



LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

CONTENTS

Interim Consolidated Statement of Financial Position  
Interim Consolidated Statement of Income by Function  
Interim Consolidated Statement of Comprehensive Income  
Interim Consolidated Statement of Changes in Equity  
Interim Consolidated Statement of Cash Flows - Direct Method  
Notes to Interim the Consolidated Financial Statements

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

Contents of the notes to the interim consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries.

| Notes   | Page |
|---|------|
| 1 - General information.....  | 1    |
| 2 - Summary of significant accounting policies.....                             | 4    |
| 2.1. Basis of Preparation .....   | 4    |
| 2.2. Basis of Consolidation .....   | 7    |
| 2.3. Foreign currency transactions .....  | 8    |
| 2.4. Property, plant and equipment .....  | 8    |
| 2.5. Intangible assets other than goodwill .....                                | 9    |
| 2.6. Goodwill.....  | 10   |
| 2.7. Borrowing costs .....  | 10   |
| 2.8. Losses for impairment of non-financial assets .....                        | 10   |
| 2.9. Financial assets.....  | 10   |
| 2.10. Derivative financial instruments and hedging activities .....             | 11   |
| 2.11. Inventories.....  | 12   |
| 2.12. Trade and other accounts receivable .....                                 | 13   |
| 2.13. Cash and cash equivalents.....  | 13   |
| 2.14. Capital .....   | 13   |
| 2.15. Trade and other accounts payables.....                                    | 13   |
| 2.16. Interest-bearing loans .....  | 13   |
| 2.17. Current and deferred taxes .....  | 14   |
| 2.18. Employee benefits .....   | 14   |
| 2.19. Provisions .....  | 15   |
| 2.20. Revenue recognition.....  | 15   |
| 2.21. Leases .....  | 17   |
| 2.22. Non-current assets (or disposal groups) classified as held for sale ..... | 17   |
| 2.23. Maintenance .....   | 17   |
| 2.24. Environmental costs .....   | 18   |
| 3 - Financial risk management .....   | 18   |
| 3.1. Financial risk factors .....   | 18   |
| 3.2. Capital risk management.....   | 32   |
| 3.3. Estimates of fair value.....   | 32   |
| 4 - Accounting estimates and judgments.....                                     | 36   |
| 5 - Segmental information.....  | 39   |
| 6 - Cash and cash equivalents .....   | 41   |
| 7 - Financial instruments.....  | 44   |
| 7.1. Financial instruments by category.....                                     | 44   |
| 7.2. Financial instruments by currency .....                                    | 46   |
| 8 - Trade, other accounts receivable and non-current accounts receivable.....   | 47   |
| 9 - Accounts receivable from/payable to related entities .....                  | 50   |
| 10 - Inventories .....  | 51   |
| 11 - Other financial assets .....   | 52   |
| 12 - Other non-financial assets.....  | 53   |
| 13 - Investments in subsidiaries .....  | 53   |
| 14 - Intangible assets other than goodwill.....                                 | 57   |

|  |     |
|--|-----|
| 15 - Goodwill .....  | 58  |
| 16 - Property, plant and equipment .....                             | 60  |
| 17 - Current and deferred tax .....                                  | 66  |
| 18 - Other financial liabilities.....                                | 72  |
| 19 - Trade and other accounts payables .....                         | 80  |
| 20 - Other provisions.....   | 82  |
| 21 - Other non-financial liabilities .....                           | 85  |
| 22 - Employee benefits.....  | 86  |
| 23 - Accounts payable, non-current .....                             | 88  |
| 24 - Equity.....   | 88  |
| 25 - Revenue .....   | 93  |
| 26 - Costs and expenses by nature .....                              | 93  |
| 27 - Other income, by function .....                                 | 95  |
| 28 - Foreign currency and exchange rate differences.....             | 95  |
| 29 - Earnings per share.....   | 104 |
| 30 - Contingencies.....  | 105 |
| 31 - Commitments.....  | 112 |
| 32 - Transactions with related parties .....                         | 117 |
| 33 - Share based payments .....                                      | 118 |
| 34 - The environment .....   | 122 |
| 35 - Events subsequent to the date of the financial statements ..... | 123 |

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

|   | <u>Note</u> | As of<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|---|-------------|--|--|
| <b>Current assets</b>   |             |  |  |
| Cash and cash equivalents   | 6 - 7       | 768,000  | 753,497  |
| Other financial assets  | 7 - 11      | 604,751  | 651,348  |
| Other non-financial assets  | 12          | 275,583  | 330,016  |
| Trade and other accounts receivable   | 7 - 8       | 815,150  | 796,974  |
| Accounts receivable from related entities   | 7 - 9       | 228  | 183  |
| Inventories   | 10          | 229,522  | 224,908  |
| Tax assets  | 17          | 66,850   | 64,015   |
|   |             | <hr/>  | <hr/>  |
| Total current assets other than non-current assets<br>(or disposal groups) classified as held for sale or as held<br>for distribution to owners |             | 2,760,084  | 2,820,941                                      |
|   |             | <hr/>  | <hr/>  |
| Non-current assets (or disposal groups) classified as<br>held for sale or as held for distribution to owners                                    |             | 2,007  | 1,960  |
|   |             | <hr/>  | <hr/>  |
| Total current assets  |             | 2,762,091  | 2,822,901                                      |
|   |             | <hr/>  | <hr/>  |
| <b>Non-current assets</b>   |             |  |  |
| Other financial assets  | 7 - 11      | 103,073  | 89,458   |
| Other non-financial assets  | 12          | 309,759  | 235,463  |
| Accounts receivable   | 7 - 8       | 7,014  | 10,715   |
| Intangible assets other than goodwill   | 14          | 1,443,519  | 1,321,425                                      |
| Goodwill  | 15          | 2,493,114  | 2,280,575                                      |
| Property, plant and equipment   | 16          | 11,116,714   | 10,938,657                                     |
| Tax assets  | 17          | 25,629   | 25,629   |
| Deferred tax assets   | 17          | 370,934  | 376,595  |
|   |             | <hr/>  | <hr/>  |
| Total non-current assets  |             | 15,869,756   | 15,278,517                                     |
|   |             | <hr/>  | <hr/>  |
| Total assets  |             | 18,631,847   | 18,101,418                                     |
|   |             | <hr/>  | <hr/>  |

The accompanying Notes 1 to 35 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

|                                      | Note   | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
|--------------------------------------|--------|---|---|
| <b>LIABILITIES</b>                   |        |   |   |
| Current liabilities                  |        |   |   |
| Other financial liabilities          | 7 - 18 | 1,641,563   | 1,644,235                               |
| Trade and other accounts payables    | 7 - 19 | 1,452,837   | 1,483,957                               |
| Accounts payable to related entities | 7 - 9  | 472   | 447                                     |
| Other provisions                     | 20     | 2,400   | 2,922                                   |
| Tax liabilities                      | 17     | 25,799  | 19,378                                  |
| Other non-financial liabilities      | 21     | 2,468,489   | 2,490,033                               |
| Total current liabilities            |        | 5,591,560   | 5,640,972                               |
| Non-current liabilities              |        |   |   |
| Other financial liabilities          | 7 - 18 | 7,687,404   | 7,532,385                               |
| Accounts payable                     | 7 - 23 | 410,418   | 417,050                                 |
| Other provisions                     | 20     | 464,114   | 424,497                                 |
| Deferred tax liabilities             | 17     | 857,139   | 811,565                                 |
| Employee benefits                    | 22     | 71,465  | 65,271                                  |
| Other non-financial liabilities      | 21     | 273,017   | 272,130                                 |
| Total non-current liabilities        |        | 9,763,557   | 9,522,898                               |
| Total liabilities                    |        | 15,355,117  | 15,163,870                              |
| <b>EQUITY</b>                        |        |   |   |
| Share capital                        | 24     | 2,545,705   | 2,545,705                               |
| Retained earnings                    | 24     | 389,241   | 317,950                                 |
| Treasury Shares                      | 24     | (178)   | (178)                                   |
| Other reserves                       |        | 256,380   | (6,942)                                 |
| Parent's ownership interest          |        | 3,191,148   | 2,856,535                               |
| Non-controlling interest             | 13     | 85,582  | 81,013                                  |
| Total equity                         |        | 3,276,730   | 2,937,548                               |
| Total liabilities and equity         |        | 18,631,847  | 18,101,418                              |

The accompanying Notes 1 to 35 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

|   | <u>Note</u> | For the period ended<br>March 31, |                        |
|---|-------------|-----------------------------------|------------------------|
|   |             | <u>2016</u>                       | <u>2015</u>            |
|   |             | <u>ThUS\$</u>                     | <u>ThUS\$</u>          |
|   |             | <u>Unaudited</u>                  |                        |
| Revenue   | 25          | 2,234,257                         | 2,693,849              |
| Cost of sales   |             | <u>(1,661,474)</u>                | <u>(2,037,285)</u>     |
| Gross margin  |             | <u>572,783</u>                    | <u>656,564</u>         |
| Other income  | 27          | 93,360                            | 97,293                 |
| Distribution costs  |             | (175,707)                         | (220,623)              |
| Administrative expenses                                   |             | (181,831)                         | (250,004)              |
| Other expenses  |             | (89,524)                          | (56,326)               |
| Other gains/(losses)                                      |             | <u>3,565</u>                      | <u>6,214</u>           |
| Income from operation activities                          |             | <u>222,646</u>                    | <u>233,118</u>         |
| Financial income  |             | 10,864                            | 18,490                 |
| Financial costs   | 26          | (103,049)                         | (95,333)               |
| Foreign exchange gains/(losses)                           | 28          | 67,898                            | (204,577)              |
| Result of indexation units                                |             | <u>-</u>                          | <u>474</u>             |
| Income (loss) before taxes                                |             | 198,359                           | (47,828)               |
| Income (loss) tax expense / benefit                       | 17          | <u>(82,327)</u>                   | <u>23,553</u>          |
| <b>NET INCOME (LOSS) FOR THE PERIOD</b>                   |             | <u><u>116,032</u></u>             | <u><u>(24,275)</u></u> |
| Income (loss) attributable to owners<br>of the parent     |             | 102,208                           | (39,947)               |
| Income (loss) attributable to<br>non-controlling interest | 13          | <u>13,824</u>                     | <u>15,672</u>          |
| Net income (loss) for the year                            |             | <u><u>116,032</u></u>             | <u><u>(24,275)</u></u> |
| <b>EARNINGS PER SHARE</b>                                 |             |                                   |                        |
| Basic earnings (losses) per share (US\$)                  | 29          | 0.18735                           | (0.07322)              |
| Diluted earnings (losses) per share (US\$)                | 29          | 0.18735                           | (0.07322)              |

The accompanying Notes 1 to 35 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | <u>Note</u> | For the period ended |                  |
|---|-------------|----------------------|------------------|
|   |             | March 31,            |                  |
|   |             | <u>2016</u>          | <u>2015</u>      |
|   |             | ThUS\$               | ThUS\$           |
|   |             | <u>Unaudited</u>     |                  |
| NET INCOME (LOSS)   |             | 116,032              | (24,275)         |
| Components of other comprehensive income<br>that will not be reclassified to income before taxes            |             |                      |                  |
| Other comprehensive income, before taxes,<br>gains (losses) by new measurements<br>on defined benefit plans | 24          | <u>(1,573)</u>       | <u>-</u>         |
| Total other comprehensive income<br>that will not be reclassified to income before taxes                    |             | <u>(1,573)</u>       | <u>-</u>         |
| Components of other comprehensive income<br>that will be reclassified to income before taxes                |             |                      |                  |
| Currency translation differences  |             |                      |                  |
| Gains (losses) on currency translation, before tax  | 28          | <u>244,976</u>       | <u>(726,740)</u> |
| Other comprehensive income, before taxes,<br>currency translation differences                               |             | <u>244,976</u>       | <u>(726,740)</u> |
| Cash flow hedges  |             |                      |                  |
| Gains (losses) on cash flow hedges before taxes   | 18          | <u>27,974</u>        | <u>83,263</u>    |
| Other comprehensive income (losses),<br>before taxes, cash flow hedges                                      |             | <u>27,974</u>        | <u>83,263</u>    |
| Total other comprehensive income<br>that will be reclassified to income before taxes                        |             | <u>272,950</u>       | <u>(643,477)</u> |
| Other components of other comprehensive<br>income (loss), before taxes                                      |             | <u>271,377</u>       | <u>(643,477)</u> |
| Income tax relating to other comprehensive income<br>that will not be reclassified to income                |             |                      |                  |
| Income tax relating to new measurements<br>on defined benefit plans   | 17          | <u>413</u>           | <u>-</u>         |
| Accumulate income tax relating<br>to other comprehensive income<br>that will not be reclassified to income  |             | <u>413</u>           | <u>-</u>         |
| Income tax relating to other comprehensive income<br>that will be reclassified to income                    |             |                      |                  |
| Income tax related to cash flow hedges in other<br>comprehensive income                                     |             | <u>(7,711)</u>       | <u>(21,366)</u>  |
| Income taxes related to components of other<br>comprehensive incomethat will be reclassified to income      |             | <u>(7,711)</u>       | <u>(21,366)</u>  |
| Total Other comprehensive income  |             | <u>264,079</u>       | <u>(664,843)</u> |
| Total comprehensive income (loss)   |             | <u>380,111</u>       | <u>(689,118)</u> |
| Comprehensive income (loss) attributable to<br>owners of the parent   |             | 364,361              | (687,176)        |
| Comprehensive income (loss) attributable to<br>non-controlling interests                                    |             | <u>15,750</u>        | <u>(1,942)</u>   |
| TOTAL COMPREHENSIVE INCOME (LOSS)   |             | <u>380,111</u>       | <u>(689,118)</u> |

The accompanying Notes 1 to 35 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Attributable to owners of the parent |               |                 |                              |                           |  |                               |                      |                     |                   |                             |              |                          |
|---|--------------------------------------|---------------|-----------------|------------------------------|---------------------------|--|-------------------------------|----------------------|---------------------|-------------------|-----------------------------|--------------|--------------------------|
|   | Change in other reserves             |               |                 |                              |                           |  |                               |                      |                     |                   |                             | Total equity |                          |
|   | Note                                 | Share capital | Treasury shares | Currency translation reserve | Cash flow hedging reserve | Actuarial gains or losses on defined benefit plans | Shares based payments reserve | Other sundry reserve | Total other reserve | Retained earnings | Parent's ownership interest |              | Non-controlling interest |
|   |                                      |               |                 |                              |                           | reserve  |                               |                      |                     |                   |                             |              |                          |
| ThUS\$  |                                      |               |                 |                              |                           | ThUS\$   |                               |                      |                     |                   |                             |              |                          |
| Equity as of January 1, 2016                                    | 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    |                          |
| Total increase (decrease) in equity                             |                                      |               |                 |                              |                           |  |                               |                      |                     |                   |                             |              |                          |
| Comprehensive income  |                                      |               |                 |                              |                           |  |                               |                      |                     |                   |                             |              |                          |
| Gain (losses)   | 24                                   | -             | -               | -                            | -                         | -  | -                             | -                    | 102,208             | 102,208           | 13,824                      | 116,032      |                          |
| Other comprehensive income                                      |                                      | -             | 243,384         | 19,929                       | (1,160)                   | -  | -                             | 262,153              | -                   | 262,153           | 1,926                       | 264,079      |                          |
| Total comprehensive income                                      |                                      | -             | 243,384         | 19,929                       | (1,160)                   | -  | -                             | 262,153              | 102,208             | 364,361           | 15,750                      | 380,111      |                          |
| Transactions with shareholders                                  |                                      |               |                 |                              |                           |  |                               |                      |                     |                   |                             |              |                          |
| Dividends   | 28                                   | -             | -               | -                            | -                         | -  | -                             | -                    | (30,662)            | (30,662)          | -                           | (30,662)     |                          |
| Increase (decrease) through transfers and other changes, equity | 24-33                                | -             | -               | -                            | -                         | -  | 829                           | 340                  | (255)               | 914               | (11,181)                    | (10,267)     |                          |
| Total transactions with shareholders                            |                                      | -             | -               | -                            | -                         | -  | 829                           | 340                  | (30,917)            | (29,748)          | (11,181)                    | (40,929)     |                          |
| Closing balance as of   |                                      |               |                 |                              |                           |  |                               |                      |                     |                   |                             |              |                          |
| March 31, 2016 (Unaudited)                                      |                                      | 2,545,705     | (178)           | (2,332,657)                  | (70,581)                  | (11,877)   | 36,476                        | 2,635,019            | 256,380             | 389,241           | 3,191,148                   | 85,582       | 3,276,730                |

The accompanying Notes 1 to 35 form an integral part of these interim consolidated financial statements.



LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|                                      | Attributable to owners of the parent |                  |              |                    |                 |               |                  |                |                |                  |               |                  |
|--------------------------------------|--------------------------------------|------------------|--------------|--------------------|-----------------|---------------|------------------|----------------|----------------|------------------|---------------|------------------|
|                                      | Change in other reserves             |                  |              |                    |                 |               |                  |                |                |                  |               |                  |
|                                      | Note                                 | Share            | Treasury     | Currency           | Cash flow       | Shares based  | Other            | Total          | Retained       | Parent's         | Non-          | Total            |
|                                      |                                      | capital          | shares       | translation        | hedging         | payments      | sundry           | other          | earnings       | ownership        | controlling   | equity           |
|                                      | ThUS\$                               | ThUS\$           | ThUS\$       | ThUS\$             | ThUS\$          | ThUS\$        | 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                                   | -                | -            | -                  | -               | -             | -                | -              | (39,947)       | (39,947)         | 15,672        | (24,275)         |
| Other comprehensive income           |                                      | -                | -            | (709,950)          | 62,721          | -             | -                | (647,229)      | -              | (647,229)        | (17,614)      | (664,843)        |
| Total comprehensive income           |                                      | -                | -            | (709,950)          | 62,721          | -             | -                | (647,229)      | (39,947)       | (687,176)        | (1,942)       | (689,118)        |
| Transactions with shareholders       |                                      |                  |              |                    |                 |               |                  |                |                |                  |               |                  |
| Increase (decrease) through          |                                      |                  |              |                    |                 |               |                  |                |                |                  |               |                  |
| transfers and other changes, equity  | 24-33                                | -                | -            | -                  | -               | 2,128         | 1,928            | 4,056          | 528            | 4,584            | (9,403)       | (4,819)          |
| Total transactions with shareholders |                                      | -                | -            | -                  | -               | 2,128         | 1,928            | 4,056          | 528            | 4,584            | (9,403)       | (4,819)          |
| Closing balance as of                |                                      |                  |              |                    |                 |               |                  |                |                |                  |               |                  |
| March 31, 2015 (Unaudited)           |                                      | <u>2,545,705</u> | <u>(178)</u> | <u>(1,903,821)</u> | <u>(88,619)</u> | <u>31,770</u> | <u>2,637,676</u> | <u>677,006</u> | <u>496,771</u> | <u>3,719,304</u> | <u>90,454</u> | <u>3,809,758</u> |

The accompanying Notes 1 to 35 form an integral part of these interim consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

|   |      | For the periods ended<br>March 31, |             |
|---|------|------------------------------------|-------------|
|   | Note | 2016                               | 2015        |
|   |      | ThUS\$                             | ThUS\$      |
|   |      | Unaudited                          |             |
| Cash flows from operating activities  |      |                                    |             |
| Cash collection from operating activities   |      |                                    |             |
| Proceeds from sales of goods and services   |      | 2,388,275                          | 2,961,149   |
| Other cash receipts from operating activities   |      | 12,603                             | 23,622      |
| Payments for operating activities   |      |                                    |             |
| Payments to suppliers for goods and services  |      | (1,665,245)                        | (1,778,734) |
| Payments to and on behalf of employees  |      | (581,052)                          | (638,808)   |
| Other payments for operating activities   |      | (44,508)                           | (73,264)    |
| Interest received   |      | 9,420                              | 5,975       |
| Income taxes refunded (paid)  |      | (12,016)                           | (13,586)    |
| Other cash inflows (outflows)   | 6    | (32,346)                           | (123,659)   |
| Net cash flows from operating activities  |      | 75,131                             | 362,695     |
| Cash flows used in investing activities   |      |                                    |             |
| Other cash receipts from sales of equity or debt instruments of other entities              |      | 755,473                            | 143,825     |
| Other payments to acquire equity or debt instruments of other entities                      |      | (664,564)                          | (26,241)    |
| Amounts raised from sale of property, plant and equipment                                   |      | 12,406                             | 5,254       |
| Purchases of property, plant and equipment  |      | (290,082)                          | (297,008)   |
| Amounts raised from sale of intangible assets   |      | -                                  | 17          |
| Purchases of intangible assets  |      | (13,180)                           | (2,402)     |
| Other cash inflows (outflows)   | 6    | (3,423)                            | 3,800       |
| Net cash flow from (used in) investing activities   |      | (203,370)                          | (172,755)   |
| Cash flows from (used in) financing activities  |      |                                    |             |
| Amounts raised from long-term loans   |      | 607,590                            | 129,299     |
| Amounts raised from short-term loans  |      | 120,000                            | 14,990      |
| Loans repayments  |      | (405,779)                          | (164,563)   |
| Payments of finance lease liabilities   |      | (90,268)                           | (76,312)    |
| Dividends paid  |      | (13,875)                           | (9,419)     |
| Interest paid   |      | (73,255)                           | (75,100)    |
| Other cash inflows (outflows)   | 6    | (82,859)                           | 41,311      |
| Net cash flows from (used in) financing activities  |      | 61,554                             | (139,794)   |
| Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change |      | (66,685)                           | 50,146      |
| Effects of variation in the exchange rate on cash and cash equivalents                      |      | 81,188                             | (80,382)    |
| Net increase (decrease) in cash and cash equivalents  |      | 14,503                             | (30,236)    |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD  | 6    | 753,497                            | 989,396     |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | 6    | 768,000                            | 959,160     |

The accompanying Notes 1 to 35 form an integral part of these interim consolidated financial statements.

## LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2016 (UNAUDITED)

#### NOTE 1 - GENERAL INFORMATION

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

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

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

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

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.

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 March 31, 2016, the Company had a total of 1,531 registered shareholders. At that date approximately 4.52 % 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 March 31, 2016, the Company had an average of 51,417 employees, ending this period with a total of 49,888 employees, spread over 9,139 Administrative employees, 5,906 in Maintenance, 16,616 in Operations, 9,293 in Cabin Crew, 4,025 in Controls Crew, and 4,909 in Sales.

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

a) Participation rate

| Tax No.      | Company   | Country<br>of origin | Functional<br>Currency | As March 31, 2016 |          |          | As December 31, 2015 |          |          |
|--------------|---|----------------------|------------------------|-------------------|----------|----------|----------------------|----------|----------|
|              |   |                      |                        | Direct            | Indirect | Total    | Direct               | Indirect | Total    |
|              |   |                      |                        | %                 | %        | %        | %                    | %        | %        |
| 96.518.860-6 | Lantours Division Servicios<br>Terrestres S.A. and Subsidiary | Chile                | US\$                   | 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 |
| 96.969.680-0 | Lan Pax Group S.A. and Subsidiaries                           | Chile                | US\$                   | 99.8361           | 0.1639   | 100.0000 | 99.8361              | 0.1639   | 100.0000 |
| Foreign      | Lan Perú S.A.   | Peru                 | US\$                   | 49.0000           | 21.0000  | 70.0000  | 49.0000              | 21.0000  | 70.0000  |
| Foreign      | Lan Chile Investments Limited and Subsidiary                  | Cayman Island        | US\$                   | 99.9900           | 0.0100   | 100.0000 | 99.9900              | 0.0100   | 100.0000 |
| 93.383.000-4 | Lan Cargo S.A.  | Chile                | US\$                   | 99.8939           | 0.0041   | 99.8980  | 99.8939              | 0.0041   | 99.8980  |
| Foreign      | Connecta Corporation  | U.S.A.               | US\$                   | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| Foreign      | Prime Airport Services Inc. and Subsidiary                    | U.S.A.               | US\$                   | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| 96.951.280-7 | Transporte Aéreo S.A.   | Chile                | US\$                   | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| Foreign      | Aircraft International Leasing Limited                        | U.S.A.               | US\$                   | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| 96.631.520-2 | Fast Air Almacenes de Carga S.A.                              | Chile                | CLP                    | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| Foreign      | Laser Cargo S.R.L.  | Argentina            | ARS                    | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| Foreign      | Lan Cargo Overseas Limited and Subsidiaries                   | Bahamas              | US\$                   | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| 96.969.690-8 | Lan Cargo Inversiones S.A. and Subsidiary                     | Chile                | US\$                   | 0.0000            | 100.0000 | 100.0000 | 0.0000               | 100.0000 | 100.0000 |
| 96.575.810-0 | Inversiones Lan S.A. and Subsidiaries                         | Chile                | US\$                   | 99.7100           | 0.2900   | 100.0000 | 99.7100              | 0.2900   | 100.0000 |
| 59.068.920-3 | Technical Training LATAM S.A.                                 | Chile                | CLP                    | 99.8300           | 0.1700   | 100.0000 | 99.8300              | 0.1700   | 100.0000 |
| Foreign      | TAM S.A. and Subsidiaries (*)                                 | Brazil               | BRL                    | 63.0901           | 36.9099  | 100.0000 | 63.0901              | 36.9099  | 100.0000 |

(\*) As of March 31, 2016, indirect ownership participation on TAM S.A and subsidiaries is from Holdco I S.A., LATAM is entitled to 99,9983% of the economic rights in TAM. Additionally LATAM Airlines owns 226 voting shares, equivalent as of 19,42% of total of voting shares. Additionally on March 29, 2016, LATAM Airlines Group S.A. has changed 675 series B shares by 675 series A shares, according to the provisional measure No. 714 of the Brazilian government.

Thus LATAM Airlines Group S.A. is owns 901 shares with voting rights of Holdco I S.A., equivalent to 49% of total shares with voting rights of that company.

## b) Statement of financial position

|              |   | Statement of financial position |             |           |                         |             |           | Net Income                            |          |
|--------------|---|---------------------------------|-------------|-----------|-------------------------|-------------|-----------|---------------------------------------|----------|
|              |   | As of March 31, 2015            |             |           | As of December 31, 2015 |             |           | For the periods ended<br>December 31, |          |
| Tax No.      | Company   | Assets                          | Liabilities | Equity    | Assets                  | Liabilities | Equity    | 2016                                  | 2015     |
|              |   | ThUS\$                          | ThUS\$      | ThUS\$    | ThUS\$                  | ThUS\$      | ThUS\$    | ThUS\$                                | ThUS\$   |
| 96.518.860-6 | Lantours División Servicios<br>Terrestres S.A. and Subsidiary | 3,244                           | 2,242       | 1,002     | 5,613                   | 5,522       | 91        | 911                                   | 737      |
| 96.763.900-1 | Inmobiliaria Aeronáutica S.A.                                 | 39,112                          | 14,292      | 24,820    | 39,302                  | 14,832      | 24,470    | 350                                   | 798      |
| 96.969.680-0 | Lan Pax Group S.A. and Subsidiaries (*)                       | 451,259                         | 963,377     | (503,987) | 519,588                 | 1,049,232   | (521,907) | 14,613                                | 9,677    |
| Foreign      | Lan Perú S.A.   | 286,827                         | 260,349     | 26,478    | 255,691                 | 240,938     | 14,753    | 13,117                                | 15,058   |
| Foreign      | Lan Chile Investments Limited<br>and Subsidiary (*)           | 2,015                           | 13          | 2,002     | 2,015                   | 13          | 2,002     | -                                     | -        |
| 93.383.000-4 | Lan Cargo S.A.  | 464,454                         | 211,489     | 252,965   | 483,033                 | 217,037     | 265,966   | (13,053)                              | (12,563) |
| Foreign      | Connecta Corporation  | 34,408                          | 33,606      | 802       | 37,070                  | 38,298      | (1,228)   | 2,030                                 | 1,345    |
| Foreign      | Prime Airport Services Inc. and Subsidiary                    | 7,222                           | 11,991      | (4,769)   | 6,683                   | 11,180      | (4,497)   | (272)                                 | 129      |
| 96.951.280-7 | Transporte Aéreo S.A.   | 332,592                         | 116,287     | 216,305   | 331,117                 | 122,666     | 208,451   | 7,779                                 | (1,129)  |
| Foreign      | Aircraft International Leasing Limited                        | -                               | 4           | (4)       | -                       | 4           | (4)       | -                                     | (4)      |
| 96.631.520-2 | Fast Air Almacenes de Carga S.A.                              | 8,616                           | 3,648       | 4,968     | 8,985                   | 4,641       | 4,344     | 314                                   | 458      |
| Foreign      | Laser Cargo S.R.L.  | 23                              | 58          | (35)      | 27                      | 39          | (12)      | -                                     | (71)     |
| Foreign      | Lan Cargo Overseas Limited<br>and Subsidiaries (*)            | 66,777                          | 43,578      | 19,593    | 62,406                  | 43,759      | 15,563    | 4,032                                 | 7,060    |
| 96.969.690-8 | Lan Cargo Inversiones S.A. and Subsidiary                     | 52,396                          | 62,828      | (9,526)   | 54,179                  | 68,220      | (12,601)  | 3,069                                 | 8,765    |
| 96.575.810-0 | Inversiones Lan S.A. and Subsidiaries (*)                     | 18,268                          | 15,188      | 3,047     | 16,512                  | 14,676      | 1,828     | 1,202                                 | 874      |
| 59.068.920-3 | Technical Training LATAM S.A.                                 | 1,662                           | 143         | 1,519     | 1,527                   | 266         | 1,261     | 180                                   | (213)    |
| Foreign      | TAM S.A. and Subsidiaries (*) (**)                            | 4,892,799                       | 4,342,867   | 475,545   | 4,711,316               | 4,199,223   | 437,953   | 20,620                                | (14,978) |

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

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, 2015 and March 31, 2016, are detailed below:

## (1) Incorporation or acquisition of companies

- On March 2016, Inversiones LAN S.A., subsidiary of LATAM Airlines Group S.A., acquired 1,119 shares of Aerovías de Integración Regional Aires S.A. a non-controlling shareholder, equivalent to 0.0215%, consequently, the indirect participation of LATAM Airlines Group S.A. increases to 99.12066%

- On January 2016 it was registered at the Public Registry of Commerce, the Increase in Share Capital and statutory modification for the purpose of creating a new class of shares of Lan Argentina S.A., subsidiary of Lan Pax Group S.A., for a total of 90,000,000 Class "C" shares registered non-endorsable and non-voting. Lan Pax Group S.A. participated in this capital increase, changing its ownership to 4.87%, consequently, the indirect participation of LATAM Airlines Group S.A. increases to 95.85660%
- On October 2015, Rampas Airport Services S.A., subsidiary of Lan Pax Group S.A. increases its capital and paid in the amount of MUS \$ 6,000 by issuing new shares, changing the property of the company as follows: Lan Pax Group S.A. increased its share to 99.99738%, Inversiones Lan S.A. decreased its stake to 0.00002% and Aerolane Líneas Aéreas Nacionales del Ecuador S.A. acquires stake for 0.0026%.

## (2) Dissolution of companies

- In July 2015, the Company Ladeco Cargo 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 interim consolidated financial statements of LATAM Airlines Group S.A. for the period ended March 31, 2016, 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).

As October 17, 2014 the Chilean Superintendency of Securities and Insurance (SVS) issued Office Circular No. 956, introduced the restatement of assets and liabilities by deferred income taxes that occur as a direct effect of the First- Category Tax rate increase introduced by Law No. 20,780 (Tax reform) was held in equity and not as indicates the International Accounting Standards 12 (AS 12), and changed the framework for preparation and presentation of financial information adopted as of that date.

As referred on paragraph 4A of IFRS 1, The Company has decided apply IFRS retrospective, according to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", as if it had never stopped applying those IFRS.

Whereas detailed in the previous paragraph does not modify any of the accounts set forth in the Statements of Financial Position as of March 31, 2016 and 2015, as neither as of December 31, 2015 and 2014, as expressed in paragraph 40A IAS 1 "Presentation of Financial Statements", incorporate adjusted opening balance as January 1, 2015 is not necessary (third column).

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

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

In order to facilitate 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, 2016:

|   | Date of issue  | Mandatory Application:<br>Annual periods beginning on or after |
|---|----------------|--|
| (i) Standards and amendments  |                |  |
| Amendment to IFRS 11: Joint arrangements.   | May 2014       | 01/01/2016   |
| 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   |
| 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   |
| (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 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, 2016 and which has not been effected early adoption

| (i) Standards and amendments   | Date of issue  | Mandatory Application:<br>Annual periods beginning on or after |
|--|----------------|--|
| Amendment to IAS 7: Statement of Cash Flows.   | January 2016   | 01/01/2017   |
| Amendment to IAS 12: Income Taxes.   | January 2016   | 01/01/2017   |
| IFRS 9: Financial instruments.   | December 2009  | 01/01/2018   |
| IFRS 15: Revenue from contracts with customers (1).  | May 2014       | 01/01/2018   |
| Amendment to IFRS 9: Financial instruments.  | November 2013  | 01/01/2018   |
| IFRS 16: Leases (2).   | January 2016   | 01/01/2019   |
| Amendment to IFRS 10: Consolidated financial statements and IAS 28 Investments in associates and joint ventures. | September 2014 | To be determined   |

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 and IFRS 16, which are still under evaluation.

- (1) IFRS 15 Revenue from Contracts with Customers supersedes actual standard for revenue recognition that actually uses the Company, as IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standards supersedes IFRS 15 supersedes, IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue - Barter Transactions Involving Advertising Services.
- (2) 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 these 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.

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

To account for and identify the financial information 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 or each time that there is evidence of impairment. Gains and losses on the sale of an entity include the book amount of the goodwill related to the entity sold.

## 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 (“WTP”) 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 March 31, 2016, the Company recognized losses of US\$ 28.8 million on fuel derivative. During the same period of 2015, the Company recognized losses of US\$ 104.7 million for the same reason.

At March 31, 2016, the market value of its fuel positions amounted to US\$ 21.3 million (negative). At December 31, 2015, this market value was US\$ 56.4 million (negative).

The following tables show the level of hedge for different periods:

| Positions as of March 31, 2016 (*) (Unaudited)        | Maturities |      |      |       |
|---|------------|------|------|-------|
|   | Q216       | Q316 | Q416 | Total |
| Percentage of the hedge of expected consumption value | 57%        | 27%  | 11%  | 31%   |

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

| 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).

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.

The calculations were made considering a parallel movement of US\$ 5 per barrel in the curve of the BRENT and JET crude futures benchmark price at the end of March, 2016 and the end of December, 2015.

| Benchmark price<br>(US\$ per barrel) | Positions as of March 31, 2016<br>effect on equity<br>(millions of US\$) | Positions as of December 31, 2015<br>effect on equity<br>(millions of US\$) |
|--------------------------------------|--|---|
|                                      | (Unaudited)  |   |
| +5                                   | +4.93  | +5.41   |
| -5                                   | - 6.23   | -2.78   |

Given the fuel hedge structure during the first quarter of 2016, which considers a hedge-free portion, a vertical fall by 5 dollars in the JET benchmark price (the monthly daily average), would have meant an impact of approximately US\$ 25.2 million in the cost of total fuel consumption for the same period. For the first quarter of 2016, a vertical rise by 5 dollars in the JET benchmark price (the monthly daily average) would have meant an impact of approximately US\$ 30.7 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), Pound Sterling (GBP), Australian Dollar (AUD), Colombian Peso (COP) and Chilean Peso (CLP).

In lower concentrations the Company is therefore exposed to fluctuations in others currencies, such as: Argentine Peso, Paraguayan Guaraní, Mexican Peso, Peruvian Sol and New Zealand Dollar.

Mitigation:

The Company mitigates currency risk exposures by contracting derivative instruments or through natural hedges or execution of internal operations.

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 March 31, 2016, the market value of its FX positions amounted to US\$ 18.6 million (negative). At end of December 2015 the market value was of US\$ 8.0 million (positive).

During the period ended at March 31, 2016 the Company recognized gains of US\$ 1.1 million on hedging FX. During the same period of 2015 the Company recognized gains of US\$ 7.5 million on hedging FX.

At end of March 2016, the Company has contracted FX derivatives for US\$ 326 million to BRL, US\$ 159 million to EUR, US\$ 60 million to GBP, US\$ 21 million to AUD, US\$ 51 million to COP and US\$ 45 million to CLP. At end of December 2015, the Company had contracted FX for US\$ 270 million to BRL, US\$ 30 million to EUR and US\$ 15 million to GBP. For AUD, COP and CLP there were no current positions.

Sensitivity analysis:

A depreciation of exchange rate R\$/ US\$, US\$/EUR, US\$/GBP, US\$/AUD, COP\$/US\$ and CLP\$/US\$ 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 last quarter of 2016:

| Appreciation (depreciation)*<br>of R\$/EUR/GBP/AUD/CLP/COP | Effect at March 31, 2016<br>Millions of US\$ | Effect at December 31, 2015<br>Millions of US\$ |
|--|--|---|
|  | (Unaudited)                                  |   |
| -10%   | -24.33                                       | -21.28  |
| +10%   | +25.51                                       | +16.71  |

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)*<br>of R\$/US\$ | Effect at March 31, 2016<br>Millions of US\$ | Effect at December 31, 2015<br>Millions of US\$ |
|---|--|---|
|   | (Unaudited)                                  |   |
| -10%  | +113.2                                       | +67.6   |
| +10%  | -113.2                                       | -67.6   |

(\*) Appreciation (depreciation) of US\$ regard to the covered currencies.

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

The profit or losses caused by changes in the fair value of hedging instruments are segregated between intrinsic value and temporary value. The intrinsic value is the actual percentage of cash flow covered, initially shown in equity and later transferred to income, while the hedge transaction is recorded in income. The temporary value corresponds to the ineffective portion of cash flow hedge which is recognized in the financial results of the Company (Note 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)<br>of R\$/US\$ | Effect at March 31, 2016<br>Millions of US\$ | Effect at December 31, 2015<br>Millions of US\$ |
|--|--|---|
|  | (Unaudited)                                  |   |
| -10%                                       | +323.89                                      | +296.41   |
| +10%                                       | -265.00                                      | -242.52   |

(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% (71% at December 31, 2015) of the debt is fixed to fluctuations in interest rate.

Rate Hedging Results:

At March 31, 2016, the market value of the positions of interest rate derivatives amounted to US\$ 34.5 million (negative). At end of December 2015 this market value was US\$ 39.8 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)<br>futures curve<br>in libor 3 months | Positions as of March 31, 2016<br>effect on profit or loss before tax<br>(millions of US\$) | Positions as of December 31, 2015<br>effect on profit or loss before tax<br>(millions of US\$) |
|---|---|--|
|   | (Unaudited)   |  |
| +100 basis points   | -26.7   | -26.7  |
| -100 basis points   | +26.7   | +26.7  |

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)<br>futures curve<br>in libor 3 months | Positions as of March 31, 2016<br>effect on equity<br>(millions of US\$) | Positions as of December 31, 2015<br>effect on equity<br>(millions of US\$) |
|---|--|---|
|   | (Unaudited)  |   |
| +100 basis points   | +7.28  | +8.71   |
| -100 basis points   | -7.54  | -9.02   |

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 March 31, 2016 is US\$1,340 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 March 31, 2016, LATAM has working capital credit lines with multiple banks.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of March 31, 2016 (Unaudited)  
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

| Tax No.                             | Creditor                 | Creditor country | Currency | Up to          | More than           | More than          | More than           | More than        | Total            | Nominal value    | Amortization  | Effective rate | Nominal rate |
|-------------------------------------|--------------------------|------------------|----------|----------------|---------------------|--------------------|---------------------|------------------|------------------|------------------|---------------|----------------|--------------|
|                                     |                          |                  |          | 90 days        | 90 days to one year | one to three years | three to five years | five years       |                  |                  |               |                |              |
| <b>Loans to exporters</b>           |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 97.032.000-8                        | BBVA                     | Chile            | US\$     | 100,336        | -                   | -                  | -                   | -                | 100,336          | 100,000          | At Expiration | 1.33           | 1.33         |
| 97.036.000-K                        | SANTANDER                | Chile            | US\$     | 100,440        | -                   | -                  | -                   | -                | 100,440          | 100,000          | At Expiration | 1.80           | 1.80         |
| 97.030.000-7                        | ESTADO                   | Chile            | US\$     | 58,061         | -                   | -                  | -                   | -                | 58,061           | 57,357           | At Expiration | 4.91           | 4.91         |
| 97.004.000-5                        | BANCO DE CHILE           | Chile            | US\$     | 50,060         | -                   | -                  | -                   | -                | 50,060           | 50,000           | At Expiration | 1.44           | 1.44         |
| 97.003.000-K                        | BANCO DOBRAS IL          | Chile            | US\$     | -              | 71,969              | -                  | -                   | -                | 71,969           | 70,000           | At Expiration | 2.82           | 2.82         |
| 97.951.000-4                        | HS BC                    | Chile            | US\$     | 12,023         | -                   | -                  | -                   | -                | 12,023           | 12,000           | At Expiration | 0.75           | 0.75         |
| <b>Bank loans</b>                   |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 97.023.000-9                        | CORP BANCA               | Chile            | UF       | 20,997         | 61,752              | 105,115            | 32,782              | -                | 220,646          | 206,647          | Quarterly     | 4.16           | 4.16         |
| 0-E                                 | BLADEX                   | U.S.A.           | US\$     | 3,632          | 6,070               | 30,526             | 15,514              | -                | 55,742           | 50,000           | Semiannual    | 4.58           | 4.58         |
| 0-E                                 | DVB BANK SE              | U.S.A.           | US\$     | 265            | 370                 | 95,949             | -                   | -                | 96,584           | 95,784           | Quarterly     | 1.69           | 1.69         |
| 97.036.000-K                        | SANTANDER                | Chile            | US\$     | 675            | -                   | 179,835            | -                   | -                | 180,510          | 179,835          | Quarterly     | 2.53           | 2.53         |
| <b>Obligations with the public</b>  |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 0-E                                 | BANK OF NEW YORK         | U.S.A.           | US\$     | 18,125         | 18,125              | 72,500             | 554,375             | -                | 663,125          | 500,000          | At Expiration | 7.77           | 7.25         |
| <b>Guaranteed obligations</b>       |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 0-E                                 | CREDIT AGRICOLE          | France           | US\$     | 35,603         | 97,607              | 231,868            | 51,085              | 9,137            | 425,300          | 409,578          | Quarterly     | 1.93           | 1.77         |
| 0-E                                 | BNP PARIBAS              | U.S.A.           | US\$     | 10,183         | 30,799              | 84,012             | 84,532              | 139,354          | 348,880          | 311,234          | Quarterly     | 2.45           | 2.41         |
| 0-E                                 | WELLS FARGO              | U.S.A.           | US\$     | 35,762         | 107,373             | 286,823            | 287,569             | 518,938          | 1,236,465        | 1,149,856        | Quarterly     | 2.25           | 1.64         |
| 0-E                                 | WILMINGTON TRUST COMPANY | U.S.A.           | US\$     | 29,018         | 78,207              | 192,034            | 189,791             | 746,129          | 1,235,179        | 948,685          | Quarterly     | 4.25           | 4.25         |
| 0-E                                 | CITIBANK                 | U.S.A.           | US\$     | 19,823         | 59,737              | 161,174            | 164,022             | 246,121          | 650,877          | 599,960          | Quarterly     | 2.49           | 1.74         |
| 97.036.000-K                        | SANTANDER                | Chile            | US\$     | 5,716          | 17,233              | 46,491             | 47,310              | 44,344           | 161,094          | 154,436          | Quarterly     | 1.57           | 1.03         |
| 0-E                                 | BTMU                     | U.S.A.           | US\$     | 3,073          | 9,272               | 25,075             | 25,609              | 36,900           | 99,929           | 94,241           | Quarterly     | 1.92           | 1.32         |
| 0-E                                 | APPLE BANK               | U.S.A.           | US\$     | 1,511          | 4,559               | 12,349             | 12,630              | 18,609           | 49,658           | 46,810           | Quarterly     | 2.02           | 1.42         |
| 0-E                                 | US BANK                  | U.S.A.           | US\$     | 18,629         | 55,758              | 147,837            | 146,546             | 285,357          | 654,127          | 576,555          | Quarterly     | 3.99           | 2.81         |
| 0-E                                 | DEUTSCHE BANK            | U.S.A.           | US\$     | 6,053          | 18,184              | 37,613             | 31,241              | 59,742           | 152,833          | 131,930          | Quarterly     | 3.62           | 3.62         |
| 0-E                                 | NATIXIS                  | France           | US\$     | 14,188         | 42,992              | 117,343            | 99,815              | 239,472          | 513,810          | 457,979          | Quarterly     | 2.22           | 2.19         |
| 0-E                                 | HS BC                    | U.S.A.           | US\$     | 1,632          | 4,912               | 13,190             | 13,322              | 23,655           | 56,711           | 52,211           | Quarterly     | 2.58           | 1.77         |
| 0-E                                 | PK Air Finance           | U.S.A.           | US\$     | 2,201          | 6,738               | 19,153             | 21,068              | 15,358           | 64,518           | 60,633           | Monthly       | 2.14           | 2.14         |
| 0-E                                 | KFW IPEX-BANK            | Germany          | US\$     | 2,448          | 7,438               | 19,430             | 14,909              | 1,113            | 45,338           | 42,883           | Quarterly     | 2.27           | 2.27         |
| <b>Other guaranteed obligations</b> |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 0-E                                 | CITIBANK                 | U.S.A.           | US\$     | 2,151          | 6,453               | 292,207            | -                   | -                | 300,811          | 275,000          | At Expiration | 3.13           | 3.13         |
| 0-E                                 | DVB Bank SE              | U.S.A.           | US\$     | 8,247          | 16,486              | -                  | -                   | -                | 24,733           | 24,438           | Quarterly     | 2.32           | 2.32         |
| <b>Financial leases</b>             |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 0-E                                 | ING                      | U.S.A.           | US\$     | 9,240          | 22,714              | 39,663             | 24,209              | -                | 95,826           | 86,890           | Quarterly     | 5.26           | 4.68         |
| 0-E                                 | CREDIT AGRICOLE          | France           | US\$     | 1,738          | 5,305               | 5,447              | -                   | -                | 12,490           | 12,289           | Quarterly     | 1.59           | 1.59         |
| 0-E                                 | CITIBANK                 | U.S.A.           | US\$     | 6,083          | 18,250              | 48,667             | 32,513              | -                | 105,513          | 92,696           | Quarterly     | 6.40           | 5.67         |
| 0-E                                 | PEFCO                    | U.S.A.           | US\$     | 17,560         | 52,672              | 104,147            | 17,440              | -                | 191,819          | 177,669          | Quarterly     | 5.37           | 4.77         |
| 0-E                                 | BNP PARIBAS              | U.S.A.           | US\$     | 11,443         | 34,484              | 80,053             | 26,674              | -                | 152,654          | 143,150          | Quarterly     | 4.14           | 3.70         |
| 0-E                                 | WELLS FARGO              | U.S.A.           | US\$     | 5,590          | 16,770              | 44,649             | 44,551              | 18,560           | 130,120          | 117,109          | Quarterly     | 3.98           | 3.54         |
| 0-E                                 | DVB BANK SE              | U.S.A.           | US\$     | 4,759          | 14,283              | 9,528              | -                   | -                | 28,570           | 28,000           | Quarterly     | 2.09           | 2.09         |
| 0-E                                 | BANC OF AMERICA          | U.S.A.           | US\$     | 1,752          | 363                 | -                  | -                   | -                | 2,115            | 2,096            | Monthly       | 1.41           | 1.41         |
| <b>Other loans</b>                  |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 0-E                                 | BOEING                   | U.S.A.           | US\$     | 336            | -                   | 75,993             | -                   | -                | 76,329           | 75,993           | At Expiration | 1.79           | 1.79         |
| 0-E                                 | CITIBANK (*)             | U.S.A.           | US\$     | 25,620         | 78,032              | 207,093            | 181,044             | -                | 491,789          | 430,639          | Quarterly     | 6.00           | 6.00         |
| <b>Hedging derivatives</b>          |                          |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| -                                   | OTROS                    | -                | US\$     | 9,891          | 24,126              | 25,829             | 1,084               | -                | 60,930           | 56,804           | -             | -              | -            |
| <b>Total</b>                        |                          |                  |          | <b>654,864</b> | <b>989,033</b>      | <b>2,811,593</b>   | <b>2,119,635</b>    | <b>2,402,789</b> | <b>8,977,914</b> | <b>7,981,387</b> |               |                |              |

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

Class of liability for the analysis of liquidity risk ordered by date of maturity as of March 31, 2015 (Unaudited)

Debtor: TAMS .A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

| Tax No.                    | Creditor   | Creditor country | Currency | Upto    | More than           | More than          | More than           | More than  | Total     | Nominal   | Amortization         | Effective | Nominal |   |
|----------------------------|--|------------------|----------|---------|---------------------|--------------------|---------------------|------------|-----------|-----------|----------------------|-----------|---------|---|
|                            |  |                  |          | 90 days | 90 days to one year | one to three years | three to five years | five years |           | value     |                      | rate      | rate    |   |
|                            |  |                  |          | ThUS \$ | ThUS \$             | ThUS \$            | ThUS \$             | ThUS \$    | ThUS \$   | ThUS \$   |                      |           | %       | % |
| Bank loans                 |  |                  |          |         |                     |                    |                     |            |           |           |                      |           |         |   |
| 0-E                        | NEDERLANDS CHE<br>CREDIETVERZEKERINGMAATSCHAPPIJ | Holanda          | US \$    | 181     | 493                 | 1,315              | 1,314               | 547        | 3,850     | 3,237     | Monthly              | 6.01      | 6.01    |   |
| Obligation with the public |  |                  |          |         |                     |                    |                     |            |           |           |                      |           |         |   |
| 0-E                        | BANK OF NEW YORK                                 | U.S.A.           | US \$    | 32,951  | 34,853              | 401,075            | 89,878              | 521,959    | 1,080,716 | 800,000   | At Expiration        | 8.17      | 8.00    |   |
| Financial leases           |  |                  |          |         |                     |                    |                     |            |           |           |                      |           |         |   |
| 0-E                        | AFS INVESTMENT I LLC                             | U.S.A.           | US \$    | 2,761   | 7,699               | 20,525             | 16,242              | -          | 47,227    | 41,533    | Monthly              | 1.25      | 1.25    |   |
| 0-E                        | AIRBUS FINANCIAL                                 | U.S.A.           | US \$    | 2,003   | 5,844               | 15,792             | 13,740              | -          | 37,379    | 35,503    | Monthly              | 1.43      | 1.43    |   |
| 0-E                        | DVB BANK S E                                     | U.S.A.           | US \$    | 122     | 360                 | 164                | -                   | -          | 646       | 637       | Monthly              | 1.64      | 1.64    |   |
| 0-E                        | GENERAL ELECTRIC CAPITAL<br>CORPORATION          | U.S.A.           | US \$    | 3,840   | 11,469              | 5,221              | -                   | -          | 20,530    | 20,107    | Monthly              | 1.25      | 1.25    |   |
| 0-E                        | KFW IP EX-BANK                                   | Alemania         | US \$    | 606     | 1,775               | 1,552              | -                   | -          | 3,933     | 3,859     | Monthly/Quarterly    | 1.72      | 1.72    |   |
| 0-E                        | NATIXIS  | Francia          | US \$    | 2,691   | 9,027               | 22,776             | 23,154              | 67,228     | 124,876   | 112,516   | Quarterly/Semiannual | 3.85      | 3.85    |   |
| 0-E                        | P K AIR FINANCE US, INC.                         | U.S.A.           | US \$    | 1,437   | 20,592              | -                  | -                   | -          | 22,029    | 21,769    | Monthly              | 1.75      | 1.75    |   |
| 0-E                        | WACAP OULEASINGS A.                              | Luxemburg        | US \$    | 505     | 1,352               | 3,111              | 14,216              | -          | 19,184    | 17,986    | Quarterly            | 2.00      | 2.00    |   |
| 0-E                        | SOCIÉTÉ GÉNÉRALE MILAN BRANCH                    | Italy            | US \$    | 11,973  | 31,909              | 85,799             | 203,865             | -          | 333,546   | 304,338   | Quarterly            | 3.63      | 3.55    |   |
| 0-E                        | BANCO IBMS A                                     | Brazil           | BRL      | 301     | 954                 | 1,023              | -                   | -          | 2,278     | 1,658     | Monthly              | 14.14     | 14.14   |   |
| 0-E                        | HP FINANCIAL SERVICE                             | Brazil           | BRL      | 206     | 618                 | -                  | -                   | -          | 824       | 783       | Monthly              | 10.02     | 10.02   |   |
| 0-E                        | SOCIÉTÉ GÉNÉRALE                                 | Francia          | BRL      | 117     | 372                 | 559                | -                   | -          | 1,048     | 757       | Monthly              | 14.14     | 14.14   |   |
| Total                      |  |                  |          | 59,694  | 127,317             | 558,912            | 362,409             | 589,734    | 1,698,066 | 1,364,683 |                      |           |         |   |

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     | More than           | More than          | More than           | More than  | Total      | Nominal    | Amortization | Effective | Nominal |
|---|--|------------------|-------------------|-----------|---------------------|--------------------|---------------------|------------|------------|------------|--------------|-----------|---------|
|   |  |                  |                   | 90 days   | 90 days to one year | one to three years | three to five years | five years |            | value      |              | rate      | rate    |
|   |  |                  |                   | ThUS\$    | ThUS\$              | ThUS\$             | ThUS\$              | ThUS\$     | ThUS\$     | ThUS\$     |              | %         | %       |
| Trade and other accounts payables           |  |                  |                   |           |                     |                    |                     |            |            |            |              |           |         |
| -   | OTHERS                                 | VARIOS           | US\$              | 389,224   | 9,304               | -                  | -                   | -          | 398,528    | 398,528    | -            | -         | -       |
|   |  |                  | CLP               | 27,234    | 52                  | -                  | -                   | -          | 27,286     | 27,286     | -            | -         | -       |
|   |  |                  | BRL               | 276,161   | 4                   | -                  | -                   | -          | 276,165    | 276,165    | -            | -         | -       |
|   |  |                  | Others currencies | 276,071   | 965                 | -                  | -                   | -          | 277,036    | 277,036    | -            | -         | -       |
| Accounts payable to related parties current |  |                  |                   |           |                     |                    |                     |            |            |            |              |           |         |
| 65.216.000-K                                | COMUNIDAD MUJER                        | Chile            | CLP               | 8         | -                   | -                  | -                   | -          | 8          | 8          | -            | -         | -       |
| 78.591.370-1                                | BETHIA S.A. Y FILIALES                 | Chile            | CLP               | 3         | -                   | -                  | -                   | -          | 3          | 3          | -            | -         | -       |
| 79.773.440-3                                | Transportes San Felipe S.A.            | Chile            | CLP               | 56        | -                   | -                  | -                   | -          | 56         | 56         | -            | -         | -       |
| 78.997.060-2                                | Viajes Falabella Ltda.                 | Chile            | CLP               | 353       | -                   | -                  | -                   | -          | 353        | 353        | -            | -         | -       |
| 0-E   | Consultoría Administrativa Profesional | Mexico           | MXN               | 53        | -                   | -                  | -                   | -          | 53         | 53         | -            | -         | -       |
| 0-E   | INVERSORA AERONÁUTICA ARGENTINA        | Argentina        | US\$              | -         | -                   | -                  | -                   | -          | -          | -          | -            | -         | -       |
|   | Total                                  |                  |                   | 969,163   | 10,325              | -                  | -                   | -          | 979,488    | 979,488    |              |           |         |
|   | Total consolidated                     |                  |                   | 1,683,721 | 1,126,675           | 3,370,505          | 2,482,044           | 2,992,523  | 11,655,468 | 10,325,558 |              |           |         |

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          | More than           | More than          | More than           | More than        | Total            | Nominal value    | Amortization  | Effective rate | Nominal rate |
|-------------------------------------|------------------|------------------|----------|----------------|---------------------|--------------------|---------------------|------------------|------------------|------------------|---------------|----------------|--------------|
|                                     |                  |                  |          | 90 days        | 90 days to one year | one to three years | three to five years | five years       |                  |                  |               |                |              |
| <b>Loans to exporters</b>           |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 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         |
| <b>Bank loans</b>                   |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 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              | -                | 50,000           | 50,000           | Semiannual    | 4.58           | 4.58         |
| 0-E                                 | DVB BANKSE       | 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         |
| <b>Obligations with the public</b>  |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 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         |
| <b>Guaranteed obligations</b>       |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 0-E                                 | CREDIT AGRICOLE  | Francia          | US\$     | 3,183          | 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                                 | NATXIS           | 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         |
| <b>Other guaranteed obligations</b> |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 0-E                                 | DVB BANKSE       | U.S.A.           | US\$     | 8,225          | 24,695              | -                  | -                   | -                | 32,920           | 32,492           | Quarterly     | 2.32           | 2.32         |
| <b>Financial leases</b>             |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 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             | 3,1782              | -                | 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 BANKSE       | 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         |
| <b>Other loans</b>                  |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| 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         |
| <b>Hedging derivatives</b>          |                  |                  |          |                |                     |                    |                     |                  |                  |                  |               |                |              |
| -                                   | OTROS            | -                | US\$     | 12,232         | 33,061              | 40,986             | 3,688               | 16               | 89,983           | 85,653           | -             | -              | -            |
| <b>Total</b>                        |                  |                  |          | <b>668,745</b> | <b>927,748</b>      | <b>2,648,962</b>   | <b>2,104,751</b>    | <b>2,316,782</b> | <b>8,666,988</b> | <b>7,770,678</b> |               |                |              |

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

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2015  
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

| Tax No.                    | Creditor                                      | Creditor country | Currency | Up to   | More than           | More than          | More than           | More than  | Total     | Nominal   | Amortization         | Effective | Nominal |
|----------------------------|---|------------------|----------|---------|---------------------|--------------------|---------------------|------------|-----------|-----------|----------------------|-----------|---------|
|                            |   |                  |          | 90 days | 90 days to one year | one to three years | three to five years | five years |           | value     |                      | rate      | rate    |
|                            |   |                  |          | ThUS\$  | ThUS\$              | ThUS\$             | ThUS\$              | ThUS\$     | ThUS\$    | ThUS\$    |                      | %         | %       |
| Bank loans                 |   |                  |          |         |                     |                    |                     |            |           |           |                      |           |         |
| 0-E                        | NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ | Holland          | US\$     | 181     | 493                 | 1,315              | 1,314               | 712        | 4,015     | 3,353     | Monthly              | 6.01      | 6.01    |
| Obligation with the public |   |                  |          |         |                     |                    |                     |            |           |           |                      |           |         |
| 0-E                        | 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                        | GENERALELECTRIC 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 |                      |           |         |



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<br>ThUS\$ | More than 90 days to one year<br>ThUS\$ | More than one to three years<br>ThUS\$ | More than three to five years<br>ThUS\$ | More than five years<br>ThUS\$ | Total<br>ThUS\$ | Nominal value<br>ThUS\$ | Amortization | Effective rate % | Nominal rate % |
|--|--|------------------|-------------------|-------------------------|---|--|---|--------------------------------|-----------------|-------------------------|--------------|------------------|----------------|
| 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  | Consultoría 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              |              |                  |                |

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 2015, the Company provided US\$ 49.6 million in derivative margin guarantees, for cash and stand-by letters of credit. At March 31, 2016, the Company had provided US\$ 52.6 million in guarantees for Cash and cash equivalent and stand-by letters of credit. The rise 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 March 31, 2016 the Company has an international long term credit rating of BB- with negative outlook by Standard & Poor's, a B+ rating with negative outlook by Fitch Ratings and a Ba2 rating with stable outlook by Moody's.

### 3.3. Estimates of fair value.

At March 31, 2016, the Company maintained financial instruments that should be recorded at fair value. These are grouped into two categories:

#### 1. Hedge Instruments:

This category includes the following instruments:

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

2. Financial Investments:

This category includes the following instruments:

- Investments in short-term Mutual Funds (cash equivalent),
- Private investment funds.

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

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

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

|   | As of March 31, 2016                               |         |          |           | As of December 31, 2015                            |         |          |           |
|---|--|---------|----------|-----------|--|---------|----------|-----------|
|   | Fair value measurements using values considered as |         |          |           | Fair value measurements using values considered as |         |          |           |
|   | Fair value   | Level I | Level II | Level III | Fair value   | Level I | Level II | Level III |
|   | ThUS\$   | ThUS\$  | ThUS\$   | ThUS\$    | ThUS\$   | ThUS\$  | ThUS\$   | ThUS\$    |
|   | Unaudited  |         |          |           |  |         |          |           |
| <b>Assets</b>   |  |         |          |           |  |         |          |           |
| Cash and cash equivalents   | 30,373   | 30,373  | -        | -         | 26,600   | 26,600  | -        | -         |
| Short-term mutual funds   | 30,373   | 30,373  | -        | -         | 26,600   | 26,600  | -        | -         |
| Other financial assets, current                                     | 576,128  | 572,249 | 3,879    | -         | 624,200  | 607,622 | 16,578   | -         |
| Fair value of fuel derivatives                                      | 2,760  | -       | 2,760    | -         | 6,293  | -       | 6,293    | -         |
| Fair value of foreign currency derivatives                          | 956  | -       | 956      | -         | 9,888  | -       | 9,888    | -         |
| Interest accrued since the last payment date of Cross Currency Swap | 163  | -       | 163      | -         | 397  | -       | 397      | -         |
| Private investment funds  | 493,983  | 493,983 | -        | -         | 448,810  | 448,810 | -        | -         |
| Certificate of deposit CDB  | -  | -       | -        | -         | -  | -       | -        | -         |
| Domestic and foreign bonds  | 78,266   | 78,266  | -        | -         | 158,812  | 158,812 | -        | -         |
| Other investments   | -  | -       | -        | -         | -  | -       | -        | -         |
| <b>Liabilities</b>  |  |         |          |           |  |         |          |           |
| Other financial liabilities, current                                | 87,567   | -       | 87,567   | -         | 134,089  | -       | 134,089  | -         |
| Fair value of interest rate derivatives                             | 21,382   | -       | 21,382   | -         | 33,518   | -       | 33,518   | -         |
| Fair value of fuel derivatives                                      | 40,879   | -       | 40,879   | -         | 39,818   | -       | 39,818   | -         |
| Fair value of foreign currency derivatives                          | 21,343   | -       | 21,343   | -         | 56,424   | -       | 56,424   | -         |
| Interest accrued since the last payment date of Currency Swap       | 3,963  | -       | 3,963    | -         | 4,329  | -       | 4,329    | -         |
| Interest rate derivatives not recognized as a hedge                 | -  | -       | -        | -         | -  | -       | -        | -         |
| Other financial liabilities, non current                            | 14,070   | -       | 14,070   | -         | 16,128   | -       | 16,128   | -         |
| Fair value of interest rate derivatives                             | 14,070   | -       | 14,070   | -         | 16,128   | -       | 16,128   | -         |

Additionally, at March 31, 2016, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values, the Company has valued these instruments as shown in the table below:

|  | As of March 31, 2016 |            | As of December 31, 2015 |            |
|--|----------------------|------------|-------------------------|------------|
|  | Book value           | Fair value | Book value              | Fair value |
|  | ThUS\$               | ThUS\$     | ThUS\$                  | ThUS\$     |
|  | Unaudited            |            |                         |            |
| Cash and cash equivalents                    | 737,627              | 737,627    | 726,897                 | 726,897    |
| Cash on hand                                 | 23,322               | 23,322     | 10,656                  | 10,656     |
| Bank balance                                 | 204,278              | 204,278    | 302,696                 | 302,696    |
| Overnight                                    | 130,220              | 130,220    | 267,764                 | 267,764    |
| Time deposits                                | 379,807              | 379,807    | 145,781                 | 145,781    |
| Other financial assets, current              | 28,623               | 28,623     | 27,148                  | 27,148     |
| Other financial assets                       | 28,623               | 28,623     | 27,148                  | 27,148     |
| Trade and other accounts receivable current  | 815,150              | 815,150    | 796,974                 | 796,974    |
| Accounts receivable from related entities    | 228                  | 228        | 183                     | 183        |
| Other financial assets, non current          | 103,073              | 103,073    | 89,458                  | 89,458     |
| Accounts receivable                          | 7,014                | 7,014      | 10,715                  | 10,715     |
| Other financial liabilities, current (*)     | 1,553,996            | 1,865,918  | 1,510,146               | 1,873,552  |
| Trade and other accounts payables            | 1,452,837            | 1,452,837  | 1,483,957               | 1,483,957  |
| Accounts payable to related entities         | 472                  | 472        | 447                     | 447        |
| Other financial liabilities, non current (*) | 7,673,334            | 7,550,409  | 7,516,257               | 7,382,221  |
| Accounts payable, non-current                | 410,418              | 410,418    | 417,050                 | 417,050    |

(\*) 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 March 31, 2016 goodwill amounted to ThUS\$ 2,493,114 (ThUS\$ 2,280,575 at December 31, 2015), while intangible assets with an indefinite useful life comprised airport slots for ThUS\$ 896,392 (ThUS\$ 816,987 at December 31, 2015), and Trademarks and Loyalty Program for ThUS\$ 356,908 (ThUS\$ 325,293 at December 31, 2015).

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 March 31, 2016, amounted to ThUS\$ 2,004,328 and ThUS\$ 488,786 (ThUS\$ 1,835,088 and ThUS\$ 445,487 at December 31, 2015), which included intangible assets with undefined useful life:

|                 | Air Transport<br>CGU       |                               | Coalition and loyalty<br>Program Multiplus CGU |                               |
|-----------------|----------------------------|-------------------------------|--|-------------------------------|
|                 | As of<br>March 31,<br>2016 | As of<br>December 31,<br>2015 | As of<br>March 31,<br>2016                     | As of<br>December 31,<br>2015 |
|                 | ThUS\$                     | ThUS\$                        | ThUS\$   | ThUS\$                        |
|                 | Unaudited                  |                               | Unaudited                                      |                               |
| Airport Slots   | 896.392                    | 816.987                       | -  | -                             |
| Trade marks     | 58.130                     | 52.981                        | -  | -                             |
| Loyalty program | -                          | -                             | 298.778  | 272.312                       |

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 March 31, 2016 the company recognized deferred tax assets amounting to ThUS\$ 370,934 (ThUS\$ 376,595 at December 31, 2015), and had ceased to recognize deferred tax assets for tax losses amounting to ThUS\$ 34,633 (ThUS\$ 15,513 at December 31, 2015) (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 March 31, 2016, deferred revenue associated with air tickets sold amounted to ThUS\$ 1,184,064 (ThUS\$ 1,223,886 as of December 31, 2015). 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 March 31, 2016, 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 March 31, 2016 and December 31, 2015, 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 March 31, 2016, deferred revenue associated with the LANPASS loyalty program amounted to ThUS\$ 923,006 (ThUS\$ 973,264 at December 31, 2015). As of March 31, 2016 a hypothetical change of 1% in the probability of usage would result in an impact of approximately ThUS\$ 30,000 and ThUS\$24,233 at the same period of 2015. Meanwhile, deferred revenue associated with the TAM Fidelidade and Multiplus loyalty programs amounted to ThUS\$ 389,464 (ThUS\$ 452,264 at December 31, 2015). As of March 31, 2016 a hypothetical change of 2% in the probability of usage would result in an impact of approximately ThUS\$ 3,646 and ThUS\$ 2,881 at the same period of 2015.

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. As of March 31, 2016 a hypothetical change of 1% in the fair value of the unused kilometers would result in an impact of approximately ThUS\$ 9,000 and ThUS\$ 8,900 at the same period of 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 14.7 million of members, along with being a regulated entity with a separately business and not directly related to air transport.

(a) For the periods ended

|   | Air<br>transportation<br>At March 31, |             | Coalition and<br>loyalty program<br>Multiplus<br>At March 31, |             | Eliminations<br>At March 31, |             | Consolidated<br>At March 31, |             |
|---|---------------------------------------|-------------|---|-------------|------------------------------|-------------|------------------------------|-------------|
|   | <u>2016</u>                           | <u>2015</u> | <u>2016</u>   | <u>2015</u> | <u>2016</u>                  | <u>2015</u> | <u>2016</u>                  | <u>2015</u> |
|   | ThUS\$                                | ThUS\$      | ThUS\$  | ThUS\$      | ThUS\$                       | ThUS\$      | ThUS\$                       | ThUS\$      |
| <u>Unaudited</u>  |                                       |             |   |             |                              |             |                              |             |
| Income from ordinary activities from external customers (*)                     | 2,138,925                             | 2,561,740   | 95,332  | 132,109     | -                            | -           | 2,234,257                    | 2,693,849   |
| LAN passenger   | 1,084,909                             | 1,128,658   | -   | -           | -                            | -           | 1,084,909                    | 1,128,658   |
| TAM passenger   | 778,049                               | 1,082,760   | 95,332  | 132,109     | -                            | -           | 873,381                      | 1,214,869   |
| Freight   | 275,967                               | 350,322     | -   | -           | -                            | -           | 275,967                      | 350,322     |
| Income from ordinary activities from transactions with other operating segments | 95,332                                | 132,109     | 17,593  | 14,426      | (112,925)                    | (146,535)   | -                            | -           |
| Other operating income  | 59,309                                | 50,624      | 34,051  | 46,669      | -                            | -           | 93,360                       | 97,293      |
| Interest income   | 213                                   | 9,279       | 11,547  | 12,798      | (896)                        | (3,587)     | 10,864                       | 18,490      |
| Interest expense  | (103,945)                             | (98,920)    | -   | -           | 896                          | 3,587       | (103,049)                    | (95,333)    |
| Total net interest expense  | (103,732)                             | (89,641)    | 11,547  | 12,798      | -                            | -           | (92,185)                     | (76,843)    |
| Depreciation and amortization   | (237,200)                             | (233,538)   | (2,251)   | (3,910)     | -                            | -           | (239,451)                    | (237,448)   |
| Material non-cash items other than depreciation and amortization                | 53,159                                | (214,252)   | (367)   | 86          | -                            | -           | 52,792                       | (214,166)   |
| Disposal of fixed assets and inventory losses                                   | (7,013)                               | (6,879)     | -   | -           | -                            | -           | (7,013)                      | (6,879)     |
| Doubtful accounts   | (8,128)                               | (3,177)     | 35  | (7)         | -                            | -           | (8,093)                      | (3,184)     |
| Exchange differences  | 68,277                                | (204,670)   | (379)   | 93          | -                            | -           | 67,898                       | (204,577)   |
| Result of indexation units  | 23                                    | 474         | (23)  | -           | -                            | -           | -                            | 474         |
| Income (loss) attributable to owners of the parents                             | 70,169                                | (73,359)    | 32,039  | 33,412      | -                            | -           | 102,208                      | (39,947)    |
| Expenses for income tax   | (66,427)                              | 40,640      | (15,900)  | (17,087)    | -                            | -           | (82,327)                     | 23,553      |
| Segment profit / (loss)   | 83,993                                | (57,687)    | 32,039  | 33,412      | -                            | -           | 116,032                      | (24,275)    |
| Assets of segment   | 17,355,487                            | 17,953,630  | 1,390,839   | 1,054,936   | (114,479)                    | (118,886)   | 18,631,847                   | 18,889,680  |
| Amount of non-current asset additions   | 506,254                               | 172,829     | -   | -           | -                            | -           | 506,254                      | 172,829     |
| Property, plant and equipment   | 491,953                               | 166,397     | -   | -           | -                            | -           | 491,953                      | 166,397     |
| Intangibles other than goodwill   | 14,301                                | 6,432       | -   | -           | -                            | -           | 14,301                       | 6,432       |
| Segment liabilities   | 14,752,850                            | 14,635,848  | 636,770   | 444,345     | (34,503)                     | (271)       | 15,355,117                   | 15,079,922  |
| Purchase of non-monetary assets of segment                                      | 303,262                               | 299,410     | -   | -           | -                            | -           | 303,262                      | 299,410     |

(\*) The Company does not have any interest revenue that should be recognized as income from ordinary activities by interest.

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

|  | For the period ended |                  |
|--|----------------------|------------------|
|  | At March 31,         |                  |
|  | <u>2016</u>          | <u>2015</u>      |
|  | ThUS\$               | ThUS\$           |
|  | <u>Unaudited</u>     |                  |
| Peru                                   | 151,542              | 163,314          |
| Argentina                              | 274,650              | 253,250          |
| U.S.A.                                 | 245,175              | 277,513          |
| Europe                                 | 186,688              | 195,355          |
| Colombia                               | 78,961               | 96,323           |
| Brazil                                 | 657,419              | 1,039,517        |
| Ecuador                                | 51,812               | 61,463           |
| Chile                                  | 419,934              | 425,536          |
| Asia Pacific and rest of Latin America | 168,076              | 181,578          |
| Income from ordinary activities        | <u>2,234,257</u>     | <u>2,693,849</u> |
| Other operating income                 | <u>93,360</u>        | <u>97,293</u>    |

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

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

#### NOTE 6 - CASH AND CASH EQUIVALENTS

|                                 | As of<br>March 31,<br><u>2016</u> | As of<br>December 31,<br><u>2015</u> |
|---------------------------------|-----------------------------------|--------------------------------------|
|                                 | ThUS\$                            | ThUS\$                               |
|                                 | <u>Unaudited</u>                  |                                      |
| Cash on hand                    | 23,322                            | 10,656                               |
| Bank balances                   | 204,278                           | 302,696                              |
| Overnight                       | <u>130,220</u>                    | <u>267,764</u>                       |
| Total Cash                      | <u>357,820</u>                    | <u>581,116</u>                       |
| Cash equivalents                |                                   |                                      |
| Time deposits                   | 379,807                           | 145,781                              |
| Mutual funds                    | <u>30,373</u>                     | <u>26,600</u>                        |
| Total cash equivalents          | <u>410,180</u>                    | <u>172,381</u>                       |
| Total cash and cash equivalents | <u>768,000</u>                    | <u>753,497</u>                       |

Cash and cash equivalents are denominated in the following currencies:

| <u>Currency</u>     | As of<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|---------------------|--|--|
| Argentine peso      | 18,412   | 18,733   |
| Brazilian real      | 58,163   | 106,219  |
| Chilean peso (*)    | 22,410   | 17,978   |
| Colombian peso      | 7,026  | 14,601   |
| Euro                | 13,633   | 10,663   |
| US Dollar           | 640,189  | 564,214  |
| Strong bolivar (**) | 1,775  | 2,986  |
| Other currencies    | 6,392  | 18,103   |
| Total               | <u>768,000</u>   | <u>753,497</u>                                 |

(\*) At March 31, 2016 and at December 31, 2015, the Company not maintains currency derivative contracts (forward)), for conversion into dollars of investments in pesos.

(\*\*) At March 31, 2016, 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 DICOM rate equivalent to 198.70 VEF/US\$. As of March 31, 2016, the DICOM rate equivalent to 272.91 VEF/US\$, which represented assets that are held by the Company equivalent to ThUS\$ 1,775 (ThUS\$ 2,986 at December 31, 2015)

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.

## Other inflows (outflows) of cash:

|  | For the periods ended |                  |
|--|-----------------------|------------------|
|  | March 31,             |                  |
|  | <u>2016</u>           | <u>2015</u>      |
|  | ThUS\$                | ThUS\$           |
|  | Unaudited             |                  |
| Currency hedge                                 | 5,516                 | (3,748)          |
| Vale vista refunds                             | 4,091                 | -                |
| Tax paid on bank transaction                   | 115                   | -                |
| Fuel derivatives premiums                      | (856)                 | (3,745)          |
| Bank commissions, taxes paid and other         | (1,887)               | (421)            |
| Hedging margin guarantees                      | (4,978)               | 69,658           |
| Guarantees                                     | (6,977)               | (54,174)         |
| Fuel hedge                                     | (27,370)              | (131,229)        |
| Total Other inflows (outflows) Operation flow  | <u>(32,346)</u>       | <u>(123,659)</u> |
| Certificate of bank deposits                   | -                     | 3,800            |
| Tax paid on bank transaction                   | (3,423)               | -                |
| Total Other inflows (outflows) Investment flow | <u>(3,423)</u>        | <u>3,800</u>     |
| Credit card loan manager                       | -                     | 2,814            |
| Finance charge by transfer of the rights       | -                     | 1,548            |
| Guarantees bonds emission                      | (7,489)               | (10,048)         |
| Aircraft Financing advances                    | <u>(75,370)</u>       | <u>46,997</u>    |
| Total Other inflows (outflows) Financing flow  | <u>(82,859)</u>       | <u>41,311</u>    |

## NOTE 7 - FINANCIAL INSTRUMENTS

## 7.1. Financial instruments by category

As of March 31, 2016 (Unaudited)

| <u>Assets</u>   | <u>Loans<br/>and<br/>receivables</u> | <u>Hedge<br/>derivatives</u> | <u>Held<br/>for<br/>trading</u>            | <u>Initial designation<br/>as fair value<br/>through<br/>profit and loss</u> | <u>Total</u>      |
|---|--------------------------------------|------------------------------|--|--|-------------------|
|   | ThUS\$                               | ThUS\$                       | ThUS\$                                     | ThUS\$   | ThUS\$            |
| Cash and cash equivalents                             | 737,627                              | -                            | -  | 30,373   | 768,000           |
| Other financial assets, current (*)                   | 28,623                               | 3,879                        | 78,266                                     | 493,983  | 604,751           |
| Trade and others                                      |                                      |                              |  |  |                   |
| accounts receivable, current                          | 815,150                              | -                            | -  | -  | 815,150           |
| Accounts receivable from<br>related entities, current | 228                                  | -                            | -  | -  | 228               |
| Other financial assets,<br>non current (*)            | 102,428                              | -                            | 645  | -  | 103,073           |
| Accounts receivable, non current                      | 7,014                                | -                            | -  | -  | 7,014             |
| Total   | <u>1,691,070</u>                     | <u>3,879</u>                 | <u>78,911</u>                              | <u>524,356</u>   | <u>2,298,216</u>  |
|   |                                      |                              |  |  |                   |
| <u>Liabilities</u>                                    |                                      |                              | <u>Other<br/>financial<br/>liabilities</u> | <u>Held<br/>Hedge<br/>derivatives</u>  | <u>Total</u>      |
|   |                                      |                              | ThUS\$                                     | ThUS\$   | ThUS\$            |
| Other liabilities, current                            |                                      |                              | 1,553,996                                  | 87,567   | 1,641,563         |
| Trade and others accounts payable, current            |                                      |                              | 1,452,837                                  | -  | 1,452,837         |
| Accounts payable to related entities, current         |                                      |                              | 472  | -  | 472               |
| Other financial liabilities, non-current              |                                      |                              | 7,673,334                                  | 14,070   | 7,687,404         |
| Accounts payable, non-current                         |                                      |                              | 410,418                                    | -  | 410,418           |
| Total   |                                      |                              | <u>11,091,057</u>                          | <u>101,637</u>   | <u>11,192,694</u> |

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

As of December 31, 2015

| <u>Assets</u>   | Loans<br>and<br>receivables | Hedge<br>derivatives | Held<br>for<br>trading            | Initial designation<br>as fair value<br>through<br>profit and loss | <u>Total</u>      |
|---|-----------------------------|----------------------|-----------------------------------|--|-------------------|
|   | 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<br>related entities, current | 183                         | -                    | -                                 | -  | 183               |
| Other financial assets,<br>non current (*)            | 88,820                      | -                    | 638                               | -  | 89,458            |
| Accounts receivable, non current                      | 10,715                      | -                    | -                                 | -  | 10,715            |
| <b>Total</b>  | <u>1,650,737</u>            | <u>16,578</u>        | <u>159,450</u>                    | <u>475,410</u>   | <u>2,302,175</u>  |
|   |                             |                      |                                   |  |                   |
| <u>Liabilities</u>                                    |                             |                      | Other<br>financial<br>liabilities | Held<br>Hedge<br>derivatives                                       | <u>Total</u>      |
|   |                             |                      | 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           |
| <b>Total</b>  |                             |                      | <u>10,927,857</u>                 | <u>150,217</u>   | <u>11,078,074</u> |

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

## 7.2. Financial instruments by currency

| a) Assets  | As of             | As of                |
|--|-------------------|----------------------|
|  | March 31,<br>2016 | December 31,<br>2015 |
|  | ThUS\$            | ThUS\$               |
| Cash and cash equivalents                          | 768,000           | 753,497              |
| Argentine peso                                     | 18,412            | 18,733               |
| Brazilian real                                     | 58,163            | 106,219              |
| Chilean peso                                       | 22,410            | 17,978               |
| Colombian peso                                     | 7,026             | 14,601               |
| Euro   | 13,633            | 10,663               |
| US Dollar  | 640,189           | 564,214              |
| Strong bolivar                                     | 1,775             | 2,986                |
| Other currencies                                   | 6,392             | 18,103               |
| Other financial assets (current and non-current)   | 707,824           | 740,806              |
| Argentine peso                                     | 77,892            | 157,281              |
| Brazilian real                                     | 496,581           | 449,934              |
| Chilean peso                                       | 624               | 640                  |
| Colombian peso                                     | 454               | 1,670                |
| Euro   | 3,236             | 615                  |
| US Dollar  | 126,878           | 128,620              |
| Strong bolivar                                     | 1                 | 22                   |
| Other currencies                                   | 2,158             | 2,024                |
| Trade and other accounts receivable, current       | 815,150           | 796,974              |
| Argentine peso                                     | 63,926            | 71,438               |
| Brazilian real                                     | 338,995           | 191,037              |
| Chilean peso                                       | 30,033            | 57,755               |
| Colombian peso                                     | 5,818             | 13,208               |
| Euro   | 21,947            | 53,200               |
| US Dollar  | 280,032           | 320,959              |
| Strong bolivar                                     | 603               | 7,225                |
| Other currencies (*)                               | 73,796            | 82,152               |
| Accounts receivable, non-current                   | 7,014             | 10,715               |
| Brazilian real                                     | 572               | 521                  |
| Chilean peso                                       | 6,227             | 5,041                |
| US Dollar  | 62                | 5,000                |
| Other currencies (*)                               | 153               | 153                  |
| Accounts receivable from related entities, current | 228               | 183                  |
| Brazilian real                                     | 4                 | -                    |
| Chilean peso                                       | 249               | 183                  |
| US Dollar  | (25)              | -                    |
| Total assets                                       | 2,298,216         | 2,302,175            |
| Argentine peso                                     | 160,230           | 247,452              |
| Brazilian real                                     | 894,315           | 747,711              |
| Chilean peso                                       | 59,543            | 81,597               |
| Colombian peso                                     | 13,298            | 29,479               |
| Euro   | 38,816            | 64,478               |
| US Dollar  | 1,047,136         | 1,018,793            |
| Strong bolivar                                     | 2,379             | 10,233               |
| Other currencies                                   | 82,499            | 102,432              |

(\*) 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<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$<br>Unaudited |
|---|---|--|
| Trade accounts receivable                       | 704,749   | 685,733  |
| Other accounts receivable                       | 177,622   | 182,028  |
| Total trade and other accounts receivable       | <u>882,371</u>                                    | <u>867,761</u>                                       |
| Less: Allowance for impairment loss             | (60,207)  | (60,072)   |
| Total net trade and accounts receivable         | <u>822,164</u>                                    | <u>807,689</u>                                       |
| Less: non-current portion – accounts receivable | (7,014)   | (10,715)   |
| Trade and other accounts receivable, current    | <u><u>815,150</u></u>                             | <u><u>796,974</u></u>                                |

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

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

|   | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$<br>Unaudited |
|---|---|--|
| Fully performing  | 606,111   | 577,902  |
| Matured accounts receivable, but not impaired                               |   |  |
| Expired from 1 to 90 days   | 25,150  | 28,717   |
| Expired from 91 to 180 days   | 9,599   | 10,995   |
| More than 180 days overdue (*)  | 3,682   | 8,047  |
| Total matured accounts receivable, but not impaired                         | <u>38,431</u>                                     | <u>47,759</u>  |
| Matured accounts receivable and impaired                                    |   |  |
| Judicial, pre-judicial collection and protested documents                   | 27,064  | 24,304   |
| Debtor under pre-judicial collection process and<br>portfolio sensitization | <u>33,143</u>                                     | <u>35,768</u>  |
| Total matured accounts receivable and impaired                              | <u>60,207</u>                                     | <u>60,072</u>  |
| Total   | <u><u>704,749</u></u>                             | <u><u>685,733</u></u>                                |

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

Currency balances that make up the Trade and other accounts receivable and non-current accounts receivable:

| <u>Currency</u>      | As of<br>March 31,<br><u>2016</u><br>ThUS\$ | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|----------------------|---|--|
| Argentine Peso       | 63,926                                      | 71,438   |
| Brazilian Real       | 339,567                                     | 191,558  |
| Chilean Peso         | 36,260                                      | 62,796   |
| Colombian peso       | 5,818                                       | 13,208   |
| Euro                 | 21,947                                      | 53,200   |
| US Dollar            | 280,094                                     | 325,959  |
| Strong bolivar       | 603   | 7,225  |
| Other currency (*)   | 73,949                                      | 82,305   |
| Total                | <u>822,164</u>                              | <u>807,689</u>                                 |
| (*) Other currencies |   |  |
| Australian Dollar    | 22,195                                      | 26,185   |
| Chinese Yuan         | 6,253                                       | 4,282  |
| Danish Krone         | 197   | 164  |
| Pound Sterling       | 4,519                                       | 7,228  |
| Indian Rupee         | 2,259                                       | 3,070  |
| Japanese Yen         | 7,050                                       | 4,343  |
| Norwegian Kroner     | 80  | 221  |
| Swiss Franc          | 1,178                                       | 1,919  |
| Korean Won           | 5,148                                       | 4,462  |
| New Taiwanese Dollar | 759   | 3,690  |
| Other currencies     | 24,311                                      | 26,741   |
| Total                | <u>73,949</u>                               | <u>82,305</u>                                  |

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

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

Movement in the allowance for impairment loss of Trade and other accounts receivables:

| Periods                                      | Opening<br>balance<br>ThUS\$ | Write-offs<br>ThUS\$ | (Increase)<br>Decrease<br>ThUS\$ | Closing<br>balance<br>ThUS\$ |
|--|------------------------------|----------------------|----------------------------------|------------------------------|
| From January 1 to March 31, 2015 (Unaudited) | (71,042)                     | 225                  | 5,234                            | (65,583)                     |
| From April 1 to December 31, 2015            | (65,583)                     | 9,895                | (4,384)                          | (60,072)                     |
| From January 1 to March 31, 2016 (Unaudited) | (60,072)                     | 10,908               | (11,043)                         | (60,207)                     |

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

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

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

|                              | As of March 31, 2016                      |                               |   | As of December 31, 2015                   |                               |   |
|------------------------------|---|-------------------------------|---|---|-------------------------------|---|
|                              | Gross exposure<br>according to<br>balance | Gross<br>impaired<br>exposure | Exposure net<br>of risk<br>concentrations | Gross exposure<br>according to<br>balance | Gross<br>Impaired<br>exposure | Exposure net<br>of risk<br>concentrations |
|                              | ThUS\$                                    | ThUS\$                        | ThUS\$                                    | ThUS\$                                    | ThUS\$                        | ThUS\$                                    |
|                              | Unaudited                                 |                               |   |   |                               |   |
| Trade accounts receivable    | 704,749                                   | (60,207)                      | 644,542                                   | 685,733                                   | (60,072)                      | 625,661                                   |
| Other accounts<br>receivable | 177,622                                   | -                             | 177,622                                   | 182,028                                   | -                             | 182,028                                   |

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

| <u>Tax No.</u> | <u>Related party</u>                       | <u>Relationship</u> | <u>Country<br/>of origin</u> | <u>Currency</u> | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2016<br>ThUS\$<br>Unaudited |
|----------------|--|---------------------|------------------------------|-----------------|---|--|
| 78.591.370-1   | Bethia S.A. and Subsidiaries               | Related director    | Chile                        | CLP             | 215   | 167  |
| 87.752.000-5   | Granja Marina Tornagaleones S.A.           | Common shareholder  | Chile                        | CLP             | 9   | 14   |
| Foreign        | TAM Aviação Executiva<br>e Taxi Aéreo S.A. | Related director    | Brazil                       | BRL             | 4   | 2  |
|                | Total current assets                       |                     |                              |                 | <u>228</u>  | <u>183</u>   |

## (b) Accounts payable

| <u>Tax No.</u> | <u>Related party</u>                                   | <u>Relationship</u> | <u>Country<br/>of origin</u> | <u>Currency</u> | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$<br>Unaudited |
|----------------|--|---------------------|------------------------------|-----------------|---|--|
| Foreign        | Consultoría Administrativa<br>Profesional S.A. de C.V. | Associate           | Mexico                       | MXN             | 53  | 342  |
| 65.216.000-K   | Viajes Falabella Ltda.                                 | Related director    | Chile                        | CLP             | 353   | 68   |
| Foreign        | Inversora Aeronáutica Argentina                        | Related director    | Argentina                    | US\$            | -   | 22   |
| 65.216.000-K   | Comunidad Mujer  | Related director    | Chile                        | CLP             | 8   | 10   |
| 79.773.440-3   | Transportes San Felipe S.A.                            | Related director    | Chile                        | CLP             | 56  | -  |
| 78.591.370-1   | Bethia S.A. and Subsidiaries                           | Related director    | Chile                        | CLP             | 2   | 5  |
|                | Total current liabilities                              |                     |                              |                 | <u>472</u>  | <u>447</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<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|----------------------------|--|--|
| Technical stock            | 194,607  | 192,930  |
| Non-technical stock        | <u>34,915</u>  | <u>31,978</u>                                  |
| Total production suppliers | <u><u>229,522</u></u>                                    | <u><u>224,908</u></u>                          |

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services provided to the Company and third parties, which are valued at average cost, net of provision for obsolescence that as of March 31, 2016 amounts to ThUS\$ 17,461 (ThUS\$ 15,892 at December 31, 2015). The resulting amounts do not exceed the respective net realizable values.

As of March 31, 2016, the Company recorded ThUS\$ 38,268 (ThUS\$ 39,685 at March 31, 2015) 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<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
| (a) Other financial assets   |   |   |   |   |   |   |
| Private investment funds   | 493,983   | 448,810                                 | -   | -                                       | 493,983   | 448,810                                 |
| Deposits in guarantee (aircraft)                                       | 11,919  | 16,532                                  | 62,808  | 58,483                                  | 74,727  | 75,015                                  |
| Guarantees for margins of derivatives                                  | 7,817   | 4,456                                   | -   | -                                       | 7,817   | 4,456                                   |
| Other investments  | -   | -                                       | 645   | 638                                     | 645   | 638                                     |
| Domestic and foreign bonds   | 78,266  | 158,812                                 | -   | -                                       | 78,266  | 158,812                                 |
| Other guarantees given   | 8,887   | 6,160                                   | 39,620  | 30,337                                  | 48,507  | 36,497                                  |
| Subtotal of other financial assets                                     | 600,872   | 634,770                                 | 103,073   | 89,458                                  | 703,945   | 724,228                                 |
| (b) Hedging assets   |   |   |   |   |   |   |
| Interest accrued since the last payment date<br>of Cross currency swap | 163   | 397                                     | -   | -                                       | 163   | 397                                     |
| Fair value of foreign currency derivatives (*)                         | 956   | 9,888                                   | -   | -                                       | 956   | 9,888                                   |
| Fair value of fuel price derivatives                                   | 2,760   | 6,293                                   | -   | -                                       | 2,760   | 6,293                                   |
| Subtotal of hedging assets   | 3,879   | 16,578                                  | -   | -                                       | 3,879   | 16,578                                  |
| Total Other Financial Assets   | 604,751   | 651,348                                 | 103,073   | 89,458                                  | 707,824   | 740,806                                 |

(\*) 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<br>March 31,<br>2016 | As of<br>December 31,<br>2015 | As of<br>March 31,<br>2016 | As of<br>December 31,<br>2015 | As of<br>March 31,<br>2016 | As of<br>December 31,<br>2015 |
|   | ThUS\$                     | ThUS\$                        | ThUS\$                     | ThUS\$                        | ThUS\$                     | ThUS\$                        |
|   | Unaudited                  |                               | Unaudited                  |                               | Unaudited                  |                               |
| (a) Advance payments  |                            |                               |                            |                               |                            |                               |
| Aircraft leases   | 32,101                     | 33,305                        | 20,006                     | 22,569                        | 52,107                     | 55,874                        |
| Aircraft insurance and other  | 5,831                      | 12,408                        | -                          | -                             | 5,831                      | 12,408                        |
| Others  | 15,145                     | 16,256                        | 31,969                     | 33,781                        | 47,114                     | 50,037                        |
| Subtotal advance payments   | 53,077                     | 61,969                        | 51,975                     | 56,350                        | 105,052                    | 118,319                       |
| (b) Other assets  |                            |                               |                            |                               |                            |                               |
| Aircraft maintenance reserve (*)  | 47,154                     | 99,112                        | 126,721                    | 64,366                        | 173,875                    | 163,478                       |
| Sales tax   | 171,145                    | 158,134                       | 45,586                     | 45,061                        | 216,731                    | 203,195                       |
| Other taxes   | 3,519                      | 4,295                         | -                          | -                             | 3,519                      | 4,295                         |
| Contributions to Société Internationale<br>de Télécommunications Aéronautiques ("SITA") | 450                        | 505                           | 547                        | 547                           | 997                        | 1,052                         |
| Judicial deposits   | -                          | -                             | 83,429                     | 67,980                        | 83,429                     | 67,980                        |
| Others  | 238                        | 6,001                         | 1,501                      | 1,159                         | 1,739                      | 7,160                         |
| Subtotal other assets   | 222,506                    | 268,047                       | 257,784                    | 179,113                       | 480,290                    | 447,160                       |
| Total Other Non - Financial Assets  | 275,583                    | 330,016                       | 309,759                    | 235,463                       | 585,342                    | 565,479                       |

(\*) 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 March 31, 2016, LATAM had ThUS\$ 173,875 in maintenance reserves (ThUS\$ 163,478 at December 31, 2015), corresponding to 9 aircraft out of a total fleet of 335 (9 aircraft out of a total fleet of 331 at December 31, 2015). 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 March 31, 2016 | As of December 31, 2015 |
|  |                          |                     | %                    | %                       |
|  |                          |                     | Unaudited            |                         |
| Lan Perú S.A.                                      | Peru                     | US\$                | 69.97858             | 69.97858                |
| Lan Cargo S.A.                                     | Chile                    | US\$                | 99.89804             | 99.89803                |
| Lan Argentina S.A.                                 | Argentina                | ARS                 | 95.85660             | 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                 | 99.12066             | 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 March 31, 2016 |                |                    |                   |                     |                         | Results for the period ended March 31, 2016 |            |
|--|--|----------------|--------------------|-------------------|---------------------|-------------------------|---|------------|
|  | Total Assets   | Current Assets | Non-current Assets | Total Liabilities | Current Liabilities | Non-current Liabilities | Revenue                                     | Net Income |
|  | ThUS\$   | ThUS\$         | ThUS\$             | ThUS\$            | ThUS\$              | ThUS\$                  | ThUS\$                                      | ThUS\$     |
|  | Unaudited  |                |                    |                   |                     |                         | Unaudited                                   |            |
| Lan Perú S.A.                                      | 286,827  | 264,007        | 22,820             | 260,349           | 259,155             | 1,194                   | 239,976                                     | 13,117     |
| Lan Cargo S.A.                                     | 464,454  | 143,698        | 320,756            | 211,489           | 148,586             | 62,903                  | 61,340                                      | (13,053)   |
| Lan Argentina S.A.                                 | 170,514  | 159,777        | 10,737             | 130,674           | 128,483             | 2,191                   | 108,408                                     | 18,065     |
| Transporte Aéreo S.A.                              | 332,592  | 45,007         | 287,585            | 116,287           | 44,610              | 71,677                  | 77,490                                      | 7,779      |
| Aerolane Líneas Aéreas Nacionales del Ecuador S.A. | 90,397   | 45,016         | 45,381             | 79,922            | 74,733              | 5,189                   | 53,974                                      | 627        |
| Aerovías de Integración Regional, AIRE S.A.        | 121,098  | 51,023         | 70,075             | 66,356            | 55,932              | 10,424                  | 63,463                                      | (2,894)    |
| TAM S.A. (*)                                       | 4,892,799  | 1,386,099      | 3,506,700          | 4,342,867         | 2,083,599           | 2,259,268               | 959,333                                     | 20,620     |

  

| Name of significant subsidiary                     | Statement of financial position as of December 31, 2015 |                |                    |                   |                     |                         | Results for the period ended March 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\$     |
|  | Unaudited   |                |                    |                   |                     |                         | Unaudited                                   |            |
| Lan Perú S.A.                                      | 255,691   | 232,547        | 23,144             | 240,938           | 239,521             | 1,417                   | 277,969                                     | 15,058     |
| Lan Cargo S.A.                                     | 483,033   | 159,294        | 323,739            | 217,037           | 147,423             | 69,614                  | 65,860                                      | (12,563)   |
| Lan Argentina S.A.                                 | 195,756   | 180,558        | 15,198             | 170,384           | 168,126             | 2,258                   | 126,391                                     | 13,728     |
| Transporte Aéreo S.A.                              | 331,117   | 41,756         | 289,361            | 122,666           | 44,495              | 78,171                  | 91,458                                      | (1,129)    |
| Aerolane Líneas Aéreas Nacionales del Ecuador S.A. | 126,001   | 80,641         | 45,360             | 116,153           | 111,245             | 4,908                   | 62,308                                      | 5,513      |
| Aerovías de Integración Regional, AIRE S.A.        | 130,039   | 62,937         | 67,102             | 75,003            | 64,829              | 10,174                  | 75,124                                      | (9,244)    |
| TAM S.A. (*)                                       | 4,711,316   | 1,350,377      | 3,360,939          | 4,199,223         | 1,963,400           | 2,235,823               | 1,332,408                                   | (14,978)   |

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

## (b) Non-controlling interest

| Equity  | Tax No.      | Country<br>of origin | As of                    | As of                       | As of                    | As of                       |
|---|--------------|----------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
|   |              |                      | March 31,<br><u>2016</u> | December 31,<br><u>2015</u> | March 31,<br><u>2016</u> | December 31,<br><u>2015</u> |
|   |              |                      | %                        | %                           | ThUS\$                   | ThUS\$                      |
|   |              |                      | Unaudited                |                             | Unaudited                |                             |
| Lan Perú S.A.   | 0-E          | Peru                 | 30.00000                 | 30.00000                    | 7,943                    | 4,426                       |
| Lan Cargo S.A. and Subsidiaries                       | 93.383.000-4 | Chile                | 0.10605                  | 0.10605                     | 644                      | 974                         |
| Promotora Aérea Latinoamericana S.A. and Subsidiaries | 0-E          | Mexico               | 51.00000                 | 51.00000                    | 3,606                    | 3,084                       |
| Inversora Cordillera S.A. and Subsidiaries            | 0-E          | Argentina            | 4.22000                  | 4.22000                     | (1,213)                  | (1,386)                     |
| Lan Argentina S.A.                                    | 0-E          | Argentina            | 0.13440                  | 1.00000                     | 107                      | 29                          |
| Americonsult de Guatemala S.A.                        | 0-E          | Guatemala            | 1.00000                  | 1.00000                     | 6                        | 5                           |
| Americonsult Costa Rica S.A.                          | 0-E          | Costa Rica           | 1.00000                  | 1.00000                     | 11                       | 12                          |
| Linea Aérea Carguera de Colombiana S.A.               | 0-E          | Colombia             | 10.00000                 | 10.00000                    | (450)                    | (811)                       |
| Aerolíneas Regionales de Integración Aires S.A.       | 0-E          | Colombia             | 0.87934                  | 0.98307                     | 542                      | 540                         |
| Transportes Aereos del Mercosur S.A.                  | 0-E          | Paraguay             | 5.02000                  | 5.02000                     | 1,444                    | 1,256                       |
| Multiplus S.A.  | 0-E          | Brazil               | 27.26000                 | 27.26000                    | 72,942                   | 72,884                      |
| Total   |              |                      |                          |                             | 85,582                   | 81,013                      |

  

| Incomes   | Tax No.      | Country<br>of origin | As of                    | As of                       | For the period ended     |             |
|---|--------------|----------------------|--------------------------|-----------------------------|--------------------------|-------------|
|   |              |                      | March 31,<br><u>2016</u> | December 31,<br><u>2015</u> | March 31,<br><u>2016</u> | <u>2015</u> |
|   |              |                      | %                        | %                           | ThUS\$                   | ThUS\$      |
|   |              |                      | Unaudited                |                             |                          |             |
| Lan Perú S.A.   | 0-E          | Peru                 | 30.00000                 | 30.00000                    | 3,935                    | 4,517       |
| Lan Cargo S.A. and Subsidiaries                       | 93.383.000-4 | Chile                | 0.10605                  | 0.10605                     | 4                        | 6           |
| Promotora Aerea Latinoamericana S.A. and Subsidiaries | 0-E          | Mexico               | 51.00000                 | 51.00000                    | 522                      | 1,058       |
| Inversora Cordillera S.A. and Subsidiaries            | 0-E          | Argentina            | 4.22000                  | 4.22000                     | 90                       | 67          |
| Lan Argentina S.A.                                    | 0-E          | Argentina            | 0.13440                  | 1.00000                     | 19                       | 14          |
| Americonsult de Guatemala S.A.                        | 0-E          | Guatemala            | 1.00000                  | 1.00000                     | -                        | (1)         |
| Americonsult Costa Rica S.A.                          | 0-E          | Costa Rica           | 1.00000                  | 1.00000                     | -                        | 1           |
| Linea Aérea Carguera de Colombiana S.A.               | 0-E          | Colombia             | 10.00000                 | 10.00000                    | 361                      | 1,029       |
| Aerolíneas Regionales de Integración Aires S.A.       | 0-E          | Colombia             | 0.87934                  | 0.98307                     | (28)                     | (91)        |
| Transportes Aereos del Mercosur S.A.                  | 0-E          | Paraguay             | 5.02000                  | 5.02000                     | 188                      | (36)        |
| Multiplus S.A.  | 0-E          | Brazil               | 27.26000                 | 27.26000                    | 8,733                    | 9,108       |
| Total   |              |                      |                          |                             | 13,824                   | 15,672      |

## NOTE 14 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

|                     | Classes of intangible assets<br>(net)             |  | Classes of intangible assets<br>(gross)           |  |
|---------------------|---|--|---|--|
|                     | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$<br>Unaudited | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$<br>Unaudited |
| Airport slots       | 896,392   | 816,987  | 896,392   | 816,987  |
| Loyalty program     | 298,778   | 272,312  | 298,778   | 272,312  |
| Computer software   | 120,968   | 104,258  | 350,313   | 324,043  |
| Developing software | 69,251  | 74,887   | 69,251  | 74,887   |
| Trademarks          | 58,130  | 52,981   | 58,130  | 52,981   |
| Other assets        | -   | -  | 808   | 808  |
| Total               | <u>1,443,519</u>                                  | <u>1,321,425</u>                                     | <u>1,673,672</u>                                  | <u>1,542,018</u>                                     |

## Movement in Intangible assets other than goodwill:

|   | Computer<br>software<br>Net | Developing<br>software | Airport<br>slots (*) | Trademarks<br>and loyalty<br>program (*) | Total            |
|---|-----------------------------|------------------------|----------------------|--|------------------|
|   | ThUS\$                      | ThUS\$                 | ThUS\$               | ThUS\$                                   | ThUS\$           |
| Opening balance as of January 1, 2015               | 126,797                     | 74,050                 | 1,201,028            | 478,204                                  | 1,880,079        |
| Additions   | 608                         | 5,824                  | -                    | -  | 6,432            |
| Withdrawals   | (945)                       | -                      | -                    | -  | (945)            |
| Transfer software                                   | 3,302                       | (3,328)                | -                    | -  | (26)             |
| Foreign exchange                                    | (9,082)                     | (8,305)                | (206,586)            | (82,255)                                 | (306,228)        |
| Amortization  | (11,336)                    | -                      | -                    | -  | (11,336)         |
| Closing balance as of<br>March 31, 2015 (Unaudited) | <u>109,344</u>              | <u>68,241</u>          | <u>994,442</u>       | <u>395,949</u>                           | <u>1,567,976</u> |
| Opening balance as of April 1, 2015                 | 109,344                     | 68,241                 | 994,442              | 395,949                                  | 1,567,976        |
| Additions   | 4,346                       | 42,446                 | -                    | -  | 46,792           |
| Withdrawals   | (3,667)                     | (162)                  | -                    | (1)                                      | (3,830)          |
| Transfer software                                   | 25,424                      | (27,098)               | -                    | -  | (1,674)          |
| Foreign exchange                                    | (5,789)                     | (8,540)                | (177,455)            | (70,655)                                 | (262,439)        |
| Amortization  | (25,400)                    | -                      | -                    | -  | (25,400)         |
| Closing balance as of<br>December 31, 2015          | <u>104,258</u>              | <u>74,887</u>          | <u>816,987</u>       | <u>325,293</u>                           | <u>1,321,425</u> |
| Opening balance as of January 1, 2016               | 104,258                     | 74,887                 | 816,987              | 325,293                                  | 1,321,425        |
| Additions   | 4,810                       | 9,491                  | -                    | -  | 14,301           |
| Withdrawals   | (722)                       | (18)                   | -                    | -  | (740)            |
| Transfer software                                   | 19,350                      | (18,596)               | -                    | -  | 754              |
| Foreign exchange                                    | 2,832                       | 3,487                  | 79,405               | 31,615                                   | 117,339          |
| Amortization  | (9,560)                     | -                      | -                    | -  | (9,560)          |
| Closing balance as of<br>March 31, 2016 (Unaudited) | <u>120,968</u>              | <u>69,251</u>          | <u>896,392</u>       | <u>356,908</u>                           | <u>1,443,519</u> |

The amortization of the period is shown in the consolidated statement of income in administrative expenses. The accumulated amortization of computer programs as of March 31, 2016 amounts to ThUS\$ 229,345 (ThUS\$ 219,785 at December 31, 2015).

(\*) See Note 2.5

## NOTE 15 – GOODWILL

The Goodwill amount at March 31, 2016 is ThUS\$ 2,493,114 (ThUS\$ 2,280,575 at December 31, 2015). Movement of Goodwill, separated by CGU:

|  | Air<br>Transport | Coalition<br>and loyalty<br>program<br>Multiplus | Total            |
|--|------------------|--|------------------|
|  | ThUS\$           | ThUS\$   | ThUS\$           |
| Opening balance as of January 1, 2015                | 2,658,503        | 654,898  | 3,313,401        |
| Increase (decrease) due to exchange rate differences | (438,590)        | (112,648)  | (551,238)        |
| Closing balance as of March 31, 2015 (Unaudited)     | <u>2,219,913</u> | <u>542,250</u>                                   | <u>2,762,163</u> |
| Opening balance as of April 1, 2015                  | 2,219,913        | 542,250  | 2,762,163        |
| Increase (decrease) due to exchange rate differences | (384,825)        | (96,763)   | (481,588)        |
| Closing balance as of December 31, 2015              | <u>1,835,088</u> | <u>445,487</u>                                   | <u>2,280,575</u> |
| Opening balance as of January 1, 2016                | 1,835,088        | 445,487  | 2,280,575        |
| Increase (decrease) due to exchange rate differences | 169,240          | 43,299   | 212,539          |
| Closing balance as of March 31, 2016 (Unaudited)     | <u>2,004,328</u> | <u>488,786</u>                                   | <u>2,493,114</u> |

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.

As of December 31, 2015 the recoverable values were determined using the following assumptions presented below:

|  |             | Air transportation<br>CGU | Coalition and loyalty<br>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

(2) The flow, as well as annual growth rate and discount, are denominated in real.

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<br>Maximum<br>WACC | Increase<br>Maximum<br>CoE | Decrease<br>Minimum<br>terminal<br>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.

At March 31, 2016, have not been identified new impairment indications that requiring impairment test.

## 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<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
| Construction in progress (*)         | 947,055   | 1,142,812                               | -   | -                                       | 947,055   | 1,142,812                               |
| Land                                 | 47,734  | 45,313                                  | -   | -                                       | 47,734  | 45,313                                  |
| Buildings                            | 134,733   | 131,816                                 | (41,661)  | (40,325)                                | 93,072  | 91,491                                  |
| Plant and equipment                  | 9,633,564   | 9,683,764                               | (1,924,308)                                       | (2,392,463)                             | 7,709,256   | 7,291,301                               |
| Own aircraft                         | 9,032,978   | 9,118,396                               | (1,726,538)                                       | (2,198,682)                             | 7,306,440   | 6,919,714                               |
| Other (**)                           | 600,586   | 565,368                                 | (197,770)   | (193,781)                               | 402,816   | 371,587                                 |
| Machinery                            | 39,594  | 36,569                                  | (23,745)  | (21,220)                                | 15,849  | 15,349                                  |
| Information technology equipment     | 161,019   | 154,093                                 | (118,119)   | (110,204)                               | 42,900  | 43,889                                  |
| Fixed installations and accessories  | 188,003   | 179,026                                 | (97,029)  | (90,068)                                | 90,974  | 88,958                                  |
| Motor vehicles                       | 104,015   | 99,997                                  | (68,178)  | (64,047)                                | 35,837  | 35,950                                  |
| Leasehold improvements               | 129,226   | 124,307                                 | (74,394)  | (70,219)                                | 54,832  | 54,088                                  |
| Other property, plants and equipment | 3,258,785   | 3,279,902                               | (1,179,580)                                       | (1,150,396)                             | 2,079,205   | 2,129,506                               |
| Financial leasing aircraft           | 3,112,928   | 3,151,405                               | (1,147,797)                                       | (1,120,682)                             | 1,965,131   | 2,030,723                               |
| Other                                | 145,857   | 128,497                                 | (31,783)  | (29,714)                                | 114,074   | 98,783                                  |
| Total                                | 14,643,728  | 14,877,599                              | (3,527,014)                                       | (3,938,942)                             | 11,116,714  | 10,938,657                              |

(\*) It includes pre-delivery payments to aircraft manufacturers for ThUS\$ 871,951 (ThUS\$ 1,016,007 as of December 31, 2015)

(\*\*) Mainly considers rotatable and tools.

## (a) The movement in the different categories of Property, plant and equipment:

|  | Construction<br>in progress | Land    | Buildings<br>net | Plant and<br>equipment<br>net | Information<br>technology<br>equipment<br>net | Fixed<br>installations<br>& accessories<br>net | Motor<br>vehicles<br>net | Leasehold<br>improvements<br>net | Other<br>property,<br>plant and<br>equipment<br>net | Property,<br>Plant and<br>equipment<br>net |
|--|-----------------------------|---------|------------------|-------------------------------|---|--|--------------------------|----------------------------------|---|--|
|  | ThUS\$                      | ThUS\$  | ThUS\$           | ThUS\$                        | ThUS\$  | ThUS\$   | ThUS\$                   | ThUS\$                           | ThUS\$  | ThUS\$                                     |
| 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  | 9,142                       | -       | -                | 112,683                       | 1,165   | 557  | 17                       | 9,445                            | 33,388  | 166,397                                    |
| Disposals  | -                           | -       | -                | (5,187)                       | -   | -  | -                        | -                                | -   | (5,187)                                    |
| Retirements                                      | -                           | -       | -                | (2,889)                       | (45)  | (1)  | -                        | -                                | (1,790)   | (4,725)                                    |
| Depreciation expenses                            | -                           | -       | (941)            | (132,222)                     | (4,129)                                       | (4,083)  | (73)                     | (4,199)                          | (43,991)  | (189,638)                                  |
| Foreign exchange                                 | (45)                        | (6,073) | (16,130)         | (93,311)                      | (2,938)                                       | (457)  | (366)                    | -                                | (109,916)   | (229,236)                                  |
| Other increases (decreases)                      | 125,268                     | (1,066) | (58,188)         | (12,934)                      | (459)   | 60,083   | -                        | (1,226)                          | 15,643  | 127,121                                    |
| Changes, to total                                | 134,365                     | (7,139) | (75,259)         | (133,860)                     | (6,406)                                       | 56,099   | (422)                    | 4,020                            | (106,666)   | (135,268)                                  |
| Closing balance as of March 31, 2015 (Unaudited) | 1,071,644                   | 50,849  | 91,747           | 6,820,229                     | 44,603  | 99,882   | 1,543                    | 60,543                           | 2,396,768   | 10,637,808                                 |
| Opening balance as of April 1, 2015              | 1,071,644                   | 50,849  | 91,747           | 6,820,229                     | 44,603  | 99,882   | 1,543                    | 60,543                           | 2,396,768   | 10,637,808                                 |
| Additions  | 30,569                      | -       | 439              | 1,191,516                     | 14,157  | 1,135  | 263                      | 3,743                            | 30,838  | 1,272,660                                  |
| Disposals  | -                           | -       | (500)            | (71,488) (1)                  | (27)  | -  | (8)                      | -                                | (11)  | (72,034)                                   |
| Retirements                                      | (1,262)                     | -       | (956)            | (35,351)                      | (59)  | (475)  | (4)                      | -                                | (7,112)   | (45,219)                                   |
| Depreciation expenses                            | -                           | -       | (6,220)          | (389,466)                     | (12,067)                                      | (7,566)  | (305)                    | (9,774)                          | (130,483)   | (555,881)                                  |
| Foreign exchange                                 | (887)                       | (5,713) | (2,118)          | (36,622)                      | (3,188)                                       | (12,812)                                       | (272)                    | (1,659)                          | (142,793)   | (206,064)                                  |
| Other increases (decreases)                      | 42,748                      | 177     | 9,099            | (137,743)                     | 470   | 8,794  | 308                      | 1,235                            | (17,701)  | (92,613)                                   |
| Changes, to total                                | 71,168                      | (5,536) | (256)            | 520,846                       | (714)   | (10,924)                                       | (18)                     | (6,455)                          | (267,262)   | 300,849                                    |
| 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                                 |
| Opening balance as of January 1, 2016            | 1,142,812                   | 45,313  | 91,491           | 7,341,075                     | 43,889  | 88,958   | 1,525                    | 54,088                           | 2,129,506   | 10,938,657                                 |
| Additions  | 4,036                       | -       | -                | 482,337                       | 1,433   | 29   | 1                        | 2,512                            | 1,605   | 491,953                                    |
| Disposals  | -                           | -       | -                | (9,856) (2)                   | -   | -  | -                        | -                                | -   | (9,856)                                    |
| Retirements                                      | (93)                        | -       | -                | (18,256)                      | (1)   | -  | -                        | -                                | (45)  | (18,395)                                   |
| Depreciation expenses                            | -                           | -       | (634)            | (136,086)                     | (3,934)                                       | (3,341)  | (72)                     | (3,213)                          | (38,884)  | (186,164)                                  |
| Foreign exchange                                 | 2,481                       | 2,421   | 1,173            | 23,384                        | 1,506   | 4,587  | 213                      | 1,318                            | 51,960  | 89,043                                     |
| Other increases (decreases)                      | (202,181)                   | -       | 1,042            | 76,677                        | 7   | 741  | -                        | 127                              | (64,937)  | (188,524)                                  |
| Changes, to total                                | (195,757)                   | 2,421   | 1,581            | 418,200                       | (989)   | 2,016  | 142                      | 744                              | (50,301)  | 178,057                                    |
| Closing balance as of March 31, 2016 (Unaudited) | 947,055                     | 47,734  | 93,072           | 7,759,275                     | 42,900  | 90,974   | 1,667                    | 54,832                           | 2,079,205   | 11,116,714                                 |

(1) 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.

(2) During the first quarter of 2016 one Airbus A330 aircraft were sold.

## (b) Composition of the fleet:

| Aircraft    | Model     | Aircraft included<br>in the Company's Property,<br>plant and equipment |                               | Operating<br>leases        |                               | Total<br>fleet             |                               |
|-------------|-----------|--|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
|             |           | As of<br>March 31,<br>2016   | As of<br>December 31,<br>2015 | As of<br>March 31,<br>2016 | As of<br>December 31,<br>2015 | As of<br>March 31,<br>2016 | As of<br>December 31,<br>2015 |
|             |           | Unaudited  |                               | Unaudited                  |                               | Unaudited                  |                               |
| Boeing 767  | 300ER     | 34   | 34                            | 4                          | 4                             | 38                         | 38                            |
| Boeing 767  | 300F      | 8 (1)  | 8 (1)                         | 3                          | 3                             | 11 (1)                     | 11 (1)                        |
| Boeing 777  | 300ER     | 4  | 4                             | 6                          | 6                             | 10                         | 10                            |
| Boeing 777  | Freighter | 2 (2)  | 2 (2)                         | 2                          | 2                             | 4 (2)                      | 4                             |
| Boeing 787  | 800       | 6  | 6                             | 4                          | 4                             | 10                         | 10                            |
| Boeing 787  | 900       | 4  | 3                             | 6                          | 4                             | 10                         | 7                             |
| Airbus A319 | 100       | 38   | 38                            | 12                         | 12                            | 50                         | 50                            |
| Airbus A320 | 200       | 95   | 95                            | 58                         | 59                            | 153                        | 154                           |
| Airbus A321 | 200       | 28   | 26                            | 10                         | 10                            | 38                         | 36                            |
| Airbus A330 | 200       | 7  | 8                             | 2                          | 2                             | 9                          | 10                            |
| Airbus A350 | 900       | 2  | 1                             | -                          | -                             | 2                          | 1                             |
| Total       |           | 228  | 225                           | 107                        | 106                           | 335                        | 331                           |

(1) Three aircraft leased to FEDEX

(2) 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\$ 186,164 (ThUS\$ 189,638 at December 31, 2015). Depreciation charges for the year are recognized in Cost of sales and administrative expenses in the consolidated statement of income.



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

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

In the period ended March 31, 2016, direct guarantees by two Airbus A321-200 aircraft, one Boeing 787-9 aircraft and one Airbus A350-941 aircraft were added.

Description of Property, plant and equipment pledged as guarantee:

| Creditor of<br>guarantee    | Assets<br>committed  | Fleet             | As of<br>March 31,<br>2016 |                  | As of<br>December 31,<br>2015 |                  |
|-----------------------------|----------------------|-------------------|----------------------------|------------------|-------------------------------|------------------|
|                             |                      |                   | Existing<br>Debt           | Book<br>Value    | Existing<br>Debt              | Book<br>Value    |
|                             |                      |                   | ThUS\$                     | ThUS\$           | ThUS\$                        | ThUS\$           |
| Unaudited                   |                      |                   |                            |                  |                               |                  |
| Wilmington<br>Trust Company | Aircraft and engines | Airbus A321/ A350 | 550,684                    | 693,609          | 374,619                       | 478,667          |
|                             |                      | Boeing 767        | 883,607                    | 1,205,673        | 907,356                       | 1,220,541        |
|                             |                      | Boeing 777 / 787  | 798,363                    | 933,963          | 712,059                       | 834,567          |
| Banco Santander S.A.        | Aircraft and engines | Airbus A319       | 56,570                     | 94,032           | 58,527                        | 95,387           |
|                             |                      | Airbus A320       | 509,383                    | 741,717          | 524,682                       | 749,192          |
|                             |                      | Airbus A321       | 35,471                     | 44,917           | 36,334                        | 45,380           |
| BNP Paribas                 | Aircraft and engines | Airbus A319       | 149,766                    | 228,607          | 154,828                       | 229,798          |
|                             |                      | Airbus A320       | 141,228                    | 189,869          | 145,506                       | 192,957          |
| Credit Agricole             | Aircraft and engines | Airbus A319       | 34,472                     | 80,108           | 37,755                        | 84,129           |
|                             |                      | Airbus A320       | 104,594                    | 208,667          | 115,339                       | 214,726          |
|                             |                      | Airbus A321       | 48,125                     | 96,151           | 50,591                        | 97,257           |
| JP Morgan                   | Aircraft and engines | Boeing 777        | 209,654                    | 260,697          | 215,265                       | 263,366          |
| Wells Fargo                 | Aircraft and engines | Airbus A320       | 272,770                    | 343,520          | 279,478                       | 348,271          |
| Bank of Utah                | Aircraft and engines | Airbus A320       | 235,170                    | 307,735          | 240,094                       | 312,573          |
| Natixis                     | Aircraft and engines | Airbus A320       | 53,667                     | 86,247           | 56,223                        | 81,355           |
|                             |                      | Airbus A321       | 404,313                    | 533,920          | 413,201                       | 542,594          |
| Citibank N. A.              | Aircraft and engines | Airbus A320       | 123,202                    | 171,062          | 127,135                       | 172,918          |
|                             |                      | Airbus A321       | 47,840                     | 72,215           | 49,464                        | 73,122           |
| HSBC                        | Aircraft and engines | Airbus A320       | 52,209                     | 63,671           | 53,583                        | 64,241           |
| KfW IPEX-Bank               | Aircraft and engines | Airbus A320       | 12,939                     | 16,669           | 13,593                        | 16,838           |
| P K AirFinance US, Inc.     | Aircraft and engines | Airbus A320       | 60,632                     | 48,104           | 62,514                        | 48,691           |
| Total direct guarantee      |                      |                   | <u>4,784,659</u>           | <u>6,421,153</u> | <u>4,628,146</u>              | <u>6,166,570</u> |

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

Additionally, there are indirect guarantees related to assets recorded in Property, plant and equipment whose total debt at March 31, 2016 amounted to ThUS\$ 1,245,356 (ThUS\$ 1,311,088 at December 31, 2015). The book value of assets with indirect guarantees as of March 31, 2016 amounts to ThUS\$ 1,959,973 (ThUS\$ 2,001,605 as of December 31, 2015).

## (ii) Commitments and others

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

|   | As of<br>March 31,<br>2016<br><u>ThUS\$</u><br>Unaudited | As of<br>December 31,<br>2015<br><u>ThUS\$</u> |
|---|--|--|
| Gross book value of fully depreciated property,<br>plant and equipment still in use | 98,134   | 129,766  |
| Commitments for the acquisition of aircraft (*)                                     | 19,300,000   | 19,800,000                                     |

(\*) 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.      | 20               | 22        | 24        | 12        | 14        | 13        | 105        |
| A320-NEO           | 2                | 18        | 16        | 8         | 8         | -         | 52         |
| A321               | 13               | -         | -         | -         | -         | -         | 13         |
| A321-NEO           | -                | -         | 6         | -         | 4         | 5         | 15         |
| A350-1000          | -                | -         | -         | 2         | 2         | 8         | 12         |
| A350-900           | 5                | 4         | 2         | 2         | -         | -         | 13         |
| The Boeing Company | 2                | 1         | 4         | 6         | -         | -         | 13         |
| B777               | -                | -         | -         | 2         | -         | -         | 2          |
| B787-8             | -                | -         | 4         | 4         | -         | -         | 8          |
| B787-9             | 2                | 1         | -         | -         | -         | -         | 3          |
| Total              | <u>22</u>        | <u>23</u> | <u>28</u> | <u>18</u> | <u>14</u> | <u>13</u> | <u>118</u> |

On September 2015 the change of 6 Airbus A350-900 aircraft for 6 Airbus A350-1000 aircraft was signed. Additionally, on November 2015 the change of 6 Airbus A350-900 aircraft to 6 Airbus A350-1000 aircraft was signed.

As of March 31, 2016, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., 80 aircraft Airbus A320 family, with deliveries between 2016 and 2021, and 25 Airbus aircraft A350 family with delivery dates starting from 2016 remain to be received.

The approximate amount is ThUS\$ 16,200,000, according to the manufacturer's price list. Additionally, the Company has valid purchase options for 4 Airbus A350 aircraft.

In April 2015 the change of 8 Boeing 787-8 aircraft for 8 Boeing 787-8 aircraft was signed.

As of March 31, 2016, and as a result of different aircraft purchase contracts signed with The Boeing Company, a total of 11 787 Dreamliner aircraft, with delivery dates between 2016 and 2019, and 2 Boeing 777 with delivery expected for 2019 remain to be received.

The approximate amount, according to the manufacturer's price list, is ThUS\$ 3,100,000.

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

|  |        | For the periods ended |       |
|--|--------|-----------------------|-------|
|  |        | March 31,             |       |
|  |        | 2016                  | 2015  |
|  |        | <u>Unaudited</u>      |       |
| Average rate of capitalization of capitalized interest costs | %      | 3.13                  | 2.77  |
| Costs of capitalized interest                                | ThUS\$ | 3,560                 | 6,192 |

## (iv) Financial leases

The detail of the main financial leases is as follows:

| <u>Lessor</u>   | <u>Aircraft</u> | <u>Model</u> | As of             | As of                |
|---|-----------------|--------------|-------------------|----------------------|
|   |                 |              | March 31,<br>2016 | December 31,<br>2015 |
|   |                 |              | <u>Unaudited</u>  |                      |
| Agonandra Statutory Trust                                 | Airbus A320     | 200          | -                 | 2                    |
| Amendoeira Leasing Trust                                  | Airbus A319     | 100          | 1                 | -                    |
| Becacina Leasing LLC                                      | Boeing 767      | 300ER        | 1                 | 1                    |
| Caiquen Leasing LLC                                       | Boeing 767      | 300F         | 1                 | 1                    |
| Cemicalo Leasing LLC                                      | Boeing 767      | 300F         | 2                 | 2                    |
| Chirihue Leasing Trust                                    | Boeing 767      | 300F         | 2                 | 2                    |
| Cisne Leasing LLC   | Boeing 767      | 300ER        | 2                 | 2                    |
| Codomiz Leasing Limited                                   | Airbus A319     | 100          | 2                 | 2                    |
| Conure Leasing Limited                                    | Airbus A320     | 200          | 2                 | 2                    |
| Figueira Leasing LLC                                      | Airbus A320     | 200          | 1                 | -                    |
| Flamenco Leasing LLC                                      | Boeing 767      | 300ER        | 1                 | 1                    |
| FLYAFI1 S.R.L.  | Boeing 777      | 300ER        | 1                 | 1                    |
| FLYAFI2 S.R.L.  | Boeing 777      | 300ER        | 1                 | 1                    |
| FLYAFI3 S.R.L.  | Boeing 777      | 300ER        | 1                 | 1                    |
| Forderum Holding B.V. (GECAS)                             | Airbus A320     | 200          | 2                 | 2                    |
| Garza Leasing LLC   | Boeing 767      | 300ER        | 1                 | 1                    |
| General Electric Capital Corporation                      | Airbus A330     | 200          | 3                 | 3                    |
| Intraelo BETA Corporation (KFW)                           | Airbus A320     | 200          | 1                 | 1                    |
| Juliana Leasing Limited                                   | Airbus A320     | 200          | -                 | 2                    |
| Jacarandá Leasing Limited                                 | Airbus A320     | 200          | 1                 | -                    |
| 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 Brasília 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                 | 4                    |
| Pochard Leasing LLC                                       | Boeing 767      | 300ER        | 2                 | 2                    |
| Quetro Leasing LLC  | Boeing 767      | 300ER        | 3                 | 3                    |
| SG Infrastructure Italia S.R.L.                           | Boeing 777      | 300ER        | 1                 | 1                    |
| SL Alcyone LTD (Showa)                                    | Airbus A320     | 200          | 1                 | 1                    |
| TMF Interlease Aviation B.V.                              | Airbus A330     | 200          | -                 | 1                    |
| TMF Interlease Aviation IIB.V.                            | Airbus A319     | 100          | 4                 | 5                    |
| TMF Interlease Aviation IIB.V.                            | Airbus A320     | 200          | -                 | 2                    |
| Tricahue Leasing LLC                                      | Boeing 767      | 300ER        | 3                 | 3                    |
| Wacapou Leasing S.A                                       | Airbus A320     | 200          | 1                 | 1                    |
| Total   |                 |              | <u>61</u>         | <u>66</u>            |

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

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

Fixed assets acquired under financial leases are classified as Other property, plant and equipment. As of March 31, 2016 the Company had sixty one aircraft (sixty six aircraft as of December 31, 2015).

As of March 31, 2016, as a result of the transfer plan fleet of TAM Linhas Aéreas S.A. to LATAM Airlines Group S.A., the Company declined its number of aircraft leasing in four Airbus A320-200 and one Airbus A330-200 aircraft.

The book value of assets under financial leases as of March 31, 2016 amounts to ThUS\$ 1,965,131 (ThUS\$ 2,030,723 at December 31, 2015).

The minimum payments under financial leases are as follows:

|                            | As of March 31, 2016 (Unaudited) |                  |                  | As of December 31, 2015 |                  |                  |
|----------------------------|----------------------------------|------------------|------------------|-------------------------|------------------|------------------|
|                            | Gross Value                      | Interest         | Present Value    | Gross Value             | Interest         | Present Value    |
|                            | ThUS\$                           | ThUS\$           | ThUS\$           | ThUS\$                  | ThUS\$           | ThUS\$           |
| No later than one year     | 343,710                          | (44,059)         | 299,651          | 360,862                 | (47,492)         | 313,370          |
| Between one and five years | 928,372                          | (66,857)         | 861,515          | 1,003,237               | (75,363)         | 927,874          |
| Over five years            | 85,788                           | (960)            | 84,828           | 95,050                  | (1,406)          | 93,644           |
| Total                      | <u>1,357,870</u>                 | <u>(111,876)</u> | <u>1,245,994</u> | <u>1,459,149</u>        | <u>(124,261)</u> | <u>1,334,888</u> |

#### NOTE 17 - CURRENT AND DEFERRED TAXES

In the period ended March 31, 2016, the income tax provision was calculated at the rate of 24% for the business year 2016, in accordance with the recently enacted Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

Among the main changes is the progressive increase of the First Category Tax which will reach 27% in 2018 if the "Partially Integrated Taxation System"(\*) is chosen. Alternatively, if the Company chooses the "Attributed Income Taxation System"(\*) the top rate would reach 25% in 2017.

As LATAM Airlines Group S.A. is a public company, by default it must choose the "Partially Integrated Taxation System", unless a future Extraordinary Meeting of Shareholders of the Company agrees, by a minimum of 2/3 of the votes, to choose the "Attributed Income Taxation System". This decision must be taken at the latest in the last quarter of 2016.

On February 8, 2016, an amendment to the abovementioned Law was issued (as Law 20,899) stating, as its main amendments, that Companies such Latam Airlines Group S.A. had to mandatorily choose the "Partially Integrated Taxation System"(\*) and could not elect to use the other system.

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<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
| Provisional monthly payments (advances) | 42,103  | 43,935                                  | -   | -                                       | 42,103  | 43,935                                  |
| Other recoverable credits               | 24,747  | 20,080                                  | 25,629  | 25,629                                  | 50,376  | 45,709                                  |
| Total current tax assets                | <u>66,850</u>                                     | <u>64,015</u>                           | <u>25,629</u>                                     | <u>25,629</u>                           | <u>92,479</u>                                     | <u>89,644</u>                           |

(a.2) The composition of the current tax liabilities are as follows:

|                               | Current liabilities                               |   | Non-current liabilities                           |   | Total liabilities                                 |   |
|-------------------------------|---|---|---|---|---|---|
|                               | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
| Income tax provision          | 25,712  | 19,001                                  | -   | -                                       | 25,712  | 19,001                                  |
| Additional tax provision      | 87  | 377                                     | -   | -                                       | 87  | 377                                     |
| Total current tax liabilities | <u>25,799</u>                                     | <u>19,378</u>                           | <u>-</u>  | <u>-</u>                                | <u>25,799</u>                                     | <u>19,378</u>                           |

## (b) Deferred taxes

The balances of deferred tax are the following:

| Concept                                   | Assets  |   | Liabilities                                       |   |
|---|---|---|---|---|
|   | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
| Depreciation                              | (45,072)  | (14,243)                                | 1,127,225   | 1,103,017                               |
| Leased assets                             | (87,036)  | (25,299)                                | 219,753   | 137,741                                 |
| Amortization                              | (5,607)   | (5,748)                                 | 69,022  | 92,313                                  |
| Provisions                                | 257,562   | 210,992                                 | (88,386)  | (70,028)                                |
| Revaluation of financial instruments      | -   | 709                                     | (11,397)  | (7,575)                                 |
| Tax losses                                | 253,798   | 212,067                                 | (874,009)   | (797,715)                               |
| Revaluation property, plant and equipment | -   | -                                       | -   | (4,081)                                 |
| Intangibles                               | -   | -                                       | 399,756   | 355,952                                 |
| Others                                    | (2,711)   | (1,883)                                 | 15,175  | 1,941                                   |
| Total                                     | <u>370,934</u>                                    | <u>376,595</u>                          | <u>857,139</u>                                    | <u>811,565</u>                          |

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 March 31, 2015 (Unaudited)

|   | Opening<br>balance                    | Recognized in<br>consolidated<br>income | Recognized in<br>comprehensive<br>income | Exchange<br>rate<br>variation | Others                  | Ending<br>balance                  |
|---|---------------------------------------|---|--|-------------------------------|-------------------------|------------------------------------|
|   | <u>Assets/(liabilities)</u><br>ThUS\$ | <u>income</u><br>ThUS\$                 | <u>income</u><br>ThUS\$                  | <u>variation</u><br>ThUS\$    | <u>Others</u><br>ThUS\$ | <u>Asset (liability)</u><br>ThUS\$ |
| Depreciation                              | (871,640)                             | (50,807)                                | -  | 4,594                         | -                       | (917,853)                          |
| Leased assets                             | (185,775)                             | 12,519                                  | -  | 4,197                         | -                       | (169,059)                          |
| Amortization                              | (160,100)                             | 4,919                                   | -  | 2,478                         | -                       | (152,703)                          |
| Provisions                                | 351,077                               | (17,635)                                | -  | (68,216)                      | -                       | 265,226                            |
| Revaluation of financial instruments      | 12,806                                | 22,482                                  | (21,366)                                 | (1,710)                       | -                       | 12,212                             |
| Tax losses (*)                            | 722,749                               | 83,524                                  | -  | (17,947)                      | -                       | 788,326                            |
| Revaluation property, plant and equipment | 5,999                                 | 6,885                                   | -  | (7,916)                       | -                       | 4,968                              |
| Intangibles                               | (523,275)                             | -                                       | -  | 90,007                        | -                       | (433,268)                          |
| Others                                    | 3,588                                 | (8,341)                                 | -  | 1,521                         | 1,384                   | (1,848)                            |
| Total                                     | <u>(644,571)</u>                      | <u>53,546</u>                           | <u>(21,366)</u>                          | <u>7,008</u>                  | <u>1,384</u>            | <u>(603,999)</u>                   |

## (b) From April 1 to December 31, 2015

|   | Opening<br>balance          | Recognized in<br>consolidated | Recognized in<br>comprehensive | Exchange<br>rate |               | Ending<br>balance        |
|---|-----------------------------|-------------------------------|--------------------------------|------------------|---------------|--------------------------|
|   | <u>Assets/(liabilities)</u> | <u>income</u>                 | <u>income</u>                  | <u>variation</u> | <u>Others</u> | <u>Asset (liability)</u> |
|   | ThUS\$                      | ThUS\$                        | ThUS\$                         | ThUS\$           | ThUS\$        | ThUS\$                   |
| Depreciation                              | (917,853)                   | (217,084)                     | -                              | 3,946            | -             | (1,130,991)              |
| Leased assets                             | (169,059)                   | (85,849)                      | -                              | 3,606            | -             | (251,302)                |
| Amortization                              | (152,703)                   | 79,411                        | -                              | 2,128            | -             | (71,164)                 |
| Provisions                                | 265,226                     | 167,997                       | 3,911                          | (58,597)         | -             | 378,537                  |
| Revaluation of financial instruments      | 12,212                      | (2,722)                       | 263                            | (1,469)          | -             | 8,284                    |
| Tax losses (*)                            | 788,326                     | 236,873                       | -                              | (15,417)         | -             | 1,009,782                |
| Revaluation property, plant and equipment | 4,968                       | 5,914                         | -                              | (6,801)          | -             | 4,081                    |
| Intangibles                               | (433,268)                   | (8,362)                       | -                              | 77,316           | -             | (364,314)                |
| Others                                    | (1,848)                     | 41,180                        | -                              | (48,986)         | (8,229)       | (17,883)                 |
| Total                                     | (603,999)                   | 217,358                       | 4,174                          | (44,274)         | (8,229)       | (434,970)                |

## (c) From January 1 to March 31, 2016 (Unaudited)

|   | Opening<br>balance          | Recognized in<br>consolidated | Recognized in<br>comprehensive | Exchange<br>rate |               | Ending<br>balance        |
|---|-----------------------------|-------------------------------|--------------------------------|------------------|---------------|--------------------------|
|   | <u>Assets/(liabilities)</u> | <u>income</u>                 | <u>income</u>                  | <u>variation</u> | <u>Others</u> | <u>Asset (liability)</u> |
|   | ThUS\$                      | ThUS\$                        | ThUS\$                         | ThUS\$           | ThUS\$        | ThUS\$                   |
| Depreciation                              | (1,130,991)                 | (39,540)                      | -                              | (1,766)          | -             | (1,172,297)              |
| Leased assets                             | (251,302)                   | (53,874)                      | -                              | (1,613)          | -             | (306,789)                |
| Amortization                              | (71,164)                    | (2,513)                       | -                              | (952)            | -             | (74,629)                 |
| Provisions                                | 378,537                     | (59,222)                      | 413                            | 26,220           | -             | 345,948                  |
| Revaluation of financial instruments      | 8,284                       | 10,167                        | (7,711)                        | 657              | -             | 11,397                   |
| Tax losses (*)                            | 1,009,782                   | 111,127                       | -                              | 6,898            | -             | 1,127,807                |
| Revaluation property, plant and equipment | 4,081                       | (7,124)                       | -                              | 3,043            | -             | -                        |
| Intangibles                               | (364,314)                   | (846)                         | -                              | (34,596)         | -             | (399,756)                |
| Others                                    | (17,883)                    | (13,891)                      | -                              | 12,250           | 1,638         | (17,886)                 |
| Total                                     | (434,970)                   | (55,716)                      | (7,298)                        | 10,141           | 1,638         | (486,205)                |

## Deferred tax assets not recognized:

|  | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
|--|---|---|
| Tax losses                               | 34,633  | 15,513                                  |
| Total Deferred tax assets not recognized | 34,633  | 15,513                                  |

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. At March 31, 2016, the Company has not recognized deferred tax assets of ThUS\$ 34,633 (ThUS\$ 15,513 at December 31, 2015) according with a loss of ThUS\$ 101,862 (ThUS\$ 45,628 at December 31, 2015) to offset against future years tax benefits.

## Deferred tax expense and current income taxes:

|   | For the period ended<br>March 31, |                 |
|---|-----------------------------------|-----------------|
|   | <u>2016</u>                       | <u>2015</u>     |
|   | ThUS\$                            | ThUS\$          |
|   | Unaudited                         |                 |
| Current tax expense   |                                   |                 |
| Current tax expense   | 24,490                            | 29,794          |
| Adjustment to previous period's current tax   | 2,121                             | 199             |
| Total current tax expense, net  | <u>26,611</u>                     | <u>29,993</u>   |
| Deferred tax expense  |                                   |                 |
| Deferred expense for taxes related to the<br>creation and reversal of temporary differences | 55,716                            | (53,546)        |
| Total deferred tax expense, net   | <u>55,716</u>                     | <u>(53,546)</u> |
| Income tax expense  | <u>82,327</u>                     | <u>(23,553)</u> |

## Composition of income tax expense (income):

|                                    | For the period ended<br>March 31, |                 |
|------------------------------------|-----------------------------------|-----------------|
|                                    | <u>2016</u>                       | <u>2015</u>     |
|                                    | ThUS\$                            | ThUS\$          |
|                                    | Unaudited                         |                 |
| Current tax expense, net, foreign  | 25,687                            | 28,689          |
| Current tax expense, net, Chile    | 924                               | 1,304           |
| Total current tax expense, net     | <u>26,611</u>                     | <u>29,993</u>   |
| Deferred tax expense, net, foreign | 48,739                            | (33,218)        |
| Deferred tax expense, net, Chile   | 6,977                             | (20,328)        |
| Deferred tax expense, net, total   | <u>55,716</u>                     | <u>(53,546)</u> |
| Income tax expense                 | <u>82,327</u>                     | <u>(23,553)</u> |

Profit before tax by the legal tax rate in Chile (24% and 22.5% at March 31, 2016 and 2015, respectively)



|   | For the period ended |          | For the period ended |         |
|---|----------------------|----------|----------------------|---------|
|   | March 31,            |          | March 31,            |         |
|   | 2016                 | 2015     | 2016                 | 2015    |
|   | ThUS\$               | ThUS\$   | %                    | %       |
|   | Unaudited            |          | Unaudited            |         |
| Tax expense using the legal rate (*)                  | 44,288               | (14,288) | 24.00                | 22.50   |
| Tax effect of rates in other jurisdictions            | 14,774               | 1,039    | 8.01                 | (1.64)  |
| Tax effect of non-taxable operating revenues          | (20,214)             | (30,197) | (10.95)              | 47.55   |
| Tax effect of disallowable expenses                   | 41,266               | 17,977   | 22.36                | (28.31) |
| Other increases (decreases) in legal tax charge       | 2,213                | 1,916    | 1.20                 | (3.02)  |
| Total adjustments to tax expense using the legal rate | 38,039               | (9,265)  | 20.62                | 14.58   |
| Tax expense using the effective rate                  | 82,327               | (23,553) | 44.62                | 37.08   |

(\*) 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 March 31, 2016 the Company presents the reconciliation of income tax expense and legal tax rate considering the rate increase.

Deferred taxes related to items charged to net equity:

|   | For the period ended |          |
|---|----------------------|----------|
|   | March 31,            |          |
|   | 2016                 | 2015     |
|   | ThUS\$               | ThUS\$   |
|   | Unaudited            |          |
| Aggregate deferred taxation of components of other comprehensive income | (7,298)              | (21,366) |
| Aggregate deferred taxation related to items charged to net equity      | (449)                | (713)    |

(\*) 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<br>March 31,<br><u>2016</u><br>ThUS\$ | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|----------------------------|---|--|
| Current                    |   |  |
| (a) Interest bearing loans | 1,553,996                                   | 1,510,146                                      |
| (b) Hedge derivatives      | <u>87,567</u>                               | <u>134,089</u>                                 |
| Total current              | <u><u>1,641,563</u></u>                     | <u><u>1,644,235</u></u>                        |
| Non-current                |   |  |
| (a) Interest bearing loans | 7,673,334                                   | 7,516,257                                      |
| (b) Hedge derivatives      | <u>14,070</u>                               | <u>16,128</u>                                  |
| Total non-current          | <u><u>7,687,404</u></u>                     | <u><u>7,532,385</u></u>                        |

## (a) Interest bearing loans

Obligations with credit institutions and debt instruments:

|   | As of<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|---|--|--|
| Current                                       |  |  |
| Loans to exporters                            | 390,289  | 387,409  |
| Bank loans                                    | 85,436   | 80,188   |
| Guaranteed obligations                        | 628,625  | 591,148  |
| Other guaranteed obligations                  | <u>24,502</u>  | <u>32,513</u>                                  |
| Subtotal bank loans                           | 1,128,852  | 1,091,258                                      |
| Obligation with the public                    | 37,763   | 10,999   |
| Financial leases                              | 303,531  | 324,859  |
| Other loans                                   | <u>83,850</u>  | <u>83,030</u>                                  |
| Total current                                 | <u><u>1,553,996</u></u>                                  | <u><u>1,510,146</u></u>                        |
| Non-current                                   |  |  |
| Bank loans                                    | 450,177  | 564,128  |
| Guaranteed obligations                        | 4,311,706  | 4,122,995                                      |
| Other guaranteed obligations (1)              | <u>275,000</u>   | <u>-</u>                                       |
| Subtotal bank loans                           | 5,036,883  | 4,687,123                                      |
| Obligation with the public (2)                | 1,297,537  | 1,294,882                                      |
| Financial leases                              | 917,277  | 1,015,779                                      |
| Other loans                                   | <u>421,637</u>   | <u>518,473</u>                                 |
| Total non-current                             | <u><u>7,673,334</u></u>                                  | <u><u>7,516,257</u></u>                        |
| Total obligations with financial institutions | <u><u>9,227,330</u></u>                                  | <u><u>9,026,403</u></u>                        |

(1) On March 29, 2016, LATAM Airlines Group S.A. He performed the closing of a new financing - Revolving Credit Facility (RCF). The credit line will be guaranteed by TAM Linhas Aereas S.A. and Transporte Aereo S.A.

The total amount committed and disbursed to March 30, 2016 was for a total of MUS \$ 275,000. The financing term is 3 years.

The company will pay a coupon (a) plus a fee (b) based on the amount utilization rotated quarterly. The amount available but not willing, it will pay a quarterly commitment fee (c).

- a. Interests: L3M + 200 bps annual
- b. Utilization fee: If the rotated amount is less than 33% will be to increase 10bps; in case to be between 33% and 66% should be of score a 25bps; and if more than 66% it should adding 50bps
- c. Commitment Fee: 0.625% per annum

The line is secured with collateral asset basis; such collateral is composed of: aircraft, engines and spare parts

This funding requires must compliance with liquidity ratio and certain ratios of collateral.

(2) On June 9, 2015 LATAM Airlines Group S.A. has issued and placed on the international market under Rule 144-A and Regulation S of the securities laws of the United States of America, unsecured long-term bonds in the amount of US\$ 500,000,000, maturing 2020, interest rate of 7.25% per annum.

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:

| <u>Currency</u>     | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
|---------------------|---|---|
| Brazilian real      | 3,198   | 3,387                                   |
| Chilean peso (U.F.) | 263,583   | 210,423                                 |
| US Dollar           | <u>8,960,549</u>                                  | <u>8,812,593</u>                        |
| Total               | <u><u>9,227,330</u></u>                           | <u><u>9,026,403</u></u>                 |

Interest-bearing loans due in installments to March 31, 2016 (Unaudited)

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

| Tax No.                             | Creditor              | Creditor country | Currency | Nominal values |                               |                              |                               |                      |                     | Accounting values |                               |                              |                               |                      |                        | Amortization  | Effective rate % | Nominal rate % |
|-------------------------------------|-----------------------|------------------|----------|----------------|-------------------------------|------------------------------|-------------------------------|----------------------|---------------------|-------------------|-------------------------------|------------------------------|-------------------------------|----------------------|------------------------|---------------|------------------|----------------|
|                                     |                       |                  |          | Up to 90 days  | More than 90 days to one year | More than one to three years | More than three to five years | More than five years | Total nominal value | Up to 90 days     | More than 90 days to one year | More than one to three years | More than three to five years | More than five years | Total accounting value |               |                  |                |
|                                     |                       |                  |          | ThUS\$         | ThUS\$                        | ThUS\$                       | ThUS\$                        | ThUS\$               | ThUS\$              | ThUS\$            | ThUS\$                        | ThUS\$                       | ThUS\$                        | ThUS\$               | ThUS\$                 |               |                  |                |
| <b>Loans to exporters</b>           |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 97.032.000-8                        | BBVA                  | Chile            | US \$    | 100,000        | -                             | -                            | -                             | -                    | 100,000             | 100,244           | -                             | -                            | -                             | -                    | 100,244                | At Expiration | 1.33             | 1.33           |
| 97.036.000-K                        | S ANTANDER            | Chile            | US \$    | 100,000        | -                             | -                            | -                             | -                    | 100,000             | 100,092           | -                             | -                            | -                             | -                    | 100,092                | At Expiration | 1.80             | 1.80           |
| 97.030.000-7                        | ESTADO                | Chile            | US \$    | 57,357         | -                             | -                            | -                             | -                    | 57,357              | 57,663            | -                             | -                            | -                             | -                    | 57,663                 | At Expiration | 4.91             | 4.91           |
| 97.004.000-5                        | CHILE                 | Chile            | US \$    | 50,000         | -                             | -                            | -                             | -                    | 50,000              | 50,000            | -                             | -                            | -                             | -                    | 50,000                 | At Expiration | 1.44             | 1.44           |
| 97.003.000-K                        | BANCODOBRASIL         | Chile            | US \$    | 70,000         | -                             | -                            | -                             | -                    | 70,000              | 70,274            | -                             | -                            | -                             | -                    | 70,274                 | At Expiration | 2.82             | 2.82           |
| 97.951.000-4                        | HSBC                  | Chile            | US \$    | 12,000         | -                             | -                            | -                             | -                    | 12,000              | 12,016            | -                             | -                            | -                             | -                    | 12,016                 | At Expiration | 0.75             | 0.75           |
| <b>Bank loans</b>                   |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 97.023.000-9                        | CORP BANCA            | Chile            | UF       | 18,828         | 56,485                        | 99,503                       | 31,831                        | -                    | 206,647             | 19,637            | 56,485                        | 95,156                       | 34,642                        | -                    | 205,920                | Quarterly     | 4.16             | 4.16           |
| 0-E                                 | BLADEX                | U.S.A.           | US \$    | 2,500          | 5,000                         | 27,500                       | 15,000                        | -                    | 50,000              | 3,245             | 5,000                         | 27,125                       | 14,875                        | -                    | 50,245                 | Semiannual    | 4.58             | 4.58           |
| 0-E                                 | DVB BANK SE           | U.S.A.           | US \$    | -              | -                             | 95,784                       | -                             | -                    | 95,784              | 20                | -                             | 95,784                       | -                             | -                    | 95,804                 | Quarterly     | 1.69             | 1.69           |
| 97.036.000-K                        | S ANTANDER            | Chile            | US \$    | -              | -                             | 179,835                      | -                             | -                    | 179,835             | 555               | -                             | 179,835                      | -                             | -                    | 180,390                | Quarterly     | 2.53             | 2.53           |
| <b>Obligations with the public</b>  |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 0-E                                 | BANK OF YORK          | U.S.A.           | US \$    | -              | -                             | -                            | 500,000                       | -                    | 500,000             | 12,184            | -                             | -                            | 487,033                       | -                    | 499,217                | At Expiration | 7.77             | 7.25           |
| <b>Guaranteed obligations</b>       |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 0-E                                 | CREDIT AGRICOLE       | France           | US \$    | 33,150         | 92,639                        | 225,081                      | 49,773                        | 8,935                | 409,578             | 33,943            | 92,639                        | 223,742                      | 49,773                        | 8,935                | 409,032                | Quarterly     | 1.93             | 1.77           |
| 0-E                                 | BNP PARIBAS           | U.S.A.           | US \$    | 8,261          | 25,275                        | 71,526                       | 75,452                        | 130,720              | 311,234             | 9,412             | 25,275                        | 71,103                       | 75,362                        | 130,720              | 311,872                | Quarterly     | 2.45             | 2.41           |
| 0-E                                 | WELLS FARGO           | U.S.A.           | US \$    | 31,032         | 93,927                        | 256,672                      | 265,948                       | 502,277              | 1,149,856           | 35,046            | 93,927                        | 229,700                      | 253,830                       | 492,745              | 1,105,248              | Quarterly     | 2.25             | 1.64           |
| 0-E                                 | WILMINGTON TRUST      | U.S.A.           | US \$    | 19,386         | 49,124                        | 121,787                      | 130,291                       | 628,097              | 948,685             | 25,117            | 49,124                        | 117,414                      | 127,909                       | 623,344              | 942,908                | Quarterly     | 4.25             | 4.25           |
| 0-E                                 | CITIBANK              | U.S.A.           | US \$    | 17,157         | 52,130                        | 144,101                      | 151,774                       | 234,798              | 599,960             | 18,707            | 52,130                        | 134,944                      | 147,536                       | 230,441              | 583,758                | Quarterly     | 2.49             | 1.74           |
| 97.036.000-K                        | S ANTANDER            | Chile            | US \$    | 5,264          | 15,945                        | 43,781                       | 45,655                        | 43,791               | 154,436             | 5,559             | 15,945                        | 41,751                       | 44,899                        | 43,534               | 151,688                | Quarterly     | 1.57             | 1.03           |
| 0-E                                 | BTMU                  | U.S.A.           | US \$    | 2,732          | 8,305                         | 22,947                       | 24,166                        | 36,091               | 94,241              | 2,924             | 8,305                         | 21,533                       | 23,570                        | 35,757               | 92,089                 | Quarterly     | 1.92             | 1.32           |
| 0-E                                 | APPLE BANK            | U.S.A.           | US \$    | 1,343          | 4,077                         | 11,290                       | 11,907                        | 18,193               | 46,810              | 1,508             | 4,077                         | 10,587                       | 11,609                        | 18,021               | 45,802                 | Quarterly     | 2.02             | 1.42           |
| 0-E                                 | US BANK               | U.S.A.           | US \$    | 14,566         | 44,198                        | 121,613                      | 127,272                       | 268,906              | 576,555             | 17,248            | 44,198                        | 103,828                      | 119,065                       | 261,828              | 546,167                | Quarterly     | 3.99             | 2.81           |
| 0-E                                 | DEUTSCHE BANK         | U.S.A.           | US \$    | 4,838          | 14,820                        | 30,556                       | 26,113                        | 55,603               | 131,930             | 5,435             | 14,820                        | 30,556                       | 26,113                        | 55,603               | 132,527                | Quarterly     | 3.62             | 3.62           |
| 0-E                                 | NATIXIS               | France           | US \$    | 11,848         | 36,354                        | 97,024                       | 81,188                        | 231,565              | 457,979             | 12,508            | 36,354                        | 97,024                       | 81,188                        | 231,565              | 458,639                | Quarterly     | 2.22             | 2.19           |
| 0-E                                 | HSBC                  | U.S.A.           | US \$    | 1,388          | 4,201                         | 11,605                       | 12,188                        | 22,829               | 52,211              | 1,530             | 4,201                         | 11,605                       | 12,188                        | 22,829               | 52,353                 | Quarterly     | 2.58             | 1.77           |
| 0-E                                 | PK AIRFINANCE         | U.S.A.           | US \$    | 1,915          | 5,949                         | 17,474                       | 20,091                        | 15,204               | 60,633              | 1,972             | 5,949                         | 17,474                       | 20,091                        | 15,204               | 60,690                 | Mensual       | 2.14             | 2.14           |
| 0-E                                 | KFW IPEX-BANK         | Germany          | US \$    | 2,204          | 6,776                         | 18,254                       | 14,546                        | 1,103                | 42,883              | 2,233             | 6,776                         | 18,254                       | 14,546                        | 1,103                | 42,912                 | Quarterly     | 2.27             | 2.27           |
| -                                   | SWAP Aviones llegados | -                | US \$    | 478            | 1,285                         | 2,312                        | 571                           | -                    | 4,646               | 478               | 1,285                         | 2,312                        | 571                           | -                    | 4,646                  | Quarterly     | -                | -              |
| <b>Other guaranteed obligations</b> |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 0-E                                 | CITIBANK              | U.S.A.           | US \$    | -              | -                             | 275,000                      | -                             | -                    | 275,000             | 48                | -                             | 275,000                      | -                             | -                    | 275,048                | Quarterly     | 3.13             | 3.13           |
| 0-E                                 | DVB BANK SE           | U.S.A.           | US \$    | 8,100          | 16,338                        | -                            | -                             | -                    | 24,438              | 8,116             | 16,338                        | -                            | -                             | -                    | 24,454                 | Quarterly     | 2.32             | 2.32           |
| <b>Financial leases</b>             |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 0-E                                 | ING                   | U.S.A.           | US \$    | 8,212          | 20,069                        | 35,466                       | 23,143                        | -                    | 86,890              | 8,942             | 20,069                        | 34,722                       | 23,032                        | -                    | 86,765                 | Quarterly     | 5.26             | 4.68           |
| 0-E                                 | CREDIT AGRICOLE       | France           | US \$    | 1,689          | 5,197                         | 5,403                        | -                             | -                    | 12,289              | 1,727             | 5,197                         | 5,403                        | -                             | -                    | 12,327                 | Quarterly     | 1.59             | 1.59           |
| 0-E                                 | CITIBANK              | U.S.A.           | US \$    | 4,750          | 14,653                        | 42,326                       | 30,967                        | -                    | 92,696              | 5,532             | 14,653                        | 41,359                       | 30,819                        | -                    | 92,363                 | Quarterly     | 6.40             | 5.67           |
| 0-E                                 | PEFCO                 | U.S.A.           | US \$    | 15,454         | 47,383                        | 97,911                       | 16,921                        | -                    | 177,669             | 16,639            | 47,383                        | 96,473                       | 16,859                        | -                    | 177,354                | Quarterly     | 5.37             | 4.77           |
| 0-E                                 | BNP PARIBAS           | U.S.A.           | US \$    | 10,102         | 31,077                        | 75,843                       | 26,128                        | -                    | 143,150             | 10,629            | 31,077                        | 74,597                       | 26,024                        | -                    | 142,327                | Quarterly     | 4.14             | 3.70           |
| 0-E                                 | WELLS FARGO           | U.S.A.           | US \$    | 4,555          | 13,907                        | 38,858                       | 41,588                        | 18,201               | 117,109             | 4,940             | 13,907                        | 37,638                       | 41,215                        | 18,156               | 115,856                | Quarterly     | 3.98             | 3.54           |
| 0-E                                 | DVB BANK SE           | U.S.A.           | US \$    | 4,599          | 13,954                        | 9,447                        | -                             | -                    | 28,000              | 4,649             | 13,954                        | 9,447                        | -                             | -                    | 28,050                 | Quarterly     | 2.09             | 2.09           |
| 0-E                                 | BANC OF AMERICA       | U.S.A.           | US \$    | 1,736          | 360                           | -                            | -                             | -                    | 2,096               | 1,738             | 360                           | -                            | -                             | -                    | 2,098                  | Mensual       | 1.41             | 1.41           |
| <b>Other loans</b>                  |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 0-E                                 | BOEING                | U.S.A.           | US \$    | -              | -                             | 75,993                       | -                             | -                    | 75,993              | 1,897             | -                             | 75,993                       | -                             | -                    | 77,890                 | At Expiration | 1.79             | 1.79           |
| 0-E                                 | CITIBANK (*)          | U.S.A.           | US \$    | 19,452         | 61,353                        | 176,791                      | 173,043                       | -                    | 430,639             | 20,600            | 61,353                        | 173,148                      | 172,496                       | -                    | 427,597                | Quarterly     | 6.00             | 6.00           |
| <b>Total</b>                        |                       |                  |          | <b>644,896</b> | <b>740,781</b>                | <b>2,431,683</b>             | <b>1,895,556</b>              | <b>2,216,313</b>     | <b>7,929,229</b>    | <b>685,007</b>    | <b>740,781</b>                | <b>2,353,507</b>             | <b>1,855,245</b>              | <b>2,189,785</b>     | <b>7,824,325</b>       |               |                  |                |

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

Interest-bearing loans due in installments to March 31, 2016 (Unaudited)  
Debtor: TAMS .A. and S 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 \$                |                      |                  |                |
| <b>Bank loans</b>                 |  |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |                      |                  |                |
| 0-E                               | NEDERLANDS CHE CREDIETVERZEKERING MAATSCHAPPIJ | Holand           | US \$    | 117            | 361                           | 1,046                        | 1,179                         | 534                  | 3,237               | 133               | 361                           | 1,047                        | 1,179                         | 534                  | 3,254                  | Monthly              | 6.01             | 6.01           |
| <b>Obligation with the public</b> |  |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |                      |                  |                |
| 0-E                               | THE BANK OF NEW YORK                           | U.S.A.           | US \$    | -              | -                             | 300,000                      | -                             | 500,000              | 800,000             | 23,746            | 1,833                         | 304,837                      | 4,760                         | 500,907              | 836,083                | At Expiration        | 8.17             | 8.00           |
| <b>Financial leases</b>           |  |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |                      |                  |                |
| 0-E                               | AFS INVESTMENT IXLCC                           | U.S.A.           | US \$    | 2,000          | 6,171                         | 17,789                       | 15,573                        | -                    | 41,533              | 2,195             | 6,171                         | 17,789                       | 15,573                        | -                    | 41,728                 | Monthly              | 1.25             | 1.25           |
| 0-E                               | AIRBUS FINANCIAL                               | U.S.A.           | US \$    | 1,754          | 5,347                         | 14,901                       | 13,501                        | -                    | 35,503              | 1,819             | 5,347                         | 14,901                       | 13,501                        | -                    | 35,568                 | Monthly              | 1.43             | 1.43           |
| 0-E                               | DVB BANK S E                                   | U.S.A.           | US \$    | 118            | 355                           | 164                          | -                             | -                    | 637                 | 119               | 355                           | 164                          | -                             | -                    | 638                    | Monthly              | 1.64             | 1.64           |
| 0-E                               | GENERAL ELECTRIC CAPITAL CORPORATION           | U.S.A.           | US \$    | 3,683          | 11,226                        | 5,198                        | -                             | -                    | 20,107              | 3,726             | 11,226                        | 5,198                        | -                             | -                    | 20,150                 | Monthly              | 1.25             | 1.25           |
| 0-E                               | KFW IPEX-BANK                                  | Germany          | US \$    | 579            | 1,737                         | 1,543                        | -                             | -                    | 3,859               | 586               | 1,737                         | 1,544                        | -                             | -                    | 3,867                  | Monthly/Quarterly    | 1.72             | 1.72           |
| 0-E                               | NATIS  | France           | US \$    | 1,383          | 6,680                         | 17,727                       | 20,099                        | 66,627               | 112,516             | 1,856             | 6,680                         | 17,727                       | 20,099                        | 66,627               | 112,989                | Quarterly/Semiannual | 3.85             | 3.85           |
| 0-E                               | PK AIR FINANCEUS, INC.                         | U.S.A.           | US \$    | 1,294          | 20,475                        | -                            | -                             | -                    | 21,769              | 1,331             | 20,475                        | -                            | -                             | -                    | 21,806                 | Monthly              | 1.75             | 1.75           |
| 0-E                               | WACAPOULEASINGS.A.                             | Luxemburg        | US \$    | 375            | 1,078                         | 2,563                        | 13,970                        | -                    | 17,986              | 408               | 1,078                         | 2,563                        | 13,970                        | -                    | 18,019                 | Quarterly            | 2.00             | 2.00           |
| 0-E                               | SOCIÉTÉ GÉNÉRALE MILAN BRANCH                  | Italy            | US \$    | 8,225          | 25,325                        | 72,187                       | 198,601                       | -                    | 304,338             | 9,591             | 25,325                        | 72,187                       | 198,602                       | -                    | 305,705                | Quarterly            | 3.63             | 3.55           |
| 0-E                               | BANCO IBMS.A                                   | Brazil           | BRL      | 238            | 714                           | 706                          | -                             | -                    | 1,658               | 238               | 714                           | 706                          | -                             | -                    | 1,658                  | Monthly              | 14.14            | 14.14          |
| 0-E                               | HP FINANCIAL SERVICE                           | Brazil           | BRL      | 189            | 594                           | -                            | -                             | -                    | 783                 | 189               | 594                           | -                            | -                             | -                    | 783                    | Monthly              | 10.02            | 10.02          |
| 0-E                               | SOCIETE GENERALE                               | Francia          | BRL      | 94             | 281                           | 382                          | -                             | -                    | 757                 | 94                | 281                           | 382                          | -                             | -                    | 757                    | Monthly              | 14.14            | 14.14          |
| Total                             |  |                  |          | 20,049         | 80,344                        | 434,206                      | 262,923                       | 567,161              | 1,364,683           | 46,031            | 82,177                        | 439,045                      | 267,684                       | 568,068              | 1,403,005              |                      |                  |                |
| Total consolidated                |  |                  |          | 664,945        | 821,125                       | 2,865,889                    | 2,158,479                     | 2,783,474            | 9,293,912           | 731,038           | 822,958                       | 2,792,552                    | 2,122,929                     | 2,757,853            | 9,227,330              |                      |                  |                |

Interest-bearing loans due in installments to December 31, 2015

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\$                 |               |                  |                |
| <b>Loans to exporters</b>           |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 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                        | SANTANDER             | 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                        | BANCODOBRASIL         | 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           |
| <b>Bank loans</b>                   |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 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           |
| <b>Obligations with the public</b>  |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 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           |
| <b>Guaranteed obligations</b>       |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 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                                 | APPLEBANK             | 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                                 | KFWIPEX-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 Ilegados | -                | US \$    | 502            | 1,360                         | 2,521                        | 765                           | -                    | 5,148               | 502               | 1,360                         | 2,521                        | 765                           | -                    | 5,148                  | Quarterly     | -                | -              |
| <b>Other guaranteed obligations</b> |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 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           |
| <b>Financial leases</b>             |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 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           |
| <b>Other loans</b>                  |                       |                  |          |                |                               |                              |                               |                      |                     |                   |                               |                              |                               |                      |                        |               |                  |                |
| 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           |
| <b>Total</b>                        |                       |                  |          | <b>611,840</b> | <b>738,017</b>                | <b>2,291,593</b>             | <b>1,892,936</b>              | <b>2,155,787</b>     | <b>7,690,173</b>    | <b>641,578</b>    | <b>738,016</b>                | <b>2,218,512</b>             | <b>1,846,051</b>              | <b>2,127,734</b>     | <b>7,571,891</b>       |               |                  |                |

(\*) 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: TAMS 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 % |
|-----------------------------|--|------------------|----------|----------------|-------------------------------|------------------------------|-------------------------------|----------------------|---------------------|-------------------|-------------------------------|------------------------------|-------------------------------|----------------------|------------------------|----------------------|------------------|----------------|
|                             |  |                  |          | Upto 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 | Upto 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                         | NEDERLANDS CHE CREDITVERZEKERINGMAATSCHAPPIJ | 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 IXLIC                         | 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 S E                                 | 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                         | P K AIR FINANCE 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                         | WACAPOULEAS ING 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 IBMS 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              |                      |                  |                |

## (b) Hedge derivatives

|  | Current liabilities |                      | Non-current liabilities |                      | Total hedge derivatives |                      |
|--|---------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
|  | As of               | As of                | As of                   | As of                | As of                   | As of                |
|  | March 31,<br>2016   | December 31,<br>2015 | March 31,<br>2016       | December 31,<br>2015 | March 31,<br>2016       | December 31,<br>2015 |
|  | ThUS\$              | ThUS\$               | ThUS\$                  | ThUS\$               | ThUS\$                  | ThUS\$               |
| Accrued interest from the last date<br>of interest rate swap | 3,963               | 4,329                | -                       | -                    | 3,963                   | 4,329                |
| Fair value of interest rate derivatives                      | 21,382              | 33,518               | 14,070                  | 16,128               | 35,452                  | 49,646               |
| Fair value of fuel derivatives                               | 21,343              | 56,424               | -                       | -                    | 21,343                  | 56,424               |
| Fair value of foreign currency derivative                    | 40,879              | 39,818               | -                       | -                    | 40,879                  | 39,818               |
| Total hedge derivatives                                      | <u>87,567</u>       | <u>134,089</u>       | <u>14,070</u>           | <u>16,128</u>        | <u>101,637</u>          | <u>150,217</u>       |

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

Hedging operation

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

|                                 | As of<br>March 31,<br>2016<br>ThUS\$ | As of<br>December 31,<br>2015<br>ThUS\$ |
|---------------------------------|--------------------------------------|---|
|                                 | Unaudited                            |   |
| Cross currency swaps (CCS) (1)  | (24,383)                             | (49,311)                                |
| Interest rate swaps (2)         | (36,434)                             | (44,085)                                |
| Fuel collars (3)                | 2,760                                | 6,293                                   |
| Fuel swap (4)                   | (21,343)                             | (56,424)                                |
| Currency forward US\$/GBP\$ (5) | 762                                  | 7,432                                   |
| Currency options US\$/EUR\$ (5) | (3,301)                              | 1,438                                   |
| Currency options R\$/US\$ (5)   | (13,981)                             | 933                                     |
| Currency options CLP\$/US\$ (5) | (592)                                | 85                                      |
| Currency options COP\$/US\$ (5) | (818)                                | -                                       |
| Currency options AUD\$/US\$ (5) | (428)                                | -                                       |

- (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 increases in the 3 months LIBOR interest rates for long-term loans incurred in the acquisition of aircraft and bank loans. These contracts are recorded as cash flow hedges.
- (3) Covers significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.
- (4) 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.
- (5) Covers the foreign exchange risk exposure of operating cash flows caused mainly by fluctuations in the exchange rate US\$/GBP, US\$/EUR, R\$/US\$, CLP\$/US\$, COP\$/US\$ and AUD\$/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 9 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 |           |
|--|----------------------|-----------|
|  | March 31,            |           |
|  | 2016                 | 2015      |
|  | ThUS\$               | ThUS\$    |
|  | Unaudited            |           |
| Debit (credit) recognized in comprehensive income during the period    | 27,974               | 83,263    |
| Debit (credit) transferred from net equity to income during the period | (37,421)             | (113,462) |

## NOTE 19 - TRADE AND OTHER ACCOUNTS PAYABLES

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

|   | As of<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|---|--|--|
| Current                                       |  |  |
| (a) Trade and other accounts payables         | 979,015  | 1,025,574                                      |
| (b) Accrued liabilities at the reporting date | 473,822  | 458,383  |
| Total trade and other accounts payables       | <u>1,452,837</u>   | <u>1,483,957</u>                               |
| <br>(a) Trade and other accounts payable:     |  |  |
|   | As of<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
| Trade creditors                               | 734,498  | 758,783  |
| Leasing obligation                            | 15,553   | 18,784   |
| Other accounts payable                        | 228,964  | 248,007  |
| Total   | <u>979,015</u>   | <u>1,025,574</u>                               |

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

|   | As of<br>March 31,<br>2016<br><u>ThUS\$</u> | As of<br>December 31,<br>2015<br><u>ThUS\$</u> |
|---|---|--|
|   | Unaudited                                   |  |
| Boarding Fee                            | 165,389                                     | 175,900  |
| Aircraft Fuel                           | 127,053                                     | 148,612  |
| Handling and ground handling            | 87,209                                      | 88,629   |
| Other personnel expenses                | 77,446                                      | 72,591   |
| Suppliers' technical purchases          | 75,251                                      | 52,160   |
| Airport charges and overflight          | 73,541                                      | 94,139   |
| Professional services and advisory      | 63,317                                      | 63,302   |
| Land services                           | 61,342                                      | 80,387   |
| Marketing                               | 39,973                                      | 45,997   |
| Services on board                       | 37,457                                      | 32,993   |
| Maintenance                             | 32,064                                      | 18,573   |
| Leases, maintenance and IT services     | 29,269                                      | 25,558   |
| Crew                                    | 24,678                                      | 23,834   |
| Achievement of goals                    | 18,272                                      | 15,386   |
| Aircraft and engines leasing            | 15,553                                      | 19,146   |
| Distribution system                     | 9,591                                       | 17,531   |
| Aviation insurance                      | 7,080                                       | 7,655  |
| Communications                          | 4,128                                       | 6,731  |
| Others                                  | 30,402                                      | 36,450   |
|   | <u>979,015</u>                              | <u>1,025,574</u>                               |
| Total trade and other accounts payables |   |  |

(b) Liabilities accrued:

|                                   | As of<br>March 31,<br>2016<br><u>ThUS\$</u> | As of<br>December 31,<br>2015<br><u>ThUS\$</u> |
|-----------------------------------|---|--|
|                                   | Unaudited                                   |  |
| Aircraft and engine maintenance   | 268,720                                     | 246,454  |
| Accrued personnel expenses        | 122,492                                     | 108,058  |
| Accounts payable to personnel (*) | 64,028                                      | 81,368   |
| Others accrued liabilities        | 18,582                                      | 22,503   |
|                                   | <u>473,822</u>                              | <u>458,383</u>                                 |
| Total accrued liabilities         |   |  |

(\*) Profits and bonds participation (Note 22 letter b)

## NOTE 20 - OTHER PROVISIONS

## Other provisions:

|  | Current liabilities                               |   | Non-current liabilities                           |   | Total Liabilities                                 |   |
|--|---|---|---|---|---|---|
|  | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
| Provision for contingencies (1)                        |   |   |   |   |   |   |
| Tax contingencies                                      | 1,298   | 1,297                                   | 380,892   | 350,418                                 | 382,190   | 351,715                                 |
| Civil contingencies                                    | 955   | 1,476                                   | 44,299  | 37,555                                  | 45,254  | 39,031                                  |
| Labor contingencies                                    | 147   | 149                                     | 17,377  | 15,648                                  | 17,524  | 15,797                                  |
| Other  | -   | -                                       | 12,191  | 11,910                                  | 12,191  | 11,910                                  |
| Provision for European<br>Commission investigation (2) | -   | -                                       | 9,355   | 8,966                                   | 9,355   | 8,966                                   |
| Total other provisions (3)                             | <u>2,400</u>                                      | <u>2,922</u>                            | <u>464,114</u>                                    | <u>424,497</u>                          | <u>466,514</u>                                    | <u>427,419</u>                          |

## (1) Provisions for contingencies:

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

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

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

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

- (2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.
- (3) Total other provision at March 31, 2016, and at December 31, 2015, 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<br>claims | European<br>Commission<br>Investigation(*) | Total          |
|--|-----------------|--|----------------|
|  | ThUS\$          | ThUS\$                                     | ThUS\$         |
| Opening balance as of January 1, 2015            | 705,552         | 9,999                                      | 715,551        |
| Increase in provisions                           | 7,527           | -  | 7,527          |
| Provision used                                   | (1,040)         | -  | (1,040)        |
| Difference by subsidiaries conversion            | (118,486)       | -  | (118,486)      |
| Reversal of provision                            | (7,736)         | -  | (7,736)        |
| Exchange difference                              | (317)           | (1,174)                                    | (1,491)        |
| Closing balance as of March 31, 2015 (Unaudited) | <u>585,500</u>  | <u>8,825</u>                               | <u>594,325</u> |
| Opening balance as of April 1, 2015              | 585,500         | 8,825                                      | 594,325        |
| Increase in provisions                           | 47,148          | -  | 47,148         |
| Provision used                                   | (18,482)        | -  | (18,482)       |
| Difference by subsidiaries conversion            | (101,780)       | -  | (101,780)      |
| Reversal of provision                            | (93,004)        | -  | (93,004)       |
| Exchange difference                              | (929)           | 141  | (788)          |
| Closing balance as of December 31, 2015          | <u>418,453</u>  | <u>8,966</u>                               | <u>427,419</u> |
| Opening balance as of January 1, 2016            | 418,453         | 8,966                                      | 427,419        |
| Increase in provisions                           | 26,103          | -  | 26,103         |
| Provision used                                   | (4,916)         | -  | (4,916)        |
| Difference by subsidiaries conversion            | 38,949          | -  | 38,949         |
| Reversal of provision                            | (21,555)        | -  | (21,555)       |
| Exchange difference                              | 125             | 389  | 514            |
| Closing balance as of March 31, 2016 (Unaudited) | <u>457,159</u>  | <u>9,355</u>                               | <u>466,514</u> |

Accumulated balance includes the judicial deposit in guarantee, related to the “Fundo Aeroviário” (FA), in the amount of US\$ 67 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 March 31, 2016 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 European Commission does not appeal the sentence, but can issue a new decision correcting the failures specified in the Judgment and it has a period of 5 years the Court European resolved the appeal and annulled the European Commission. The procedural stage at March 31, 2016 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<br>March 31,<br><u>2016</u> | As of<br>December 31,<br><u>2015</u> | As of<br>March 31,<br><u>2016</u> | As of<br>December 31,<br><u>2015</u> | As of<br>March 31,<br><u>2016</u> | As of<br>December 31,<br><u>2015</u> |
|                                       | ThUS\$                            | ThUS\$                               | ThUS\$                            | ThUS\$                               | ThUS\$                            | ThUS\$                               |
|                                       | Unaudited                         |                                      | Unaudited                         |                                      | Unaudited                         |                                      |
| Deferred revenues (*)                 | 2,344,295                         | 2,423,703                            | 273,017                           | 272,130                              | 2,617,312                         | 2,695,833                            |
| Sales tax                             | 7,398                             | 10,379                               | -                                 | -                                    | 7,398                             | 10,379                               |
| Retentions                            | 42,563                            | 33,125                               | -                                 | -                                    | 42,563                            | 33,125                               |
| Others taxes                          | 9,457                             | 11,211                               | -                                 | -                                    | 9,457                             | 11,211                               |
| Dividends                             | 35,181                            | 3,980                                | -                                 | -                                    | 35,181                            | 3,980                                |
| Othersundry liabilities               | 29,595                            | 7,635                                | -                                 | -                                    | 29,595                            | 7,635                                |
| Total other non-financial liabilities | <u>2,468,489</u>                  | <u>2,490,033</u>                     | <u>273,017</u>                    | <u>272,130</u>                       | <u>2,741,506</u>                  | <u>2,762,163</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<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
|---------------------------------------|---|---|
| Retirements payments                  | 46,745  | 42,117                                  |
| Resignation payments                  | 9,569   | 8,858                                   |
| Other obligations                     | 15,151  | 14,296                                  |
| Total liability for employee benefits | <u>71,465</u>                                     | <u>65,271</u>                           |

(a) The movement in retirements and resignation payments and other obligations:

|   | Opening<br>balance<br>ThUS\$ | Increase (decrease)<br>current service<br>provision<br>ThUS\$ | Benefits<br>paid<br>ThUS\$ | Actuarial<br>(gains)<br>losses<br>ThUS\$ | Currency<br>translation<br>ThUS\$ | Closing<br>balance<br>ThUS\$ |
|---|------------------------------|---|----------------------------|--|-----------------------------------|------------------------------|
| From January 1 to<br>March 31, 2015 (Unaudited) | 74,102                       | 7,713   | (1,227)                    | -  | -                                 | 80,588                       |
| From April 1 to<br>December 31, 2015            | 80,588                       | (21,322)  | (2,597)                    | 14,631                                   | (6,029)                           | 65,271                       |
| From January 1 to<br>March 31, 2016 (Unaudited) | 65,271                       | 5,604   | (972)                      | 1,562                                    | -                                 | 71,465                       |

The principal assumptions used in the calculation to the provision in Chile are presented below:

| <u>Assumptions</u>               | As of<br>March 31, |             |
|----------------------------------|--------------------|-------------|
|                                  | <u>2016</u>        | <u>2015</u> |
| Discount rate                    | 4.62%              | 4.64%       |
| Expected rate of salary increase | 4.50%              | 4.50%       |
| Rate of turnover                 | 6.16%              | 6.16%       |
| Mortality rate                   | RV-2009            | RV-2009     |
| Inflation rate                   | 2.93%              | 3.09%       |
| 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<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$<br>Unaudited |
| <u>Discount rate</u>  |   |  |
| Change in the accrued liability an closing for increase in 100 p.b. | (5,321)   | (4,669)  |
| Change in the accrued liability an closing for decrease of 100 p.b. | 6,093   | 5,345  |
| <u>Rate of wage growth</u>  |   |  |
| Change in the accrued liability an closing for increase in 100 p.b. | 6,052   | 5,309  |
| Change in the accrued liability an closing for decrease of 100 p.b. | (5,210)   | (4,725)  |

(b) The liability for short-term:

|                                | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$<br>Unaudited |
|--------------------------------|---|--|
| Profit-sharing and bonuses (*) | <u>64,028</u>                                     | <u>81,368</u>  |

(\*) Accounts payables to employees (Note 19 letter b)

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

(c) Employment expenses are detailed below:

|                              | For the periods ended<br>March 31, |                             |
|------------------------------|------------------------------------|-----------------------------|
|                              | 2016<br>ThUS\$<br>Unaudited        | 2015<br>ThUS\$<br>Unaudited |
| Salaries and wages           | 360,213                            | 450,402                     |
| Short-term employee benefits | 72,066                             | 50,883                      |
| Termination benefits         | 13,255                             | 22,919                      |
| Other personnel expenses     | 43,181                             | 51,485                      |
| Total                        | <u>488,715</u>                     | <u>575,689</u>              |

## NOTE 23 - ACCOUNTS PAYABLE, NON-CURRENT

|                                     | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
|-------------------------------------|---|---|
| Aircraft and engine maintenance     | 364,515   | 371,419                                 |
| Fleet financing (JOL)               | 35,388  | 35,042                                  |
| Provision for vacations and bonuses | 10,290  | 10,365                                  |
| Other sundry liabilities            | 225   | 224                                     |
| Total accounts payable, non-current | <u>410,418</u>                                    | <u>417,050</u>                          |

## NOTE 24 - EQUITY

## (a) Capital

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

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

The capital of the Company at March 31, 2016 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, 2015), no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disablement, loss, replacement and other similar circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.

## (b) Subscribed and paid shares

The following table shows the movement of the authorized and fully paid shares described above:

| Movement of authorized shares                     | Nro. Of<br>shares  |
|---|--------------------|
| Autorized shares as of January 1, 2015            | 551,847,819        |
| No movement of autorized shares at March 31, 2015 | -                  |
| Autorized shares as of December 31, 2015          | <u>551,847,819</u> |
| Autorized shares as of January 1, 2016            | 551,847,819        |
| No movement of autorized shares at March 31, 2016 | -                  |
| Autorized shares as of March 31, 2016 (Unaudited) | <u>551,847,819</u> |

## Movement fully paid shares

|  | N° of<br>shares        | Movement<br>value<br>of shares<br>(1)<br>ThUS\$ | Cost of issuance<br>and placement<br>of shares (2)<br>ThUS\$ | Paid- in<br>Capital<br>ThUS\$ |
|--|------------------------|---|--|-------------------------------|
| Paid shares as of January 1, 2015                  | 545,547,819            | 2,552,066                                       | (6,361)  | 2,545,705                     |
| No movement of paid shares<br>at December 31, 2015 | -                      | -   | -  | -                             |
| Paid shares as of December 31, 2015                | <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, 2016                  | 545,547,819            | 2,552,066                                       | (6,361)  | 2,545,705                     |
| No movement of paid shares<br>at March 31, 2016    | -                      | -   | -  | -                             |
| Paid shares as of March 31, 2016 (Unaudited)       | <u>545,547,819 (3)</u> | <u>2,552,066</u>                                | <u>(6,361)</u>   | <u>2,545,705</u>              |

(1) Amounts reported represent only those arising from the payment of the shares subscribed.

(2) Decrease of capital by capitalization of reserves for cost of issuance and placement of shares established according to Extraordinary Shareholder's Meetings, where such decreases were authorized.

(3) At March 31, 2016, 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 March 31, 2016, 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<br>balance<br>ThUS\$ | Stock<br>option<br>plan<br>ThUS\$ | Deferred<br>tax<br>ThUS\$ | Closing<br>balance<br>ThUS\$ |
|--|------------------------------|-----------------------------------|---------------------------|------------------------------|
| From January 1 to March 31, 2015 (Unaudited) | 29,642                       | 2,841                             | (713)                     | 31,770                       |
| From April 1 to December 31, 2015            | 31,770                       | 6,083                             | (2,206)                   | 35,647                       |
| From January 1 to March 31, 2016 (Unaudited) | 35,647                       | 1,233                             | (404)                     | 36,476                       |

These reserves are related to the "Share-based payments" explained in Note 33.

(e) Other sundry reserves

## Movement of Other sundry reserves:

| Periods                                      | Opening<br>balance | Legal<br>reserves | Closing<br>balance |
|--|--------------------|-------------------|--------------------|
|  | ThUS\$             | ThUS\$            | ThUS\$             |
| From January 1 to March 31, 2015 (Unaudited) | 2,635,748          | 1,928             | 2,637,676          |
| From April 1 to December 31, 2015            | 2,637,676          | (2,997)           | 2,634,679          |
| From January 1 to March 31, 2016 (Unaudited) | 2,634,679          | 340               | 2,635,019          |

## Balance of Other sundry reserves comprises the following:

|   | As of<br>March 31,<br>2016 | As of<br>December 31,<br>2015 |
|---|----------------------------|-------------------------------|
|   | ThUS\$<br>Unaudited        | ThUS\$                        |
| Higher value for TAM S.A. share exchange (1)                | 2,665,692                  | 2,665,692                     |
| Reserve for the adjustment to the value of fixed assets (2) | 2,620                      | 2,620                         |
| Transactions with non-controlling interest (3)              | (25,895)                   | (25,891)                      |
| Cost of issuance and placement of shares                    | (5,264)                    | (5,264)                       |
| Others  | (2,134)                    | (2,478)                       |
| Total   | <u>2,635,019</u>           | <u>2,634,679</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. and Inversiones Lan S.A. in the acquisition of shares of Aerovías de Integración Regional Aires of ThUS\$ (3,480) and ThUS\$ (4), respectively; the acquisition of TAM S.A. of the minority holding of Aerolíneas 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<br>translation<br>reserve | Cash flow<br>hedging<br>reserve | Actuarial gain<br>or loss on defined<br>benefit plans<br>reserve | Total       |
|--|------------------------------------|---------------------------------|--|-------------|
|  | Th US \$                           | Th US \$                        | Th US \$   | Th US \$    |
| Opening balance as of January 1, 2015            | (1,193,871)                        | (151,340)                       | -  | (1,345,211) |
| Derivatives valuation gains (losses)             | -                                  | 84,500                          | -  | 84,500      |
| Deferred tax                                     | -                                  | (21,779)                        | -  | (21,779)    |
| Difference by subsidiaries conversion            | (709,950)                          | -                               | -  | (709,950)   |
| Closing balance as of March 31, 2015 (Unaudited) | (1,903,821)                        | (88,619)                        | -  | (1,992,440) |
| Opening balance as of April 1, 2015              | (1,903,821)                        | (88,619)                        | -  | (1,992,440) |
| Derivatives valuation gains (losses)             | -                                  | (1,770)                         | -  | (1,770)     |
| Deferred tax                                     | -                                  | (121)                           | -  | (121)       |
| 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            | (672,220)                          | -                               | -  | (672,220)   |
| Closing balance as of December 31, 2015          | (2,576,041)                        | (90,510)                        | (10,717)   | (2,677,268) |
| Opening balance as of January 1, 2016            | (2,576,041)                        | (90,510)                        | (10,717)   | (2,677,268) |
| Derivatives valuation gains (losses)             | -                                  | 27,468                          | -  | 27,468      |
| Deferred tax                                     | -                                  | (7,539)                         | -  | (7,539)     |
| Actuarial reserves                               |                                    |                                 |  |             |
| by employee benefit plans                        | -                                  | -                               | (1,573)  | (1,573)     |
| Deferred tax actuarial IAS                       |                                    |                                 |  |             |
| by employee benefit plans                        | -                                  | -                               | 413  | 413         |
| Difference by subsidiaries conversion            | 243,384                            | -                               | -  | 243,384     |
| Closing balance as of March 31, 2016 (Unaudited) | (2,332,657)                        | (70,581)                        | (11,877)   | (2,415,115) |

## (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\$ 11,877 net of deferred taxes.

## (g) Retained earnings

Movement of Retained earnings:

| <u>Periods</u>                               | <u>Opening<br/>balance<br/>ThUS\$</u> | <u>Result<br/>for the<br/>period<br/>ThUS\$</u> | <u>Dividens<br/>ThUS\$</u> | <u>Other<br/>increase<br/>(decreases)<br/>ThUS\$</u> | <u>Closing<br/>balance<br/>ThUS\$</u> |
|--|---------------------------------------|---|----------------------------|--|---------------------------------------|
| From January 1 to March 31, 2015 (Unaudited) | 536,190                               | (39,947)  | -                          | 528  | 496,771                               |
| From April 1 to December 31, 2015            | 496,771                               | (179,327)                                       | -                          | 506  | 317,950                               |
| From January 1 to March 31, 2016 (Unaudited) | 317,950                               | 102,208   | (30,662)                   | (255)  | 389,241                               |

## (h) Dividends per share

| <u>Description of dividend</u>                              | <u>Minimum mandatory<br/>dividend<br/>2016</u> | <u>Final dividend<br/>dividend<br/>2015</u> |
|---|--|---|
| Date of dividend  | 03-31-2016                                     | 12-31-2012                                  |
| Amount of the dividend (ThUS\$)                             | 30,662   | -   |
| Number of shares among which the<br>dividend is distributed | 545,547,819                                    | 545,547,819                                 |
| Dividend per share (US\$)                                   | 0.0562   | -   |

## NOTE 25 - REVENUE

The detail of revenues is as follows:

|                | For the periods ended |                  |
|----------------|-----------------------|------------------|
|                | March 31,             |                  |
|                | <u>2016</u>           | <u>2015</u>      |
|                | ThUS\$                | ThUS\$           |
|                | <u>Unaudited</u>      |                  |
| Passengers LAN | 1,084,909             | 1,128,658        |
| Passengers TAM | 873,381               | 1,214,869        |
| Cargo          | <u>275,967</u>        | <u>350,322</u>   |
| Total          | <u>2,234,257</u>      | <u>2,693,849</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 |                  |
|--------------------------------|-----------------------|------------------|
|                                | March 31,             |                  |
|                                | <u>2016</u>           | <u>2015</u>      |
|                                | ThUS\$                | ThUS\$           |
|                                | <u>Unaudited</u>      |                  |
| Aircraft fuel                  | 461,433               | 744,064          |
| Other rentals and landing fees | 261,051               | 285,905          |
| Aircraft rentals               | 133,603               | 128,899          |
| Aircraft maintenance           | 94,796                | 113,974          |
| Comissions                     | 66,629                | 82,563           |
| Passenger services             | 77,452                | 77,762           |
| Other operating expenses       | <u>285,406</u>        | <u>317,934</u>   |
| Total                          | <u>1,380,370</u>      | <u>1,751,101</u> |

## (b) Depreciation and amortization

Depreciation and amortization are detailed below:

|                  | For the period ended |                |
|------------------|----------------------|----------------|
|                  | March 31,            |                |
|                  | <u>2016</u>          | <u>2015</u>    |
|                  | ThUS\$               | ThUS\$         |
|                  | Unaudited            |                |
| Depreciation (*) | 229,891              | 226,468        |
| Amortization     | 9,560                | 10,980         |
| Total            | <u>239,451</u>       | <u>237,448</u> |

(\*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at March 31, 2016 is ThUS\$ 88,815 and ThUS\$ 86,565 for the same period of 2015.

## (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:

|                             | For the period ended |               |
|-----------------------------|----------------------|---------------|
|                             | March 31,            |               |
|                             | <u>2016</u>          | <u>2015</u>   |
|                             | ThUS\$               | ThUS\$        |
|                             | Unaudited            |               |
| Bank loan interest          | 84,204               | 81,082        |
| Financial leases            | 9,493                | 12,078        |
| Other financial instruments | 9,352                | 2,173         |
| Total                       | <u>103,049</u>       | <u>95,333</u> |

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 22, are equivalent to the sum of cost of sales, distribution costs, administrative expenses, other expenses and financing costs presented in the consolidated statement of income by function.

## (e) Restructuring Costs

As part of the ongoing process of reviewing its fleet plan, in December 2015 the company recognized a negative impact on results of US\$ 80 million before tax associated with the output of the rest of the A330 fleet, including engines and technical materials is recognized. These expenses are recognized at "Other Gain and Losses" of the Consolidated Statement of Income by Function.



## NOTE 27 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

|                            | For the period ended |               |
|----------------------------|----------------------|---------------|
|                            | March 31,            |               |
|                            | <u>2016</u>          | <u>2015</u>   |
|                            | ThUS\$               | ThUS\$        |
|                            | <u>Unaudited</u>     |               |
| Tours                      | 23,962               | 21,899        |
| Aircraft leasing           | 15,408               | 9,348         |
| Customs and warehousing    | 5,216                | 5,417         |
| Duty free                  | 2,393                | 4,129         |
| Maintenance                | 2,121                | 2,068         |
| Other miscellaneous income | 44,260               | 54,432        |
| Total                      | <u>93,360</u>        | <u>97,293</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:

| <u>Current assets</u>           | As of<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|---------------------------------|--|--|
| Cash and cash equivalents       | 162,499  | 182,089  |
| Argentine peso                  | 6,907  | 11,611   |
| Brazilian real                  | 5,782  | 8,810  |
| Chilean peso                    | 21,790   | 17,739   |
| Colombian peso                  | 1,200  | 1,829  |
| Euro                            | 13,633   | 10,663   |
| U.S. dollar                     | 106,016  | 112,422  |
| Strong bolivar                  | 1,775  | 2,986  |
| Other currency                  | 5,396  | 16,029   |
| Other financial assets, current | 68,411   | 124,042  |
| Argentine peso                  | 52,500   | 108,592  |
| Brazilian real                  | 2,362  | 1,263  |
| Chilean peso                    | 542  | 563  |
| Colombian peso                  | 119  | 1,167  |
| Euro                            | 1  | 1  |
| U.S. dollar                     | 12,577   | 12,128   |
| Strong bolivar                  | 1  | 22   |
| Other currency                  | 309  | 306  |

| <u>Current assets</u>                              | As of<br>March 31,<br><u>2016</u><br>ThUS\$<br>Unaudited | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|--|--|--|
| Other non - financial assets, current              | 130,516  | 126,130  |
| Argentine peso                                     | 13,819   | 14,719   |
| Brazilian real                                     | 14,707   | 15,387   |
| Chilean peso                                       | 18,738   | 10,265   |
| Colombian peso                                     | 765  | 486  |
| Euro   | 2,502  | 1,983  |
| U.S. dollar  | 56,693   | 61,577   |
| Strong bolivar                                     | 8  | -  |
| Other currency                                     | 23,284   | 21,713   |
| Trade and other accounts receivable, current       | 216,192  | 247,229  |
| Argentine peso                                     | 27,116   | 30,563   |
| Brazilian real                                     | 43,361   | 11,136   |
| Chilean peso                                       | 28,077   | 55,169   |
| Colombian peso                                     | 462  | 1,195  |
| Euro   | 21,947   | 53,200   |
| U.S. dollar  | 21,088   | 6,743  |
| Strong bolivar                                     | 603  | 7,225  |
| Other currency                                     | 73,538   | 81,998   |
| Accounts receivable from related entities, current | 249  | 183  |
| Chilean peso                                       | 249  | 183  |
| Tax current assets                                 | 25,193   | 22,717   |
| Argentine peso                                     | 2,564  | 2,371  |
| Brazilian real                                     | 2,263  | 5  |
| Chilean peso                                       | 3,832  | 3,615  |
| Colombian peso                                     | 1,684  | 1,275  |
| Euro   | 74   | 14   |
| U.S. dollar  | 85   | 1,394  |
| Other currency                                     | 14,691   | 14,043   |
| Total current assets                               | 603,060  | 702,390  |
| Argentine peso                                     | 102,906  | 167,856  |
| Brazilian real                                     | 68,475   | 36,601   |
| Chilean peso                                       | 73,228   | 87,534   |
| Colombian peso                                     | 4,230  | 5,952  |
| Euro   | 38,157   | 65,861   |
| U.S. Dollar  | 196,459  | 194,264  |
| Strong bolivar                                     | 2,387  | 10,233   |
| Other currency                                     | 117,218  | 134,089  |

| Non-current assets                        | As of<br>March 31,<br><u>2016</u><br>ThUS\$ | As of<br>December 31,<br><u>2015</u><br>ThUS\$ |
|---|---|--|
| Other financial assets, non-current       | 25,202                                      | 20,767   |
| Argentine peso                            | 20  | 22   |
| Brazilian real                            | 1,823                                       | 1,478  |
| Chilean peso                              | 82  | 77   |
| Colombian peso                            | 169   | 162  |
| Euro                                      | 3,235                                       | 614  |
| U.S. dollar                               | 18,024                                      | 16,696   |
| Other currency                            | 1,849                                       | 1,718  |
| Other non - financial assets, non-current | 48,209                                      | 60,215   |
| Argentine peso                            | 151   | 169  |
| Brazilian real                            | 5,046                                       | 4,454  |
| U.S. dollar                               | 37,893                                      | 50,108   |
| Other currency                            | 5,119                                       | 5,484  |
| Accounts receivable, non-current          | 6,442                                       | 9,404  |
| Chilean peso                              | 6,227                                       | 4,251  |
| U.S. dollar                               | 62  | 5,000  |
| Other currency                            | 153   | 153  |
| Deferred tax assets                       | 5,299                                       | 2,632  |
| Colombian peso                            | 398   | 336  |
| U.S. dollar                               | 2,606                                       | -  |
| Other currency                            | 2,295                                       | 2,296  |
| Total non-current assets                  | 85,152                                      | 93,018   |
| Argentine peso                            | 171   | 191  |
| Brazilian real                            | 6,869                                       | 5,932  |
| Chilean peso                              | 6,309                                       | 4,328  |
| Colombian peso                            | 567   | 498  |
| Euro                                      | 3,235                                       | 614  |
| U.S. dollar                               | 58,585                                      | 71,804   |
| Other currency                            | 9,416                                       | 9,651  |

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

| <u>Current liabilities</u>                    | <u>Up to 90 days</u> |              | <u>91 days to 1 year</u> |              |
|---|----------------------|--------------|--------------------------|--------------|
|   | As of                | As of        | As of                    | As of        |
|   | March 31,            | December 31, | March 31,                | December 31, |
|   | <u>2016</u>          | <u>2015</u>  | <u>2016</u>              | <u>2015</u>  |
|   | ThUS\$               | ThUS\$       | ThUS\$                   | ThUS\$       |
|   | Unaudited            |              | Unaudited                |              |
| Other financial liabilities, current          | 101,293              | 94,199       | 194,735                  | 141,992      |
| Chilean peso                                  | 55,783               | 54,655       | 114,147                  | 52,892       |
| U.S. dollar                                   | 45,510               | 39,544       | 80,588                   | 89,100       |
| Trade and other accounts                      |                      |              |                          |              |
| payables, current                             | 608,311              | 575,967      | 18,931                   | 19,261       |
| Argentine peso                                | 14,430               | 20,772       | 701                      | 2,072        |
| Brazilian real                                | 40,842               | 37,572       | 4                        | 16           |
| Chilean peso                                  | 11,371               | 40,219       | 11,131                   | 10,951       |
| Colombian peso                                | 20,730               | 5,271        | 267                      | 155          |
| Euro  | 10,781               | 5,275        | 386                      | 618          |
| U.S. dollar                                   | 347,601              | 310,565      | 57                       | 839          |
| Strong bolivar                                | 892                  | 2,627        | -                        | -            |
| Other currency                                | 161,664              | 153,666      | 6,385                    | 4,610        |
| Accounts payable to related entities, current | 656                  | 447          | -                        | -            |
| Chilean peso                                  | 603                  | 83           | -                        | -            |
| U.S. dollar                                   | -                    | 22           | -                        | -            |
| Other currency                                | 53                   | 342          | -                        | -            |
| Other provisions, current                     | -                    | -            | 451                      | 460          |
| Chilean peso                                  | -                    | -            | 27                       | 24           |
| Other currency                                | -                    | -            | 424                      | 436          |
| Tax liabilities, current                      | 1,484                | 36           | 10,850                   | 9,037        |
| Argentine peso                                | 1,484                | -            | 10,850                   | 9,036        |
| Chilean peso                                  | -                    | -            | -                        | -            |
| U.S. dollar                                   | -                    | 27           | -                        | -            |
| Other currency                                | -                    | 9            | -                        | 1            |

| <u>Current liabilities</u> | <u>Up to 90 days</u> |              | <u>91 days to 1 year</u> |              |
|----------------------------|----------------------|--------------|--------------------------|--------------|
|                            | As of                | As of        | As of                    | As of        |
|                            | March 31,            | December 31, | March 31,                | December 31, |
|                            | <u>2016</u>          | <u>2015</u>  | <u>2016</u>              | <u>2015</u>  |
|                            | ThUS\$               | ThUS\$       | ThUS\$                   | ThUS\$       |
|                            | Unaudited            |              | Unaudited                |              |
| Other non-financial        |                      |              |                          |              |
| liabilities, current       | 63,673               | 40,431       | -                        | 1            |
| Argentine peso             | 11,879               | (2,387)      | -                        | -            |
| Brazilian real             | 2,280                | 4,292        | -                        | 5            |
| Chilean peso               | 29,367               | 32,228       | -                        | -            |
| Colombian peso             | 734                  | 145          | -                        | -            |
| Euro                       | 11,649               | 2,706        | -                        | -            |
| U.S. dollar                | 1,227                | (3,233)      | -                        | (5)          |
| Strong bolivar             | 93                   | 2,490        | -                        | -            |
| Other currency             | 6,444                | 4,190        | -                        | 1            |
| Total current liabilities  | 775,417              | 711,080      | 224,967                  | 170,751      |
| Argentine peso             | 27,793               | 18,385       | 11,551                   | 11,108       |
| Brazilian real             | 43,122               | 41,864       | 4                        | 21           |
| Chilean peso               | 97,124               | 127,185      | 125,305                  | 63,867       |
| Colombian peso             | 21,464               | 5,416        | 267                      | 155          |
| Euro                       | 22,430               | 7,981        | 386                      | 618          |
| U.S. dollar                | 394,338              | 346,925      | 80,645                   | 89,934       |
| Strong bolivar             | 985                  | 5,117        | -                        | -            |
| Other currency             | 168,161              | 158,207      | 6,809                    | 5,048        |

| <u>Non-current liabilities</u>           | <u>More than 1 to 3 years</u> |              | <u>More than 3 to 5 years</u> |              | <u>More than 5 years</u> |              |
|--|-------------------------------|--------------|-------------------------------|--------------|--------------------------|--------------|
|  | As of                         | As of        | As of                         | As of        | As of                    | As of        |
|  | March 31,                     | December 31, | March 31,                     | December 31, | March 31,                | December 31, |
|  | <u>2016</u>                   | <u>2015</u>  | <u>2016</u>                   | <u>2015</u>  | <u>2016</u>              | <u>2015</u>  |
|  | ThUS\$                        | ThUS\$       | ThUS\$                        | ThUS\$       | ThUS\$                   | ThUS\$       |
|  | Unaudited                     |              | Unaudited                     |              | Unaudited                |              |
| Other financial liabilities, non-current | 533,112                       | 561,217      | 302,327                       | 328,480      | 568,068                  | 571,804      |
| Chilean peso                             | 95,156                        | 104,385      | 34,642                        | 34,635       | -                        | -            |
| U.S. dollar                              | 437,956                       | 456,832      | 267,685                       | 293,845      | 568,068                  | 571,804      |
| Accounts payable, non-current            | 238,730                       | 239,029      | -                             | 168          | -                        | 8            |
| Chilean peso                             | 8,362                         | 8,058        | -                             | 168          | -                        | 8            |
| U.S. dollar                              | 228,975                       | 229,005      | -                             | -            | -                        | -            |
| Other currency                           | 1,393                         | 1,966        | -                             | -            | -                        | -            |
| Other provisions, non-current            | 30,700                        | 27,712       | -                             | -            | -                        | 68           |
| Argentine peso                           | 761                           | 797          | -                             | -            | -                        | -            |
| Brazilian real                           | 13,529                        | 11,009       | -                             | -            | -                        | -            |
| Chilean peso                             | 38                            | -            | -                             | -            | -                        | -            |
| Colombian peso                           | 209                           | 198          | -                             | -            | -                        | -            |
| Euro                                     | 9,355                         | 8,966        | -                             | -            | -                        | -            |
| U.S. dollar                              | 6,808                         | 6,742        | -                             | -            | -                        | 68           |
| Provisions for                           |                               |              |                               |              |                          |              |
| employees benefits, non-current          | 62,027                        | 56,306       | -                             | -            | -                        | -            |
| Chilean peso                             | 62,027                        | 56,306       | -                             | -            | -                        | -            |
| Total non-current liabilities            | 864,569                       | 884,264      | 302,327                       | 328,648      | 568,068                  | 571,880      |
| Argentine peso                           | 761                           | 797          | -                             | -            | -                        | -            |
| Brazilian real                           | 13,529                        | 11,009       | -                             | -            | -                        | -            |
| Chilean peso                             | 165,583                       | 168,749      | 34,642                        | 34,803       | -                        | 8            |
| Colombian peso                           | 209                           | 198          | -                             | -            | -                        | -            |
| Euro                                     | 9,355                         | 8,966        | -                             | -            | -                        | -            |
| U.S. dollar                              | 673,739                       | 692,579      | 267,685                       | 293,845      | 568,068                  | 571,872      |
| Other currency                           | 1,393                         | 1,966        | -                             | -            | -                        | -            |

| <u>General summary of foreign currency:</u> | As of<br>March 31,<br>2016<br>ThUS\$<br>Unaudited | As of<br>December 31,<br>2015<br>ThUS\$ |
|---|---|---|
| Total assets                                | 688,212   | 795,408                                 |
| Argentine peso                              | 103,077   | 168,047                                 |
| Brazilian real                              | 75,344  | 42,533                                  |
| Chilean peso                                | 79,537  | 91,862                                  |
| Colombian peso                              | 4,797   | 6,450                                   |
| Euro  | 41,392  | 66,475                                  |
| U.S. dollar                                 | 255,044   | 266,068                                 |
| Strong bolivar                              | 2,387   | 10,233                                  |
| Other currency                              | 126,634   | 143,740                                 |
| Total liabilities                           | 2,735,348   | 2,666,623                               |
| Argentine peso                              | 40,105  | 30,290                                  |
| Brazilian real                              | 56,655  | 52,894                                  |
| Chilean peso                                | 422,654   | 394,612                                 |
| Colombian peso                              | 21,940  | 5,769                                   |
| Euro  | 32,171  | 17,565                                  |
| U.S. dollar                                 | 1,984,475   | 1,995,155                               |
| Strong bolivar                              | 2,378   | 5,117                                   |
| Other currency                              | 174,970   | 165,221                                 |
| Net position                                |   |   |
| Argentine peso                              | 62,972  | 137,757                                 |
| Brazilian real                              | 18,689  | (10,361)                                |
| Chilean peso                                | (343,117)   | (302,750)                               |
| Colombian peso                              | (17,143)  | 681                                     |
| Euro  | 9,221   | 48,910                                  |
| U.S. dollar                                 | (1,729,431)                                       | (1,729,087)                             |
| Strong bolivar                              | 9   | 5,116                                   |
| Other currency                              | (48,336)  | (21,481)                                |



## (b) Exchange differences

Exchange differences recognized in the income statement, except for financial instruments measured at fair value through profit or loss, for the period ended March 31, 2016 and 2015, generated a debit of ThUS\$ 67,898 and a charge ThUS\$ 204,577, respectively.

Exchange differences recognized in equity as reserves for currency translation differences for the period ended March 31, 2016 and 2015, represented a debit of ThUS\$ 244,976 and a charge ThUS\$ 726,740, respectively.

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

|                    | As of<br>March 31,<br><u>2016</u><br>Unaudited | As of<br>December 31,<br><u>2015</u><br>Unaudited |
|--------------------|--|---|
| Argentine peso     | 14.67  | 12.97   |
| Brazilian real     | 3.58   | 3.98  |
| Chilean peso       | 669.80   | 710.16  |
| Colombian peso     | 3,000.67                                       | 3,183.00  |
| Euro               | 0.88   | 0.92  |
| Strong bolivar     | 272.91   | 198.70  |
| Australian dollar  | 1.31   | 1.37  |
| Boliviano          | 6.86   | 6.85  |
| Mexican peso       | 17.30  | 17.34   |
| New Zealand dollar | 1.45   | 1.46  |
| Peruvian Sol       | 3.32   | 3.41  |
| Uruguayan peso     | 31.70  | 29.88   |

## NOTE 29 - EARNINGS / (LOSS) PER SHARE

|  | For the period ended |             |
|--|----------------------|-------------|
|  | March 31,            |             |
|  | 2016                 | 2015        |
| Basic earnings / (loss) per share                                  | <u>Unaudited</u>     |             |
| Earnings / (loss) attributable to<br>owners of the parent (ThUS\$) | 102,208              | (39,947)    |
| Weighted average number<br>of shares, basic                        | 545,547,819          | 545,547,819 |
| Basic earnings / (loss) per share (US\$)                           | 0.18735              | (0.07322)   |

|  | For the period ended |                    |
|--|----------------------|--------------------|
|  | March 31,            |                    |
|  | 2016                 | 2015               |
| Diluted earnings / (loss) per share                                | <u>Unaudited</u>     |                    |
| Earnings / (loss) attributable to<br>owners of the parent (ThUS\$) | 102,208              | (39,947)           |
| Weighted average number<br>of shares, basic                        | <u>545,547,819</u>   | <u>545,547,819</u> |
| Weighted average number<br>of shares, diluted                      | <u>545,547,819</u>   | <u>545,547,819</u> |
| Diluted earnings / (loss) per share (US\$)                         | 0.18735              | (0.07322)          |

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.

## NOTE 30 – CONTINGENCIES

## Lawsuits

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

| <u>Company</u>                           | <u>Court</u>   | <u>Case Number</u> | <u>Origin</u>  | <u>Stage of trial</u>   | <u>Amounts Committed (*)</u><br>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 <sup>th</sup> , 2007 Varig Logistics S.A. ("Variglog") for non-payment of four documented loans in credit agreements governed by New York law. These contracts establish the acceleration of the loans in the event of sale of the original debtor, VRG Linhas Aéreas S.A. | In implementation stage in Switzerland, the conviction stated that Variglog should pay the principal, interest and costs in favor of AAI. It keeps the embargo of Variglog funds in Switzerland with AAI. Variglog is in the process of judicial recovery in Brazil and has asked Switzerland to recognize the judgment that declared the state of judicial recovery and subsequent bankruptcy. Conversations have begun with the representatives in the Variglog liquidation process to work towards a settlement regarding the funds in Switzerland.  | 17,100<br>Plus interests<br>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. On February 25, 2016, Lan Argentina S.A. and ORSNA informed the Court of their decision to put an end to the lawsuit and guarantee use of the hangar by Lan. The parties agreed to maintain the precautionary measure in effect allowing Lan to use the hangar indefinitely until the parties reach a final agreement. The court agreed, so the precautionary measure was extended indefinitely. | -0-                                   |

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

| <u>Company</u>                                   | <u>Court</u>         | <u>Case Number</u> | <u>Origin</u>  | <u>Stage of trial</u>   | <u>Amounts<br/>Committed (*)<br/>MUS\$</u> |
|--|----------------------|--------------------|--|---|--|
| LATAM Airlines<br>Group S.A. y Lan<br>Cargo S.A. | European Commission. | -                  | Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26 <sup>th</sup> , 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight. | <p>On April 14<sup>th</sup>, 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011.</p> <p>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).</p> <p>On November 9<sup>th</sup>, 2010, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the imposition of a fine in the amount of MUS\$ 9,355.</p> <p>This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. On December 16, 2015, the European Court of Justice revoked the Commission's decision because of discrepancies. The European Commission did not appeal the revocation, but it may issue a new decision correcting the faults specified in the Decision. It can do so within 5 years.</p> | 9,355                                      |

| <u>Company</u>                                   | <u>Court</u>  | <u>Case Number</u>            | <u>Origin</u>  | <u>Stage of trial</u>   | <u>Amounts Committed (*)</u><br>MUS\$ |
|--|---|-------------------------------|--|---|---------------------------------------|
| Lan Cargo S.A. y<br>LATAM Airlines<br>Group S.A. | In the High Court of<br>Justice Chancery<br>División (England)<br>Ovre Romerike District<br>Court (Norway) y<br>Directie Juridische<br>Zaken Afdeling Ceveil<br>Recht (Netherlands) ,<br>Cologne Regional Court<br>(Landgericht Köln<br>Germany). | -                             | Lawsuits filed against European airlines by<br>users of freight services in private lawsuits as<br>a result of the investigation into alleged<br>breaches of competition of cargo airlines,<br>especially fuel surcharge. Lan Cargo S.A. and<br>LATAM Airlines Group S.A., have been sued<br>in court proceedings directly and/or in third<br>party, based in England, Norway, the<br>Netherlands and Germany. | Cases are in the uncovering evidence stage.   | -0-                                   |
| Aerolinhas<br>Brasileiras S.A.                   | Federal Justice.  | 0008285-<br>53.2015.403.6105  | An action seeking to quash a decision and<br>petitioning for early protection in order to<br>obtain a revocation of the penalty imposed<br>by the Brazilian Competition Authority<br>(CADE) in the investigation of cargo<br>airlines alleged fair trade violations, in<br>particular the fuel surcharge.  | This action was filed by presenting a<br>guaranty – policy – in order to suspend the<br>effects of the CADE’s decision regarding<br>the payment of the following fines: (i)<br>ABSA: MUS\$9,559; (ii) Norberto<br>Jochmann: MUS\$184; (iii) Hernan Merino:<br>MUS\$ 92; (iv) Felipe Meyer :MUS\$ 92.<br>The action also deals with the affirmative<br>obligation required by the CADE<br>consisting of the duty to publish the<br>condemnation in a widely circulating<br>newspaper. This obligation had also been<br>stayed by the court of federal justice in this<br>process. Awaiting CADE’s statement. | 9,559                                 |
| Aerolinhas<br>Brasileiras S.A.                   | Federal Justice.  | 0001872-<br>58.2014.4.03.6105 | An annulment action with a motion for<br>preliminary injunction, was filed on<br>28/02/2014, in order to cancel tax debts of<br>PIS, CONFINS, IPI and II, connected with<br>the administrative process<br>10831.005704/2006.43.  | We have been waiting since August 21,<br>2015 for a statement by Serasa on TAM’s<br>letter of indemnity and a statement by the<br>Union. The statement was authenticated on<br>January 29, 2016.  | 10,201                                |

| <u>Company</u>            | <u>Court</u>                               | <u>Case Number</u>       | <u>Origin</u>  | <u>Stage of trial</u>   | <u>Amounts Committed (*)</u><br>MUS\$ |
|---------------------------|--|--------------------------|--|---|---------------------------------------|
| Tam Linhas<br>Aéreas S.A. | Department of Federal<br>Revenue of Brazil | 19515.721155/2014-<br>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.   | 23,274                                |
| Tam Linhas<br>Aéreas S.A. | Court of the Second<br>Region.             | 2001.51.01.012530-<br>0  | Ordinary judicial action brought for the purpose of declaring the nonexistence of legal relationship obligating the company to collect the Air Fund.   | Unfavorable court decision in first instance. Currently expecting the ruling on the appeal filed by the company.<br>In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered for MMU\$67<br>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. We filed a petition on February 26, 2016 requesting that the expert opinions be monitored and the case proceedings were submitted to the Ministry of Finance. | 82,854                                |
| Tam Linhas<br>Aéreas S.A. | Internal Revenue<br>Service of Brazil.     | 16643.000087/2009-<br>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.   | 20,353                                |
| Tam Linhas<br>Aéreas S.A. | Internal Revenue<br>Service of Brazil.     | 10880.725950/2011-<br>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.   | 39,690                                |

| <u>Company</u>                               | <u>Court</u>   | <u>Case Number</u>   | <u>Origin</u>  | <u>Stage of trial</u>  | <u>Amounts Committed (*)</u><br>MUS\$ |
|--|--|--|--|--|---------------------------------------|
| Aerovías de Integración Regional, AIRES S.A. | United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A. | 2013-20319 CA 01   | <p>The July 30<sup>th</sup>, 2012 LAN COLOMBIA AIRLINES initiated a legal process in Colombia against Regional One INC and Volvo Aero Services LLC, to declare that these companies are civilly liable for moral and material damages caused to LAN COLOMBIA AIRLINES arising from breach of contractual obligations of the aircraft HK-4107.</p> <p>The June 20<sup>th</sup>, 2013 AIRES SA And / Or LAN AIRLINES COLOMBIA was notified of the lawsuit filed in U.S. for Regional One INC and Dash 224 LLC for damages caused by the aircraft HK-4107 arguing failure of LAN COLOMBIA AIRLINES customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.</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 <sup>th</sup> , 2014 and approved the request from LAN AIRLINES COLOMBIA to suspend the process in the U.S. as the demand in Colombia is underway. Additionally, the U.S. judge closed the case administratively. The Federal Court of Appeals, confirmed the end of the case in the U.S. on April 1 <sup>st</sup> , 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                                |
| Tam Linhas Aéreas S.A.                       | Internal Revenue Service of Brazil                                       | 10880.722.355/2014-52  | On August 19 <sup>th</sup> , 2014 the Federal Tax Service issued a notice of violation stating that compensation credits Program (PIS) and the Contribution for the Financing of Social Security COFINS by TAM are not directly related to the activity of air transport.  | An administrative objection was filed on September 17 <sup>th</sup> , 2014. A judgment is pending in the case before the Curitiba/PR Tax Court since December 9, 2015.   | 49,421                                |
| Tam Viagens S.A.                             | Department of Finance to the municipality of São Paulo.                  | 67.168.795 /<br>67.168.833 /<br>67.168.884 /<br>67.168.906 /<br>67.168.914 /<br>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. The objection was filed on January 19, 2016. A first-instance administrative decision is now pending.   | 82,074                                |

| <u>Company</u>              | <u>Court</u>                                 | <u>Case Number</u>          | <u>Origin</u>  | <u>Stage of trial</u>   | <u>Amounts Committed (*)</u><br>MUS\$ |
|-----------------------------|--|-----------------------------|--|---|---------------------------------------|
| 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.  | 14,680                                |
| 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 (CARF) | 95,627                                |
| 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. MUS\$4,302 in cash was deposited in guarantee.   | 10,492                                |
| 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.   | 17,161                                |
| Aerolinhas Brasileiras S.A. | Labor Court of Manaus.                       | 0002037-67.2013.5.11.0016   | Lawsuit filed by the Union of Manaus Aeroviarios 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-                                   |



| <u>Company</u>                                      | <u>Court</u>                       | <u>Case Number</u>              | <u>Origin</u>  | <u>Stage of trial</u>  | <u>Amounts Committed (*)</u><br>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. | 12,592                                |
| TAM Linhas Aéreas S.A.                              | São Carlos Court.                  | Labor 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-                                   |
| TAM Linhas Aéreas S.A.                              | Sao Paulo Labor Court, Sao Paulo   | 0000009-45.2016.5.02.090        | The Ministry of Labor filed an action seeking that the company adapt the ergonomics and comfort of seats.  | The action is in its initial phase.  | 14,414                                |
| TAM Linhas Aéreas S.A.                              | Internal Revenue Service of Brazil | 19515.720476/2015-83            | Legal administrative proceeding due to alleged irregularities related to the TAM SAT payments.   | Pending decision since 09/11/2016  | 47,999                                |

- In order to deal with any financial obligations arising from legal proceedings in effect at March 31, 2016, 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.
- 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 and its lawyers have held conversations and exchanged opinions with the respective authorities on the ways that this matter can potentially be resolved. 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.
- 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 March 31, 2016, the Company is in compliance with all indicators detailed above.

## (a.2) Fleet financing commitments to receive

On May 29, 2015, The Company has issued and placed debt securities denominated Enhanced Equipment Trust Certificates ("EETC") for an aggregate amount of US \$ 1,020,823,000 (the "Certificates") in accordance with the following:

- The Certificates were issued and placed in the international market under Rule 144-A and Regulation S of the securities laws of the United States of America by pass-through trusts ("Trusts").
- This offer consists of class A Certificates that will have an interest rate of 4.2% per annum, with an estimated distribution date of November 15, 2027, while the Class B Certificates will have an interest rate of 4.5% per annum, with an estimated distribution date of November 15, 2023.
- Trusts will use the proceeds of the placement, which will initially remain in escrow with a first class bank, to acquire "Equipment Notes" to be issued by four separate special purpose entities, each of which is wholly owned by LATAM (each an "Issuer").
- Each Issuer will use the proceeds from the sale of the Equipment Notes and the initial payment under each Lease (as such term is defined below) to finance the acquisition of eleven new Airbus A321-200, two Airbus A350-900s and four Boeing 787 -9, whose deliveries are scheduled between July 2015 and March 2016 (the "Aircrafts").
- Each of the Issuers will lease the acquired Aircrafts to LATAM according to a finance lease ("Lease"), who may in turn sublease the Aircraft under operating sub-lease agreements.
- Based on the above, LATAM will recognise these Equipment Notes as debt upon delivery of each Aircraft.

- The Certificates have not been registered under the United States Securities Act of 1933 or under applicable securities laws in any other jurisdiction. Consequently, the Certificates have been offered and sold to persons reasonably believed to qualify as institutional investors in accordance with Rule 144-A under the Securities Act of the United States, and other non-residents of the United States in transactions outside the United States under Regulation S of the normative body.

At March 31, 2016 the escrow of EETC is ThUS\$ 72,138 corresponding to 2 aircraft by receive.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

| <u>Lessor</u>                               | <u>Aircraft</u> | As of<br>March 31,<br><u>2016</u> | As of<br>December 31,<br><u>2015</u> |
|---|-----------------|-----------------------------------|--------------------------------------|
|   |                 | Unaudited                         |                                      |
| 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                                    |
| AWAS 5125 Trust                             | Airbus A320     | -                                 | 1                                    |
| AWAS 5178 Limited                           | Airbus A320     | -                                 | 1                                    |
| AWAS 5234 Trust                             | Airbus A320     | 1                                 | 1                                    |
| Baker & Spice Aviation Limited              | Airbus A320     | 1                                 | 1                                    |
| Bank of America                             | Airbus A321     | 2                                 | 3                                    |
| CIT Aerospace International                 | Airbus A320     | 2                                 | 2                                    |
| ECAF I 1215 DAC                             | Airbus A320     | 1                                 | 1                                    |
| ECAF I 2838 DAC                             | Airbus A320     | 1                                 | 1                                    |
| ECAF I 40589 DAC                            | Boeing 777      | 1                                 | 1                                    |
| Eden Irish Aircr Leasing MSN 1459           | Airbus A320     | 1                                 | 1                                    |
| GECAS Sverige Aircraft Leasing Worldwide AB | Airbus A320     | 3                                 | 3                                    |
| 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                                 | 1                                    |
| Macquarie Aerospace Finance 5125-2 Trust    | Airbus A320     | 1                                 | -                                    |
| Macquarie Aerospace Finance 5178 Limited    | Airbus A320     | 1                                 | -                                    |
| Magix Airlease Limited                      | Airbus A320     | 2                                 | 2                                    |

| <u>Lessor</u>                                   | <u>Aircraft</u> | As of<br>March 31,<br>2016 | As of<br>December 31,<br>2015 |
|---|-----------------|----------------------------|-------------------------------|
|   |                 | Unaudited                  |                               |
| MASL Sweden (1) AB                              | Airbus A320     | -                          | 1                             |
| MASL Sweden (2) AB                              | Airbus A320     | -                          | 1                             |
| MASL Sweden (7) AB                              | Airbus A320     | -                          | 1                             |
| MASL Sweden (8) AB                              | Airbus A320     | 1                          | 1                             |
| NBB Cuckoo Co., Ltd                             | Airbus A321     | 1                          | 1                             |
| NBB Grosbeak Co., Ltd                           | Airbus A321     | 1                          | 1                             |
| NBB Redstart Co., Ltd                           | Airbus A321     | 1                          | -                             |
| NBB-6658 Lease Partnership                      | Airbus A321     | 1                          | 1                             |
| NBB-6670 Lease Partnership                      | Airbus A321     | 1                          | 1                             |
| Orix Aviation Systems Limited                   | Airbus A320     | 2                          | 2                             |
| SASOF II (J) Aviation Ireland Limited           | Airbus A319     | 1                          | 1                             |
| Shenton Aircraft Leasing Limited                | Airbus A320     | 1                          | 1                             |
| SKY HIGH V LEASING COMPANY LIMITED              | Airbus A320     | -                          | 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                          | 7                             |
| 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     | 10                         | 7                             |
| Wells Fargo Bank Northwest National Association | Airbus A330     | 2                          | 2                             |
| Wells Fargo Bank Northwest National Association | Boeing 767      | 3                          | 3                             |
| Wells Fargo Bank Northwest National Association | Boeing 777      | 6                          | 6                             |
| Wells Fargo Bank Northwest National Association | Boeing 787      | 9                          | 7                             |
| Wilmington Trust Company                        | Airbus A319     | 1                          | 1                             |
| Total   |                 | <u>107</u>                 | <u>106</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<br>March 31,<br>2016 | As of<br>December 31,<br>2015 |
|----------------------------|----------------------------|-------------------------------|
|                            | ThUS\$                     | ThUS\$                        |
|                            | Unaudited                  |                               |
| No later than one year     | 522,135                    | 513,748                       |
| Between one and five years | 1,317,994                  | 1,281,454                     |
| Over five years            | 981,111                    | 858,095                       |
| Total                      | <u>2,821,240</u>           | <u>2,653,297</u>              |

The minimum lease payments charged to income are the following:

|                                  | For the period ended  |                       |
|----------------------------------|-----------------------|-----------------------|
|                                  | March 31,             |                       |
|                                  | <u>2016</u>           | <u>2015</u>           |
|                                  | ThUS\$                | ThUS\$                |
|                                  | <u>Unaudited</u>      |                       |
| Minimum operating lease payments | <u>133,603</u>        | <u>128,899</u>        |
| Total                            | <u><u>133,603</u></u> | <u><u>128,899</u></u> |

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.

In the first quarter of 2016, two Boeing 787-9 aircraft were leased for a period of twelve years each. On the other hand and one Airbus A320-200 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.

At March 31, 2016 the Company has existing letters of credit related to operating leasing as follows:

| <u>Creditor Guarantee</u>            | <u>Debtor</u>             | <u>Type</u>            | <u>Value</u><br>ThUS\$ | <u>Release</u><br><u>date</u> |
|--------------------------------------|---------------------------|------------------------|------------------------|-------------------------------|
| 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                 | Sep 14, 2016                  |
| International Lease Finance Corp     | LATAM Airlines Group S.A. | Four letter of credit  | 1,700                  | Oct 12, 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                  | Sep 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. | Nine letter of credit  | 15,160                 | Jun 16, 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>111,982</u>         |                               |

## (c) Other commitments

At March 31, 2016 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

| <u>Creditor Guarantee</u>  | <u>Debtor</u>             | <u>Type</u>                        | <u>Value<br/>Th US \$</u> | <u>Release<br/>date</u> |
|--|---------------------------|------------------------------------|---------------------------|-------------------------|
| Aena Aeropuertos S.A.  | LATAM Airlines Group S.A. | Four letter of credit              | 2,165                     | Nov 14, 2016            |
| American Alternative Insurance Corporation                       | LATAM Airlines Group S.A. | One letter of credit               | 3,490                     | Apr 5, 2016             |
| Deutsche Bank A.G.   | LATAM Airlines Group S.A. | Three letter of credit             | 50,000                    | Jun 1, 2016             |
| Dirección General de Aeronáutica Civil                           | LATAM Airlines Group S.A. | Sixty six letter of credit         | 16,860                    | Apr 30, 2016            |
| Empresa Pública de Hidrocarburos de 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               | 2,521                     | Apr 2, 2016             |
| The Royal Bank of Scotland plc                                   | LATAM Airlines Group S.A. | One letter of credit               | 5,000                     | May 20, 2016            |
| Washington International Insurance                               | LATAM Airlines Group S.A. | Four letter of credit              | 1,510                     | Apr 5, 2016             |
| 8ª Vara Federal da Subseção de Campinas SP                       | Tam Linhas Aéreas S.A.    | One insurance policies guarantee   | 11,808                    | May 19, 2020            |
| Conselho Administrativo de Conselhos Federais                    | Tam Linhas Aéreas S.A.    | One insurance policies guarantee   | 6,139                     | Oct 20, 2021            |
| Fundação de Proteção de Defesa do Consumidor Procon              | Tam Linhas Aéreas S.A.    | Three insurance policies guarantee | 4,233                     | May 16, 2016            |
| Juizo da 6ª Vara de Execuções Fiscais Federal de Campo Grande/MS | Tam Linhas Aéreas S.A.    | One insurance policies guarantee   | 10,063                    | Jan 4, 2018             |
| União Federal Vara Comarca de SP                                 | Tam Linhas Aéreas S.A.    | Two insurance policies guarantee   | 17,910                    | Feb 22, 2021            |
| União Federal Vara Comarca de DF                                 | Tam Linhas Aéreas S.A.    | Two insurance policies guarantee   | 2,469                     | Nov 9, 2020             |
|  |                           |                                    | <u>139,668</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 | Transaction amount with related parties |        |
|--------------|---|---|-------------------|---|----------|---|--------|
|              |   |   |                   |   |          | As of March 31,                         |        |
|              |   |   |                   |   |          | 2016                                    | 2015   |
|              |   |   |                   |   |          | ThUS\$                                  | ThUS\$ |
|              |   |   |                   |   |          | Unaudited                               |        |
| 96.810.370-9 | Inversiones Costa Verde Ltda. y CPA.                | Related director                            | Chile             | Tickets sales                             | CLP      | 1                                       | -      |
|              |   |   |                   | Services received                         | CLP      | (1)                                     | -      |
| 65.216.000-K | Comunidad Mujer                                     | Related director                            | Chile             | Tickets sales                             | CLP      | 3                                       | -      |
| 78.591.370-1 | Bethia S.A and subsidiaries                         | Related director                            | Chile             | Load transport services                   | CLP      | (650)                                   | (199)  |
|              |   |   |                   | Revenue from services                     | CLP      | 631                                     | 515    |
|              |   |   |                   | Commitments made on behalf of the entity  | CLP      | -                                       | 4      |
|              |   |   |                   | Other services received                   | CLP      | (3)                                     | -      |
| 79.773.440-3 | Transportes San Felipe S.A                          | Related director                            | Chile             | Shuttle services received passenger       | CLP      | (56)                                    | (48)   |
| 87.752.000-5 | Granja Marina Tornagaleones S.A.                    | Common shareholder                          | Chile             | Revenue from services                     | CLP      | 23                                      | -      |
|              |   |   |                   | Services provided                         | CLP      | (29)                                    | -      |
| 65.216.000-K | Viajes Falabella Ltda.                              | Related director                            | Chile             | Sales commissions incurred                | CLP      | (394)                                   | (64)   |
| Foreign      | Inversora Aeronáutica Argentina                     | Related director                            | Argentina         | Revenue from services                     | ARS      | -                                       | 2      |
|              |   |   |                   | Leases as lessee                          | US\$     | (67)                                    | (45)   |
| Foreign      | Consultoría Administrativa Profesional S.A. de C.V. | Associate                                   | Mexico            | Professional counseling services received | MXN      | 527                                     | -      |

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

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

(b) Compensation of key management

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

|                       | For the period ended |               |
|-----------------------|----------------------|---------------|
|                       | March 31,            |               |
|                       | 2016                 | 2015          |
|                       | ThUS\$               | ThUS\$        |
|                       | Unaudited            |               |
| Remuneration          | 4,644                | 4,474         |
| Management fees       | 66                   | 164           |
| Non-monetary benefits | 131                  | 191           |
| Short-term benefits   | 10,607               | 4,848         |
| Share-based payments  | 1,494                | 2,640         |
| Total                 | <u>16,942</u>        | <u>12,317</u> |

NOTE 33 - SHARE-BASED PAYMENTS

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

Compensation plans implemented by providing options for the subscription and payment of shares that have been granted by LATAM Airlines Group S.A. to employees of the Company and its subsidiaries, are recognized in the financial statements in accordance with the provisions of IFRS 2 "Share-based Payment", showing the effect of the fair value of the options granted under compensation in linear between the date of grant of such options and the date on which these irrevocable.

(a.1) Compensation plan 2011

At a Special Shareholders Meeting held on December 21, 2011, the Company's shareholders approved, among other matters, an increase of capital of which 4,800,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, pursuant to Article 24 of the Companies Law. In this compensation plan no member of the controlling group would be benefited.

The granting of options for the subscription and payment of shares has been formalized through conclusion of contracts of options to subscribe for shares, according to the proportions shown in the



following schedule of accrual and is related to the permanence condition of the executive as employee of the Company at these dates for the exercise of the options:

| <u>Percentage</u> | <u>Period</u>   |  |
|-------------------|---|--|
| 30%               | From December 21, 2014 and until December 21, 2016.                                       |  |
| 30%               | From December 21, 2015 and until December 21, 2016.                                       |  |
| 40%               | From June 21, 2016 and until December 21, 2016.   |  |
|                   |   | <u>Number<br/>of share<br/>options</u> |
|                   | Share options in agreements of share- based payments,<br>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,<br>as of December 31, 2015          | <u>4,518,000</u>                       |
|                   | Share options in agreements of share- based payments,<br>as of January 1, 2016            | 4,518,000                              |
|                   | No movement as of March 31, 2016  | -                                      |
|                   | Share options in agreements of share- based payments,<br>as of March 31, 2016 (Unaudited) | <u>4,518,000</u>                       |

These options have been valued and recorded at fair value at the grant date, determined by the "Black-Scholes-Merton". The effect on income to March 2016 corresponds to ThUS\$ 1,494 (ThUS\$ 2,640 at December 31, 2015).

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

|                                  | <u>Weighted average<br/>share price</u> | <u>Exercise<br/>price</u> | <u>Expected<br/>volatility</u> | <u>Life of<br/>option</u> | <u>Dividends<br/>expected</u> | <u>Risk-free<br/>interest</u> |
|----------------------------------|---|---------------------------|--------------------------------|---------------------------|-------------------------------|-------------------------------|
| As of March 31, 2015 (Unaudited) | US\$ 15,47                              | US\$ 18,29                | 34.74%                         | 3.6 years                 | 0%                            | 0.00696                       |
| As of March 31, 2016 (Unaudited) | 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:

| <u>Percentage</u> | <u>Period</u>                                   |
|-------------------|---|
| 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 March 31, 2016, which amounted to 96,675 shares and 518,507 shares, respectively (at December 31, 2015, the distribution of outstanding stock options amounted to 518,507 for Multiplus S.A. and 96,675 shares TAM Linhas Aéreas S.A.).

## TAM Linhas Aéreas S.A.

| Description                   | 4th Grant |        |
|-------------------------------|-----------|--------|
|                               | Date      | Total  |
| Outstanding option number     |           |        |
| As March 31, 2015 (Unaudited) | 96,675    | 96,675 |
| Outstanding option number     |           |        |
| As March 31, 2016 (Unaudited) | 96,675    | 96,675 |

## Multiplus S.A.

| Description                   | 4th Extraordinary Grant |            |            |            | Total   |
|-------------------------------|-------------------------|------------|------------|------------|---------|
|                               | 1st Grant               | 3rd Grant  | 4th Grant  | 11-20-2013 |         |
| Date                          | 10-04-2010              | 03-21-2012 | 04-03-2013 | 11-20-2013 |         |
| Outstanding option number     |                         |            |            |            |         |
| As March 31, 2015 (Unaudited) | 3,796                   | 115,298    | 269,241    | 205,575    | 593,910 |
| Outstanding option number     |                         |            |            |            |         |
| As March 31, 2016 (Unaudited) | -                       | 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<br>Accrued options |                               | Number of shares<br>Non accrued options |                               |
|------------------------|-------------------------------------|-------------------------------|---|-------------------------------|
|                        | As of<br>March 31,<br>2016          | As of<br>December 31,<br>2015 | As of<br>March 31,<br>2016              | As of<br>December 31,<br>2015 |
|                        | Unaudited                           |                               | Unaudited                               |                               |
| TAM Linhas Aéreas S.A. | -                                   | -                             | 96,675                                  | 96,675                        |
| Multiplus S.A.         | -                                   | -                             | 518,507                                 | 518,507                       |

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 March 31, 2016 (at December 31, 2015 not exist value recorded in liabilities and in incomes).

(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<br>shares in<br>circulation |
|--|------------------------------------|
| As of January 1, 2015  | 91.103                             |
| No movement at March 31, 2015                                    | -                                  |
| As of March 31, 2015 (Unaudited)                                 | <u>91.103</u>                      |
| As of April 1, 2015  | 91.103                             |
| Granted  | 119.731                            |
| Not acquired due to breach of employment<br>retention conditions | <u>(34.924)</u>                    |
| As of December 31, 2015  | <u>175.910</u>                     |
| As of January 1, 2016  | 175.910                            |
| Granted  | 138.282                            |
| Not acquired due to breach of employment<br>retention conditions | <u>(42.944)</u>                    |
| As of March 31, 2016 (Unaudited)                                 | <u>271.248</u>                     |

#### NOTE 34 - THE ENVIRONMENT

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

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

The Environment Strategy LATAM Airlines Group S.A. is called Climate Change Strategy and it is based on the aim of being a world leader in Climate Change and Eco-efficiency, which is implemented under the following pillars:

- i. Carbon Footprint
- ii. Eco-Efficiency
- iii. Sustainable Alternative Energy
- iv. Standards and Certifications

For 2016, were established and worked the following topics:

1. Advance in the implementation of an Environmental Management System;
2. Manage the Carbon Footprint of our emissions by ground operations;
3. Corporate Risk Management;
4. Corporate strategy to meet the global target of aviation to have a carbon neutral growth by 2020.

Thus, during 2016, 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.
- Measurement and external verification of the Corporate Carbon Footprint.

It is highlighted that in the 2015 LATAM Airlines Group S.A. maintained its selection in the index Dow Jones Sustainability in the global category, being the only two airlines that belong to this select group.

#### NOTE 35 – EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

On April 29, 2016, Moody's modified the international rating long term of LATAM Airlines Group S.A. from Ba2 with stable outlook to B1 with stable outlook.

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. This was reported to the Chilean Superintendency of Securities and Insurance through an essential fact sent on the same date.

LATAM Airlines Group S.A. and Subsidiaries' consolidated financial statements as at March 31, 2016, have been approved by the Board of Director's in an extraordinary meeting held on May 11, 2016.