter referred to as the “**A350 XWB Purchase Agreement**”.
- C- The Buyer and the Seller now wish to enter into this amendment N°5 (“**Amendment N°5**”) to modify certain terms and conditions of the A350 XWB Purchase Agreement.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

1. SCOPE

The scope of this Amendment N°5 is to [***].

2. A350XWB AIRCRAFT [***]

2.1 Pursuant to the Amended and Restated Letter Agreement N°4 to the A350 XWB Purchase Agreement, the Seller has granted the Buyer the right to [***].

Notwithstanding the foregoing, subject to the terms and conditions of this Amendment N°5, the Buyer has requested and the Seller hereby agrees to [***] and to [***] XWB Aircraft in accordance with the following scheduled delivery [***] (the “New Scheduled Delivery [***]”):

Aircraft Rank No	CACID	[***] Aircraft Type	[***] Scheduled Delivery [***]	[***] Aircraft Type	[***] Scheduled Delivery [***]
16	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
17	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
18	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
19	[***]	A350-[***]XWB	[***]	A350-[***] XWB	[***]
20	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]
21	[***]	A350-[***] XWB	[***]	A350-[***] XWB	[***]

2.2 As a result of the [***] as set forth in Clause 2.1 above, it is understood and agreed by the Parties that [***] under the A350 XWB Purchase Agreement.

3. TERMS APPLICABLE TO THE [***] A350-[***] XWB AIRCRAFT

3.1 Each [***] A350-[***] XWB Aircraft shall be deemed to be an A350-[***]XWB Aircraft within the meaning of the A350 XWB Purchase Agreement and, unless otherwise expressly stipulated herein, all terms and conditions applicable to the A350-[***] XWB Aircraft under the A350 XWB Purchase Agreement shall apply to the [***] A350-[***] XWB Aircraft.

3.2 For the avoidance of doubt, the [***] A350-[***] XWB Aircraft shall not be subject to [***].

4. A350XWB AIRCRAFT [***] DELIVERY SCHEDULE

As a result of (a) the [***] A350-[***] XWB Aircraft set forth in the [***], (b) the [***] set forth in Clause 2.1 above and (c) the Parties agreeing to [***], the delivery schedule set forth in Clause 9.1.1 of the A350 XWB Purchase Agreement (as amended from time to time) shall be hereby cancelled and replaced with the following:

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Aircraft Rank	New CACID	Aircraft Type	Delivery Date
Aircraft N° 1	[***]	A350-[***] XWB	[***]
Aircraft N° 2	[***]	A350-[***] XWB	[***]
Aircraft N° 3	[***]	A350-[***] XWB	[***]
Aircraft N° 4	[***]	A350-[***] XWB	[***]
Aircraft N° 5	[***]	A350-[***] XWB	[***]
Aircraft N° 6	[***]	A350-[***] XWB	[***]
Aircraft N° 7	[***]	A350-[***] XWB	[***]
Aircraft N° 8	[***]	A350-[***] XWB	[***]
Aircraft N° 9	[***]	A350-[***] XWB	[***]
Aircraft N° 10	[***]	A350-[***] XWB	[***]
Aircraft N° 11	[***]	A350-[***] XWB	[***]
Aircraft N° 12	[***]	A350-[***] XWB	[***]
Aircraft N° 13	[***]	A350-[***] XWB	[***]
Aircraft N° 14	[***]	A350-[***] XWB	[***]
Aircraft N° 15	[***]	A350-[***] XWB	[***]
Aircraft N° 16	[***]	A350-[***] XWB	[***]
Aircraft N° 17	[***]	A350-[***] XWB	[***]
Aircraft N° 18	[***]	A350-[***] XWB	[***]
Aircraft N° 19	[***]	A350-[***] XWB	[***]
Aircraft N° 20	[***]	A350-[***] XWB	[***]
Aircraft N° 21	[***]	A350-[***] XWB	[***]
Aircraft N° 22	[***]	A350-[***] XWB	[***]
Aircraft N° 23	[***]	A350-[***] XWB	[***]
Aircraft N° 24	[***]	A350-[***] XWB	[***]
Aircraft N° 25	[***]	A350-[***] XWB	[***]
Aircraft N° 26	[***]	A350-[***] XWB	[***]
Aircraft N° 27	[***]	A350-[***] XWB	[***]

Subject to its industrial and commercial constraints, the Seller shall [***].

5. PREDELIVERY PAYMENTS

- 5.1 As a consequence of the [***] set forth in Clause 2.1 above, in respect of each [***] A350-[***] XWB Aircraft, the [***] shall be [***] based on (a) the [***] set out in Clause 5.3.1.2 of the Agreement (as amended by Letter Agreement N°11, and as further amended by Clause 5 of Amendment N°2) in respect of A350-[***] XWB Aircraft and (b) the [***] Scheduled Delivery [***] set out in Clause 2.1 hereof. Such Predelivery Payments shall be made pursuant to the schedule set out in Clause 5.3.2 of the Agreement (as amended by Letter Agreement N°11) and Predelivery Payments in the amount of USD \$[***] (United States dollars—[***] becoming due on the date of signature of this Amendment N°5 as a result of the [***] shall be paid by the Buyer to the Seller on such date.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

5.2 Clause 5.3.1.1 of the Agreement, as amended by Letter Agreement N°11, and as further amended by Clause 5 of Amendment N°2, Clause 2.4 of Amendment N°3 and Clause 5.2 of Amendment N°4, is hereby cancelled in its entirety and replaced by the following quoted provisions:

QUOTE

5.3.1.1 [***]:

[***]

UNQUOTE

5.3 For the avoidance of doubt, Clause 5.3.1.1 of the A350 XWB Purchase Agreement (as amended under Clause 5.2 of this Amendment N°5) shall not apply to the [***] A350-[***] XWB Aircraft bearing CAC ID [***], [***].

6. [***]

6.1 [***]

[***].

6.2 [***]

[***]:

[***]

2.1 [***]

[***].

[***].

[***]

6.3 [***]

[***].

7. [***]

7.1 [***]:

[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

7. [***]

[***]:

· [***]:

[***]

· [***]:

[***]

[***].

[***].

[***]

[***]

7.2

[***]

[***]:

[***]

1. [***]

[***]:

(i) [***]

(ii) [***]

[***]:

[***]

[***]:

[***]: [***].

[***]: [***].

[***]

7.3

[***].

7.4

[***]

[***]:

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

(i) [***]:

[***]

[***]

(ii) [***]:

[***]

[***].

[***].

8. PERFORMANCE ENGINEER'S PROGRAM

[***].

9. MISCELLANEOUS PROVISIONS

If not otherwise expressly stated in this Amendment N°5, the A350 XWB Purchase Agreement shall apply also to this Amendment N°5.

This Amendment N°5 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein. This Amendment N°5 shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the A350 XWB Purchase Agreement. The terms “herein”, “hereof” and “hereunder” and words of similar import refer to this Amendment N°5.

In the event of any inconsistency between the A350 XWB Purchase Agreement and this Amendment N°5, the latter shall prevail to the extent of said inconsistency.

Save to the extent expressly amended by the terms of this Amendment N°5, the A350 XWB Purchase Agreement shall remain in full force and effect in accordance with its terms.

This Amendment N°5 (and its existence) shall be treated by each Party as confidential in accordance with the terms of Clause 22.10 of the A350 XWB Purchase Agreement.

This Amendment N°5 may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same Amendment N°5.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

10. LAW AND JURISDICTION

This Amendment N°5 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment N°5 shall be within the exclusive jurisdiction of the Courts of England.

11. SEVERABILITY

In the event that any provision of this Amendment N°5 should for any reason be held ineffective, the remainder of this Amendment N°5 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment N°5 prohibited or unenforceable in any respect. Any provisions of this Amendment N°5 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment N°5.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

This Amendment N°5 has been executed in two (2) original specimens which are in English.

IN WITNESS WHEREOF this Amendment N°5 to the A350 XWB Purchase Agreement was duly entered into the day and year first above written.

For and on behalf of

LATAM AIRLINES GROUP S.A.

Name :

Title :

Name:

Title

Witness

Name:

Title:

For and on behalf of

AIRBUS S.A.S.

Name :

Title :

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

LATAM AIRLINES GROUP S.A.
Edificio Huidobro
Avenida Presidente Riesco 5711 - 20th Floor
Las Condes
SANTIAGO
CHILE

Subject: **Special [***] Right**

LATAM AIRLINES GROUP S.A. (“the Buyer”) and **AIRBUS S.A.S.** (“the Seller”) have entered into an amendment N°5 to the A350 XWB Purchase Agreement (the “**Amendment N°5**”) dated as of even date herewith which covers the [***] as described in Amendment N°5.

Capitalized terms used herein and not otherwise defined in this Letter Agreement shall have the meanings assigned thereto in the Amendment N°5 and/or the A350 XWB Purchase Agreement, as the case may be.

Both parties agree that this Letter Agreement, upon execution thereof, shall constitute an integral, non-severable part of said Amendment N°5 and shall be governed by all its provisions, as such provisions have been specifically amended pursuant to this Letter Agreement.

Letter Agreement N°1 to Amendment N°5 - Page 1/4

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

1. Special [***] Right

1.1 [***].

1.2 [***].

[***]

1.3 [***].

1.4 [***].

[***].

[***].

1.5 [***].

2. Assignment

Notwithstanding any other provision of this Letter Agreement or of the A350 XWB Purchase Agreement, this Letter Agreement and the rights and obligations of the Buyer herein shall not be assigned or transferred in any manner, and any attempted assignment or transfer in contravention of the provisions of this Clause shall be void and of no force or effect.

3. Confidentiality

This Letter Agreement is subject to the terms and conditions of Clause 22.10 of the A350 XWB Purchase Agreement.

4. Law and Jurisdiction

This Letter Agreement shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Letter Agreement shall be within the exclusive jurisdiction of the Courts of England.

5. Severability

In the event that any provision of this Letter Agreement should for any reason be held ineffective, the remainder of this Letter Agreement shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Letter Agreement prohibited or unenforceable in any respect. Any provisions of this Letter Agreement which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Letter Agreement.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

6. Alterations to Contract

This Letter Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes any previous understandings, commitments or representations whatsoever oral or written in respect thereto. This Letter Agreement shall not be varied except by an instrument in writing of date even herewith or subsequent hereto executed by both parties or by their duly authorised representatives.

If the foregoing correctly sets forth our understanding, please execute two (2) originals in the space provided below and return one (1) original of this Letter Agreement to the Seller.

Letter Agreement N°1 to Amendment N°5 - Page 3/4

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

LETTER AGREEMENT N°1
to Amendment N°5

Agreed and Accepted

For and on behalf of

LATAM AIRLINES GROUP S.A.

Name :

Title :

Date :

Name :

Title :

Date :

Witness

Name :

Title :

PROPRIETARY AND CONFIDENTIAL

Agreed and Accepted

For and on behalf of

AIRBUS S.A.S.

Name :

Title :

Date :

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AMENDMENT N°20
TO THE A320/A330
PURCHASE AGREEMENT
BETWEEN
AIRBUS S.A.S.
AND
LATAM AIRLINES GROUP S.A.

REF: CT1242567

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AMENDMENT N°20

TO THE

A320/A330 PURCHASE AGREEMENT

This Amendment No. 20 is made as of the 3rd day of June 2015 to the A320/A330 Purchase Agreement signed on November 14, 2006 (as subsequently amended, supplemented, novated or otherwise modified),

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte
31707 BLAGNAC CEDEX
FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as the “**Seller**”),

AND

LATAM AIRLINES GROUP S.A., having its principal office at:

Edificio Huidobro
Avenida Presidente Riesco 5711 – 20th Floor
Las Condes
SANTIAGO
CHILE

(hereinafter referred to as “**Buyer**”).

The Seller and the Buyer being collectively referred to as the “Parties” and individually as a “Party”.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

WHEREAS

- A- The Seller and TAM Linhas Aereas S.A. (“**TAM**”) have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by TAM and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 12, 2009, Amendment No.4, dated as of July 1, 2009, Amendment No.5, dated as of December 24, 2009, Amendment No.6, dated as of March 4, 2010, Amendment No.7, dated as of July 28, 2010, Amendment No.8, dated as of April 29, 2011, Amendment No.9, dated as of June 13, 2011, Amendment No.10, dated as of October 11, 2011, Amendment No.11, dated as of October 11, 2011, Amendment No.12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012 Amendment No. 14, dated as of December 14, 2012, Amendment No. 15, dated as of February 18, 2013, Amendment No. 16, dated as of February 27, 2013, Amendment No. 17, dated as of August 19, 2013, Amendment No. 18, dated as of July 15, 2014 and Amendment No. 19, dated as of December 11, 2014 incorporated therein is hereinafter referred to as the “**Original Agreement**”.
- B- TAM, the Seller and the Buyer entered into a novation agreement dated 30 October 2014 (the “**Novation**”) novating the Original Agreement from TAM to the Buyer (the Original Agreement as novated pursuant to the Novation is hereinafter referred to as the “**Purchase Agreement**”).
- C- The Seller and the Buyer have agreed to reschedule one (1) A321 Aircraft as specified herein.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. A320 FAMILY RESCHEDULING

- 1.1 The Parties have agreed to reschedule the delivery of one (1) A321 Aircraft identified by rank number 136 as follows:

Aircraft Rank	Original Scheduled Delivery Month	Revised Scheduled Delivery Month	Aircraft Type	Aircraft Batch
136	***	***	A321	***

- 1.2 As a result of the rescheduling set forth in 1.1 above, Clause 9.1.1.1 of the Purchase Agreement is hereby replaced with the following:

QUOTE

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

9.1.1.1 A319 / A320 / A321 Aircraft

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 64	A321	Aug-07	
- Aircraft N° 65	A321	Aug-07	
- Aircraft N° 66	A320	Oct-07	
- Aircraft N° 67	A320	Oct-07	
- Aircraft N° 68	A321	Nov-07	
- Aircraft N° 69	A319	Nov-08	
- Aircraft N° 70	A319	Jul-08	
- Aircraft N° 71	A319	Aug-08	
- Aircraft N° 72	A321	Feb-09	
- Aircraft N° 73	A321	Jan-09	
- Aircraft N° 74	A321	Mar-13	
- Aircraft N° 75	A320	May-09	
- Aircraft N° 76	A320	Dec-11	
- Aircraft N° 77	A321	Jan-11	
- Aircraft N° 78	A320	Dec-11	
- Aircraft N° 79	A321	Apr-11	
- Aircraft N° 80	A321	Jun-10	
- Aircraft N° 81	A319	Jan-10	
- Aircraft N° 82	A319	Jul-11	
- Aircraft N° 83	A319	Jun-11	
- Aircraft N° 84	A321	Jun-10	
- Aircraft N° 85	A320	Mar-12	
- Aircraft N° 86	A320	Feb-12	
- Aircraft N° 87	A320	Jun-13	
- Aircraft N° 88	A320	Nov-13	
- Aircraft N° 89	A319	Jun-11	
- Aircraft N° 90	A320	Jul-12	
- Aircraft N° 91	A320	Mar-12	
- Aircraft N° 92	A320	Oct-10	
- Aircraft N° 93	A320	Jun-12	
- Aircraft N° 94	A320	Nov-13	
- Aircraft N° 95	A320	Aug-12	Aircraft N° 95-114
- Aircraft N° 96	A321	July 2015	Aircraft N° 95-114
- Aircraft N° 97	A320	Oct-12	Aircraft N° 95-114
- Aircraft N° 98	A320	Mar-14	Aircraft N° 95-114
- Aircraft N° 99	A320	Nov-13	Aircraft N° 95-114
- Aircraft N° 100	A320	Aug-13	Aircraft N° 95-114
- Aircraft N° 101	A320	May-13	Aircraft N° 95-114
- Aircraft N° 102	A320	Jun-13	Aircraft N° 95-114
- Aircraft N° 103	A320	Apr-13	Aircraft N° 95-114

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 104	A320	Jul-13	Aircraft N°s 95-114
- Aircraft N° 105	A320	Sep-13	Aircraft N°s 95-114
- Aircraft N° 106	A320	Sep-13	Aircraft N°s 95-114
- Aircraft N° 107	A320	May-14	Aircraft N°s 95-114
- Aircraft N° 108	A320	Oct-13	Aircraft N°s 95-114
- Aircraft N° 109	A320	Jun-14	Aircraft N°s 95-114
- Aircraft N° 110	A319	Oct-12	Aircraft N°s 95-114
- Aircraft N° 111	A320	May-12	Aircraft N°s 95-114
- Aircraft N° 112	A321	4 th Quarter 2015	Aircraft N°s 95-114
- Aircraft N° 113	A320	Mar-12	Aircraft N°s 95-114
- Aircraft N° 114	A321	4 th Quarter 2015	Aircraft N°s 95-114
- Aircraft N° 115	A321	Jan-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 116	A320	Feb-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 117	A320	Mar-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 118	A321	May-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 119	A321	July 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 120	A321	February 2016	2010 A320 Family Incremental Aircraft
- Aircraft N° 121	A321	Nov-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 122	A321	[***]	[***]
- Aircraft N° 123	A321	May 2016	2010 A320 Family Incremental Aircraft
- Aircraft N° 124	A321	Dec-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 125	A321	[***]	[***]
- Aircraft N° 126	A321	[***]	[***]
- Aircraft N° 127	A321	Feb-15	2010 A320 Family Incremental Aircraft
- Aircraft N° 128	A321	[***]	[***]
- Aircraft N° 129	A321	[***]	[***]
- Aircraft N° 130	A321	[***]	[***]
- Aircraft N° 131	A321	May 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 133	A321	August 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 134	A321	August 2015	2010 A320 Family Incremental Aircraft

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 135	A321	March 2016	2011 A320 Family Incremental Aircraft
- Aircraft N° 136	A321	***	***
- Aircraft N° 137	A321	***	***
- Aircraft N° 138	A321	***	***
- Aircraft N° 139	A321	***	***
- Aircraft N° 140	A321	***	***
- *** Aircraft N° 132	A321	***	***
- *** Aircraft N° 141	A321	***	***
- *** Aircraft N° 142	A321	***	***
- *** Aircraft N° 143	A321	***	***
- *** Aircraft N° 144	A321	***	***
- *** Aircraft N° 145	A320	***	***
- *** Aircraft N° 146	A320	***	***
- *** Aircraft N° 147	A320	***	***
- *** Aircraft N° 148	A320	***	***
- *** Aircraft N° 149	A320	***	***
- *** Aircraft N° 150	A320	***	***
- *** Aircraft N° 151	A320	***	***
- *** Aircraft N° 152	A320	***	***
- *** Aircraft N° 153	A320	***	***
- *** Aircraft N° 154	A320	***	***
- *** Aircraft N° 155	A320	***	***
- *** Aircraft N° 156	A320	***	***
- *** Aircraft N° 157	A320	***	***
- *** Aircraft N° 158	A320	***	***
- *** Aircraft N° 159	A320	***	***
- *** Aircraft N° 160	A320	***	***
- *** Aircraft N° 161	A321	***	***
- *** Aircraft N° 162	A321	***	***
- *** Aircraft N° 163	A321	***	***
- *** Aircraft N° 164	A321	***	***
- *** Aircraft N° 165	A321	***	***
- *** Aircraft N° 166	A321	***	***

UNQUOTE

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

2. CONFIDENTIALITY

This Amendment No. 20 is subject to the confidentiality provisions set forth in Clause 22.10 of the Purchase Agreement.

3. LAW AND JURISDICTION

This Amendment No. 20 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment No. 20 shall be within the exclusive jurisdiction of the Courts of England.

4. MISCELLANEOUS PROVISIONS

If not otherwise expressly stated in this Amendment No. 20, the Purchase Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 20.

This Amendment No. 20 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Purchase Agreement shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with their original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Purchase Agreement.

In the event of any inconsistency between the Purchase Agreement and the present Amendment No. 20, the latter shall prevail to the extent of said inconsistency.

This Amendment No. 20 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

5. SEVERABILITY

In the event that any provision of this Amendment No. 20 should for any reason be held ineffective, the remainder of this Amendment No. 20 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment No. 20 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 20 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 20.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

This Amendment No. 20 has been executed in two (2) original specimens which are in English.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

IN WITNESS WHEREOF this Amendment No. 20 was duly entered into the day and year first above written.

For and on behalf of

LATAM AIRLINES GROUP S.A.

Name :

Title :

LATAM AIRLINES GROUP S.A.

Name :

Title :

Witness

Name :

Title :

For and on behalf of

AIRBUS S.A.S.

Name :

Title :

AMENDMENT N°21
TO THE A320/A330
PURCHASE AGREEMENT
BETWEEN
AIRBUS S.A.S.
AND
LATAM AIRLINES GROUP S.A.

REF: CT1242567

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

AMENDMENT N°21

TO THE

A320/A330 PURCHASE AGREEMENT

This Amendment No.21 is made as of the 21st day of December 2015 to the A320/A330 Purchase Agreement signed on November 14, 2006 (as subsequently amended, supplemented, novated or otherwise modified),

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte
U31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as "**the Seller**") of the one part,

AND

LATAM AIRLINES GROUP S.A., having its principal office at:

Edificio Huidobro
Avenida Presidente Riesco 5711 – 20th Floor
Las Condes
SANTIAGO
CHILE

(herein after referred to as "**the Buyer**") of the other part.

The Buyer and the Seller being collectively referred to as the "Parties" and individually as a "Party".

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

WHEREAS

- A- The Seller and TAM Linhas Aereas S.A. (the “**Original Buyer**”) have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Original Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 5, 2009, Amendment No.4, dated as of July 1, 2009, Amendment No.5, dated as of December 24, 2009, Amendment No.6, dated as of March 4, 2010, Amendment No.7, dated as of July 28, 2010, Amendment No.8, dated as of April 29, 2011, Amendment No.9, dated as of June 13, 2011, Amendment No.10, dated as of October 11, 2011, Amendment No.11, dated as of October 11, 2011, Amendment No.12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012, Amendment No. 14, dated as of December 14, 2012, Amendment No. 15, dated as of February 18, 2013, Amendment No. 16, dated as of February 27, 2013, Amendment No. 17, dated as of August 19, 2013, Amendment No. 18, dated as of July 15, 2014, incorporated therein is hereinafter referred to as the “**Original Agreement**”.
- B- The Buyer, Seller and Original Buyer entered into a novation agreement dated 30 October 2014 (the “**Novation**”) novating the Original Agreement from the Original Buyer to the Buyer.
- C- Pursuant to an Amendment No. 19, dated as of December 11, 2014 and Amendment No. 20, dated as of June 3, 2015 the Seller and the Buyer amended the Original Agreement (the “**Amendments**”), (the Original Agreement as novated pursuant to the Novation and amended pursuant to the Amendments is hereinafter referred to as the “**Agreement**”).
- D- The Buyer and the Seller have agreed i) for the Seller to use one A320 NEO Aircraft scheduled to be delivered to the Buyer under the Agreement for a series of flight tests [***], and ii) to reschedule the Delivery of one A320 NEO Aircraft.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. **A320 NEO FLIGHT TEST AIRCRAFT**
- 1.1 Notwithstanding anything in the Agreement to the contrary, including without limitation, the provisions of Clause 8.4 thereof, the Parties hereby acknowledge and agree to the Seller’s use of the Aircraft bearing rank No. [***] in the Agreement with a Scheduled Delivery [***] in [***] (the “**Flight Test Aircraft**”) for a series of flight tests as described in Clause 1.2 below (the “**Flight Tests**”) [***]
- 1.2 [***].

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

[***].

[***].

1.3 [***].

1.4 [***].

1.5 [***].

[***].

[***].

[***].

[***].

[***].

1.6 [***]:

(i) [***]

(ii) [***].

[***].

1.7 [***].

1.8 [***].

[***].

2. A320 FAMILY RESCHEDULING

2.1 The Parties agree to reschedule the delivery of two (2) A320neo Aircraft identified by rank numbers 145 and 146 as follows:

Aircraft Rank	Original Scheduled Delivery Month	Revised Scheduled Delivery Month	Aircraft Type	Aircraft Batch
145	[***]	[***]	A320	[***]
146	[***]	[***]	A320	[***]

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

2.2 Clause 9.1.1.1 of the Agreement is hereby amended and restated as follows:

QUOTE

9.1.1.1 A319 / A320 / A321 Aircraft

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 64	A321	Aug-07	
- Aircraft N° 65	A321	Aug-07	
- Aircraft N° 66	A320	Oct-07	
- Aircraft N° 67	A320	Oct-07	
- Aircraft N° 68	A321	Nov-07	
- Aircraft N° 69	A319	Nov-08	
- Aircraft N° 70	A319	Jul-08	
- Aircraft N° 71	A319	Aug-08	
- Aircraft N° 72	A321	Feb-09	
- Aircraft N° 73	A321	Jan-09	
- Aircraft N° 74	A321	Mar-13	
- Aircraft N° 75	A320	May-09	
- Aircraft N° 76	A320	Dec-11	
- Aircraft N° 77	A321	Jan-11	
- Aircraft N° 78	A320	Dec-11	
- Aircraft N° 79	A321	Apr-11	
- Aircraft N° 80	A321	Jun-10	
- Aircraft N° 81	A319	Jan-10	
- Aircraft N° 82	A319	Jul-11	
- Aircraft N° 83	A319	Jun-11	
- Aircraft N° 84	A321	Jun-10	
- Aircraft N° 85	A320	Mar-12	
- Aircraft N° 86	A320	Feb-12	
- Aircraft N° 87	A320	Jun-13	
- Aircraft N° 88	A320	Nov-13	
- Aircraft N° 89	A319	Jun-11	
- Aircraft N° 90	A320	Jul-12	
- Aircraft N° 91	A320	Mar-12	
- Aircraft N° 92	A320	Oct-10	
- Aircraft N° 93	A320	Jun-12	
- Aircraft N° 94	A320	Nov-13	
- Aircraft N° 95	A320	Aug-12	Aircraft N°s 95-114
- Aircraft N° 96	A321	July 2015	Aircraft N°s 95-114
- Aircraft N° 97	A320	Oct-12	Aircraft N°s 95-114
- Aircraft N° 98	A320	Mar-14	Aircraft N°s 95-114
- Aircraft N° 99	A320	Nov-13	Aircraft N°s 95-114
- Aircraft N° 100	A320	Aug-13	Aircraft N°s 95-114
- Aircraft N° 101	A320	May-13	Aircraft N°s 95-114

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 102	A320	Jun-13	Aircraft N° 95-114
- Aircraft N° 103	A320	Apr-13	Aircraft N° 95-114
- Aircraft N° 104	A320	Jul-13	Aircraft N° 95-114
- Aircraft N° 105	A320	Sep-13	Aircraft N° 95-114
- Aircraft N° 106	A320	Sep-13	Aircraft N° 95-114
- Aircraft N° 107	A320	May-14	Aircraft N° 95-114
- Aircraft N° 108	A320	Oct-13	Aircraft N° 95-114
- Aircraft N° 109	A320	Jun-14	Aircraft N° 95-114
- Aircraft N° 110	A319	Oct-12	Aircraft N° 95-114
- Aircraft N° 111	A320	May-12	Aircraft N° 95-114
- Aircraft N° 112	A321	October 2015	Aircraft N° 95-114
- Aircraft N° 113	A320	Mar-12	Aircraft N° 95-114
- Aircraft N° 114	A321	December 2015	Aircraft N° 95-114
- Aircraft N° 115	A321	Jan-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 116	A320	Feb-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 117	A320	Mar-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 118	A321	May-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 119	A321	July 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 120	A321	February 2016	2010 A320 Family Incremental Aircraft
- Aircraft N° 121	A321	Nov-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 122	A321	***	***
- Aircraft N° 123	A321	***	***
- Aircraft N° 124	A321	Dec-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 125	A321	***	***
- Aircraft N° 126	A321	***	***
- Aircraft N° 127	A321	Feb-15	2010 A320 Family Incremental Aircraft
- Aircraft N° 128	A321	***	***
- Aircraft N° 129	A321	***	***
- Aircraft N° 130	A321	***	***
- Aircraft N° 131	A321	May 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 133	A321	August 2015	2010 A320 Family Incremental Aircraft

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 134	A321	August 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 135	A321	March 2016	2011 A320 Family Incremental Aircraft
- Aircraft N° 136	A321	***	***
- Aircraft N° 137	A321	***	***
- Aircraft N° 138	A321	***	***
- Aircraft N° 139	A321	***	***
- Aircraft N° 140	A321	***	***
- [***] Aircraft N° 132	A321	***	***
- [***] Aircraft N° 141	A321	***	***
- [***] Aircraft N° 142	A321	***	***
- [***] Aircraft N° 143	A321	***	***
- [***] Aircraft N° 144	A321	***	***
- [***] Aircraft N° 145	A320	***	***
- [***] Aircraft N° 146	A320	***	***
- [***] Aircraft N° 147	A320	***	***
- [***] Aircraft N° 148	A320	***	***
- [***] Aircraft N° 149	A320	***	***
- [***] Aircraft N° 150	A320	***	***
- [***] Aircraft N° 151	A320	***	***
- [***] Aircraft N° 152	A320	***	***
- [***] Aircraft N° 153	A320	***	***
- [***] Aircraft N° 154	A320	***	***
- [***] Aircraft N° 155	A320	***	***
- [***] Aircraft N° 156	A320	***	***
- [***] Aircraft N° 157	A320	***	***
- [***] Aircraft N° 158	A320	***	***
- [***] Aircraft N° 159	A320	***	***
- [***] Aircraft N° 160	A320	***	***
- [***] Aircraft N° 161	A321	***	***
- [***] Aircraft N° 162	A321	***	***
- [***] Aircraft N° 163	A321	***	***
- [***] Aircraft N° 164	A321	***	***
- [***] Aircraft N° 165	A321	***	***
- [***] Aircraft N° 166	A321	***	***

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

UNQUOTE

3. EXHIBIT A Part 1 – Seller Price Revision Formula

In Clause 3 of Part 1 of Exhibit A to Amendment No. 11 to the Agreement the reference to “Table 6” is hereby replaced with “Table 9”.

4. CONFIDENTIALITY

This Amendment No. 21 is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

5. LAW AND JURISDICTION

This Amendment No. 21 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment No. 21 shall be within the exclusive jurisdiction of the Courts of England.

6. MISCELLANEOUS PROVISIONS

If not otherwise expressly stated in this Amendment No. 21, the Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 21.

This Amendment No. 21 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Agreement between the Seller and the Buyer shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

In the event of any inconsistency between the Agreement and the present Amendment No. 21, the latter shall prevail to the extent of said inconsistency.

This Amendment No. 21 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

7. SEVERABILITY

In the event that any provision of this Amendment No. 21 should for any reason be held ineffective, the remainder of this Amendment No. 21 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment No. 21 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 21 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 21.

This Amendment No. 21 has been executed in two (2) original specimens which are in English.

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

IN WITNESS WHEREOF this Amendment No. 21 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

LATAM AIRLINES GROUP S.A.

Name :

Title :

LATAM AIRLINES GROUP S.A.

Name :

Title :

Witness

Name :

Title :

For and on behalf of

AIRBUS S.A.S.

Name :

Title :

AMENDMENT N°21
TO THE A320/A330
PURCHASE AGREEMENT
BETWEEN
AIRBUS S.A.S.
AND
LATAM AIRLINES GROUP S.A.
REF: CT1242567

A320/A330 PA – LATAM – Amdt. 21 – CT1242567- 12/2015

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

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AMENDMENT N°21

TO THE

A320/A330 PURCHASE AGREEMENT

This Amendment No.21 is made as of the 21st day of December 2015 to the A320/A330 Purchase Agreement signed on November 14, 2006 (as subsequently amended, supplemented, novated or otherwise modified),

Between

AIRBUS S.A.S., having its principal office at:

1, rond-point Maurice Bellonte
U31707 BLAGNAC CEDEX

FRANCE

and registered with the Toulouse Registre du Commerce under number RCS Toulouse 383 474 814 (hereinafter referred to as "**the Seller**") of the one part,

AND

LATAM AIRLINES GROUP S.A., having its principal office at:

Edificio Huidobro
Avenida Presidente Riesco 5711 – 20th Floor
Las Condes
SANTIAGO
CHILE

(herein after referred to as "**the Buyer**") of the other part.

The Buyer and the Seller being collectively referred to as the "Parties" and individually as a "Party".

A320/A330 PA – LATAM – Amdt. 21 – CT1242567- 12/2015

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

WHEREAS

- A- The Seller and TAM Linhas Aereas S.A. (the “**Original Buyer**”) have signed on November 14, 2006, an A320/A330 Purchase Agreement (Reference CCC 337.0068/06) covering the purchase by the Original Buyer and the sale by the Seller of certain A320 Family Aircraft and A330-200 Aircraft which, together with all Exhibits, Appendixes, Letter Agreements, Amendment No. 1, dated as of January 21, 2008, Amendment No. 2, dated as of October 15, 2008, Amendment No. 3 dated January 5, 2009, Amendment No.4, dated as of July 1, 2009, Amendment No.5, dated as of December 24, 2009, Amendment No.6, dated as of March 4, 2010, Amendment No.7, dated as of July 28, 2010, Amendment No.8, dated as of April 29, 2011, Amendment No.9, dated as of June 13, 2011, Amendment No.10, dated as of October 11, 2011, Amendment No.11, dated as of October 11, 2011, Amendment No.12, dated as of January 27, 2012, Amendment No. 13, dated as of November 30, 2012, Amendment No. 14, dated as of December 14, 2012, Amendment No. 15, dated as of February 18, 2013, Amendment No. 16, dated as of February 27, 2013, Amendment No. 17, dated as of August 19, 2013, Amendment No. 18, dated as of July 15, 2014, incorporated therein is hereinafter referred to as the “**Original Agreement**”.
- B- The Buyer, Seller and Original Buyer entered into a novation agreement dated 30 October 2014 (the “**Novation**”) novating the Original Agreement from the Original Buyer to the Buyer.
- C- Pursuant to an Amendment No. 19, dated as of December 11, 2014 and Amendment No. 20, dated as of June 3, 2015 the Seller and the Buyer amended the Original Agreement (the “**Amendments**”), (the Original Agreement as novated pursuant to the Novation and amended pursuant to the Amendments is hereinafter referred to as the “**Agreement**”).
- D- The Buyer and the Seller have agreed i) for the Seller to use one A320 NEO Aircraft scheduled to be delivered to the Buyer under the Agreement for a series of flight tests [***], and ii) to reschedule the Delivery of one A320 NEO Aircraft.

NOW THEREFORE IT IS AGREED AS FOLLOWS:

1. **A320 NEO FLIGHT TEST AIRCRAFT**
- 1.1 Notwithstanding anything in the Agreement to the contrary, including without limitation, the provisions of Clause 8.4 thereof, the Parties hereby acknowledge and agree to the Seller’s use of the Aircraft bearing rank No. [***] in the Agreement with a Scheduled Delivery [***] in [***] (the “**Flight Test Aircraft**”) for a series of flight tests as described in Clause 1.2 below (the “**Flight Tests**”) [***]

1.2 [***].
[***].
[***].
1.3 [***].
1.4 [***].
1.5 [***].
[***].
[***].
[***].
[***].
[***].
1.6 [***]:

(i) [***]
(ii) [***].
[***].
1.7 [***].
1.8 [***].
[***].

2. A320 FAMILY RESCHEDULING

2.1 The Parties agree to reschedule the delivery of two (2) A320neo Aircraft identified by rank numbers 145 and 146 as follows:

Aircraft Rank	Original Scheduled Delivery Month	Revised Scheduled Delivery Month	Aircraft Type	Aircraft Batch
145	[***]	[***]	A320	[***]
146	[***]	[***]	A320	[***]

2.2 Clause 9.1.1.1 of the Agreement is hereby amended and restated as follows:

QUOTE

9.1.1.1 A319 / A320 / A321 Aircraft

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 64	A321	Aug-07	
- Aircraft N° 65	A321	Aug-07	
- Aircraft N° 66	A320	Oct-07	
- Aircraft N° 67	A320	Oct-07	
- Aircraft N° 68	A321	Nov-07	
- Aircraft N° 69	A319	Nov-08	
- Aircraft N° 70	A319	Jul-08	
- Aircraft N° 71	A319	Aug-08	
- Aircraft N° 72	A321	Feb-09	
- Aircraft N° 73	A321	Jan-09	
- Aircraft N° 74	A321	Mar-13	
- Aircraft N° 75	A320	May-09	
- Aircraft N° 76	A320	Dec-11	
- Aircraft N° 77	A321	Jan-11	
- Aircraft N° 78	A320	Dec-11	
- Aircraft N° 79	A321	Apr-11	
- Aircraft N° 80	A321	Jun-10	
- Aircraft N° 81	A319	Jan-10	
- Aircraft N° 82	A319	Jul-11	
- Aircraft N° 83	A319	Jun-11	
- Aircraft N° 84	A321	Jun-10	
- Aircraft N° 85	A320	Mar-12	
- Aircraft N° 86	A320	Feb-12	
- Aircraft N° 87	A320	Jun-13	
- Aircraft N° 88	A320	Nov-13	
- Aircraft N° 89	A319	Jun-11	
- Aircraft N° 90	A320	Jul-12	
- Aircraft N° 91	A320	Mar-12	
- Aircraft N° 92	A320	Oct-10	
- Aircraft N° 93	A320	Jun-12	
- Aircraft N° 94	A320	Nov-13	
- Aircraft N° 95	A320	Aug-12	Aircraft N°s 95-114
- Aircraft N° 96	A321	July 2015	Aircraft N°s 95-114
- Aircraft N° 97	A320	Oct-12	Aircraft N°s 95-114
- Aircraft N° 98	A320	Mar-14	Aircraft N°s 95-114
- Aircraft N° 99	A320	Nov-13	Aircraft N°s 95-114
- Aircraft N° 100	A320	Aug-13	Aircraft N°s 95-114
- Aircraft N° 101	A320	May-13	Aircraft N°s 95-114

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“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 102	A320	Jun-13	Aircraft N° 95-114
- Aircraft N° 103	A320	Apr-13	Aircraft N° 95-114
- Aircraft N° 104	A320	Jul-13	Aircraft N° 95-114
- Aircraft N° 105	A320	Sep-13	Aircraft N° 95-114
- Aircraft N° 106	A320	Sep-13	Aircraft N° 95-114
- Aircraft N° 107	A320	May-14	Aircraft N° 95-114
- Aircraft N° 108	A320	Oct-13	Aircraft N° 95-114
- Aircraft N° 109	A320	Jun-14	Aircraft N° 95-114
- Aircraft N° 110	A319	Oct-12	Aircraft N° 95-114
- Aircraft N° 111	A320	May-12	Aircraft N° 95-114
- Aircraft N° 112	A321	October 2015	Aircraft N° 95-114
- Aircraft N° 113	A320	Mar-12	Aircraft N° 95-114
- Aircraft N° 114	A321	December 2015	Aircraft N° 95-114
- Aircraft N° 115	A321	Jan-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 116	A320	Feb-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 117	A320	Mar-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 118	A321	May-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 119	A321	July 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 120	A321	February 2016	2010 A320 Family Incremental Aircraft
- Aircraft N° 121	A321	Nov-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 122	A321	[***]	[***]
- Aircraft N° 123	A321	[***]	[***]
- Aircraft N° 124	A321	Dec-14	2010 A320 Family Incremental Aircraft
- Aircraft N° 125	A321	[***]	[***]
- Aircraft N° 126	A321	[***]	[***]
- Aircraft N° 127	A321	Feb-15	2010 A320 Family Incremental Aircraft
- Aircraft N° 128	A321	[***]	[***]
- Aircraft N° 129	A321	[***]	[***]
- Aircraft N° 130	A321	[***]	[***]
- Aircraft N° 131	A321	May 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 133	A321	August 2015	2010 A320 Family Incremental Aircraft

Aircraft Rank	Aircraft Type	Delivery Month/Quarter	Aircraft defined as
- Aircraft N° 134	A321	August 2015	2010 A320 Family Incremental Aircraft
- Aircraft N° 135	A321	March 2016	2011 A320 Family Incremental Aircraft
- Aircraft N° 136	A321	***	***
- Aircraft N° 137	A321	***	***
- Aircraft N° 138	A321	***	***
- Aircraft N° 139	A321	***	***
- Aircraft N° 140	A321	***	***
- *** Aircraft N° 132	A321	***	***
- *** Aircraft N° 141	A321	***	***
- *** Aircraft N° 142	A321	***	***
- *** Aircraft N° 143	A321	***	***
- *** Aircraft N° 144	A321	***	***
- *** Aircraft N° 145	A320	***	***
- *** Aircraft N° 146	A320	***	***
- *** Aircraft N° 147	A320	***	***
- *** Aircraft N° 148	A320	***	***
- *** Aircraft N° 149	A320	***	***
- *** Aircraft N° 150	A320	***	***
- *** Aircraft N° 151	A320	***	***
- *** Aircraft N° 152	A320	***	***
- *** Aircraft N° 153	A320	***	***
- *** Aircraft N° 154	A320	***	***
- *** Aircraft N° 155	A320	***	***
- *** Aircraft N° 156	A320	***	***
- *** Aircraft N° 157	A320	***	***
- *** Aircraft N° 158	A320	***	***
- *** Aircraft N° 159	A320	***	***
- *** Aircraft N° 160	A320	***	***
- *** Aircraft N° 161	A321	***	***
- *** Aircraft N° 162	A321	***	***
- *** Aircraft N° 163	A321	***	***
- *** Aircraft N° 164	A321	***	***
- *** Aircraft N° 165	A321	***	***
- *** Aircraft N° 166	A321	***	***

UNQUOTE

3. EXHIBIT A Part 1 – Seller Price Revision Formula

In Clause 3 of Part 1 of Exhibit A to Amendment No. 11 to the Agreement the reference to “Table 6” is hereby replaced with “Table 9”.

4. CONFIDENTIALITY

This Amendment No. 21 is subject to the confidentiality provisions set forth in Clause 22.10 of the Agreement.

5. LAW AND JURISDICTION

This Amendment No. 21 shall be governed by and construed in accordance with the laws of England. Any dispute arising out of or in connection with this Amendment No. 21 shall be within the exclusive jurisdiction of the Courts of England.

6. MISCELLANEOUS PROVISIONS

If not otherwise expressly stated in this Amendment No. 21, the Agreement, its Exhibits and Letter Agreements shall apply also to this Amendment No 21.

This Amendment No. 21 supersedes any previous understandings, commitments or representations whatsoever oral or written with respect to the matters referred to herein.

The Agreement between the Seller and the Buyer shall be deemed amended to the extent herein provided, and, except as specifically amended hereby, shall continue in full force and effect in accordance with its original terms.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Agreement.

In the event of any inconsistency between the Agreement and the present Amendment No. 21, the latter shall prevail to the extent of said inconsistency.

This Amendment No. 21 may be signed by the Parties hereto in separate counterparts, each of which when so signed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

7. SEVERABILITY

In the event that any provision of this Amendment No. 21 should for any reason be held ineffective, the remainder of this Amendment No. 21 shall remain in full force and effect. To the extent permitted by applicable law, each party hereto hereby waives any provision of law which renders any provision of this Amendment No. 21 prohibited or unenforceable in any respect. Any provisions of this Amendment No. 21 which may prove to be or become, illegal, invalid or unenforceable in whole or in part, shall as far as reasonably possible, and subject to applicable law, be performed in accordance with the spirit and purpose of this Amendment No. 21.

This Amendment No. 21 has been executed in two (2) original specimens which are in English.

IN WITNESS WHEREOF this Amendment No. 21 to the Agreement was duly entered into the day and year first above written.

For and on behalf of

LATAM AIRLINES GROUP S.A.

Name :

Title :

LATAM AIRLINES GROUP S.A.

Name :

Title :

Witness

Name :

Title :

A320/A330 PA – LATAM – Amdt. 21 – CT1242567- 12/2015

For and on behalf of

AIRBUS S.A.S.

Name :

Title :

Supplemental Agreement No. 8 (SA-8)

to

Purchase Agreement No. 3158

between

The Boeing Company

and

TAM Linhas Aéreas S.A.

Relating to Boeing Model 777 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of _____, 2015, by and between THE BOEING COMPANY (**Boeing**) and TAM LINHAS AÉREAS S.A. (**Customer**);

WHEREAS, Boeing and Customer entered into Purchase Agreement No. 3158 dated February 8, 2007 relating to Boeing Model 777-32WER aircraft (**Aircraft**) which agreement, including all tables, exhibits, supplemental exhibits and specifications thereto, together with all letter agreements then or thereafter entered into that by their terms constitute part of such purchase agreement as may be amended and supplemented from time to time (the "**Purchase Agreement**").

WHEREAS [***];

WHEREAS, [***];

WHEREAS, Boeing and Customer have mutually agreed to amend the Purchase Agreement to incorporate the effect of this and certain other changes.

AGREEMENT

NOW THEREFORE, and in consideration of the mutual covenants herein contained, the parties agree to amend the Purchase Agreement as follows:

1. Revision of Table of Contents and Aircraft Information Table to the Purchase Agreement:

- 1.1. Table of Contents. The Table of Contents of the Purchase Agreement is deleted in its entirety and is replaced by the new Table of Contents identified with an SA-8 legend and attached hereto.
- 1.2. Tables. "Table 3 to Purchase Agreement No. 3158, Aircraft Delivery, Description, Price and Advance Payments" (**Table 3**) is deleted in its entirety and the new Table 3 entitled "Table 3 to Purchase Agreement No. PA-3158 Aircraft Delivery, Description, Price and Advance Payments" attached hereto is substituted in lieu thereof to reflect the new delivery positions for the two (2) 777 Freighter delivery positions.

"[***]" This information is subject to confidential treatment and has been omitted and filed separately with the commission.

2. Letter Agreements.

2.1. [***].

3. [***].

[***].

4. [***].

[***].

EXECUTED IN DUPLICATE as of the day and year first above written.

DATED AS OF this _____day of _____ of 2015

TAM LINHAS AÉREAS S.A.

By: _____

(Printed or Typed Name)

Its: _____
By: _____

(Printed or Typed Name)

Its: _____

P.A. No. 3158
TAM

THE BOEING COMPANY

By: _____
[***]

Its: [***]

Boeing Proprietary

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

TABLE OF CONTENTS

	Supplemental Agreement Number
ARTICLES	
1. Quantity, Model and Description	
2. Delivery Schedule	
3. Price	
4. Payment	
5. Miscellaneous	
TABLE	
1 2008 Delivery Year Aircraft Information Table	SA-2
1 2012 Delivery Year Aircraft Information Table	SA-5
2 2013 Delivery Year Aircraft Information Table	SA-5
3 Table 3 Aircraft	SA-8
EXHIBIT	
A. Aircraft Configuration	SA-2
A-2 Aircraft Configuration for the 2013 Delivery Year Aircraft	SA-3
A-4 Aircraft Configuration for the Table 3 Aircraft	SA-7
B. Aircraft Delivery Requirements &Responsibilities	
SUPPLEMENTAL EXHIBITS	
***	***
***	***
BFE1 Buyer Furnished Equipment Variables	SA-6
CS1 Customer Support Document	
EE1. Engine Escalation And Engine Warranty	
SLP1. Service Life Policy Components	

“***” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

LETTER AGREEMENTS			SA Number
***	***		***
***	***		***
***	***		***
***	***		***
***	***		***
***	***		***
***	***		***
6-1162-AJH-0848	Customer Directed Seller Purchased Equipment	(LA No. 9)	SA-5
***	***		
6-1162-AJH-0850	Spare Parts Initial Provisioning	(LA No.11)	
***	***		
***	***		
***	***		
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***	***		***
***	***		***

P.A. No. 3158
TAM

Boeing Proprietary

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

Airframe Model/MTOW:	777-Freighter	***	Detail Specification:	***	
Engine Model/Thrust:	GE90-110B1L	***	Airframe Price Base Year/Escalation Formula:	***	***
Airframe Price:		***	Engine Price Base Year/Escalation Formula:	***	***
Optional Features:		***			
Sub-Total of Airframe and Features:		***	<u>Airframe Escalation Data:</u>		
Engine Price (Per Aircraft):		***	***	***	
Aircraft Basic Price (Excluding BFE/SPE):		***	***	***	
Buyer Furnished Equipment (BFE) Estimate:		***			
Seller Purchased Equipment (SPE)/In-Flight Entertainment (IFE)// Estimate:		***			
Deposit per Aircraft:		***			

Delivery Date	Number of Aircraft	***		***	***			
***	1	***		***	***	***	***	***
***	1	***		***	***	***	***	***
Total:	2	***		***	***	***	***	***

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

TAM Linhas Aéreas S.A.
Rua General Pantaleão Teles, 210
Sao Paulo - SP
04355-040
Brazil

Subject: 777F Aircraft Model Substitution Rights

Reference: Purchase Agreement No. PA-3158 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and TAM Linhas Aereas S.A. (**Customer**) relating to Model 777 aircraft (**777F Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

- [***]:
1. Customer’s Written Notice.
[***].
 2. Boeing’s Production Capability.
 - 2.1 [***].
 - 2.2 [***].
 - 2.3 [***].
 3. [***].
[***].
 4. [***].
[***].
 5. [***].
 - 5.1 [***].

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.



5.2 [***].

6. [***].

[***].

7. [***].

[***].

Very truly yours,

THE BOEING COMPANY

By _____

Its [***] _____

ACCEPTED AND AGREED TO this

Date: _____

TAM Linhas Aéreas S.A.

By _____

Its _____

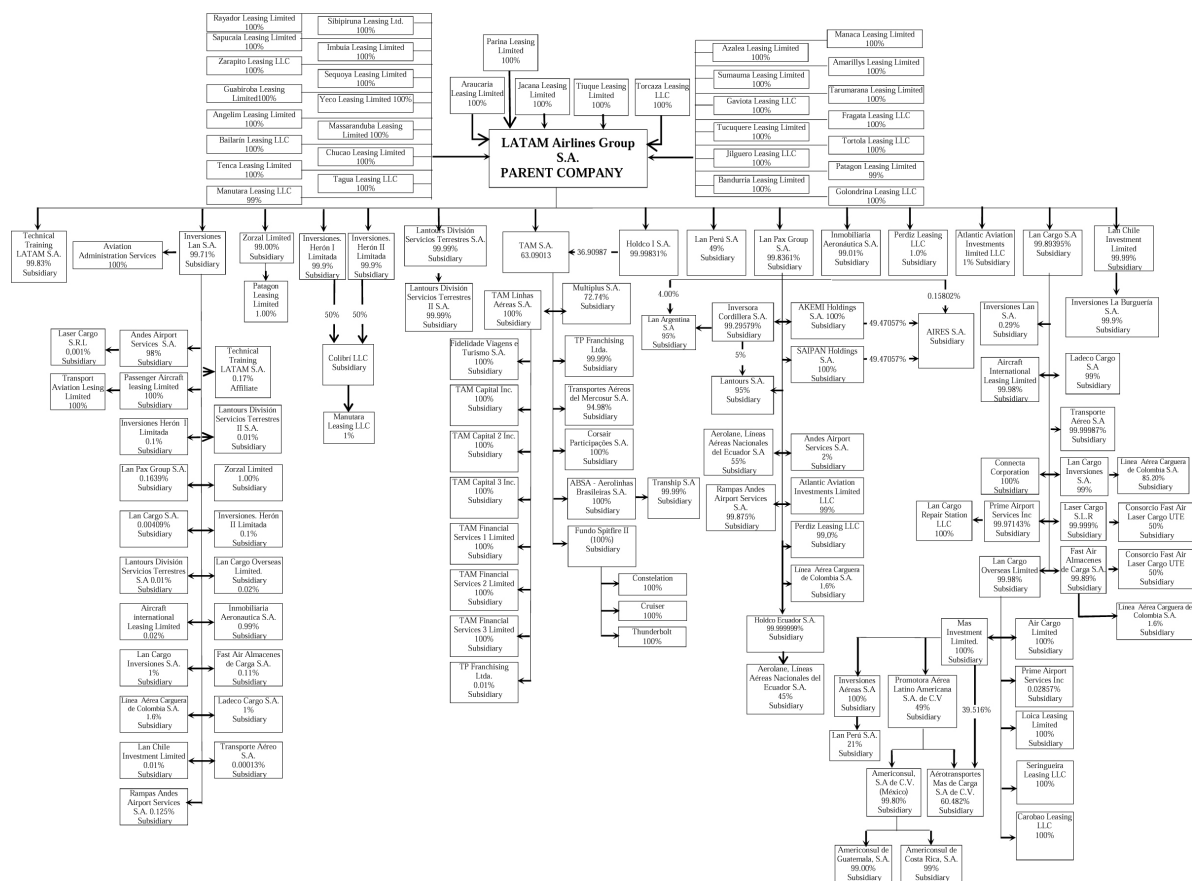
TAM Linhas Aéreas S.A.

By _____

Its _____

“[***]” This information is subject to confidential treatment and has been omitted and filed separately with the commission.

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
Maria 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 Macarenco 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 Macarenco 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 Macarenco 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 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:
Esterban Bojanich

Senior Management:
Esterban 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 Larraín

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

- *Consorcio 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:
Esterban 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 Larraín Salinas

Directors:
César Emilio Rodríguez Larraín Salinas
Ignacio Cueto Plaza (LATAM Senior Management)
Enrique Cueto Plaza (LATAM Senior Management)
Jorge Harten Costa
Alejandro García Vargas
Emilio Rodríguez Larraín 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: 0.0%
% 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 Zaldívar 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)

Directors:
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 María 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 aero-commercial 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 Rodríguez
Luis Alberto Rodríguez

Senior Management:

Luis Alberto Rodríguez
Barbara de Rodríguez

- 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 Rodríguez
Luis Alberto Rodríguez

Senior Management:

Luis Alberto Rodríguez
Barbara de Rodríguez

- ***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.

Subscribed and paid- in capital: MUS\$507

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 SA.**

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 f aircrafts; (c) enter into leasing, charter, share codes, location and other related to aircrafts contracts to carry our its corporate purpose; (d) operate regular airlines of passengers, cargo, mail and securities, and also the vehicle that allows to coordinate de 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 de 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) cerebrate or execute all type of civil, industrial, financial or commercial related with the corporate purpose; (o) cerebrate businesses and carry out activities that bring customers, y 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
Pablo Canales

Senior Management:
Jorge Nicolas Cortazar
Erika Zarante Bahamon
Jaime Antonio Gongora Esguer

- *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 Díaz

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 Subsidiaries

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	277	407
Total current assets	1,335,614	1,921,316
Total non-current assets	3,360,939	4,896,382
TOTAL ASSETS	4,696,553	6,817,698
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	1,963,400	2,279,110
Total non-current liabilities	2,235,823	3,530,419
Total liabilities	4,199,223	5,809,529
EQUITY		
Equity attributable to controller's owners	423,190	912,639
Non- controlling interest	74,140	95,530
Total equity	497,330	1,008,169
TOTAL LIABILITIES AND EQUITY	4,696,553	6,817,698
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statement of Income by Function		
Revenues from ordinary activities	4,597,612	6,588,741
Gross Income	599,784	1,238,846
Profit (loss) before tax	(272,206)	356,613
Income tax expenses	126,008	(146,092)
PROFIT (LOSS) OF THE PERIOD	(146,198)	210,521
Profit (loss) of the period attributable to:		
Controller's owners	(183,912)	171,655
Non-controlling interest	37,714	38,866
Profit (loss) of the period	(146,198)	210,521

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	(347,490)	(208,953)
Total comprehensive income	(493,688)	1,568
Total comprehensive income attributable to:		
Controller's owners	(472,217)	2,060
Non-controlling interest	(21,471)	(492)
TOTAL COMPREHENSIVE INCOME	(493,688)	1,568

Statement of Changes in Equity	Equity attributable to controller's 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	39,836	(2,630)	37,206
Closing balance at 31 December 2014	912,639	95,530	1,008,169
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	38,769	(3,010)	35,759
Closing balance at 31 December 2015	423,190	74,140	497,330

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	713,435	339,699
Net cash flows from (used in) investment activities	(244,750)	65,690
Net cash flows from (used in) financing activities	(335,088)	(575,519)
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

	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	85	85
Total current assets	164,497	311,826
Total non-current assets	546,687	550,576
TOTAL ASSETS	711,184	862,402
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	185,162	186,789
Total non-current liabilities	152,958	219,470
Total liabilities	338,120	406,259
EQUITY		
Equity attributable to controller´s owners	371,236	455,700
Non-controlling interest	1,828	443
EQUITY	373,064	456,143
TOTAL LIABILITIES AND EQUITY	711,184	862,402
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statement of Income by Function		
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	26,912	3,130
PROFIT (LOSS) OF THE PERIOD	(61,332)	(103,587)
Profit (loss) of the period attributable to:		
Controller´s owners	(62,701)	(103,285)
Non-controlling interest	1,369	(302)
Profit (loss) of the period	(61,332)	(103,587)

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	(2,936)	(1,732)
Total comprehensive income	(64,268)	(105,319)
Total comprehensive income attributable to:		
Controller's owners	(65,634)	(105,017)
Non-controlling interest	1,366	(302)
TOTAL COMPREHENSIVE INCOME	(64,268)	(105,319)

Statement of Changes in Equity	Equity attributable to controller's 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	(17,231)	(1,147)	(18,378)
Closing balance at 31 December 2014	455,700	443	456,143
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	(18,830)	19	(18,811)
Closing balance at 31 December 2015	371,236	1,828	373,064

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	(51,021)	(567,398)
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

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS\$
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets	232,547	214,245
Total non-current assets	23,144	25,225
TOTAL ASSETS	255,691	239,470
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	239,521	226,784
Total non-current liabilities	1,417	1,611
Total liabilities	240,938	228,395
EQUITY		
Equity attributable to controller's owners	14,753	11,075
Non-controlling interest	-	-
Total equity	14,753	11,075
TOTAL LIABILITIES AND EQUITY	255,691	239,470
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statement of Income by Function		
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	(2,169)	(3,578)
PROFIT (LOSS) OF THE PERIOD	5,068	1,058

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	-	-	(1,390)	(1,390)
Closing balance at 31 December 2014	4,341	868	5,866	11,075
Equity as of 1 January 2015	4,341	868	5,866	11,075
Total comprehensive income	-	-	5,068	5,068
Dividends	-	-	(1,390)	(1,390)
Closing balance at 31 December 2015	4,341	868	9,544	14,753

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	(7,044)	(76,147)
Net cash flows from (used in) investment activities	(1,164)	(1,323)
Net cash flows from (used in) financing activities	9,099	24,132
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

	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	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	572	572
Total current assets	6,864	5,541
Total non-current assets	9,648	10,494
TOTAL ASSETS	16,512	16,035
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	13,380	13,560
Total non-current liabilities	1,296	1,186
Total liabilities	14,676	14,746
EQUITY		
Equity attributable to controller's owners	1,828	1,272
Non-controlling interest	8	17
TOTAL LIABILITIES AND EQUITY	16,512	16,035
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	(402)	(551)
PROFIT (LOSS) OF THE PERIOD	2,798	(4,537)
Profit (loss) of the period attributable to:		
Controller's owners	2,772	(4,546)
Non-controlling interest	26	9
Profit (loss) of the period	2,798	(4,537)

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	(201)	(47)
Total comprehensive income	2,597	(4,584)
Total comprehensive income attributable to:		
Controller's owners	2,598	(4,592)
Non-controlling interest	(1)	8
TOTAL COMPREHENSIVE INCOME	2,597	(4,584)

Statement of Changes in Equity	Equity attributable to controller's 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	70	1	71
Closing balance at 31 December 2014	1,272	17	1,289
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	(1,592)	(8)	(1,600)
Closing balance at 31 December 2015	1,828	8	1,836

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	608	327
Net cash flows from (used in) investment activities	(41)	(4)
Net cash flows from (used in) financing activities	444	-
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

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets	1,978	1,475
Total non-current assets	37,324	38,445
TOTAL ASSETS	39,302	39,920
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	5,003	6,642
Total non-current liabilities	9,829	10,212
Total liabilities	14,832	16,854
EQUITY		
Total equity	24,470	23,066
TOTAL LIABILITIES AND EQUITY	39,302	39,920
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statement of Income by Function		
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	258	(621)
PROFIT (LOSS) OF THE PERIOD	1,404	1,906
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statements of Comprehensive Income		
PROFIT (LOSS) OF THE PERIOD	1,404	1,906
Total comprehensive income	1,404	1,906

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	-	(2,623)	(2,623)
Closing balance at 31 December 2014	1,147	21,919	23,066
Equity as of 1 January 2015	1,147	21,919	23,066
Total comprehensive income	-	1,404	1,404
Closing balance at 31 December 2015	1,147	23,323	24,470

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	(2,586)	-
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	-

	As of 31 December 2015 MUS\$	As of 31 December 2014 MUS
Consolidated Classified Statement of Financial Position		
ASSETS		
Total current assets	5,489	3,056
Total non-current assets	124	173
TOTAL ASSETS	5,613	3,229
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	5,516	2,283
Total non-current liabilities	6	6
Total liabilities	5,522	2,289
EQUITY		
Total equity	91	940
TOTAL LIABILITIES AND EQUITY	5,613	3,229
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statement of Income by Function		
Revenues from ordinary activities	12,399	10,710
Gross Income	7,714	6,813
Profit (loss) before tax	3,345	2,509
Income tax expenses	(1,004)	(435)
PROFIT (LOSS) OF THE PERIOD	2,341	2,074
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statements of Comprehensive Income		
PROFIT (LOSS) OF THE PERIOD	2,341	2,074
Total comprehensive income	2,341	2,074

Statement of Changes in Equity	Equity Issue MUS\$	Retained earnings MUS\$	Total equity MUS\$
Equity as of 1 January 2014	225	287	512
Total comprehensive income	-	2,078	2,078
Dividends	-	(1,650)	(1,650)
Closing balance at 31 December 2014	225	715	940
Equity as of 1 January 2015	225	715	940
Total comprehensive income	10	3,056	2,351
Dividends	-	(3,200)	(3,200)
Closing balance at 31 December 2015	225	(144)	91

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)
Net cash flows from (used in) financing activities	(3,190)	(1,646)
Net increase (decrease) in cash and cash equivalents	3,207	364
Cash and equivalents at the end of period	3,579	372

	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	217,359	296,716
TOTAL ASSETS	519,663	640,020
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	352,056	390,914
Total non-current liabilities	697,176	674,243
Total liabilities	1,049,232	1,065,157
EQUITY		
Equity attributable to controller's owners	(528,769)	(426,016)
Non-controlling interest	(800)	879
Total equity	(529,569)	(425,137)
TOTAL LIABILITIES AND EQUITY	519,663	640,020
	For the 12 months period ended as of 2015 MUS\$	2014 MUS\$
Consolidated Statement of Income by Function		
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	10,779	(7,654)
PROFIT (LOSS) OF THE PERIOD	(35,181)	(120,739)
Profit (loss) of the period attributable to:		
Controller's owners	(35,187)	(114,511)
Non-controlling interest	6	(6,228)
Profit (loss) of the period	(35,181)	(120,739)

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	(71,840)	(43,298)
Total comprehensive income	(107,021)	(164,037)
Total comprehensive income attributable to:		
Controller's owners	(104,941)	(157,315)
Non-controlling interest	(2,080)	(6,722)
TOTAL COMPREHENSIVE INCOME	(107,021)	(164,037)

Statement of Changes in Equity	Equity attributable to controller's owners MUS\$	Non- controlling interest MUS\$	Total Equity MUS\$
Equity as of 1 January 2014	(246521)	(13,741)	(260,262)
Total comprehensive income	(157,315)	(6,722)	(164,037)
Other increases (decreases) in equity	(22,180)	21,342	(838)
Closing balance at 31 December 2014	(426,016)	879	(425,137)
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	2,188	401	2,589
Closing balance at 31 December 2015	(528,769)	(800)	(529,569)

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	26,664	(12,710)
Net cash flows from (used in) investment activities	(108,757)	(53,535)
Net cash flows from (used in) financing activities	81,527	96,340
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	(566)	30,095
Effect of exchange rates variations on cash and cash equivalents	3,774	(77)
Cash and equivalents at the end of period	89,736	86,528

	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	180	273
TOTAL ASSETS	1,527	1,660
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	266	263
Total non-current liabilities	-	-
Total liabilities	266	263
EQUITY		
Equity attributable to controller's owners	1,261	1,397
Total equity	1,261	1,397
TOTAL LIABILITIES AND EQUITY	1,527	1,660
	Fort the period Ended as of December 31 2015 MUS\$	For the period between November 26 to December 31 2014 MUS\$
Consolidated Statement of Income by Function		
Revenues from ordinary activities	1,626	171
Gross Income	1,866	3
Profit (loss) before tax	(22)	(26)
Income tax expenses	50	(23)
PROFIT (LOSS) OF THE PERIOD	(72)	(49)
Profit (loss) of the period attributable to:		
Controller's owners	(72)	(49)
Non-controlling interest	-	-
Profit (loss) of the period	(72)	49

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	-	(68)	(68)
Closing balance at 31 December 2014	881	496	1,377
Equity as of 1 January 2015	881	496	1,377
Total comprehensive income	-	(72)	(72)
Closing balance at 31 December 2015	881	424	1305

	Fort the period Ended as of December 31 2015 MUS\$	For the period between November 26 to December 31 2014 MUS\$
Consolidated Statement of Cash Flow - Direct Method		
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	-	-
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

I, Enrique Cueto Plaza, certify that:

1. I have reviewed this annual report on Form 20-F of LATAM Airlines Group S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2016

/s/ Enrique Cueto Plaza

Enrique Cueto Plaza
CEO LATAM

I, Andrés Osorio Hermansen, certify that:

1. I have reviewed this annual report on Form 20-F of LATAM Airlines Group S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2016

/s/ Andrés Osorio Hermansen
 Andrés Osorio Hermansen
 CFO LATAM

CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of LATAM Airlines Group S.A. (“the Company”), herby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2015 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2016

/s/ Enrique Cueto Plaza
Enrique Cueto Plaza
CEO LATAM

CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of LATAM Airlines Group S.A. (“the Company”), herby certifies, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2015 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2016

/s/ Andrés Osorio Hermansen
Andrés Osorio Hermansen
CFO LATAM
