Tam S.A.

Financial statements on December 31, 2014

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Public accountant report on the financial statements

To Managers and Stockholders
TAM S.A
São Paulo - SP

We examined TAM S.A. (hereinafter simply referred to as “Company”) separate and consolidated financial statements comprising the balance sheet on December 31, 2014 and respective income statements, comprehensive results, changes in stockholders equity, cash flow for the year ended on such date, as well as the summary of the main accounting policies and other explanatory notes.

Management liability on the financial statements.
Company’s management is liable for preparing and submitting the separate financial statements according to the accounting practices adopted in Brazil, and the internal control determined as necessary to allow preparing such financial statements free from relevant distortion irrespective if caused by fraud or error.

Public Accountants' liability.
Our liability is to express an opinion on such financial statements based on our examination, performed according to the Brazilian and international audit standards. Such rules require the fulfillment of the ethics requirements by auditors, also planning and performing the audit in order to obtain reasonably safety that the financial statements are free from relevant distortion.

The audit involves performing the selected procedures to obtain the evidence on the amounts and disclosure presented by the financial statements. The selected procedures depend on the auditor judgment including the evaluation of the relevant risks distortion in the financial statements irrespective if caused by fraud or error. In such risks evaluation, auditor deems the internal controls are relevant to prepare and submit properly the Company’s financial statement in order to plan the audit procedures proper to the circumstances, other than to express an opinion on the efficacy of such Company’s internal control. The audit also includes the evaluation of the adequacy of the accounting policies used and the reasonability of the accounting estimates prepared by management, and the evaluation on the overall financial statements.

We think the evidence obtained by audit is enough and proper to base our opinion.

Opinion
In our opinion, the aforementioned financial statements present properly in all material aspects, the financial position of TAM S.A. On December 31, 2014, the performance of its operations and its cash flows for the year ended on that date, in accordance with the accounting practices adopted in Brazil.

Other subjects

Auditing the amounts corresponding to the previous year.
The values corresponding to the year ended on December 31, 2013, submitted for comparison purposes, were audited by other public accountants that issued the report dated of April 7, 2014, which contained no modification on the corresponding values of December 31, 2013.

São Paulo, March 11, 2015.

KPMG Auditores Independentes
CRC 2SP014428/O-6

Orlando Octávio de Freitas Júnior Accountant CRC 1SP178871/O-4	João Paulo A. Pacheco Neves Accountant CRC 1SP222303/O-4

Tam S.A.

Balance Sheet on December 31, 2014 and 2013

(Amounts in thousands of Brazilian reais)

		Holding		Consolidated	
	Note	**2014**	**2013**	**2014**	**2013**
Assets					
Current					
Cash and cash equivalents	7	1.236	251	359.991	688.500
Investments	8	4.072	5.105	1.337.487	1.526.697
Accounts Receivable:	9	-	-	3.634.715	3.368.482
Inventories	10	-	-	429.384	358.438
Taxes recoverable	11	2.593	2.593	348.207	161.465
Contribution		32.850	30.150	128.284	76.192
Deposits in warranty.	13	-	-	14.593	47.193
Maintenance prepayment	14	-	-	75.598	357.943
Expenses of subsequent year		-	-	88.538	86.885
Other Accounts Receivable		4.212	4.553	70.301	127.399
		44.963	42.652	6.487.098	6.799.194
Non-current					
Non-current assets available for sale		-	-	1.081	4.151
Restrict cash		-	-	29.526	27.531
Loans receivable- Loans	12	-	-	3.010.767	2.663.425
Contribution	24	43.748	41.560	675.721	694.234
Deposits in warranty.	13	-	-	58.155	75.594
Court deposits	23 b)	2.095	1.117	505.732	430.352
Maintenance prepayment	14	-	-	185.137	181.445
Other Accounts Receivable		15.772	15.408	27.186	25.579
		61.255	58.085	4.493.305	4.102.311
Investments	15	1.147.867	1.103.073	-	7.083
Fixed Assets	16	90	103	3.963.990	6.721.487
Intangible	17	163.189	163.189	600.007	545.672
		1.372.761	1.324.450	9.057.302	11.376.553
Total assets		1.417.724	1.367.102	15.544.400	18.175.747

		Holding		Consolidated	
	Note	**2014**	**2013**	**2014**	**2013**
Liabilities					
Current liabilities					
Suppliers	19	740	4.108	2.206.450	2.198.710
Financial liability	18	-	-	580.861	1.948.859
Salaries and social burdens		929	5.874	495.346	545.215
Deferred income	22	6	6	3.368.220	3.361.516
Taxes and fees payable	21	16.919	15.127	507.918	446.175
Derivative financial instruments		-	-	-	3.870
Tax recovery program		-	-	-	41.326
Maintenance Provision	20	-	-	527.867	291.622
Other Accounts Payable		1.168	1.319	117.758	113.317
		19.762	26.434	7.804.420	8.950.610
Non-current					
Financial liability	18	-	-	4.626.950	5.794.366
Deferred income	22	-	-	168.945	178.930
Provision for investments losses	15			2.163	
Provisions	23 (a)	287	287	748.070	816.636
Tax recovery program		-	-	-	406.284
Loans payable - loans	12	94.617	196.617		
Maintenance Provision	20	-	-	818.362	819.565
Other Accounts Payable		2.978	2.978	12.976	14.160
		97.882	199.882	6.377.466	8.029.941
Total Liabilities		117.644	226.316	14.181.886	16.980.551
Net worth					
Corporate Capital	25	5.035.926	4.453.926	5.035.926	4.453.926
Capital Reserve		148.538	151.313	148.538	151.313
Accrued loss		(4.434.252)	(3.991.549)	(4.434.252)	(3.991.549)
Adjustment on Assets Evaluation		549.868	527.096	549.868	527.096
		1.300.080	1.140.786	1.300.080	1.140.786
Non-controlling stockholders share		-	-	62.434	54.410
Total net equity		1.300.080	1.140.786	1.362.514	1.195.196
Total liabilities and net worth		1.417.724	1.367.102	15.544.400	18.175.747

Explanatory notes are integral part to the financial statements.

Tam S.A.

Statement of Income

Years ended on December 31, 2014 and 2013

(Amounts in thousands of Brazilian reais)

	Note	Holding		Consolidated	
		2014	**2013**	**2014**	**2013**
Income	27	-	-	16.102.390	15.062.317
Costs	28	-	-	(12.100.515)	(11.847.837)
Gross profit		-	-	4.001.875	3.214.480
General and administrative expenses	28	(8,766)	(57.117)	(1.117.886)	(1.792.109)
Sales expenses	28	-	-	(2.455.361)	(1.865.255)
Other Operational income (expenses) net		-	-	(395.018)	(27.466)
Operational Profit (loss)		(8.766)	(57.117)	33.610	(470.350)
Financial income	30	5.469	3.872	2.352.587	1.122.611
Financial expenses	30	(10.099)	(13.231)	(2.845.919)	(2.388.189)
Derivative designated as hedge of cash flow	30	-	-	(2.114)	(16.326)
Equity accounting results	15	(432.992)	(1.444.083)	(10.454)	(8.314)
Loss before income tax and social contribution		(446,388)	(1.510.559)	(472.290)	(1.760.568)
Income Tax And Social Contribution	24	2.188	4.948	115.545	319.493
Losses of the year		(444,200)	(1.505.611)	(356,745)	(1.441.075)
Attributed to					
TAM S.A. stockholders				(444.200)	(1.505.611)
Non-controlling stockholders				87.455	64.536

Explanatory notes are integral part to the financial statements.

Tam S.A.

Comprehensive Statement of Income

Years ended on December 31, 2014 and 2013

(Amounts in thousands of Brazilian reais)

	Holding		Consolidated	
	2014	**2013**	**2014**	**2013**
Losses of the year	(444.200)	(1.505.611)	(356.745)	(1.441.075)
Other components of comprehensive income				
Items not to be reclassified to the result				
Realization of revaluation reserve	(1.497)	(1.372)	(1.497)	(1.372)
Medical care plan	8.004	-	8.004	-
Items that are or should be reclassified to the result				
Gain on investment conversion abroad	4.246	1.302	4.672	1.371
Cash flow Hedge recognized in other comprehensive results	4.930	34.264	6.767	47.034
Cash flow Hedge performed by results	9.196	(7.573)	12.627	(10.395)
Deferred Income tax and social contribution on cash flow hedge	(4.884)	(9.075)	(6.675)	(12.457)
Other comprehensive results, net of income tax and social contribution	19.995	17.546	23.898	24.181
Total Comprehensive income	(424.205)	(1.488.065)	(332.847)	(1.416.894)
Attributed to				
TAM S.A. stockholders			(424.205)	(1.488.065)
Non-controlling stockholders			91.358	71.171

Explanatory notes are integral part to the financial statements.

Tam S.A.

Statement of changes in net worth position

Years ended on December 31, 2014 and 2013

(Amounts in thousands of Brazilian reais)

	Attributed to TAM stockholders						
	Corporate Capital	**Capital Reserve**	**Adjustment on Assets Evaluation**	**Accrued loss**	**Total**	**Non-controlling interest**	**Total**
On December 31, 2012	830.768	147.771	565.400	(2.487.638)	(943.699)	43.089	(900.610)
Losses of the year				(1.505.611)	(1.505.611)	64.536	(1.441.075)
Other comprehensive incomes							
Gain on investment conversion abroad	-	-	1.302	-	1.302	69	1.371
Cash flow hedges	-	-	34.264	-	34.264	12.770	47.034
Cash flow Hedge performed by results	-	-	(7.573)	-	(7.573)	(2.822)	(10.395)
Deferred actual income tax and social contribution	-	-	(9.075)	-	(9.075)	(3.382)	(12.457)
Realization of revaluation reserve	-	-	(1.372)	1.372	-	-	-
Total of Comprehensive results	-	-	17.546	(1.504.239)	(1.486.693)	71.171	(1.415.522)
Stockholders contribution and distribution to stockholders:							
Recapitalization	3.623.486	-	-	-	3.623.486	-	3.623.486
Adjustment of corporate capital	(328)	-	-	328	-	-	-
Investment acquisition -ABSA Linnhas Aerobrasileira S.A.	-	-	(56.269)	-	(56.269)	-	(56.269)
Multiplus dividends distribution paid to non-holding	-	-	-	-	-	(61.071)	(61.071)
TAM Airlines holding dividends distribution paid to non-holding	-	-	-	-	-	(235)	(235)
Gain on disposal of Multiplus shareholding	-	-	419	-	419	136	555
Stocks compensation plan	-	3.542	-	-	3.542	1.320	4.862
Total Stockholders contribution and distribution to stockholders:	3.623.158	3.542	(55.850)	328	3.571.178	(59.850)	3.511.328
On December 31, 2013	4.453.926	151.313	527.096	(3.991.549)	1.140.786	54.410	1.195.196
Losses of the year	-	-	-	(444.200)	(444.200)	87.455	(356.745)
Other comprehensive incomes							
Medical assistance plan	-	-	8.004	-	8.004	-	8.004
Gain on investment conversion abroad	-	-	4.246	-	4.246	426	4.672
Cash flow hedges	-	-	4.930	-	4.930	1.837	6.767
Cash flow Hedge performed by results	-	-	9.196	-	9.196	3.431	12.627
Deferred actual income tax and social contribution	-	-	(4.884)	-	(4.884)	(1.791)	(6.675)
Realization of revaluation reserve	-	-	(1.497)	1.497	-	-	-
Total of Comprehensive results	-	-	19.995	(442.703)	(422.708)	91.358	(331.350)
Stockholders contribution and distribution to stockholders:							
Capital increase - Note 25	582.000	-	-	-	582.000	-	582.000
Multiplus dividends distribution paid to non-holding						(81.159)	(81.159)
TAM Airlines holding dividends distribution paid to non-holding	-	-	-	-	-	(1.164)	(1.164)
Gain on disposal of Multiplus shareholding	-	-	2.777	-	2.777	-	2.777
Stocks compensation plan	-	(2.775)	-	-	(2.775)	(1.011)	(3.786)
Total Stockholders contribution and distribution to stockholders:	582.000	(2.775)	2.777		582.002	(83.334)	498.668
On December 31, 2014	5.035.926	148.538	549.868	(4.434.252)	1.300.080	62.434	1.362.514

Explanatory notes are integral part to the financial statements.

Tam S.A.

Cash flow statements – Indirect Method

Years ended on December 31, 2014 and 2013

(Amounts in thousands of Brazilian reais)

	Holding		Consolidated	
	2014	**2013**	**2014**	**2013**
Losses of the year	(444.200)	(1.505.611)	(356.745)	(1.441.075)
Income adjustments				
Deferred income tax and social contributions (Note 24)	(2.188)	(4.948)	16.722	(440.037)
Depreciation and amortization [Note 28]	13	13	506.850	719.796
Adjustment on Assets Evaluation	8.004	-	-	-
Write off of financial leasing operations	-	-	(1.676.385)	(1.168.325)
Write-off of fixed assets /intangible	-	-	12.567	-
Result from the disposal of fixed assets	-	-	2.201.212	1.823.620
Adjustment on Assets Evaluation	-	-	8.004	-
Interest and exchange variations on assets and liabilities	-	11	350.809	1.289.776
Other Provisions	-	-	29.964	44.204
Results from Equity accounting (Note 15).	432.992	1.444.083	10.454	8.314
Allowance for doubtful account (note 9)	-	-	8.831	4.665
Provisions for contingencies (Note 23)	-	-	(51.652)	139.986
Compensation plan based on stocks	-	-	(3.786)	4.862
Non-effective portion of hedge operations	-	-	-	(16.326)
Variations on current assets				
Investments	1.033	184	189.210	(629.269)
Inventories	-	-	(80.946)	(102.950)
Accounts Receivable:	-	-	(275.064)	(667.779)
Taxes recoverable	(2.700)	7.690	(238.834)	26.100
Expenses of subsequent year			(1.653)	(27.599)
Non-current assets available for sale	-	-	3.070	1.728
Maintenance prepayment	-	-	278.653	18.175
Court Deposits (Note 23).	(979)	(208)	7.735	(38.862)
Other Accounts Receivable				4.792
Other assets	(22)	(114)	55.491	(24.598)
Suppliers	(3.393)	3.150	7.740	59.999
Salaries and social burdens	(4.945)	(280)	(69.833)	(6.930)
Taxes and fees payable	1.792	(731)	224.530	144.614
Deferred income			(3.281)	439.237
Provisions for contingencies - Payment (Note 23)	-	-	(34.340)	
Other liabilities	(151)		295.025	302.128
Other Accounts Payable	(105.217)	101.691	-	(121.777)
Derivative financial instruments	-	-	10.640	397
Cash generated by (invested on) operations	(119.961)	44.930	1.424.988	346.866
Taxes paid			(162.787)	(118.184)
Interest paid	(6.003)	-	(351.146)	(409.304)
REFIS Installments paid	-	-	(168.020)	(40.186)
Net cash used in (generated by) investment activities	(125.965)	44.930	743.035	(220.808)
Investments Cash Flow				
Advancements for future recapitalization – AFAC (Note 15)	(697.788)	(3.836.800)	-	-
Dividends and interest on Equity received from subsidiary Multiplus (Note 15)	222.144	-	-	-
Dividends received from subsidiary Mercosur (Note 15)	20.592	164.033	-	-
Investment Acquisition – ABSA	-	4.452	-	(1.083)
Cash Acquisition – ABSA	-	-	-	23.381
Prismah Fidelização S.A. Investment (Note 15).	-	-	(1.208)	(11.028)
Financial assets maintained up to the maturity.	-	-		150.426
Investment in restrict cash	-	-	(1.995)	32.434
Loans received- Loans	-	-		(2.314.185)
Resources received from fixed assets sale	-	-	668	62.787
Funds received from sale of non-current assets available for sale	-	-		13.316
Acquisition of fixed assets	-	-	(484.404)	(79.940)
Intangible acquisitions	-	-	(137.652)	(67.737)
Guarantee deposits- reimbursement	-	-	47.934	17.371
Guarantee deposits- payments	-	-	(1.358)	(60.219)
Prepayment of aircraft- reimbursement	-	-	782.864	447.823
Prepayment of aircraft- payments	-	-	(171.999)	(143.548)
Net cash used in investment activities	(455.052)	(3.668.315)	32.850	(1.930.202)
Cash Flow of the Financing Activities				
Capital increase - TAM S.A. (note 25)	582.000	-	582.000	3.623.486
Cancelling of outstanding stocks - TAM S.A.	-	3.623.486	-	-
Gain on disposal of Multiplus shareholding	-	-	2.777	555
Dividends and interests on equity paid to non-holding stockholders of Multiplus	-	-	(81.159)	(61.071)
Dividends and interests on equity paid to non-holding stockholders of Mercosur	-	-	(1.164)	(235)
Short and long term loans - raising	-	-		200.000
Short and long term loans - payments	-	-	(1.115.304)	(413.577)
Debentures - payment	-	-		(500.001)
Financial Leasing - payments	-	-	(482.842)	(659.788)
Net cash generated by (used on) financing activities	582.000	3.623.486	(1.095.692)	2.189.369
Increase (reduction) in cash and cash equivalents	984	101	(319.807)	38.359
Effect of exchange rate on cash and cash equivalents			(8.702)	(4.412)
Cash and cash equivalents in the beginning of the year	251	150	688.500	654.553
Cash and cash equivalents at the end of the year	1.236	251	359.991	688.500

Explanatory notes are integral part to the financial statements.

Management Explanatory notes to financial statements

(Amounts expressed in thousands of Brazilian reais, except if otherwise informed).

1 Operational Context

TAM S.A ("TAM" or "Company") was incorporated on May 12, 1997, which corporate object firstly was the direct interest on companies' capital dedicated to air transportation activity. Individual and consolidated financial statements of the Company include the company and its subsidiaries (together referred to as ' Group ' and separately as "Group entities"). Company is integral holding of TAM Linhas Aéreas S.A. ("TLA") operates mainly the regular lines of the passenger and cargo air transportation in the domestic territory and international and Pantanal Linhas Aéreas S.A. ("Pantanal"), operated mainly the regular lines of the passenger air transportation in Brazil and was incorporated by TLA in July 2013. It has 94.98% of Transportes Aéreos del Mercosur S.A. ("TAM Airlines"), regular flight company headquartered in Assumption, in Paraguay, operating in such country in addition to Argentina, Brazil, Chile, Uruguay and Bolivia and 72.74% of Multiplus S.A. ("Multiplus") which corporate object is the development and management of the customers loyalty programs. TAM is registered and domiciled in Brazil and has the main office at Av. Jurandir, 856, Lote 4, primeiro andar, São Paulo, SP. On June 22, 2012, after concluding successfully the Public Offer for Stocks Exchange for the Cancelling of Publicly-held Company Registration, Company has been controlled by Holdco I S.A. ("Holdco I"). Holdco I is controlled by the TEP Chile S.A. owing 80.58% voting shares of Holdco 1.

The company, through its subsidiary TLA, controls the companies TAM Capital Inc. ("TAM Capital"), TAM Capital 2 Inc. ("TAM Capital 2"), TAM Capital 3 Inc. ("TAM Capital 3"), TAM Financial Services 1 Limited ("TAM Financial 1"), TAM Financial Services 2 Limited ("TAM Financial 2") e TAM Financial Services 3 Limited ("TAM Financial 3"), all headquartered in Cayman Islands which activities are related to the funds raising to finance the purchase of aircrafts. Funds raised by the subsidiaries are totally and unconditionally guaranteed by TAM. TLA is the holder of Fidelidade Viagens e Turismo Ltda. ("TAM Viagens") which corporate purpose is the exclusive development of the travels and tourism agency activities.

On February 1st, 2012, the Company incorporated TAM MRO – Manutenção Aeronáutica S.A. corporation. ("TAM MRO") which purpose is rendering maintenance, repairs, and restoration services of aircrafts, engines, parts, accessories and equipment either its own or from civil or military third parties. TAM MIRO had no operational activities in the year ended on December 31, 2014.

On November 1st, 2013, TAM acquired the stocks of ABSA Linhas Brasileiras S.A. ("ABSA"), which purpose is the exploitation of regular air transportation services of passengers, cargo and mail freight; auxiliary air transportation services, cargo monitoring, operational dispatch of mercantile and operational leasing and aircrafts chartering, rendering of maintenance services and marketing or aircrafts parts and pieces.

Company controls TP Franchising Ltda, which purpose is the franchise development.

2 Preparation base

a. Compliance Statement.

The separate and consolidated financial statements were prepared according to the accounting practices adopted in Brazil (BR GAAP).

Separate and consolidated financial statements issue was authorized by Board of Directors on March 11, 2015.

b. Changes on the accounting standards and disclosure.

The revision of Technical Pronouncements Nos 07 (was approved on December 2014) changed the CPC 35, CPC 37 and the CPC 18 and authorized the use of the equity method in the separate financial statements.

Additionally, a number of new standards, amendments to standards and interpretations have been issued by the *International Accounting Standards Board ("IASB")* and shall be effective for financial years beginning after January 1st, 2014. However these standards have not been approved by the Accounting Pronouncement Committee - CPC-and consequently have not been incorporated to the accounting practices adopted in Brazil. For this reason they have not been adopted in the preparation of these financial statements as they are not effective.

Those relevant to the company are listed hereunder and the company intends to adopt these pronouncements whenever they are applicable.

IFRS 9 - Financial Instruments.

IFRS 9, published on July 2014, replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement (Financial Instruments: Recognition and measurement). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected loss model of credit for the calculation of the reduction to recoverable value of financial assets, and new requirements on hedge accounting. The standard maintains the existing guidance on the recognition and non-recognition of financial instruments of IAS 39.

IFRS 9 is applicable to the years starting on or after January 1st, 2018.

IFRS 15- "Income from Customers contracts"

IFRS 15 requires an entity to recognize the revenue amount reflecting the consideration expected to be received in exchange for the control of such goods or services. The new standard will replace most guidelines on the recognition of revenue that currently exists, and is applicable from or after January 1st, 2017. The standard could be adopted retrospectively, using an approach to cumulative effects. The Administration is evaluating the potential effects of IFRS 9 and 15 on the financial statements and the company's disclosures. The company has not defined the transition method to the new standards nor determined its effects on current financial reports.

3 Functional Currency and presentation currency.

The items included in the financial statement of each Group's entity are measured by the currency in the main economic environment where the entity does business (herein referred to as "functional currency"). The separate and consolidated financial statements are showed in Reais, the Group's functional currency. All balances have been rounded to the nearest thousand except when otherwise indicated. Origin country and functional currency of subsidiaries are showed hereunder:

Company	**Location:**	**Functional currency**
TLA	Brazil	Real
TAM Viagens	Brazil	Real
TAM Capital	Cayman Islands	Real
TAM Capital 2	Cayman Islands	Real
TAM Capital 3	Cayman Islands	Real
TAM Financial	Cayman Islands	Real
TAM Financial 2	Cayman Islands	Real
TAM Financial 3	Cayman Islands	Real
TP Franchising	Brazil	Real
Fundo Spitfire II	Brazil	Real
TAM Airlines	Paraguay	Guarani
Multiplus	Brazil	Real
Corsair	Brazil	Real
Prismah S.A.	Brazil	Real
ABSA	Brazil	Real

Transactions and balances

Foreign currency transactions are converted to functional currency of each Group's company and records use the exchange rate in force on each transaction date. The monetary items in foreign currency are exchanged at the end of each report period by the closing rates.

Exchange gains and losses from the settlement of such transactions and the exchange rate conversion at the end of the year regarding the monetary assets and liabilities denominated in foreign currencies are recognized in income statement as financial income or expense, except when qualified as accounting hedge, therefore, deferred in equity as cash flow hedge operations.

Entities with different functional currency

The results and financial position of the entities with functional currency differing from the presentation are converted to the presentation currency as follows:

- Assets and liabilities of each submitted balance sheet are converted by the rate at the closing date of balance sheet.

- The results statements and the cash flows and all other assets and liabilities transaction are exchanged by the annual average exchange rate taking into account the amount close to the exchange rate in fore on the date of the correspondent transactions.

- The effects of the exchange rate variations during the year on the subsidiaries net worth at the beginning of the year are recorded as the net worth transaction in "Equity Evaluation Adjustment" likewise the difference between the accrued profits of the year exchanged at the average exchange rates and the exchange rate at the end of the year.

- The accrued exchange differences are showed as a separate component from other reserves. In any total or partial disposal of the Company or subsidiary's shareholding, by sale or from the capital reduction, the accrued exchange difference is recognized in the results statement as part of the profit or losses in the disposal.

4 Estimates use and judgment.

The preparation of the separate financial statements requires the use of the judgments, estimates and premises by Management affecting the Group's accounting policies use and reported values of the assets, liabilities, incomes and expenses. The actual results might differ from the estimates.

The estimates and assumptions are reviewed continuously. Reviews of estimates are recognized prospectively.

(i) Judgments:

The information on the judgments related to the accounting policies adopted affecting the significantly the amounts recognized in the separate and consolidated financial statements are included in the following explanatory notes:

Explanatory Note 17- classification of leasing.

(ii) Uncertainties on assumptions and estimates

The information on the uncertainty related to premises and estimates with significant risk resulting in material adjustment in the next financial year ending on December 31, 2015 are included mainly to the following explanatory notes:

- Explanatory Note 24 -recognition of deferred tax assets: availability of future taxable profits against which tax losses can be utilized;

- Explanatory Note 17- test of decrease in recoverable value: the main assumptions underlying the recoverable values, including the recoverability of development costs;

- Explanatory Note 20- provision for maintenance: the main assumptions on the probability and magnitude of resource outputs;

- Explanatory Note 23- recognition and measurement of provision and contingency: The main assumptions on the probability and magnitude of resource outputs; And

- Explanatory Note 27- Income of breakage: (i) Tickets: main assumptions on the tickets expectation that will not be used until its maturity; and (ii) Loyalty program: main assumptions on the point expectation that will expire without being used.

5 Summary of main accounting policies

The main accounting practices adopted to prepare the consolidated and separate financial statements are defined hereunder: Such policies are applied consistently in all previous years except as otherwise informed.

5.1 Consolidation

The following accounting policies are applied to the preparation of the consolidated financial statements.

a. *Subsidiaries*

Subsidiaries are all entities (including the specific purpose entity) wherein Company has the power to determine the financial and operational policies usually holding more than half the voting rights (voting capital). The existence and the effects of the potential vote rights, currently exercisable or convertible are taken into account when evaluation the TAM control on other entity. The subsidiaries are totally consolidated from the date the control is transferred to TAM and are not consolidated from the date such control terminates.

The controlled accounting practices are changed as required to ensure the consistency with the practices adopted by the Group.

The results of the subsidiaries acquired during the year are included in the consolidated statements of the results and the comprehensive results from the date of the effective acquisition. The comprehensive results balance and interests of non-controlling although resulting in negative balance of such interests are attributed to the Group's owners. When required, the subsidiaries financial statements are adjusted to adapt the accounting policies to those issued by the Group. The transactions, balances, non-realized gains originating from the transactions between the Group and the subsidiaries are eliminated. The non-realized losses are also eliminated; however, they are deemed an indication of the reduction on the realizable amount (impairment) of the transferred assets.

Group uses the acquisition method to record the business combination. The consideration transferred to the subsidiary acquisition is the fair value of transferred assets, incurred liabilities and equity instruments issued by the Group. The transferred consideration includes fair value of assets, and liabilities from the contingent counter entry agreement as applicable. Costs related to the acquisition are recorded in year's results as incurred. the identified assets acquired and liabilities and contingent liabilities undertaken in the business combination are measured firstly by the fair valued on the purchase date. Group recognizes the non-controlling interests in purchased both by the fair value and the prorated portion of the non-controlled interests in fair value of the purchased company’s net assets. The measurement of the non-controlling interests is determined on each acquisition made.

The exceeding consideration transferred and the fair value on the acquisition date of any previous equity interests in the purchased company in respect to the fair value of the Group's interests in net assets identifiable and acquired is record as premium (goodwill). In the acquisitions that Group attributes the fair value to the non-controlling, the premium determination includes the value of any interest of the non-controlling in the purchased company. The premium is determined taking into account the Group’s interests and non-controlling. If the consideration is lower than the fair value of the net assets of the purchased subsidiary, the difference is recognized directly in the income statement of the year.

b. *Non-holding transactions and shares.*

Group handles the transactions with non-controlling interests as transactions with the owners of Group's assets. Regarding the purchase of the non-controlling interests, the difference between the paid consideration and the purchased portion of the accounting value of net assets of subsidiary is recorded in net worth. the gain or losses on the disposal of non-controlling interests are recorded directly in net worth in "equity evaluation adjustment".

c. *Loss of control in subsidiaries*

When the Group loses the control, any withhold share in the entity is measured again on the fair value, and the change in the accounting value is recognized in the results. The fair value is the initial accounting value for subsequent booking of the withhold share in the associated company, joint venture or financial assets. Moreover, any amounts previously recognized in other comprehensive results related to such entity are recorded as the related assets and liabilities were directly disposed by the Group. This means, the amounts previously recognized in other comprehensive results are classified again in the results.

d. *Jointly controlled enterprise (joint venture)*

Joint subsidiaries are all entities on which Company has the control shared with one or more parties. The investments in joint ventures are recorded by the equity accounting method. Company's shareholding in joint ventures is recognized in income statement. If the Group's share on joint venture's loss is equal to or higher than the investment accounting value, including any receivables, Company does not recognize the additional losses unless incurred in obligation or payment made on joint venture's behalf. (Note 15 (b))

e. *Companies included in the consolidated financial statements.*

			% - shareholding	
	Base date of Financial Statements	**Stockholding**	**2014**	**2013**
TLA	12/31/2014	Direct	100.00	100.00
TAM Viagens	12/31/2014	indirect	100.00	100.00
TAM Capital	12/31/2014	indirect	100.00	100.00
TAM Capital 2	12/31/2014	indirect	100.00	100.00
TAM Capital 3	12/31/2014	indirect	100.00	100.00
TAM Financial	12/31/2014	indirect	100.00	100.00
TAM Financial 2	12/31/2014	indirect	100.00	100.00
TAM Financial 3	12/31/2014	indirect	100.00	100.00
Fundo Spitfire II	12/31/2014	indirect	100.00	100.00
TP Franchising	12/31/2014	Direct	100.00	100.00
TAM Airlines	12/31/2014	Direct	94.98	94.98
Multiplus	12/31/2014	Direct	72.74	72.85
Prismah Fidelidade S.A. (*joint venture*)	12/31/2014	indirect	50.00	50.00
Corsair	12/31/2014	Direct	100.00	100.00
TAM MRO	12/31/2014	Direct	100.00	100.00
ABSA	12/31/2014	Direct	100.00	100.00

5.2 Cash and cash equivalents.

Cash and cash equivalents include the money in cash, bank deposits, short-term and highly liquidity investments up to three months original maturities, and subject to insignificant risk of change of the amount (Note 7).

5.3 Restrict cash

The restricted cash represents deposits as collateral to guarantee long-term financing.

5.4 Financial assets

5.4.1 Classification

Group classifies the financial assets according to the following categories: fair value measured by the results, loans and receivables and maintained up to the maturity. The classification depends on the nature and purpose for the acquisition of the financial assets. Management determines the classification at the initial recognition.

a. Financial Assets measured at the fair value by the income.

The financial assets measured at the fair value by the income are the financial assets maintained for negotiation. Financial assets are classified in this category when purchased mainly for short term sale. Derivatives are also classified as kept to the negotiation unless they are designated as the protection instruments (hedge). The assets in this category are classified as current assets.

The gains or losses arising from the variations on the fair value are showed in the results statement under “Financial Income/ financial expense" title in the period they occur; unless the instrument had been contracted for other operation. In such event, the variations are showed in the same income line booking the protected operation.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determined payments and are not quoted in the active market. They are measured by the amortized cost amount using the actual interest method deducting any loss from reduction on the recoverable amount. Loans and receivables encompass the cash and cash equivalent, accounts receivables, other accounts receivable and restrict cash. They are classified in the current assets, except if the maturity date exceeds 12 months after the balance sheet date, which are classified as non-current assets.

5.4.2 Recognition and measurement of the financial assets

Regular purchases and sales of financial assets are recognized at the negotiation date. The financial assets at the fair value by means of the results are recognized by the fair value and the transaction costs are debited in the results statement. The financial assets are write-off when the rights to receive the cash flow of investments are due or are transferred, if the Group has transferred significantly all the ownership risks and benefits. The financial assets measured at the fair value by the income are subsequently booked by the fair value. The loans and receivables are booked by the amortized cost using the effective interests’ rate method.
The gains or losses arising from the variations on the fair value of the financial assets measured at the fair value by the income are submitted in the income statement in "Other net gains (losses)” in the period they occur.

The fair value of the investments with public quotation is based in the current purchase prices. If the financial assets market is not active, Group sets forth the fair value by means of the evaluation technique. Said techniques include using the recent operations contracted with third parties, the reference to other instrument being substantially similar, and the analysis of the discounted cash flow.

5.4.3 Offset of financial instruments:

The financial assets or liabilities are offset and the fair value is reported in the balance sheet, if there is the right to offset the recognized amounts and the intent to settle thereof on net basis or realize the assets and settle the liabilities simultaneously.

5.5 Reduction to recoverable amount of the financial assets (impairment)

Financial assets, except those designed by the fair value by means of the results, are evaluated by the reduction indicators on the recoverable amount at the end of each period. The losses by reduction of the recoverable amount are recognized if, and only if, any objective evidence exists on the reduction on the recoverable amount of the financial assets from one or more events already occurred, after the initial recognition, and affecting the estimated cash flow of such assets.

- The criteria used to determine any objective evidence on the reduction of the value should include:
- Significant financial difficulties of the issuer or counterparty; or
- Breach of the agreement and the default or delay in interests and principal payment, or
- Probability of the debtor bankruptcy or financial reorganization, or
- Extinction of said financial assets market related to financial problems.
- The observed data indicates there is a measurable reduction on the future cash flows estimated from the financial assets portfolio from the initial recognition of such assets, although the reduction could not be identified with the separate financial assets in the portfolio, including:

– Adverse changes in the payment condition of the borrowers in portfolio;
– National or local economic conditions correlated to the defaults on assets in portfolio.

Loss amount by impairment is measured as the difference between assets booking amount and actual amount of estimated future cash flows (excluding the future credit losses that had not been incurred) deducting the interest rate in force and original of the financial assets. Assets booking amount is reduced and loss amount is recognized in the results statement. If a loan or investment kept up to the maturity shows variable interest rate, the deduction rate is actual interest rate determined according to the agreement to measure the impairment loss. The Group may measure *impairment* on the basis of the fair value of an instrument using an observable market price.

If the loss amount by impairment in subsequent period is reduced, and such reduction could not be related objectively with the event taking place after the recognition of impairment (as improvement in debtor credit classification), the reversion of such previously recognized loss shall be recognized in results statement.

5.6 Financial derivative instruments and hedge activities

Firstly, the derivative financial instruments are recognized initially by the fair value on the date the derivative agreement is signed and are subsequently measured at the fair value. The method to recognize the subsequent gain or loss of derivative operation depends on the derivative be designated (or not) as the protection instrument (hedge) in any adoption by accountancy of the hedge (hedge accounting). Group adopts the hedge accounting and designates certain derivatives as specific risk hedge associated to recognized assets or liability or operation foreseen as highly likely (cash flow hedge).

The Group has not entered into new derivative contracts in 2014. The transaction of the cash flow hedge in the line of other comprehensive results within the net worth during the year 2014 refers to prior-year balances that were carried out during the year of 2014.

The need of adopting the hedge accounting took into account that Multiplus invoicing is partially related to US dollar. The income recognition is made in respect to the point redemption curve. In any non-match between the accrual (invoicing and recognition of deferred income) of points, and actual redemption (recognition of income on income statement). Therefore, the main purpose of hedge accounting is the time compatibility between the hedge operations effects and accounting thereof, making expressly the accounting results close to the economic results. Moreover, in Highly effective hedge relation, the effects of the derivative fair value variations were expected to be mitigated on Multiplus' financial results.

Multiplus deemed the cash flow from future sale of point as very likely operation and the derivative contracted for the coverage of exchange variation risks associated to such sales were classified as cash flow hedge. Derivative financial instruments are recognized as assets or liabilities in balance sheet and measured at fair value. The actual portion of changes in fair value of derivatives are recorded in each period as equity evaluation adjustments on comprehensive results in net worth, when transactions were eligible and featured as an actual *hedge* , in cash flow mode. The gain or loss as s recognized immediately in the statement of income in the financial result other than related to the actual portion of variations in derivatives fair value.

Group documents at the beginning of each operation, the relation between hedge documents and protected items, specifying the purpose of the risk management and strategies for hedge operations performance. Group also records at the beginning and continuously the calculations and/or evaluations showing the hedge operations are highly effective in reducing the exchange risk associated to the protected items.
The accrued value maintained in the equity evaluation adjustments is classified to the results in the same period the hedge item affects the results. If hedge instrument fails to comply with the hedge accounting criteria, terminates or is sold, performed or revoked, or the designation is revoked, then the hedge booking is discontinued prospectively. If no more expectancy exist on the forecasted transaction them the balance in other comprehensive results is immediately reclassified in the results.

Multiplus used the *zero cost collar*, as *hedge* instrument and its calculation of fair value was carried out based on the model of *Black-Scholes* for options. Significant data included in model were:

- Price of the object asset
- Exercise price
- Price volatility of assets-object
- Interests rate exempted from risk
- Duration time
- Interest rate in foreign currency

Instruments are deemed effective when the variation on derivatives amount offsets between 80% and 125% the effects of exchange variations on protected income.

The fair value calculation is carried out by external consultancy in order to obtain data from external and impartial source to Multiplus, using quotation by BM&FBovespa and Central Bank of Brazil as information base.

Group classifies no derivative operation as fair value hedge or net investment.

5.7 Accounts Receivable

Accounts receivables are recognized, in accounting, by the fair value initially, and then evaluated by the amortized cost, using the effective interests' rate less the provision for the losses on the payment. In view of the short-term nature, the Group recognizes the Accounts Receivable by the original sale amount. The provision for the losses on such receivable accounts (provision for doubtful accounts) is established when the objective evidence exists that the Group should not collect all the payable amounts, according to the original terms of the accounts receivable.

Group establishes the doubtful account provisions for receivable amounts overdue for more than 180 days except the renegotiations and balances among related parties. The total provision for the losses is the difference between the accounting amount and the recoverable amount (Note 9)

5.8 Inventories

The inventories comprise mainly the spare parts and materials to be used on the maintenance and replacement activities, and measured by lower value between the acquisition cost and net realizable value. The inventories cost is based on the average acquisition cost. (Note 10).

5.9 Non-current assets available for sale

Non-current assets are classified as assets available for sale, if the account value is recoverable, mainly by sale, and such sale is actually established. Such assets are evaluated by the lower value between the accounting value and fair value less the sales cost.

5.10 Intangible assets

a. Software and information technology designs

Expenses related to the software maintenance are recognized as expenses when incurred. The expenses directly related to the software directly developed include the materials, costs incurred with the software development companies, and other direct costs. They are capitalized as intangible assets when the future economic benefits generated thereby are probable and exceed the respective costs, taking into account the economic and technological feasibility. The software development costs recognized as assets are amortized using the linear method during the useful life, which is up to 5 years in general.

b. Other intangible assets

Including the amounts related to: (a) use right of the airport operation (slots) from the Pantanal acquisition in March 2010, based on the profitability estimates on the operation of the regular flights from the airports in the acquired right, (b) the acquisition of “TAM” trademark in July 2010 in the context of TAM Milor acquisition and (c) licenses and other contractual rights acquired from third parties, which are not capitalized as intangible assets and amortized during the estimated useful life.

The intangible accounting amount is analyzed to check any reduction in the recoverable amount when the fact or changes on the circumstances indicate the accounting amount is not recoverable, or the intangible assets are not used or amortized yet.

c. Premium

(Goodwill) premium is represented by the positive difference between the amount paid and /or payable on the business acquisition and the net amount of the fair value of the assets and liabilities of purchased subsidiary. The premium from subsidiaries acquisitions is recorded as the intangible assets in consolidated financial statements. If there is any negative goodwill, the amount is recorded as gain in the period results on the acquisition date. The premium is tested annually in order to check the losses (impairment). Premium is recorded by the cost value less the losses accrued from impairment. Impairment losses recognized on premium are not reverted. Gains and losses from the entity disposal include the accounting value of premium related to the sold entity.

The premium appears in subsidiaries acquisition and represents the excessive consideration transferred by means of the Group's interests in the net fair value of net assets identifiable, liabilities and contingent liabilities of purchased entity, and the fair value of non-controlling interests in the acquisition.

For the purposes of impairment tests, goodwill acquired in the business activities concentration is attributed to each cash generating unit ("UGC") expected to benefit from the combination synergies. The goodwill allocated to each unit or units group represents the lower level in the entity wherein the goodwill is monitored for the internal management purposes. The goodwill is monitored at the UGC level.

Premium is tested annually or more frequently if the events or burdens in any circumstance indicate the potential impairment. The accounting value of the premium is compared to the recoverable amount, which is the higher amount of the use and fair value less the sales costs. Any deficiency is recognized immediately as the expense and is not reverted subsequently.

5.11 Fixed Assets

Assets integrating the fixed assets including the rotational components are recorded by the acquisition or construction cost and include the interest and other financial burdens already capitalized.

Lands are not subject to depreciation. Each assets component with significant cost in respect to the total assets is depreciated separately. Assets depreciation is recognized based on the useful life of each asset by the straight method; therefore the cost less the residual amount is fully depreciated after the useful life. The estimated useful life, residual amounts, and depreciation methods are reviewed annually. The effects of any change are booked prospectively. The useful life of the fixed assets items are described in Note 16. The assets acquired through the financial leasing and rotational related to purchased engines and parts are depreciated by the shorter term between the useful life and term set forth in the leasing agreement.

According to CPC 27 (IAS 16) - "Fixed Assets", the engines review includes the materials used (replacement parts) and service cost, which then are deemed as separate component and depreciated during the medium period expected for the next Overhaul. All other replacement parts and other costs related to the flight equipment maintenance, including all the amounts under the "power by the hour" maintenance agreements are recorded in the income statement when consumed or incurred, respectively .

The accrued interest identified in the loans and directly attributed to the assets under construction including the advances for the acquisition of new aircrafts are capitalized and included in such assets costs up to the shorter date between the construction conclusion and the aircraft delivery.

The accounting amount of the assets is reviewed to check any loss on the recoverable amount when the events or changes in the circumstances indicate the accounting amount is higher than the estimated recoverable amount.

The fixed assets item is written-off after the disposal or no future economic benefit exist from the continued use of the assets. Any gain or losses on the fixed assets item sale or write-off are determined by the difference between the amounts receivable from the sale and the assets accounting amount and recognized in the results. When the revaluated assets are sold, the amount included in the revaluation reserve is transferred to accrued profits.

a. Aircrafts prepayment

The advances made to the manufacturers for the aircrafts purchase (pre-delivery payments - PDPs), pursuant the purchase agreement, are originally in dollars and recognized in the financial statements by the paid amount exchanged at the exchange rate in force at the payment date. The cost to contract the loans are capitalized up to the delivery of the aircrafts, including the applicable interests and exchange differences incurred at the construction of the qualified assets.

If the Group decides for the non- purchase of the aircraft, but lease it an operating lease agreement, and there is agreement that the PDPs will be reimbursed to the Group, such values are reclassified to "other accounts receivable".

5.12 Maintenance Provision

Engines maintenance agreements support all significant activity of the engines maintenance. The basis to determine when the maintenance expenses were incurred depends on the nature of the services rendered:

Agreement designated as time and material: agreements amount that are payable to the maintenance providers and recognized in the results statement according to the maintenance activities effectively rendered. The costs incurred correspond to the effective amount of the time spent in the maintenance added to the materials cost and components used.

Agreements designated as power-by-the-hour: the agreements that the amounts contractually determined are payable by the maintenance provider based on the flown hours. The correspondent liability and expenses are recognized in the income statement by the flight hours of equipment.

5.13 Reduction to recoverable amount of the financial assets (impairment)

The assets with undefined useful life, such as premium, are not subject to the amortization and are tested annually. The assets subject to the amortization are reviewed to check the impairment whenever the events or changes on the circumstances indicate the accounting amount could not be recovered. The impairment loss is recognized when the assets accounting amount exceeds the recoverable amount. The last is the higher amount between the fair value of the assets less the sales costs and the use amount. For impairment evaluation purposes, the assets are grouped in the lower levels for which the identified cash flow exists in separate (Units Generating Cash – UGC). Non-financial assets, except premium, are reviewed subsequently for the analysis of any impairment reversion on the date the report is submitted.

5.14 Suppliers

The suppliers are the obligations to pay for goods and services acquired during the regular business course and classified as current liability, if the payment shall be made in one year period. Otherwise, they are shown as non-current liabilities.

The suppliers are firstly recognized at the fair cost and then measured at amortized cost using the effective interests' rate method. In fact, in view of the short-term nature of most suppliers, they are recognized usually by the correspondent invoice amount.

5.15 Non-derivative financial liabilities

Non-derivative financial liabilities (including the loans, senior notes) are recognized at first by the fair value, net of the transaction costs already incurred. Subsequently, they are measured by the amortized cost amount using the effective interests' method.

The effective interest method is used to calculate the amortized cost of the financial liability and allocate the interest expenses by the respective period. The effective interests' rate is the rate deducting exactly the future estimated cash flow (including the transaction costs and other premiums and deductions) during the estimated life of the financial liability or, as applicable, the shorter period, for the initially recognized amount.

The loans are classified in the current liability unless Group has an unconditional right to the non-performance of the settlement of the liability at least for 12 month after the balance sheet date.

5.16 Income Tax And Social Contribution

The income tax and social contribution of the current year and deferred are calculated based on 15% rate added from 10% additional on taxable profit exceeding R$ 240 for income tax and 9% on the taxable profit for social contribution on net profit, which take into account the tax loss offset and the loss of Social Contribution limited to 30% the taxable profit.

The income tax and social contributions expenses represent the sum of the current and deferred taxes. The current and deferred income tax and social contributions are recognized in the income statement of the year, except if they are related to the items recognized in other comprehensive results or directly in the net worth.

The current income tax and social contribution are submitted net in liabilities when there are amounts payable, or assets when the amounts prepaid exceed the total due on the date of the financial statements.

The deferred income tax and the social contribution are recognized on the temporary differences resulting from the differences between the assets and liabilities tax basis and their booked amounts in financial statements.

The deferred income tax and social contribution assets are recognized in respect to deductible and unused taxes loss, taxes credits and temporary differences if probably the future profits subject to the taxation are available and should be used against them. The deferred income tax and social contribution assets are reviewed in each balance sheet date and are reduced in the extent the realization is not probable anymore.

Deferred income tax and social contributions of assets and liabilities are showed net amount in the balance sheet, when there is the legal right and intent to offset thereof at the determination of current taxes and are under the inspection and management by the same tax authority.

The deferred tax is measured by the rate (expected) to be assessed on the temporary differences, at the reversion, and based on the rates published or substantially published up to the date the balance sheet.
The measurement of deferred tax reflects the tax consequences that would follow how the Group expects to recover or settle the accounting amount of its assets and liabilities.

5.17 Deferred income

Deferred income account encompasses the transportation to be performed, services agreements and sale and leaseback transactions and other incomes related to Loyalty Program.

The deferred income from the Loyalty Program is measured by the fair value in counter entry to the receivable accounts and is recognized in the result as the program point is redeemed.

The Transportation to render account comprises the tickets sold and non-used. Such amounts are recognized as income when the service is effectively rendered or after eight months from the date of sale of the tickets. (Note 22).

5.18 Provisions

Company recognizes the provisions when: (i) it has an actual and non-formalized obligation (*constructive obligation*) resulting from past events; (ii) is likely a disbursement of funds to settle the obligation; and (iii) the value can be estimated reliably. The provisions are measured by the current amount of the expenses required to settle the obligation using the rate before the taxes, and reflecting the current evaluations of the market of the money temporal value and the specific risks of the obligation. The increase of the obligation during time is recognized as financial expense.

If any or all economic benefits to settle the provision are expected to be recovered by third party, the assets are recognized if, and only if, the reimbursement is virtually certain and the amount could be measured reliably.

5.19 Benefits to employees

a. Profit Share

Group recognizes the liability and the share expense in the results based on the profits share program and certain operational indicators.

b. Compensation based on stocks

Multiplus offers the compensation plans to certain employees and executives officers based on stock, settled with Multiplus' stocks. Multiplus receives the services rendered by employees and executives officers and in consideration delivers options for acquisition of equity instruments (stocks) of Multiplus. The compensation plan based on the stocks is measured by the fair value of the instruments on the granting date. The details on the fair value determination of such plans are described in Note 26.

Market conditions and the of legal non-acquisition conditions are taken into account in the estimates of the fair value of each option at the granting date. On the other hand, the service conditions and conditions unrelated to market are not considered in the estimates of the fair value of the options. Instead, the options number is estimated for service conditions and conditions unrelated to market that are expected to be fulfilled. The result of this estimate- i.e. the fair value of the options at the granting date, multiplied by the number of equity instruments which service conditions and conditions unrelated to market are expected to be fulfilled - is the total cost of stock-based compensation.

This cost of the granted options is recognized as personnel expense, with a corresponding increase in net equity, over the period in which the options right is acquired unconditionally (period during which specific conditions for acquisition of the right must be fulfilled).

The Group reviews its estimates on the options quantity at the balance sheet date, which rights should be acquired based on the established conditions and recognized the impact of the initial estimates review, if any, in the income statement, in consideration for the net equity, prospectively.

c. Restricted stock plan

On May 2014, a new stock-based compensation plan was approved , as well as its first granting of restricted stock, for certain executive officers of Multiplus, subject to the fulfillment of the term and the achievement of a financial index.

These stocks will be purchased by Multiplus from the market and delivered to executive officers at the settlement; therefore Multiplus is recognizing the expense equivalent to plan in consideration to a capital reserve in net worth, which will be used for future purchase of these stocks.

d. Defined Contribution Plan.

The Group operates defined contribution plans only. The contributions being made, Group has not additional liability on the additional payments. The contributions comprise the net costs of the period they are payable therefore they are recognized as expenses on employees benefits.

e. Defined benefit plan

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees receive in return for services rendered in the current period and in prior periods. That benefit is deducted to determine its current value. Any unrecognized past service costs and fair values of any plan assets are deducted.

The calculation of the defined benefit plan obligation is held annually by a qualified actuary using the forecast unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the current value of the economic benefits available in the form of future repayments of the plan or reduction in future contributions to the plan. To calculate the current value of the economic benefits any applicable minimum funding requirements are taken into account.

New measurements of the net defined benefit obligation, including: actuarial gains and losses, return of plan assets (excluding interest) and the effect of assets ceiling (if any, excluding interest) are recognized immediately in other comprehensive results. The group determines the net interest on the net liabilities (assets) value on defined benefit period by multiplying the net value of liabilities (assets) of benefit defined by the discount rate used in the measurement of the defined benefit obligation, both as determined at the beginning of the period related to the financial statements, taking into account any changes in net worth of (assets) liabilities of defined benefit during the period regarding payments of contributions and benefits. Net interest and other expenses related to defined benefit plans are recognized in result.

When plan benefits are implemented, the implemented benefit portion related to past services rendered by the employees is recognizes immediately at results. The Group recognizes the actuarial gains and losses in the defined benefit plan settlement at the settlement.

5.20 Corporate Capital

Common and preferential stocks are classified in the net equity. The incremental costs directly assigned to the new stocks issuance are showed in the net worth as the deduction of the raised amount, net of taxes effects.

5.21 Dividends and interests on equity

The dividends distribution and interests on capital up to the minimum mandatory dividends limit to Group's stockholders is recognized as the liability in the Company's financial statements at the end of the year. The financial statements reflect only the minimum mandatory dividends as provided by the Group's bylaws equivalent to 25% the accounting profit and anticipations approved by the Board of Directors. Any amount exceeding the minimum mandatory is only provisioned on the date the distribution is approved by stockholders in the General Annual Meeting or Board of Directors. The tax benefit on the capital is recognized in the results statement.

5.22 Leasing

The classification of the lease agreements is made on the contracting. The leasing is classified as operational leasing if lessor bears the significant risks and benefits on the ownership. The payments made for operational leasing (net of any incentive received by lessor) are recognized in the income statement by straight method during the leasing period.

The Group leases certain fixed assets. The leasing is classified as financial leasing when the Group bears substantially all risks and benefits on the ownership. They are capitalized at the beginning of the agreement by the lower amount between the fair amount of the leased assets and the current amount of the minimum leasing payments.

Each installment paid is allocated partially in liabilities and partially in financial charges therefore, the constant rate is obtained on the outstanding debt. The correspondent obligations net of the financial charges are included in financial liability. The interests in the financing cost is debited to the results statement during the lease term in order to generate the periodical interests rate contained in the balance of the liability in each period. The fixed assets acquired in financial lease are depreciated during the useful life of the assets or the lease contractual period, which is shorter.

The gains from the sale and leaseback transactions arising from the financial lease are deferred and recognized in the results statement by the straight method during the lease validity. The gains from the sales and leaseback transactions arising from operational leases are recognized immediately in the results statement.

The losses from the sale and leaseback transactions arising from financial leasing are deferred in the extent the leaseback object is not object to the impairment and are recognized in the income statement by straight method during the leasing effectiveness.

5.23 Income

Air (passengers and cargo) transportation income are recognized when the transportation service are rendered. The passengers tickets sold but not used (advance sales of tickets) are treated as transport to perform in the deferred income group. For tickets that expire without being used, the Group performs an estimate based on historical data and recognizes the income thereof. .

TLA subsidiary sponsors the award program for frequent passengers (Loyalty Program) where the points are accrued when the TAM's flights or partners' airlines flights are used as well as the purchase with TAM Loyalty credit card, and using services and products from partners' entities. The points granted in the Loyalty Program, when passengers use the TAM or partner airlines flights are recognized as a separate identified component of the income based on the estimated fair value. Such income is deferred on the date the ticket is sold and recognized in the year results, net of the points that were not redeemed, when the points are redeemed and the passengers are transported.

The Multiplus point invoicing from the sale to commercial partners at the time of issuance of the point is recorded as deferred income, representing the Multiplus' obligation with its members.

In accordance with the reference principle to the extent that the Multiplus point are redeemed by the members, and the cost for this transaction becomes known, the invoicing is then recognized in the income statement as income.

Therefore, the revenue in the income statement consists of the point value redeemed by the members and the amount of point that is expected to be redeemed (Breakage). The revenue from point sold by Multiplus' is recognized only when they are redeemed by the members. However, as each point issued is valid for two years, part of these points expires without being rescued. This situation is known as breakage and generates a cost-free income to Multiplus. At the end of each month, the Multiplus makes a provision in the amount equivalent to the expected revenue from breakage (called breakage liabilities) and recognizes gradually the revenue in the income statement.

The breakage liability is calculated based on the average of 12 months percentage of points awarded and unused to maturity, applied on invoicing of points. The gradual recognition of breakage revenue is carried out according to the average of 12-month percentage of performance of the redemption, i.e. the percentage of points earned and redeemed during the period, applied on liabilities calculated in the form above and limited to balance recorded in this breakage liability.
Other operational income represented by the rates from the flight booking changes, sub lease of aircrafts, maintenance services provided to other airlines and other services are recognized when the service is rendered.

5.24 Recognition of operational costs and expenses

The Group's main costs are related to the staff costs and the aviation fuel. Operational expenses include the sales, general and administrative expenses including the salaries, burdens, and benefits, aircraft, engines and equipment leasing, takeoff, landing and navigation rates, sales and marketing and others (Note 28).

5.25 Recognition of financial income

Interest income is recognized proportionally to the time, taking into account the outstanding principal and the effective rates during the period up to the maturity or conclusion of the year.

5.26 Recognition of income from premium tickets issued although to be flown

Group through subsidiary Multiplus offers the possibility of changing the air tickets by point to the members of Multiplus the Loyalty Program, which are accrued by means of Multiplus' Loyalty Program. The members of program could accrue the point in several ways and exchange the point by several premiums including air tickets. Significant portion of the points redeemed by members exchanged by air tickets, which are purchased from TLA by Multiplus. TLA obligation to render the services to the holder of premium tickets (purchased by Multiplus from TLA and granted to the members of Multiplus loyalty program) terminates only when the air transportation services are provided.

Interpretation of CPC 30/IFRIC 13 on income recognition from "Loyalty program" - takes into account that the fair value of the consideration received or to be received in respect to the transaction is allocated between the premium credits (point) and other sales. The purchase components attributed to the premium credits are recognized only when the premium credits are redeemed and company fulfills the obligations to supply the premiums. Taking into account the premium represented by air tickets in consolidated basis comprises the rendering of air transportation services, the income allocated to the premium tickets shall be recognized only when TLA provides the air transportation to the member of the plan. Income from premium credits related to the issued premium tickets still to be flown should not be recognized in income statement.

6 Financial Investments

6.1 Finance risk management.

a. Policy of finance risk management.

The Group has exposure to the following risks arising from financial instruments:

- Credit Risks
- Liquidity Risk; And
- Market Risks

The global risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the group.

b. Credit Risks

Credit risk takes place when the counterparty fails to fulfill its obligations with the company and its subsidiaries under a particular contract or financial instrument, which is to the detriment in the market value of a financial instrument (only financial assets, not liabilities).

The group is exposed to credit risk due to its operational activities and its financial activities, including banking deposits and in financial institutions, investments in other types of instruments and exchange rate operations.

To reduce the credit risk related to operational activities, the Group has established credit limits to limit the exposition of debtors which are monitored permanently (mainly in the case of operational activities with travel agencies).

In order to mitigate the credit risk related to financial activities, the Group requires to the counterparty in financial activities to keep investment grade according to the main risk Rating Agencies. In addition the Group has established maximum limits for investments which are monitored from time to time.

(i) Financial activities

Cash surpluses that remain after the assets financing required for the operation are invested according to credit limits approved by the Group's Executive Board mainly in forward deposits with different financial institutions, private investment funds, mutual funds and short-term corporate and sovereign loans of short lives remaining and easily to be settled. These investments are accounted for as cash and cash equivalents and short-term investments.

In order to decrease the counterparty risk and also the risk is known and administered by the Group; the investments are diversified with different banking institutions (both local and international). In this way, the group measures the credit quality of each counterparty credit and investment levels based on (i) its credit rating, (ii) the size of the equity of the counterparty and (iii) establishes of investment limits according to the liquidity level of the Group. According to these three parameters, the Group opts for more restrictive parameter of the previous three and, based on the one elected, establishes limits to operations with each counterparty.

The Group does not maintain guarantees for mitigating this exposure.

(ii) Operational Activities

The Group has four main "clusters" of sale: travel agents, cargo agents, airlines and credit card companies. The first three are governed by the International Air Transport Association ("IATA"), an international body comprising the most airlines representing more than 90% of commercial traffic schedule, being one of its main objectives the regulation of financial transactions between airlines and travel and cargo agents . When an agency or airline fails to pay its debt, is unable to operate with the IATA Airlines Group member. In respect to credit card companies, these are 100% guaranteed by the issuing institutions.

Exposure is defined by the terms granted, ranging from 1 to 45 days.

One of the tools that the group uses to reduce the credit risk is the participation in world bodies related to the aviation 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 among airlines and travel agencies and freight forwarders. Regarding IATA Clearing House, its acts as a clearing entity between the airlines for the services they provide to each other. Through these bodies, the reduction of terms and implementation of guarantees have been managed. Currently, the sales revenue of TAM Linhas Aéreas S.A. related to travel agencies and cargo agents for domestic transportation in Brazil are performed directly by TAM Linhas Aéreas S.A.

Credit quality of financial assets
The external credit assessment system used by the group is provided by IATA. In addition, internal systems are used for private evaluations or specific markets from commercial reports which are available on the local market. Internal qualification is complementary to the foreign qualification, i.e. if airlines agencies take part in the IATA, internal requirements are greater.

To reduce the credit risk related to operational activities, the Group has established credit limits to limit the exposition of debtors which are monitored permanently (mainly in the case of operational activities of TAM Linhas Aéreas S.A. with travel agencies).

c. Liquidity Risk

The liquidity risk represents the group's risk to have no resources to pay its obligations.

Due to the cyclical nature of its business, operations and investment and financing needs from the incorporation of new aircraft and the renewal of its fleet, along with the need for funding associated with the coverage of market risk, the Group must have net funds to ensure the payment of its obligations.

For this reason, the Group manages its Cash and cash equivalents and other financial assets, aligning the maturity of its investments with its obligations. In this way, by policy, the investments average term should not exceed the average term of its obligations. This cash and cash equivalents position is invested in short-term instruments with high liquidity, through first class financial entities.

The Group shows future obligations of financial and operational leasing, salaries of other obligations with banks.

	Consolidated						
	Less than one year	**Between one and Two years.**	**Between two and five years**	**Over five years**	**Total**	**Effect of discount**	**Accounting Value**
Non-derivative financial liabilities							
On December 31, 2014							
Obligations by financial leasing	412,508	359,727	707,650	797,778	2,277,663	(149,463)	2,128,200
Senior bonuses	45,319	446,079	1,387,034	2,329,653	4,208,085	(1,260,415)	2,947,670
Loans	1,798	1,747	5,238	3,635	12,418	(2,282)	10,136
Anticipation of credit card	121,805						121,805
Suppliers	2,206,450				2,206,450		2,206,450
On December 31, 2013							
Obligations by financial leasing	757,122	636,563	1,453,323	1,352,425	4,199,433	(284,565)	3,914,868
Senior bonuses	39,968	423,879	1,268,244	2,213,910	3,946,001	(1,351,095)	2,594,906
Loans	1,206,026	1,670	4,638	4,767	1,217,101	(48,729)	1,168,372
Anticipation of credit card	65,079						65,079
Tax recovery program	43,312	47,206	168,641	483,325	742,484	(294,874)	447,610
Suppliers	2,198,710				2,198,710		2,198,710

d. *Market Risks*

Group is exposed to the market risks in view of the regular commercial activities. Market risks refer mostly on the variations on interest rate, exchange and aviation-grade kerosene (AVK). Such variations should not affect negatively the cash flow and future expenses. The market risk is a possible loss resulting from the prices of the variables of the market (exchange, interests' rates, commodities prices, etc.) affecting the Group's cash flow. The Corporative Policy set forth the minimum and maximum protection level, the investment grade as the minimum pre-requirement of the counterparts of the derivative financial instruments operations, among others.

(i) Risk related to the variation on fuel price.

The fuel prices volatility is among the most important financial risks for the airlines. The aviation-grade kerosene price (AVK) is connected to the oil quotation variation in international market. The policy and exposition limits are reviewed frequently by Finance Committee and Board of LATAM.

The aviation fuel consumed in twelve months period ended on December 31, 2014 and 2013 represented respectively 35.2 % and 35.0 % the operational costs and expenses of Group (Note 28).

Sensibility analysis

On December 31, 2014, if barrel price had varied approximately by 10%, maintaining constant all other variable, the fair value of fuel cost would show the increase/ reduction of approximately US$ 207.8 million equivalent to R$ 552 million. This variation would be a decrease/increase in aviation fuel costs.

(ii) Interests rate risk

Group's income are affected by the variation on the interests rats in view of such variations impact on the interests expenses assessed at variable rates on the debt instruments, lease agreements at variable rates and interests income generated by the cash balance and short term investment. In order to reduce possible impacts of the interests rates fluctuation, Group adopted the diversification policy and performed the operations contract both in fixed and variable rates (such as LIBOR-London Interbank Offered Rate and CDI – Interbank Deposit Certificate).

The Group has no financial instrument to protect the cash flow against the interests' rates variations.

Sensibility analysis

On December 31, 2014, if there was on percent increase on interest rate of the external market (LIBOR), it would result on the increase of financial leasing expense and interest expense of approximately US$ 3,962 equivalent to R$ 10,524 (2013 - US$ 16,655 equivalent to R$ 39,017).

On December 31, 2014 if there was downward or upward variation of one percent on the interest rate of domestic market (CDI), it would cause the increase/ reduction of the financing and loans interest expense of approximately R$ 4,507 (2013 - R$ 4,510).

(iii) Exchange rate risk

The group is exposed to foreign exchange risk arising from differences between the currencies in which sales, fuel purchases and loans are denominated, and the respective functional currencies of Group entities. The functional currencies of the group are basically the Brazilian Real (R$) and Guarani (PYG).

Risk Exposure

A significant portion of the operational costs and expenses such as the aircrafts and engines maintenance services, aircraft lease payments and aircraft insurances are negotiated in dollars. Group has significant exposition to foreign currency (mainly denominated in US dollars). The total exposed to foreign currency on December 31, 2014 is USD 915 million and USD 2,446 million.in 2013.

Sensibility analysis

On December 31, 2014, if Brazilian real had varied by 10% in respect to dollar, and all other variable were kept constant, the financial results should have the downward or upward variation of approximately R$ 243 million (2013- R$ 463 million) mainly in the exchange gains/ losses results in the conversion of accounts receivable from customers and loans and financing and financial assets denominated in US dollar.

6.2 Capital risk management

Group administrates the capital to ensure the continuity of the regular operational activities while maximizes the return to all interested or involved parties in the operations thereof.

Capital administration is performed by the leverage index. Such index was calculated by dividing Group's net indebtedness by total capital. The net indebtedness is defined as the total loans, and (financial and operational) leasing agreements, net of cash and cash equivalents and other short term financial assets. Total capital is defined as the total net assets of the stockholders added by the net indebtedness. .

Capital is not administered at holding, only in consolidated.

Group is not subject to any capital need imposed externally.

Total capital is defined as the total net worth and net debt as defined hereunder:

	2014	**2013**
Cash and cash equivalents (Note 7)	(359,991)	(688,500)
Investments (Note 8)	(1,337,487)	(1,526,697)
Loans (Note 18.3).	10,136	1,168,372
Senior bonuses (Note 18.2).	2,947,670	2,594,906
Operational Leasing (Note 32).	3,116,061	2,037,272
Financing leasing (Note 18.1).	2,128,200	3,914,868
Net debt (1)	6,504,589	7,500,221
Total Net Worth	1,362,514	1,195,196
Total capital (2)	7,867,103	8,695,417
Leverage rate (1)(2)	82.68%	86.25 %

Group's leverage index reduced by 3.57 % in comparison with 2013 year due to (i) reduction of the financial leasing (aircrafts transferred to LATAM holding), (ii) increase on aircrafts number classified as operational leasing and (iii) growth of the net worth from capital increase taken place in 2014 (Note 25).

Management understands there is no uncertainly on the Group's continuity capacity, as it has solid strategies being implemented for the improvement of profitability and reduction of risk to which Group is exposed.

6.3 Accounting classification and fair values

Group classifies the financial instruments measured by the fair value and following the evaluation techniques hierarchy hereunder:

- Level 1 – quoted prices (without adjustments in active market to identical assets and liabilities;
- Level 2 – different information of the negotiated prices in active markets included in Level 1 and observed to assets and liabilities directly or indirectly; And
- Level 3 – techniques using data with significant effect in the fair value registered which are not based in the data observed in the market. This item does not apply to the Group on December 31, 2014.

a. Holding

Table hereunder shows the Group’s financial instruments measured by the fair value:

	December 31, 2014		
	Level 1	**Level 2**	**Total**
Financial assets measured at fair value			
Government bonds (1)	2,388	1,663	4,051
Private bonds (1)		21	21
	2,388	1,684	4,072

	December 31, 2013		
	Level 1	**Level 2**	**Total**
Financial assets measured at fair value			
Government bonds (1)	2,799	-	2,799
Private bonds (1)	-	1,671	1,671
Other deposits (3)	-	635	635
	2,799	2,306	5,105

b. Consolidated

Table hereunder shows the Group's financial instruments measured by the fair value:

	December 31, 2014		
	Level 1	**Level 2**	**Total**
Financial assets measured at fair value			
In local currency			
Restricted investment funds (1)	94,495	109,741	204,236
Bank Deposit Certificates –CDB (2)		972,117	972,117
Exclusive investment fund	-	161,134	161,134
	94,495	1,242,992	1,337,487

	December 31, 2013		
	Level 1	**Level 2**	**Total**
Financial assets measured at fair value			
In local currency			
Restricted investment funds (1)	903,543	543,834	1,447,377
Bank Deposit Certificates –CDB (2)		5,561	5,561
Others		7,741	7,741
	903,543	557,136	1,460,679
In foreign currency			
Other deposits (2)	-	66,018	66,018
	903,543	623,154	1,526,697
Derivatives of financial liability			
Exchange derivative (3)		3,870	3,870
		3,870	3,870

There was no transfer between the fair value evaluations and the hierarchy levels during the years ended on December 31, 2014 and December 31, 2013.

The determination of the fair value of financial assets and liabilities are showed hereunder

1. Refers to investment on Brazilian Government bonds with high liquidity, which prices are available and based on actual transactions in organized marked and private bonds usually refer to the debt securities which fair value is determined based on the effective transactions in organized market (if liquidity exists) or deducted cash flow based on the interests rate in force, if the effective transactions are not observed.

2. Deposit Certificates and other deposits – fair value determined based on the interests rates and recent similar issuances.

3. Financial derivative instruments – usually such agreements are not negotiated in the organized marked and are over-the-counter agreements. The Group estimates the fair value using techniques such as Black & Scholes, Garman & Kohlhagen, Monte Carlo or the deducted cash flow models used in the financial market depending on the derivative nature. All used models are widely accepted by the marked and reflect the contractual provisions of the derivative. Such models do not contain a high subjectivity level as the methodologies used in the models do not accept the arbitrariness. All model information is easily observed in the organized markets.

The overall investments are measured at the fair value by means of the income and maintained for negotiation (trading).

The investments management in domestic market is made mainly by the exclusive investment funds. Such structure follows a high transparency and corporative governance. The securities and shares custody and the funds administration are made by an independent manager's entity. The terms of office and regulations are consistent with each management modality. Clear limits and measurements exist for the market and credit risk, and liquidity.

The investments in international markets comprise basically term deposits, notes and overnight operations in US dollars all made with first class banks with which the Company does business.

6.4 Financial instrument by category

	Holding		Consolidated	
	2014	**2013**	**2014**	**2013**
Loans and receivables				
Cash and cash equivalents (Note 7)	1,236	251	359,991	688,500
Accounts receivable (note 9)	-	-	3,634,715	3,368,482
Escrow (note 13).	-	-	72,748	122,787
Prepayment of maintenance (note 14)	-	-	260,735	539,388
Restrict cash	-	-	29,526	27,531
Loans receivable-loans (note 12)	-	-	3,010,767	2,663,425
Court Deposits (Note 23 b).	2,095	1,117	505,732	430,352
Other Accounts Receivable	19,984	19,961	97,487	152,978
Financial Assets and liabilities measured at the fair value by the income.				
Investments (Note 8)	4,702	5,105	1,337,487	1,526,697
Derivative financial instruments	-	-	-	3,870
Other financial liabilities				
Suppliers (Note 19).	740	4,108	2,206,450	2,198,710
Financial liabilities (note 18)	-	-	5,207,811	7,743,225
Loans payable - loans (note 12)	94,617	196,617	-	-
Other Accounts Payable	4,146	4,297	130,734	127,477

7 Cash and cash equivalents.

	Holding		Consolidated	
	2014	**2013**	**2014**	**2013**
Cash and bank accounts	125	251	288,235	467,772
Investments	1,111	-	71,756	220,728
	1,236	251	359,991	688,500

Short-term investments refer to investments funds that have immediate liquidity.
On December 31, 2014 and 2013 there was no overdraft in the escrows.

8 Investments

The financial investments of the Company and its subsidiaries are concentrated in investment funds, which are groups aiming to have the collective investment of resources of its members, governed by a regulation, General Meeting is the main decision forum. The Company classifies its funds in 3 types as follows:

	Holding		**Consolidated**	
	2014	**2013**	**2014**	**2013**
Government bonds (i)	4,072	5,105	204,236	1,447,377
CDB	-	-	161,134	5,561
Fundo Spitfire (ii)	-	-	972,117	-
Other deposits	-	-	-	73,759
	4,072	5,105	1,337,487	1,526,697

(i) Restricted fund: Investment Fund in shares of investment funds for qualified investors or not and constituted to receive investment of a certain group of investors who have, among them, family , corporate relationship or belong to the same economic group or, in writing, determine this condition.

(ii) Exclusive Fund: Investment Fund in shares of investment funds for qualified investors and constituted to receive investment from a single shareholder.

(iii) In the year ended on December 31, 2014, the balance invested in CDB includes an investment in CDB in guarantee for the rendering of guarantee on the lease of the administrative headquarters in the amount of R$ 5,455.

The group exposition to the interest rates , credit risks for financial assets and liabilities are disclosed in explanatory note 6.

9 Accounts Receivable

	Consolidated			
	Domestic	**Internationals**	**Total**	**%**
Credit cards	1,060,369	100,953	1,161,322	30.9
Tourism agencies	129,986	84,955	214,941	5.7
Loyalty program	314,924	-	314,924	8.4
Account holders	71,656	9	71,665	1.9
Cargo agencies	44,973	-	44,973	1.2
Related parties	25	1,701,576	1,701,600	45.3
Others	152,809	91,350	244,159	6.5
Total	1,774,742	1,978,843	3,753,585	100.0
Provision for doubtful account	(84,207)	(34,663)	(118,870)	
On December 31, 2014	1,690,535	1,944,180	3,634,715	

	Consolidated			
	Domestic	**Internationals**	**Total**	**%**
Credit cards	1,421,722	121,905	1,543,627	44.4
Tourism agencies	197,948	49,753	247,701	7.1
Loyalty program	186,461		186,461	5.4
Account holders	95,679	547	96,226	2.8
Cargo agencies	71,723	1,276	72,999	2.1
Related parties	1,126	1,091,528	1,092,654	31.4
Others	199,365	39,488	238,853	6.9
Total	2,174,024	1,304,497	3,478,521	100.0
Provision for doubtful account	(77,781)	(32,258)	(110,039)	
On December 31, 2013	2,096,243	1,272,239	3,368,482	

The variation on the accounts receivable balance occurred mainly by the change on the standard of customs purchases and the seasonal conditions of period.

Accounts receivable from customers maintained in the following currencies:

	2014	**2013**
Reais	3,409,472	2,916,602
US dollar	176,297	212,364
Euros	17,236	12,366
Pound sterling	78,923	34,943
Other currencies	71,657	302,246
	3,753,585	3,478,521

a. Balance composition by maturities

	2014	**%**	**2013**	**%**
Falling due	3,426,845	91.3	3,053,610	87.8
Overdue				
Up to 60 days	125,319	3.3	185,142	5.3
From 61 through 90 days	26,163	0.7	38,168	1.1
From 91 through 180 days	22,511	0.6	50,372	1.4
From 181 through 360 days	26,943	0.7	29,566	0.8
Over 360 days	125,804	3.4	121,663	3.5
	3,753,585	100.0	3,478,521	100.0

b. Provision transactions for doubtful account

	2014	2013
Balance at the beginning of the year	110,039	105,374
Establishing the provisions	18,757	19,003
Recovery of provision credits	(9,926)	(14,338)
Balance at the end of the year	118,870	110,039

The establishment of the provision and recovery of the provisioned credits were included in "sales expenses" at the income statement.

The maximum exposition to the credit risk on the report date is the accounting value of each receivable above-mentioned.

Management understands based on the accounts receivable types and related risk that there is only one accounts receivable accounts class.

10 Inventories

	Consolidated	
	2014	2013
Pieces and materials for maintenance and repairs	345,022	272,149
Other inventories (*)	84,362	86,289
	429,384	358,438

(*) Other inventory includes uniforms, fixtures and food items and other inventories.

In 2014, other inventories included provision for losses of R$ 21,147 (R$ 106,621 in 2013).

(i) Provision transactions for losses on inventory

Balances on 01/01/2013	107,507
Reversal of provision	(10,511)
Establishing the provisions	9,625
Balances on 12/31/2013	106,621
Write-off of provision	(96,127)
Establishing the provisions	10,653
Balances on 12/31/2014	21,147

11 Taxes recoverable

	Holding	
	2014	**2013**
Recoverable taxes	2,593	2,593
	2,593	2,593

	Consolidated	
	2014	**2013**
(State) Value Added Tax - ICMS	122,091	82,566
Taxes recoverable abroad	68,848	37,532
Social Integration Program (PIS) and Contribution for social security financing (COFINS)	149,190	34,176
Others	8,078	7,191
	348,207	161,465

12 Related parties

a. Final holding and holding

During the fiscal year of 2014, most operations between related parties such as leases and buying and selling of cargo space were held between the subsidiary TAM S.A. and its holding LATAM Airlines Group S.A.

In the year ended on December 31, 2014, the subsidiary TLA has 86 aircraft subleased from its holding LATAM Airlines Group S.A.

b. Operating agreement

Signed on December 10, 2009, it established the terms and conditions governing the relationship between the TLA and the Multiplus, as regarding:

- Continued enjoyment by TLA customers participating in the Multiplus' Loyalty Program ("Program") and the benefits of the Program through the use of points granted;

- Redemption of points by members of the Program through the Multiplus network . The conditions were established for the purchase and sale of points, the purchase and sale of airline tickets, the use of the database, the TAM Fidelity Program management and their respective compensation; And

- Transfer by the Multiplus of the management, administration and operation of the TAM Loyalty Program that was again incorporated by TLA on September 16, 2013, reason why there was no receipt for this service in 2014. In the year ended on September 30, 2013 TLA paid to the Multiplus the amount of R$ 2,295, for this service.

c. Shared services agreement

It was signed on December 10, 2009, established the terms, conditions and compensation to be paid by the Multiplus to TLA for the use of administrative services (accounting, tax, and IT). In the year ended on December 31, 2014, the Multiplus disbursed the amount of R$ 3,135 (December 31, 2013- R$ 4,105) for the TLA for the use of these administrative services.

d. Advances commitment of purchase and sale of air tickets.

On 04 December 2013, Multiplus' Executive Board approved the advance purchase of tickets until the threshold value of R$ 500 million of principal balance, with the favorable recommendation by the Finance , Audit, and Governance And Related Parties Committee.

The methodology used to obtain the rate for the operation was set by means of the arithmetic mean of the three best quotes that TAM obtained in similar operations in the financial market, which necessarily should be higher than the opportunity cost of the Multiplus. As of September/2014, the methodology was improved, which then took into account the average term of the portfolio of receivables of TAM, and the advance rate was set to the highest rate among the best quote that TAM has obtained in the financial market for similar operations and the opportunity cost of the Multiplus added by spread on the operation risk. The anticipated resources are used strictly for the purchase of air tickets redeemed by the members, in accordance with the conditions set out in the operating agreement, (item a). The use of such feature is not allowed otherwise. The mentioned change in the methodology adopted for the calculation of the compensation rate in anticipations of values to TAM, was approved by the Multiplus' Executive Board on August 28, 2014, with the favorable recommendation by the Finance, Audit, Governance and Related Parties Committee.

During the year ended on December 2014, the Multiplus made prepayments for purchase of TLA air tickets totaling R$ 646 million. The nominal value of outstanding advance on December 31, 2014 is R$ 95.4 million.

The advance rate accrued in the year was equivalent to 108.12% of CDI in the same period, versus the Multiplus' portfolio that yielded 103.76% of CDI in the same period, without the air passage anticipations. In the year 2014, such investment generated financial revenue for the Multiplus and R$ 10,855 financial expenditure to TAM.

e. Balances

	Holding	
	2014	**2013**
Current Assets		
Other Accounts Receivable		
TAM Linhas Aéreas S.A.	4,184	4,184
	4,184	4,184
Total Assets	**4,184**	**4,184**
Current Liabilities		
Suppliers		
LATAM Airlines Group S.A.	99	-
TLA loan	641	637
Multiplus S.A.	-	78
	740	715
Non-current liability		
Loans payable - loans		
TAM Linhas Aéreas	94,617	196,617
Other Accounts Payable		
Lan Cargo Overseas Ltda.	2,978	2,978
	97,595	199,595
Total Liabilities	**98,335**	**200,310**

	Consolidated	
	2014	**2013**
Current Assets		
Accounts Receivable		
TAM Aviação Executiva e Taxi Aéreo S/A		32
LATAM Airlines Group S.A.	1,084,181	691,875
LAN Cargo S.A	465,954	307,075
Transporte Aereo S.A.	9	8
Lan Argentina S.A.	7,815	5,103
Linhas Aéreas Cargas	114,663	29,262
Connecta Corporation	4,523	45,186
Lan Peru S.A.	4,124	3,965
Aerotransp. Mas de Carga S.A. De C.V. (“Mas Air”)	16,047	7,387
Linhas Aéreas Nacionais	509	451
Aires S.A.	2,277	1,751
LAN Cargo Repair Station LLC	205	24
Prime Airport Services Inc.	1,269	44
HGA Rampas del Ecuador		145
Prismah Fidelidade S.A.	24	341
Made in Everywhere Repr Com Distr Ltda	-	5
	1,701,600	1,092,654

Non-current assets		
Loans with related companies - LATAM Airlines Group S.A.	3,010,767	2,663,425
	3,010,767	2,663,425
Total Assets	**4,712,367**	**3,756,079**

	Consolidated	
	2014	**2013**
Current Liabilities		
Suppliers		
LATAM Airlines Group S.A.	505,294	662,686
LAN Cargo S.A	436,718	291,502
Transporte Aereo S.A.	1,344	38
Lan Argentina S.A	181,515	167,991
Linhas Aéreas Cargas	174,554	61,846
Connecta Corporation	2,832	43,695
Lan Peru S.A.	8,601	5,411
Aerotransp. Mas de Carga S.A. De C.V. (“Mas Air”)	13,204	6,859
Linhas Aéreas Nacionais	2,355	1,521
Andes Airport Services S.A.	306	529
Aires S.A.	8,275	4,047
Lan cargo Repair Station	7,073	7,734
Prime Airport Services Inc.	1,367	364
HGA Rampas del Ecuador	24	386
HGA Rampas y Servicios Aeroportuarios GY	-	21
ABSA Imobiliaria Aeronautica S.A.	1	1
	1,343,463	1,254,631
Non-current liability		
Other Accounts Payable		
Mas Investiment LTDA	3,851	2,538
Lan Cargo Overseas Limited	2,976	2,978
	6,827	5,516
Total Liabilities	**1,350,290**	**1,260,147**

f. Transactions

	2014	**2013**
Result (*)		
Leasing		
Lan Airlines S.A.	(663,921)	166,787
Net of Purchase and sale of cargo space		
Lan Airlines S.A.	43,788	76,665
LAN Cargo S.A	8,029	11,969
Financial Income		
Loan from associated companies		
Lan Airlines S.A.	144,228	74,570

(*) Negative amounts correspond to the expenses and positive amounts correspond to income.

g. Compensation of the administration key personnel

The administration key personnel include the administration council members, chief executive officer, vice-presidents, and statutory directors. The compensation paid or to be paid is showed hereunder:

	2014	**2013**
Salaries	12,513	4,489
Board of Directors' fees	1,179	264
Compensation based on stocks	858	1,094
	14,550	5,847

13 Deposits in warranty.

The deposits and guarantees under the aircraft and engines leasing agreement are updated according to the   dollar ("USD") added by interests that might vary up to the London Interbank Offered Rate (“LIBOR”) plus 1% interests per year. The redemption terms for deposits and guarantees are established in the leasing agreements

	2014	**2013**
Deposits in warranty.	72,748	122,787
Current liabilities	(14,593)	(47,193
Non-current	58,155	75,594

14 Maintenance prepayments

The maintenance prepayments are the guarantees to the leased aircrafts and engines owner that should restore them to the original status upon the receipt. Some aircrafts lease agreements required the previous deposits in a restrict account on the lessor behalf related to the maintenances. The withdrawal in such account could be made by lessor if the required aircrafts and engines maintenance are not made on the return thereof. As the TLA performs the aircraft maintenances and the embedded items thereto such as the hull and landing gear among others, the TLA should request the return of the corresponding amount to lessor.

	2014	**2013**
Maintenance prepayment	260,735	539,388
Current liabilities	(75,598)	(357,943)
Non-current	185,137	181,445

15 Investments

a. Holding

(i) Balance composition

	2014	2013
Stockholding in controlled companies	1,147,867	1,103,073
	1,147,867	1,103,073

(ii) Direct Investments transactions

	TLA	TAM Airlines	TP Participações	Multiplus	Corsair	ABSA	Total
On December 31, 2013	796,333	75,107	822	135,416	191	95,204	1,103,073
Advancements for future recapitalization – AFAC	697,788						697,788
Adjust on Assets Evaluation	8,005			1,240			9,245
Capital gain on disposal of shareholding - Multiplus				2,776			2,776
Equity accounting results	(673,935)	(17,317)	1,749	236,638		19,873	(432,992)
Hedge accounting (net of taxes)				9,242			9,242
Compensation based in stocks				(2,775)			(2,775)
Exchange variation in subsidiary abroad		4,246					4,246
Dividends and interests on equity		(20,592)		(222,144)			(242,736)
On December 31, 2014	828,191	41,444	2,571	160,393	191	115,077	1,147,867

(iii) Information on subsidiary companies

	2014						
	TLA	**TAM Airlines**	**TP Participações**	**Multiplus**	**ABSA**	**Corsair**	**Total**
Corporate Capital	4,636,666	46,183	30	107,300	4,061	191	
Stocks quantity – total common	2,064,602	87,653	30,100	162,246,573	1,353,567	1,000	
Held – common	2,064,602	83,253	30,100	118,019,995	1,353,567	1,000	
Holding %							
In total capital	100.00	94.98	100.00	72.74	100.00	100.00	
In voting capital	100.00	94.98	100.00	72.74	100.00	100.00	
Net worth	828,191	43,635	2,571	220,502	115,077	191	
Investment amount	828,191	41,444	2,571	160,393	115,077	191	1,147,867
Net profit/ (loss) of the year	(673,935)	(18,232)	1,749	325,016	19,873		
Results from equity adjustment	(673,935)	(17,317)	1,749	236,638	19,873		(432,992)

	2013							
	TLA	**TAM Airlines**	**TP Participações**	**Multiplus**	**ABSA**	**Pantanal (i)**	**Corsair**	**Total**
Corporate Capital	940,949	46,183	30	80,172	4,061		191	
							1,000	
Stocks quantity – total common	2,064,602	87,653	30,100	162,004,630	1,353,567		1,000	
Held - common	2,064,602	83,253	30,100	118,020,373	1,353,567		1,000	
Holding %								
In total capital	100.00	94.98	100.00	72.85	100.00		100.00	
In voting capital	100.00	94.98	100.00	72.85	100.00		100.00	
Net worth	796,333	79,078	822	185,882	95,204		191	
Investment amount	796,333	75,108	822	135,415	95,204		191	1,103,073
Net profit/ (loss) of the year	(1,653,285)	31,195	1,129	232,089	7,412	1,912		
Results from equity adjustment	(1,653,285)	29,634	1,129	169,533	7,412	1,912		(1,443,665)

(i) Pantanal was incorporated by TLA subsidiary in July 2013. The results of equity adjustment of such subsidiary refer to accrued results up to the incorporation date.

The main accounting item of main subsidiaries included in TAM S.A. consolidated financial statements is:

	2014			
	TLA	**Multiplus**	**TAM Airlines**	**ABSA**
Assets	12,130,108	1,675,421	184,852	416,944
Liabilities	11,301,917	1,454,919	141,217	301,868
Net worth	828,191	220,502	43,635	115,077
Net Income	14,953,014	1,819,442	225,739	1,002,947
Net profit/ (loss) of the year	(673,935)	325,016	(18,232)	19,873

	2013			
	TLA	**Multiplus**	**TAM Airlines**	**ABSA**
Assets	15,756,890	1,538,909	173,704	1,093,505
Liabilities	14,960,557	1,353,026	94,627	998,302
Net worth	796,333	185,883	79,077	95,203
Net Income	14,481,751	1,650,810	246,855	177,408
Net profit/ (loss) of the year	(1,653,285)	232,089	31,195	7,412

b. Consolidated - *Joint venture*

Prismah Fidelidade S.A. is a subsidiary jointly controlled by subsidiary Multiplus and Aimia Newco UK LLP (“Aimia”). The shareholding in invested allows no unilateral decisions affecting the returns on investment. Multiplus has 50% stocks on invested, such interest is recorded by equity adjustment method. On December 29, 2014, Prismah's shareholders decided to terminate the activities thereof and the terms of the closure are being discussed between the parties. On December 31, 2014, there were obligations to be settled by both shareholders.

(i) Investments transactions

	Quantity of stocks	Investment amount
On December 31, 2012	6,572,000	4,369
Recapitalization - AGE (**) of 04/03/2013	11,028,097	11,028
Equity accounting results		(8,314)
On December 31, 2013	17,600,097	7,083
Recapitalization - AGE (**) of 10/15/2014	1,207,500	1,208
Equity accounting results		(10,454)
On December 31, 2014	18,807,597	(2,163)

(*) General Meeting - Multiplus

(**) Extraordinary General Meeting- Multiplus

(ii) Information on investee

	2014	2013
Corporate Capital	37,615	35,200
Amount of shares - common	37,615,194	35,200,194
Held – common	18,807,597	17,600,097
Holding %	50.00	50.00
Net worth	(4,325)	14,166
Investment amount	(2,163)	7,083
Losses of the year	(20,907)	(16,628)
Results from equity adjustment	(10,454)	(8,314)
Items of invested company		
Current Assets	1,448	16,362
Non-current assets		3,470
Current Liabilities	5,773	5,665
Financial income	2,190	2,442
Expenses in the year	(23,097)	(19,070)

16 Fixed Assets

	Consolidated							
	Equipment of flight (i)	**Land and Buildings**	**Computers and peripheral**	**Machines and accessories**	**Fixed assets in progress**	**Pre-payments of aircraft (ii)**	**Others (iii)**	**Total**
Total cost	10,264,860	279,666	203,013	170,169	12,547	642,192	293,614	11,866,061
Accrued Depreciation	(4,649,653)	(63,792)	(165,786)	(103,346)			(161,997)	(5,144,574)
On December 31, 2013	5,615,207	215,874	37,227	66,823	12,547	642,192	131,617	6,721,487
Reimbursement of prepayment of aircrafts (iv)						(782,863)		(782,863)
Acquisitions	346,144	11,080	29,356	25,364	11,873	171,999	60,587	656,403
Transfers (v)	38,173	5,067	2,859	(24,683)	(7,485)	(38,272)	27,002	2,661
Disposal / write-off (vi)	(2,199,615)	(340)	(638)	(1,133)	(17)		(943)	(2,202,686)
Capitalized interests						6,944		6,944
Depreciation	(371,411)	(10,861)	(15,617)	(12,688)			(27,379)	(437,956)
On December 31, 2014	3,428,498	220,820	53,187	53,683	16,918		190,884	3,963,990
Total cost	8,449,562	295,473	234,590	169,717	16,918		380,260	9,546,520
Accrued Depreciation	(5,021,064)	(74,653)	(181,403)	(116,034)			(189,376)	(5,582,530)
On December 31, 2014	3,428,498	220,820	53,187	53,682	16,918		190,884	3,963,990

	Consolidated							
	Flight equipment (i)	**Lands and buildings**	**Computers and peripheral**	**Machines and accessories**	**Fixed assets in progress**	**Pre-payments of aircraft (ii)**	**Others (iii)**	**Total**
Total cost	11,865,652	269,303	179,607	157,164	17,560	930,396	255,596	13,675,278
Accrued Depreciation	(4,099,535)	(56,328)	(152,944)	(92,010)			(142,177)	(4,542,994)
On December 31, 2012	7,766,117	212,975	26,663	65,154	17,560	930,396	113,419	9,132,284
ABSA purchase - cost	1,162	4,036	1,807	1,270			4,946	13,221
Absa acquisition - accrued depreciation	(518)	(2,207)	(780)	(637)			(3,139)	(7,281)
Reimbursement of prepayment of aircrafts (iv)						(447,823)		(447,823)
Acquisitions	242,036	737	22,879	8,021	7,686	162,446	34,708	478,513
Transfer	42,024	8,781		4,440	(12,699)	(44,361)	1,815	
Disposal / write-off (vi)	(1,885,496)	(984)	(500)	(89)			(312)	(1,887,381)
Capitalized interests						41,534		41,534
Depreciation	(550,118)	(7,464)	(12,842)	(11,336)			(19,820)	(601,580)
On December 31, 2013	5,615,207	215,874	37,227	66,823	12,547	642,192	131,617	6,721,487
Total cost	10,264,860	279,666	203,013	170,169	12,547	642,192	293,614	11,866,061
Accrued Depreciation	(4,649,653)	(63,792)	(165,786)	(103,346)	-	-	(161,997)	(5,144,574)
On December 31, 2013	5,615,207	215,874	37,227	66,823	12,547	642,192	131,617	6,721,487

The useful life estimated for the items and used to calculate the depreciation is the following:

	Years
Flight equipment – aircrafts	6 - 30
Flight equipment - engines	10
Maintenance	4 - 6
Buildings	25 - 50
Machines and accessories	10
Computers	5
Others	5 - 10

(i) Includes the aircrafts, engines and spare parts sets. The acquisitions include the aircrafts under financial leasing according to CPC 6/ IAS 17. The Company has 31 aircrafts under such modality on December 31, 2014 (2013 – 70 aircrafts).

TLA subsidiary received 49 aircrafts classified as operational leasing during the year ended on December 31, 2014 (subleased from LATAM holding).

(ii) The amounts disbursed in aircraft acquisition program are maintained in advancements as the modality of the leasing agreement was not defined when the disbursement amount was made. Group’s historic experience shows the return of the prepaid amounts on the delivery of the aircrafts by manufacture is probable.

(iii) Encompass basically the furniture and vehicles.

(iv) The aircraft prepayment transfers occur when the aircrafts are delivered. The amounts are reimbursed to TLA or capitalized with the flight equipment as “additions”.

(v) On December 31, 2014, balance corresponds to the transfer of items classified as intangible to fixed assets in Multiplus.

(vi) Up to December 31, 2014, 35 A319, A320 and A321 model aircrafts classified as financial leasing in flight equipment were transferred to LATAM, which were subsequently subleased to TLA.

Except the aircrafts, there is no significant amount related to the fixed assets abroad. The aircrafts are in Brazil, however, they are used in domestic and international flights.

The depreciation expense is allocated to the income as follows:

	2014	**2013**
Cost of services rendered	393,430	565,766
Commercial Expenses	2,751	1,697
General and administrative expenses	41,775	34,117
	437,956	601,580

17 Intangible

a. Holding

Pantanal was incorporated by TLA subsidiary on July 23, 2013. As the results of such incorporation process, premium on the expectancy of future profitability generated from Pantanal acquisition on March 15, 2010 for R$ 163,189 and effect of R$ 38,262 in deferred income tax and social contribution previously recorded under investments was reclassified to intangible.

b. Consolidated

	Consolidated						
	Information technology projects (i)	**Software**	**Other intangible**	**Right to use- *Slots***	**Trademarks and patents**	**Goodwill (ii)**	**Total:**
Total cost	490,299	121,158	29,830	124,927	168,312	38,262	972,788
Accrued amortization	(302,747)	(94,564)	(29,805)	-	-	-	(427,116)
On December 31, 2013	187,552	26,594	25	124,927	168,312	38,262	545,672
Purchase	105,952	31,722	-	-	-	-	137,674
Write-off	(8,727)	(3,057)	-	-	-	-	(11,784)
Transfer (iii)	10,017	(12,678)	-	-	-	-	(2,661)
Amortization	(58,602)	(10,292)	-	-	-	-	(68,894)
On December 31, 2014	236,192	32,289	25	124,927	168,312	38,262	600,007
Total cost	597,541	137,145	29,830	124,927	168,312	38,262	1,096,017
Accrued amortization	(361,349)	(104,856)	(29,805)	-	-	-	(496,010)
On December 31, 2014	236,192	32,289	25	124,927	168,312	38,262	600,007

-	Consolidated						
	Information technology projects (i)	**Software**	**Other intangible**	**Right to use- *Slots***	**Trademarks and patents**	**Goodwill**	**Total:**
Total cost	444,764	100,779	30,982	124,927	168,312	38,262	908,026
Accrued amortization	(224,070)	(84,830)					(308,900)
On December 31, 2012	220,694	15,949	30,982	124,927	168,312	38,262	599,126
Purchase	48,510	19,227	-	-	-	-	67,737
Prov. for designs conclusion	(2,975)	-	-	-	-	-	(2,975)
Transfer		1,152	(1,152)	-	-	-	-
Amortization	(78,677)	(9,734)	(29,805)	-	-	-	(118,216)
On December 31, 2013	187,552	26,594	25	124,927	168,312	38,262	545,672
Total cost	490,299	121,158	29,830	124,927	168,312	38,262	972,788
Accrued amortization	(302,747)	(94,564)	(29,805)	-	-	-	(427,116)
On December 31, 2013	187,552	26,594	25	124,927	168,312	38,262	545,672

(i) The balance of information technology projects takes into account the projects and software development expenses including the materials expenses, third parties worked hours and other direct expenses, which are acknowledged if the success is probable and taking into account the commercial and technological feasibility and the reliability on the cost measurement. Said expenses amortization is made by straight method during the period scheduled for the benefit. The amortization term is scheduled up to five years depending on the recovery term of each project.

(i) On Pantanal acquisition in March 2010, rights separated from airport operations were identified as intangible assets. Fair value of such intangible assets was estimated on R$ 124,927 and assets useful life deemed undefined. In 2011 first quarter, Company concluded the evaluation of the business combination arising from acquisition of Pantanal Linhas Aéreas S.A started on March 15, 2010. The amount of R$ 38,262 was recorded as the results of such evaluation as deferred income tax and social contribution, liability originated from the difference between intangible tax value and fair value recorded for the business combination purposes. Resulted deferred tax liability was recorded in counter entry to the premium from the expectation of future profitability (goodwill).

(ii) On December 31, 2014, balance corresponds to the transfer of items classified as intangible to fixed assets.

c. Test of assets recovery

In 2014 the management carried out the recovery tests of the agile and other intangible assets with indefinite useful lives of the group. After grouping the assets in cash-generating units, such tests were carried out through discounted cash flow forecast, taking into account the perpetuity of the business.

To the discounted cash flows forecast the following assumptions were adopted:

- The discount rate used was 10.6% p.a. This rate represents the capital cost by the average costs of weighted acquisition for the participation of each source of funds into long-term capital structure.
- The base year used in the forecast model was based on the best estimate of the Management with respect to the cash flow for the current year.
- The base year was used for the forecast with market growth analysis using external and internal premises, such as market share, revenues, costs and expenses.
- The adopted methodology complies with the requirements set out in CPC-01 pronouncement - Reduction in Recoverable Value of Assets, Management understands that its judgments, assumptions and estimates are appropriate.

The comparison of the accounting amount of the assets with their value in use indicated enough cash flow to support the registered assets and, therefore, it was concluded that there is no need for any adjustments in relation to its recovery value.

18 Financial liability

Accounting value of the financial liabilities is measured by the amortized cost and the correspondent fair values as showed hereunder:

	Consolidated			
	Fair value		**Accounting amount**	
	2014	**2013**	**2014**	**2013**
Current liabilities				
Obligations by financial leasing (Note 18.1)	412,508	679,469	412,508	684,455
Senior bonuses (Note 18.2).	46,506	41,665	45,319	39,968
Loans (Note 18.3).	3,003	1,152,013	1,229	1,159,357
Anticipation of credit card	121,805	65,079	121,805	65,079
	583,822	1,938,226	580,861	1,948,859

	Consolidated			
	Fair value		**Accounting amount**	
	2014	**2013**	**2014**	**2013**
Non-current				
Obligations by financial leasing (Note 18.1)	1,715,692	3,224,490	1,715,692	3,230,413
Senior bonuses (Note 18.2).	2,993,250	2,669,462	2,902,351	2,554,938
Loans (Note 18.3).	21,765	8,958	8,907	9,015
	4,730,707	5,902,910	4,626,950	5,794,366

18.1 Obligations on financial leasing

	Monthly payment with final maturity in	**2014**	**2013**
In domestic currency			
Informatics Equipment	2015	20,062	13,108
In foreign currency- US$	-	-	-
Aircrafts	2024	2,005,831	3,707,547
Engines	2021	100,855	189,109
Machines and accessories	2015	1,452	5,104
		2,128,200	3,914,868
Current liabilities		(412,508)	(684,455)
Non-current		1,715,692	3,230,413

The letter of guarantee and escrows were offered by TAM to such leases.

The Group has financial leases in this category whose average interest rates for each class of financial leases are:

	Average rate
Computing Equipment	6.82%
Aircrafts	2.36%
Engines	1.23%
Machines and accessories	10.35%

Minimum payments of the financial leasing are the following:

Year	**2014**	**2013**
Up to one year;	412,508	757,122
Between 1 and 5 years	1,067,377	2,089,886
Over 5 years	797,778	1,352,425
Discount effect:	(149,463)	(284,565)
	2,128,200	3,914,868

On December 31, 2014, the Group through the subsidiaries TLA and TAM Airlines has 31 aircrafts (2013 – 70 aircrafts) recorded as financing lease.

18.2 Senior bonuses

	2014	2013
TAM Capital, Inc. (i)	803,280	706,858
TAM Capital 2, Inc. (ii)	819,609	721,279
TAM Capital 3, Inc. (iii)	1,324,781	1,166,769
	2,947,670	2,594,906
Current liabilities	(45,319)	(39,968)
Non-current	2,902,351	2,554,938

(i) On April 25, 2007, TAM Capital Inc. concluded the offer for 3,000 seniors bonuses at US$ 100 thousand unit par value in the total original amount of US$ 300 million (equivalent to R$ 710.4 million using the transaction exchange rate), R$ 13.7 million raising cost, with 7.375% interest per year. (actual rate on date of transaction 7.70% p.a.) paid biannually and the principal to be paid fully in 2017 by the offer abroad exempted from CVM registration. The company recorded the bonus at Security and Exchange Commission ("SEC") on October 30,2007.

(ii) On October 22, 2009 TAM Capital 2 Inc. concluded the offer for 3,000 seniors bonuses on October 22, 2009 at US$ 100 thousand original amount of US$ 300 million (equivalent to R$ 523.2 million using the operation exchange rate) with 9.5% interest per year. (actual rate on date of transaction 9.85% p.a.) paid biannually and the principal to be paid fully in 2020. The offer was made abroad exempt from CVM and SEC record. TAM Capital 2 is entitled to redeem anticipated the senior bonuses at any time prior to January 29, 2015 and subsequently on the specified dates. In the event of anticipated reimbursement, the anticipated redemption price shall be paid. The Management concluded that the anticipated redemption premium offsets the interest losses of creditors as such the redemption option is related (clearly and closely) to the seniors' bonuses.

(iii) On June 03, 2011 TAM Capital 3 Inc. concluded the offer for 5,000 seniors bonuses at US$ 100 thousand unit par value in the total original amount of US$ 500 million (equivalent to R$ 787.2 million using the transaction exchange rate), R$ 10.1 million raising cost, with 8.375% interest per year. (actual rate on date of transaction 8.570% p.a.) to be paid biannually from December 2011, and the principal to be paid fully in June 2021. The offer was made abroad exempt from CVM and SEC record. TAM Capital 3 is entitled to redeem previously the seniors bonds at any time. In the event of anticipated reimbursement, the redemption price shall be paid. The Management concluded that the redemption premium offsets the interest losses of creditors as such the redemption option is related (clearly and closely) to the seniors' bonuses.

18.3 Loans

	Guarantees	Financial burdens (actual rates in 2014 and 2013)	Payment terms and final maturity	2014	2013
In domestic currency					
Working Capital		116.5% of CDI	Biannual - June 2014	-	100,031
Others			Monthly up to 2014	-	1,609
				-	101,640
In foreign currency					
FINIMP (i)	US$ 21 thousand up and US$ 23,885 promissory note	Libor 12m + 2.30% per year and libor 12m + 5.57% per year		-	1,056,810
Leasing renegotiation (ii)	Guarantee letter	Fixed installments (US$ 55 thousand)	Monthly up to 2022	10,136	9,922
				10,136	1,066,732
				10,136	1,168,372
			Current liabilities	(1,229)	(1,159,357)
			Non-current	8,907	9,015

Import Financing (FINIMP), Projects Financing (FINEM), Long Term Interests Rate (TJLP), and Interbank Deposit Certificate (CDI)

The installments maturities have the following distribution per year:

	2014	**2013**
Between 1 and 3 years	1,252	1,160
Over 3 years	7,655	7,855
	8,907	9,015

(i) TAM has signed the loans agreement in FINIMP modality in order to finance the aeronautical engines and parts import.

(ii) Debts from the leasing renegotiation with Nederlandsche Credietverzekering Mij.NV (NCM), signed in March 1999.

19 Suppliers

	Holding			
	Domestic	**Internationals**	**Total**	**%**
Suppliers, related parties	641	99	740	100.0
On December 31, 2014	641	99	740	

	Holding			
	Domestic	**Internationals**	**Total**	**%**
Suppliers	3,393	-	3,393	82.6
Suppliers, related parties	715	-	715	17.4
On December 31, 2013	4,108	-	4,108	

	Consolidated			
	Domestic	**Internationals**	**Total**	**%**
Suppliers	758,123	104,864	862,987	39.1
Suppliers, related parties	-	1,343,463	1,343,463	60.9
On December 31, 2014	758,123	1,448,327	2,206,450	

	Consolidated			
	Domestic	**Internationals**	**Total**	**%**
Suppliers	752,558	191,521	944,079	42.9
Suppliers, related parties	-	1,254,631	1,254,631	57.1
On December 31, 2013	752,558	1,446,152	2,198,710	

20 Maintenance Provision

	Consolidated	
	2014	**2013**
Maintenance provision – "power by the hour" (i)	1,346,229	1,111,187
Current liabilities	(527,867)	(291,622)
Non-current	818,362	819,565

Company returned 14 engines during the period ended on December 31, 2014 totaling 192 engines (December 31, 2013- 206 engines) under power by the hour agreements.

21 Taxes and fees payable

	Holding	
	2014	**2013**
PIS and COFINS	16,891	15,058
Other taxes payable	28	69
	16,919	15,127

	Consolidated	
	2014	**2013**
PIS and COFINS	39,683	43,324
ICMS	32,480	19,977
Airport Fees.	374,712	333,609
Other taxes payable	61,043	49,265
	507,918	446,175

22 Deferred income

	Consolidated	
	2014	**2013**
Transportation to be performed	2,060,538	2,156,307
Loyalty program	1,284,022	1,183,297
Deferred Income - TAM Viagens	14,036	12,182
Gains deferred on sale and leaseback operations (i)	11,453	14,082
Losses deferred on sale and leaseback operations (ii)	(13,978)	(28,374)
Income deferred from services agreement (iii)	181,094	202,952
	3,537,165	3,540,446
Current liabilities	(3,368,220)	(3,361,516)
Non-current	168,945	178,930

(i) The deferred gains from sale and leaseback operations refer to the aircrafts sales in 2001 and 2003. The gains are recognized in the income statement by the straight method up to 2014. On March 04, 2011, Company performed the new operation related to one engine. The gain from such new transaction was R$ 4,832 and should be amortized by means of straight line method up to 2015.

(ii) On December 16, 2011, subsidiary TLA performed four sale and leaseback operations related to aircrafts financial leasing. The operations generated R$ 20,130 loss that was deferred after the impairment tests of such aircrafts as determined by 64 paragraph of CPC 6/ IAS 17. The loss was amortized by straight line method up to 2015.

On August 23, 2012, subsidiary TLA performed two sale and leaseback operations related to aircrafts financial leasing. The operations generated R$ 30,156 loss that was deferred after the impairment tests of such aircrafts. The loss was amortized by straight line method up to 2016.

(iii) Relate basically to:

a. On December 29, 2011, subsidiary TLA signed the trade partnership agreement with Banco Itaucard S.A. (Itaucard) in order to offer, distribute and market through the distribution channels or any other mean the Itaucard card to TAM customers in all domestic territory for 15 years from such date. Itaucard advanced R$ 200 million from the total agreement that was deferred and recognized in the income statement on straight line basis.

b. On August 02, 2012, TLA S.A. and TAM Viagens companies amended the partnership instrument to render financial services in exclusive regime that was signed on June 28, 2007 with Banco Santander S.A. to be in force up to October 31, 2017. Santander paid R$ 34 million of additional premium for bank preference that was deferred and recognized in the income statement on straight line basis.

23 Provisions

a. Provisions transactions

The Group establishes the provisions for the contingencies amounts classified as probable loss according to the legal consultants. On December 31, 2014, the total amount and the provisions transactions for contingencies and judicial deposits related to issues being discussed were composed as follows:

	Consolidated					
	2013	**Provisions**	**Reversions**	**Payments**	**Financial burdens**	**2014**
Air service fund	286,996	-	-	-	17,451	304,447
Labor proceedings	147,838	10,128	(52,674)	(34,340)	-	70,952
Civil proceedings	127,090	9,661	-	-	-	136,751
Tax proceedings	254,712	16,522	(35,314)	-	-	235,920
Total provisions	816,636	36,311	(87,988)	(34,340)	17,451	748,070

b. Composition of court deposits

	Consolidated					
	2013	**Deposits**	**Reimbursement**	**Payments**	**Financial burdens**	**2014**
Civil	14,805	5,282	-	(719)	902	20,271
Labor	69,035		(20,373)	-	4,936	53,598
Taxes	320,857	370	-	-	77,277	398,504
Court Blocks	25,655	7,705	-	-	-	33,359
Total	430,352	13,357	(20,373)	(719)	83,115	505,732

c. Summary of the main proceedings classified as possible loss.

Group and its subsidiaries still have tax, labor and civil proceedings involving risks of loss that were classified as possible by the management based on the legal consultants assessment, therefore, the provisions is not required on the date. The estimated amounts are showed hereunder:

	2014	2013
Tax proceedings		
ICMS	279,275	651,407
IRPJ and CSLL	424,211	284,941
Others (i)	341,983	273,010
	1,045,469	1,209,358
Civil proceedings	159,131	147,206
Labor proceedings	702,670	618,990
	1,907,269	1,975,554

The closing of such proceedings results in no effect for record purposes in Group's accounting, as the risk of loss of such proceeding was classified as possible. Therefore, there is no requirement to establish the provision in company's books.

24 Deferred Income Tax And Social Contribution

The assets and liabilities deferred income tax and social contribution is offset when the enforceable right legally exists to offset the tax credits against the current tax debts if they refer to the same taxable authority.

Assets and liabilities deferred income tax and social contribution in the year ended on December 31, 2014 without taking into account the balances offset in the same tax year is the following:

	Holding				
Income tax and social contributions social - Deferred assets	**2013**	**Debited (credited) to the income statements**	**2014**	**Deferred Tax assets**	**Deferred Tax liabilities**
Tax Losses	52,951	2,134	55,085	55,085	-
Negative basis of social contribution	20,413	769	21,182	21,182	-
Temporary differences					
Provisions for contingencies	5,120	623	5,743	5,743	-
Others	1,338	(1,338)	-	-	-
Deferred income tax and social contributions - intangible assets in Pantanal purchase.	(38,262)	-	(38,262)	-	(38,262)
Total Deferred income tax and social contributions	41,560	2,188	43,748	82,010	(38,262)

	2014	2013
Performance expectation within 12 month - net		8,827
Performance expectation over 12 month - net	43,748	32,733
	43,748	41,560

	Consolidated					
Deferred income tax and social contributions	**2013**	**Debited (credited to the income statement**	**REFIS offset**	**2014**	**Deferred Tax assets**	**Deferred Tax liabilities**
Tax Losses	302,790	87,920	(227,747)	162,963	162,963	-
Negative basis of social contribution	114,778	33,222	(81,989)	66,011	66,011	-
Temporary differences						
Non-deductible provisions-contingencies	187,431	(21,520)	-	165,911	165,911	-
Others	105,153	(31,678)	-	-	-	-
Provision for inventory and accounts receivable losses	17,989	17,679	-	35,668	35,668	-
Future income of sale and leaseback operation	(4,859)	4,000	-	(859)	-	(859)
Financial leasing	47,655	200,179	-	247,834	247,834	
Other Provisions	-	-	-	73,475	75,158	(1,683)
Fixed Assets	(39,778)	2,758	-	(37,020)	-	(37,020)
		-	-		-	-
Deferred income tax and social contributions - intangible assets in Pantanal purchase.	(38,262)	-	-	(38,262)	-	(38,262)
Tax assets (liabilities) before the offset	**694,234**	**291,560**	**(309,736)**	**675,721**	**753,545**	**(77,824)**
Tax offset	-	-	-	-	(77,824)	77,824
Active net tax	**694,234**	**-**	**-**	**-**	**675,721**	**-**

	2014	2013
Performance expectation within 12 month - net	406,815	113,347
Performance expectation over 12 month - net	268,906	580,887
	675,721	694,234

a. Composition of the income tax and social contribution expense.

	Holding		Consolidated	
	2014	2013	2014	2013
Current tax	-	-	(175,678)	(120,544)
Deferred tax	2,188	4,948	291,223	440,037
	2,188	4,948	115,545	319,493

Income tax and social contribution determined on the Company and Group's profits before assessment differs from the theoretical value that should result from the use of weighted average of tax rate applicable to the Company and Group's profit as follows:

	Holding		Consolidated	
	2014	2013	2014	2013
Loss before income tax and social contribution	(446,388)	(1,510,559)	(472,290)	(1,760,568)
Nominal rates - %	34%	34%	34%	34%
Taxes determined at the nominal rate	151,772	513,590	160,578	598,593
Tax effects on the permanent (additions)/ exclusions:				
Equity accounting results	(147,214)	(494,825)	(3,568)	(2,636)
Non-deductible expenses	(5)	(4,330)	(33,296)	(209,440)
Tax credits of capital interests paid	-	-	165	1,042
Tax debit of interest on equity received	(2,365)	(2,798)	-	-
Tax debts / credits which are not constituted on the profits earned abroad	-	-	2,616	(43,651)
Others	-	(6,689)	(10,950)	(24,415)
Tax credit (expense) from income tax and social contribution.	2,188	4,948	115,545	319,493
Effective rates %	0.5	0.4	24.5	18.1

The base years 2010 through 2014 are subject to the examination by the Brazilian tax authorities.

b. Tax Recovery Program (REFIS) – Holding and Consolidated

The publication of the Joint Ordinance PGFN/ RFB No. 15/2014, which regulated the article 33 of the MP 651/2014 published on 07.09.2014, which enables the use of tax credits (IRPJ) and negative base (CSLL) constituted up to 12/31/2013 for early settlement of debts in installments calculated up to 11/30/2014 and the remaining 30% must be paid in cash.

The Group opted to settle in advance the installment payment agreements signed in previous periods, as follows:

	Debit balance at option date for prepayment	**Amount paid in kind**	**Credit value of PF and of BCN to be used for early settlement**
Attorney General of the National Treasury	51,304	15,391	35,913
Secretaria da Receita Federal do Brasil	391,176	117,353	273,823
Total	**442,481**	**132,744**	**309,736**
%	-	30%	70%

25 Net worth

a. Corporate Capital

On December 31, 2014, the subscribed and paid-up capital is represented by 150,132,715 shares (2013-150,132,715), that is 55,413,784 common shares and 94,718,931 preferred shares, all registered and with no par value.
.

Extraordinary General Meeting was held on March 20, 2014, Group approved the recapitalization of R$ 582,000 million with no issuance of new stocks. Corporate capital changes from R$ 4,453,926 to R$ 5,035,926.

b. Capital Reserve

The capital reserve includes profits of previous years destined to future capital increase and stock-based compensation plan. During the financial year of 2014 stock-based compensation expenses were recognized in the amount of R$ 2,775 (2013- R$ 3,542).

c. Adjustment on Assets Evaluation

The equity evaluation adjustment reserve includes the actual portion of the net accrued variation of the fair value of the hedging instruments of cash flow which operations under protection have not been recognized in the results of the year. The values recorded in equity evaluation adjustments are reclassified, in full or in part, for the results of the year, according to their performance.

As provided under Law no. 11,638/07, IFRS 1 and CPC 13 Statement - Initial Adoption of Law no. 11.638/07, the Group adopted the revaluated residual amount on December 31, 2007 as the new cost amount for the revaluated items. The revaluation reserve is made as counter-entry to the accrued profits (losses) account in the same proportion of the depreciation, disposal or the write off of the reevaluated assets. In the year ended on December 31, 2014, the net tax effects was R$ 1,497 (2013 - R$ 1,372).

The variations effects in the exchange rate during the year are recognized on equity between the difference of net income for the year converted at average exchange rates at the end of each month and converted at the rate of end of the year. They are recorded under the equity evaluation adjustments in net worth.

26 Compensation plan based on stocks

On December 31, 2014, the Group has the following stock-based payments agreements:

(i) Stock option purchase program (payable in equity securities)

In Extraordinary General Meeting held on October 4th, 2010, Multiplus stockholders approved 3% (three percent) maximum dilution of outstanding stocks quantity to be used by Executive Board to grant the stocks option to employees thereof. The table hereunder shows the transactions during the year ended on December 31, 2014.

	Outstanding Options number	Average price of the year
On December 31, 2013	1,082,463	28.43
Granted		
Exercised	(241,941)	15.69
Not acquired by dismissal	(203,122)	24.71
On December 31, 2014	637,400	35.78

According to the plan provisions, the granted options for regular granting are divided into three equal parts. the employees could exercise the third part of their options of three, four, or five years, respectively, if still an employee of the Multiplus at such time. The contract validity of the options is seven years after the option granting.

As exception to the above rules, only 1st extraordinary granting was divided into two equal parts in order to exercise half of its options after three years and the other half after four years, and 2nd extraordinary granting was also split into two equal parts that can be exercised after one year and two years, respectively.

The options has the “service condition” that is the options depend exclusively on the services rendered by employee for a previously established period. The dismissed employees are obliged to comply with certain suspending conditions to maintain the right on the options.

Options are evaluated by Black-Scholes pricing model. The table hereunder shows the variation details on options together with variables used to evaluate the granted options. The exercise price is adjusted by IGP-M from the granting date of options up to the exercise date.

On December 31, 2014, premises used to determine the fair price of granting were the following:

	1st granting	**2nd granting**	**3rd granting**	**4th granting**	**1st extraordinary granting**	**2nd extraordinary granting**	**3rd extraordinary granting**	**4th extraordinary granting**
Date of Granting	10/04/2010	11/08/2010	04/16/2012	04/03/2013	10/04/2010	10/04/2010	04/16/2012	11/20/2013
Date of last change	06/30/2011	06/30/2011	N/A	N/A	06/30/2011	06/30/2011	N/A	N/A
Quantity of stocks	98,391	36,799	378,517	566,491	1,370,999	154,570	62,046	205,575
Exercise Price on the date of granting after the modification	23.61	27.83	31.41	38.59	12.28	16.28	31.41	26.50
Interests rate exempted from risk ´%	12.15	12.15	10.30	7.16	12.15	11.88	8.86	8.99
Income expected from dividend %	2.60	2.60	4.17	4.49	2.60	2.59	4.17	4.96
Volatility of the stocks in the market - %	33.79	33.79	32.78	34.56	33.79	34.24	32.78	34.59
Price of the stock market on the granting date R$	26.90	31.55	38.36	30.60	26.90	26.90	38.36	28.00
Price of the stock market on the date of last modification - R$	27.20	27.20	N/A	N/A	27.20	27.10	N/A	N/A
Fair value of option on the granting date – R$	11.58	14.06	14.68	6.53	16.91	10.53	13.86	7.80
Fair value of option on the modification date – R$	12.17	10.71	N/A	N/A	17.35	14.29	N/A	N/A
Average adjusted price of the year - 12/31/2014	29.86	36.93	35.20	41.81				27.64
Quantity of outstanding options - 12/31/2014	5,516	2,245	129,370	294,694				205,575
Valuation of the outstanding options - 12/31/2014 - R$	164,710	82,898	4,553,414	12,321,404				5,681,824

The expected volatility is based on the historic volatility of the Multiplus' stocks negotiated in the Stocks Exchange. The average contractual life remaining is based on the exercise expectancy.

(ii) Restricted stock plan (to be settled in equity securities)

On May 21, 2014 the Multiplus 's Executive Board decided and approved the granting plan of Restricted stock, for a total of 91,103 common, nominative stocks, book-entry with no par value issued by the Multiplus granted to beneficiaries.

The amount of Restricted Stock was calculated based on the compensation expectation to the Employee split by the simple average of the stock price of Multiplus negotiated in Bovespa BM&F in the month preceding the granting, April 2014. In this plan, Beneficiaries only owned all rights over Restricted Stocks when fulfilling cumulatively, the following conditions:

- Achievement of the performance goal set forth by this Board as the return on invested capital.
- The Beneficiary must remain continually linked as an administrator or employee of Multiplus, for the period from the date of Granting and the dates described hereunder for acquisition of the rights concerning the following fractions: (i) 1/3 (one third) after the 2nd anniversary of the Granting Date; (ii) 1/3 (one third) after the 3rd anniversary of the Granting Date; and (iii) 1/3 (one third) after the 4th anniversary of the Granting Date.

At the granting to the beneficiaries, the Multiplus will repurchase of outstanding stocks and, once in Treasury, shall dispose such stocks in treasury to the beneficiary. Whereas the establishment of the conditions for the "exercise" of restrictive stocks, the sum of R$ 314 million was provisioned in counter-entry to a capital reserve to be used for the purchase of these stocks at the time it would be delivered to those eligible for the plan.

	Outstanding Options number	**Average price of the year**
On December 31, 2013	-	-
Granted	91,103	32.00
Exercised	-	-
Not acquired by dismissal	-	-
On December 31, 2014	91,103	32.00

27 Income

Separately no TAM's customer represents more than 10% the income in 2014. Group has the information on the gross income segment by service type as follows:

By type of service rendered

	Consolidated				
	2014	**%**	**2013**	**%**	**Period - variation (%)**
Domestic					
Passenger	7,002,508	41.3	7,897,830	49.9	(11.3)
Cargo	852,174	5.0	691,577	4.3	20.6
	7,854,682	46.3	8,589,407	54.2	(8.8)
International					
Passenger	5,076,575	30.0	5,122,935	32.4	(0.9)
Cargo	934,151	5.5	443,904	2.8	105.9
	6,010,726	35.5	5,566,839	35.2	7.6
Other operational income					
Loyalty Program (Multiplus)	296,386	1.7	517,969	3.3	(42.8)
Travel and tourism agency	94,648	0.6	90,583	0.6	4.5
Others (includes overdue tickets)	2,693,693	15.9	1,068,488	6.7	152.1
	3,084,727	18.2	1,677,040	10.6	83.9
Gross income	16,950,135	100.00	15,833,286	100.0	6.8
Taxes and other deductions	(847,745)		(770,969)		10.0
Net Income	16,102,390		15,062,317		6.7

28 Operational costs and expenses by nature

	Consolidated				
	Cost of services rendered	**Sales**	**General and Administrative**	**Total**	**%**
Personnel (i)	2,279,093	292,118	364,825	2,936,036	18.7
Board of Directors' fees			204	204	0.0
Fuel	5,514,597			5,514,597	35.2
Depreciations and amortizations	392,260	22,911	91,679	506,850	3.2
Maintenance and repairs (except staff)	1,043,586			1,043,586	6.7
Aircraft insurance	36,030			36,030	0.2
Take-off, landing, and navigation rates.	925,087			925,087	5.9
Aircraft, engines and equipment leasing	981,470	11,823	42,841	1,036,134	6.7
Third parties services.	508,276	437,926	369,638	1,315,840	8.4
Sales and marketing		1,035,643		1,035,643	6.6
Others	420,116	654,940	248,699	1,323,755	8.4
On December 31, 2014	12,100,515	2,455,361	1,117,886	15,673,762	100.0

	Consolidated				
	Cost of services rendered	**Sales expenses**	**Overheads and Administrative**	**Total**	**%**
Personnel (i)	2,228,386	292,309	306,384	2,827,079	18.2
Board of Directors' fees	-	-	264	264	0.0
Fuel	5,424,963	-	-	5,424,963	35.0
Depreciations and amortizations	567,318	18,427	134,051	719,796	4.6
				1,003,599	-
Maintenance and repairs (except staff)	1,003,599	-	-	-	6.5
Aircraft insurance	32,388	-	-	32,388	0.2
Take-off, landing, and navigation rates.	900,439	-	-	900,439	5.8
Aircraft, engines and equipment leasing	871,363	8,757	55,999	936,119	6.0
Third parties services.	263,356	492,902	406,977	1,163,235	7.5
Sales and marketing	-	747,042	-	747,042	4.8
Derivative designated as hedge of cash flow	(5,671)			(5,671)	
Others	561,696	305,818	888,434	1,755,948	11.3
On December 31, 2013	11,847,837	1,865,255	1,792,109	15,505,201	100.0

(i) Personnel costs (includes "Personnel" and "Management Fees" in Note 28) has the following composition:

	2014	**2013**
Salaries and bonuses	2,592,721	2,496,859
Pension plan with defined contribution	35,221	32,874
Compensation based on stocks	(6,947)	4,197
Taxes, and social contributions	315,245	293,413
	2,936,240	2,827,343

29 Other Benefits to employees

	Consolidated	
	2014	**2013**
Pension plan (registered on account of other accounts payable)	42,481	42,442

The Group contributes in post-employment defined benefit plans which grant the right to retired employees to the reimbursement of certain medical expenses.

These defined benefit plans expose the group to actuarial risks, such as longevity risk, interest rate risk and market risk.

a. Transaction of Net liabilities value of defined benefit

The following table shows a reconciliation of the opening balance and the closing balance at balance sheet date for the net liabilities (assets) amount of the defined benefit and its components.

	2014	2013
Balance on January 1st	42,442	-
Included in the result		
Current service cost	3,912	-
Past service credit	-	42,442
Expense (revenue) of interest	4,340	-
	50.694	42,442
Included in other comprehensive results		
Losses (gains) of new measurement:		
– Actuarial losses (gains) arising from:		
• Financial assumptions	(14,958)	-
• Adjusted by experience	6,954	-
	(8,004)	-
Others		
Contributions made by the Group		
Benefits paid	(209)	-
	(209)	-
Balances in December 31	**42,481**	**42,442**

b. Actuarial assumptions

The actuarial assumptions used on the date of the financial statements were (in weighted average):

	2014	2013
Discount rate (% p.a.)	12.54%	10.25%
Medical inflation (HCCTR) (% p.a.)	9.18%	8.66%
Aging factor (% p.a.)	3%	3%
Long-term inflation rate (% p.a.)	6%	5%
General mortality table	"AT 2000"	"AT 2000"
Mortality table of disabled	IAPB 57	IAPB 57

Assumptions related to mortality are based on reported mortality tables.

30 Financial Income

	Holding		Consolidated	
	2014	**2013**	**2014**	**2013**
Financial income				
Interest revenue from investments	2,146	3,684	154,765	96,911
Interest revenue on loan	-	-	144,228	74,570
Interest revenue	-	-	-	20,095
Exchange earnings	769	188	1,947,016	910,912
Financial Income - Court deposits		-	83,115	3,224
Others	2,554	-	23,463	16,899
	5,469	3,872	2,352,587	1,122,611
Financial expenses				
Exchange losses	-	-	(2,161,178)	(1,766,376)
Interests expenses	(7,584)	(978)	(557,833)	(517,060)
IOF, PIS e COFINS on remittances abroad	-	-	(24,134)	(73,348)
Others	(2,515)	(12,253)	(102,774)	(31,405)
	(10,099)	(13,231)	(2,845,919)	(2,388,189)
Derivative designated as hedge of cash flow				-
Gain	-	-	-	-
Losses	-	-	(2,114)	(16,326)
	-	-	(2,114)	(16,326)
Net financial Income	(4,630)	(9,359)	(495,446)	(1,281,904)

31 Other disclosure on cash flow

The income from the fixed assets sale in the cash flow comprises:

	Consolidated	
	2014	**2013**
Resources from (used on) disposal of fixed assets	668	62,787
Fixed assets accounting amount	(1,474)	(5,143)
Loss on the disposal of fixed assets	(806)	57,644

	Consolidated	
	2014	**2013**
Booking amount of available for sale	-	15,044
Loss of disposal	-	(1,728)
Funds from disposal of available for sale	-	13,316

Non-monetary transactions

The main transactions that have not affected the cash and cash equivalent were:

	Consolidated	
	2014	**2013**
Purchase of Fixed assets acquired by financing	-	236,127
Prepayment of aircraft financing	-	18,898
Write off by disposal/ transfer of ownership	2,201,212	1,887,381
ABSA Investment Acquisition	-	56,269
Transfer to non-current assets available for sale	-	974
Write-off of debt transfer	1,641,937	1,200,849

32 Commitments and insurance

a. Operational leasing commitment

TAM S.A has obligations resulting from the aircrafts lease operations under simple operational modality. The amounts corresponding to the leased equipment commitments are not reflected in the balance sheet. On December 31, 2014, TAM has 135 aircrafts under operational lease modality (2013 - 103 aircrafts). The average term of the agreements is 111 months updated on the variation of US dollar rate added by LIBOR. The aircrafts and engines lease agreements recognized in the consolidated income under “Rendered Services Cost” title totaled R$ 981,470 on December 31, 2014 (2013 – R$ 871,363) respectively equivalent approximately to US$ 369,502 (2013 – US 371,964).

Most operations had the guarantee letter or deposits to guarantee the Group's issuance.

Additionally, promissory notes were offered with the Group guarantee in order to meet the payments schedules under the agreement, in the total on December 31, 2014 of R$ 1,560 (2013 – R$ 1,848).

	Monthly payment with final maturity in	2014	2013
In foreign currency - USD (*)			
Aircrafts	2023	1,310,845	1,540,335
Sub Leasing	2022	1,799,421	488,221
Engines	2016	5,795	8,716
Total		3,116,061	2,037,272

(*) Operational leasing is denominated in US dollars and the future payment agreements are presented in Reais exchanged by the closing rate of the period .

The maturities have the following distribution per year:

Year	December 31 2014	December 31 2013
Less than one year	1,489,369	690,637
More than one less than five years	1,339,596	1,092,408
Over five years	287,096	254,227
	3,116,061	2,037,272

b. Insurances

On December 31, 2014, the group insurance coverage against operational risks was composed of material damage, loss of profits and civil liability.

33 Subsequent Events

On December 9, 2014, the company carried out an advance on future capital increase (AFAC) for the subsidiary TAM Linhas Aéreas S.A. in the amount of R$ 64,000, whose performance of the capital increase is in the process of approval by the National Civil Aviation Agency (ANAC).

On January 2015, Multiplus transferred to TLA R$ 500 million for the new advance purchase of airline tickets, after the use of existing balance on December 31, 2014, according to the methodology approved by the Executive Board of the Multiplus in August 28, 2014, with favorable recommendation by the Finance , Audit, Governance And Related parties Committee. The rates agreed for the operations were respectively of 106.56% CDI (R$ 300 million in 01/16/2015) and 105.85% CDI (R$ 200 million on 01/30/2015), higher than the reference rate of return for the Multiplus cash of 104.22% CD, on average.

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Marco Antonio Bologna CEO	Daniel Levy Financial Director

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