LATAM AIRLINES

ANNUAL REPORT 2017

LATAM AIRLINES

OUR COMPANY

We are constantly adapting, placing our customers in the heart of our decision-making process.

2017

LATAM
BY THE NUMBERS

BEST AIRLINE
in South America
Global Traveler GT Tested Reader Survey Awards

307
operating aircraft

Average age of **7.9** *years*

137
destinations

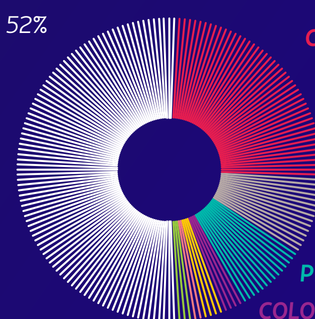
24 countries

30 new routes in 2017

67
million
passengers carried

43.095
employees

64
nationalities



896
thousand
tons transported

144
destinations

Welcome LETTER

Enrique Cueto Plaza
CEO LATAM Group

Dear shareholders,

In 2017 we experienced the greatest transformation in our recent history—a process that we undertook with the aim to improve our offer to passengers and move towards a simpler and more efficient organization. We aspire to become one of the most admired airline groups in the world, and I am certain that the steps we have taken in the last few years in terms of client initiatives, destinations network, productivity, and sustainability have set us on the right path to achieve this.

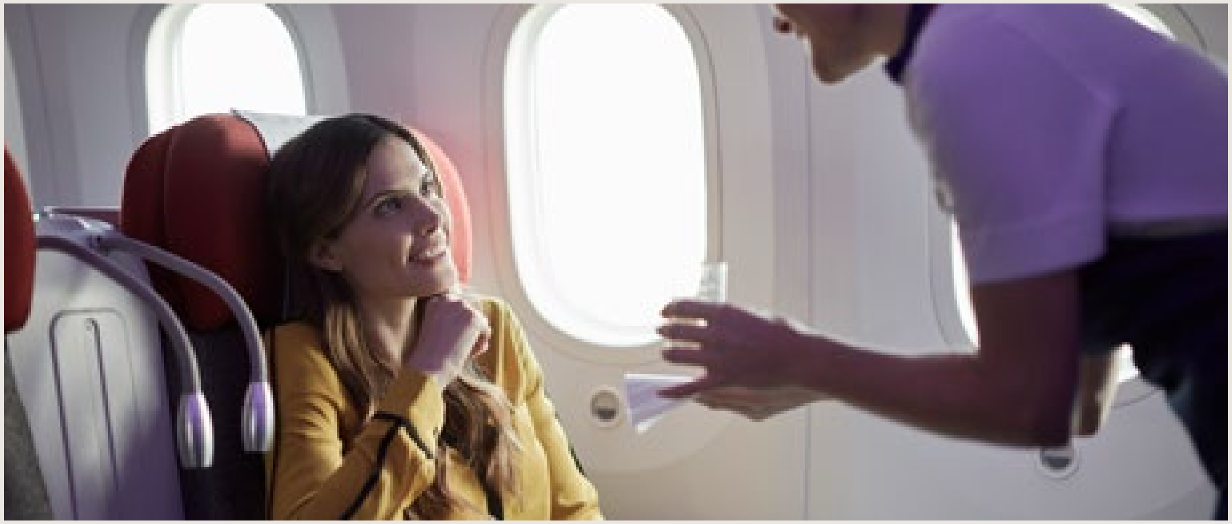
Our commitment is to offer passengers a unique travel experience; this is why all our decisions focus on customer satisfaction. With the current trend aiming towards a customized travel.

IN 2017 WE IMPLEMENTED A NEW BUSINESS MODEL FOR DOMESTIC MARKETS. SUPPORTED BY "MERCADO LATAM" AND A NEW SEGMENTED FARES STRUCTURE, THIS NEW MODEL BROUGHT TO OVER 85% OF OUR PASSENGERS THE ACCESS TO TARIFFS UP TO 40% LOWER AND A GREATER FLEXIBILITY IN THEIR TRAVEL. ITS ROLLOUT AMONG OUR DOMESTIC AFFILIATES IMPLIED A GREAT EFFORT FROM ALL OF US AT LATAM GROUP, AND WE ARE PROUD OF THE POSITIVE RESULTS WE HAVE OBTAINED.

Also, after seeing the great difference to the international travel experience that on-board dining makes, we embarked upon the challenge of redesigning the traditional food tray served on board the Economy cabin of flights lasting over seven hours. As a result, we developed a new dining experience, unique in the industry, that gives our passengers more options to choose from, a more comfortable format, and gourmet quality food that showcase the best of Latin American and international cuisine, with over 300 new dishes. All this is available at no additional cost to our passengers, who have loved the new service.

Along the same line, we have continued to invest in self-service technologies, so that our passengers can tend to themselves in a simple, transparent, and fully independent way. As an example, during 2017 we set up over 700 kiosks throughout more than 80 airports. IATA acknowledged our self-service initiatives and certified us in the "Platinum" category of its "Fast

IN 2017, WE MADE GREAT ACHIEVEMENTS IN TERMS OF EXPANDING AND OPTIMIZING OUR NETWORK, OPENING 30 NEW ROUTES, INCLUDING SANTIAGO-MELBOURNE, WHOSE 15-HOUR DURATION MAKES IT LATAM'S LONGEST NON-STOP FLIGHT. MOREOVER, WE CONTINUED TO STRENGTHEN OUR HUBS, CONNECTING SAO PAULO TO BARILOCHE AND MORE DOMESTIC DESTINATIONS IN BRAZIL, LIMA TO RIO DE JANEIRO AND CARTAGENA, BOTH LIMA AND SANTIAGO TO VARIOUS SECONDARY CITIES THROUGHOUT ARGENTINA, AND SANTIAGO TO ORLANDO AND SANTA CRUZ.



Travel" program, confirming our commitment with offering a leading travel experience in the industry.

Simultaneously, in 2017 we continued to work towards obtaining the approval of the Joint Business Agreements (JBAs) with American Airlines and IAG (British Airways and Iberia). The antitrust authorities of Brazil, Colombia, and Uruguay have already granted their approval, and we are only awaiting the resolution in Chile and the confirmation of Open Skies in Brazil (which has already been approved by Congress). We expect to complete this process in 2018 so we can begin to implement these new agreements, which will provide our passengers with access to a broader network of destinations, as well as more flights, better connection times, and better prices.

In order to expedite the coordination among our affiliates and streamline the decision-making process, we defined a new organizational structure in 2017, shifting from business units to a functional structure that focuses on four main areas of responsibility—Clients, Operations, Marketing, and Finance. This will enable us to adapt continuously to an evolving industry and a volatile economic environment, thereby improving our competitiveness.

IN LATAM GROUP WE UPHOLD A LONG-TERM COMMITMENT TO THE REGION, REFLECTED IN ITS SUSTAINABILITY STRATEGY, WHOSE FOCUS IS BOTH TO COMPENSATE THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS AND TO ACTIVELY CONTRIBUTE TO SOCIETY.

Accordingly, for the fourth consecutive year, we were included in the "World" category of the Dow Jones Sustainability Index (DJSI), which acknowledges the performance of the top 10% leading companies in sustainability within this index, being among the only three airline groups in this category worldwide.

The efforts we have made these past years have mirrored in a steady improvement of our financial results. In 2017, operating income was the highest in our history, reaching US$715 million, while net profit totaled US$155 million, surpassing the US$69 million from 2016. On the revenue side, these results were boosted by the development of our business strategy, as well as an overall better economic environment in the markets where we operate. Moreover, assisted by our productivity and efficiency measurements, we were able to keep costs increasing below 2016 inflation levels and the fuel increase of 2017, thus expanding our operating margin to 7%.

We also managed to make progress in strengthening our financial front. In 2017, we continued with our investment discipline, being the year with the lowest fleet commitments in LATAM's history. We also achieved a significant improvement in our debt profile, aside from disposing of a US$450 million revolving credit facility, which was fully available at yearend. As a result, we achieved the highest cash flow and lowest indebtedness level since the association of LAN and TAM, maintaining a healthy liquidity level.

In a nutshell, 2017 was a year of transformation, with important steps towards a more efficient organization, with a unique position in the market in terms of customers offer and destinations network, so we can ensure that our business model will be competitive and sustainable in the long term.

THE MARKET ACKNOWLEDGED THIS IMPROVEMENT, WHICH WAS REFLECTED IN THE 54% INCREASE OF STOCK PRICE IN 2017. I WOULD LIKE TO THANK OUR SHAREHOLDERS FOR THE TRUST THEY HAVE PLACED IN THIS ADMINISTRATION AND IN LATAM GROUP'S PROJECT.

The major changes we implemented throughout 2017 were possible thanks to the work of the many teams involved. This is why I cannot end this letter without first thanking everyone in the great LATAM family for their effort, commitment, and dedication. I encourage you to keep this same spirit alive and to keep working with passion and excellence, ensuring that our clients' dreams reach their destination, all this in our aim to become one of the most admired airline groups in the world.

Enrique Cueto
CEO LATAM Group

[1] *Subject to borrowing base availability*

Business STRATEGY

LATAM is the largest group of passenger and cargo airlines in South America. At December 2017, it was offering passenger transportation services to roughly 137 destinations in 24 countries, and cargo services to around 144 destinations in 29 countries, by operating a fleet of 307 airplanes, while having several bilateral alliances.

The Group's business strategy is based on five success pillars that will enable it to guarantee the sustainability of its business in the long term, driving the growth of the region's air traffic and improving its profitability. These five pillars are: strengthening and leadership in route network; customer experience; passenger segmentation; ancillary revenue; and operating efficiency.

ONE OF THE MAIN STRENGTHS OF LATAM GROUP IS THE BROAD ROUTE NETWORK THAT IT HAS CREATED THROUGHOUT THE YEARS. THE AIRLINES OF THE GROUP ARE IN SIX DOMESTIC MARKETS IN THE REGION—BRAZIL, CHILE, ARGENTINA, PERU, COLOMBIA, AND ECUADOR—IN ADDITION TO OFFERING INTERREGIONAL FLIGHTS, AND INTERNATIONAL FLIGHTS THAT CONNECT SOUTH AMERICA AND THE REST OF THE WORLD. THIS BROAD NETWORK ENABLES LATAM TO ITS PASSENGERS A WIDE RANGE OF FLIGHTS, WITH SEVERAL DESTINATIONS, CONNECTIONS, AND ITINERARY OPTIONS.

The Group seeks permanently to develop its route network. In this regard, the most relevant projects are the Joint Business Agreement (JBA) that it expects to complete with IAG Group (British Airways and Iberia) and American Airlines, and which would expand its offer to over 420 destinations. In 2017, the regulatory authorities of Brazil and Colombia gave their green light, following the steps of Uruguay's authorization in 2016. Thus, the Chilean regulator's approval for both agreements remains pending; besides the ratification of Open Skies between Brazil and the US, so the authority from the latter country can approve the agreement with American Airlines. Regarding the ratification of Open Skies, it's worth highlighting that in 2017, both the Chamber of Deputies and the Senate of Brazil authorized this agreement, thus only remaining the approval from the Executive of this country.

In the aim to provide the best passenger connectivity, LATAM Group opened 30 new routes in 2017, most of which feed traffic to and from its main hubs–in Sao Paulo (Guarulhos), Lima, and Santiago–and whose strengthening made way for great progress in the expansion and optimization of its route network. Among these routes, we should note those from Sao Paulo (Guarulhos) to Bariloche and various cities within Brazil, such as Joinville, Londrina, and Uberlandia; from Lima to Rio de Janeiro and Cartagena; from Lima and Santiago to secondary cities in Argentina, such as Tucumán; and from Santiago to international destinations such as Melbourne—LATAM's longest non-stop flight ever—Orlando and Santa Cruz. Furthermore, in 2018, the Company will open 21 more routes, which will improve connectivity within the region and towards the rest of the world. Amongst them there are some new and attractive international destinations, such as Rome, Tel Aviv, Boston, and Las Vegas.

LATAM Group's whole transformation is taking place keeping customers at the heart of its decision making process. Passengers are the Group's main priority, and the customer-driven culture generated within the organization aims to provide them with a differentiated, consistent, simpler, and more digital service.

LATAM GROUP'S BUSINESS STRATEGY SEEKS TO PROVIDE PASSENGERS WITH MORE CONTROL OVER THEIR OWN TRAVEL EXPERIENCE, SO THEY CAN ADAPT IT TO THEIR OWN NEEDS AND THE GROUP CAN FOCUS ON PROCESSES EXECUTION, SO ITS AIRLINES CAN PROVIDE AN EXCEPTIONAL SERVICE THAT DIFFERENTIATE IT FROM OTHER MARKET PLAYERS.

In line with the above, in 2017 LATAM Group made a major step regarding self-service technology, by setting up over 700 kiosks in the counter areas of more than 80 airports, so passengers can do their own check-in, print out their boarding pass, tag their baggage, and pay for additional baggage if they need to. The aim is to meet the needs of the modern traveler, who values an expedited, simple, and efficient trip; as well as to increase the Group's productivity.

Moreover, in line with its commitment to offer a differentiated travel experience, the Group developed a unique dining concept for passengers in the Economy cabin of flights lasting over 7 hours. This new dining experience has replaced the traditional tray with an individual gourmet dish and fewer

IN ACKNOWLEDGMENT OF THE GROUP'S SELF-SERVICE INITIATIVES, TOWARDS LATE NOVEMBER, LATAM BECAME THE FIRST AVIATION GROUP IN THE REGION TO OBTAIN THE "PLATINUM" CERTIFICATION UNDER IATA'S "FAST TRAVEL" PROGRAM, WHICH IS AWARDED TO AIRLINES THAT OFFER SELF-SERVICE TO AT LEAST 80% OF THEIR PASSENGERS. THIS WAS POSSIBLE MAINLY THANKS TO THE IMPLEMENTATION OF FOUR PROJECTS: CHECK-IN, FLIGHT REBOOKING, SELF-BOARDING, AND BAGS READY TO GO.

peripheral elements, and offers more options for lunch and dinner, gourmet quality food that features Latin American ingredients and cuisine, dishes 50% larger, and a variety of over 300 dishes; all at no additional cost to passengers.

Innovation plays an important role in the decision-making process of LATAM Group, and this was manifested in the implementation of the new business model for domestic markets, that allows travelers to customize their travel experience by only paying for the attributes the value, in line with industry's last trends. Anticipating the market environment, the Group led the way in the adoption of this model, thus maintaining its competitiveness in a region that is taking on this trend.

A STRATEGIC AXIS OF THIS NEW MODEL CONSISTS ON SEGMENTING PASSENGERS WITH NEW TARIFF STRUCTURE, SO TRAVELERS CAN CHOSE HOW THEY WANT TO TRAVEL, AND CAN HAVE MORE ALTERNATIVES THROUGHOUT THEIR FLIGHT EXPERIENCE, SUCH AS THE OPTION TO CHOOSE PREFERRED SEATS, AND THE FLEXIBILITY TO CHANGE OR CANCEL FLIGHTS.

Tarifa Promo | Tarifa Light | Tarifa Plus | Tarifa Top

With the lower tariffs, the Group seeks to target passengers with higher price-sensitivity, and thus, increase by 50% the air traffic of region by the year 2020. At the same time, LATAM Group maintains its differentiating attributes, such as its frequent flyer program, route network, and free on-board entertainment, among others.

Another key element of this model are the initiatives to increase ancillary revenues. This includes the offer of additional services, such as charging for each checked bag and for excess baggage (including sport gear and musical instruments). Furthermore, in 2017, the Group also kicked off "Mercado LATAM"—a new,

on-board food & beverage selling service—, and announced the implementation of on-board WiFi for domestic and regional flights, beginning with LATAM Airlines Brazil (where it will be operative as of the first quarter of 2018).

On the other hand, in line with the transformation plan announced towards the end of 2016, the Company has made progress towards its goal of becoming a simpler and more efficient company, with the flexibility to adapt quickly to an ever-changing industry and economic environment. In this context, one of the most relevant changes in the Group's organizational structure took place throughout 2017, emphasizing four main areas, which are the foundation of the business strategy, and that report directly to the CEO: Costumer, Operations & Fleet, Commercial, and Finance; each of them is headed by current LATAM executives.

LIKEWISE, LATAM GROUP MADE SIGNIFICANT PROGRESS IN THE PLAN TO REDUCE ITS FLEET INVESTMENTS, REACHING ITS LOWEST FLEET COMMITMENTS EVER IN 2017, US$326 MILLION. THIS ENABLED THE COMPANY TO INCREASE ITS FLEET'S PRODUCTIVITY, AS WELL AS TO IMPROVE ITS CASH FLOW GENERATION AND STRENGTHEN ITS BALANCE SHEET POSITION.

HISTORY

Always building a story so we can take care that all dreams reach their destinations.

1929

Linea Aerea Nacional de Chile (LAN) founded by Comandante Arturo Merino Benítez.

1946

FIRST LAN INTERNATIONAL FLIGHT: SANTIAGO-BUENOS AIRES.

1956

Start of LAN services to Lima.

1958

Start of LAN services to Miami.

1961

TAM-Taxi Aéreo Marília created by five charter flight pilots.

LAN begins flights to Europe.

1970

1975

FOUNDATION OF TAM-TRANSPORTES AÉREOS REGIONAIS BY CAPITAN ROLIM ADOLFO AMARO.

1976

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

1983

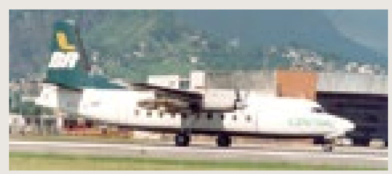
CONSTITUTION OF LINEA AEREA NACIONAL - CHILE LIMITADA, THROUGH CORFO

1985

LAN becomes a joint stock company

1986

TAM acquired Brasil Central Linhas Aéreas-VOTEC, a regional airline that served the North and Central West regions of Brazil.

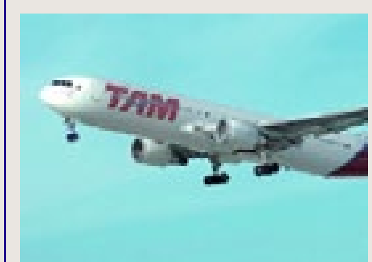


1989

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

1990

BRASIL CENTRAL RENAMED TAM-TRANSPORTES AÉREOS MERIDONAIS



1993

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

1994

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

1996

Acquisition by TAM of Lapsa airline from the Paraguayan government and creation of TAM Mercosur; start of São Paulo Start of São Paulo – Asuncion flights

Start of São Paulo – Asuncion flights

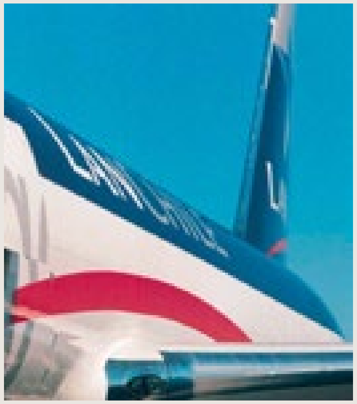
1997

LAN LISTS ON THE NEW YORK STOCK EXCHANGE, BECOMING THE FIRST LATIN AMERICAN AIRLINE TO TRADE ADRS ON THIS IMPORTANT MARKET

1998

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

1999



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

2000

LAN JOINS THE ONEWORLD ALLIANCE

2001

LAN Alliance with Iberia and inauguration of Miami cargo terminal.

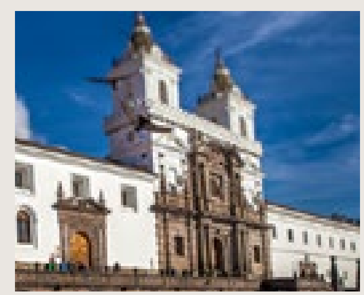
Creation of TAM Technology Center and Service Academy in São Paulo.

2002

LAN Alliance with Qantas and Lufthansa Cargo

2003

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



Launch of the new executive class for flights to Paris and Miami.

2004

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

Start of TAM flights to Santiago.

FURTHER STEP IN LAN'S REGIONAL EXPANSION PLAN: START OF OPERATIONS OF LAN ARGENTINA.

2005

TAM S.A. lists on the BOVESPA stock market.

Start of flights to New York and Buenos Aires.

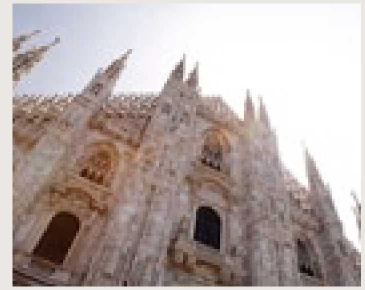
AIRFRANCE

Start of flights to London and, through agreement with Air France, to Zurich and Geneva

2006

Launch of new LAN Premium Business Class.

TAM S.A. lists on the NYSE



Start of TAM flights to Milan and Córdoba; authorization from Brazil's National Civil Aviation Agency (ANAC) to start flights to Madrid and Frankfurt.

2007

Implementation of low-cost model in domestic markets.

Capital increase of US$320 million.

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

TAM receives its first Boeing 777-300ER.

2008

2009

Start of cargo operations in Colombia and domesticpassenger operations in Ecuador.

Launch of Multiplus Fidelidade.

2010

Acquisition of Colombia's Aires airline.

TAM officially joins Star Alliance.

STAR ALLIANCE

2011

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

LATAM AIRLINES GROUP IS BORN AS A RESULT OF THE BUSINESS COMBINATION BETWEEN LAN AND TAM.

Issuance of 2.9 million shares.

2012

LAN TAM

Capital increase for US$ 940.5 million.

2013

2014

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

LATAM launches its 2015- 2018 Strategic Plan.

2015

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

EETC structured bond issue for US $ 1,020MM: First in Latin America.

2016

Capital increase of US $ 608 million with which Qatar Airways acquires 10% of the total of paid and subscribed shares of LATAM.

2017

IMPLEMENTATION OF THE NEW TRAVEL MODEL BY THE AFFILIATES OF THE DOMESTIC MARKETS

FLEET

LATAM Group operates one of the most modern fleets in South America and the world. At the end of 2017, it comprised 307 airplanes, with an average age of around eight years. After launching the merged LATAM brand in 2016, the Group had 61 airplanes painted with the new logo by December 2017, in a process that the company expects to complete by 2021.

In this period, the Group continued to move forward on its fleet renewal and adjustment plan, aiming to operate using the largest and most efficient models in the industry, and assigning the most suitable for each of the markets where it participates. Along this line, it removed 21 of its older aircraft and added four airplanes of the most efficient models: two Boeing 787-9 and two Airbus A320 neo.

LATAM Group's fleet plan is constantly assessing its needs, and it has the flexibility to expand, rationalize, or adapt its airplane requirements based on the demand in each of the countries where it operates, and on the needs of its worldwide network. In this context, throughout 2017, it subleased four Airbus A350 airplanes to Qatar Airways, per the agreements signed for a period of six months to one year, whereby Qatar is responsible for these airships' operational control.

Moreover, the Group ended the year with five A320 airplanes subleased, and received two of the three Boeing 767F that it had subleased to another carrier.

To carry out its short-haul passenger operations—flights on domestic and regional routes within South America—the Group used 223 airplanes, mainly from the Airbus A320 family.

TWO NEW AIRBUS A320 NEO AIRPLANES—THE LARGEST IN THE FAMILY—WERE RECEIVED, ADDING TO THE 2 AIRCRAFT OF THE SAME TYPE RECEIVED IN THE PREVIOUS YEAR TO TOTAL 4 OF THIS KIND BY YEAREND.

These planes include a more efficient engine and new sharklets (advanced technology wing-tip devices to reduce drag), enabling savings of up to 15% in fuel and the ensuing reduction in annual emissions by around 3,600 tons of CO_2 per airplane. The Company's plan for the medium term is to operate a short-haul fleet comprised of only A320-family airplanes, versions A320, A321, and A320neo.

To carry out its long-haul operations, LATAM Group used a fleet of 75 airplanes in 2017, such as the Boeing 787 Dreamliner versions 8 and 9, and the new Airbus A350-900.

The wide-body aircraft fleet plan aims towards its renewal to include more efficient and state-of-the-art technology equipment, maintaining the same number of planes, but increasing capacity through larger aircraft. Thus, in this period, two Boeing 787-9 were added to the five airplanes included in the previous year, totaling 14 of these planes by the end of the year. As for the Boeing 787-8 fleet, the company operated 10 of these planes in 2017—unchanged from the previous year.

To carry out its cargo service, LATAM Group ended the year with an operational fleet comprised by 9 Boeing 767F planes (one less than in 2016). The Group's focus is on optimizing the use of passenger plane bellies, so it has gradually decreased its dedicated cargo fleet. During 2017, the Group retired two Boeing 777F, and received two of the three Boeing 767F that it had subleased to other cargo carriers outside the region. By yearend 2017, the mix of cargo transported in cargo planes and the bellies of the passenger fleet was 29% and 71%, respectively.

By 2017, fleet commitments totaled US$326 million—the lowest in LATAM's history—fully comprised by operating leases previously agreed. For 2018 and 2019, these commitments will total US$714 million and US$1,213 million, respectively.

Altogether, LATAM Group maintains its commitment to offer its passengers the most modern fleet in the industry, to provide them with the best travel experience in Latin America.

MAINTENANCE

The company's facilities for major maintenance, line maintenance, and components are equipped and certified to service all its Airbus and Boeing aircraft fleet.

With facilities in Brazil (Sao Carlos) and Chile (Santiago), LATAM Group's Maintenance, Repair, and Overhaul (MRO) unit is in charge of giving major maintenance to the group's aircraft, and occasionally serves third parties. Both facilities meet 78% of the Group's major maintenance service needs, and those that are not carried out internally are engaged through the broad MRO partner network worldwide. This unit is also in charge of planning and executing aircraft redeliveries.

THE BOEING 787-9 HAS 27% MORE PASSENGER CAPACITY AND 23% MORE CARGO VOLUME CAPACITY COMPARED TO THE BOEING 787-8. IT IS DESIGNED FOR 283 PASSENGERS IN ECONOMY AND 30 PREMIUM BUSINESS SEATS. MOREOVER, IT FEATURES UP TO 20% LESS FUEL CONSUMPTION THAN SIMILAR PLANES AND REDUCES ITS CO_2 EMISSIONS BY UP TO 20% AS WELL.

At the Brazil MRO, which includes its own support engineering capacity and a full technical training center, the Group is prepared to service up to eight planes simultaneously, with a hangar devoted to stripping and painting. At this facility, it also has 22 technical component shops, including a full shop to repair and overhaul landing gear, hydraulic gear, tires, electronics, electric components, electroplating, compounds, wheels and brakes, interiors, and emergency equipment. It also has an exclusive 1,720-meter runway.

The Santiago MRO, located near the Comodoro Arturo Merino Benítez international airport, has two hangars with capacity to service one wide-body and two narrow-body airplanes simultaneously. It has 10 shops set up to support the hangar, such as cabins, galley, structures, and compound materials, and it has capacity to adapt airplane interiors, including setting up the wireless IFE (In-Flight Entertainment) and winglets.

IN 2017, THE MRO UNIT EFFECTIVELY USED 1.2 MILLION MAN-HOURS, SERVICING OVER 300 AIRPLANES IN LATAM'S FLEET, AND REPAIRING AROUND 55 THOUSAND COMPONENTS DELIVERED TO THE MAINTENANCE OPERATIONS.

On the other hand, the line maintenance network offers a full range of maintenance services for aircraft to ensure that the fleet is functioning safely and in compliance with all local and international regulation. The network has facilities at the hangars in Santiago, São Carlos, São Paulo (CGH), Lima, Miami, Buenos Aires (AEP), and Brasilia, among others.

In 2017, the line maintenance network effectively used 2.2 million man-hours on preventive and corrective maintenance tasks for the LATAM fleet. The Group also receives services from certified third parties at some destinations where it is financially convenient, such as Frankfurt, where it is serviced by Lufthansa Technik; Milan, by Air France-KLM; and Johannesburg, by South African Airways.

We should note that, since 2010, maintenance at LATAM follows production and support processes transformed under the LEAN methodology, which has translated into a process automatization and integration, improving both the productivity levels of the technical teams and emergency response times, as well as simplifying and strengthening the maintenance processes, rendering them upgradable and visible to all the organization.

In addition to the development of these IT systems, the Group has delivered over 700 iPads throughout its maintenance network to improve on-site maintenance connectivity.

Built in 2015, the Group also has a hangar at the Miami International Airport. This city offers a strategic geographic advantage for obtaining supplies and services, as well as a broader range of suppliers to carry out complex maintenance tasks. The hangar and surrounding infrastructure cover over 66,000 square feet and implied an investment of US$16.5 million.

As of December 31, 2017	Off Balance	On Balance	Total
PASSENGER AIRCRAFT			
Airbus A319-100	9	37	46
Airbus A320-200	38	88	126
Airbus A320- Neo	3	1	4
Airbus A321- 200	17	30	47
Airbus A330-200	-	0	0
Airbus A350-900	2	3	5
Boeing 767-300	2	34	36
Boeing 777-300 ER	6	4	10
Boeing 787-8	4	6	10
Boeing 787-9	10	4	14
TOTAL	**91**	**207**	**298**
CARGO AIRCRAFT			
Boeing 777-200F	-	-	-
Boeing 767-300F	2	7	9
TOTAL	**2**	**7**	**9**
TOTAL OPERATING FLEET	**93**	**214**	**307**
SUBLEASES			
Airbus A320-200	-	5	5
Airbus A350-900	-	1	1
Boeing 767-300F	-	-	-
TOTAL SUBLEASES	**-**	**8**	**8**
TOTAL FLEET	**93**	**222**	**315**

Note: This table does not include one B777-200F currently subleased to a third party, that was reclassified from property plant and equipment to hold for sale.

Airbus A320 neo

NARROW BODY

AIRBUS A319-100
Length 33.8 mts
Width 34.1 mts
Seats 144
Cruising Speed 830 km/h
Maximum weight at taken-off 70,000 kg

AIRBUS A320-200
Length 37.6 mts
Width 34.1 mts
Seats 156-168–174
Cruising Speed 830 km/h
Maximum weight at taken-off 77,000 kg

AIRBUS A320-200 neo
Length 37,6 mts
Width 34,1 mts
Seats 174
Cruising Speed 830 Km/hr
Maximum weight at taken-off 77,000 kg

AIRBUS A321-200
Length 44.5 mts
Width 34.1 mts
Seats 220
Cruising Speed 830 km/h
Maximum weight at taken-off 89,000 kg

WIDE BODY

AIRBUS A350-900
Length 66.8 mts
Width 64.8 mts
Seats 348
Cruising Speed 903 km/h
Maximum weight at taken-off 186,880 kg

BOEING 767-300
Length 54.9 mts
Width 47.6 mts
Seats 221 – 238
Cruising Speed 851 km/h
Maximum weight at taken-off 186,880 kg

BOEING 777-300 ER
Length 73.9 mts
Width 64.8 mts
Seats 379
Cruising Speed 894 km/h
Maximum weight at taken-off 346,500 kg

BOEING 787-8
Length 56.7 mts
Width 60.2 mts
Seats 247
Cruising Speed 903 km/h
Maximum weight at taken-off 227,900 kg

BOEING 787-9
Length 62.8 mts
Width 60.2 mts
Seats 313
Cruising Speed 903 km/hr
Maximum weight at taken-off 252,650 kg

Boeing 787-9



Airbus A350-900

FREIGHTER

BOEING 777-200F
Length 63.7 mts
Width 64.8 mts
Cargo Volume 652.7 m3
Cruising Speed 894 km/h
Maximum weight at taken-off 347,450 kg

BOEING 767-300F
Length 54.9 mts
Width 47.6 mts
Cargo Volume 445,3 m3
Cruising Speed 851 km/h
Maximum weight at taken-off 186,880 kg

PASSENGER NETWORK

We have broaden our network, offering our passengers more destinations and frequencies.

137
Destinations

10
North / Central America

6
Europe

4
Asia/Oceanía

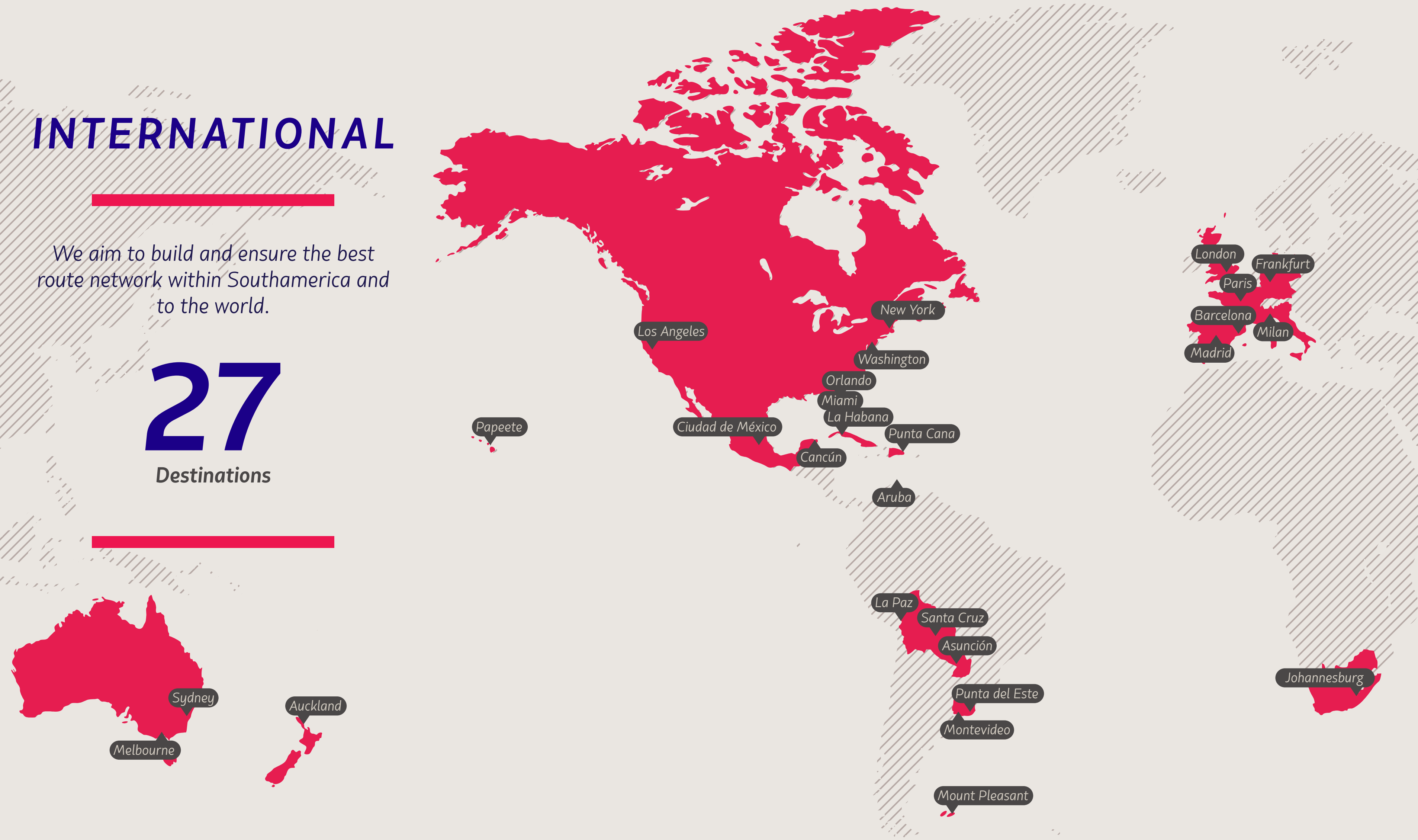
116
South America

1
Africa

INTERNATIONAL

We aim to build and ensure the best route network within Southamerica and to the world.

27
Destinations



*international exclusive

BRAZIL

41

Destinations

ARGENTINA

15
Destinations

CHILE

16

Destinations

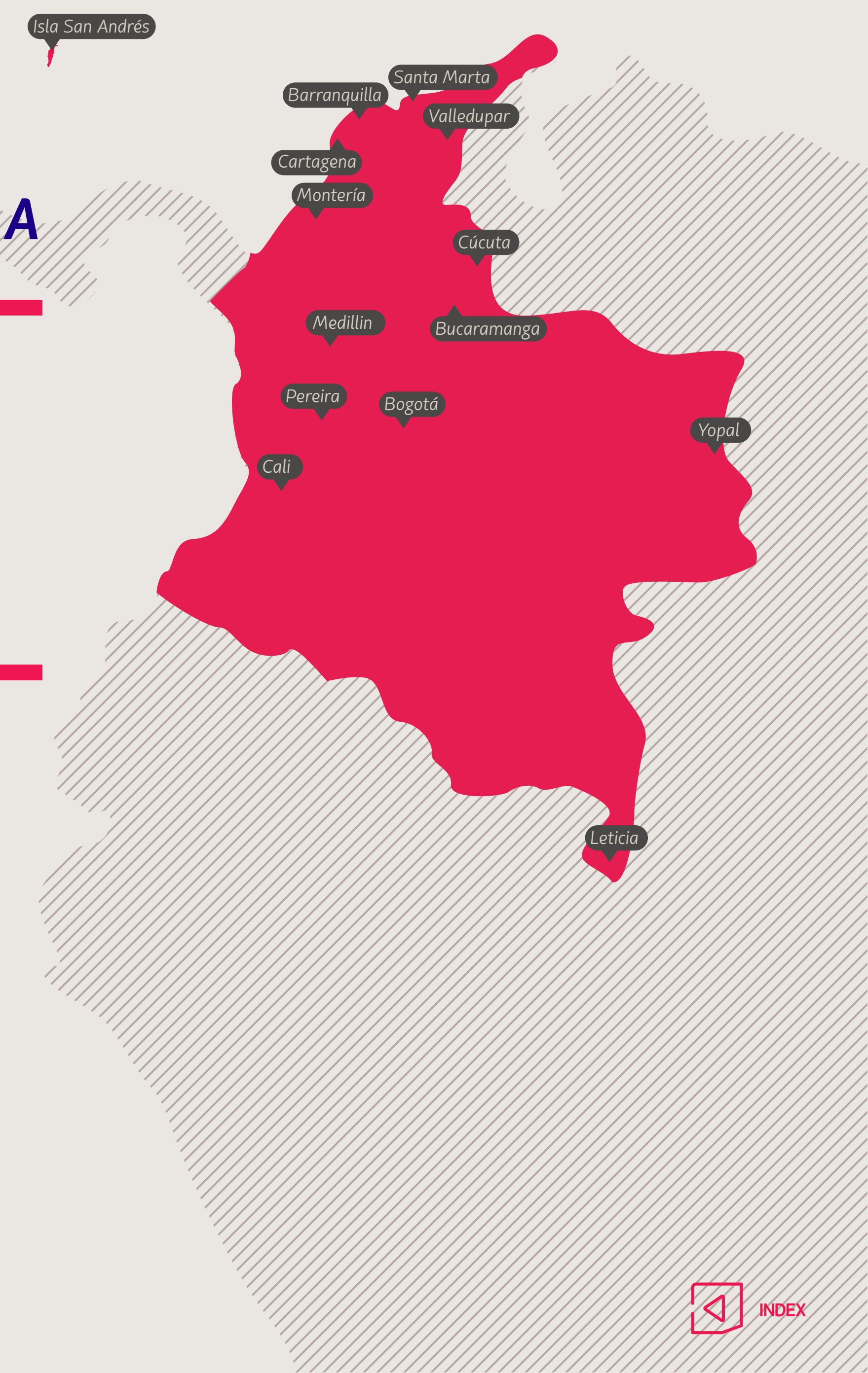
+

Easter Island

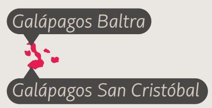
COLOMBIA

14

Destinations



ECUADOR



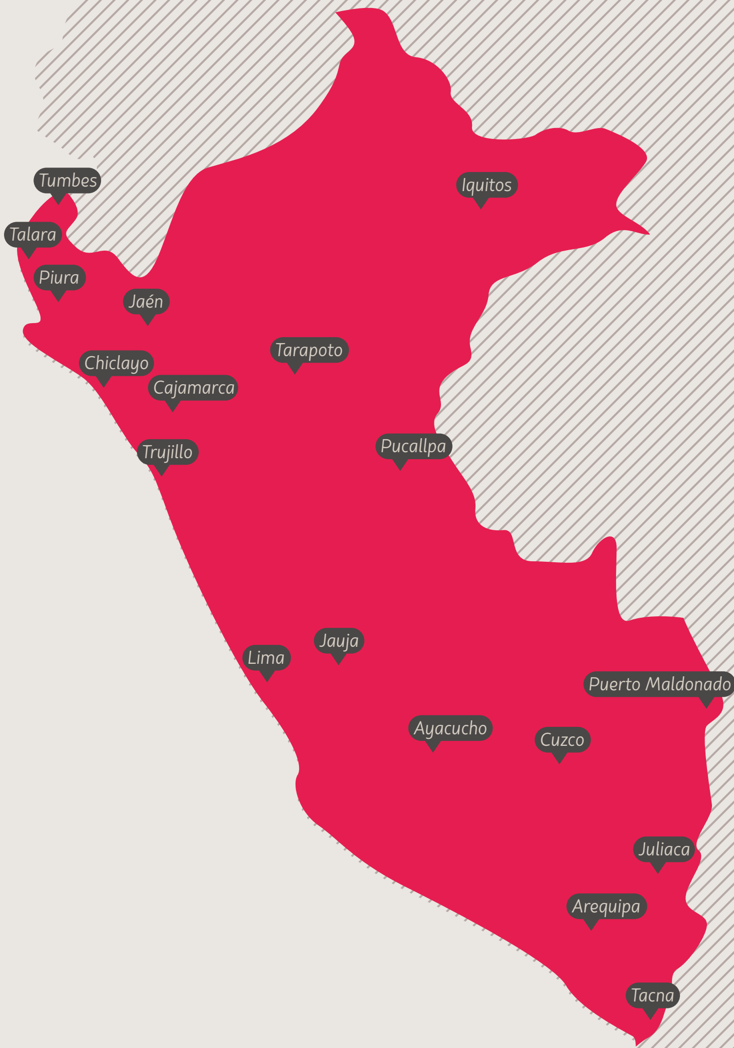
5

Destinations

PERU

18

Destinations



CODESHARE

Additional benefits to our passengers, including access to a wider network, more flight options with a better connecting time, and more competitive tariffs on destinations not operated by LATAM.

148
Destinations

13
Destinations
Asia

17
Destinations
Australia

70
Destinations
North America

44
Destinations
Europe

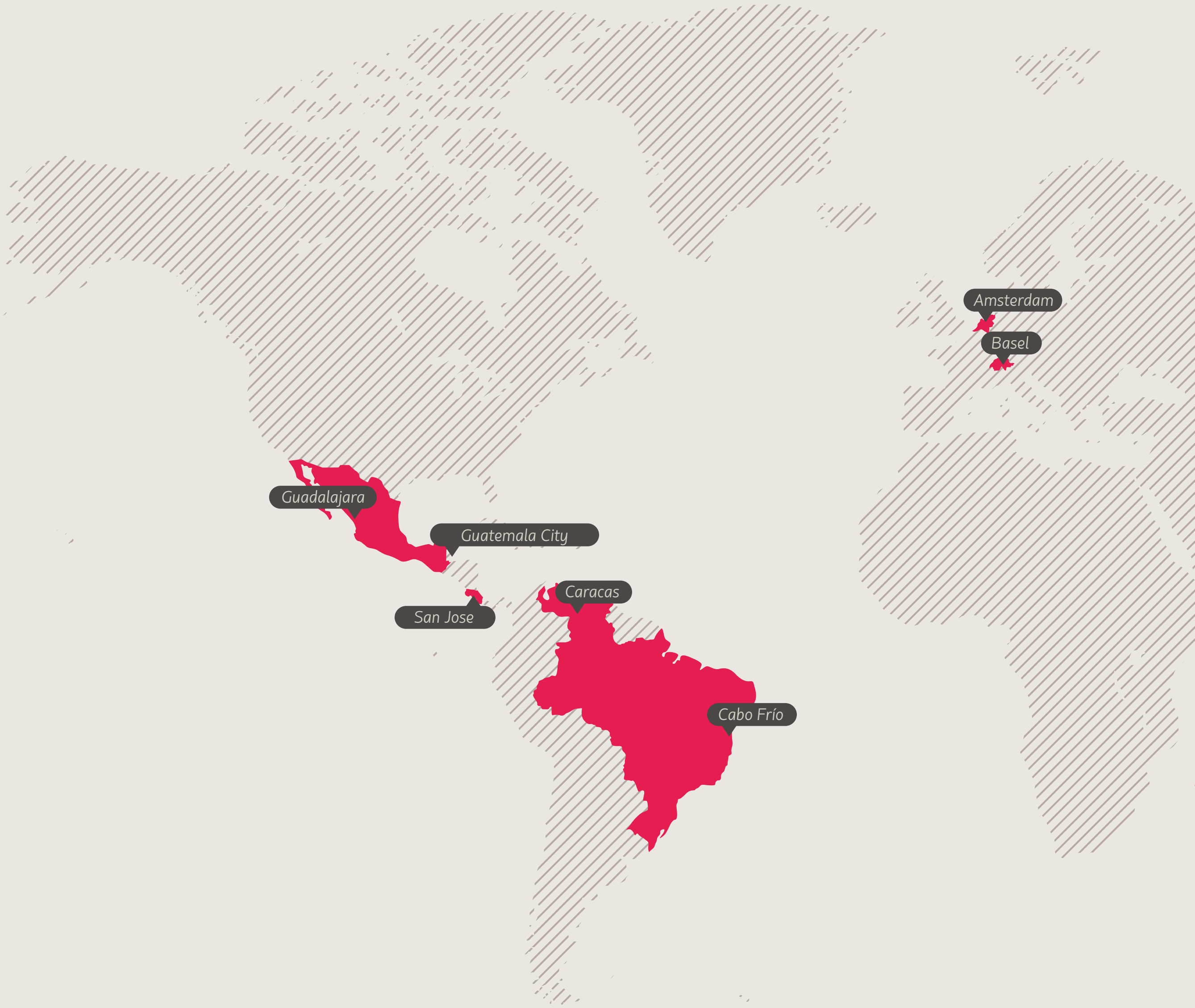
4
Destinations
Africa

CARGO

7

Destinations*

We are the largest cargo operator of the region.



*cargo exclusive

Our PEOPLE

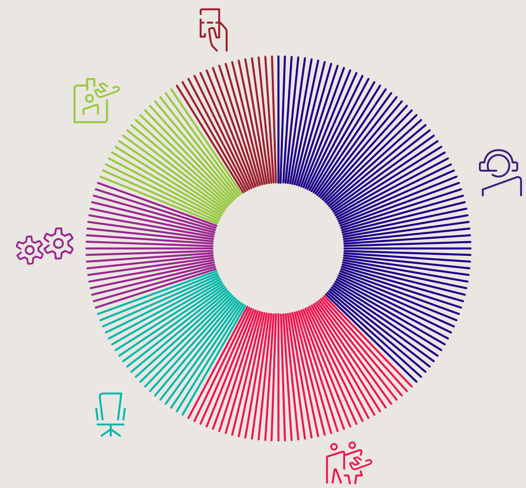
We build a unique traveling experience by connecting with our customers.

LATAM is a group of airlines that stands out for the cultural plurality of its human teams. **At the end of 2017, its staff comprised over 43 thousand employees—from 64 different nationalities—across 23 countries.**

Within the framework of the transformation plan that the Group is carrying out in all its areas in order to position itself as a profitable airline group and gain customers' preference, 2017 was a milestone in the consolidation of Project Twist, the most relevant initiative regarding people, as it implies a new way of conceiving service rendering.

OVERALL

Employees by function



Operations	15,126	35%
Cabin Crew	9,016	21%
Administration	6,922	16%
Maintenance	4,742	11%
Control Crew	3,957	9%
Sales	3,332	8%
Total	43,095	100%

Gross Salary by gender (male/female ratio)

Role	/
General Role	0.98
Medium Level	1.04
Executive Level	1.40

INDEX

Its main goal is to generate an emotional connection between the Company's collaborators and its customers, in order to achieve greater passenger loyalty. The method is to adapt the work that the human teams do to the industry's evolution, customer empowerment, and the size that LATAM Group has achieved, providing them with greater autonomy to answer to clients' various needs in the different places where it operates, and giving them the ability to bend the service to these realities.

This cultural transformation managed to reach over 140 locations throughout 2017, covering over 20 thousand employees distributed among 130 airports, nine Contact Centers (including internal and outsourced), 7,500 crew members, and 1,800 in-flight service, in addition to participating in the Hub Control Center (HCC) of the main airports—the first population without direct customer contact that the process has included.

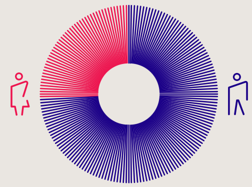
In this period, LATAM's Unique Leadership Model was also launched, conceived as a basic guideline for leading within the Company, which showcases the practices that must be adopted in directing teams, in the understanding that it is they who bring LATAM's culture to life and get every dream to its destination. The goal is to carry out excellently the daily operations and large projects, and to develop the human teams with a common view, which is to become one of the most admired airlines in the world.

BY IMPLEMENTING THIS LEADERSHIP MODEL, THE GROUP SEEKS TO FOSTER A UNIQUE CULTURE THAT WILL RESPECT INDIVIDUALITY AND EACH OF ITS LEADERS' OWN STYLE IN APPLYING IT.

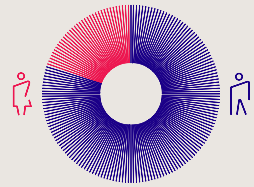
DIVERSITY OF THE ORGANIZATION

Employees by country and gender

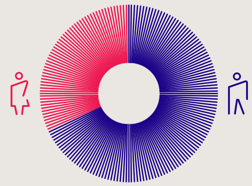
Brazil
Women 7,396 (33%)
Men 14,805 (67%)
Total 22,201



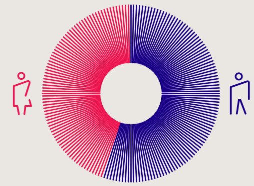
Ecuador
Women 427 (54%)
Men 357 (46%)
Total 784



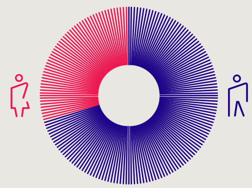
Chile
Women 4,597 (40%)
Men 6,845 (60%)
Total 11,442



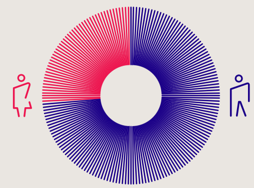
USA
Women 142 (45%)
Men 177 (55%)
Total 319



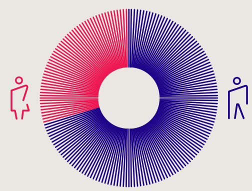
Peru
Women 1,805 (51%)
Men 1,762 (49%)
Total 3,567



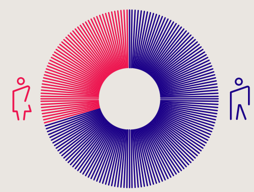
Others
Women 440 (49%)
Men 467 (51%)
Total 907



Argentina
Women 1,104 (44%)
Men 1,383 (56%)
Total 2,487



Colombia
Women 685 (49%)
Men 703 (51%)
Total 1,388



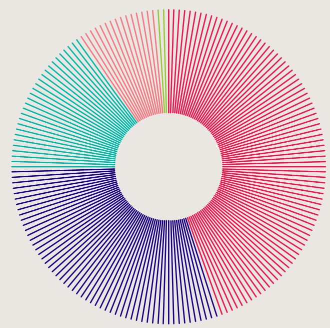
In order to move towards an ever more efficient system and to continue to render a quality service, LATAM Group's Human Resources team launched an online customer service platform known as "RH Connect", which consolidates within a single site all the information of the department's processes and services. Through this channel, the Group's workers can now access information regarding compensation, medical leave, team management, benefits, insurance, agreements, vacation time, processes, tools, and much more, in a quick, simple, and direct manner of their respective employers.

Likewise, in the period, there was significant progress in the LATAM Acknowledgement program started in 2016, destined to reward those who best embody the Group's guidelines of conduct in the "Security", "Service", and "Efficiency" categories. Through this initiative, the to recognize those who embody LATAM's spirit of service, beyond the position they hold, or the department they work in.

IN 2017, ROUGHLY 53 THOUSAND ACKNOWLEDGMENTS WERE AWARDED BY LATAM AFFILIATES, 3,154 OF WHICH WERE FOR "SECURITY", 22,387 FOR "SERVICE", AND 27,410 FOR "EFFICIENCY".

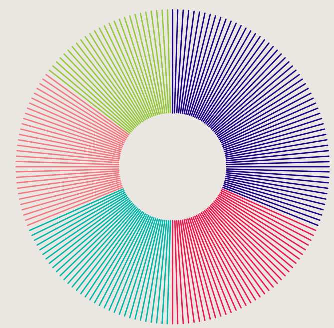
On the other hand, in this period, 43 thousand workers were trained, most of who were people in the operations department or crew members. This is in line with the project to transform the business model, which the Group implemented and, among other aspects, changed the way in which airfare tickets are sold (charging for the various features, such as checked baggage), based on each customer's needs.

Employees by age



Age	People
Up to 30 years	13,211 (31%)
From 31 to 40 years	17,943 (42%)
From 41 to 50 years	8,432 (20%)
From 51 to 60 years	2,955 (7%)
From 61 to 70 years	517 (1%)
More than 70 years	37 (0%)
Total	**43,095**

Employees by years in the company



Years in the company	People
Up to 3 years	12,298 (29%)
From 4 to 6 years	8,843 (21%)
From 7 to 9 years	8,091 (19%)
From 10 to 12 years	7,320 (17%)
More than 12 years	6,543 (15%)
Total	**43,095**

DIVERSITY OF THE MANAGEMENT

Managers by country and gender

			Total
Chile	130	382	512 (50%)
Brazil	110	193	303 (30%)
USA	15	41	56 (6%)
Peru	9	24	33 (3%)
Argentina	9	24	33 (3%)
Colombia	5	21	26 (3%)
Ecuador	6	8	14 (1%)
Others	10	28	38 (4%)
Total	294	721	1,015

Managers by age

Age	People
From 31 to 40 years	542 (53%)
From 41 to 50 years	274 (27%)
From 51 to 60 years	108 (11%)
Up to 30 years	73 (7%)
From 61 to 70 years	18 (2%)
Total	1,015

Managers by years in the company

Years in the company	People
Up to 3 years	135 (13%)
From 4 to 6 years	225 (22%)
From 7 to 9 years	208 (20%)
From 10 to 12 years	176 (17%)
More than 12 years	271 (27%)
Total	1,015

DIVERSITY OF BOARD OF DIRECTORS

Board members by country and gender

Chile	-	6
Brazil	-	2
United Kingdom	-	1
Total	-	9

Board members by age

Age	People
Up to 30 years	-
From 31 to 40 years	2
From 41 to 50 years	1
From 51 to 60 years	4
From 61 to 70 years	1
More than 70 years	1
Total	9

Board members by years in the company

Years in the company	People
Up to 3 years	5
From 4 to 6 years	2
From 7 to 9 years	1
From 10 to 12 years	-
More than 12 years	1
Total	9

Company INFORMATION

LATAM Airlines Group S.A.

Chilean Tax N° (RUT): 89.862.200-2

Residence: Santiago

Fantasy names: “LATAM Airlines”, “LATAM Airlines Group”, “LATAM Group”, “LAN Airlines”, “LAN Group” y/o “LAN”.

INCORPORATION

Established as a limited liability company by public deed of 30 December 1983, extended by Public Notary Eduardo Avello Arellano, an extract of which was recorded at Folio 20,341 Nº 11,248 of 1983 of the Santiago Business Register and published in the Official Gazette of 31 December 1983.

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

The change of name came into force on 22 June 2012.

The Extraordinary Shareholders’ Meeting of LAN Chile S.A. held on 23 July 2004 agreed to change the company’s name to “LAN Airlines S.A.” and the Extraordinary Shareholders’ Meeting of LAN Airlines S.A. held on 21 December 2011 agreed to change the company’s name to “LATAM Airlines Group S.A.”, current corporate name of the Company. An extract of the public deed corresponding to the Meeting’s minutes was recorded on the Business Register of the Real Estate Registry Office at Folio 4,238 Nº 2,921 of 2012 and was published in the Official Gazette of 14 January 2012. The change of name came into force on 22 June 2012.

LATAM AIRLINES GROUP S.A. IS RULED BY THE REGULATION APPLICABLE TO OPEN STOCK COMPANIES, AND REGISTERED TO THIS EFFECT UNDER Nº 0306, DATED JANUARY 22, 1987, IN THE COMMISSION FOR THE FINANCIAL MARKET ("CMF"), FORMERLY THE SUPERINTENDENCY OF SECURITIES AND INSURANCE.

THE CORPORATE PURPOSE IS:

a) *The commerce of air and / or land transport in any of its forms, whether of passengers, cargo, mail and everything that has direct or indirect relation with said activity, inside and outside the country, for own account or others;* ***b)*** *The provision of services related to the maintenance and repair of aircraft, own or third parties;* ***c)*** *The development and exploitation of other activities derived from the corporate purpose and / or related, related, auxiliary or complementary to it;* ***d)*** *The commerce and development of activities related to travel, tourism and hotels; and* ***e)*** *Participation in societies of any type or kind that allow society to fulfill its purposes.*

CORPORATE HEADQUARTERS

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

MAINTENANCE CENTER

Aeropuerto Arturo Merino Benítez
Santiago, Chile
Tel: (56) (2) 2565 2525

TICKER SYMBOL

LTM CI - Santiago Stock Exchange
LTM US - New York Stock Exchange

FINANCIAL INFORMATION

Investor Relations
LATAM Airlines Group S.A.
Avenida Presidente Riesco 5711,
20th Floor
Las Condes, Santiago, Chile
Tel: (56) (2) 2565 8765
Email: InvestorRelations@latam.com

SHAREHOLDER INQUIRIES

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

DEPOSITARY BANK ADRS

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

CUSTODIAN BANK ADRS

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

EXTERNAL AUDITORS

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

WEBSITES

Complete information about LATAM Airlines:
www.latamairlinesgroup.net
www.latam.com

CORPORATE GOVER-NANCE

Our leaders are committed to improving their teams, so we can be one of the most admired airlines group in the world.

Board

MEMBERS

The Board of Directors was elected in the Shareholder's Meeting of April 27,2017 for a two-year period.

IGNACIO CUETO PLAZA

Chairman
RUT: 7.040.324-2

Mr. Ignacio Cueto Plaza joined LATAM's Board of Directors in April 2017. His career in the airline industry extends over 30 years. In 1985, Mr. Cueto assumed the position of Vice President of Sales at Fast Air Carrier, a national cargo company of that time.

He led the commercial and service area of the company in the North American market. Mr. Cueto later served on the Board of Directors of Ladeco (from 1994 to 1997) and LAN (from 1995 to 1997), and served as President of LAN Cargo from 1995 to 1998. He served as Chief Executive Officer of Passenger Business from 1999 to 2005, and in 2005 as President and Chief Operating Officer of LAN until the merger with TAM was finalized. Mr. Cueto later served as LAN's CEO until April 2017. Mr. Cueto also led the establishment of the different affiliates that the company has in South America (Peru, Argentina, Ecuador, and Colombia), as well as the implementation of key alliances with other airlines. Mr. Cueto is part of the Cueto Group, the group of controlling shareholders.

CARLOS HELLER SOLARI

Vice-Chairman
RUT: 8.717.000-4

Mr. Carlos Heller Solari, entrepreneur, joined the board of LAN in May 2010 and was re-elected to the Board of Directors of LATAM in April 2017. Mr. Heller has extensive experience in the sectors of retail, communications, transportation, and agriculture. He is the Chairman of Bethia Group, which in turn owns Axxion S.A. and Betlán Dos S.A., companies with significant shares in LATAM Airlines.

Additionally, he is also the Chairman of Red Televisiva Megavision S.A., Club Hipico de Santiago, Falabella Retail S.A., Sotraser S.A., and Blue Express S.A. Mr. Heller is the major shareholder and Chairman of Azul Azul S.A. which administrates the Corporación de Fútbol Profesional from the Universidad de Chile.

Director
RUT: 6.694.240-6

Mr. Juan José Cueto Plaza has served on LAN's Board of Directors since 1994 and was re-elected to the board of directors of LATAM in April 2017. Mr. Cueto is the Executive Vice President of Inversiones Costa Verde S.A., a position that he has held since 1990, and also serves on the boards of Consorcio Maderero S.A., Inversiones del Buen Retiro S.A., Costa Verde Aeronáutica S.A., Sinergía Inmobiliaria S.A., Valle Escondido S.A., and Fundación Colunga.

JUAN JOSÉ CUETO PLAZA

HENRI PHILIPPE REICHSTUL

Director
RUT: 48.175.668-5

Mr. Henri Philippe Reichstul was re-elected to the Board of Directors of LATAM in April 2017. Mr. Reichstul has served as President of Petrobras and the IPEA-Institute for Economic and Social Planning, and Executive Vice President of Banco Inter American Express S.A. Currently, in addition to being an administrative council member of TAM and LATAM group, he is also a member of the Board of Directors of Peugeot Citroen and chairman of Fives, among others.

Mr. Reichstul is an economist with an undergraduate degree from the Faculty of Economics and Administration, University of São Paulo, and postgraduate work degrees in the same discipline - Hertford College - Oxford University.

GILES AGUTTER

Director
Foreign

Mr. Agutter is the owner and Chief Executive Officer of Southern Sky Ltd, an airline consultant company specializing in airline strategy, fleet planning, aircraft acquisition and aircraft financing. He is also currently a member of the Board of Directors of Air Italy. Mr. Agutter has had vast experience in advising airlines, including Qatar Airways, on significant Merger and Acquisition projects within the airline industry.

Mr Agutter has a degree in Aerospace Engineering from Manchester University and he currently resides in England.

EDUARDO NOVOA CASTELLÓN

Director
Rut: 7.836.212-K

Mr. Eduardo Novoa Castellón joined LATAM's Board of Directors in April 2017. Currently, Mr. Novoa serves on the Board of Directors of Cementos Bio-Bio, Grupo Ecomac, and ESSAL, and is a member of the Advisory Board in STARS and Endeavor. He was previously a member of the Board of Directors of Esval, Soquimich, Grupo Drillco, Techpack, Endesa-Americas, Grupo Saesa, Grupo Chilquinta, and various companies in the region that were branches of Grupo Enersis or AFP Provida. Additionally, he has formed part of the Board of Directors of union entities and nonprofit organizations such as Amcham-Chile, Asociación de Empresas Eléctricas, YPO-Chile, Chile Global Angels, and various Start-Ups. Between 1990 and 2007 he was an executive of different companies such as CorpGroup, Enersis, Endesa, Blue Circle, PSEG, and Grupo Saesa.

Mr. Novoa is an economist from Universidad de Chile and has a Master in Business Administration from the University of Chicago. He has participated in executive programs in Harvard, Stanford, and Kellogg, and was a finance and economics professor in various Chilean universities.

NICOLÁS EBLEN HIRMAS

Director
Rut: 15.336.049-9

Mr. Nicolás Eduardo Eblen Hirmas joined LATAM's Board of Directors in April 2017. Mr. Eblen currently serves as CEO of Inversiones Andes SpA, a position he has held since 2010. In addition, he serves on the Board of Directors of Granja Marina Tornagaleones S.A., Río Dulce S.A., Patagonia SeaFarms Inc., Salmon Chile A.G., and Sociedad Agrícola La Cascada Ltda. Mr. Eblen holds a Bachelor's degree in Industrial Engineering with a concentration in Computer Science from Pontificia Universidad Católica de Chile, and a Master in Business Administration from Harvard University.

ANTONIO LUIZ PIZARRO MANSO

Director
Foreign

Mr. Antonio Luiz Pizarro Manso joined LATAM's Board of Directors in April 2017. In addition, Mr. Pizarro has served on the Board of Directors of Banco Caixa Geral Brasil SA since 2009, on TAM Aviação Executiva S.A. since 2012, and on TAM S.A. since 2017. In 1995 assumed the position of CFO of Embraer, a position he held until 2008. He was also a member of the boards of Solví Participações S.A., Itapoá Terminais Portuários S.A, TAM S.A., and LM Wind Power do Brasil.

Mr. Pizarro is a mechanical engineer from Escuela Politécnica of Pontificia Universidad Católica de Rio de Janeiro and has a graduate degree in Finance from the Instituto Brasileiro de Mercado de Capitales.

Director
RUT: 7.269.147-4

Mr. Georges de Bourguignon, has served on LATAM Airlines Group's Board of Directors since September 2012 and was reelected in April 2017. He is co-founder of Asset Chile S.A., a Chilean investment bank, and its Chairman as of January 2018. Currently, he also has a board seat in K+S Chile S.A.; Embotelladora Andina S.A.; and Asset AGF, as Chairman. In the past, he has participated in various directories at public and private companies, and non-profit organizations as well. Between 1990 and 1993 he worked as Manager of Financial Institutions at Citibank N.A. in Chile and as a Professor of Economics at the Pontifical Catholic University of Chile.

Mr. de Bourguignon is an economist from this University and has an MBA from the Harvard Business School.

GEORGES DE BOURGUIGNON

EXECUTIVES

Our experience is what makes us unique.

ENRIQUE CUETO PLAZA

CEO LATAM Airlines Group
RUT: 6.694.239-2

Mr. Enrique Cueto Plaza, is LATAM Airlines Group's Chief Executive Officer ("CEO") and has held this position since the combination between LAN and TAM in June 2012. From 1983 to 1993, Mr. Cueto was Chief Executive Officer of Fast Air, a Chilean Cargo airline. From 1993 to 1994, Mr Cueto was a member of the board of LAN Airlines. Thereafter, Mr. Cueto held the position of CEO of LAN until June 2012. Mr. Cueto is member of the oneworld® Alliance Governing Board, the IATA (International Air Transport Association) Board of Governors. He is also member of the Board of the Endeavor foundation, an organization dedicated to the promotion of entrepreneurship in Chile, and Executive Member of the Latin American and Caribbean Air Transport Association (ALTA).

CLAUDIA SENDER

Senior Vice-President of Customers
Foreign

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

Vice President Senior FinancialFleet
Rut: 22.357.225-1

Mr. Ramiro Alfonsín, is LATAM's Chief Financial Officer ("CFO"), a position he holds since July 2016. Over the past 16 years, before joining LATAM, he worked for Endesa, a leading utility company, in Spain, Italy and Chile, having served as Deputy Chief Executive Officer and Chief Financial Officer for their Latin American operations. Before joining the utility sector, he worked for 5 years in Corporate and Investment Banking in large European banks. Mr. Alfonsín holds a degree in business administration from Pontificia Universidad Católica de Argentina.

RAMIRO ALFONSÍN

ROBERTO ALVO

Senior Vice-President of Commercial
RUT: 8.823.367-0

Mr. Roberto Alvo Milosawlewitsch has been the Commercial Senior Vice-President of LATAM since May 2017, being responsible of the Group's passenger and cargo revenue management, with all the commercial units reporting to him. Previously, he was Senior Vice-President of International and Alliances at LATAM Airlines since 2015, and Vice-President of Strategic Planning and Development since 2008. Mr Alvo joined LAN Airlines in November 2001, where he served as Chief Financial Officer of LAN Argentin, as Manager of Development and Financial Planning at LAN Airlines, and as Deputy Chief Financial Officer of LAN Airlines. Before 2001, Mr. Alvo held various positions at SociedadQuímica y Minera de Chile S.A., a leading Chilean non-metallic mining company. He is a civil engineer, and MBA from IMD in Lausanne, Switzerland.

Senior Vice-President of Operations, Maintenance and Fleet
Rut: 21.828.810-3

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

HERNÁN PASMAN

JUAN CARLOS MENCIÓ

Senior Vice President of Legal Affairs
RUT: 24.725.433-1

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

Senior Vice-President of Human Resources
RUT: 9.908.112-0

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

EMILIO DEL REAL

YEAR

2017

It should be noted that the compensations thus reported correspond to allowances for monthly attendance to Board of Directors' Meetings and Directors' Committee Meetings pursuant to the resolution approved by the Ordinary Shareholders Meeting of April 27, 2017.

During the year 2017, neither the Board of Directors nor the Directors' Committee incurred any additional consulting services costs.

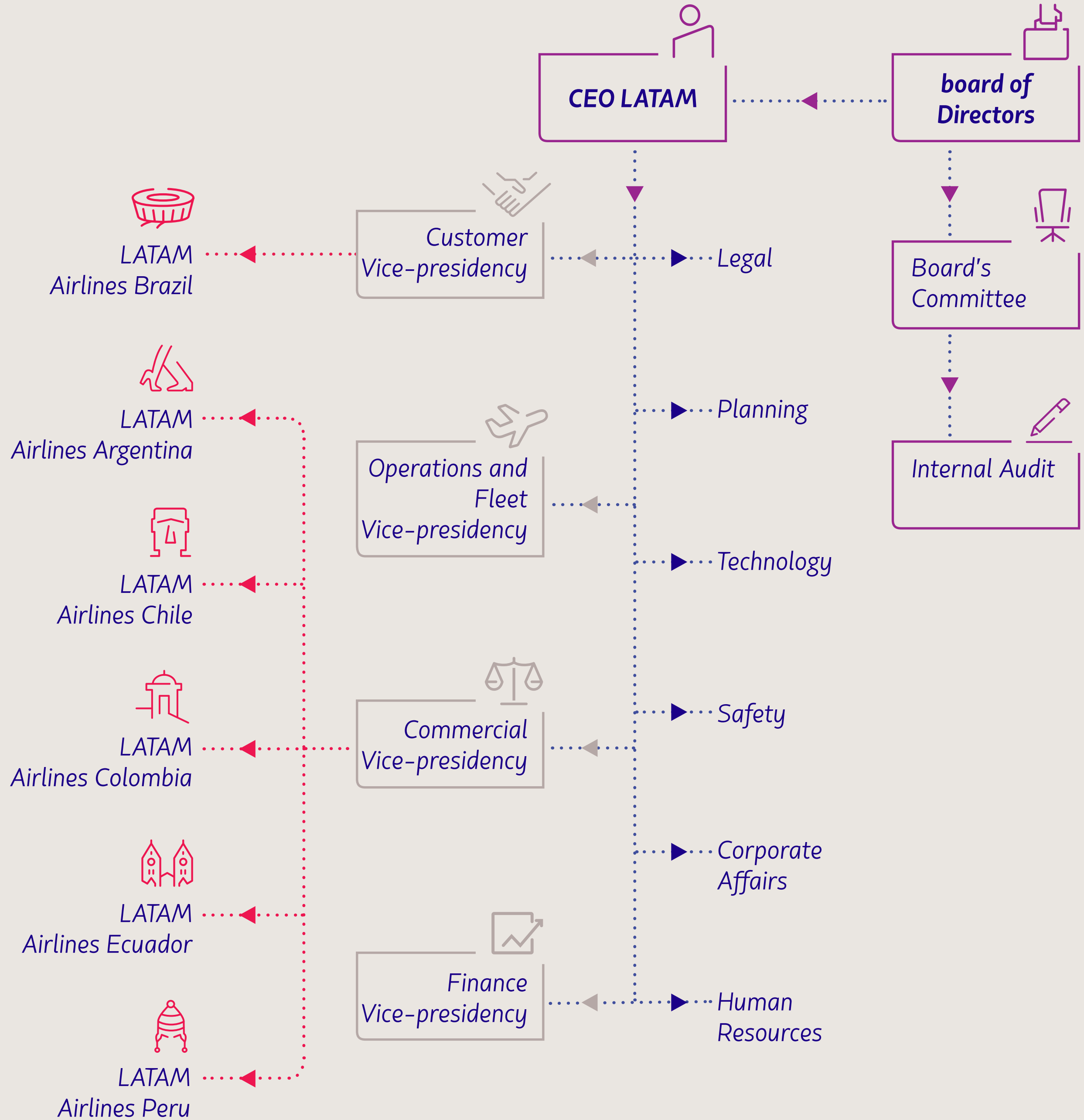
BOARD MEMBERS' COMPENSATION

2017

Board members	Position	Board of Director's allowance (US$)	Board of Director's Committee allowance (US$)	Subcommittee allowance (US$)	Total (US$)
Ignacio Cueto	Chairman	31,222	4,751	12,677	48,650
Mauricio Amaro	Former Chairman	5,235	-	1,055	6,290
Ramón Eblen Kadis	Former VC	5,419	7,262	4,335	17,017
Juan Gerardo Jofré Miranda	Former Director	5,419	7,262	4,335	17,017
Juan José Cueto Plaza	Director	18,707	2,376	15,153	36,236
Carlos Heller Solari	Vice-Chairman	12,467	2,376	-	14,842
Georges Antoine de Bourguignon Arndt	Director	24,198	30,452	17,012	71,662
Henri Philippe Reichstul	Director	14,463	1,716	9,917	26,095
Antonio Luiz Pizarro	Director	11,275	1,716	9,155	22,146
Eduardo Novoa Castellón	Director	18,778	23,190	12,677	54,645
Nicolás Eblen Hirmas	Director	18,778	23,190	12,677	54,645
Giles Agutter	Director	10,241	1,716	3,946	15,902

2016

Board members	Position	Board of Director's allowance (US$)	Board of Director's Committee allowance (US$)	Subcommittee allowance (US$)	Total (US$)
Mauricio Amaro	Chairman	25,029	-	1,992	27,021
Francisco Luzón López	Director	2,470	-	-	2,470
Juan José Cueto Plaza	Director	19,071	-	13,879	32,950
Ramón Eblen Kadis	Vice-Chairman	19,071	25,555	12,497	57,123
Juan Gerardo Jofré Miranda	Director	19,071	25,555	12,497	57,123
Carlos Heller Solari	Director	15,576	-	-	15,576
Georges Antoine de Bourguignon Arndt	Director	19,071	25,555	12,489	57,115
Ricardo J. Caballero	Director	6,212	-	2,976	9,188
Henri Philippe Reichstul	Director	13,774	-	10,024	23,798



ORGANIZATIONAL CHART

On March 22, 2017, the Company announced that it would be restructuring its high-level management in the company, following an international trend in the airline industry. This trend seeks a simple and efficient structure that meets the needs of the markets it operates in and enables the company to face an increasingly competitive environment.

The organization was restructured with a focus on four basic areas, which will be the pillars of the Company's business strategy and will report directly to the CEO of LATAM, Enrique Cueto. These areas are:

CLIENTS; OPERATIONS AND FLEET; COMMERCIAL; AND FINANCE;

each one led by current LATAM executives that have a distinguished trajectory in the Company in executing projects of large scope. Furthermore, they will report to the areas of: Human Resources, Legal, Planning, Technology, Security, Corporate Affairs, and Human Resources.

In 2017, the LATAM Airlines Group paid its senior executives a total of US $35,148,972, in addition to US $17,959,509 corresponding to performance incentives paid in March 2017. Consequently, the Company paid its senior executives a total gross remuneration amounting to US $53,108,481.

In 2016, the LATAM Airlines Group paid its senior executives a total of US $40,194,453, in addition to US $14,980,291 corresponding to performance incentives paid in March 2016. Consequently, the Company paid its senior executives a total gross remuneration amounting to US $55,174,744.

COMPENSATION PLANS

(a) Compensation plan for increase of capital
The compensation plans implemented via stock options for the underwriting and payment of stock options, that have been provided by LATAM Airlines Group S.A. to employees of the Company and its branches, are recognized in the financial statements pursuant to the established in NIIF 2 "Payments based on stock options". This registers the fair value of the stock options offered in the form of remuneration in a linear form, between the date of offering of said stock options and the date in which they expire.

(a.1) Compensation Plan 2011
On December 21, 2016, the subscription and payment period of the 4,800,000 shares corresponding to the compensation plan approved at the Extraordinary Shareholders' Meeting held on December 21, 2011, expired.

Of the total shares allocated to the 2011 Compensation Plan, only 10,282 shares were subscribed and paid, having been placed on the market in January 2014. In view of the above, at the expiration date, the 2011 Compensation Plan had a balance of 4,789,718 shares pending of subscription and payment, which was deducted from the authorized capital of the Company.

(a.2) Compensation Plan 2013
At the Extraordinary Shareholders' Meeting held on June 11, 2013, the Company's shareholders approved motions including increasing corporate equity, of which 1,500,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, in conformity with the stipulations established in Article 24 of the Corporations Law.

With regard to this compensation, a defined date for implementation does not exist.

(b) Compensation Plan 2016-2018
The company implemented a retention plan long-term for executives, which lasts until December 2018, with a vesting period between October 2018 and March 2019, which consists of an extraordinary bonus whose calculation formula is based on the variation the value to experience the action of LATAM Airlines Group S.A. for a period of time.

This benefit is recognized in accordance with the provisions of IFRS 2 "Share-based Payments" and has been considered as cash settled award and therefore recorded at fair value as a liability, which is updated to the closing date of each financial statement with effect on profit or loss.

Corporate Governance

PRAC TI CES

LATAM Airlines Group S.A. is a publicly held stock corporation (sociedad anónima abierta) registered before the Commission for the Financial Market ("CMF"), formerly the Superintendency of Securities and Insurance, under N° 306, whose stocks are traded on the Santiago Stock Exchange, the Chilean Electronic Exchange, and the Valparaiso Stock Exchange. Moreover, its stocks are traded on the New York Stock Exchange ("NYSE") as American Depositary Receipts ("ADRs").

LATAM Airlines Group's Corporate Governance practices follow the contents of Law N° 18,045 of the Securities Market, Law N° 18,046 on Stock Corporations ("LSA") and its Rules, and the CMF's regulations, the laws and regulations of the United States of America, and of the Securities and Exchange Commission ("SEC") of said country, regarding the issuance of ADRs.

LATAM Airlines Group's Corporate Governance practices are constantly revised so that its internal self-regulation processes may be fully in line with existing regulation and LATAM's values.

THE BASIS FOR THE BUSINESS DECISIONS AND ACTIVITIES THAT LATAM AIRLINES GROUP CARRIES OUT IS ITS ETHICAL PRINCIPLES, WHICH ARE STATED WITHIN THE LATAM CODE OF CONDUCT.

As for the main bodies of LATAM Airlines Group's Corporate Governance, they are the Board of Directors and the Board of Directors' Committee (which also acts as Audit Committee pursuant to the US Sarbanes-Oxley Act), together with the Strategy, Finance, Leadership, and Costumers and Businesses Committees, created following the merger of LAN and TAM. The main duties of these corporate bodies are detailed below.

LATAM AIRLINES GROUP BOARD OF DIRECTORS

LATAM Airlines Group's Board of Directors, comprising nine permanent members, is the body that analyzes and sets LATAM's strategic vision, thus fulfilling a key role in the Company's Corporate Governance. Every two years, all its members are renewed. Pursuant to LATAM Airlines Group's bylaws, the members of the board are chosen by cumulative voting.

Each shareholder has a vote for every share held, and they may cast all their votes in favor of a single candidate or share their votes among any number of candidates. These rules allow any shareholder who owns over 10% of the float to choose at least one representative on the board. The current Board was chosen in the ordinary shareholders' meeting held on April 27, 2017.

LATAM Airlines Group's Board meets in ordinary monthly sessions and in extraordinary sessions whenever the company's needs require it. Board members' compensation must be approved by a vote in the ordinary shareholders' meeting. The Board of Directors' Committee normally meets on a monthly basis and its functions and powers are stated by applicable law and regulations.

LATAM AIRLINES GROUP BOARD OF DIRECTORS' COMMITTEE

Chilean law states that publicly held stock corporations must appoint at least one independent board member and one Board of Directors' Committee whenever their equity is equal to or greater than 1,500,000 Unidades de Fomento (UF, CLP-denominated unit indexed to inflation), and at least 12.5% of their voting shares are held by shareholders who individually control or own less than 10% of said shares. Of the new members of the Board, three are part of the Board of Directors' Committee, which fulfills the role defined in the LSA, as well as the functions of the Audit Committee per the US Sarbanes-Oxly Act and the corresponding SEC regulation.

The Board and Audit Committee's functions are set forth in Article 50 bis of the LSA and other applicable regulation, wherein we can highlight the following issues:

- Examine the reports by LATAM Airlines Group's external auditors, the balance sheets, and other financial statements that LATAM Airlines Group's management may deliver to shareholders, as well as issue an opinion regarding said reports prior to presenting them to the shareholders for approval.
- Propose external auditors and risk rating agencies to the Board.
- Examine the internal control reports and any related complaints.
- Examine and report everything regarding related-party transactions.
- Examine the sliding scale for LATAM Airlines Group's senior management.

The requirements pertaining to board members' independence are stated in the LSA and its latter amendments by Law N° 19,705, regarding the relationship between managers and the controlling shareholders of the company.

A board member is considered independent when he or she has no links, interests, economic, professional, credit, or commercial dependence of any relevant nature or volume to the company, the other subsidiaries of the group of which it is a member, its controller, or the main executives, nor any family relation with the latter, nor any other links as stated in the LSA.

US REGULATION REQUIRES AN AUDIT COMMITTEE COMPRISED OF AT LEAST THREE BOARD MEMBERS, ADAPTING TO THE REQUIREMENTS OF INDEPENDENCE SET FORTH IN RULE 10A OF THE EXCHANGE ACT.

At December 31, 2017, all the Members of the Board of Directors' Committee who are also part of the Audit Committee were independent, pursuant to Rule 10A of the Exchange Act. To that date, the committee members were Messrs. Eduardo Novoa Castellón, Nicolás Eblen Hirmas, and Georges de Bourguignon Arndt (Chairman of the Board of Directors' Committee). For purposes of the LSA, Mr. Nicolás Eblen Hirmas is not considered an independent board member.

ANNUAL REPORT OF THE BOARD OF DIRECTORS' COMMITTEE'S ADMINISTRATION

Pursuant to item number 5 of section 8 of article 50 bis of Law N° 18,046 regarding Stock Corporations, the Board of Directors' Committee of LATAM Airlines Group S.A. issues the following annual report of its administration for 2017.

I. COMPOSITION OF THE BOARD OF DIRECTORS' COMMITTEE AND SESSIONS.

The Board of Directors' Committee of the Company comprises Messrs. Georges de Bourguignon Arndt, Eduardo Novoa Castellón, and Nicolás Eblen Hirmas, who are deemed independent members under US legislation. Under Chilean legislation, the former two are deemed independent members. The Board of Directors' Committee is chaired by Mr. Georges de Bourguignon Arndt.

The members were chosen in the Ordinary Shareholders' Meeting held on April 27, 2017, for a two-year term, pursuant to the Company's bylaws.

II. COMMITTEE'S ACTIVITY REPORT.

During 2017, the Board of Directors' Committee met in 21 sessions to exercise its powers and fulfill its duties as per article 50 Bis of Law N° 18,046 on Stock Corporations, as well as to see to those other matters that the Board of Directors' Committee deemed it necessary to examine, review, or evaluate. Below, is a report of the main issues discussed.

Examination and Review of Balance Sheet and Financial Statements.

The Board of Directors' Committee examined and reviewed the Company's financial statements as at December 31, 2016, as well as at the end of the quarters ended on March 31, June 30, and September 30, 2017, including the examination of the corresponding reports from the Company's external auditors, as explained below. The Company's External Auditor participated in the Committee's sessions regarding the Company's financial statements as at December 31, 2016 and June 30, in order to deliver their audit opinion and report the relevant points of their review, the main aspects of internal control, and the communications required by the External Auditor's regulator including, on each item, the confirmation that (i) they met with no difficulties to carry out the audit, (ii) they had no difference of opinion with Management, and (iii) no events arose that could pose a threat to their independence.

In the ordinary session held on September 29, 2017, the external auditors, Price WaterhouseCoopers (PwC), presented their audit plan for 2017. Likewise, in its capacity as external auditor for TAM S.A. and its affiliates, Ernst & Young (EY) participated in the Board of Directors' Committee's sessions of May 31, 2017 and September 29, 2017 to report on the main aspects of the external audit of TAM, the focus of its review process, and aspects of internal control.

Review of Reports on Impairment of Cash Generating Units.

In the session held on March 6, 2017, the Directors' Committee analyzed the impairment reports prepared by the Company's management and the consulting firm KPMG, hired for that purpose and present at that session, corresponding to the cash-generating units of the Company for certain assets included in the Financial Statements as of December 31, 2016. In the sessions held on May 10, 2017, August 4, 2017, and November 2, 2017, LATAM's Comptroller's area presented to the Board of Directors' Committee an impairment analysis reports for the Company's cash generating units regarding certain assets included in the Financial Statements dated March 31, 2017, June 30, 2017, and September 30, 2017, respectively, pursuant to the reports issued by the Company.

At the Board of Directors' Committee's session held on May 31, 2017, LATAM's Comptroller presented to the Board of Directors' Committee the "Policy for the Control of Signs of Impairment of Air Transport Cash Generating Unit and Multiplus Coalition and Loyalty Program Cash Generating Unit".

Executive and Workers' Compensation Systems.

In an ordinary session held on March 23, 2017, the Board of Directors' Committee examined changes to the compensation systems for executives in relation to the calculation of long-term bonds. In the Board of Directors' Committee's session held on April 3, 2017, the reorganization of the senior management was reviewed.

In the session held on August 4, 2017 and on September 1, 2017, the Board of Directors' Committee reviewed the main topics discussed in the Leadership Committee throughout the year, including the "Headcount Challenge" and LATAM's new Organizational Structure. In terms of compensation, the LATAM executive compensation strategy was reviewed, beginning at the Director level, including the methodology used to assess the position, the compensation policy defined by the Company, and the average ranking for said positions within the Chilean and Brazilian markets.

Examination of Background Pertaining to Related-Party Transactions

The transactions that are considered or could be considered related-party transactions according to the Company's applicable legal and accounting rules were examined in the sessions held on January 4, 2017, February 16, 2017, August 4, 2017, and September 1, 2017, whereby the Committee granted the corresponding approvals.

Corporate Governance Practices.

In order to comply with General Rule N° 385 of the Commission for the Financial Market ("CMF"), formerly the Superintendence of Securities and Insurance ("NCG 385"), the Board of Directors' Committee analyzed and examined LATAM's corporate governance practices for 2017 in the sessions held on May 31, 2017 and December 7, 2017, January 22, 2018, and March 5, 2018, per the questionnaire included in Appendix I of said NCG 385. In said sessions, improvements to the Company's corporate governance practices were evaluated, and it was agreed to strengthen the implementation of some practices that have already been approved, and to improve some procedures for meetings with the planning department. With regard to the session held on May 31, 2017, the planning of the Board of Directors' Committee in coordination with the Board's activities was reviewed, and in an extraordinary session held on December 13, 2017, a meeting was held with the Company's "Investor Relations" department review its operation and propose possible improvements to the practices of information delivery to the market.

Training on Matters of Competition.

In the sessions held on January 23, 2017, June 30, 2017, December 7, 2017, and March 5, 2018, the Board of Directors' Committee reviewed the conclusions of the training carried out on competition to reinforce in this field in the Company's various business segments.

Updating Sustainability Matters.

In the Board of Directors' Committee's session held on November 2, 2017, the Company's progress in terms of Sustainability was reported, reviewing the company's sustainability strategy, matters of corporate governance regarding the Dow Jones Sustainability Index, and issues regarding corporate citizenship.

Review of Tax and Accounting Topics

In the sessions held on January 23, 2017, March 6, 2017, May 10,2017 and September 29, 2017, the Board of Directors' Committee reviewed accounting and tax topics including the authority's oversight, asset reorganization, rules for determining transfer prices, implementation of new IFRS standards, and accounting contingencies

Internal Audit and Internal Controls

In the ordinary sessions of the Directors' Committee held on June 30, 2017 and August 4, 2017, the reports issued by LATAM Internal Audit and the Internal Audit work plan for 2017 were reviewed and revised.

Also, in the sessions of March 23, 2017, August 4, 2017 and December 7, 2017, the Directors' Committee reviewed the conclusions of the review of control systems under the Sarbanes Oxley regulation. The 2017 work plan was also reviewed and progress on internal control was reported. On December 7, 2017, the Directors Committee met with the "Procurement & Supply Chain" area in order to learn more about its operation including a review of the main processes and controls in this area. On November 2 and November 15, 2017, the Directors Committee internalized the progress in the various projects associated with the Revenue Accounting area.

Corporate Risk Management

In the ordinary session held on April 3, 2017, the Directors' Committee reviewed a presentation regarding the risks associated with the Operations Control Center (CCO) in which the functions of this center were analyzed, as well as the management tasks of the center, contingencies and operational continuity, the teams involved, the evolution of the management of the CCO and matters related to its new organizational format.

Compliance

In the ordinary sessions held on January 23, 2017 and September 1, 2017, the Board of Directors' Committee received training on the Compliance Program currently in force in the Company. The training included a revisionon its main contents, including the Code of Conduct, different Policies and Procedures, Due Diligence processes for Third Party Intermediaries (TPIs), Crime Prevention Manual, ongoing consulting on Compliance, Ambassador Program, Hotline and internal investigations, and the risk assessment processes, certification, and training.

Board of Directors' Committee Recommendations.

On the other hand, the Directors' Committee made several recommendations, and section IV of this report indicates those related to the appointment of external auditors of the Company and of private risk rating agencies for the year 2017.

Report of Activities by Board of Directors' Committee Session

Notwithstanding the above, the Board of Directors' Committee met and discussed the opportunities described below, with a brief example of the topics examined at each of these sessions:

1) Extraordinary session N°52 01/04/2017

- Examination of aircraft subleasing agreement under wet lease modality, concerning 4 A350-941 aircraft, to be entered with Qatar Airways Q.E.S.C.

2) Ordinary session N°173 01/23/2017
- *Presentation relative to the project for competitiveness training.*
- *Updates on accounting matters.*
- *Presentation of tax matters.*
- *Compliance matters.*

3) Extraordinary session N°53 02/16/2017
- *Review and approval of aircraft subleasing agreement under dry lease modality, concerning 4 A350-941 aircraft, to be entered with Qatar Airways Q.E.S.C.*

4) Ordinary session N°174 03/06/2017
- *Analysis of impairment test of certain assets included in the Financial Statements at December 31, 2016.*
- *Updates on accounting matters.*
- *Review of the document required by General Rule 385*
- *Review of legal issues and compliance.Transaction review relative to a subsidiary Mas Air.*

5) Extraordinary session N°54 03/15/2017
- *Review of Financial Statements at December 31, 2016.*

6) Extraordinary session N°55 03/23/2017
- *Conclusion of SOX review up to December 31, 2016.*
- *Human resources related to modifications in compensation systems through long-term executive bonds.*

7) Ordinary session N°175 04/03/2017
- *Reorganization of the senior management.*
- *Proposal of hiring external auditors and private risk rating agencies for 2017.*
- *Review of the functioning of the Directors' Committee for incoming Directors to the Committee.*
- *Review of legal issues and compliance.*
- *Corporate risk management issues: CCO centralization: review of the centralization of the Operations Control Center.*

8) Ordinary session N°176 05/10/2017
- *Installing and election of the Committee Chairman.*
- *Review of the functioning of the Directors' Committee for incoming Directors to the Committee.*
- *Analysis of signs of Impairment of air transport cash generating unit.*
- *Analysis of future application of accounting rule IFRS 16.*
- *Transaction in relation Transaction review relating to a subsidiary Mas Air*

9) Extraordinary session N°56 05/15/2017
- *Review of the Financial Statements up to March 31, 2017.*

10) Ordinary session N°177 05/31/2017
- *Policy on signs of impairment and consultation on state of cash flows.*
- *Presentation of external auditors EY.*
- *Board's annual activity plan.*
- *Analysis of information required by General Rule 385 of the SVS.*
- *Various matters concerning Legal Affairs*
- *Planning of activities of Board of Directors' Committee and others.*

11) Ordinary session N°178 06/30/2017
- *Administrative aspects revision regarding the functioning of the Directors' Committee.*
- *Review of Internal Audit Reports and work plan of Internal Audit for the year 2017*
- *Presentation of the Project for competitiveness training.*
- *Revision of legal Affairs topics*

12) Extraordinary session N°57 08/01/2017
- *Review of legal and Compliance matters.*

13)Ordinary session N°179 08/04/2017
- *Review of the Internal Audit work plan for 2017.*
- *Review of Transactions between parties related to the Frequent Flyer Programs of LATAMPASS and MULTIPLUS.*
- *Analysis of signs of deterioration of the cash-generating unit of air transport.*
- *Presentation of information on Transactions with related parties.*
- *SOX 2017 work plan.*
- *Review of legal issues.*
- *Review of topics discussed in the Leadership Committee related to executive compensation systems.*

14) Extraordinary session N°58 08/17/2017
- Review of the Financial Statements up to June 30, 2017.

15) Ordinary session N°180 09/01/2017
- Review of the FFP Transactions (between parties related to the Frequent Flyer Programs of LATAMPASS and MULTIPLUS).
- Review of a Transaction in relation to a subsidiary. Mas Air
- Extension Review of the extension of the term of the sublease contract of aircraft A350-941 to Qatar Airways Q.E.S.C .
- Review of compliance issues.
- Presentation of BH Compliance.
- Review of topics discussed in the Leadership Committee related to executive compensation systems.

16)Ordinary session N°181 09/29/2017
- Review of progress status of PWC 2017 external audit.
- Presentation of the firm EY relative to the audit to TAM S.A.
- Presentation of tax issues associated with transfer prices, asset reorganization, and contingencies.

17) Ordinary session N°182 11/2/2017
- Analysis of signs of Impairment of air transport cash generating unit.
- Presentation of the Revenue Accounting area regarding the current status of the "REVERA" project.
- Presentation on LATAM Sustainability and Corporate Citizenship.
- Revision of Legal matters.

18) Extraordinary session N°59 11/15/2017
- Review of the Financial Statements up to September 30, 2017
- Presentation of the Revenue Accounting area related to the progress of the "REVERA" project.

19) Extraordinary session N°60 12/1/2017
- Analysis of notice received by TAM Linhas Aéreas S.A. ("TAM") from Brazil's Federal Revenue Office (Secretaria de Receita Federal).

20) Ordinary session N°183 12/7/2017
- Presentation of part of the LATAM Procurement area related to the processes under its responsibility.
- Analysis of the information required by General Standard 385 of the SVS
- Presentation by the Comptroller's Office regarding the status of the SOX 2017 review
- Presentation on the Competency Training Project.
- Analysis of the letter received from external auditors related to internal control issues.

21) Extraordinary session N°61 12/13/2017
- Presentation relative to the functioning of the "Investor Relations" department and the information deliver to the market.

III. BOARD OF DIRECTORS' COMMITTEE COMPENSATION AND EXPENDITURES.

The Company's Ordinary Shareholders' meeting held on April 27, 2017, agreed that each member of the Board of Directors' Committee should receive the equivalent to 80 Unidades de Fomento (UF) per monthly attendance to the Board of Directors' Committee's sessions.

With regard to the functioning of the Board of Directors' Committee and its advisors, the Stock Corporations law states that their spending budget must be at least equivalent to the annual compensation paid to the Committee members; thus, said Ordinary Shareholders' Meeting approved a budget of 2,880 UF for 2017, which was not used during the year 2017.

As a result, the Board of Directors' Committee's spending is related to the monthly fee for attending the sessions, and members have no other expenses or outlays to report.

IV. BOARD OF DIRECTORS' COMMITTEE RECOMMENDATIONS.

IV.1 Proposal for Appointment of External Auditors.

In the Board of Directors' Committee's session held on April 3, 2017, and pursuant to the contents of item 2), section eight of Article 50 Bis of Law N° 18,046 regarding Stock Corporations, the Board of Directors' Committee agreed to submit to the Board the external auditors suggested at the Company's Ordinary Shareholders' Meeting held on April 27, 2017. Thus, the Committee decided to propose to the company's Board the appointment of PriceWaterhouseCoopers Consultores, Auditores y Cía. Limitada ("PWC"), Ernst & Young Servicios Profesionales de Auditoría y Asesorías Limitada ("EY"), and KPMG Auditores Consultores Ltda ("KPMG") as Audit Companies for the Company, in that same order of priority, albeit advising to retain PWC as the Audit Company for the year 2017, given the contract with PWC, which is still valid, as it was awarded during the bidding process for External Audit services that the Company held in 2016, and comprises the rendering of said services for the years 2016, 2017, and 2018. On that occasion, the following reasons and arguments were considered to make this decision:

(i) The Company's management or Board have made no observations or objections to the quality of the services rendered by PWC to LATAM Airlines Group.

(ii) The interaction and coordination between both external auditors, PWC and EY, as external auditors for LATAM Airlines Group and TAM S.A. for the year 2016 is deemed to have been positive.

(iii) While PWC has been the external auditor for LATAM Airlines Group for the last 25 years, this audit company's degree of independence is guaranteed through the internal control systems that it has implemented and through the policy that PWC follows on an international level of changing the partner

in charge of the client every 5 years, which is in accordance with the contents of item f) of Article 243 of Law N° 18,045 regarding the Securities Market. Indeed, as the partner in charge of LATAM's audits has already held this position for 5 years, the change is due for the audit pertaining to year 2017, whereby PWC has already informed of the appointment of the new partner in charge.

(vii) On the other hand, and pursuant to the results of the abovementioned bidding process, the Board's recommendation to the Board of Directors of TAM S.A., which concurs with the Board of Directors' Committee's, is to continue with EY as the external auditor for TAM S.A. and affiliates.

In fiscal year 2017, the PWC rotated the Senior Partner to the External Audit of LATAM, appointing Mr. Renzo Corona as replacement of Mr. Jonathan Yeomans.

IV.2 Proposal for Private Risk Rating Agencies.

In the Board of Directors' Committee's session held on April 3, 2017, and pursuant to the stipulations of item 2), section eight of Article 50 Bis of Law N° 18,046 regarding Stock Corporations, the Board of Directors' Committee agreed to submit to the Board the risk rating agencies to be suggested at the Company's Ordinary Shareholders' Meeting to be held on April 27, 2017. Thus, the Committee decided to propose to the company's Board the appointment of rating agencies Fitch Chile Clasificadora de Riesgo Limitada, Feller-Rate Clasificadora de Riesgo Limitada, and Standard and Poor's Ratings Chile Claisificadora de Riesgo Limitada. As for the international risk rating, the Board of Directors' Committee agreed to propose to the Board the appointment of agencies Fitch Ratings, Inc., Moody's Investors Service, and Standard & Poor's Ratings Services.

LATAM AIRLINES GROUP BOARD COMMITTEES

Pursuant to the shareholders' agreement signed on January 25, 2012 between LATAM Airlines Group S.A. (formerly LAN Airlines S.A.) and TEP Chile S.A., in an ordinary Board meeting held on August 3, 2012, the setting up of the following four committees was agreed to review, discuss, and make recommendations to the Company's Board regarding the issues concerning each one:

(i) Strategy Committee, (ii) Leadership Committee, (iii) Finance Committee, and (iv) Costumers and Businesses Committee. Pursuant to the contents of the shareholders' agreement mentioned above, each of these committees will comprise two or more of the Company's Board members and at least one of their members must be appointed by TEP Chile S.A.

The Strategy Committee focuses on the corporate strategy, current strategic issues and the three-year plans and budgets for the main business units and functional areas and high-level competitive strategy reviews.

The Leadership Committee focuses on, among other things, group culture, high-level organizational structure, appointment of the LATAM CEO and his or her other reports, corporate compensation philosophy, compensation structures and levels for the LATAM CEO and other key executives, succession or contingency planning for the LATAM CEO and performance assessment of the LATAM CEO.

The Finance Committee is responsible for financial policies and strategy, capital structure, monitoring policy compliance, taxation strategy and the quality and reliability of financial information.

Finally, the Customers and Businesses Committee is responsible for setting the competitive strategies of the Customers and Commercial Vice-Presidencies with a focus on sales, marketing, network and fleet initiatives, customer experience and revenue management.

Moreover, pursuant to the agreement reached by the Board of LATAM Airlines Group S.A., in board meeting N° 389 held on June 10, 2014, a Risk Committee was created to supervise the implementation of the risk pillar in the company's strategic plan, and particularly, to supervise LATAM Airlines Group's risk management and ensure the structuring of a corporate risk matrix.

RELATED-PARTY TRANSACTIONS

On August 2, 2016, the Company's Board approved a Control Policy for Related-Party Transactions applicable to LATAM and all its affiliates, based on LSA, which states that all transactions of a publicly traded company with a related party must contribute to the company's interest, be carried out under market conditions, and comply with certain requirements, such as a prior examination by the board of directors' committee, authorization by the board or meeting, and disclosure, which are different from those applicable to a non-public company.

This policy includes the Board's definition of the transactions considered habitual, which was approved in the board meeting held on December 29, 2009 and reported on said date to the CMF via a communiqué. The transactions declared to be habitual may be executed without the requirement of prior examination and approval by the board or meeting.

LATAM Airlines Group has performed various transactions with its affiliates, including the companies held or controlled by some of its majority shareholders. During the normal course of LATAM's business, various types of services have been rendered and received to and from related companies, including aircraft leasing and exchange, cargo transportation, and booking services.

LATAM Airlines Group's policy considers not carrying out transactions with, or in favor of any shareholder or Board member, or with any entity controlled by said persons, or where they hold a significant economic stake, except when said transaction is related to LATAM and the price and other terms are, at least, as favorable for the company as those it could obtain from a third party under market conditions.

Said transactions are summarized in the audited consolidated financial statements for the fiscal year ended on December 31, 2017.

PRINCIPLES OF A GOOD CORPORATE GOVERNANCE

The good Corporate Governance of LATAM Airlines Group is a result of the interaction among various people and stakeholders.

While compliance with the highest of ethical and regulatory standards set by the Board of LATAM Airlines Group must be observed by all its employees, initially, the persons responsible for a good Corporate Governance are the Board, the Board of Directors' Committee, and the Senior Executives of LATAM Airlines Group. Thereby, LATAM Airlines Group is committed to offer transparency and compliance with the ethical and regulatory standards set by the Board for this purpose.

PILLARS OF THE CORPORATE GOVERNANCE OF LATAM AIRLINES GROUP

In order to ensure a proper Corporate Governance at LATAM Airlines Group, and notwithstanding the responsibilities of the Board and the Board of Directors' Committee of LATAM, its management has taken a series of steps, including the following:

1. Publication of a single LATAM Airlines Group Code of Conduct for all its collaborators, whose goal is to ensure compliance with the highest ethical, transparency, and regulatory standards required by LATAM Airlines Group.

   LATAM Group has a Channel to Report Ethical Breaches (www.etica-grupolatam.com) where workers can file their concerns directly via electronic media, in a private way, and certain that their concerns will be duly dealt with and investigated, guaranteeing that there will be no retaliation against the person who filed the report.

2. Code of Ethics for senior financial executives, which fosters honest and ethical conduct in the presentation of financial information, regulation compliance, and absence of conflicts of interest.

3. Manual for Handling Relevant Information, a requirement of the CMF and, based on the contents of Law N° 20,382 on Corporate Governments, a requirement of the Chilean law regarding the Securities Market as well. Aside from the rules, LATAM Airlines Group regulates the criteria for the disclosure of transactions, voluntary blackout periods for the purchase and sale of LATAM stocks, the mechanisms for the ongoing distribution of relevant information to the market, and mechanisms for safekeeping confidential information by LATAM employees and executives.

4. Compliance Program, whereby LATAM's Compliance Management, which is part of the Legal Affairs Vice-Presidency of LATAM Airlines Group, in coordination with the Board and its Committee and supervised by them, ensures compliance with the laws and regulations applicable to LATAM Airlines Group's businesses and activities in the various countries where it operates.

CORPORATE GOVERNANCE PRACTICES

On March 30, 2018, the Company's Corporate Practices Report was submitted to the CMF, approved by the Board of LATAM Airlines Group S.A. and prepared pursuant to CMF General Rule N° 385, formerly N° 341, dated June 8, 2015. The duty of information disclosure stated in this rule is set to cover up to December 31 of each year, to be presented no later than March 31 of the following year.

The information delivered on an annual basis to the CMF must regard the following issues:

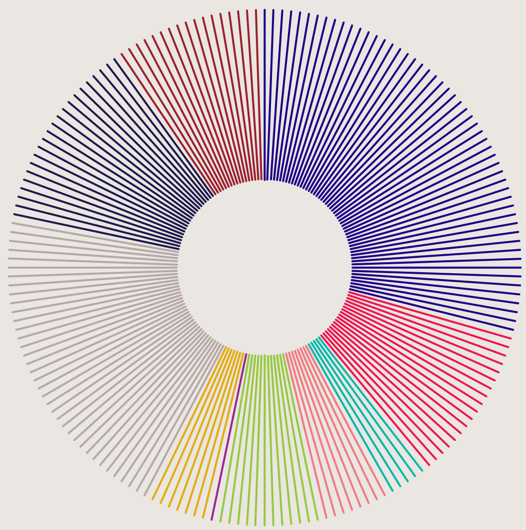
- Board of Directors' Committee Functioning.
- The relations between the company, shareholders, and the public.
- Substitution and compensation of senior executives.
- Definition, implementation, and supervision of the company's internal control and risk management policies and procedures.

PROPERTY

Ownership Structure and Main Shareholders

As of December 31, 2017, LATAM Airlines Group had a total of 1,485 shareholders on record and it is controlled by the Cueto Group.

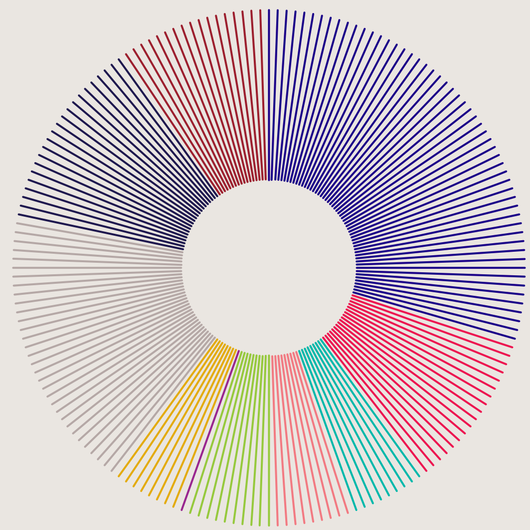
Property as of December 31, 2017



Cueto Group	169,248,377	27.9%
Qatar Airways ([1])	60,837,452	10.0%
Amaro Group	15,615,113	2.6%
Bethia Group	33,367,357	5.5%
Eblen Group	35,945,199	5.9%
Hirmas Group	1,143,957	0.2%
ADRs	24,829,435	4.1%
AFPs	128,650,206	21.2%
Foreign investors	63,453,785	10.5%
Others	73,316,812	12.1%
Total	**606,407,693**	**100.0%**

[1] Qatar owns 9.999999918% of total issued shares of LATAM.

Property as of December 31, 2016



Cueto Group	171,430,090	28.3%
Qatar Airways ([1])	60,837,452	10.0%
Amaro Group	30,254,075	5.0%
Bethia Group	33,367,357	5.5%
Eblen Group	35,945,199	5.9%
Hirmas Group	1,260,177	0.2%
ADRs	28,429,683	4.7%
AFPs	105,683,288	17.4%
Foreign investors	60,744,566	10.0%
Others	78,455,806	12.9%
Total	**606,407,693**	**100.0%**

[1] Qatar owns 9.999999918% of total issued shares of LATAM.

12 Main Shareholders by December 31, 2017

Name or Business name	Shares paid and subscribed as of Jan 31, 2017	Percentage (%)
Costa Verde Aeronáutica S.A	88,259,650	14.6%
Qatar Airways Investments (uk) Ltd.	60,837,452	10.0%
Costa Verde Aeronáutica tres SpA	35,300,000	5.8%
Banco de Chile por cuenta de terceros no residentes	26,868,034	4.4%
JP Morgan Chase Bank	25,087,789	4.1%
Inversiones Nueva Costa Verde Aeronáutica Ltda.	23,578,077	3.9%
Banco Itaú Corpbanca por cuenta de inversionistas extranjeros	22,101,009	3.6%
Axxion S.A	18,473,333	3.0%
Inversiones Andes SpA	17,146,529	2.8%
TEP Chile S.A	15,615,113	2.6%
Inversiones HS SpA	14,894,024	2.5%
Banco Santander por cuenta de inversionistas extranjeros	13,309,477	2.2%

12 Main Shareholders by December 31, 2016

Name or Business name	Shares paid and subscribed as of Dec 31, 2015	Percentage (%)
Costa Verde Aeronáutica S.A	90,427,620	14.9%
Qatar Airways Investments (uk) Ltd.	60,837,452	10.0%
Costa Verde Aeronáutica tres SpA	35,300,000	5.8%
TEP Chile S.A	30,254,075	5.0%
Banco de Chile por cuenta de terceros no residentes	28,532,253	4.7%
JP Morgan Chase Bank	28,429,683	4.7%
Inversiones Nueva Costa Verde Aeronáutica Ltda.	23,578,077	3.9%
Banco Itaú Corpbanca por cuenta de inversionistas extranjeros	21,157,885	3.5%
Axxion S.A	18,473,333	3.0%
Inversiones Andes SpA	17,146,529	2.8%
Inversiones HS SpA	14,894,024	2.5%
Costa Verde Aeronáutica SpA	12,000,000	2.0%

Below we show the percentage controlled, directly or indirectly, by the controller and by each of its members; we also identify the natural persons that stand behind such legal persons.

1. The Cueto Group is LATAM's controlling partner, whose property owners are: Messrs. Juan José Cueto Plaza (one of our board members), Ignacio Cueto Plaza (Chairman), Enrique Cueto Plaza (LATAM CEO) and other members of this family. As of December 31, 2017 the Cueto Group owned 27.91% of LATAM's ordinary shares of stock through the following companies (Table 1):

TABLE 1

RUT Taxpayer ID N°	Participant	Current number of shares	%
99.305.700	Costa Verde Aeronáutica S.A	88,259,650	14.55%
99.310.262	Costa Verde Aeronáutica Tres SpA	35,300,000	5.82%
99.307.360	Inversiones nueva Costa verde Aeronáutica Ltda.	23,578,077	3.89%
99.307.934	Costa Verde Aeronáutica SpA	12,000,000	1.98%
99.308.347	Inversiones Priesca Dos y Cia. Ltda.	3,568,352	0.59%
99.308.348	Inversiones Caravia Dos y Cia. Ltda.	3,553,344	0.59%
99.308.349	Inversiones el Fano Dos y Cia. Ltda.	2,704,533	0.45%
99.310.212	Inversiones la Espasa Dos y Cia. Ltda.	252,097	0.04%
99.308.419	Inversiones la Espasa Dos S.A	32,324	0.01%
Cueto Group Total		**169,248,377**	**27.91%**

2. The shareholders of COSTA VERDE AERONÁUTICA S.A., are the following (Table 2):

TABLE 2

Shareholder	Percentage
Inversiones Costa Verde Aeronáutica S.A.	77.97%
TEP Chile S.A.	21.88%
Inversiones Mineras del Cantábrico S.A.	0.0001%
Inversiones Costa Verde Limitada y CIA en C.P.A.	0.13%
Minority shareholders	0.013%

3. In turn, the controlling company of the above-described Costa Verde Aeronáutica S.A., is INVERSIONES COSTA VERDE AERONÁUTICA S.A.((A in Table 2), whose partnership structure is as follows (Table 3):

TABLE3

Shareholder	Percentage
Inversiones Costa Verde Limitada y CIA en C.P.A.	99.85%
Inversiones Costa Verde y CIA Limitada	0.131%
Inversiones Costa Verde Limitada	0.014%

4. The above-described INVERSIONES COSTA VERDE LIMITADA - LIMITED JOINT-STOCK PARTNERSHIP, (I in Table 3), has the following partnership structure (Table 4):

TABLE 4

Shareholder	Percentage	Main partner	RUT Taxpayer ID N°
Inmobiliaria e Inversiones El Fano Limitada	8%	Enrique Miguel Cueto Plaza	6.694.239-2
Inmobiliaria e Inversiones Caravia Limitada	8%	Juan José Cueto Plaza	6.694.240-6
Inmobiliaria e Inversiones Priesca Limitada	8%	Ignacio Javier Cueto Plaza	7.040.324-2
Inmobiliaria e Inversiones La Espasa Limitada	8%	Juan José Cueto Plaza	6.694.240-6
Inmobiliaria e Inversiones Puerto Claro Limitada	8%	Isidora Cueto, Felipe Cueto y María Emilia Cueto	18.391.071-K
Inmobiliaria e Inversiones Colunga Limitada	30%	Same shareholders of Inv. Mineras del Cantábrico S.A.	76.180.199-6
Inversiones del Cantábrico Limitada	30%	Same shareholders of Inv. Mineras del Cantábrico S.A.	76.006.936-1

5. With respect to INMOBILIARIA E INVERSIONES COLUNGA LIMITADA e INVERSIONES DEL CANTÁBRICO LTDA.

100% owned by the Cueto Group, its final shareholders are Messrs.: (i) Juan José Cueto Plaza, previously identified; (ii) Ignacio Javier Cueto Plaza, previously individualized; (i) Juan José Cueto Plaza, previously identified; (ii) Ignacio Javier Cueto Plaza, previously identified; (iii) Enrique Miguel Cueto Plaza, previously identified; (iv) María Esperanza Cueto Plaza, RUT taxpayer ID N° 7.040.325-0, (v) Isidora Cueto Cazes, RUT taxpayer ID N° 18.391.071-k; (vi) Felipe Jaime Cueto Ruiz-Tagle, RUT taxpayer ID N° 20.164.894-7 (vii) María Emilia Cueto Ruiz-Tagle, RUT taxpayer ID N° 20.694.332-7 (viii) Andrea Raquel Cueto Ventura, RUT taxpayer ID N° 16.098.115-6 (ix) Daniela Esperanza Cueto Ventura, 16.369.342-9; (x) Valentina Sara Cueto Ventura, RUT taxpayer ID N° 16.369.343-7 (xi) Alejandra Sonia Cueto Ventura, RUT taxpayer ID N° 17.700.406-5; (xii) Francisca María Cueto Ventura, RUT taxpayer ID N° 18.637.286-7; (xiii) Juan José Cueto Ventura, RUT taxpayer ID N° 18.637.287-5; (xiv) Manuela Cueto Sarquis, RUT taxpayer ID N° 19.078.071-6; (xv) Pedro Cueto Sarquis, RUT taxpayer ID N° 19.246.907-4; (xvi) Juan Cueto Sarquis, RUT taxpayer ID N° 19.639.220-3; (xvii) Antonia Cueto Sarquis, RUT taxpayer ID N° 20.826.769-8 (xviii) Fernanda Cueto Délano, RUT taxpayer ID N° 18.395.657-4 (xix) Ignacio Cueto Délano, RUT taxpayer ID N° 19.077.273-k; (xx) Javier Cueto Délano, RUT taxpayer ID N° 20.086.836-6 (xxi) Pablo Cueto Délano, RUT taxpayer ID N° 20.086.837-4 (xxii) José Cueto Délano, RUT taxpayer ID N° 20.963.574-7; (xxiii) Nieves Isabel Alcaíno Cueto, RUT taxpayer ID N° 18.636.911-4; (xxiv) María Elisa Alcaíno Cueto, RUT taxpayer ID N° 19.567.835-9, and (xxv) María Esperanza Alcaíno Cueto, RUT taxpayer ID N° 17.701.730-2.

6. The shareholder of Costa Verde Aeronáutica Tres SpA is (Table 5):

TABLE 5

Shareholder	Percentage	Main partner
Costa Verde Aeronáutica S.A.	100%	Inversiones Costa Verde Aeronáutica S.A. (77.97%)

INDEX

7. The shareholders of INVERSIONES NUEVA COSTA VERDE AERONÁUTICA LIMITADA are the following (Table 6):

TABLE 6

Partners	Percentage	Main partner
Costa Verde Aeronáutica S.A.	99.99%	Inversiones Costa Verde Aeronáutica S.A. (77.97%)
Inversiones Costa Verde Limitada	0.01%	Inmobiliaria & Inversiones El Fano Limitada, Inmobiliaria & Inversiones Caravia Limitada e Inmobiliaria & Inversiones Priesca Limitada (33.33% each)

8. The shareholders of COSTA VERDE AERONÁUTICA SpA are the following (Table 7):

TABLE 7

Shareholder	Percentage
Inversiones Nueva Costa Verde Aeronáutica Dos S.A.	100%

9. The partners of INVERSIONES PRIESCA DOS Y CIA. LTDA. are the following (Table 8):

TABLE 8

Shareholder	Percentage
Ignacio Cueto	99%
Others	1%

10. The partners of INVERSIONES CARAVIA DOS Y CIA. LTDA. are the following (Table 9):

TABLE 9

Shareholder	Percentage
Juan José Cueto	99%
Others	1%

11. The partners of INVERSIONES EL FANO DOS Y CIA. LTDA. are the following (Table 10):

TABLE 10

Shareholder	Percentage
Enrique Cueto	99%
Others	1%

12. The partners of INVERSIONES LA ESPASA DOS Y CIA. LTDA. are the following (Table 11):

TABLE 11

Partners	Percentage
Inversiones La Espasa Dos S.A.	99%
María Esperanza Alcaíno Cueto Uno y Cia. Ltda.	1%

13. The partners of INVERSIONES LA ESPASA DOS S.A. are the following Table 12):

TABLE 12

Shareholder	Percentage
Inmobiliaria e Inversiones La Espasa Limitada	99%
María Esperanza Alcaíno Cueto Uno y Compañía Limitada	1%

INVERSIONES MINERAS DEL CANTÁBRICO LIMITADA, is a company 100% owned by the Cueto Group, and its final shareholders are the persons identified in paragraph 5 above.

The rest of the shareholder base is composed of a diversity of institutional investors, legal entities and natural persons. As of December 31, 2017, 4.14% of LATAM's property ownership was in the form of ADRs.

Listed below are the controlling shareholders, other main shareholders and LATAM's minority shareholders who, either in and by themselves or along with others with whom they have a standing joint action agreement, may designate at least one company board member, or weigh 10% or more of the company's voting shares.

Shareholding (as of December 31, 2017)

Shareholder	Number of subscribed and paid shares	Property ownership % over the subscribed and paid shares
Cueto Group[2]	**169,248,377**	**27.91%**
Costa Verde Aeronáutica S.A	88,259,650	14.55%
Costa Verde Aeronáutica Tres SpA	35,300,000	5.82%
Inversiones Nueva Costa Verde Aeronáutica Ltda.	23,578,077	3.89%
Costa Verde Aeronáutica SpA	12,000,000	1.98%
Others	10,110,650	1.67%
Qatar Airways[3]	**60,837,452**	**10.03%**
Qatar Airways Investments	60,837,452	10.03%
Eblen Group	**35,945,199**	**5.93%**
Inversiones Andes SpA	17,146,529	2.83%
Inversiones Andes II SpA	8,000,000	1.32%
Inversiones Pia SpA	5,403,804	0.89%
Comercial las vertientes SpA	5,394,866	0.89%
Bethia Group	**33,367,357**	**5.50%**
Axxion S.A	18,473,333	3.05%
Inversiones HS SpA	14,894,024	2.46%
Amaro Group[4]	**15,615,113**	**2.58%**
TEP Chile S.A.	15,615,113	2.58%
Other minority shareholders	**291,394,195**	**48.05%**
Total	**606,407,693**	**100.00%**

[2] The Cueto Group, whom we also refer to as "LATAM's Controlling Shareholders", have executed a Shareholders' Agreement with the controlling shareholders of LATAM, TEP Chile and TAM, whose terms and provisions are spelled out below.
[3] Qatar owns 9.999999918% of total issued shares of LATAM.
[4] The Amaro Group, whom we also refer to as "TAM's Controlling Shareholders", have executed a Shareholders' Agreement with LATAM and its controlling shareholders, whose terms and provisions are spelled out below.

Following the combination with TAM in 2012, the Amaro Group Mauricio Amaro and María Claudia Amaro, among others, also became the principal shareholder of LATAM Airlines Group, through TEP Chile S.A. (Rut No. 76.152.798-3), a company wholly owned by the Amaro Group and through the majority ownership of Holdco I, which owns 100% of TAM's common shares.

During 2016, the Amaro Group decreased its stake in LATAM, being as of December 31, 2017, direct owner of 2.58% of LATAM Airlines Group common stock and 5.82% indirectly through 21.88 % ownership owned by Amaro Group in Costa Verde Aeronáutica SA, the main investment vehicle of the Cueto Group in LATAM.

Also in 2016, on the occasion of the capital increase approved at the Extraordinary Shareholders' Meeting held on August 18, 2016, Qatar Airways entered the property of LATAM, holding at December 31, 2017, 10.0%3 of the total The subscribed and paid-in shares of LATAM Airlines Group through the company Qatar Airways Investments (UK) Ltd.

FINALLY, WE WOULD LIKE TO POINT OUT THAT AS OF THIS DATE COMPANY SHAREHOLDERS HAVE NOT SUBMITTED ANY COMMENTS OR PROPOSALS WITH RESPECT TO THE COMPANY'S BUSINESS AFFAIRS.

The table below shows the number of subscribed and paid shares and the percentage shareholding in LATAM's property ownership of each of the company's board members and senior executives:

Board's total shares

	N° of shares	Percentage
Ignacio Cueto Plaza[5]	169,248,376	27.91%
Juan José Cueto Plaza[5]	169,248,376	27.91%
Nicolás Eblen Hirmas[5]	35,945,199	5.93%
Carlos Heller Solari[5]	33,367,357	5.50%
Antonio Luis Pizarro Manso	0	
Georges de Bourguignon Arndt[6]	0	-
Eduardo Novoa Castellón	0	-
Henri Philippe Reichstul	0	-
Giles Agutter	0	-

Executives' total shares

	N° of shares	Percentage
Enrique Cueto Plaza[5]	169,248,376	27.91%
Claudia Sender	0	-
Roberto Alvo	0	-
Juan Carlos Menció	0	-
Hernán Pasman	0	-
Emilio del Real	0	-
Ramiro Alfonsín	0	-

[5] It should be noted that Juan José Cueto Plaza, Enrique Cueto Plaza and Ignacio Cueto Plaza are part of the Cueto Group, Nicolás Eblen Hirmas is part of the Eblen Group, and Carlos Heller Solari is part of the Bethia Group, since none of them own the above-mentioned shares on their own, but rather through the group in which they participate.

[6] It should be noted that Georges de Bourguignon Arndt does not directly own any LATAM shares; but rather, that he is the Legal Representative of a company owned by his children that owns 3,153 LATAM shares.

SHAREHOLDERS' AGREEMENT

Following the combination between LAN and TAM in June 2012, LAN Airlines S.A. was transformed into "LATAM Airlines Group S.A." and TAM continues to exist as a subsidiary Holdco I and LATAM. In order to execute this combination, TAM's controlling shareholders created four new closely-held stock companies pursuant to Chilean law: TEP Chile, Holdco I, Holdco II and Sister Holdco. Upon execution of the above-referred transaction, Holdco II and Sister Holdco ceased to exist.

Prior to such business combination, LATAM Airlines Group and its controlling shareholders executed several shareholders' agreements with TAM, its shareholders (acting through TEP Chile) and Holdco I, thus establishing agreements and restrictions related to corporate governance in an attempt to balance the interests of the LATAM Airlines Group, as the owner of substantially all economic rights in TAM, and TAM's controlling shareholders, as the continuing controlling shareholders of TAM pursuant to Brazilian law. In order to achieve these objectives, the various shareholders' agreements prohibited undertaking certain actions and making important corporate decisions without the prior approval of a qualified majority of its shareholders and/or the Board of Directors of Holdco I or TAM. Moreover, these shareholders' agreements also establish the parties' covenants regarding the governance and management of the LATAM Airlines Group, subsequent to the combination of LAN and TAM businesses.

THE LATAM GROUP'S GOVERNANCE AND MANAGEMENT

Insofar as the governance and management of the LATAM Group is concerned, there are different shareholders' agreements:

1. Shareholders' agreement of the controlling group: executed between the controlling shareholders of LATAM and TEP Chile, establishing agreements with respect to the corporate governance, control and operation of LATAM, Holdco I, TAM and their respective subsidiaries. It also governs the votes and transfers of the ordinary shares of the LATAM Airlines Group and the voting shares of Holdco I owned by TEP Chile.

2. Shareholders' agreement between the LATAM Airlines Group and TEP: executed between LATAM and TEP Chile; wherein, among other subject matters, it establishes agreements regarding the corporate governance, management and operation of LATAM. It also governs the relationships between LATAM and other LATAM Group members.
3. Shareholders' agreement of Holdco I: executed between LATAM, Holdco I and TEP Chile establishing agreements with respect to the corporate governance, management and operation of Holdco I, as well as the votes and transfer of the voting shares of Holdco I.
4. Shareholders' agreement of TAM: executed between LATAM, Holdco I, TAM and TEP Chile, establishing the agreements related to the corporate governance, management and operation of TAM and its subsidiaries.

Following the combination of the business of LAN and TAM, the Holdco I and the TAM shareholders' agreements establish the covenants between the parties with respect to the governance and management of Holdco I, TAM and its subsidiaries (collectively, the "TAM Group").

Following are the key provisions of the Shareholders' agreements referred to in paragraphs 1 and 2 above. It is important to note, however, that the rights and obligations of the members of the Controlling Group are indeed governed by the terms and conditions of such shareholders' agreements and not by the summary of any of such agreements contained in this annual report.

BOARD MEMBERSHIP OF THE LATAM AIRLINES GROUP

Since April 2017, there no restrictions in the Shareholders agreement in regards to the Board Member of LATAM Airlines Group. Once chosen the board members, in compliance with the Chilean regulation, LATAM Airlines Group's board has the right to designate any of its members as the Chairman thereof, in compliance the governing statues. Thereby, in May 2017, Mr. Ignacio Cueto Plaza was voted Chairman of the Board. In April 2017, Mr. Mauricio Amaro left the Board of LATAM Airlines Group, with Mr. Henri Philippe Reichstul being re-elected as board member in April 2017 with the votes of TEP Chile S.A., in compliance with the local regulation.

MANAGEMENT OF THE LATAM AIRLINES GROUP

In June 2012, Enrique Cueto Plaza became LATAM's CEO ("LATAM CEO"). The position of LATAM CEO is the top-ranking position in the LATAM Airlines Group, who reports directly to the LATAM's Board of Directors. The LATAM CEO is in charge of overall supervision, direction and control of the LATAM Airlines Group's business and certain other responsibilities set forth in the Shareholders' Agreement of the LATAM Airlines Group and TEP. Upon the eventual departure of LATAM's current CEO, the LATAM Board of Directors will appoint his successor after receiving a recommendation from the Leadership Committee.

THE MAIN HEADQUARTERS OF THE LATAM AIRLINES GROUP ARE STILL LOCATED IN SANTIAGO, CHILE.

Following are the key provisions of the Shareholders' agreements referred to in the preceding paragraphs 3 and 4. It is important to note, however, that the rights and obligations of the members of the Controlling Group are indeed governed by the terms and conditions of such shareholders' agreements and not by the summary of any of such agreements contained in this a.

BOARD MEMBERSHIP OF HOLDCO I AND TAM

The shareholders' agreement of Holdco I and the shareholders' agreement of TAM provide, in general terms, identical board memberships and the same Holdco I and TAM CEO; whereupon LATAM appoints two board members and TAM appoints four board members (including the Chairman of the Board).

Maria Cláudia Oliveira Amaro resigned from her position as board member on September 8, 2014 and in her replacement, the Board appointed, Mr. Henri Philippe Reichstul. TAM's Board membership was totally renewed on April 2015.

The shareholders' agreement of the controlling group establishes that the persons elected by or on behalf of LATAM's controlling shareholders or TAM's controlling shareholders, as board members of LATAM's Board of Directors, will also serve as members of the Board of Directors of Holdco I and TAM.

MANAGEMENT OF HOLDCO I AND TAM

The affairs and day-to-day business of Holdco I shall be managed by the CEO of the TAM Group under the supervision of the Board of Directors of Holdco I. The affairs and day-to-day business of TAM will be managed by the Board of Directors of TAM under the supervision of the Board of Directors of TAM. The "TAM Board" shall be comprised of the TAM Group's CEO, TAM's CFO, TAM's COO and TAM's CCO. Currently, the position of TAM CEO is being performed by Ms. Claudia Sender. The TAM Group's CEO will be in charge of overall supervision, direction and control over the business and operations of the TAM Group (on matters not related to the LATAM Group's international passenger business) and will perform all orders and resolutions issued by TAM board members. The initial TAM CEO, "CFO of TAM'S CFO" has been jointly appointed by LATAM and TEP Chile and any successor of the CFO shall be designated by TEP Chile from among three candidates proposed by LATAM. The TAM COO, "TAM's COO", and the commercial manager of TAM, "TAM's CCO", shall be jointly appointed and recommended to TAM's Board of Directors by the CEO of the TAM Group and TAM's CFO; additionally, he/she must be approved by TAM's Board of Directors. These shareholders' agreements also govern the composition of the board of directors of TAM's subsidiaries.

FOLLOWING THE COMBINATION, TAM STILL HAS ITS MAIN HEADQUARTERS LOCATED IN SÃO PAULO, BRAZIL.

ACTIONS REQUIRING QUALIFIED MAJORITY VOTES

Certain actions of Holdco I or TAM require approval by a qualified majority of the board or the shareholders of Holdco I or TAM; which, indeed require the approval of LATAM and TEP Chile before such actions can be carried out.

Those actions requiring qualified majority votes by the boards of Holdco I or TAM are the following:

- approving the annual budget and business plan and the multi-year business (collectively known as the "Approved Plans"), and also the amendments to these plans;
- carrying out or agreeing to carry out any action that causes, or that may reasonably cause, individually or in aggregate form any capital, operational or other costs of any TAM company and its subsidiaries greater than (i) the lesser of 1% of revenues or 10% of the profits under the Approved Plans, with respect to actions affecting income statement items; or (ii) the lesser of 2% of assets or 10% of cash and cash equivalents (as defined by the IFRS) as established

in the provisions of the Approved Plans and in effect, in relation to actions affecting the cash flow statement;
- the creation, disposal or admission of new shareholders in one of the subsidiaries of the relevant company, except to the extent that it is expressly contemplated in the Approved Plans;
- approving the acquisition, disposal, modification or encumbrance by any TAM company of any assets above $15 million or of any share value or securities convertible into shares of any TAM company or of the Company, except to the extent that it is expressly contemplated in the Approved Plans;
- approving any investment in assets not related to the corporate purpose of any TAM company, except to the extent that it is expressly contemplated in the Approved Plans;
- executing any contract amount in excess of $15 million, except to the extent that it is expressly contemplated in the Approved Plans;
- executing any contract related to the distribution of profits, company associations, business collaborations, alliance memberships, code-sharing agreements, with the exception of those approved in the business plans and budget, except to the extent that they are expressly contemplated in the Approved Plans;
- setting, modifying or waiving any right or claim of a relevant company or its subsidiaries in excess of $15 million, except to the extent that it is expressly contemplated in the Approved Plans;
- starting, participating in, committing or establishing any important action with respect to any litigation or legal proceeding in excess of $15 million, related to the relevant company, except to the extent that it is expressly contemplated in the Approved Plans;
- approving the execution, modification, termination or ratification of agreements with third parties, except to the extent that they are expressly contemplated in the Approved Plans;
- approving any financial statement, modifications, or any accounting policy, regarding dividends or taxes relevant to the company;
- approving the granting of any interest of securities or guarantees of third party obligations;
- appointing executives other than the CEO of Holdco I or the Board of Directors of TAM or re-electing TAM's current CEO or CFO; and
- approving any voting of the relevant company or its subsidiaries in their capacity as shareholders.

Those actions requiring qualified majority votes by the shareholders are the following:

- approving any modification of the bylaws of any relevant company or its subsidiaries in relation to the following subject matters: (i) corporate objectives; (ii) corporate equity capital; (iii) rights inherent to each class of shares and their shareholders; (iv) the powers of ordinary shareholder meetings or limitations to the powers of the board of directors; (vi) the deadline; (vii) the change of the main headquarters of a relevant company; (viii) the composition, powers and commitments of the management of any relevant company; and dividends and other distributions;
- approving the dissolution, settlement or liquidation of a relevant company;
- approving the transformation, merger, division or any type of corporate reorganization of a relevant company;
- paying or distributing dividends or any other type of distribution to shareholders;
- approving the issue, withdrawal or amortization of debt instruments, shares or convertible securities;
- approving a disposal plan for the sale, encumbrance or other involving 50% or more of the assets, as determined by the previous-year balance sheet of Holdco I;
- approving the disposal for the sale, encumbrance or other involving over 50% of the assets of a Holdco I subsidiary representing at least 20% of Holdco I or approving to sell, encumber or dispose of shares in a manner such that Holdco I would lose control.
- approving the concession of interests over instruments of guarantees toward guaranteeing obligations in excess of

50% of the assets of a relevant company; and
- approving the execution, modification, terms or ratification of acts or agreements with related parties, but only in those cases in which the applicable law requires the approval of such matters.

VOTING AGREEMENTS, TRANSFERS AND OTHER AGREEMENTS.

The controlling group of LATAM and TEP Chile has agreed, in the Shareholders' Agreement of the Controlling Group, to vote their respective ordinary LATAM Airlines Group shares as follows:

- until that moment, TEP Chile sells any of its ordinary LAN shares (other than the exempt shares, as defined herein below, and owned by TEP Chile), the Controlling Group of LATAM Airlines Group will vote its ordinary LATAM Airlines Group shares to elect to the Board of Directors of LATAM Airlines Group any person designated by TEP Chile, unless TEP Chile owns enough ordinary shares of LATAM Airlines Group in order to directly elect two board members of the

LATAM Airlines Group;

- the parties agree to vote their ordinary LATAM Airlines Group shares to support the other parties in removing or replacing board members or others designated by the Board of LATAM Airlines Group;
- the parties agree to consult among them and make use of their good faith efforts to achieve agreements and act jointly in all actions (except in those actions that require majority approval pursuant to the Chilean law) and be considered by the Board of Directors of the LATAM Airlines Group or by the shareholders of the LATAM Airlines Group;
- the parties agree to maintain the size of the Board of Directors of the LATAM Airlines Group at a total of nine (9) board members and maintain the quorum required by the majority of the Board of Directors of the LATAM Airlines Group; and
- in case that, after endeavoring in good faith efforts aimed at reaching an agreement with respect to any action requiring a qualified majority vote pursuant to the Chilean law and a period of mediation, the parties do not reach such agreement, then, TEP Chile has agreed to give its vote to the subject matter requiring a qualified majority vote as indicated by the controlling shareholders of the LATAM Airlines Group; which we refer to as "direct vote".

The number of TEP Chile "exempt shares" means that the number of ordinary shares of the LATAM Airlines Group that TEP Chile owns immediately after the effective date in excess of 12.5% of the valid ordinary shares of LATAM Airlines Group shall be determined on the basis of a total dilution.

THE PARTIES TO THE HOLDCO I SHAREHOLDERS' AGREEMENT AND TO THE TAM SHAREHOLDERS' AGREEMENT HAVE AGREED TO VOTE THEIR HOLDCO I VOTING SHARES AND TAM SHARES SO AS TO MAKE EFFECTIVE THE AGREEMENTS RELATED TO THE ABOVE-DISCUSSED REPRESENTATION OF THE BOARD OF DIRECTORS OF TAM.

RESTRICTIONS TO THE TRANSFERS.

Pursuant to the Shareholders' Agreement of the Controlling Group, the controlling shareholders of the LATAM Airlines Group and TEP Chile are subject to certain restrictions regarding the sale, transfer and encumbrance of the ordinary shares of the LATAM Airlines Group and (only in the case of TEP Chile) the voting shares of Holdco I. With the exception of a limited amount of the ordinary shares of the LATAM Airlines Group, neither the controlling shareholders of the LATAM Airlines Group nor those of TEP Chile are authorized to sell the ordinary shares of the LATAM Airlines Group, nor can TEP Chile sell its shareholding rights to Holdco I until June 2015. Subsequently, the sale of the ordinary shares of the LATAM Airlines Group by any of the parties shall be allowed, subject to (i) certain limitations of volume and frequency of such sale, and (ii) only in the case of TEP Chile, the latter company must meet certain minimum property ownership requirements. After June 2022, TEP Chile shall be entitled to sell all its shares of the LATAM Airlines Group and shareholding rights over Holdco I in one block, subject to the following conditions: (i) LATAM Board's approval of the assignee; (ii) that the sale does not have an adverse effect; and (iii) that the preferred purchase option be in favor of the controlling shareholders of the LATAM Airlines

Group; conditions to which we refer, collectively, as "block sale provisions". An "adverse effect" is so defined in the Shareholders' Agreement of the Controlling Group as a significant adverse effect in the capacity of Holdco I to receive the total benefits of the property ownership of TAM and its subsidiaries in order to operate the airline business worldwide. The controlling group of the LATAM Airlines Group has agreed to transfer all the voting shares of Holdco I acquired pursuant to LATAM's preferred purchase option, for the same price paid for such shares.

Additionally, TEP Chile is entitled to sell as of June 2015 all the ordinary shares of the LATAM Airlines Group and voting shares of Holdco I, subject to meeting the block sale clause, should a liberation event (as described previously) should occur or if TEP Chile is required to exercise one or more directed votes during any 24-month period in two (consecutive or not) shareholders' meetings of the LATAM Airlines Group held at least 12 months apart, and if the LATAM Airlines Group would not have totally exercised the conversion of options described previously. A "disclosure event" will occur if: (i) there is a capital increase of the LATAM Airlines Group; (ii) TEP Chile does not exercise all its preferred rights granted pursuant to the applicable Chilean law with respect to the capital increase in relation to all of LATAM Airlines Group's restricted ordinary shares; and, (iii) after completing the capital increase, the person designated by TEP Chile for the voting of the Board of Directors of the LATAM Airlines Group with the collaboration of the Controlling Group of the LATAM Airlines Group, is not elected as board member of the LATAM Airlines Group.

Additionally, after June 22, 2022 and before the capitalization date of the entire property (as described below under Section "Conversion option"), TEP Chile could sell all or part of its LATAM Airlines Group's ordinary shares, subject to: (i) the preferred option right in favor of LATAM's controlling shareholders; and (ii) the restrictions to the sale of ordinary shares of the LATAM Airlines Group more than once during a 12-month period.

THE SHAREHOLDERS' AGREEMENT OF THE CONTROLLING GROUP PROVIDES CERTAIN EXCEPTIONS TO THESE TRANSFER RESTRICTIONS FOR CERTAIN PLEDGED SHARES OF THE LATAM AIRLINES GROUP REALIZED BY THE PARTIES AND FOR TRANSFERS TO SUBSIDIARY COMPANIES, IN EACH CASE OPEN TO CERTAIN LIMITED CIRCUMSTANCES.

Additionally, TEP Chile accepted, in the Shareholders' Agreement of Holdco I, not to vote its Holdco I voting shares, or take any action in support of any transfer on the part of Holdco I of shares or convertible securities into shares issued by them or by TAM or by any of its subsidiaries without LATAM's prior written consent.

RESTRICTIONS TO TAM SHARES TRANSFERS

In the Shareholders' Agreement of Holdco I, LATAM agreed not to sell or transfer TAM shares to any person (other than our subsidiaries), for as long as TEP Chile owns Holdco I voting shares. Without prejudice of the foregoing, LATAM shall be entitled to carry out such sales or transfers if, simultaneously with such sales or transfers, LATAM (or its assignee) would acquire all of Holdco I's voting shares owned by TEP Chile for an amount equal to TEP Chile's then in effect taxable base with respect to such shares and pay any cost in which TEP Chile might have to incur in order to carry out such sale or transfer. TEP Chile has irrevocable assigned to LATAM the assignable right to acquire all of Holdco I's voting shares owned by TEP Chile related to such sale.

CONVERSION OPTION

Pursuant to the Shareholders' Agreement of the Controlling Group and the Shareholders' Agreement of Holdco I, LATAM

is unilaterally entitled to convert our non-voting Holdco I shares into Holdco I voting shares up to the maximum allowed by law, and to increase our representation in the Boards of Directors of both TAM and Holdco I as permitted by the Brazilian laws that govern foreign property ownerships and by other applicable laws if the conversion would not have an adverse effect (as previously defined in the section on "Transfer Restrictions").

During or after June 2022, and after LATAM would have totally converted all its Holdco I non-voting shares into Hold I voting shares, as allowed by Brazilian laws and other applicable laws, LATAM shall be entitled to acquire all of Holdco I's voting shares owned by TAM's controlling shareholders for an amount equal to their taxable base with respect to such shares and pay any cost that might be incurred in order to materialize such sale; an amount to which we shall refer as "sale consideration". If LATAM does not exercise its right to acquire such shares on a timely basis, or if, after June 2022 LATAM should be entitled, pursuant to Brazilian laws and other applicable laws, to convert all of

Holdco I's non-voting shares into Holdco I voting shares, and if such conversion would not have an adverse effect but we would not have exercised such right fully and totally during a specific period of time, then, the controlling shareholders of TAM would be entitled to offer us their Holdco I voting shares for an amount equal to the sale price.

ACQUISITION OF TAM'S SHARES.

The parties hereto have agreed that all acquisitions of TAM's ordinary shares by the LATAM Airlines Group, Holdco I, TAM or any of their respective subsidiaries as of and after the effective date of business combination shall be carried out by Holdco I.

Insofar as the main organs of Corporate Governance of the LATAM Airlines Group are concerned, they are: the Board of Directors and the Directors' Committee (which, additionally, embodies the functions of Audit Committee for the purposes of the Sarbanes-Oxley Act of the United States of America), along with the Committees of Strategy, Finance, Leadership and Product, Brand and Frequent Flyer Program created following the association between LAN and TAM. The main powers of such corporate organs are specified below.

DIVIDENDS

In terms of dividends, the Company has established that they shall be equal to the minimum legally required; namely 30% of profits pursuant to current regulations. The foregoing is not inconsistent with the distribution of dividends over and above such mandatory minimum, in consideration of the peculiarities and circumstances of fact that might be perceived throughout the year.

Going forward, the Company does not expect any changes in its dividend distribution policy.

During the years 2014 and 2015, the Company did not show profits; consequently, no dividends were distributed. On May 18, 2017, the Company distributed a total dividend of US$20,766,119 charged to the profits of 2016.

Financial POLICY

The Corporate Finance Department is responsible for managing the Company's Financial Policy. This Policy makes it possible to effectively face changes in conditions outside the business' normal operation and thus maintain and anticipate a stable flow of funds to ensure the operation's continuity.

Moreover, the Finance Committee, comprising the Executive Vice-Presidency and members of LATAM's Board of Directors, meets periodically to review and propose to the Board the approval of issues that are not regulated by the Financial Policy.

LATAM Airlines Group's Financial Policy aims for the following goals:

- To ensure a minimum liquidity level for operations. To preserve and maintain suitable cash flow levels to ensure that requirements for operations and growth are covered. To maintain a suitable level of credit lines with local and foreign banks to face contingencies.
- To keep an optimal debt level and profile that matches the growth of its operations, and considering the goal to minimize financing costs.
- Capitalize excess cash flow through financial investments that will guarantee a risk and liquidity level consistent with the Financial Investment Policy.
- To reduce the effects of market risks, such as variations in fuel prices, exchange rates, and interest rates on the Company's net profit margin.
- To reduce Counterparty Risk through the diversification and limits on investments and transactions with counterparties.
- To maintain, at all times, a long-term view of the Company's projected financial situation to anticipate situations of covenant breaches, low liquidity, deterioration of the financial ratios agreed with rating agencies, etc.

The Financial Policy delivers guidelines and restrictions to manage Liquidity and Financial Investment transactions, Financing Activities, and Market Risk Management.

LIQUIDITY AND FINANCIAL INVESTMENT POLICY

During 2017, LATAM Airlines Group maintained suitable liquidity levels to hedge against potential external shocks and volatility, as well as the industry's inherent cycles. Thus, it ended December 2017 with a liquidity ratio of 20.3% of total revenues for the last 12 months. This liquidity includes a revolving credit facility for a total of US$450 million with eleven financial institutions—both local and international—and was fully available at yearend.

Moreover, during 2017, a significant part of the pre-delivery payments, related to the Boeing and Airbus aircraft that LATAM will receive in the future, was financed with the

Company's own resources. The balance as at December 31, 2017, stood at US$276 million in pre-delivery payments funded through own resources.

WITH REGARD TO THE FINANCIAL INVESTMENT POLICY, THE GOAL IS TO CENTRALIZE INVESTMENT DECISIONS TO OPTIMIZE PROFITABILITY, ADJUSTED FOR CURRENCY RISK, SUBJECT TO MAINTAINING SUITABLE SECURITY AND LIQUIDITY LEVELS.

Moreover, the aim is to manage risk through the diversification of counterparties, maturities, currencies, and instruments.

FINANCING POLICY

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

Throughout 2017, the Company succeeded in reducing the balance of its total gross debt by roughly US$713 million, explained by the payment of a debt maturity for about US$2.0 billion, and the issuing of new debt worth around US$1.3 billion. The main financing activities carried out during 2017 were related to debt restructuring, including the issuance of an international corporate bond for US$700 million in April at a rate of 6.875%, whose funds were used for general purposes of the Company. Likewise, in April, the Company paid the US$300 million principal of the bond issued by TAM Capital Inc, which was due that same month.

Moreover, during August, TAM issued an unsecured bond in Chile's local market for approximately US$350 million denominated in UF (Unidades de Fomento), maturing in 2022 and 2028. The funds from this issuance were fully used to call TAM's last corporate bond, worth US$500 million at a rate of 8.375% maturing in 2021, whereby the call option was exercised in September. The balance outstanding for the call came from other financing activities and the Company's cash balance.

MOST OF THE INVESTMENTS THAT LATAM AIRLINES GROUP HAS MADE PERTAIN TO THE FLEET ACQUISITION PROGRAMS, WHICH ARE GENERALLY FINANCED THROUGH A COMBINATION OF OWN RESOURCES AND LONG-TERM STRUCTURED FINANCIAL DEBT.

Normally, LATAM finances between 80% and 85% of the value of the assets through bank loans, bonds covered by the export promotion agencies, or bonds secured by aircrafts such as the EETC, where the remaining part is funded through commercial loans or the Company's own funds. The payment maturities of the various financing structures are mainly 12 years long. Moreover, LATAM contracts a significant percentage of its fleet acquisition commitments through operating leases as an additional source of financing.

During 2017, the whole fleet received accounted for operating leases, so there was no financing for the new fleet.

As for short-term financing, at December 31, 2017, LATAM held 3% of its total debt in loans to exporters and importers to finance working capital needs.

Some of the Financing Policy's other goals are to ensure a stable debt maturity and leasing commitment profile, including debt servicing and the payments on fleet leasing, which is consistent with LATAM's operating cash flow.

MARKET RISK POLICY

Given the nature of its operations, LATAM Airlines Group is subject to market risks, such as: (i) fuel price risk, (ii) interest rate risk, and (iii) exchange rate risk. In order to hedge fully or partially against these risks, LATAM uses financial derivatives to reduce the adverse effects that these risks could cause. Market Risk management is carried out comprehensively and considers the correlation with each market factor to which LATAM is exposed. In order to do business with each counterparty, the company must have an approved line, and a signed framework agreement with the chosen one. The counterparties must have a Risk Rating issued by one of the international Risk Rating agencies that is equal to, or greater than the equivalent of an "A-" rating.

i. Fuel price risk:

Variations in fuel prices depend significantly on oil supply and demand in the world, as well as on the decisions made by the Organization of the Petroleum Exporting Countries ("OPEC"), the refining capacity worldwide, inventory levels, and the occurrence of climatic or geopolitical events. LATAM purchases fuel for airplanes, known as Jet Fuel. In order to execute fuel hedges, there is a benchmark index on the international market for this core asset, which is Jet Fuel 54 US Gulf Coast. This index was mainly used by LATAM Airlines Group for its hedges during 2017.

LATAM also undertook hedging through NYMEX Heating Oil, whose core index is included the Fuel Hedging Policy, given the high correlation it was with the Jet Fuel 54.

The Fuel Hedging Policy sets a minimum and a maximum hedging range for the Company's fuel consumption, based on the capacity to pass through fuel price variations to airfares, anticipated sales, and the competition scenario. Moreover, this Policy sets hedging zones, a premiums budget, and other strategic restrictions that are assessed and presented periodically before the LATAM Finance Committee.

With regard to fuel hedging instruments, the Policy makes it possible to contract combined Swaps and Options only for hedging purposes, and does not allow the net sale of options.

ii. Interest rate risk on cash flows:

Interest rate variations depend largely on the state of the global economy. An improvement in the long-term economic outlook drives long-term interest rates upward, while a deterioration causes a drop due to market effects. However, when we consider government interventions, in a period of economic contraction, benchmark rates are usually decreased to boost aggregate demand by making credit more affordable and increasing production (just as there are hikes in the benchmark rate in times of economic expansion).

The uncertainty surrounding how the market and the governments will behave, and thus, how the interest rate will change, leads to a risk related to LATAM's debt subject to variable interest, its investments, and the new issuances it may make. Interest rate risk on existing debt is equivalent to future cash flow risk on financial instruments, given the interest rate fluctuations on the markets.

LATAM's exposure to the risk from market interest rate fluctuations is mainly related to long-term obligations with variable rates.

In order to reduce the risk from an eventual hike in interest rates, LATAM Airlines Group has interest rate swap contracts. At December 31, 2017, the market value of interest rate derivatives positions totaled US$6.6 million (negative). The instruments approved in the Interest Rate Hedging Policy are interest rate Swaps and Options.

iii. Exchange rate risks:

The functional currency used by the controlling company is the US dollar in terms of price-setting for its services, the composition of its statement of financial position, and the effects on the results of operations. There are two types of

exchange risks: Cash flow and balance sheet risks. Cash flow risk arises as a consequence of the net position between revenue and costs in currencies other than US dollars.

LATAM sells most of its services in US dollars, in prices equivalent to the US dollar and the Brazilian Real. Roughly 62% of revenues are US dollar-denominated, whereas around 23% are denominated in Brazilian Reais. A major part of expenses is denominated in US dollars or equivalent to the USD, particularly fuel costs, aviation taxes, aircraft leases, insurance, and aircraft components and accessories. Remuneration expenses are denominated in local currencies. The total percentage of costs denominated in USD is around 63%, whereas roughly 20% is denominated in Brazilian Reais.

LATAM Airlines Group has hedged against exchange rate risks mainly through forwards contracts and currency options. At December 31, 2017, LATAM is hedged against the Brazilian Real for US$180 million for 2018.

On the other hand, the balance sheet risk appears when entries recorded are exposed to exchange rate variations, as these entries are expressed in a different currency from the functional one. While LATAM may have derivatives contracts to hedge against the effects of a possible currency appreciation or depreciation against the functional currency used by the holding, during 2017, LATAM held no hedges against balance sheet risk.

The main mismatch factor is seen in TAM S.A., whose functional currency is the Brazilian Real, and as most of its liabilities are stated in US dollars, even though its assets are stated in local currency. This mismatch was substantially reduced during 2017, thus reducing the aforementioned risk. Particularly, the mismatch between liabilities and assets was reduced to US$805 million by yearend 2017, compared to a US$1,392 million in December 2016.

LATAM AIRLINES GROUP'S PRICING OF INTERNATIONAL CARGO AND PASSENGER BUSINESSES IS MAINLY DONE IN USD. A SHARE OF THE FARES FROM THE INTERNATIONAL PAX BUSINESS IS CLOSELY CORRELATED TO THE EURO. IN THE DOMESTIC BUSINESS, MOST FARES ARE IN LOCAL CURRENCY WITHOUT ANY SORT OF INDEXATION TO THE US DOLLAR. AS FOR THE DOMESTIC BUSINESSES IN PERU AND ECUADOR, BOTH AIRFARES AND SALES ARE IN USD. THEREBY, LATAM IS EXPOSED TO THE FLUCTUATIONS IN VARIOUS CURRENCIES, BUT MAINLY THE BRAZILIAN REAL AND THE EURO.

LATAM AIRLINES

OPERA-TIONS

LATAM is the biggest airlines group in Latin America, and one of the largest worldwide.

International BUSINESS

Thirteen new international routes in 2017

LATAM Group's international passenger operations include the regional flights within South America and the Caribbean, and long-haul flights between this subcontinent and the rest of the world.

At December 2017, the Group serves 27 international destinations in 18 countries: five in the United States, six in Europe, 11 in other countries in Latin America and the Caribbean, four in Asia-Pacific, and one in the African continent, with a broad network of connections that no other airline in South America can offer.

Air operations in this period developed within a sound context, driven mainly by more stable currencies and the recovery of the Brazilian economy—the largest market in the region—after two consecutive years of contraction. As a result, significant improvements were achieved on the yields of the routes from Brazil to the US, that also benefited from the sharp adjustments in capacity carried out in 2016 and the first half of 2017, and Europe.

IN 2017, LATAM GROUP TRANSPORTED 16.1 MILLION PEOPLE IN INTERNATIONAL FLIGHTS, A 6.3% INCREASE COMPARED TO 2016. CONSOLIDATED PASSENGER TRAFFIC (MEASURED IN RPK) GREW 4.7% COMPARED TO THE PREVIOUS YEAR, WHEREAS CAPACITY (MEASURED IN ASK) ROSE 3.8%. AS A RESULT, LOAD FACTOR SETTLED AT A SOUND 86.9% (AN INCREASE OF 0.7 BASIS POINTS COMPARED TO 2016).

To develop its international operations, LATAM Group used a fleet comprising 120 aircraft, on average, during the period. In order to serve the regional routes, it operated 66 airplanes, mainly from the Airbus A320 family, whereas for long-haul flights, it used 54 airships including Boeing 767 and 787 (versions 8 and 9) and Airbus A350.

Throughout this year, LATAM Group continued to strengthen its network of connections to improve connectivity within the region, and to and from the rest of the world. Thus, in 2017, it opened 13 new international routes: three long-haul ones, and 10 on a regional level.

REGARDING CUSTOMERS, ONE OF THE LANDMARKS IN THE PERIOD WAS THE LAUNCH OF A NEW GASTRONOMIC CONCEPT FOR THE ECONOMY CABIN ON INTERNATIONAL FLIGHTS LASTING OVER SEVEN HOURS, WHICH IS NOW AVAILABLE TO PASSENGERS AT NO ADDITIONAL COST.

It consists in three menu options for lunch and dinner, as well as two options for breakfast, sampling both Latin American and international cuisine. LATAM has created over 300 new dishes to be served to an average of 14,000 passengers on 64 daily flights.

Overall, the Group continued to invest in improving its service, in line with its aim to set clients at the heart of its decision-making processes. Passengers are LATAM Group's main priority; therefore, the culture that has been created within the organization seeks to offer them a simpler, more digital, and consistent service, and thus stand out from the competition.

REGIONAL FLIGHTS

With regard to regional operations, LATAM opened ten new routes in order to offer its passengers a better response in terms of service and connectivity, always boosting its main hubs, such as Lima, Santiago, and Guarulhos.

During 2017, LATAM Group opened five new regional routes from Santiago, four of them connecting secondary cities within Argentina—Tucuman, Neuquén, Rosario, and San Juan—to achieve presence in 10 international airports in Argentina. In addition, as of March 2017, the Group began to operate its new Santiago-Santa Cruz direct flight with a frequency of three flights per week.

The Group also launched four new regional routes from Lima—Mendoza, Tucuman, Cartagena, and Rio de Janeiro—reflecting its ongoing commitment with the Peru's economic and social development. As for the Guarulhos hub, it launched a new route connecting Sao Paulo and Bariloche.

Given all this, LATAM Group remained as market leader on the regional routes it operates within South America, holding 47%[1] of the market share by the end of 2017. Its main competitors are Avianca (23%), Aerolineas Argentinas, and Gol (9% each), among others[2].

LONG-HAUL FLIGHTS

This year, the Company opened three new routes, improving connectivity between the region and the US and Oceania. The maiden flight between Santiago and Melbourne was held in October 2017, turning LATAM into the only airline to join Latin America to this new destination without stopovers. Melbourne is the second Australian city where LATAM operates, together with Sydney, reached via Auckland, New Zealand. Moreover, two new direct flights were opened to Orlando from Santiago and Rio de Janeiro.

In its international operation, LATAM's most relevant strategic project comprises the Joint Business Agreements (JBAs) that it expects to seal with American Airlines and IAG Group (British Airways and Iberia). These JBAs will enable LATAM Group to expand its international network to over 420 destinations in North America and Europe, mainly, benefiting passengers with more flights, better connection times, and lower rates to destinations where the Group doesn't fly.

During 2017, these agreements added further authorizations to those granted by the Uruguay regulator in 2016. Specifically, the JBA with American Airlines was authorized without any mitigation measures by the antitrust agencies of both Colombia and Brazil, while the JBA with the airlines of IAG was also approved by the antitrust agencies of these countries.

On the other hand, in Chile, the agreements are undergoing a consultation process before the Competition Court (Tribunal de la Libre Competencia). While in the US, the Department of Transportation (US-DOT) requires Brazil to ratify the Open Skies agreement between both countries, in order to review the JBA with American Airlines. This Open Skies agreement has already been approved by the Chamber of Deputies and the Senate of Brazil, thus remaining the signature of the Executive and its corresponding publication.

This year, the Group opened three new routes, improving connectivity between the region and the US and Oceania. The maiden flight between Santiago and Melbourne was held in October 2017, turning LATAM into the only airline to join Latin America to this new destination without stopovers. Melbourne is the second Australian city where LATAM operates, together with Sydney, reached via Auckland, New Zealand. Moreover, two new direct flights were opened to Orlando from Santiago and Rio de Janeiro.

Meanwhile, LATAM Group continued to work on strengthening its connections network; and thus, during 2017, it announced new routes from its Guarulhos hub, in Brazil, to Rome, Tel Aviv, Boston and Las Vegas, that will increase the connectivity between Latin America and Europe, Asia, and North America, as of 2018.

REGARDING THE NORTH AMERICA ROUTES (WHICH, IN ADDITION TO FIVE US DESTINATIONS, INCLUDE CANCUN AND MEXICO CITY), THE GROUP ENDED THE YEAR WITH A 19% MARKET SHARE, CONSOLIDATING ITSELF AS THE SECOND LARGEST OPERATOR, JUST BEHIND AMERICAN AIRLINES, WHOSE MARKET SHARE REMAINED AT 21%.

Other competitors are Copa (14%), Avianca and United Airlines (9% each), and Delta (7%), among the most important.

On the routes to Europe, LATAM Group is the third operator in the market, holding 13% by December 2017. Air France-KLM with 21%, and IAG with 19%[1] are at the head of this group, which also includes Tap Portugal and Air Europa (9% each), the Lufthansa group (8%), Avianca (6%), Alitalia (5%), and Aerolineas Argentinas (4%), among the most relevant[2].

As for the Oceania/Asia Pacific operations, LATAM Group is the main operator, holding 45%[1] of the market share. Australian airline Qantas and Air New Zealand hold the remaining 34% and 12%, respectively[2].

16.1
Million passengers

120
Aircraft

27
Destinations

[1] Source: LATAM Airlines Group, considering ASKs from the Group's flights. Data as of December 31, 2017.
[2] Source: Apgdata, considering ASKs from the Group's flights. Data as of December 31, 2017.

BRAZIL

Over 28 million passengers carried

Brazil is the largest domestic market in South America—and the third worldwide—with 280 million inhabitants and over 90 million passengers transported within the country throughout 2017. The low penetration of air travel presents huge growth potential in this market, maintaining it as an opportunity for LATAM Group.

After facing two consecutive years of severe economic contraction—periods when the country's Gross Domestic Product (GDP) dropped 3.8% in 2015 and 3.6% in 2016—the Brazilian economy began to break this trend in 2017, showing greater dynamism thanks to private consumption, and thus managing to end the year with 1.0% growth and presenting a positive scenario for future years.

Despite the spike in macroeconomic conditions, corporate demand (from business travelers) showed signs of slow recovery, not reaching higher levels until the fourth quarter of the year.

AN IMPORTANT FACTOR THAT HAS HELPED TO MITIGATE THE IMPACT OF COUNTRY'S ECONOMIC SLOWDOWN HAS BEEN THE SUPPLY ADJUSTMENT THAT LATAM AIRLINES BRAZIL HAS BEEN CARRYING OUT IN THE PAST YEARS.

In this context, during 2017, LATAM Airlines Brazil reduced its domestic supply by 3.6% in terms of ASK (Available Seat-Kilometers), on top of the 11.5% decrease carried out in 2016. On the other hand, domestic demand decreased 3.2% in terms of RPK (Revenue Passenger-kilometer), resulting in a healthy load factor of 82.7% for the full year—a 0.3 percentage-point increase vs. the previous year.

At December 2017, LATAM Airlines Brazil was operating 44 airports, with roughly 560 domestic flights daily. With 28.3 million PAX transported and a 2.4% decrease compared to 2016, it ended the year as the second largest carrier ofnational routes, holding a 33% market share; that is, 4 percentage points less than Gol. Next, came Azul with 17% and Avianca with 13%, among its main competitors. [1]

For that reason, in this period, LATAM Airlines Brazil continued to focus on maintaining its strategic position in the country, reformulating its whole network, improving the connectivity from its main hubs, such as the Guarulhos/Sao Paulo and Brasilia terminals, and optimizing the use of its assets.

In 2017, LATAM Airlines Brazil opened eight new routes within the country: Guarulhos (São Paulo)-Uberlândia, Guarulhos-Londrina, Guarulhos-Santos Dumont (Rio), Confins (Belo

Horizonte)-Fortaleza, Confins-Vitória, Congonhas (São Paulo), and Bauru, Fortaleza-Manaus, and Curitiba-Iguazu. Moreover, it added new domestic frequencies from the Guarulhos airport for the destinations of Brasilia, Belém, Confins (Belo Horizonte), Fortaleza, Porto Alegre, Recife, Salvador, and Victoria.

TO CARRY OUT ITS DOMESTIC OPERATIONS, IT USED A FLEET OF 90 AIRPLANES, ON AVERAGE, INCLUDING 30 AIRBUS A321, WHICH MAKE IT POSSIBLE TO SERVE THE HIGH-DENSITY ROUTES MORE EFFICIENTLY. WE SHOULD NOTE THAT LATAM GROUP IS CURRENTLY THE ONLY CARRIER WITH THIS TYPE OF AIRCRAFT IN BRAZIL.

As for customer service, as of June, the Company began implementing its new Branded Fares system, which enables passengers to choose how to travel and pay only for what they wish to buy. Thereby, Brazil became the fifth country to include the new travel model that LATAM Group announced in late 2016 for its six domestic markets. This was made possible when the Brazilian government authorized the airlines in the country to charge passengers for checked-in baggage, lending flexibility to the relevant regulation, among other new rules for air transportation that became effective during 2017.

MOREOVER, IN OCTOBER, LATAM AIRLINES BRAZIL ANNOUNCED THAT, BEGINNING IN THE FIRST QUARTER OF 2018, IT WILL OFFER INTERNET ACCESS ON ALL ITS DOMESTIC FLIGHTS. ITS ON-BOARD WI-FI SERVICE WILL COMPLEMENT LATAM ENTERTAINMENT, THE WIRELESS ENTERTAINMENT SYSTEM THAT ALL THE GROUP'S AIRLINES OFFER ON SHORT-HAUL FLIGHTS, ENABLING PASSENGERS TO WATCH MOVIES, TV SHOWS, AND OTHER CONTENT ON THEIR MOBILE DEVICES, FREE OF CHARGE.

Altogether, despite the challenging scenario, the Company obtained two great achievements in consolidating its identity as LATAM Group. For the ninth consecutive year, it was the top-of-mind airline brand in newspaper Folha de S. Paulo's "Top of Mind" ranking. Furthermore, in the World Travel 2017 awards, it was chosen "Best Airline in South America" and "South America's Leading Airline".

28
Million passengers

90
Airplanes

41
Destinations

33%
Market share

[1] Source: ANAC Brazil, considering total RPKs from domestic carriers. Data as of December 31, 2017.

ARGENTINA

2.6 million passengers carried on domestic routes

With 12 years of presence in the country, LATAM Airlines Argentina has consolidated as the second carrier in the domestic segment, with an 18% market share by yearend 2017, in a market known for the predominance of the heritage airline, state-owned Aerolineas Argentinas, which holds 78% of the market, while Andes Líneas Aéreas (a regional carrier headquartered in the city of Salta) holds only 3%.[1]

During this period, LATAM Airlines Argentina transported 2.6 million passengers on domestic routes. Its consolidated traffic in terms of revenue passenger-kilometers (RPK) decreased 2.0% from 2016, whereas capacity (ASK) contracted 6% in the domestic market. Thereby, load factor settled at 80%, translating into a 3.0 percentage-point increase compared to the previous year.

LATAM AIRLINES ARGENTINA HAS 14 DOMESTIC DESTINATIONS CONNECTING TO AND FROM BUENOS AIRES TO THE CITIES OF BAHÍA BLANCA, BARILOCHE, COMODORO RIVADAVIA, CÓRDOBA, EL CALAFATE, IGUAZÚ, MENDOZA, NEUQUÉN, RÍO GALLEGOS, SALTA, SAN JUAN, TUCUMÁN, AND USHUAIA. MOREOVER, IT OPERATES REGIONAL FLIGHTS FROM THE CITY OF ROSARIO, IN THE SANTA FE PROVINCE, WHERE IT HAS SIGNIFICANT COMMERCIAL PRESENCE.

To perform its service, LATAM Airlines Argentina used 15 planes from the Airbus A320 family, considered the most efficient in the industry for cabotage operations, as they have the largest and most comfortable passenger cabin in the category. LATAM Airlines Argentina stands out as the first airline to operate within the country with a fleet comprised fully by these modern aircrafts.

IN ADDITION, THEY ALL HAVE THE NEW WIRELESS IFE ON-BOARD ENTERTAINMENT SERVICE, WHICH ENABLES PASSENGERS TO ACCESS MOVIE CONTENT, MUSIC, GAMES, AND INFORMATION THROUGH THEIR OWN MOBILE DEVICES, RENDERING THEIR FLIGHT EXPERIENCE MORE ENJOYABLE.

Among the milestones of 2017, LATAM Airlines Argentina renewed its commitment to the community through the execution of its two most relevant Corporate Social Responsibility programs: "Todos Podemos Volar" (we can all fly), whose aim is to contribute to the education of the country's children by allowing them to experience flying for the first time; this program ended the period with the participation of 104 students and 16 teachers from schools in the provinces of Buenos Aires, Misiones, and Córdoba; and "Cuido Mi Destino" (I care for my destination), which seeks to consolidate and contribute to the strengthening of sustainable tourism and environmental protection, increasing the value of the relevant tourist and cultural heritage; this program reached the province of Neuquén in the period, where it will continue over the next two years. LATAM Airlines Argentina participates actively in Global Deal, coordinating a round table on Climate Change. Global Deal is a UN initiative on social responsibility that joins companies, education organizations, and the civil society.

WE SHOULD NOTE THAT LATAM AIRLINES ARGENTINA RECEIVED TWO BITÁCORA AWARDS IN 2017 FROM REPRESENTATIVES OF THE TOURISM INDUSTRY: GOLD, AS INTERNATIONAL AIRLINE, AND SILVER AS NATIONAL AIRLINE. LIKEWISE, IT SETTLED ONCE AGAIN AMONG THE 100 BEST COMPANIES IN TERMS OF CORPORATE REPUTATION, ACCORDING TO THE MERCO RANKING, AND IS ALSO THE NUMBER ONE COMPANY IN THE PASSENGER TRANSPORTATION SECTOR. IT WAS ALSO ACKNOWLEDGED FOR A CHRISTMAS CAMPAIGN IN TWO OF THE MOST IMPORTANT ADVERTISING FESTIVALS IN THE WORLD: CANNES LIONS AND EL SOL (SAN SEBASTIÁN).

LATAM Airlines Argentina operates from Buenos Aires out of the Ministro Pistarini (Ezeiza) airport, where it also has its own VIP Lounge, and out of the Jorge Newbery Airport, the most important cabotage terminal in the country. Within that airport, the Company has its own hangar, opened in November 2009.

2.6
Million PAX transported

15
Airplanes

15
Domestic destinations

18%
Market share[1]

[1] Source: Diio.net, considering total RPKs from domestic carriers. Data as of December 31, 2017.

CHILE

Leading the marketexpansion of the country

Air operations in Chile showed a dynamic performance in 2017, reporting a record of 11.6 million passengers transported on domestic flights (including Easter Island)—7.0% more than in the previous year—according to statistics from the Chilean civil aviation authority (Junta de Aeronáutica Civil). While the local economy continued to show a weak performance, with GDP growth of barely 1.6%—remaining as one of the lowest in the last three years—the sustained decrease in fares applied by the industry in the last few years in the context of an increasingly competitive market has been key in driving demand.

LATAM Airlines stood as the leading carrier, with 7.9 million passengers transported on domestic flights and a 70.9% market share, translating into a 4.8 percentage-point decrease from the previous year. On national routes, its main competitor is Sky Airlines, with a 25.5% market share, followed by JetSMART, a new low-cost carrier that entered the market in July, achieving an average market share of 2.3%; whereas the other carriers—LAW amongst them—totaled 1.3% of the market. [1]

Consolidated PAX traffic (in RPK terms) for the domestic market remained flat compared to the previous year (+0.1%), while capacity increased by 2.8% in ASK (Available Seat-Kilometer). As a result, the average load factor settled at 81.7%, with a 2.2 pp decrease compared to 2016.

WE MUST NOTE THAT LATAM AIRLINES HAS BEEN A PIONEER IN EXPANDING FLIGHT COVERAGE IN CHILE, LEADING THE INDUSTRY TO GROW FROM 3 TO NEARLY 12 MILLION PASSENGERS PER YEAR IN THE LAST DECADE.

This has been possible by transferring much of its efficiencies and savings to benefit the passenger, so the latter can have access to cheaper airfares. Moreover, with the aim to continue to stimulate traveler demand, LATAM Airlines implemented a new travel model for the domestic market of Chile, based on airfare segmentation depending on attributes so that each passenger may adapt their travel experience to their own needs, paying only for the services they require. This allows the airline to offer prices that are 20% to 40% lower than before.

[1] Source: JAC Chile, considering total RPKs from domestic carriers. Data as of December 31, 2017.

In the same context, in late 2017, LATAM Airlines announced the selling of one-way tickets on all its flights within Chile—another feature of the low-cost model that, so far, it had not implemented in its offer. LATAM's One Way tickets for national flights are equivalent to the "light" fare, which does not include checked baggage or seat selection for free.

LATAM AIRLINES SERVES 16 NATIONAL DESTINATIONS IN CHILE (EXCLUDING EASTER ISLAND), AND COVERS THE MAIN CITIES FROM NORTH TO SOUTH, SUCH AS SANTIAGO, ARICA, IQUIQUE, CALAMA, ANTOFAGASTA, COPIAPÓ, LA SERENA, CONCEPCIÓN, TEMUCO, VALDIVIA, OSORNO, PUERTO MONTT, BALMACEDA, PUNTA ARENAS, CASTRO, AND PUERTO NATALES.

In its ongoing search to offer the best connectivity and more flight options, with customized trips and at more affordable prices, LATAM Airlines opened in 2017 the direct route Concepcion-Punta Arenas, with two weekly frequencies, allowing passengers to reduce travel times by half (from six to three hours) between these cities, bypass Santiago, and pay a lower fare.

In this period, it also opened the direct route Concepción-Antofagasta, with three weekly frequencies, becoming the only airline in the country to connect these two cities through a non-stop flight, and with the advantage of offering clients the possibility to access record-low fares. This new route has great potential due to demand from both business and tourist passengers, as it connects the north and south of the country directly, in only two and a half hours.

The opening of both routes is in line with the implementation of the new travel model for domestic flights, whose main goal is for more Chileans to be able to fly. Moreover, as these are flights without stopovers in Santiago, the boarding tax decreases to half, so the total cost of the round trip becomes lower in both cases. On this matter, we should note that Chile has the highest domestic boarding taxes in South America, and these are often higher than the value of the actual ticket.

To serve domestic routes, LATAM Airlines used an average fleet of 26 planes in the Airbus A320 family—one less than in the previous year. Of the total, 14 are Airbus A320, with 174 seats, and 12 are Airbus A321—the most modern and largest in the family—with capacity for 220 passengers. LATAM Airlines has been gradually incorporating this model into its short-haul fleet, whose technology, materials, and aerodynamics allow for a more efficient operation of this type of flights, and for a reduction of CO_2 emissions, thanks to lower fuel consumption.

The whole fleet that LATAM Airlines uses to operate its flights within Chile has a modern, on-board entertainment service, equipped with Wireless IFE technology, in line with its goal to offer its passengers a distinctive service proposal, and the best travel experience.

LAST, WE SHOULD NOTE THAT LATAM AIRLINES GROUP WAS CHOSEN AS THE OFFICIAL AIRLINE TO TRANSPORT POPE FRANCIS ON HIS FIRST FLIGHT FROM CHILE TO PERU, IN JANUARY 2018, AS HIS SCHEDULE INCLUDED VISITS TO THE CITIES OF SANTIAGO, TEMUCO, AND IQUIQUE IN CHILE, AND LIMA, PUERTO MALDONADO, AND TRUJILLO IN PERU. LIKEWISE, THE GROUP WAS ALSO IN CHARGE OF HIS RETURN ON THE DIRECT TRANSOCEANIC FLIGHT FROM LIMA TO ROME.

7.9
Million passengers

26
Airplanes

16
Destinations

71%
Market share

COLOMBIA

Four new domestic routes in 2017

Since it began operations in the country, in 2012, LATAM Airlines Colombia has gradually positioned itself as the second carrier in the domestic market, acknowledged as one of the most competitive in Latin America. Colombia is the fourth economy in the region and the second largest passenger market, just below Brazil.

In the last five years, air transportation has experienced a significant expansion in the country, and is a sector with appealing growth potential.

In 2017, LATAM Airlines Colombia transported nearly 4.8 million passengers on national flights, translating into a 0.4% increase over the previous year, to reach a 22.4% market share—1.2 percentage points higher than in 2016. Its main competitors are heritage airline Avianca, whose market share decreased to 54.2% in the period, Viva Colombia (14.8%), Satena (3.3%), Wingo (2.6%), and Easy Fly (2.2%)[1].

ITS CONSOLIDATED PAX TRAFFIC (RPK) GREW 6.6% IN THE DOMESTIC MARKET, WHILE CAPACITY INCREASED 3.1%. THUS, LOAD FACTOR SETTLED AT A SOUND 83%, WITH A 2.7 PERCENTAGE-POINT INCREASE COMPARED TO 2016.

LATAM Airlines Colombia currently serves 14 destinations within Colombia, with 20 routes, offering a broad connectivity from Bogota and Medellin.

In this period, it opened four new domestic routes—namely Medellin-Santa Marta, Medellin-Barranquilla, Cartagena-San Andres, and Cartagena-Cali—expanding its service through flights connecting cities other than Bogotá and strengthening its presence in more tourist destinations.

To carry out its short-haul operations within the country, it ended the year with 16 airplanes of the Airbus A320 family, all equipped with its on-board wireless entertainment system to offer its clients the best travel experience.

In addition to strengthening the domestic routes, in 2017 LATAM Airlines Colombia was the first of the Group's affiliates to launch "Mercado LATAM", after launching in February its new service offering on-board food & beverage purchases on all domestic flights. This was the first step in the evolution of the airline's new travel model to offer passengers more options, flexible rates, and a customized trip, where they only pay for the attributes they choose.

Focused on its permanent goal to improve its value proposal, in 2017 LATAM Airlines Colombia implemented a trip tracking system for minors, in real time, through a website link provided upon purchasing the service, which can be viewed on a mobile device or computer. Nearly 1,900 minors used the system in the last six months of 2017. This

innovation is part of the technology investments that LATAM Group has made in the last year to further improve its passengers' travel experience.

Along the same line, it also implemented a new self-service model at the country's main airports and had 22 kiosks functioning at the end of the year, becoming the first domestic carrier to offer its passengers this simple and autonomous baggage check-in system by printing their baggage tags without having to go to a counter, and dropping off their suitcases at the established drop-off points. In addition, it has added an advanced security system that guarantees the monitoring and tracking of passengers' baggage to prevent possible switches or frauds with it.

Moreover, in its aim to achieve operating efficiencies, LATAM Airlines Colombia began to simplify its boarding model, going from a segmentation of the flight by location within the airplane to a single queue, aiming to reduce boarding times.

WE SHOULD NOTE THAT LATAM AIRLINES COLOMBIA IS THE FIRST AIRLINE WITH NEUTRAL CARBON IN ITS DOMESTIC OPERATIONS, WHICH MEANS THAT IT NEUTRALIZES 100% OF ITS OPERATIONS' CARBON FOOTPRINT BOTH ON LAND AND IN THE AIR.

4.8
Million passengers

16
Airplanes

14
Destinations

22%
Market share[1]

[1] Source: DGAC Colombia, considering total RPKs from domestic carriers. Datas as of December 31, 2017.

ECUADOR

Operating in five cities across the country

LATAM Airlines Ecuador began operations in the domestic market of this country in 2009. It has since consolidated as a relevant carrier on national routes, thanks to its ongoing work towards offering passengers the best product in terms of security, reliability, and service.

LATAM Airlines Ecuador operates in five cities around the country, along the following routes: Guayaquil-Quito-Guayaquil; Quito-Cuenca; Quito/Guayaquil-Galápagos (Baltra); Quito-Galápagos (Baltra); and Quito/Guayaquil-Galápagos (San Cristóbal).

In 2017, LATAM Airlines Ecuador transported close to 1.0 million passengers on national flights—a 4.6% increase from the previous year. This enabled it to achieve a 36% market share, reflecting an increase of nearly 5.0 percentage points from 2016. Its main competitors are heritage carrier Tame, with 36% of the market, and Avianca, with 28%[1].

DURING THIS YEAR, ITS CONSOLIDATED PASSENGER TRAFFIC (MEASURED IN RPK) IN THE DOMESTIC MARKET GREW 5.3%, WHILE CAPACITY (ASK) INCREASED 0.4%. THEREBY, AVERAGE LOAD FACTOR SETTLED AT A HEALTHY 83%, SHOWING A 4.1 PERCENTAGE-POINT INCREASE FROM 2016.

In November 2017, LATAM Airlines Ecuador announced the implementation of a plan to reinforce operations on its national routes to meet the growing PAX demand in the country and provide an efficient and immediate solution to the scarcity of seats on the market, as well as to offer more flight options with lower fares.

Consequently, it added eight weekly frequencies on the Quito-Cuenca-Quito route, totaling 11 flights per week, thereby increasing its seating capacity by over 70%. Simultaneously, it increased its seat capacity by 26% on the Guayaquil-Quito-Guayaquil route, with 15 new flights per week, totaling around 72 flights per week. This plan allowed for an increase of over three thousand additional seats per week on domestic routes.

These flights began operations early in December, with the arrival of the new Aribus A319 to its aircraft fleet, leading LATAM Airlines Ecuador to end the period with six airplanes of this model to carry out its domestic operations. These aircrafts have a capacity for 144 passengers, and include the free wireless on-board entertainment system, LATAM Entertainment.

LATAM AIRLINES ECUADOR ALSO ANNOUNCED ITS INTENTION TO BRING ABOUT AN INCREASE IN FREQUENCIES TO AND FROM THE GALAPAGOS ARCHIPELAGO, OFFERING A CONNECTIVITY WHOSE AIM IS TO ENCOURAGE NATIONAL TOURISM AND ECONOMIC DEVELOPMENT. WITH THIS IN MIND, THE COMPANY CONTINUES TO WORK ALONGSIDE THE AUTHORITIES, FROM THE MINISTRIES THAT COMPRISE BOTH THE NATIONAL CIVIL AVIATION COUNCIL AND THE DIRECTORATE-GENERAL OF CIVIL AVIATION.

Meanwhile, in July 2017, LATAM Airlines Ecuador implemented the Group's new travel model for domestic flights, consisting in the offer of segmented fares based on the attributes that each passenger requires, which enables them to pay only for the services they need. Likewise, it launched "Mercado LATAM", the revamped on-board service offering over 30 options of food and beverages for purchase, including premium products and renowned Ecuadorian brands.

Moreover, during 2017, LATAM Airlines Ecuador achieved significant progress towards the consolidation of the new LATAM brand. In September, it presented the new uniforms for its command and cabin crews, and ground staff who are in contact with clients, and it ended the year with the new brand at the Points of Sale and Airports of Guayaquil, Quito, Cuenca, and in Galápagos, with its headquarters at Baltra and San Cristóbal.

WE SHOULD NOTE THAT, IN THIS PERIOD, LATAM AIRLINES ECUADOR WAS ACKNOWLEDGED BY THE VERY ILLUSTRIOUS MUNICIPALITY OF GUAYAQUIL AND THE EDÚCATE FOUNDATION FOR ITS CONTRIBUTION TO THE MÁS TECNOLOGÍA (MORE TECHNOLOGY) PROJECT. THIS IS A SOCIAL RESPONSIBILITY PROGRAM AIMED TO IMPROVED EDUCATION IN THE CITY AND REDUCE THE EXISTING DIGITAL GAP AT PUBLIC SCHOOLS IN THE CITY.

Moreover, LATAM Airlines Ecuador was acknowledged in 2017 as the preferred airline among executives, according to a study carried out by Grupo EKOS' Research and Marketing Unit to determine the brands that Ecuadorian executives prefer.

1.0
Million passengers

6
Airplanes

5
Destinations

36%
Market share[1]

[1] Source: Diio.net, considering total RPKs from domestic carriers. Data as of December 31, 2017.

PERU

Socially Responsible Company award for the fourth consecutive year

With 18 years of presence in Peru, LATAM Airlines Peru has consolidated as the leading carrier in the domestic market, with a market share of around 57.7%[1] in 2017. In that year, it transported 6.7 million passengers within the country—a record figure for the Company—showing a 1.8% increase from the previous year.

During 2017, Peru experienced a slowdown in activity compared to the previous year, particularly in the first half of 2017, even though its economy remained among the most dynamic in the region, ending the period with annual growth of 2.7%. In this context, PAX traffic in the domestic market continued to rise, surpassing 9.7 million PAX transported, which means a 7.6% increase from 2016.

LATAM Airlines Peru's consolidated passenger traffic (RPK) grew 1.4%, while capacity (ASK) decreased 1.5% compared to 2016, in the domestic market. Thereby, load factor settled at 82.8%, showing a 2.4 percentage-point increase from the previous year.

LATAM AIRLINES PERU'S CONSOLIDATED PASSENGER TRAFFIC (RPK) GREW 1.4%, WHILE CAPACITY (ASK) DECREASED 1.5% COMPARED TO 2016, IN THE DOMESTIC MARKET. THEREBY, LOAD FACTOR SETTLED AT 82.8%, SHOWING A 2.4 PERCENTAGE-POINT INCREASE FROM THE PREVIOUS YEAR.

In the period, LATAM Airlines Peru opened flights to Jauja, from Lima, with seven weekly frequencies, increasing its destinations within the country to 18. The launch of this new destination reflects LATAM Group's ongoing commitment to Peru's economic and social development, in line with its goal to keep improving national air connectivity. Jauja is a commercial hub between the Peruvian coast and its mountain region.

Moreover, in July, it began operating new domestic routes without connecting in Lima, such as Cusco-Trujillo through a direct flight with three weekly frequencies, enabling a 56% reduction in travel times compared to the Cusco-Trujillo route via Lima. Cusco is a center that draws hundreds of national and foreign tourists each year, and this new flight is expected to bring more visitors from the north part of the country to

the Imperial Cities, while also taking more tourists to visit the north of Peru. We should note that tourists from the north are becoming better connected, given that LATAM Airlines Peru currently offers direct flights from Cusco to Puerto Maldonado, Juliaca, and Arequipa.

ALONG THE SAME LINE, IN DECEMBER, LATAM AIRLINES PERU ANNOUNCED THE OPENING OF TWO NEW ROUTES—CUSCO-PISCO, AND CUSCO-IQUITOS—FOR FLIGHTS BEGINNING IN JUNE AND JULY 2018, RESPECTIVELY.

To carry out its domestic operations, it used a fleet comprising 18 airplanes from the Airbus A320 family, without changes from the previous year.

A landmark in the period was the launch of "Mercado LATAM" in March, the new service to buy food & beverages on board all domestic flights. Thus, Peru became one of the first affiliates that offer this service, which is part of the new travel model for national flights that LATAM Group announced in November 2016. On the other hand, in June, LATAM Airlines Peru began to implement the new segmentation model for domestic flights, with four fare options: Promo, Light, Plus, and Top. Through this initiative, it seeks to once again revolutionize the air market in Peru, by offering its passengers to pay only for the services they use and thus, gain a more flexible, customized travel experience.

IN 2017, LATAM AIRLINES PERU WAS ONCE AGAIN ACKNOWLEDGED AS ONE OF THE 10 MOST APPEALING PERUVIAN COMPANIES TO WORK IN WITHIN THE COUNTRY, RANKING 9TH IN THE TOP 10 EMPLOYERS OF CHOICE MERCO 2017 (ON CORPORATE REPUTATION).

Moreover, it was the winner of the TOP 10 award in the survey "Where do I want to work?" (DQT for its Spanish acronym) by Arellano Marketing; the Socially Responsible Company award from the Asociación Perú 2021 for the fourth consecutive year, and the Best Airline and Travel Agency Award in the Annual Survey of Executives 2017 by the Lima Chamber of Commerce.

6.7
Million passengers

18
Airplanes

18
Destinations

58%
Market share[1]

[1] Source: MTC Peru, considering total PAX transported by domestic carriers. Data as of December 31, 2017.

CARGO

First airline in the Americas to be awarded the CEIV Pharma Certification

LATAM Cargo and related enterprises is the largest carrier of air cargo in Latin America, offering its clients the broadest point-to-point connectivity between the region and the rest of the world, with 144 destinations in 29 countries. LATAM Cargo Group transports cargo in the bellies of 298 passenger planes and in 9 dedicated cargo freighters.

The objective of LATAM Cargo is to contribute to LATAM Group's profitability by maximizing cargo transport in the belly of passenger aircraft. To accomplish this, LATAM Cargo is focused on developing and delivering an attractive an attractive proposition for cargo clients, as well as on the continuous pursuit of higher levels of efficiency and productivity. Due to the above, 60% of the cargo was carried in the belly of passenger aircraft, and 40% in dedicated freighters. The latter aircraft seek to complement the group's passenger offer, and to accomplish this in the most effective way, LATAM Cargo carried a restructuring process in order to homologate its fleet around the Boring 767-300F aircraft, given the advantage they have when operating the main markets within South America and between this region and abroad. With this end in mind, during 2017 kicked off the face-out of its Boeing 777-200F fleet, with the retirement of the last two airplanes of this model.

THROUGHOUT THE YEAR, CARGO REVENUES INCREASED 0.8% FROM THE PREVIOUS YEAR, WHEREAS THE OFFER—MEASURED IN ATKS (AVAILABLE TON KILOMETER)—DECREASED BY 7.1%. CARGO REVENUES PER ATK ROSE 8.5% COMPARED TO 2016, THANKS TO A 3.2 PERCENTAGE-POINT INCREASE IN LOAD FACTOR, WHICH SETTLED AT 54.9%.

In 2017, its consolidated cargo traffic—measured in RTKs—decreased by 1.3% compared to the previous year, mainly due to the decrease in dedicated cargo fleet. In fact, cargo traffic transported in the bellies of passenger planes increased 7%.

The recovery in revenues is mainly due to the capacity adjustments that LATAM Cargo Group has been implementing over the last few years, and to the ongoing improvement of imports from North America and Europe to Brazil—namely,

AS FOR THE EXPORT MARKETS FROM LATIN AMERICA, WHILE THE FIRST PART OF THE YEAR SHOWED A DROP, THERE WAS A TREND OF RECOVERY BOOSTED MAINLY BY A HIKE IN THE TRAFFIC OF SALMON, FRUIT, AND FLOWERS FROM CHILE, ARGENTINA, COLOMBIA, AND ECUADOR.

electronic appliances and industrial supplies. The above was favored by more stable market conditions in the country, and the appreciation of the Real. Also, imports to Chile and Argentina rebounded throughout the year. All this, within a framework of recoveries in the air cargo market worldwide, after several years of declines.

On the other hand, in 2017, LATAM Cargo Group consolidated its product portfolio for the international market, which was developed in 2016 to deliver its clients clear promises regarding the transportation of their cargo, in compliance with the specific needs of each shipment. Of the 3 services and 11 care options offered during 2017, the Flex service (an affordable and reliable solution for non-critical shipments that need to reach their destination in a specific timeframe), and the Pharma care option (an ideal solution to transport pharmaceutical and personal care products), had a notable evolution.

A relevant milestone for LATAM Cargo Group in 2017 was the acknowledgement awarded by the International Air Transport Association (IATA). This prestigious association rewarded the group's pharmaceutical service with the CEIV Pharma certification for meeting the most demanding standards worldwide that apply to the transportation of these products, making the company the first airline in the American continent to be awarded this certificate. Likewise, LATAM Cargo Group was also awarded the CEIV Pharma certification for the handling service at its hub in Miami, USA.

AS FOR INFRASTRUCTURE INVESTMENT, IN LATE APRIL, FAST AIR—LATAM GROUP'S MAIN IMPORTS WAREHOUSE IN SANTIAGO DE CHILE—TRANSFERRED ITS FACILITIES TO THE NEW CARGO AREA IN THE INTERNATIONAL AIRPORT, DUE TO THE EXPANSION OF THE PASSENGER TERMINAL, CURRENTLY UNDER EXECUTION.

The new building considers improvements in operations and flows for cargo clients, enabling LATAM Cargo Group to deliver a more streamlined and efficient service. Among the improvements, we should note the increase of around 1,000 rack positions destined to cargo storage (from 3,200 to 4,193); the increase in height positions, from the fifth to the eighth rack level within the warehouse and its chambers; and the inclusion of a controlled temperature warehouse for exclusive use by the Pharma care option, increasing availability to 273 positions in four types of chambers: two at 2-8°C, one at 15-25°C, and one at -20°C.

Moreover, in January 2017, LATAM Cargo opened its new cargo terminal in Fortaleza, Ceará, destined exclusively to the domestic business, mainly from the north and northeast of Brazil, and becoming the most modern terminal in the area. With an investment of around USD$1.2 million, the new terminal spans 1,687 m2 and offers services that represent significant progress. Located in the area of the Pinto Martins International Airport, it has capacity to move around two thousand tons of cargo per month, translating into a 33% increase compared to its previous capacity. At this airport, the Company sends out cargo on over 20 passenger flights per day and receives another 20. Added to this is the pure cargo operation, with one weekly frequency.

Committed to the community, during 2017, LATAM Cargo Group took several steps regarding social responsibility. On this matter, we should note the "Solidarity Plane" initiative,

which focuses on carrying essential goods to places struck by natural disasters. This year, aid was carried to Peru (floods), Chile (fires), and Puerto Rico (Hurricane Maria). In the latter case, given the size of the disaster, a process requiring the coordination of representatives from various teams in the Group was carried out to implement a non-existent route between Miami and Puerto Rico as an exception, reallocating a B767F freighter from its usual route to the affected area.

Last, and as part of the "I Care for My Destination" campaign, the Company supports the recycling of cardboard, PET, and aluminum in Easter Island, totaling over 170 tons, equivalent to one large dump truck per month, and the transfer of animals for rehabilitation, among others.

LAST, AND AS PART OF THE "I CARE FOR MY DESTINATION" CAMPAIGN, THE COMPANY SUPPORTS THE RECYCLING OF CARDBOARD, PET, AND ALUMINUM IN EASTER ISLAND, TOTALING OVER 170 TONS, EQUIVALENT TO ONE LARGE DUMP TRUCK PER MONTH, AND THE TRANSFER OF ANIMALS FOR REHABILITATION, AMONG OTHERS.

896
Thousand Tons of Cargo

9
Airplanes

144
Destinations

LOYALTY
Programs

Over 29 million members

The goal of frequent flyer programs is to reward the loyalty of those passengers who make the most use of LATAM Group's airlines, through various benefits and prizes; people must sign up as members to receive these rewards. This is how airlines can thank their clients for their business, which makes it a highly valued attribute among passengers.

During the process of merging the LATAM brand and the LATAM Pass and LATAM Fidelidade loyalty programs, the rules and benefits were homogenized and simplified to significantly improve the travel experience of LATAM Group's customers in all the countries where it operates.

Among the first modifications made in this period is the switch in the LATAM Pass KMS and Multiplus Points earning model from a distance-based system to a revenue-based one.

THIS MEANS THAT, FROM NOW ON, LATAM MEMBERS' KILOMETER ACCUMULATION (UNDER BOTH PROGRAMS) WILL DEPEND ON THE MEMBER CATEGORY AND THE DOLLAR VALUE OF THE TICKET. THUS, THE FOCUS WILL BE ON THE TICKET RATHER THAN ON THE KILOMETERS TRAVELED, AS WAS THE CASE IN THE PREVIOUS MODEL.

On the other hand, the Group announced a unique coalition per country, whereby Multiplus becomes the coalition for Brazil, Paraguay, Mexico, the US, and Europe, while LATAM Pass becomes the coalition for South America (except Paraguay and Brazil) and other countries. Member migration between coalitions will take place throughout 2018. This new model will make it possible to deliver a unique experience to members from a single country. Moreover, the Company announced the unification of the redemption network so that both coalitions will have access to LATAM's entire network, generating more flight and destination options for its members.

Furthermore, in January 2018, LATAM Pass switched its program currency from kilometers to miles, whereby 1 LATAM Pass Mile is now equivalent to 1.6 LATAM Pass KMS. This change is purely nominative and is in line with the trend of loyalty programs in the airline industry worldwide. Although

the earning and redemption equivalences vary, members retain the match between LATAM Pass KM and Miles (the value of the currency remains).

As of 2018, the Group will also add new benefits for the Program's members, with more options to earn and redeem points.

ONE OF THESE BENEFITS IS LATAM PASS MALL, WHICH EXPANDS ON THE RANGE OF PRODUCTS AND SERVICES CURRENTLY OFFERED, AND ENABLES MEMBERS TO ACCRUE MILES THROUGH ONLINE PURCHASES FROM THE PARTNER BUSINESSES, OR TO REDEEM MILES FOR NON-AIRLINE PRODUCTS, SUCH AS HOTELS, TECHNOLOGY, AND GIFT CARDS, AMONG OTHERS.

Likewise, clients will be able to redeem their LATAM Pass Miles for lodging at over 100 thousand hotels worldwide.

Also, in Spanish-speaking countries, LATAM Pass launched new earning and redemption partnerships with large companies such as Shell, Booking.com, Claro, and new financial products with Santander Chile. This is in line with the goal to offer an ever more complete and tangible coalition to our members.

On the other hand, LATAM Fidelidade implemented in Brazil a decrease in the minimum segments required to qualify for the Platinum category (from 40 to 24 segments), thus enabling a significant number of members to start enjoying the benefits linked to this category.

By the end of 2017, LATAM Group had over 29 million members registered in its frequent flyer programs—13.4% more than in 2016—divided among LATAM Pass with 14.6 million members (1.5 million more than a year earlier) and LATAM Fidelidade with 15.1 million members (2.0 million more than in the previous period). Together, the group's airlines reported 3.2 million tickets redeemed—6% more than a year earlier.

LATAM PASS

14.6
Million members

LATAM FIDELIDADE

15.1
Million members

PROPERTIES,

Plant and Equipment

CHILE

Venue

Our main facilities are located near the international Comodoro Arturo Merino Benítez Airport. The complex includes offices, conference rooms and training facilities, dining rooms and simulation cabins used for crew instruction. Our corporate offices are located in a more central area of Santiago, Chile.

Maintenance base

Our Maintenance base is located in the grounds of the International Comodoro Arturo Merino Benítez Airport. These facilities include our aircraft hangar, warehouses, workshops and offices, and parking space for parking up to:

30 short-range aircraft

or

10 long-range aircraft

Other facilities

We have a flight training center right beside the International Comodoro Arturo Merino Benítez Airport. We also developed a recreational facility for our employees, with the support of Airbus. The facility, denominated "LAN Park", is located in an area of our property near the International Comodoro Arturo Merino Benítez Airport.

BRAZIL

Venue

LATAM Airlines Brazil main facilities are located in São Paulo, in the hangars located in and around the Congonhas Airport. At the Congonhas Airport, LATAM Airlines Brazil leases hangars which belong to INFRAERO (Local Airport Administrator). The Services Academy is located approximately at 2.5 km from the Congonhas Airport; it is separate property owned by LATAM Airlines Brazil exclusively dedicated to the areas of selection, medical care, training and simulations.

Maintenance base

LATAM Airlines Brazil maintains offices and hangars at the Congonhas Airport, which also include the areas of aircraft maintenance and procurement and logistics of aeronautical materials. In addition, LATAM Airlines Brazil has its aircraft maintenance facilities (MRO) in São Carlos (Brazil).

Can serve up to
8
aircraft simultaneously

Comprises
22
technical component-workshops

Other facilities

In Sao Paulo, LATAM Airlines Brazil has other facilities, such as the commercial center, the uniforms building, the Morumbi Office Tower and the call center building. Additionally, in São Paulo, LATAM Airlines Brazil has subsidiaries' offices owned by the group, such as Multiplus and LATAM Travel.

OTHER LOCATIONS

LATAM has facilities at the Miami International Airport, rented out to them by the airport through a concession agreement. Such facilities include a corporate building of 4,150 m^2, cargo holds (including a refrigeration area) of around 35,300 m^2, and an aircraft parking platform of around 72,700 m^2, as well as fully equipped offices. Additionally, during 2015, the Company opened its first maintenance hangar in Miami, with an area of 6,140 m^2 for aircraft maintenance and adjacent infrastructure (workshop, stores and offices). The project entailed a final investment of US$ 16.5 million, funded 100% by the company.

Moreover, LATAM's affiliates keeps lease contracts through airport concessions, administrative and sale offices, hangars and areas of maintenance in Argentina, Colombia, Ecuador and Peru.

MANA-GEMENT

2017

Committed to take care that drams reach their destination.

Industry ENVIRONMENT

The cargo business recorded its highest growth since 2010

Global economic growth in 2017 was slightly higher than in 2016, with improvements both in advanced economies, and in emerging and developing markets. The latter were driven by a rebound in commodity exports, which helped economies such as Brazil to recover from the recession. However, even though these commodity-exporting economies showed growth in 2017, it was moderate, so they remain weakened by two consecutive years of recession.

On the other hand, revenues in the global aviation industry showed an overall good performance in 2017, driven by 7.6% increase in passenger traffic—above the average growth of the last 10 years—and a 0.9% increase in load factor, which reached an all-time high of 81.4%. However, these figures were countered by hikes in non-fuel costs, particularly wages and costs related to the using of airport infrastructure. Thus, the global industry's operating result is estimated at US$62.6 million (below the US$65.2 million achieved in 2016), whereas net profit settled around US$34.5 million (vs. US$35.3 million in 2016).

ON A LOCAL AND REGIONAL LEVEL, WE CONTINUED TO SEE A TREND TOWARDS THE LOW-COST MODEL, WITH GREATER PASSENGER SEGMENTATION BASED ON CUSTOMERS' TRAVEL NEEDS, NOT ONLY AMONG EXISTING CARRIERS, BUT ALSO AMONG NEW PLAYERS WHO HAVE JUST BEGUN OPERATIONS, OR WHO ANNOUNCED THEIR ENTRY IN 2017.

Moreover, the trend towards strengthening alliances and cooperation agreements among the world's airlines continues, improving passenger connectivity.

With regard to the various geographic markets, North American airlines showed better results in terms of profit, thanks to a stronger economic juncture, which favored both domestic and international demand, even though the latter was negatively impacted by strong hurricanes. Moreover, carriers benefited from their capacity discipline, managing to increase their load factor to 83.6%, and from ancillary revenues.

In Europe, the aviation industry's profit showed a spike from the previous year, partly because in 2016, growth was hampered by the various terrorist attacks in the region, but also given an improvement in passenger traffic (as it was the second region with the highest growth, just behind Asia Pacific), together with the highest load factor in the industry (83.9%). This managed to counter the low yields resulting from strong competition as a consequence of being an open aviation area, and due to the high regulation costs.

Asia Pacific was the region with the most growth in terms of PAX traffic, driven by the large domestic markets of the region (India, China, and Russia). Overall, Asian airlines reported higher profit than in 2016, aided by improvements in the cargo business.

As for Latin America, the economies in recession (Brazil, Argentina, and Ecuador) showed some recovery in 2017. Together with their currencies' appreciation (thanks to stronger commodity prices), this managed to counter the weaker growth seen in Chile, Peru, and Colombia. On the other hand, the aviation industry benefited from traffic growth both in domestic and international markets (despite the natural disasters experienced throughout the year). Together with the overall industry's sound capacity discipline, this helped to increase the load factor to 81.8%. Thereby, airlines in the Latin American industry managed to keep their profits at US$0.7 billion.

AS FOR THE CARGO BUSINESS, TRAFFIC ROSE 9.0% IN 2017—THE LARGEST EXPANSION SINCE 2010—DRIVEN BY HIGH DEMAND FOR MANUFACTURED PRODUCTS, MAINLY FROM EUROPE (WHOSE CARGO TRAFFIC INCREASED BY 11.8%).

Added to the industry's capacity discipline, this led to a recovery in load factor, which settled at 45.5%. On the other hand, after two consecutive years of declines, the cargo business in Latin America reported traffic growth (+5.7%) aided by a recovery in the Brazilian economy.

Given the industry's current structure, the International Air Transport Association (IATA) expects better net profits for the worlds aviation industry in 2018, settling around US$38.4 billion, with an operating margin of 8.1%. This improvement could be mainly explained by strong economic growth worldwide, which would drive traffic growth above capacity expansions. Nonetheless, this would be largely countered by the higher fuel prices expected in 2018, as well as a sustained increase in unit costs ex-fuel. We must note that emerging economies, mainly Asia Pacific, Middle East, and Latin America, will remain the drivers of global traffic growth in 2018. This trend should remain for the next 20 years, given the economic growth projections of these regions, as well as the low penetration of air travel in their countries.

Regulatory FRAMEWORK

Below we provide a brief reference about the important effects of ae ronautic regulations, free competition and other type of regulations that ap ply in Chile.

CHILE'S AERONAUTIC REGULATIONS

Both the General Bureau of Civil Aviation (DGAC, in its Spanish acronym) as well as the Civil Aeronautics Board (JAC, in its Spanish acronym) supervise and regulate Chile's aviation industry. The DGAC reports directly to the Chilean Air Force and is responsible for ensuring compliance of the country's laws and regulations governing aviation. The JAC is Chile's civil aviation authority.

Primarily by virtue of Executive Order N° 2,564, that governs civil aviation, the JAC regulates the allocation of domestic and international routes and the DGAC regulates flight operations, which include personnel, aircraft, security levels, air traffic control and airport management.

WE OBTAINED AND CONTINUE TO HAVE THE AUTHORIZATION THAT IS REQUIRED BY THE CHILEAN GOVERNMENT TO PERFORM FLIGHT OPERATIONS, INCLUDING THE JAC CERTIFICATES AND THE DGAC OPERATIVE AND TECHNICAL CERTIFICATES, WHOSE PERIOD OF EFFECTIVENESS ARE SUBJECT TO THE CONTINUOUS COMPLIANCE WITH THE STATUTES, RULES AND REGULATIONS THAT GOVERN THE AERONAUTIC INDUSTRY, INCLUDING ANY RULE OR REGULATION TO BE ISSUED IN THE FUTURE.

Chile is a signatory state as well as a permanent member of the International Civil Aviation Organization (ICAO), a United Nations organization established in 1947 aimed at assisting in the planning and development of international air transport.

The ICAO establishes the international aeronautic industry's technical guidelines; which, in turn, have been incorporated into our country's laws and regulations by the Chilean authorities.

In the absence of an applicable Chilean standard related to security or maintenance matters, the DGAC has incorporated most of OACI's technical guidelines by way of references. We are certain to comply with all relevant technical guidelines.

ROUTING RIGHTS

National routes

Chilean Airlines are not required to obtain permits to transport passengers or cargo on domestic routes, but only to comply with the technical and insurance requirements established by the DGAC and the JAC, respectively. Nevertheless, there are no regulatory barriers preventing foreign airlines to create a Chilean subsidiary company and enter the country's domestic market via such subsidiary. On January 18, 2012, Chile's Transportation Ministry and Economics Ministry announced that the country was adopting a unilateral open skies policy. The foregoing was subsequently confirmed on November 2013 and remains in effect to this date.

International routes

AS AN AIRLINE THAT PROVIDES SERVICES IN INTERNATIONAL ROUTES, LATAM AIRLINES IS ALSO SUBJECT TO A NUMBER OF BILATERAL INTERNATIONAL CIVIL TRANSPORTATION AGREEMENTS THAT ESTABLISH RECIPROCAL AIR TRAFFIC RIGHTS BETWEEN CHILE AND SEVERAL OTHER COUNTRIES.

Since there is no guarantee whatsoever that such currently existing bilateral agreements between Chile and those foreign governments will remain in effect, a modification, suspension or revocation of one or more of such international agreements could damage our operations and financial results.

International route rights, as well as their corresponding landing rights, are derived from a number of international transport agreements negotiated between Chile and other foreign governments. By virtue of such agreements, the government of one of such countries grants another government the right to assign the operation of scheduled flight services between certain destinations of that country to one or more of its domestic airlines.

When Chile opens routes to and from foreign cities, any airline that meets the necessary requirements may bid for their use. If there is more than one bidder for a given route, then, the JAC awards it for a 5-year period via a public contest. The JAC awards grants the use of routes under the condition that the awarded bidding airline operate them continuously. Were an airline to cease to operate a given route during a 6-month period or more, the JAC is entitled to revoke its rights over such route. International routes can transfer their use without cost. In the past, generally, we have only paid nominal amounts for the right to use international routes awarded via public contests in which we were the only bidder.

INTERNATIONAL RATE-FIXING POLICY

Chilean airlines are free to fix their own domestic and international rates without any government regulation whatsoever.

In 1997, Resolution N° 496 issued by the Hon. Resolutory Commission (predecessor of the Hon. Free Competition Tribunal) approved a self-regulating tariff plan submitted by LATAM for its domestic operations in Chile.

Said plan was submitted in compliance with what was ordered in 1995 by Resolution N° 445 of the Hon. Resolutory Commission. In general terms, according to this plan, we must ensure that the yields of routes classified as "non-competitive" by Resolution N° 445 do not exceed the yields of routes of a similar distance defined as "competitive" by the same resolution, and inform the JAC about tariff reductions or increases in "non-competitive" and "competitive" routes, in the manner and within the deadlines indicated in the referred self-regulation plan.

AIRCRAFT REGISTRATION

The Chilean Aeronautics code (CAC, in its Spanish acronym) governs the registration of aircraft in Chile. In order for an aircraft to be registered or remain registered in Chile, its owner must be:

- A natural person of Chilean nationality.
- A juridical person incorporated in Chile whose main legal domicile and its real and effective headquarters are in Chile, and whose majority capital is owned by natural or juridical Chilean persons, among other requirements established in article 38 of the CAC.
- The Aeronautic Code expressly entitles the DGAC to permit registering aircraft whose property owners are not natural or juridical Chilean persons, provided that they have a permanent commercial domicile in Chile. Aircraft owned by foreigners, but that are operated by Chileans or by an airline affiliated to a Chilean aviation entity may, likewise, be registered in Chile. The registration of any aircraft can be revoked in case of failure to comply with the registration requirements and, particularly, in the following cases:
- If its property ownership requirements are not met.
- It the aircraft does not meet any of the applicable safety requirements established by the DGAC.

PREVENTION

The DGAC requires that any aircraft operated by a Chilean airline is registered before the DGAC or before another equivalent entity empowered as supervisor in another country. Every aircraft must have its own airworthiness certificate; whether issued by the DGAC or by another equivalent non-Chilean entity with supervising powers. Moreover, the DGAC does not issue a maintenance permit to a Chilean airline until the DGAC has evaluated that airline's capacity to perform such maintenance.

The DGAC renews maintenance permits annually and has indeed approved our maintenance operations. Only such maintenance facilities certified by the DGAC or by an equivalent non-Chilean entity with supervising powers in the country in which the aircraft is registered may perform maintenance and repair work to aircraft operating in Chile.

Likewise, aircraft maintenance personnel working at such facilities must be certified by the DGAC or by an equivalent non-Chilean entity with supervising powers before assuming any aircraft maintenance position.

SAFETY

THE DGAC ESTABLISHES AND SUPERVISES THE EXECUTION OF SAFETY STANDARDS AND REGULATIONS IN CHILE'S COMMERCIAL AERONAUTIC INDUSTRY.

Such standards and regulations are based on the standards developed by international commercial aeronautic organizations. Each of Chile's airlines and airports must submit before the DGAC an air safety manual describing the safety procedures that they execute in their daily commercial aviation operations, as well as their personnel training procedures with respect to safety. LATAM has already submitted its air safety manual to the DGAC. Chilean airlines operating international routes must adopt safety measures pursuant to the applicable requirements of international bilateral agreements.

AIRPORT POLICIES

The DGAC supervises and manages Chile's domestic airports, including takeoff and landing charges. The DGAC proposes airport costs to be approved by the JAC, and the same are subsequently applied to all airports nationwide. Ever since the mid 90's, a number of Chilean airports have been privatized, including Santiago's Arturo Merino Benítez International Airport. Airport Managers manage private airport facilities under the supervision of the DGAC and the JAC.

ENVIRONMENTAL AND NOISE REGULATIONS

There are no significant environmental standards or controls imposed on airlines applicable to aircraft nor that would affect us within Chile, except for the environmental laws

and standards of general application. Currently, neither are there noise restriction standards applicable to aircraft within Chile. Nevertheless, Chilean authorities intend to issue environmental noise regulations to govern aircraft flying toward and within the country.

The regulation that has been proposed will require such aircraft to meet specific noise restrictions, which the market nowadays refers to as Stage 3 Standards.

MOST OF LATAM'S FLEET ALREADY MEETS THE PROPOSED RESTRICTIONS; THEREFORE, WE CONSIDER THAT ISSUING SUCH STANDARDS WILL NOT IMPOSE A SIGNIFICANT BURDEN TO OUR OPERATIONS.

ANTITRUST LEGISLATION

Chile's antitrust authority, to which we refer to as the Free Competition Defense Tribunal (formerly, the Antitrust Commission, and heretofore the "TDLC"), oversees antitrust affairs governed by Executive Order N° 211 of 1973 and its eventual subsequent amendments, or the Antitrust Law. The Antitrust Law forbids any entity to impede, restrict or distort free competition in any market or any sector of any market.

The Antitrust Law forbids, additionally, any company having a dominant position in any market or that has dominates a substantial part of any market, to abuse its position.

Any damaged person is entitled to file suit for damages resulting from the non-compliance of the Antitrust Law and/or to file a claim before the Antitrust Tribunal so that the latter orders putting an end to such Antitrust Law infringement.

The TDLC is empowered to impose a variety of sanctions to Antitrust Law violations, including the termination of contracts that infringe the Antitrust Law, the dissolution of companies and the imposition of penalties and daily sanctions to companies. The courts of justice may order the payment of indemnity for damages, as well as other relief measures (such as injunction) whenever appropriate. In October 1997, the Antitrust Tribunal approved our self-regulating tariff plan.

EVER SINCE OCTOBER 1997, LAN AIRLINES S.A. AND LAN EXPRESS ABIDE BY A SELF-REGULATING PLAN THAT WAS AMENDED AND APPROVED BY THE FREE COMPETITION TRIBUNAL IN JULY 2005 AND ALSO IN SEPTEMBER 2011.

In February 2010, the National Economic Affairs Investigation Bureau (FNE, in its Spanish Acronym) completed the investigation initiated in 2007 with respect to our compliance with our self-regulating plan and no further observations were made.

By virtue of Resolution N° 37/2011, issued on September 21, 2011 (the "Resolution"), Chile's Hon. Free Competition Defense Tribunal approved the association between LAN and TAM, imposing 14 mitigation measures to LATAM, whose scope and regulation is established in the Resolution, as summarized below by way of reference:

1. To exchange 4 pairs of daily slots at the Guarulhos Airport in Sao Paulo, to be used exclusively for servicing non-stop flights along the SCL-GRU route.
2. To extend for a 5-year period its frequent flyer program to those airlines that operate (or state their interest in operating) the Santiago-Sao Paulo, Santiago-Río de Janeiro, Santiago-Montevideo and Santiago-Asunción routes, that apply to LATAM for an extension of the referred program for such route(s).
3. To execute inter-line agreements along the Santiago-Sao Paulo, Santiago-Río de Janeiro, and/or Santiago-Asunción routes, with those airlines interested in operating such routes and that so request it.
4. To adhere to certain temporary capacity and supply restrictions along the Santiago-Sao Paulo route.
5. To introduce and execute certain amendments into LATAM's Self-regulatory Tariff Plan, applicable to its domestic operations.
6. To renounce, before June 22, 2014, to one of the two worldwide alliances that LAN and TAM belonged to prior to the date of the Resolution.
7. To adhere to certain restrictions in the execution and maintenance of code-sharing agreements (without prior consultation with the Free Competition Defense Tribunal) along certain routes and with member airlines or associates of an alliance other than that to which LATAM belongs.

8. To adhere to certain restrictions, in their future bidding contest bids, regarding 3rd, 4th and 5th freedom rights between Santiago and Lima; and to renounce to four 5th freedom frequencies to Lima.

9. To express before air transport authorities their favorable opinion regarding Chile's unilateral open skies policy for domestic air traffic by airlines of other States, without requiring reciprocity.

10. To commit, in all pertinent matters, to promote the growth and normal operations of the airports of Guarulhos in São Paulo and Arturo Merino Benítez in Santiago.

11. To adhere to certain guidelines in the granting of incentives to travel agencies.

12. To temporarily maintain, except in cases of force majeure: i) at least 12 non-stop round-trip flights per week, directly operated by LATAM, in the routes between Chile and the United States; and, ii) at least 7 non-stop round-trip flights per week, directly operated by LATAM, in the routes between Chile and Europe.

13. To adhere to certain restrictions: in the average price of passenger transport airfares, corresponding to the Santiago-Sao Paulo and Santiago Río de Janeiro routes; and in the rates in effect and published, as of the date of the Resolution, for the transport of cargo in each of the routes between Chile and Brazil.

14. To hire an independent consultant, so that such third party provides advice to the FNE for a 3-year period in the supervision of LATAM's compliance with the Resolution.

Brazil's Administrative Council for Economic Defense (CADE, in its Portuguese acronym) unanimously approved the association between LAN and TAM at its meeting on December 14, 2011, subject to the following conditions:

1. The new group (LATAM) must renounce to one of the two worldwide alliances in which it heretofore participated (Star Alliance or OneWorld);

2. and, it must offer to exchange 2 pairs of slots at the Gaurulhos International Airport for them to be used by a third-party interested in offering direct non-stop flights between Sao Paulo and Santiago, Chile.

The aforementioned conditions are consistent with the mitigation measures adopted in Chile by the TDLC.

ADDITIONALLY, THE ASSOCIATION BETWEEN LAN AND TAM WAS SUBMITTED BEFORE THE FREE COMPETITION AUTHORITIES OF GERMANY, ITALY AND SPAIN. ALL THESE JURISDICTIONS GRANTED THEIR UNCONDITIONAL APPROVAL OF THIS OPERATION.

Financial RESULTS

LATAM Group Airlines reported an operating income of US$714.5 million in 2017—a 25.8% increase compared to 2016. Operating margin reached 7.0%, translating into a 1.0 percentage-point increase from the previous year. The improvement in LATAM's results was mainly due to a recovery in unit revenues throughout its business units, countering the hike in costs resulting from an increase in fuel prices.

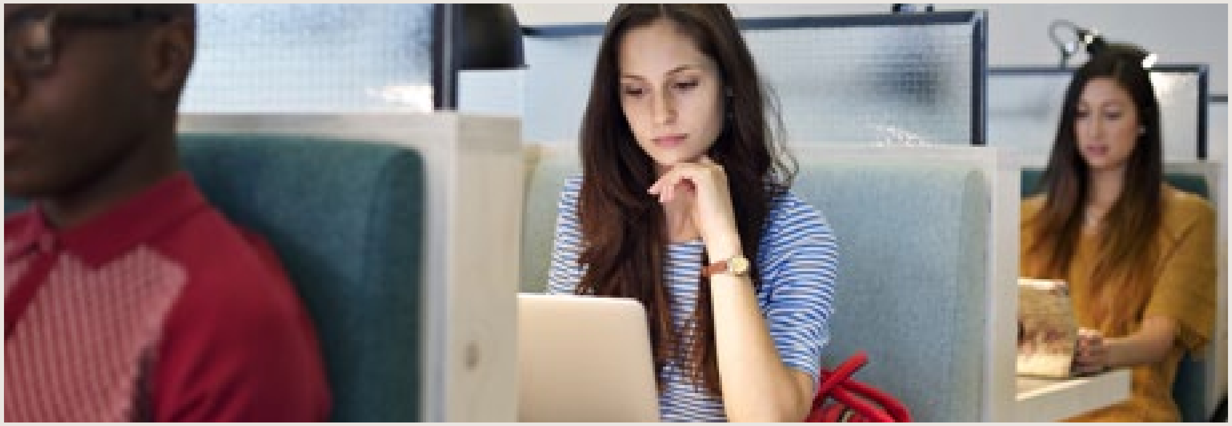
Revenues totaled US$10.163 billion in 2017—a 6.7% growth compared to 2016—and the first annual increase in revenues since the business combination of LAN and TAM. This is mainly explained by a 7.8% increase in PAX revenues, added to a 0.8% rise in cargo revenues and a 2.1% advance in others.

THIS GROWTH WAS MAINLY DUE TO A 6.7% RISE IN RASK, GIVEN A 5.9% EXPANSION IN YIELDS AND A 0.6 PERCENTAGE-POINT ADVANCE IN LOAD FACTOR, WHICH SETTLED AT 84.8%, COMPARED THE PREVIOUS YEAR.

In 2017, we recorded improvements in revenues per ASK across all the passenger business units of the Group (International, Brazil Domestic, and Spanish Speaking Countries Domestic). These improvements were boosted by the development of our business strategy, and capacity discipline in weakened markets; together with an overall better economic environment in the markets were we operate, and the appreciation of local currencies (especially the Brazilian Real and the Chilean Peso).

As for capacity, it rose 1.1% in 2017, driven by a 3.8% increase in the international business' capacity, focused on strengthening our international hubs from where we have started to operate new routes, including Santiago-Melbourne (whose 15-hour duration makes it LATAM' longest non-stop flight), countered by a contraction in routes with lower demand, such as operations between Brazil and the US. On the other hand, capacity in the Spanish-speaking domestic markets decreased 0.1%, mainly affected by the Argentinean and Peruvian markets.

Moreover, during 2017, we continued to adjust the size of our operations in the Brazilian domestic market, achieving a 3.8% reduction in our supply.



THE COST INCREASE IS MAINLY DUE TO THE 21.1% HIKE IN FUEL PRICES, WHICH WAS PARTIALLY COUNTERED BY THE COST-REDUCTION PROGRAM THAT THE COMPANY HAS BEEN IMPLEMENTING.

Cargo revenues rose to US$1.119 billion, translating into a 0.8% increase vs. 2016. This recovery is attributed to a 2.1% hike in cargo yields, added to a 3.2 percentage-point improvement in load factor compared to 2016, to settle at 54.9%. These results were seen in the context of an improvement in the global air cargo market, following several years of declines, added to the capacity adjustments that LATAM Cargo Group has been implementing over the last few years, and to the ongoing improvement of imports from North America and Europe to Brazil—namely, electronic appliances and spare parts.

Operating costs in 2017 reached US$9.449 billion—a 5.5% increase compared to 2016—resulting in a 4.4% advance in the cost per ASK. The cost increase is mainly due to the 21.1% hike in fuel prices, which was partially countered by the cost-reduction program that LATAM Group has been implementing.

Fuel expenses increased 12.7% in 2017, totaling $2.318 billion. The increase is mainly due to the hike in fuel prices, which was partially countered by a 3.5% reduction in fuel consumption per ASK, as a result of the fuel efficiency programs and an increasingly more efficient fleet.

Moreover, in 2017, the Company recognized a US$15.2 million gain from fuel hedges, compared to a US$48.1 million loss in 2016. As for FX hedges, the Company reported a US$9.9 million loss in this line in 2017, compared to a US$40.1 million exchange loss in the previous year.

WAGES AND BENEFITS EXPENSES INCREASED 3.7% IN 2017, DUE TO INFLATION ADJUSTMENTS (USING 2016 RATES), PARTICULARLY IN BRAZIL, AND THE APPRECIATION OF LOCAL CURRENCIES.

This was partially countered by a 9.7% reduction in the average payroll during 2017, in line with the decrease in domestic offer carried out by LATAM Airlines Brazil, and the efficiency initiatives that the Group is implementing.

As for non-operating results, the Company reported a non-cash loss of US$18.7 million in foreign exchange in 2017, explained mainly by the depreciation of the Brazilian real in the last quarter of the year, compared to a US$121.7 million gain in 2016.

Thus, LATAM reported a net gain of US$155.3 million, attributable to controlling shareholders, compared to a US$69.2 million gain in 2016. This implies a positive net margin of 1.5%, translating into a 0.8 percentage-point increase compared to the net margin reported in 2016.

For the twelve month period ended December 31	2017	2016	% Change
Revenue			
Passenger	8,494,477	7,877,715	7.8%
Cargo	1,119,430	1,110,625	0.8%
Other	549,889	538,748	2.1%
Total Operating Revenue	**10,163,796**	**9,527,088**	**6.7%**
Expenses			
Wages and Benefits	-2,023,634	-1,951,133	3.7%
Aircraft Fuel	-2,318,816	-2,056,643	12.7%
Comissions to Agents	-252,474	-269,296	-6.2%
Depreciation and Amortization	-1,001,625	-960,328	4.3%
Other Rental and Landing Fees	-1,172,129	-1,077,407	8.8%
Passenger Services	-288,662	-286,621	0.7%
Aircraft Rentals	-579,551	-568,979	1.9%
Aircraft Maintenance	-430,825	-366,153	17.7%
Other Operating Expenses	-1,381,546	-1,422,625	-2.9%
Total Operating Expenses	**-9,449,262**	**-8,959,185**	**5,5%**
Operating Income	**714,534**	**567,903**	**25,8%**
Operating Margin	7.0%	6.0%	1.1 pp
Interest Income	78,695	74,949	5.0%
Interest Expense	-393,286	-416,336	-5.5%
Other Income (Expense)	-25,725	47,358	-154.3%
Income Before Taxes And Minority Interest	**374,218**	**273,874**	**36.6%**
Income Taxes	-173,504	-163,204	6.3%
Income Before Minority Interest	**200,714**	**110,670**	**81.4%**
Attributable to:			
Shareholders	155,304	69,220	124.4%
Minority Interest	45,410	41,450	9.6%
Net Income	**155,304**	**69,220**	**124.4%**
Net Margin	1.5%	0.7%	0.8 pp
Effective Tax Rate	-46.4%	-59.6%	13.2 pp
EBITDA	1,716,159	1,528,231	12.3%
EBITDA Margin	16.9%	16.0%	0.8 pp.
EBITDAR	2,295,710	2,097,210	9.5%
EBITDAR Margin	22.6%	22.0%	0.6 pp.

AWARDS and Acknowledgements

Our most outstanding acknowledgments

In 2017, LATAM and its affiliates received several acknowledgments in various fields: Services, Sustainability, and Entertainment on Board, among others. Below, is a list of the most outstanding ones:

AWARDS FOR SERVICE

World Line Airline Awards- Skytrax 2017:

The most renowned award in the industry.

- Third place in "Best Airline in South America" category
- Third place in "Best Service in South America" category

Global Traveler's 2017 - Tested Reader Survey awards

- First place in "Best Airline in South America" category (fourth consecutive year)

World Travel Awards 2017

- Acknowledged as "South America's Leading Airline"

Fast Travel IATA

- Platinum Certification

OAG Punctuality League 2018

- Eighth place in the "Top world's largest airlines by OTP" of 2017

SUSTAINABILITY AWARDS

Dow Jones Sustainability Index 2017:

- DJSI "World" category (fourth consecutive year)

ALAS20 Awards

- Third place in "Leading Company in Sustainability" category
- Third place in "Leading Company in Investor Relations" category

Corporate Transparency Report 2017 - IdN

- First place in "Most Transparent Company in the Service Sector" category for open stock companies.

Informe Reporta Chile 2017

- First place in "Accessibility" among IPSA companies

OTHER AWARDS

APEX 2018: "Airline Passenger Experience"

- "Five Star Global Airline" for its experience on board

Harvard Business Review

- Enrique Cueto listed amongst "The Best-Peforming CEOs in the World 2017"

Content Marketing Awards 2017

- Vamos/LATAM magazine named "Best Travel Publication"

Fast Travel IATA

- Platinum Certification

Adrian Awards: Digital Marketing

- First place in "Mobile Marketing" category
- Second Place in "Email Series" category

MATERIAL Facts

JANUARY 24
CHANGES IN MANAGEMENT

In accordance with Articles 9 and the second paragraph of Article 10 of the Securities Market Law, and pursuant to General Regulation N° 30 of the Commissioner, the undersigned, duly authorized, reports the following MATERIAL FACT from LATAM Airlines Group S.A. ("LATAM" or the "Company"), Securities Registry No. 306:

Today the Company's Board of Directors decided to appoint Mr. Giles Agutter as director in the vacant position left by Mr. Ricardo Caballero following his resignation last June; a position that had been unfilled to date.

Notwithstanding this appointment, and as reported at the time of Mr. Caballero's resignation, the Company's Board of Directors must be completely renewed at the next LATAM Regular Shareholders' Meeting.

MARCH 15
CHANGES IN MANAGEMENT

In accordance with Articles 9 and the second paragraph of Article 10 of the Securities Market Law, and pursuant to General Regulation N° 30 of the Commissioner, the undersigned, duly authorized, reports the following MATERIAL FACT from LATAM Airlines Group S.A. ("LATAM" or the "Company"), Securities Registry No. 306:

AS PART OF LATAM'S REORGANIZATION IN SEVERAL DIVISIONS OF ITS BUSINESS AND WITH THE OBJECTIVE OF PREPARING THE ORGANIZATION FOR FUTURE CHALLENGES, THE COMPANY ANNOUNCES THAT MR. IGNACIO JAVIER CUETO PLAZA, CEO OF LAN AIRLINES S.A., WILL LEAVE THE COMPANY IN APRIL 15, 2017.

APRIL 05
DEFINITIVE DIVIDEND DISTRIBUTION PROPOSAL

In accordance with the provisions of Circular No. 660, dated October 22, 1986, of your Superintendency, and duly authorized, I comply with informing this Superintendency, as a Material Fact, that in meeting held on April 4, 2017, the Board of Directors resolved to propose to the Ordinary Shareholders' Meeting, summoned for April 27, 2017, the distribution of Dividend No. 48, Definitive, up to complete the 30% of net income for the year 2016, that is, the equivalent amount in Chilean pesos of USD 20,766,119.39, which means to distribute a dividend of USD 0.0342444854 per share, payable on Thursday, May 18, 2017, in its equivalent in Chilean pesos according to the exchange rate "observed", published in the Official Journal on the fifth business day prior to the distribution day, that is, on May 12, 2017. In the event that the dividend is approved in the terms proposed by the Board of Directors, will be entitled to receive the dividend the shareholders registered at the Shareholders' Registry at midnight on May 12, 2017.

APRIL 6
PLACEMENT OF SECURITIES IN INTERNATIONAL AND/OR DOMESTIC MARKETS

In accordance with the provisions of Articles 9 and 10 of Law No. 18,045 on Securities Market and General Rule No. 30 of the Superintendence under its responsibility, the undersigned, duly empowered for this purpose, reports as a Material Fact, the following:

(a) On this date, LATAM Finance Limited (the "Issuer"), an exempted company incorporated in the Cayman Islands with limited liability and a wholly owned subsidiary of LATAM Airlines Group S.A. ("LATAM"), has agreed to issue and place on the international market, pursuant to Rule 144-A and Regulation S of the securities laws of the United States of America, senior unsecured notes of US $ 700,000,000 aggregate principal amount, with maturity in the year 2024, at an initial annual interest rate of 6.875% (the "144-A Notes" or the "Issuance"); and

(b) The Issue and placement of the 144-A Notes shall be intended to finance general corporate purposes of LATAM.

In accordance with what is established in Circular No. 988 of the Superintendence of Securities and Insurance, we inform you that at this moment it is not possible to quantify the effects that this operation will have on the results of LATAM, in the event of materialization.

APRIL 27
CHANGES IN MANAGEMENT

As provided in Articles 9 and 10 of Securities Market Law 18045 and in General Rule #30 of the Commission of 1989, please be advised that at an Ordinary Shareholders Meeting ("Meeting") of LATAM Airlines Group S.A. ("LATAM") held on April 27, 2017, LATAM's shareholders elected the members of LATAM's Board of Directors, who will hold office for two years.

The following individuals were elected Directors at the Meeting:

1. **Antonio Luiz Pizarro Manzo;**
2. **Carlos Heller Solari;**
3. **Nicolás Eblen Hirmas;**
4. **Giles Edward Agutter;**
5. **Henri Philippe Reichstul;**
6. **Ignacio Cueto Plaza;**
7. **Juan José Cueto Plaza;**
8. **Georges de Bourguignon Arndt; and**
9. **Eduardo Novoa Castellón**

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

APRIL 27
DEFINITIVE DIVIDEND

In accordance with articles 9 and 10 under the Securities Market Law N°18,045, and as established under the Superintendence's General Norm No. 30 of 1989, I hereby inform you as material information that at the Ordinary Shareholders Meeting (the "Meeting") of LATAM Airlines Group S.A. (" LATAM ") held today, April 27 th of 2017, the shareholders of LATAM approved the distribution of the final dividend proposed by the Board in the session held last April 4 th , which consists in distributing 30% of the earnings obtained in 2016, equivalent to US$20.766.119,39.

As required by the Superintendence's Resolution N° 660 of 1986, the Exhibit 1 -that explains in detail the aforementioned final dividend- is attached hereto.

MAY 9
OTHERS

In accordance with Article 9 and the second paragraph of Article 10 of Law No. 18,045 on the Securities Market and with Section II, numeral 2.2 of the Superintendency's General Rule No. 30 of 1989, and as duly authorized by the Board of the Directors (the "Board of Directors") of LATAM Airlines Group S.A. ("LATAM"), I inform you as a material fact that, at a meeting of the Board of Directors held today, the following was agreed:

1. To designate the director Mr. Ignacio Cueto Plaza as president of the Board of Directors of LATAM and the director Mr. Carlos Heller Solari as vice-president of the Board of Directors of LATAM.

2. To designate the directors Mr. Georges de Bourguignon Arndt, Mr. Eduardo Novoa Castellón and Mr. Nicolás Eblen Hirmas as members of the Audit Committee of LATAM, all of them independent directors under Rule 10A-3 of the U.S. Securities Exchange Act of 1934 and the first two independent directors under Chilean Corporate Law.

JULY 28
OTHERS

In accordance with the provisions of Articles 9 and 10 of Law No. 18,045 on Securities Market, and in General Rule No. 30 of the Securities and Insurance Commission (the "SVS"), the undersigned, duly authorized for the purpose as agreed at the extraordinary session of Directory No. 128 (the "Board Session") of LATAM Airlines Group S.A. ("LATAM") held on April 21, 2017, reports the following material fact regarding LATAM, its businesses, its public offering values or the offer of them, as applicable, the following:

On this date TAM Capital 3 Inc., a company indirectly controlled by TAM S.A. through its subsidiary TAM Linhas Aereas S.A., which consolidates its financial statements with LATAM, has announced the total anticipated redemption of the bonds placed abroad on June 3, 2011, for an amount of 500 million dollars of the United States of America at a rate of 8.375% and with a maturity date of June 3, 2021.

Also, as agreed at the Board Session, LATAM will place, within the next few days in the local market (Santiago Stock Exchange), the Series A Bonds (BLATM-A), Series B (BLATM- B), Series C (BLATM-C) and Series D (BLATM-D), which correspond to the first bond issuance charged to the line registered in the Securities Registry of the SVS under the number N° 862 for a total amount of UF 9,000,000.

The total amount of the Series A Bond will be UF 2,500,000. The total amount of the Series B Bond will be UF 2,500,000.

The total amount of the Series C Bond will be UF 1,850,000 and the total amount of the Series D Bond will be UF 1,850,000, totaling UF 8,700,000.

THE SERIES A BONDS WILL HAVE A MATURITY DATE OF JUNE 1, 2022 AND AN INTEREST RATE OF 5.25% PER YEAR. THE SERIES B BONDS WILL HAVE A MATURITY DATE OF JANUARY 1, 2028 AND AN INTEREST RATE OF 5.75% PER YEAR. THE SERIES C BONDS WILL HAVE A MATURITY DATE OF JUNE 1, 2022 AND AN INTEREST RATE OF 5.25% PER YEAR, AND THE SERIES D BONDS WILL HAVE A MATURITY DATE OF JANUARY 1, 2028 AND AN INTEREST RATE OF 5.75% % PER YEAR.

The proceeds from the placement of the Series A, Series B, Series C and Series D Bonds will be used entirely for the partial financing of the early redemption of the total of the TAM Capital 3 Inc. bonds described above.

AUGUST 17
OTHERS

In accordance with the provisions of Article 9 and the second paragraph of Article 10 of Law No. 18,045 on Securities Market, and in General Rule No. 30 of the Securities and Insurance Commission (the "SVS"), the undersigned, duly authorized for the purpose as agreed at the extraordinary Meeting of the Board of Directors No. 128 (the "Board Meeting") of LATAM Airlines Group S.A. ("LATAM") held on April 21, 2017, reports the following material fact regarding LATAM, its businesses, its public offering values or the offer of them, as applicable, the following:

On this date, and as agreed at the Board Meeting, LATAM placed in the local market (Santiago Stock Exchange), the Series A Bonds (BLATM-A), Series B Bonds (BLATM- B), Series C Bonds (BLATM-C) and Series D Bonds (BLATM-D), becoming the first bond issuance made under the bond facility registered in the Securities Registry of the SVS under the number No. 862 for a total amount of UF 9,000,000.

The total amount placed of the Series A Bond was UF 2,500,000. The total amount placed of the Series B Bond was UF 2,500,000. The total amount placed of the Series C Bond was UF 1,850,000 and the total amount placed of the Series D Bond was UF 1,850,000, totaling UF 8,700,000.

The Series A Bonds have a maturity date of June 1, 2022 and an interest rate of 5.25% per year. The Series B Bonds have a maturity date of January 1, 2028 and an interest rate of 5.75% per year. The Series C Bonds have a maturity date of June 1, 2022 and an interest rate of 5.25% per year, and the Series D Bonds have a maturity date of January 1, 2028 and an interest rate of 5.75% % per year.

THE PROCEEDS FROM THE PLACEMENT OF THE SERIES A, SERIES B, SERIES C AND SERIES D BONDS WILL BE USED ENTIRELY FOR THE PARTIAL FINANCING OF THE TOTAL EARLY REDEMPTION OF THE TAM CAPITAL 3 INC. BONDS, AS DESCRIBED IN THE MATERIAL FACT PUBLISHED IN THE SVS IN JULY 28, 2017.

OCTOBER 5

OTHERS

In accordance with the provisions of Article 9 and 10 of the Securities Market Law and General Rule No. 30, duly authorized, the following material fact regarding LATAM Airlines Group S.A. ("LATAM Airlines"), Securities Registration No. 306, reports the following:

- On October 4, 2017, LATAM Airlines and its subsidiaries Inversiones LAN S.A. and LAN Pax Group S.A. signed a Shares Purchase Agreement in which they agreed to sell 100% of the shares issued by Andes Aiport Services S.A. ("Andes"), the subsidiary responsible for its ground handling business at the Santiago airport to the Spanish companies Acciona Airport Services S.A. and Acciona Aeropuertos, S.L. (the "Sale").
- The purchase price is the amount of $24,300 million Chilean pesos, which may be adjusted according to variations in net debt and working capital at the date of closing.
- Closing is subject to the condition that Andes implements a capital increase to be subscribed by LATAM Airlines, in order to concentrate the assets of the ground handling business in Andes. In addition, closing is subject to prior approval by the Chilean competition authority (Fiscalía Nacional Económica).
- Together with the Sale, LATAM Airlines and its aviation subsidiaries will sign an agreement with Andes to provide ground handling services at the Santiago airport for a period of five years.

It is estimated that closing will take place within the fourth quarter of 2017, and the effect on results will be of approximately US$20 million profit.

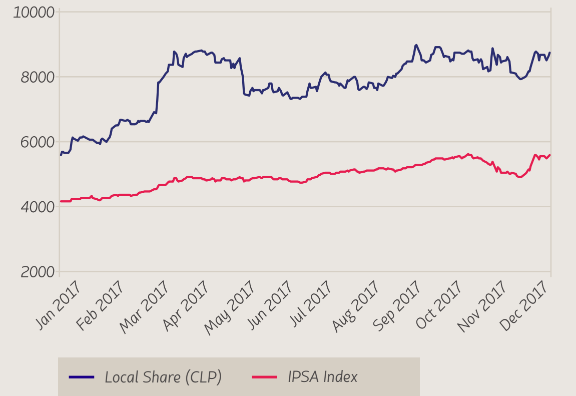
Stock Market

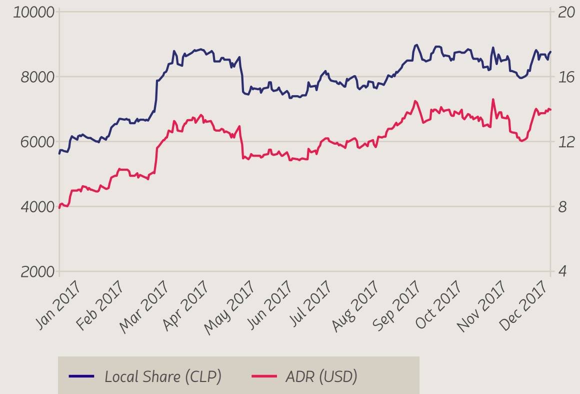
INFORMATION

During 2017, the local stock of LATAM Airlines Group showed a positive return of 56.4%. Likewise, its ADR (American Depositary Receipts) showed a positive return of 69.9%. As of December 31, 2017, the Company's stock market capitalization amounted to US$ 8,429.1 million. Throughout all of 2017, the return of LATAM Airlines Group's stock was higher than that of the IPSA (Select Share Price Index), an index that showed a positive return of 34.1% in the same period. With respect to the trading of the stock in the Santiago Stock Exchange, in 2017 the LATAM Airlines Group stock had a market presence of 100%.

VOLUMES TRADED PER QUARTER LOCAL SHARE (SANTIAGO STOCK EXCHANGE, SSE)

2015	N° of shares traded	Average price (CLP)	Total amount (CLP)
First Quarter	31,493,741	6,222	195,967,557,400
Second Quarter	39,247,595	5,328	209,103,806,200
Third Quarter	33,931,237	3,861	131,020,733,700
Fourth Quarter	25,027,442	3,825	95,732,011,700
2016			
First Quarter	28,689,255	4,073	116,838,645,700
Second Quarter	22,564,404	4,492	101,366,302,500
Tercer Trimestre	64,835,131	5,463	354,183,531,700
Fourth Quarter	27,691,478	5,975	165,468,048,100
2017			
First Quarter	43,655,851	6,655	284,991,986,800
Second Quarter	30,259,560	8,035	240,451,798,500
Third Quarter	29,094,196	7,965	234,898,104,000
Fourth Quarter	37,823,823	8,498	320,108,505,000





VOLUMES TRADED PER QUARTER ADR (NEW YORK STOCK EXCHANGE, NYSE)

2015	N° of shares traded	Average price (USD)	Total amount (USD)
First Quarter	50,592,157	10.2	493,490,843
Second Quarter	58,290,119	8.5	509,156,817
Third Quarter	40,747,698	5.8	233,360,093
Fourth Quarter	27,744,021	5.5	152,266,039
2016			
First Quarter	32,739,012	5.8	191,001,755
Second Quarter	33,327,301	6.6	220,695,139
Third Quarter	42,231,494	8.2	350,640,203
Fourth Quarter	30,197,724	8.9	270,233,009
2017			
First Quarter	24,889,893	10.1	254,166,511
Second Quarter	32,015,881	12.1	384,720,373
Third Quarter	27,902,087	12.4	347,933,436
Fourth Quarter	33,450,067	13.4	446,780,362

RISK factors

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

RISK FACTORS RELATING TO OUR COMPANY

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

Due to Brazilian law restrictions on foreign ownership of Brazilian airlines, LATAM does not control the voting shares or board of directors of TAM. As of December 31, 2017, the ownership structure of TAM is as follows:

- Holdco I owns 100% of the TAM common shares previously outstanding;
    - the Amaro family (the "Amaro Group") own approximately 51% of the outstanding Holdco I voting shares through TEP Chile S.A. ("TEP Chile", a Chilean entity wholly owned by the TAM Controlling Shareholders) and LATAM owns the remainder of the voting shares;
    - LATAM owns 100% of the outstanding Holdco I non-voting shares, entitling it to substantially all of the economic rights in respect of the TAM common shares held by Holdco I as well as approximately 49% of the outstanding Holdco I voting shares; and
- LATAM owns 100% of the TAM preferred shares previously outstanding.

As a result of this ownership structure:

- The Amaro Group retains voting and board control of TAM and each subsidiary of TAM; and
- LATAM is entitled to substantially all of the economic rights in TAM.

LATAM Airlines Group and TEP Chile and other parties have entered into shareholders' agreements that establish agreements and restrictions relating to corporate governance with respect to TAM. Certain specified actions require supermajority approval, which in turn means they require the prior approval of both LATAM and TEP Chile. Examples of actions requiring supermajority approval by the board of directors of Holdco I or TAM include, among others, entering into acquisitions or business collaborations, amending or approving budgets, business plans, financial statements and

accounting policies, incurring indebtedness, encumbering assets, entering into certain agreements, making certain investments, modifying rights or claims, entering into settlements, appointing executives, creating security interests, issuing, redeeming or repurchasing securities and voting on matters as a shareholder of affiliates of TAM. Actions requiring supermajority shareholder approval of Holdco I or TAM include, among others, certain changes to the by-laws of Holdco I, TAM or TAM's affiliates or any dissolution/liquidation, corporate reorganization, payment of dividends, issuance of securities, disposal or encumbrance of certain assets, creation of security interests or entering into guarantees and agreements with related parties.

OUR ASSETS INCLUDE A SIGNIFICANT AMOUNT OF GOODWILL.

Our assets included US$2,672.6 million of goodwill as of December 31, 2017. Under IFRS, goodwill is subject to an annual impairment test and may be required to be tested more frequently if events or circumstances indicate a potential impairment. In 2017, mainly as a result of the depreciation of the Brazilian real against the U.S. dollar during 2017, the value of our goodwill decreased by 1.4% as compared with 2016. Any impairment could result in the recognition of a significant charge to earnings in our statement of income, which could materially and adversely impact our consolidated results for the period in which the impairment occurs.

A FAILURE TO SUCCESSFULLY IMPLEMENT OUR STRATEGY OR A FAILURE ADJUSTING THE STRATEGY TO THE CURRENT ECONOMIC SITUATION WOULD HARM OUR BUSINESS AND THE MARKET VALUE OF OUR ADSS AND COMMON SHARES.

We have developed a strategic plan with the goal of becoming one of the most admired airlines in the world and renewing our commitment to sustained profitability and superior returns to shareholders. Our strategy requires us to identify value propositions that are attractive to our clients, to find efficiencies in our daily operations, and to transform ourselves into a stronger and more risk-resilient company. A tenet of our strategic plan is the adoption of a new travel model for domestic services (in the six countries where we have domestic operations) to address the changing dynamics of customers and the industry, and to increase our competitiveness. The new travel model is based on a continued reduction in air fares that makes air travel accessible to a wider audience, and in particular to those wish to fly more frequently. This model requires continued cost reduction efforts and increasing revenues from ancillary activities. In connection with these efforts, the Company is implementing a series of initiatives to reduce cost per ASK in all its domestic operations as well as developing new ancillary revenue initiatives.

Difficulties in implementing our strategy may adversely affect our business, results of operation and the market value of our ADSs and common shares.

A FAILURE TO SUCCESSFULLY TRANSFER THE VALUE PROPOSITION OF THE LAN AND TAM BRANDS TO A NEW SINGLE BRAND, MAY ADVERSELY AFFECT OUR BUSINESS AND THE MARKET VALUE OF OUR ADSS AND COMMON SHARES.

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

IT MAY TAKE TIME TO COMBINE THE FREQUENT FLYER PROGRAMS OF LAN AND TAM.

We have integrated the separate frequent flyer programs of LAN and TAM so that passengers can use frequent flyer miles or points earned with either LAN or TAM interchangeably. During 2016, LAN and TAM announced their revamped frequent flyer programs, which have new names: LATAM Pass and LATAM Fidelidade, respectively. The change is part of the process of consolidating the airline group's new brand identity (LATAM) and the evolution of the programs, which enhances existing benefits and introduces new benefits for program members. However, there is no guarantee that full integration of the two plans will be completed in the near term or at all. Even if the integration occurs, the successful integration of these programs will involve some time and expense. Moreover, during 2016, LATAM Pass and LATAM Fidelidade approved changes in their mileage earning policy which may impact the attractiveness of the programs to passengers. Until we effectively combine these programs, passengers may prefer frequent flyer programs offered by other airlines, which may adversely affect our business.

OUR FINANCIAL RESULTS ARE EXPOSED TO FOREIGN CURRENCY FLUCTUATIONS.

We prepare and present our consolidated financial statements in U.S. dollars. LATAM and its affiliates operate in numerous countries and face the risk of variation in foreign currency exchange rates against the U.S. dollar or between the currencies of these various countries. Changes in the exchange rate between the U.S. dollar and the currencies in the countries in which we operate could adversely affect our business, financial condition and results of operations. If the value of the Brazilian real, Chilean peso or other currencies in which revenues are denominated declines against the U.S. dollar, our results of operations and financial condition will be affected. The exchange rate of the Chilean peso, Brazilian real and other currencies against the U.S. dollar may fluctuate significantly in the future. Changes in Chilean, Brazilian and other governmental economic policies affecting foreign exchange rates could also adversely affect our business, financial condition, results of operations and the return to our shareholders on their common shares or ADSs.

WE DEPEND ON STRATEGIC ALLIANCES OR COMMERCIAL RELATIONSHIPS IN MANY OF THE COUNTRIES IN WHICH WE OPERATE, AND OUR BUSINESS MAY SUFFER IF ANY OF OUR STRATEGIC ALLIANCES OR COMMERCIAL RELATIONSHIPS TERMINATES.

We maintain a number of alliances and other commercial relationships in many of the jurisdictions in which LATAM and its affiliates operate. These alliances or commercial relationships allow us to enhance our network and, in some cases, to offer our customers services that we could not otherwise offer. If any of our strategic alliances or commercial relationships deteriorates, or any of these agreements are terminated, our business, financial condition and results of operations could be adversely affected.

OUR BUSINESS AND RESULTS OF OPERATIONS MAY SUFFER IF WE FAIL TO OBTAIN AND MAINTAIN ROUTES, SUITABLE AIRPORT ACCESS, SLOTS AND OTHER OPERATING PERMITS.

Also, technical and operational problems with the airport infrastructure of cities in which we have a focus may have a material adverse effect on us.

Our business depends upon our access to key routes and airports. Bilateral aviation agreements between countries, open skies laws and local aviation approvals frequently involve political and other considerations outside of our control. Our

operations could be constrained by any delay or inability to gain access to key routes or airports, including:

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

We operate numerous international routes subject to bilateral agreements, as well as domestic flights within Chile, Peru, Brazil, Argentina, Ecuador and Colombia, subject to local route and airport access approvals.

There can be no assurance that existing bilateral agreements with the countries in which our companies are based and permits from foreign governments will continue. A modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permission to operate in certain airports,

destinations or slots, or the imposition of other sanctions could also have a material adverse effect. A change in the administration of current laws and regulations or the adoption of new laws and regulations in any of the countries in which we operate that restrict our route, airport or other access may have a material adverse effect on our business, financial condition and results of operations.

Moreover, our operations and growth strategy are dependent on the facilities and infrastructure of key airports, including Santiago's International Airport, São Paulo's Guarulhos and Congonhas International Airports, Brasilia's International Airport and Lima's Jorge Chavez International Airport.

Santiago's Comodoro Arturo Merino Benítez International Airport is currently facing an important expansion, which is expected to be completed by 2020. If the expansion is not carried out timely, this will likely reduce significantly our operations and adversely affect our ability to remain competitive.

One of the major operational risks we face on a daily basis at Lima's Jorge Chavez International Airport is the limited number of parking positions. Additionally, the indoor infrastructure of the airport limits our ability to manage connections and launch new flights due to the lack of gates and increasing security and immigration controls. We expect that for the next few years, Lima's airport's capacity will remain as it is today, limiting our ability to grow and affecting our competitiveness in the country and in the region.

Moreover, Lima's airport will undergo an expansion, as there are plans to expand the airport's capacity with a second runway, more parking positions and a new terminal for passengers. Therefore, we expect that for the next few years, Lima's airport's capacity will remain as it is today, limiting our ability to grow and affecting our competitiveness in the country and in the region.

Brazilian airports, such as the Brasília, and São Paulo (Guarulhos) international airports, have limited the number of slots per day due to infrastructural limitations. Any condition that would prevent or delay our access to airports or routes that are vital to our strategy, or our inability to maintain our existing slots and obtain additional slots, could materially adversely affect our operations.

A SIGNIFICANT PORTION OF OUR CARGO REVENUE COMES FROM RELATIVELY FEW PRODUCT TYPES AND MAY BE IMPACTED BY EVENTS AFFECTING THEIR PRODUCTION, TRADE OR DEMAND.

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

OUR OPERATIONS ARE SUBJECT TO FLUCTUATIONS IN THE SUPPLY AND COST OF JET FUEL, WHICH COULD ADVERSELY IMPACT OUR BUSINESS.

Higher jet fuel prices could have a materially adverse effect on our business, financial condition and results of operations. Jet fuel costs have historically accounted for a significant amount of our operating expenses, and accounted for 24.5% of our operating expenses in 2017. Both the cost and availability of fuel are subject to many economic and political factors and events that we can neither control nor predict, including international political and economic circumstances such as the political instability in major oil-exporting countries. Any future fuel supply shortage (for example, as a result of production curtailments by the Organization of the Petroleum Exporting Countries, or "OPEC"), a disruption of oil imports, supply disruptions resulting from severe weather or natural disasters, the continued unrest in the Middle East or other events could result in higher fuel prices or further reductions in scheduled airline services. We cannot ensure that we would be able to offset any increases in the price of fuel by increasing our fares. In addition, lower fuel prices may result in lower fares through the reduction or elimination of fuel surcharges. We have entered into fuel hedging arrangements, but there can be no assurance that such arrangements will be adequate to protect us from an increase in fuel prices in the near future or in the long term.

Also, while these hedging arrangements are designed to limit the effect of an increase in fuel prices, our hedging methods may also limit our ability to take advantage of any decrease in fuel prices, as was the case in 2015 and, to a lesser extent, in 2016.

WE RELY ON MAINTAINING A HIGH AIRCRAFT UTILIZATION RATE TO INCREASE OUR REVENUES AND ABSORB OUR FIXED COSTS, WHICH MAKES US ESPECIALLY VULNERABLE TO DELAYS.

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

WE FLY AND DEPEND UPON AIRBUS AND BOEING AIRCRAFT, AND OUR BUSINESS COULD SUFFER IF WE DO NOT RECEIVE TIMELY DELIVERIES OF AIRCRAFT, IF AIRCRAFT FROM THESE COMPANIES BECOME UNAVAILABLE OR IF THE PUBLIC NEGATIVELY PERCEIVES OUR AIRCRAFT.

As our fleet has grown, our reliance on Airbus and Boeing has also grown. As of December 31, 2017, LATAM Airlines Group has a fleet of 235 Airbus and 80 Boeing aircraft. Risks relating to Airbus and Boeing include:

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

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

IF WE ARE UNABLE TO INCORPORATE LEASED AIRCRAFT INTO OUR FLEET AT ACCEPTABLE RATES AND TERMS IN THE FUTURE, OUR BUSINESS COULD BE ADVERSELY AFFECTED.

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

OUR BUSINESS MAY BE ADVERSELY AFFECTED IF WE ARE UNABLE TO SERVICE OUR DEBT OR MEET OUR FUTURE FINANCING REQUIREMENTS.

We have a high degree of debt and payment obligations under our aircraft operating leases and financial debt arrangements. We require significant amounts of financing to meet our aircraft capital requirements and may require additional financing to fund our other business needs. We cannot guarantee that we will have access to or be able to arrange for financing in the future on favorable terms. Higher financing costs could affect our ability to expand or renew our fleet, which in turn could adversely affect our business.

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

Moreover, external conditions in the financial and credit markets may limit the availability of funding at particular times or increase its costs, which could adversely affect our

profitability, our competitive position and result in lower net interest margins, earnings and cash flows, as well as lower returns on shareholders' equity and invested capital. Factors that may affect the availability of funding or cause an increase in our funding costs include global macro-economic crises, reduction of our credit rating, and other potential market disruptions.

WE HAVE SIGNIFICANT EXPOSURE TO LIBOR AND OTHER FLOATING INTEREST RATES; INCREASES IN INTEREST RATES WILL INCREASE OUR FINANCING COSTS AND MAY HAVE ADVERSE EFFECTS ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We are exposed to the risk of interest rate variations, principally in relation to the U.S. dollar London Interbank Offer Rate ("LIBOR"). Many of our financial leases are denominated in U.S. dollars and bear interest at a floating rate. 36.9% of our outstanding consolidated debt as of December 31, 2017 bears interest at a floating rate after giving effect to interest rate hedging agreements. Volatility in LIBOR or other reference rates could increase our periodic interest and lease payments and have an adverse effect on our total financing costs. We may be unable to adequately adjust our prices to offset any increased financing costs, which would have an adverse effect on our revenues and our results of operations.

INCREASES IN INSURANCE COSTS AND/OR SIGNIFICANT REDUCTIONS IN COVERAGE COULD HARM OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Major events affecting the aviation insurance industry (such as terrorist attacks, hijackings or airline crashes) may result in significant increases of airlines' insurance premiums or in significant decreases of insurance coverage, as occurred after the September 11, 2001 terrorist attacks. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results and results of operations and increases the risk that we experience uncovered losses.

PROBLEMS WITH AIR TRAFFIC CONTROL SYSTEMS OR OTHER TECHNICAL FAILURES COULD INTERRUPT OUR OPERATIONS AND HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

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

WE DEPEND ON A LIMITED NUMBER OF SUPPLIERS FOR CERTAIN AIRCRAFT AND ENGINE PARTS.

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. As a result, we are vulnerable to any problems associated with the supply of those aircraft, parts and engines, including design defects, mechanical problems, contractual performance by the suppliers, or adverse perception by the public that would result unscheduled maintenance requirements, in customer avoidance or in actions

by the aviation authorities resulting in an inability to operate our aircraft. During the year 2017, LATAM Airlines's main suppliers were aircraft manufacturers Airbus and Boeing.

In addition to Airbus and Boeing, LATAM Airlines has a number of other suppliers, primarily related to aircraft accessories, spare parts, and components, including Pratt & Whitney, MTU Maintenance, Rolls-Royce, and Pratt and Whitney Canada.

As of February 9, 2018, Airbus has been experiencing difficulties in the delivery of A320neo aircraft worldwide which we understand is stated to be due to problems with the aircraft's Pratt & Whitney engines. We are currently expecting delivery of seven A320neo and 2 A321neo aircraft during 2018, and any delays in the delivery of theses could adversely affect our operations. In addition, we currently have four A320neo aircraft in our fleet, and problems associated with the lack of availability of these engines could potentially prevent these aircrafts from remaining operational.

We understand that Rolls Royce is experiencing problems with the availability of Rolls Royce Trent 1000 engines in connection with engine maintenance programs, affecting our Boeing 787 aircraft and potentially our A350 aircraft. Any prolonged problems, could adversely affect our operations.

OUR BUSINESS RELIES EXTENSIVELY ON THIRD-PARTY SERVICE PROVIDERS. FAILURE OF THESE PARTIES TO PERFORM AS EXPECTED, OR INTERRUPTIONS IN OUR RELATIONSHIPS WITH THESE PROVIDERS OR THEIR PROVISION OF SERVICES TO US, COULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS.

We have engaged a significant number of third-party service providers to perform a large number of functions that are integral to our business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory, provision of information technology infrastructure and services, provision of aircraft maintenance and repairs, catering, ground services, and provision of various utilities and performance of aircraft fueling operations, among other vital functions and services. We do not directly control these third-party service providers, although we do enter into agreements with many of them that define expected service performance.

Any of these third-party service providers, however, may materially fail to meet their Wservice performance commitments, may suffer disruptions to their systems that could impact their services, or the agreements with such providers may be terminated. For example, flight reservations booked by customers and/or travel agencies via third-party GDSs (Global Distribution Systems) may be adversely affected by disruptions in our business relationships with GDS operators. Such disruptions, including a failure to agree upon acceptable contract terms when contracts expire or otherwise become subject to renegotiation, may cause the carriers' flight information to be limited or unavailable for display, significantly increase fees for both us and GDS users, and impair our relationships with customers and travel agencies.

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

DISRUPTIONS OR SECURITY BREACHES OF OUR INFORMATION TECHNOLOGY INFRASTRUCTURE OR SYSTEMS COULD INTERFERE WITH OUR OPERATIONS, COMPROMISE PASSENGER OR EMPLOYEE INFORMATION, AND EXPOSE US TO LIABILITY, POSSIBLY CAUSING OUR BUSINESS AND REPUTATION TO SUFFER.

A serious internal technology error or failure impacting systems hosted internally at our data centers or externally at third-party locations, or large-scale interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network with potential impact on our operations.

Our technology systems and related data may also be vulnerable to a variety of sources of interruption, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. These systems include our computerized airline reservation system, flight operations system, telecommunications systems, website, maintenance systems, check-in kiosks, in-flight entertainment systems and data centers.

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

INCREASES IN OUR LABOR COSTS, WHICH CONSTITUTE A SUBSTANTIAL PORTION OF OUR TOTAL OPERATING EXPENSES, COULD DIRECTLY IMPACT OUR EARNINGS.

Labor costs constitute a significant percentage of our total operating expenses (21.4% in 2017) and at times in our operating history we have experienced pressure to increase wages and benefits for our employees. A significant increase in our labor costs could result in a material reduction in our earnings.

OUR BUSINESS MAY EXPERIENCE ADVERSE CONSEQUENCES IF WE ARE UNABLE TO REACH SATISFACTORY COLLECTIVE BARGAINING AGREEMENTS WITH OUR UNIONIZED EMPLOYEES.

As of December 31, 2017, approximately 75% of LATAM Group's employees, including administrative personnel, cabin crew, flight attendants, pilots and maintenance technicians are members of unions and have contracts and collective bargaining agreements which expire on a regular basis. Our business, financial condition and results of operations could be materially adversely affected by a failure to reach agreement with any labor union representing such employees or by an agreement with a labor union that contains terms that are not in line with our expectations or that prevent us from competing effectively with other airlines.

COLLECTIVE ACTION BY EMPLOYEES COULD CAUSE OPERATING DISRUPTIONS AND ADVERSELY IMPACT OUR BUSINESS.

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

A strike, work interruption or stoppage or any prolonged dispute with our employees who are represented by any of these unions could have an adverse impact on our operations. These risks are typically exacerbated during periods of renegotiation with the unions, which typically occurs every two to four years depending on the jurisdiction and the union. Any renegotiated collective bargaining agreement could feature significant wage increases and a consequent increase in our operating expenses. Any failure to reach an agreement during negotiations with unions may require us to enter into arbitration proceedings, use financial and management resources, and potentially agree to terms that are less

favorable to us than our existing agreements. Employees who are not currently members of unions may also form new unions that may seek further wage increases or benefits.

WE MAY EXPERIENCE DIFFICULTY FINDING, TRAINING AND RETAINING EMPLOYEES.

Our business is labor intensive. We employ a large number of pilots, flight attendants, maintenance technicians and other operating and administrative personnel. The airline industry has, from time to time, experienced a shortage of qualified personnel, especially pilots and maintenance technicians. In addition, as is common with most of our competitors, we may, from time to time, face considerable turnover of our employees. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, our training costs will be significantly higher.

We cannot assure you that we will be able to recruit, train and retain the managers, pilots, technicians and other qualified employees that we need to continue our current operations or replace departing employees. An increase in turnover or failure to recruit, train and retain qualified employees at a reasonable cost could materially adversely affect our business, financial condition, and results of operations.

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

OUR PERFORMANCE IS HEAVILY DEPENDENT ON ECONOMIC CONDITIONS IN THE COUNTRIES IN WHICH WE DO BUSINESS. NEGATIVE ECONOMIC CONDITIONS IN THOSE COUNTRIES COULD ADVERSELY IMPACT OUR BUSINESS AND RESULTS OF OPERATIONS AND CAUSE THE MARKET PRICE OF OUR COMMON SHARES AND ADSS TO DECREASE.

Passenger and cargo demand is heavily cyclical and highly dependent on global and local economic growth, economic expectations and foreign exchange rate variations, among other things. In the past, our business has been adversely affected by global economic recessionary conditions, weak economic growth in Chile, recession in Brazil and Argentina and poor economic performance in certain emerging market countries in which we operate. The occurrence of similar events in the future could adversely affect our business. We plan to continue to expand our operations based in Latin America and our performance will, therefore, continue to depend heavily on economic conditions in the region.

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

- changes in economic or other governmental policies;
- changes in regulatory, legal or administrative practices;
- weak economic performance, including, but not limited to, a slowdown in the Brazilian economy and political instability low economic growth, low consumption and/or investment rates, and increased inflation rates; or
- other political or economic developments over which we have no control.

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

An adverse economic environment, whether global, regional or in a particular country, could result in a reduction in passenger traffic, as well as a reduction in our cargo business, and could also impact our ability to raise fares, which in turn would materially and negatively affect our financial condition and results of operations.

WE ARE EXPOSED TO INCREASES IN LANDING FEES AND OTHER AIRPORT SERVICE CHARGES THAT COULD ADVERSELY AFFECT OUR MARGIN AND COMPETITIVE POSITION.

Also, it cannot be assured that in the future we will have access to adequate facilities and landing rights necessary to achieve our expansion plans. We must pay fees to airport operators for the use of their facilities. Any substantial increase in airport charges, including at Guarulhos International Airport in São Paulo, Jorge Chavez International Airport in Lima or Comodoro Arturo Merino Benitez International Airport in Santiago, could have a material adverse impact on our results of operations. Passenger taxes and airport charges have increased substantially in recent years. We cannot assure you that the airports in which we operate will not increase or maintain high passenger taxes and service charges in the future. Such increases could have an adverse effect on our financial condition and results of operations.

Certain airports that we serve (or that we plan to serve in the future) are subject to capacity constraints and impose various restrictions, including slot restrictions during certain periods of the day and limits on aircraft noise levels. We cannot be certain that we will be able to obtain a sufficient number of slots, gates and other facilities at airports to expand our services in line with our growth strategy. It is also possible that airports not currently subject to capacity constraints may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risk having those slots re-allocated to others. Where slots or other airport resources are not available or their availability is restricted in some way, we may have to amend our schedules, change routes or reduce aircraft utilization. Any of these alternatives could have an adverse financial impact on our operations.

We cannot ensure that airports at which there are no such restrictions may not implement restrictions in the future or that, where such restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports.

OUR BUSINESS IS HIGHLY REGULATED AND CHANGES IN THE REGULATORY ENVIRONMENT IN THE COUNTRIES IN WHICH WE OPERATE MAY ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

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

OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND THE PRICE OF PREFERRED SHARES AND ADSS MAY BE ADVERSELY AFFECTED BY CHANGES IN POLICY OR REGULATIONS AT THE FEDERAL, STATE OR MUNICIPAL LEVEL IN THE COUNTRIES IN WHICH WE OPERATE, INVOLVING OR AFFECTING FACTORS SUCH AS:

- interest rates;
- currency fluctuations;
- monetary policies;
- inflation;
- liquidity of capital and lending markets;
- tax and social security policies;
- labor regulations;
- energy and water shortages and rationing; and
- other political, social and economic developments in or affecting Brazil, Chile, Peru, and the United States, among others.

For example, the Brazilian federal government has frequently intervened in the domestic economy and made drastic changes in policy and regulations to control inflation and affect other policies and regulations. This required the federal government to increase interest rates, change taxes and social security policies, implement price controls, currency exchange and remittance controls, devaluations, capital controls and limits on imports.

Uncertainty over whether the Brazilian federal government will implement changes in policy or regulation affecting these or other factors may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian companies. These and other developments in the Brazilian economy and governmental policies may adversely affect us and our business and results of operations and may adversely affect the trading price of our preferred shares and ADSs.

We are also subject to international bilateral air transport agreements that provide for the exchange of air traffic rights between the countries where we operate, and we must obtain permission from the applicable foreign governments to provide service to foreign destinations. There can be no assurance that such existing bilateral agreements will continue, or that we will be able to obtain more route rights under those agreements to accommodate our future expansion plans.

Any modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permits to operate to certain airports or destinations, the inability for us to obtain favorable take-off and landing authorizations at certain high-density airports or the imposition of other sanctions could also have a negative impact on our business. We cannot be certain that a change in a foreign government's administration of current laws and regulations or the adoption of new laws and regulations will not have a material adverse effect on our business, financial condition and results of operations.

LOSSES AND LIABILITIES IN THE EVENT OF AN ACCIDENT INVOLVING ONE OR MORE OF OUR AIRCRAFT COULD MATERIALLY AFFECT OUR BUSINESS.

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

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

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

Insurance premiums may also increase due to an accident or incident affecting one of our alliance partners or other airlines, or due to aperception of increased risk in the industry related to concerns about war or terrorist attacks.

HIGH LEVELS OF COMPETITION IN THE AIRLINE INDUSTRY, SUCH AS THE PRESENCE OF LOW-COST CARRIERS IN THE DOMESTIC MARKETS IN WHICH WE OPERATE, MAY ADVERSELY AFFECT OUR LEVEL OF OPERATIONS.

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

Low-cost carriers have an important impact in the industry's revenues given their low unit costs. Lower costs allow low-cost carriers to offer inexpensive fares which, in turn, allow price sensitive customers to fly or to shift from large to low cost carriers. In past years we have seen more interest in the development of the low-cost model throughout Latin America. For example, in the Chilean domestic market, Sky Airlines, our main competitor, has been migrating to a low-cost model since 2015, while in July 2017, JetSmart, a new low-cost airline, started operations. In the Peruvian domestic market, VivaAir Peru, a new low-cost airline, started operations in May 2017. In Colombia, low-cost competitor VivaColombia has been operating in the domestic market since May 2012. Low-cost competitor Flybondi began operations in the Argentinian domestic market during 2018, while Norwegian began international operations between London and Buenos Aires in 2018. A number of low-cost carriers have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. The entry of the low-cost carriers local into markets in which we compete, including those described above, could have a material adverse effect on our operations and financial performance.

Our international strategic growth plans rely, in part, upon receipt of regulatory approvals of the countries in which we plan to expand our operations of certain Joint Business Agreements (JBAs). We may not be able to obtain those approvals, while other competitors might be approved. Accordingly, we might not be able to compete for the same routes as our competitors, which could diminish our market share and adversely impact our financial results. No assurances can be given as to any benefits, if any, that we may derive from such agreements.

SOME OF OUR COMPETITORS MAY RECEIVE EXTERNAL SUPPORT, WHICH COULD ADVERSELY IMPACT OUR COMPETITIVE POSITION.

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

Moreover, as a result of the competitive environment, there may be further consolidation in the Latin American and global airline industry, whether by means of acquisitions, joint ventures, partnerships or strategic alliances. We cannot predict the effects of further consolidation on the industry. Furthermore, consolidation in the airline industry and changes in international alliances will continue to affect the competitive landscape in the industry and may result in the development of airlines and alliances with increased financial resources, more extensive global networks and reduced cost structures.

OUR OPERATIONS ARE SUBJECT TO LOCAL, NATIONAL AND INTERNATIONAL ENVIRONMENTAL REGULATIONS; COSTS OF COMPLIANCE WITH APPLICABLE REGULATIONS, OR THE CONSEQUENCES OF NONCOMPLIANCE, COULD ADVERSELY AFFECT OUR RESULTS, OUR BUSINESS OR OUR REPUTATION.

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

In 2016, the International Civil Aviation Organization ("ICAO") adopted a resolution creating the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), providing a framework for a global market-based measure to stabilize carbon dioxide ("CO2") emissions in international civil aviation (i.e., civil aviation flights that depart in one country and arrive in a different country). CORSIA will be implemented in phases, starting with the participation of ICAO member states on a voluntary basis during a pilot phase (from 2021 through 2023), followed by a first phase (from 2024 through 2026) and a second phase (from 2027). Currently, CORSIA focuses on defining standards for monitoring, reporting and verification of emissions from air operators, as well as on defining steps to offset CO2 emissions after 2020. To the extent most of the countries in which we operate continue to be ICAO member states, in the future we may be affected by regulations adopted pursuant to the CORSIA framework.

The proliferation of national regulations and taxes on CO2 emissions in the countries that we have domestic operations, including environmental regulations that the airline industry is facing in Colombia, may also affect our costs of operations and our margins.

OUR BUSINESS MAY BE ADVERSELY AFFECTED BY A DOWNTURN IN THE AIRLINE INDUSTRY CAUSED BY EXOGENOUS EVENTS THAT AFFECT TRAVEL BEHAVIOR OR INCREASE COSTS, SUCH AS OUTBREAK OF DISEASE, WEATHER CONDITIONS AND NATURAL DISASTERS, WAR OR TERRORIST ATTACKS.

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

After the terrorist attacks in the United States on September 11, 2001, the Company made the decision to reduce its flights to the United States. In connection with the reduction in service, the Company reduced its workforce resulting in additional expenses due to severance payments to terminated employees during 2001. Therefore, any future terrorist attacks or threat of attacks, whether or not involving commercial aircraft, any increase in hostilities relating to reprisals against terrorist organizations or otherwise and any related economic impact could result in decreased passenger traffic and materially and negatively affect our business, financial condition and results of operations.

After the 2001 terrorist attacks, airlines have experienced increased costs resulting from additional security measures that may be made even more rigorous in the future. In addition to measures imposed by the U.S. Department of Homeland Security and the TSA, IATA and certain foreign governments have also begun to institute additional security measures at foreign airports we serve.

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

WE ARE SUBJECT TO RISKS RELATED TO LITIGATION AND ADMINISTRATIVE PROCEEDINGS THAT COULD ADVERSELY AFFECT OUR BUSINESS AND FINANCIAL PERFORMANCE IN THE EVENT OF AN UNFAVORABLE RULING.

The nature of our business exposes us to litigation relating to labor, insurance and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among other matters. Currently, as in the past, we are subject to proceedings or investigations of actual or potential litigation. Although we establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect our business.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Chile, Brazil, the United States and in the various countries we operate. Violations of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of all jurisdictions where we operate. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

THE BRAZILIAN GOVERNMENT HAS EXERCISED, AND MAY CONTINUE TO EXERCISE, SIGNIFICANT INFLUENCE OVER THE BRAZILIAN ECONOMY, WHICH MAY HAVE AN ADVERSE IMPACT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

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

THE PERUVIAN GOVERNMENT HAS EXERCISED, AND MAY CONTINUE TO EXERCISE, SIGNIFICANT INFLUENCE OVER THE PERUVIAN ECONOMY, WHICH MAY HAVE AN ADVERSE IMPACT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In the past, Peru has experienced periods of severe economic recession, currency devaluation, high inflation, and political instability, which have led to adverse economic consequences. We cannot assure you that Peru will not experience similar adverse developments in the future even though for some years now, several democratic procedures have been completed without any violence. We cannot assure you that the current or any future administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any changes in the Peruvian economy or the Peruvian government's economic policies may have a negative effect on our business, financial condition and results of operations.

INSTABILITY AND POLITICAL UNREST IN LATIN AMERICA MAY ADVERSELY AFFECT OUR BUSINESS.

We operate primarily within Latin America and are thus subject to a full range of risks associated with our operations in this region. These risks may include unstable political or economic conditions, lack of well-established or reliable legal systems, exchange controls and other limits on our ability to repatriate earnings and changeable legal and regulatory requirements. In Venezuela, for example, foreign companies may only repatriate cash through specific governmental programs, which may effectively preclude us from repatriating cash for periods of time.

Although conditions throughout Latin America vary from country to country, our customers' reactions to developments in Latin America generally may result in a reduction in passenger traffic, which could materially and negatively affect our financial condition and results of operations

RISKS RELATED TO OUR COMMON SHARES AND ADSS

OUR MAJOR SHAREHOLDERS MAY HAVE INTERESTS THAT DIFFER FROM THOSE OF OUR OTHER SHAREHOLDERS.

One of our major shareholder groups, the Cueto Group (the "LATAM Controlling Shareholders"),which as of December 31, 2017, beneficially owned 27.91% of our common shares, is entitled to elect three of the nine members of our board of directors and is in a position to direct our management. In addition, the LATAM Controlling Shareholders have entered into a shareholders agreement with the Amaro Group, which as of December 31, 2017, held 2.58% of LATAM shares through TEP Chile, in addition to the indirect stake it has through the 21.88% interest it holds in Costa Verde Aeronáutica S.A., the main legal vehicle through which the Cueto Group holds LATAM shares, pursuant to which these two major shareholder groups have agreed to vote together to elect individuals to our board of directors in accordance with their direct and indirect shareholder interest in LATAM.

Pursuant to a shareholders' agreement, the LATAM Controlling Shareholders and the Amaro Group have also agreed to use their good faith efforts to reach an agreement and act jointly on all actions to be taken by our board of directors or shareholders meeting, and if unable to reach to such agreement, to follow the proposals made by our board of directors. Decisions by the Company that require supermajority votes under Chilean law are also subject to voting arrangements by the LATAM Controlling Shareholders and the Amaro Group. In addition, another major shareholder, Qatar Airways Investments (UK) Ltd., which as of December 31, 2017, held 10.03% of our common shares, is entitled to appoint one individual to our board of directors. The interests of our major shareholders may differ from those of our other shareholders.

Under the terms of the deposit agreement governing the ADSs, if holders of ADSs do not provide JP Morgan Chase

Bank, N.A., in its capacity as depositary for the ADSs, with timely instructions on the voting of the common shares underlying their ADRs, the depositary will be deemed to have been instructed to give a person designated by the board of directors the discretionary right to vote those common shares. The person designated by the board of directors to exercise this discretionary voting right may have interests that are aligned with our controlling shareholders, which may differ from those of our other shareholders. Historically, our board of directors has designated its chairman. The members of the new board of Directors elected by the shareholders in 2017 designated Ignacio Cueto, to serve in this role.

TRADING OF OUR ADSS AND COMMON SHARES IN THE SECURITIES MARKETS IS LIMITED AND COULD EXPERIENCE FURTHER ILLIQUIDITY AND PRICE VOLATILITY.

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

HOLDERS OF ADRS MAY BE ADVERSELY AFFECTED BY CURRENCY DEVALUATIONS AND FOREIGN EXCHANGE FLUCTUATIONS.

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

FUTURE CHANGES IN CHILEAN FOREIGN INVESTMENT CONTROLS AND WITHHOLDING TAXES COULD NEGATIVELY AFFECT NON-CHILEAN RESIDENTS THAT INVEST IN OUR SHARES.

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

We cannot assure you that additional Chilean restrictions applicable to the holders of ADRs, the disposition of the common shares underlying ADSs or the repatriation of the proceeds from an acquisition, a disposition or a dividend payment, will not be imposed or required in the future, nor could we make an assessment as to the duration or impact, were any such restrictions to be imposed or required.

OUR ADS HOLDERS MAY NOT BE ABLE TO EXERCISE PREEMPTIVE RIGHTS IN CERTAIN CIRCUMSTANCES.

The Chilean Corporation Law provides that preemptive rights shall be granted to all shareholders whenever a company issues new shares for cash, giving such holders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. We will not be able to offer shares to holders of ADSs and shareholders located in the United States pursuant to the preemptive rights granted to shareholders in connection with any future issuance of shares unless a registration statement under the U.S. Securities Act of 1933, as amended, (the “Securities Act”), is effective with respect to such rights and shares, or an exemption from the registration requirements of the Securities Act is available.

At the time of any rights offering, we will evaluate the potential costs and liabilities associated with any such registration statement in light of any indirect benefit to us of enabling U.S. holders of ADRs evidencing ADSs and shareholders located in the United States to exercise preemptive rights, as well as any other factors that may be considered appropriate at that time, and we will then make a decision as to whether we will file a registration statement. We cannot assure you that we will decide to file a registration statement or that such rights will be available to ADS holders and shareholders located in the United States.

WE ARE NOT REQUIRED TO DISCLOSE AS MUCH INFORMATION TO INVESTORS AS A U.S. ISSUER IS REQUIRED TO DISCLOSE AND, AS A RESULT, YOU MAY RECEIVE LESS INFORMATION ABOUT US THAN YOU WOULD RECEIVE FROM A COMPARABLE U.S. COMPANY.

The corporate disclosure requirements that apply to us may not be equivalent to the disclosure requirements that apply to a U.S. company and, as a result, you may receive less information about us than you would receive from a comparable U.S. company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The disclosure requirements applicable to foreign issuers under the Exchange Act are more limited than the disclosure requirements applicable to U.S. issuers. Publicly available information about issuers of securities listed on Chilean stock exchanges also provides less detail in certain respects than the information regularly published by listed companies in the United States or in certain other countries. Furthermore, there is a lower level of regulation of the Chilean securities market and of the activities of investors in such markets as compared with the level of regulation of the securities markets in the United States and in certain other developed countries.

Additional INFORMATION

Our strategic partners allow us to achieve operating efficiency while taking care of our employees' security

SUPPLIERS

During the year 2017, and just like in previous years, the main suppliers of LATAM Airlines were the aircraft manufacturers, Airbus and Boeing.

ALONG WITH THEM, LATAM AIRLINES HAS A NUMBER OF OTHER SUPPLIERS, PRIMARILY RELATED TO AIRCRAFT ACCESSORIES, SPARE PARTS AND COMPONENTS, SUCH AS:

Pratt & Whitney, MTU Maintenance, Rolls-Royce, Pratt and Whitney Canada, CFM International, General Electric Comercial Aviation Services Ltd., General Electric Celma, General Electric Engines Service, Honeywell, Israel Aerospace Industries, Air France/KLM (engines and APU); Zodiac Seats US, Recaro, Thompson Aero Seating (seats); Honeywell y Rockwell Collins (Avionics); Air France/KLM, LUFTHANSA Technik (MRO components); Zodiac Inflight Innovations, Panasonic, Thales (On-board entertainment); SAFRAN Landing Systems, AAR Corp (trains and brakes); UTC Aerospace Nordam (nacelles). To these, we must be added our fuel suppliers, such as Raizen, Petrobras, Air BP-Copec, World Fuel Services, PBF, Shell, YPF, Terpel, Repsol, CEPSA, Vitol, among others.

AVIATION INSURANCES

LATAM Airlines hires Aviation Insurances, Hull and Legal Liabilities.

THESE TYPES OF INSURANCE COVER ALL THE RISKS INHERENT TO COMMERCIAL NAVIGATION SUCH AS LOSS OF DAMAGE OF AIRCRAFT, ENGINES AND SPARE PARTS, AND THIRD-PARTY RESPONSIBILITIES (PASSENGER, CARGO, BAGGAGE, AIRPORTS, ETC.).

are parts, and third-party responsibilities (passenger, cargo, baggage, airports, etc.). After the association of LAN and TAM, the insurance policies of both companies began to be acquired by LATAM Airlines Group, which carried on with LATAM's policy since 2016 of doing it together with IAG Group (comprised by British Airways, Iberia, and their related companies), generating increased trading volumes that have translated in better coverage and operating costs.

GENERAL CASUALTY INSURANCE

This insurance group permits covering various risks that might affect the company's equity capital, which is protected through multi-risk insurance policies (which includes risks of fire, theft, computer equipment failure, consignments of values, crystals, and others based on a comprehensive coverage), motorized vehicles insurances, air and maritime transport insurances, and civil liability insurances. Moreover, the Company hires life and accident insurances that cover the company personnel.

CUSTOMERS

The Company has no customers that individually represent more than:

10%
of sales.

BRANDS AND PATENTS

The company and its subsidiaries use different trademarks, which are duly registered with the competent agencies in the various countries in which they develop their operations or that constitute their origin and/or destination, with the purpose of differentiating and marketing their products and services in such country. Among the main brands are: LATAM Airlines, LATAM Airlines Argentina, LATAM Airlines Brazil, LATAM Airlines Chile, LATAM Airlines Colombia, LATAM Airlines Ecuador, LATAM Airlines Peru, LATAM Cargo, LATAM PASS, LATAM Fidelidade, LATAM Travel, among others.

INDEX

INVESTMENT

Plan

We adapt to the market conditions

LATAM continues to have a flexible view regarding its fleet plan, adapting to operational requirements and to market conditions. In the last few years, the Company has been adjusting its future fleet commitments by postponing or canceling aircraft orders. This led the Company to achieve in 2017 the lowest fleet commitment in its recent history, with US$326 million related to the delivery of two Airbus A320neo and two Boeing 787-9 planes.

These reductions have translated into a significant improvement in the Company's balance sheet position and cash flow generation, due to lower rentals and capital expenditures, as well as lower financing needs.

IN 2018, THE COMPANY'S FLEET COMMITMENTS TOTAL US$714 MILLION, RELATED TO THE DELIVERY OF SIX AIRBUS A320NEO, TWO A321NEO, AND TWO A350. FOR 2019, FLEET COMMITMENTS AMOUNT TO US$1,213 MILLION, RELATED TO THE DELIVERY OF FOUR AIRBUS A320NEO, FOUR A321NEO, FOUR AIRBUS A350, AND TWO BOEING 787-9.

ADDITIONALLY, LATAM EXPECTS TO INVEST ABOUT US$650 MILLION IN NON-FLEET CAPEX IN 2018, WHICH INCLUDES INTANGIBLE ASSETS, FLEET AND NON-FLEET MAINTENANCE, EXPENDITURES IN SPARE ENGINES AND FLEET COMPONENTS, AS WELL AS EXPENSES RELATED TO THE RETROFIT OF THE BOEING 767S AND 777S CABINS. THIS NUMBER ALSO INCLUDES THE IMPLEMENTATION OF OUR NEW PASSENGER SERVICE SYSTEM, SWITCHING OUR BRAZILIAN OPERATION TO SABRE, CURRENTLY UNDERWAY, WHICH WE EXPECT TO CONCLUDE DURING THE FIRST HALF 2018.

By year end	2016	2017	2018E	2019E
PASSENGER AIRCRAFT				
Narrow Body				
Airbus A319-100	48	46	46	46
Airbus A320-200	146	126	121	119
Airbus A320 Neo	2	4	10	14
Airbus A321-200	47	47	49	49
Airbus A321 Neo	-	-	2	6
TOTAL	**243**	**223**	**228**	**234**
Wide Body				
Boeing 767-300	37	36	35	29
Airbus A350-900	7	5	9	13
Boeing 777-300 ER	10	10	10	9
Boeing 787-8	10	10	10	10
Boeing 787-9	12	14	14	16
TOTAL	**76**	**75**	**78**	**77**
CARGO AIRCRAFT				
Boeing 777-200F	2	-	-	-
Boeing 767-300F	8	9	10	11
	10	**9**	**10**	**11**
TOTAL OPERATING FLEET	**329**	**307**	**316**	**322**
Subleases				
Airbus A320-200	-	5	5	5
Airbus A350-900	-	2	-	-
Boeing 767-300F	3	1	-	-
TOTAL	**3**	**8**	**5**	**5**
TOTAL FLEET	**332**	**315**	**321**	**327**
Fleet Commitment (US$ millions)	**1,950**	**326**	**714**	**1,213**

Note: This table does not include one B777-200F currently subleased to a third party, that was reclassified from property plant and equipment to hold for sale.

SUSTAINA-BILITY

We innovate by using latest technology, and promote humanitarian and ecological initiatives.

SUSTAINABILITY vision

With the Sustainability Policy in place, in 2017 the Group focused its efforts on raising awareness and engaging leaders and teams in implementing the economic, social and environmental dimensions in work routines and decision-making processes. Presentations were made to the Executive Committee and to specific areas, such as Legal, Human Resources, Marketing, and Safety, among others.

The sustainability goals and targets are monitored by the Board of Directors. In 2017, the board started to assess how to enhance the current governance structure, including the incorporation of diversity-related questions. It should be noted that whenever an executive assumes a senior management position at LATAM, he or she undergoes an immersion process on business strategy which, based on this intersecting model, includes a specific module on managing sustainability.

The Sustainability Policy establishes the three dimensions in which the Sustainability Strategy is structured:

- **Governance:** this establishes how the group should position itself in relation to its sustainability commitments and targets, as well as defining the spheres responsible for decision making, execution, and monitoring results.

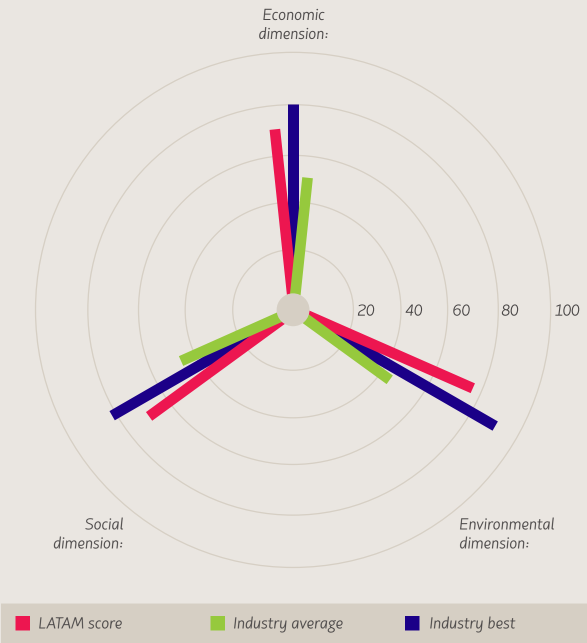
- **Climate change:** the concept put forward seeks a balance between mitigating risks and identifying new opportunities for managing environmental aspects (actual and potential), stressing reduction of the operations' carbon footprint and the promotion of eco-efficient practices.

- **Corporate citizenship:** this is aimed at transforming the business and the agents in the group's value chain into drivers of social progress, economic development, and environmental preservation in the regions where LATAM operates.

Each dimension encompasses a series of areas to be developed by LATAM. These are broken down into goals and targets. To measure development in these areas, LATAM uses its performance on the Dow Jones Sustainability Index (DJSI), whose Best in Class methodology assesses the performance of publicly traded companies in different sectors in terms of managing governance, social, and environmental practices. The analysis, conducted by the investment consultancy specialized in sustainability, RobecoSAM, generates a final list featuring the organizations considered to be references in the aspects mentioned.

Our Sustainability Policy also defines the main stakeholders and relevant issues and opportunities for them, which are managed in order to generate added value.

Stakeholder group	LATAM's deliveries	Deliveries for LATAM
Employees	• Generation of jobs in various countries • Occupational health and safety • Professional growth opportunities	• Intellectual capital • LATAM culture • Alignment and commitment to group strategy and results
Customers/ Passengers	• Connectivity: own routes as well as partnerships and hubs • Safety • Advantages in loyalty program	• Revenue generation and business sustainability in the short, medium and long terms
Public and regulatory authorities	• Participation and involvement in major airline industry and sustainability questions, among others • Interactions based on ethics and integrity • Compliance with relevant legislation and compliance • Participation in industry associations/organizations and in sustainability initiatives	• Business growth based on sharing experiences and best practices and compliance with relevant legislations
Suppliers	• Wealth generation • Sharing good practices • Sustainability risk analyses	• Product and service quality and safety • Guarantees for operation and business continuity
Investors	• Financial responsibility and return on investment • Strategy based on long-term vision • Conduct based on ethics and integrity	• Maintenance of investments to ensure business continuity



RELEVANT TOPICS

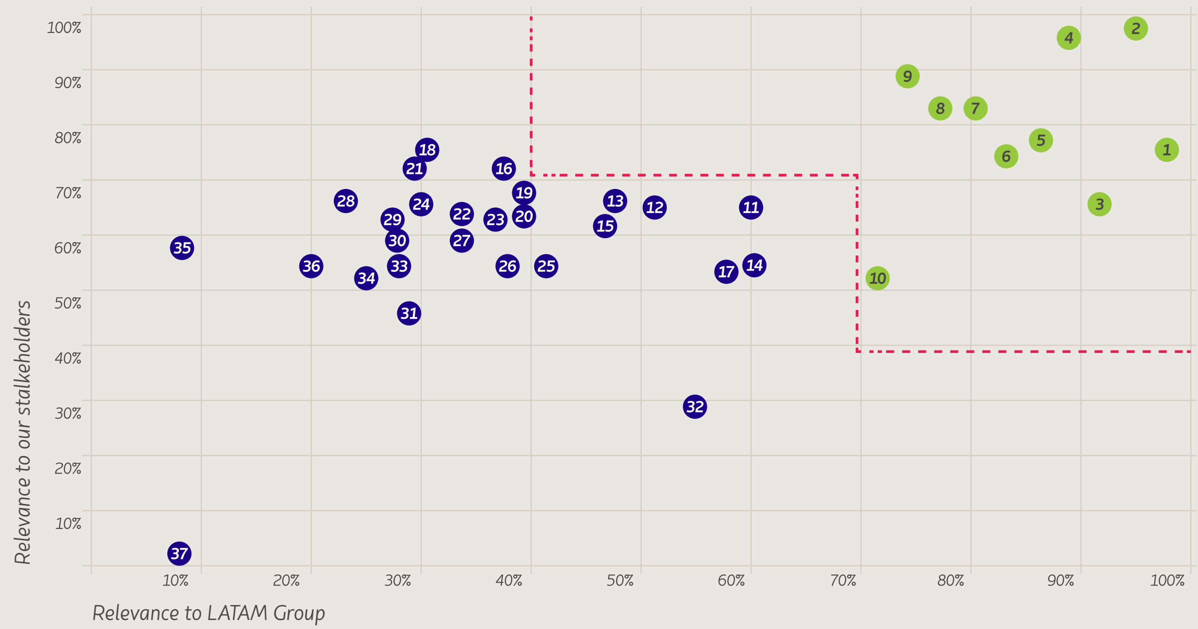
LATAM wants to guide its vision for the future and its commitments to be increasingly aligned with sustainability standards and global trends in this material. To achieve this, we had to understand which were the relevant issues for our stakeholders.

In 2017, a materiality process was carried out where the relevance of 36 topics was revealed through direct surveys of employees, suppliers, senior executives, and clients, in addition to an indirect survey of the relevance of these issues for investors, the media, competing groups, sustainability associations, governments, and NGOs.

THIS WAS CONSOLIDATED IN A MATRIX THAT SHOWS THE RELEVANCE OF THESE TOPICS FOR THE INDUSTRY CROSSED AGAINST THE IMPORTANCE GIVEN BY OUR STAKEHOLDERS. THIS RESULTED IN 10 MATERIAL ISSUES THAT WERE VALIDATED BY LATAM'S CEO.

Due to constant changes in regulations and world trends, LATAM believes it is important to review this sustainability process periodically.

Materiality matrix



(For further details, see LATAM Sustainability Report.).

Material topics
1 Health and safety in the air and on the ground
2 Ethics and anti-corruption
3 On-time performance
4 Economic and financial sustainability
5 Developing employees
6 Mitigating climate change
7 Customer focus
8 Developing the destination network to offer greater connectivity
9 Relations with authorities
10 Sustainable tourism

Non-prioritized topics
11 Benefits and conditions
12 Diversity
13 Recycling management
14 Biofuel usage
15 Transparent reporting and communication practices
16 Social investment
17 Labor relations with suppliers
18 Generation of direct and indirect economic benefits
19 Innovation, research and development
20 Infrastructure and maintenance investment
21 Eco-efficiency management
22 Water-usage management
23 Sustainability awareness among employees
24 Inclusion of consumers with special needs
25 Environmental impact management with suppliers
26 Flight comfort
27 Work-life balance
28 Human traffic
29 Local development
30 Biodiversity management
31 Noise management
32 Making aviation services available to everyone
33 Volunteering
34 Responsible food offering
35 Sex tourism
36 Animal transport
37 Drug traffic

GOVERNANCE

LATAM has 4 main lines of action regarding the governance issue: transparency, monitoring of regulations and commitments, risks and opportunities, and ensuring the integration of sustainability in all areas of the company.

All relations are grounded in ethics and transparency. Although public and industry issues are monitored on a global level by the Corporate Affairs area, they are put into practice by the respective executives and employees working in the subsidiaries. There is an ongoing effort to further consolidate the corporate regulatory agenda, with cross-cutting management of issues whose impact affects the entire group and not just operations in a specific country.

LATAM engages in the key matters that impact the industry and the business, such as those concerning air safety, taxation, and other charges. The work done, within the legal framework, with public and regulatory authorities and industry associations is fundamental for identifying courses of action and drafting directives for responding to current challenges, contributing to LATAM's growth and that of other organizations, as well as society in general.

All employees of the Group undergo training which addresses ethics, compliance, anti-corruption, and antitrust practices. In 2017, a new version of the e-learning program on the Code of Conduct was made available, providing practical examples and facilitating understanding of the connections between daily work routines and the matters set forth in the document. Also in 2017, a training course for staff members was concluded whereby they became compliance ambassadors in their units, responsible for spreading key concepts and behaviors among their colleagues.

REGARDING RISKS, THEY ARE MONITORED BY THE RISK MANAGEMENT TEAM, WHICH REPORTS TO THE GROUP'S EXECUTIVE COMMITTEE ON A MONTHLY BASIS.

Although there is a dedicated risk management area, it is understood that managing risks should be inherent to all leaders, units, and areas. In 2017, the LATAM risk matrix comprised more than 50 topics, broken down into 11 categories. The range of risks covers the environment, safety, regulatory environment, supply chain, and employee management, among others.

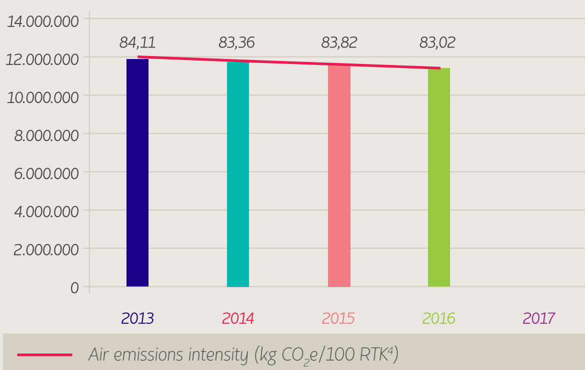
Remarkable in 2017 was the reinforcement in management of compliance risks and a risk management training program for directors, conducted by a specialized consultancy. The development of a system for managing strategic intersecting risks in the key local operations was also concluded, ensuring the standardization of identification, monitoring, and reporting tools.

CLIMATE CHANGE

LATAM has a climate change strategy, which allows the company to monitor the main environmental issues and establish work plans. This strategy has 4 main lines: carbon footprint, eco-efficiency, sustainable alternative energies, and standards and certifications.

Since 2010, LATAM has conducted a greenhouse gas (GHG) emissions inventory on an annual basis. Since 2012, LATAM reports a joint carbon footprint for LAN and TAM. Each year, we aim to reduce our net emissions

Total Greenhouse Gas Emissions



LATAM Airlines Colombia advanced in its compensation strategy in 2017, with the formal offsetting of all GHG emissions from the operation in the country, including domestic flights and ground operations, such as employee travel and other indirect emissions. Emissions from ground operations had been neutralized since 2014. The neutralization certificate ensured exemption for LATAM Airlines Colombia from a tax introduced by the Colombian government at the end of 2016, which charges US$5 for each metric ton of carbon emitted from burning fossil fuels.

A major part of aviation greenhouse gases (GHG) are generated by the fossil fuels burned by aircraft engines. Due to this, two complementary measures are implemented to reduce fuel consumption: fleet renewal and Ongoing pursuit of fuel efficiency.

Regarding the later, in 2017 the LATAM Fuel Efficiency Program Focus conducted over 20 projects that accounted for the avoidance of 50 gallons of fuel, generating savings of approximately US$100 million for the group.

ALTERNATIVE SUSTAINABLE FUELS ARE THE PERFECT COMPLEMENT TO REDUCE GHG EMISSIONS.

LATAM supports the development of biofuels for use on a commercial scale by the airline sector, but believes that this depends on the consolidation of an integrated strategy involving producers, aircraft engine manufacturers, distributors, and government authorities, in addition to the actual airline companies.

Regarding standards and certifications, LATAM remains committed to the directives set forth in the IATA (International Air Transport Association) voluntary Environmental Assessment (IEnvA) initiative. In 2017, the international air operations from Chile were recertified under the program.

For ground operations, our Miami operation (United States) is adapting the system to the most recent 2015 version of the ISO 14.001 standard, in order to obtain the recertification in 2018.

Energy saving – fuels (2017)

Rationalizing use of the auxiliary power unit (APU)
31%

Approach, landing, and taxiing procedures:
13%

Reducing weight on board:
9%

Adopting adequate speeds:
7%

Corrective actions in the event of deviations from standard consumption:
6%

Optimizing use of onboard pressurization and air conditioning equipment:
5%

Route reviews:
6%

Other measures:
24%

IN 2017, THE SOLIDARY AIRCRAFT TOOK PART IN THREE EMERGENCY OPERATIONS IN RESPONSE TO PLEAS FROM EMBASSIES AND CIVIL HUMANITARIAN AID ORGANIZATIONS.

CORPORATE CITIZENSHIP

In addition to the company's social responsibility programs, LATAM's corporate citizenship strategy considers humanitarian aid and sponsorships and donations that generate an impact in the region.

In order to drive greater effectiveness and relevance in the actions undertaken in the different countries where it operates, the Group is further developing its work on identifying and mapping the operations' impacts on society. The analysis takes into account both positive and negative, and direct and indirect effects and, in conjunction with the diagnosis of social initiatives undertaken, will shape the review of the group's social responsibility and corporate citizenship strategy in 2018.

Created in 2009, the Cuido mi Destino program is made possible by the mobilization of LATAM employees, young students, and representatives of public authorities and civil society who, on a voluntary basis, work together on projects to repair or rebuild tourist areas, reestablishing the potential for tourism in these areas and driving the local commercial and service networks. At times, the program also includes professional training programs for members of the benefiting communities, ensuring improved working conditions and income. From 2009 to 2017, US$1.916.825 were invested in different projects in South America – US$201.533 in 2017 alone.

In January, LATAM was active in combating the fires that affected the Valparaiso region, one of the most heavily visited destinations in Chile. In March, the group provided support in Peru, where more than 133,000 people were made homeless by the floods caused by the El Niño phenomenon. In September, the program took action to transport aid for the victims of hurricane Maria in Puerto Rico.

Approved at the end of 2016, the LATAM Donations Policy was enforced in 2017. The document sets forth the requirements for LATAM to approve and carry out a social donation. The policy describes the criteria, the validation stages and the levels of authority required for the concession of courtesy tickets, the free transportation of cargos, and cash donations to non-governmental organizations, foundations, and other civil society entities.

SOCIETY

	2015	2016	2017
Fomenting sustainable tourism: Cuido mi Destino			
Places benefiting	9	7	8
Students involved	516	358	668
Total investment (in US$)	228,913	181,612	201,533
Social logistics			
Air tickets donated	4,558	4,059	8.292
Cargo transported as humanitarian aid (metric tons)	139	678	438
Recyclable material transported (metric tons)	303	143	184

FINANCIAL STATE- MENTS

We made great achievements, supported by the implementation of the initiatives from our transformation plan.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

CONTENTS

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

REPORT OF INDEPENDENT AUDITORS
(Free translation from the original in Spanish)

Santiago, March 14, 2018

To the Board of Directors and Shareholders
Latam Airlines Group S.A.

We have audited the accompanying consolidated financial statements of Latam Airlines Group S.A. and subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2017 and 2016 and the related statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the corresponding notes to the consolidate financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Chilean Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. As a consequence we do not express that kind of opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PwC Chile, Av. Andrés Bello 2711 - piso 5, Las Condes – Santiago, Chile
RUT: 81.513.400-1 | Teléfono: (56 2) 2940 0000 | www.pwc.cl

pwc

Santiago, March 14, 2018
Latam Airlines Group S.A.
2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Latam Airlines Group S.A. and subsidiaries as at December 31, 2017 and 2016, and the results of operations and cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS).

Renzo Corona Spedaliere
RUT: 6.373.028-9

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

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	Note	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Current assets			
Cash and cash equivalents	6 - 7	1,142,004	949,327
Other financial assets	7 - 11	559,919	712,828
Other non-financial assets	12	221,188	212,242
Trade and other accounts receivable	7 - 8	1,214,050	1,107,889
Accounts receivable from related entities	7 - 9	2,582	554
Inventories	10	236,666	241,363
Tax assets	18	77,987	65,377
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners		3,454,396	3,289,580
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	13	291,103	337,195
Total current assets		3,745,499	3,626,775
Non-current assets			
Other financial assets	7 - 11	88,090	102,125
Other non-financial assets	12	220,807	237,344
Accounts receivable	7 - 8	6,891	8,254
Intangible assets other than goodwill	15	1,617,247	1,610,313
Goodwill	16	2,672,550	2,710,382
Property, plant and equipment	17	10,065,335	10,498,149
Tax assets	18	17,532	20,272
Deferred tax assets	18	364,021	384,580
Total non-current assets		15,052,473	15,571,419
Total assets		18,797,972	19,198,194

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY

LIABILITIES	Note	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Current liabilities			
Other financial liabilities	7 - 19	1,300,949	1,839,528
Trade and other accounts payables	7 - 20	1,695,202	1,593,068
Accounts payable to related entities	7 - 9	760	269
Other provisions	21	2,783	2,643
Tax liabilities	18	3,511	14,286
Other non-financial liabilities	22	2,823,963	2,762,245
		5,827,168	6,212,039
Liabilities included in disposal groups classified as held for sale	13	15,546	10,152
Total current liabilities		5,842,714	6,222,191
Non-current liabilities			
Other financial liabilities	7 - 19	6,605,508	6,796,952
Accounts payable	7 - 24	498,832	359,391
Other provisions	21	374,593	422,494
Deferred tax liabilities	18	949,697	915,759
Employee benefits	23	101,087	82,322
Other non-financial liabilities	22	158,305	213,781
Total non-current liabilities		8,688,022	8,790,699
Total liabilities		14,530,736	15,012,890
EQUITY			
Share capital	25	3,146,265	3,149,564
Retained earnings	25	475,118	366,404
Treasury Shares	25	(178)	(178)
Other reserves		554,884	580,870
Parent's ownership interest		4,176,089	4,096,660
Non-controlling interest	14	91,147	88,644
Total equity		4,267,236	4,185,304
Total liabilities and equity		18,797,972	19,198,194

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	Note	For the period ended December 31, 2017 ThUS$	For the period ended December 31, 2016 ThUS$
Revenue	26	9,613,907	8,988,340
Cost of sales		(7,441,849)	(6,967,037)
Gross margin		2,172,058	2,021,303
Other income	28	549,889	538,748
Distribution costs		(699,600)	(747,426)
Administrative expenses		(938,931)	(872,954)
Other expenses		(368,883)	(373,738)
Other gains/(losses)		(7,754)	(72,634)
Income from operation activities		706,779	493,299
Financial income		78,695	74,949
Financial costs	27	(393,286)	(416,336)
Share of profit of investments accounted for using the equity method		-	-
Foreign exchange gains/(losses)	29	(18,718)	121,651
Result of indexation units		748	311
Income (loss) before taxes		374,218	273,874
Income (loss) tax expense / benefit	18	(173,504)	(163,204)
NET INCOME (LOSS) FOR THE PERIOD		200,714	110,670
Income (loss) attributable to owners of the parent		155,304	69,220
Income (loss) attributable to non-controlling interest	14	45,410	41,450
Net income (loss) for the year		200,714	110,670
EARNINGS PER SHARE			
Basic earnings (losses) per share (US$)	30	0,25610	0.12665
Diluted earnings (losses) per share (US$)	30	0,25610	0.12665

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the period ended December 31, 2017	2016
		ThUS$	ThUS$
NET INCOME (LOSS)		200,714	110,670
Components of other comprehensive income that will not be reclassified to income before taxes			
Other comprehensive income, before taxes, gains (losses) by new measurements on defined benefit plans	25	2,763	(3,105)
Total other comprehensive income that will not be reclassified to income before taxes		2,763	(3,105)
Components of other comprehensive income that will be reclassified to income before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	29	(47,495)	494,362
Other comprehensive income, before taxes, currency translation differences		(47,495)	494,362
Cash flow hedges			
Gains (losses) on cash flow hedges before taxes	19	18,344	127,390
Other comprehensive income (losses), before taxes, cash flow hedges		18,344	127,390
Total other comprehensive income that will be reclassified to income before taxes		(29,151)	621,752
Other components of other comprehensive income (loss), before taxes		(26,388)	618,647
Income tax relating to other comprehensive income that will not be reclassified to income			
Income tax relating to new measurements on defined benefit plans	18	(785)	921
Accumulate income tax relating to other comprehensive income that will not be reclassified to income		(785)	921
Income tax relating to other comprehensive income that will be reclassified to income			
Income tax related to cash flow hedges in other comprehensive income		(1,770)	(34,695)
Income taxes related to components of other comprehensive incomethat will be reclassified to income		(1,770)	(34,695)
Total Other comprehensive income		(28,943)	584,873
Total comprehensive income (loss)		171,771	695,543
Comprehensive income (loss) attributable to owners of the parent		128,876	648,539
Comprehensive income (loss) attributable to non-controlling interests		42,895	47,004
TOTAL COMPREHENSIVE INCOME (LOSS)		171,771	695,543

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent											
				Change in other reserves									
	Note	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	Actuarial gains or losses on defined benefit plans reserve	Shares based payments reserve	Other sundry reserve	Total other reserve	Retained earnings	Parent's ownership interest	Non-controlling interest	Total equity
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity as of January 1, 2017		3,149,564	(178)	(2,086,555)	1,506	(12,900)	38,538	2,640,281	580,870	366,404	4,096,660	88,644	4,185,304
Total increase (decrease) in equity													
Comprehensive income													
Gain (losses)	25	-	-	-	-	-	-	-	-	155,304	155,304	45,410	200,714
Other comprehensive income		-	-	(45,036)	16,634	1,974	-		(26,428)	-	(26,428)	(2,515)	(28,943)
Total comprehensive income		-	-	(45,036)	16,634	1,974	-	-	(26,428)	155,304	128,876	42,895	171,771
Transactions with shareholders													
Dividens	25	-	-	-	-	-	-	-	-	(46,590)	(46,590)	-	(46,590)
Increase (decrease) through transfers and other changes, equity	25-34	(3,299)	-	-	-	-	943	(501)	442	-	(2,857)	(40,392)	(43,249)
Total transactions with shareholders		(3,299)	-	-	-	-	943	(501)	442	(46,590)	(49,447)	(40,392)	(89,839)
Closing balance as of December 31, 2017		3,146,265	(178)	(2,131,591)	18,140	(10,926)	39,481	2,639,780	554,884	475,118	4,176,089	91,147	4,267,236

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent											
				Change in other reserves									
	Note	Share capital	Treasury shares	Currency translation reserve	Cash flow hedging reserve	Actuarial gains or losses on defined benefit plans reserve	Shares based payments reserve	Other sundry reserve	Total other reserve	Retained earnings	Parent's ownership interest	Non-controlling interest	Total equity
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity as of January 1, 2016		2.545.705	(178)	(2.576.041)	(90.510)	(10.717)	35.647	2.634.679	(6.942)	317.950	2.856.535	81.013	2.937.548
Total increase (decrease) in equity													
Comprehensive income													
Gain (losses)	25	-	-	-	-	-	-	-	-	69.220	69.220	41.450	110.670
Other comprehensive income		-	-	489.486	92.016	(2.183)	-		579.319	-	579.319	5.554	584.873
Total comprehensive income		-	-	489.486	92.016	(2.183)	-	-	579.319	69.220	648.539	47.004	695.543
Transactions with shareholders													
Equity issue	25-34	608.496	-	-	-	-	-	-	-	-	608.496	-	608.496
Dividens	25	-	-	-	-	-	-	-	-	(20.766)	(20.766)	-	(20.766)
Increase (decrease) through													
transfers and other changes, equity	25-34	(4.637)	-	-	-	-	2.891	5.602	8.493	-	3.856	(39.373)	(35.517)
Total transactions with shareholders		603.859	-	-	-	-	2.891	5.602	8.493	(20.766)	591.586	(39.373)	552.213
Closing balance as of													
December 31, 2016		3.149.564	(178)	(2.086.555)	1.506	(12.900)	38.538	2.640.281	580.870	366.404	4.096.660	88.644	4.185.304

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	Note	For the periods ended December 31, 2017	2016
		ThUS$	ThUS$
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		10,595,718	9,918,589
Other cash receipts from operating activities		73,668	70,359
Payments for operating activities			
Payments to suppliers for goods and services		(6,722,713)	(6,756,121)
Payments to and on behalf of employees		(1,955,310)	(1,820,279)
Other payments for operating activities		(223,706)	(162,839)
Income taxes refunded (paid)		(91,986)	(59,556)
Other cash inflows (outflows)	35	(8,931)	(209,269)
Net cash flows from operating activities		1,666,740	980,884
Cash flows used in investing activities			
Cash flows from losses of control of subsidiaries or other businesses		6,503	-
Other cash receipts from sales of equity or debt instruments of other entities		3,248,693	2,969,731
Other payments to acquire equity or debt instruments of other entities		(3,106,411)	(2,706,733)
Amounts raised from sale of property, plant and equipment		51,316	76,084
Purchases of property, plant and equipment		(403,666)	(694,370)
Amounts raised from sale of intangible assets		-	1
Purchases of intangible assets		(87,318)	(88,587)
Interest received		12,684	11,242
Other cash inflows (outflows)	35	(9,223)	843
Net cash flow from (used in) investing activities		(287,422)	(431,789)
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		-	608,496
Amounts raised from long-term loans		1,305,384	1,820,016
Amounts raised from short-term loans		132,280	279,593
Loans repayments		(1,829,191)	(2,121,130)
Payments of finance lease liabilities		(344,901)	(314,580)
Dividends paid	35	(66,642)	(41,223)
Interest paid		(389,724)	(398,288)
Other cash inflows (outflows)	35	13,706	(229,163)
Net cash flows from (used in) financing activities		(1,179,088)	(396,279)
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		200,230	152,816
Effects of variation in the exchange rate on cash and cash equivalents		(7,553)	43,014
Net increase (decrease) in cash and cash equivalents		192,677	195,830
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	949,327	753,497
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	1,142,004	949,327

The accompanying Notes 1 to 37 form an integral part of these consolidated financial statements.

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

NOTE 1 - GENERAL INFORMATION

LATAM Airlines Group S.A. (the "Company") is a public company registered with the Commission for the Financial Market (1), under No.306, whose shares are quoted in Chile on the Stock Brokers - Stock Exchange (Valparaíso) - the Chilean Electronic Stock Exchange and the Santiago Stock Exchange; it is also quoted in the United States of America on the New York Stock Exchange ("NYSE") in New York in the form of American Depositary Receipts ("ADRs").

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

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

Corporate Governance practices of the Company are set in accordance with Securities Market Law the Corporations Law and its regulations, and the regulations of the Commission for the Financial Market (1) and the laws and regulations of the United States of America and the U.S. Securities and Exchange Commission ("SEC") of that country, with respect to the issuance of ADRs (2).

At December 31, 2017, the Company's capital stock is represented by 608,374,525 shares, all common shares, without par value, which is divided into: (a) the 606,407,693 subscribed and paid shares; and (b) 1,966,832 shares pending of subscription and payment, of which: (i) 1,500,000 shares are allocated to compensation stock option plan; And (ii) 466,832 correspond to the balance of shares pending of placement of the last capital increase approved at the extraordinary meeting of shareholders of August 18, 2016.

(1) On February 23, 2017 the Law No. 21,000 was published in the Official Journal, creating the new Commission for the Financial Market (CMF), a collegiate and technical entity that replaced the Superintendency of Securities and Insurance (SVS).

(2) As reported in due course, during 2016, LATAM discontinued its Brazilian receipts program - BDR level III, currently LATAM not counting with securities in the Brazilian market.

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

The majority shareholder of the Company is the Cueto Group, which through Costa Verde Aeronáutica S.A., Costa Verde Aeronáutica SpA, Costa Verde Aeronáutica Tres SpA, Inversiones Nueva Costa Verde Aeronáutica Ltda., Inversiones Priesca Dos y Cía. Ltda., Inversiones Caravia Dos y Cía. Ltda., Inversiones El Fano Dos y Cía. Ltda., Inversiones La Espasa Dos S.A. and Inversiones La Espasa Dos y Cía. Ltda., owns 27.91% of the shares issued by the Company, and therefore is the controlling shareholder of the Company in accordance with the provisions of the letter b) of Article 97 and Article 99 of the Securities Market Law, given that there is a decisive influence on its administration.

As of December 31, 2017, the Company had a total of 1,485 registered shareholders. At that date approximately 4.14% of the Company's share capital was in the form of ADRs.

For the period ended December 31, 2017, the Company had an average of 43,593 employees, ending this period with a total of 43,095 employees, spread over 6,922 Administrative employees, 4,742 in Maintenance, 15,126 in Operations, 9,016 in Cabin Crew, 3,957 in Controls Crew, and 3,332 in Sales.

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

a) Participation rate

Tax No.	Company	Country of origin	Functional Currency	As December 31, 2017 Direct %	Indirect %	Total %	As December 31, 2016 Direct %	Indirect %	Total %
96.518.860-6	Latam Travel Chile S.A. and Subsidary (*)	Chile	US$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US$	0.0000	0.0000	0.0000	99.0100	0.9900	100.0000
96.969.680-0	Lan Pax Group S.A. and Subsidiaries	Chile	US$	99.8361	0.1639	100.0000	99.8361	0.1639	100.0000
Foreign	Lan Perú S.A.	Peru	US$	49.0000	21.0000	70.0000	49.0000	21.0000	70.0000
93.383.000-4	Lan Cargo S.A.	Chile	US$	99.8939	0.0041	99.8980	99.8939	0.0041	99.8980
Foreign	Connecta Corporation	U.S.A.	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Prime Airport Services Inc. and Subsidary	U.S.A.	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.951.280-7	Transporte Aéreo S.A.	Chile	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Lan Cargo Overseas Limited and Subsidiaries	Bahamas	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidary	Chile	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.575.810-0	Inversiones Lan S.A. and Subsidiaries	Chile	US$	99.7100	0.2900	100.0000	99.7100	0.2900	100.0000
96.847.880-K	Technical Trainning LATAM S.A.	Chile	CLP	99.8300	0.1700	100.0000	99.8300	0.1700	100.0000
Foreign	Latam Finance Limited	Cayman Insland	US$	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
Foreign	Peuco Finance Limited	Cayman Insland	US$	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
Foreign	Profesional Airline Services INC.	U.S.A.	US$	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
Foreign	TAM S.A. and Subsidiaries (**)	Brazil	BRL	63.0901	36.9099	100.0000	63.0901	36.9099	100.0000

(*) In June 2016, Lantours Division de Servicios Terrestres S.A. changes its name to Latam Travel Chile S.A.

(**) As of December 31, 2017, indirect ownership participation on TAM S.A and subsidiaries is from Holdco I S.A., LATAM is entitled to 99,9983% of the economic rights and 49% of the rights politicians product of provisional measure No. 714 of the Brazilian Government implemented during 2016 which allows foreign capital to have up to 49% of the property.

Thus, since April 2016, LATAM Airlines Group S.A. owns 901 voting shares of Holdco I S.A., equivalent to 49% of the total shares with voting rights of said company and TEP Chile S.A. owns 938 voting shares of Holdco I S.A., equivalent to 51% of the total voting shares of that company.

b) Financial Information

		Statement of financial position						Net Income	
		As of December 31, 2017			As of December 31, 2016			For the periods ended December 31,	
								2017	2016
Tax No.	Company	Assets	Liabilities	Equity	Assets	Liabilities	Equity	Gain /(loss)	
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
96.518.860-6	Latam Travel Chile S.A. and Subsidary (*)	6,771	2,197	4,574	5,468	2,727	2,741	1,833	2,650
96.763.900-1	Inmobiliaria Aeronáutica S.A.	-	-	-	36,756	8,843	27,913	-	3,443
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (**)	499,345	1,101,548	(596,406)	475,763	1,045,761	(561,472)	(35,943)	(36,331)
Foreign	Lan Perú S.A.	315,607	303,204	12,403	306,111	294,912	11,199	1,205	(2,164)
93.383.000-4	Lan Cargo S.A.	584,169	371,934	212,235	480,908	239,728	241,180	(30,220)	(24,813)
Foreign	Connecta Corporation	38,735	17,248	21,487	31,981	23,525	8,456	13,013	9,684
Foreign	Prime Airport Services Inc. and Subsidary (**)	12,671	15,722	(3,051)	7,385	11,294	(3,909)	857	588
96.951.280-7	Transporte Aéreo S.A.	324,498	104,357	220,141	340,940	124,805	216,135	2,172	8,206
Foreign	Aircraft International Leasing Limited				-	-	-	-	9
96.631.520-2	Fast Air Almacenes de Carga S.A.	12,931	4,863	8,068	10,023	3,645	6,378	939	1,717
Foreign	Laser Cargo S.R.L.	18	27	(9)	21	32	(11)	2	(1)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (**)	66,039	42,271	18,808	54,092	35,178	15,737	3,438	176
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidary (**)	144,884	156,005	(10,112)	80,644	95,747	(13,506)	3,389	(910)
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (**)	11,681	5,201	6,377	10,971	6,452	4,452	1,561	2,549
96.847.880-K	Technical Trainning LATAM S.A.	1,967	367	1,600	1,745	284	1,461	109	73
Foreign	Latam Finance Limited	678,289	708,306	(30,017)	-	-	-	(30,017)	-
Foreign	Peuco Finance Limited	608,191	608,191	-	-	-	-	-	-
Foreign	Profesional Airline Services INC.	3,703	3,438	265	-	-	-	294	-
Foreign	TAM S.A. and Subsidiaries (**)	4,490,714	3,555,423	856,829	5,287,286	4,710,308	495,562	160,582	2,107

(*) In June 2016, Lantours Division of Terrestrial Services S.A. changed its name to Latam Travel Chile S.A.

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

Additionally, we have proceeded to consolidate the following special purpose entities: 1. Chercán Leasing Limited created to finance the pre-delivery payments on aircraft; 2. Guanay Finance Limited created to issue a bond collateralized with future credit card receivables; 3. Private investment funds and 4. Avoceta Leasing Limited created to finance the pre-delivery payments on aircraft. These companies have been consolidated as required by IFRS 10.

All controlled entities have been included in the consolidation.

INDEX

Changes in the scope of consolidation between January 1, 2016 and December 31, 2017, are detailed below:

(1) Incorporation or acquisition of companies

- On January 2016, the increase in the share capital and statutory amendment for the purpose of creating a new class of shares of Lan Argentina SA, a subsidiary of Lan Pax Group SA, for a total amount was registered in the Public Registry of Commerce. of 90,000,000 nominated "C" class shares not endorsable and without the right to vote. Lan Pax Group S.A. participated in this capital increase, modifying its ownership in 4.87%, as a result of which, the indirect participation of LATAM Airlines Group S.A. increases to 99.8656%.

- On April 1, 2016, Multiplus Corretora de Seguros Ltda. was created, the ownership of which corresponds to 99.99% of Multiplus S.A. direct subsidiary of TAM S.A.

- On September 2016, Latam Finance Limited, a wholly-owned subsidiary of LATAM Airlines Group S.A., was created. Company operation started on April 2017.

- On November 2015, the company Peuco Finance Limited was created, whose ownership corresponds 100% to LATAM Airlines Group S.A. The operation of this company began in December 2017.

- Prismah Fidelidade Ltda. is constituted on June 29, 2012, whose ownership corresponds 99.99% to Multiplus S.A. direct subsidiary of TAM S.A. The operation of this company began in December 2017.

- On December 11, 2017, a capital increase was made in TAM S.A. for a total of MR $ 697,935 (ThUS $ 210,000), with no new shares issues. This capital increase was paid a whole 100% by the shareholder LATAM Airlines Goup S.A.

  The foregoing, in accordance with the TAM's shareholder Holdco I S.A., who renounces to any right arisinged from this increase.

- As of December 31, 2017, Inversiones LAN S.A., subsidiary of LATAM Airlines Group S.A., acquired 4,951 shares of Aerovías de Integración Regional Aires S.A. a non-controlling shareholder, equivalent to 0.09498%, consequently, the indirect participation of LATAM Airlines Group S.A. increases to 99.19414%

(2) Dissolution of companies

- During the period 2016, Lan Chile Investments Limited, subsidiary of LATAM Airlines Group S.A.; and Aircraft International Leasing Limited, subsidiary of Lan Cargo S.A., were dissolved.

- On November 20, 2017 LATAM Airlines Group S.A. acquires 100% of the shares of Inmobiliaria Aeronáutica S.A. consequently, a merger and subsequent dissolution of said company is carried out.

(3) Disappropriation of companies.

- On May 5, 2017 Lan Pax Group S.A. and Inversiones Lan S.A., both subsidiaries of LATAM Airlines Group S.A., sold Talma Servicios Aeroportuarios S.A. and Inversiones Talma S.A.C. 100% of the capital stock of Rampas Andes Airport Services S.A.

  The sale value of Rampas Andes Airport Services S.A. it was of ThUS $ 8,624.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Preparation

The consolidated financial statements of LATAM Airlines Group S.A. for the period ended December 31, 2017, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) incorporated therein and with the interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC).

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

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

During 2016 the Company recorded out of period adjustments resulting in an aggregate net decrease of US$ 18.2 million to "Net income (loss) for the period" for the year ended December 31, 2016. These adjustments include US$ 39.5 million (loss) resulting from an account reconciliation process initiated after the Company's affiliate TAM S.A. and its subsidiaries completed the implementation of the SAP system. A further US$ 11.0 million (loss) reflect adjustments related to foreign exchange differences, also relating to the Company's subsidiaries in Brazil. The balance of US$ 32.3 million (gain) includes principally the adjustment of unclaimed fees for expired tickets for the Company and its affiliates outside Brazil. Management of TAM S.A. has concluded that the out of period adjustments that have been identified are material to the 2015 financial statements of TAM S.A., which should therefore require a restatement in Brazil. However, Management of LATAM has evaluated the impact of all out of period adjustments, both individually and in the aggregate, and concluding that due to their relative size and to qualitative factors they are not material to the annual consolidated financial statements for 2016 of Latam Airlines Group S.A. or to any previously reported consolidated financial statements, therefore no restatement or revision is necessary.

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

(a) Accounting pronouncements with implementation effective from January 1, 2017:

(i) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
Amendment to IAS 7: Statement of cash flow	January 2016	01/01/2017
Amendment to IAS 12: Income tax	January 2016	01/01/2017
(ii) Improvements		
Improvements to International Financial Reporting Standards (2014-2016 cycle): IFRS 12 Disclosure of interests in other entities	December 2016	01/01/2017

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

(b) Accounting pronouncements not yet in force for financial years beginning on January 1, 2017 and which has not been effected early adoption

(i) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
IFRS 9: Financial instruments.	December 2009	01/01/2018
Amendment to IFRS 9: Financial instruments.	November 2013	01/01/2018
IFRS 15: Revenue from contracts with customers (1).	May 2014	01/01/2018
Amendment to IFRS 15: Revenue from contracts with customers.	April 2016	01/01/2018
Amendment to IFRS 2: Share-based payments	June 2016	01/01/2018
Amendment to IFRS 4: Insurance contracts.	September 2016	01/01/2018
Amendment to IAS 40: Investment property	December 2016	01/01/2018
IFRS 16: Leases (2).	January 2016	01/01/2019
Amendment to IFRS 9: Financial Instruments	October 2017	01/01/2019
Amendment to IAS 28: Investments in associates and joint ventures	October 2017	01/01/2019
IFRS 17: Insurance contracts	May 2017	01/01/2021

(ii) Standards and amendments	Date of issue	Mandatory Application: Annual periods beginning on or after
Amendment to IFRS 10: Consolidated financial statements and IAS 28 Investments in associates and joint ventures.	September 2014	To be determined
(iii) Improvements		
Improvements to International Financial Reporting Standards. (cycle 2014-2016) IFRS 1: First-time adoption of international financial reporting standards and IAS 28 investments in associates and joint ventures.	December 2016	01/01/2018
Improvements to International Financial Reporting Standards. (cycle 2015-2017) IFRS 3: Business combinations, IAS 12: Income tax, IFRS 11: Joint arrangements and IAS 23: Borrowing costs	December 2017	01/01/2019
(iv) Interpretations		
IFRIC 22: Foreign currency transactions and advance consideration	December 2016	01/01/2018
IFRIC 23: Uncertain tax positions	June 2017	01/01/2019

The Company's management believes that the adoption of the standards, amendments and interpretations described above but not yet effective would not have a significant impact on the Company's consolidated financial statements in the year of their first application, except for IFRS 15 and IFRS 16:

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

The Company evaluated the possible adoption impacts that this new standard will have on the consolidated financial statements and has identified changes in: i) the recognition of the income associated with the fines for changes, which were previously recognized at the time of the sale and now will be considered as a modification of the initial transport contract and therefore the recognition must be deferred until the rendering of the service; ii) the moment of recognition of the income from the sale of some services or products, where the Company concluded that it acted as principal, and therefore the revenues must be deferred until the service is rendered; and iii) the presentation of the income associated with the sale of products, where the Company concluded that it acted as agent and therefore the income must be presented net of the associated costs.

As of December 31, 2017, the effect of the changes indicated above As of December 31, 2017, the effect of the changes indicated above will not have a significant impact on the Company's consolidated financial statements in the year of its first adoption.

(2) The IFRS 16 Leases add important changes in the accounting for lessees by introducing a similar treatment to financial leases for all operating leases with a term of more than 12 months. This mean, in general terms, that an asset should be recognized for the right to use the underlying leased assets and a liability representing its present value of payments associate to the agreement. Monthly leases payments will be replace by the asset depreciation and a financial cost in the income statement.

We are evaluating the impact that the adoption of the new lease rule will have on the consolidated financial statements. Currently, we believe that the adoption of this new standard will have a significant impact on the consolidated statement of financial position due to the recording of an asset for right of use and a liability, corresponding to the recording of the leases that are currently registered as operating leases.

LATAM Airlines Group S.A. and subsidiaries are still assessing this standard to determinate the effect on their Financial Statements, covenants and other financial indicators.

2.2. Basis of Consolidation

(a) Subsidiaries

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

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

To account for and identify the financial information revealed when carrying out a business combination, such as the acquisition of an entity by the Company, is apply the acquisition method provided for in IFRS 3: Business combination.

(b) Transactions with non-controlling interests

The Company applies the policy of considering transactions with non-controlling interests, when not related to loss of control, as equity transactions without an effect on income.

(c) Sales of subsidiaries

When a subsidiary is sold and a percentage of participation is not retained, the Company derecognizes assets and liabilities of the subsidiary, the non-controlling and other components of equity related to the subsidiary. Any gain or loss resulting from the loss of control is recognized in the consolidated income statement in Other gains (losses).

If LATAM Airlines Group S.A. and Subsidiaries retain an ownership of participation in the sold subsidiary, and does not represent control, this is recognized at fair value on the date that control is lost, the amounts previously recognized in Other comprehensive income are accounted as if the Company had disposed directly from the assets and related liabilities, which can cause these amounts are reclassified to profit or loss. The percentage retained valued at fair value is subsequently accounted using the equity method.

(d) Investees or associates

Investees or associates are all entities over which LATAM Airlines Group S.A. and Subsidiaries have significant influence but have no control. This usually arises from holding between 20% and 50% of the voting rights. Investments in associates are booked using the equity method and are initially recognized at their cost.

2.3. Foreign currency transactions

(a) Presentation and functional currencies

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

(b) Transactions and balances

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

(c) Group entities

hyper-inflationary economy) that have a functional currency other than the presentation currency are translated to the presentation currency as follows:

(i) Assets and liabilities of each consolidated statement of financial position presented are translated at the closing exchange rate on the consolidated statement of financial position date;

(ii) The revenues and expenses of each income statement account are translated at the exchange rates prevailing on the transaction dates, and

(iii) All the resultant exchange differences by conversion are shown as a separate component in other comprehensive income.
The exchange rates used correspond to those fixed in the country where the subsidiary is located, whose functional currency is different to the U.S. dollar.

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

2.4. Property, plant and equipment

The land of LATAM Airlines Group S.A. and Subsidiaries, are recognized at cost less any accumulated impairment loss. The rest of the Properties, plants and equipment are recorded, both in their initial recognition and in their subsequent measurement, at their historical cost less the corresponding depreciation and any loss due to deterioration.

The amounts of advances paid to the aircraft manufacturers are activated by the Company under Construction in progress until they are received.

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

The depreciation of the properties, plants and equipment is calculated using the linear method over their estimated technical useful lives; except in the case of certain technical components which are depreciated on the basis of cycles and hours flown.

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

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

Losses and gains from the sale of property, plant and equipment are calculated by comparing the consideration with the book value and are included in the consolidated statement of income.

2.5. Intangible assets other than goodwill

(a) Airport slots and Loyalty program

Airport slots and the Coalition and Loyalty program are intangible assets of indefinite useful life and are subject to impairment tests annually as an integral part of each CGU, in accordance with the premises that are applicable, included as follows:

Airport slots – Air transport CGU
Loyalty program – Coalition and loyalty program Multiplus CGU
(See Note 16)

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

The Loyalty program corresponds to the system of accumulation and redemption of points that has developed Multiplus S.A., subsidiary of TAM S.A.

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

(b) Computer software

Licenses for computer software acquired are capitalized on the basis of the costs incurred in acquiring them and preparing them for using the specific software. These costs are amortized over their estimated useful lives, for which the Company has been defined useful lives between 3 and 10 years.

Expenses related to the development or maintenance of computer software which do not qualify for capitalization, are shown as an expense when incurred. The personnel costs and others costs directly related to the production of unique and identifiable computer software controlled by the Company, are shown as intangible Assets others than Goodwill when they have met all the criteria for capitalization.

(c) Brands

The Brands were acquired in the business combination with TAM S.A. And Subsidiaries and recognized at fair value under IFRS. During the year 2016, the estimated useful life of the brands change from an indefinite useful life to a five-year period, the period in which the value of the brands will be amortized (See Note 15).

2.6. Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Company's participation in the net identifiable assets of the subsidiary or associate on the acquisition date. Goodwill related to acquisition of subsidiaries is not amortized but tested for impairment annually or each time that there is evidence of impairment. Gains and losses on the sale of an entity include the book amount of the goodwill related to the entity sold.

2.7. Borrowing costs

Interest costs incurred for the construction of any qualified asset are capitalized over the time necessary for completing and preparing the asset for its intended use. Other interest costs are recognized in the consolidated income statement when they are accrued.

2.8. Losses for impairment of non-financial assets

Intangible assets that have an indefinite useful life, and developing IT projects, are not subject to amortization and are subject to annual testing for impairment. Assets subject to amortization are subjected to impairment tests whenever any event or change in circumstances indicates that the book value of the assets may not be recoverable. An impairment loss is recorded when the book value is greater than the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In evaluating the impairment, the assets are grouped at the lowest level for which cash flows are separately identifiable (CGUs). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed if there are indicators of reverse losses at each reporting date.

2.9. Financial assets

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition, which occurs on the date of transaction.

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments not traded on an active market. These items are classified in current assets except for those with maturity over 12 months from the date of the consolidated statement of financial position, which are classified as non-current assets. Loans and receivables are included in trade and other accounts receivable in the consolidated statement of financial position (Note 2.12).

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

and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

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

2.10. Derivative financial instruments and hedging activities

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

(a) Hedge of the fair value of recognized assets (fair value hedge);

(b) Hedge of an identified risk associated with a recognized liability or an expected highly- Probable transaction (cash-flow hedge), or

(c) Derivatives that do not qualify for hedge accounting.

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

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

(a) Fair value hedges

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

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is shown in the statement of other comprehensive income. The loss or gain relating to the ineffective portion is recognized immediately in the consolidated statement of

income under other gains (losses). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.
In case of variable interest-rate hedges, the amounts recognized in the statement of other comprehensive income are reclassified to results within financial costs at the same time the associated debts accrue interest.

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

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

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

(c) Derivatives not booked as a hedge

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

2.11. Inventories

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

2.12. Trade and other accounts receivable

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

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

of income in Cost of sales. When an account receivable is written off, it is charged to the allowance account for accounts receivable.

2.13. Cash and cash equivalents

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

2.14. Capital

The common shares are classified as net equity.

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

2.15. Trade and other accounts payables

Trade payables and other accounts payable are initially recognized at fair value and subsequently at amortized cost.

2.16. Interest-bearing loans

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

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

2.17. Current and deferred taxes

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

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

Deferred taxes are calculated using the liability method, on the temporary differences arising between the tax bases of assets and liabilities and their book values. However, if the temporary differences arise from the initial recognition of a liability or an asset in a transaction different from a business combination that at the time of the transaction does not affect the accounting result or the tax gain or loss, they are not booked. The deferred tax is determined using the tax rates (and laws) that have been enacted or substantially enacted at the consolidated financial statements close, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability discharged.

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

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

2.18. Employee benefits

(a) Personnel vacations

The Company recognizes the expense for personnel vacations on an accrual basis.

(b) Share-based compensation

The compensation plans implemented based on the shares of the Company are recognized in the consolidated financial statements in accordance with IFRS 2: Share-based payments, for plans based on the granting of options, the effect of fair value is recorded in equity with a charge to remuneration in a linear manner between the date of grant of said options and the date on which they become irrevocable, for the plans considered as cash settled award the fair value, updated as of the closing date of each reporting period, is recorded as a liability with charge to remuneration.

(c) Post-employment and other long-term benefits

Provisions are made for these obligations by applying the method of the projected unit credit method, and taking into account estimates of future permanence, mortality rates and future wage increases determined on the basis of actuarial calculations. The discount rates are determined by reference to market interest-rate curves. Actuarial gains or losses are shown in other comprehensive income.

(d) Incentives

The Company has an annual incentives plan for its personnel for compliance with objectives and individual contribution to the results. The incentives eventually granted consist of a given number or portion of monthly remuneration and the provision is made on the basis of the amount estimated for distribution.

2.19. Provisions

Provisions are recognized when:

(i) The Company has a present legal or implicit obligation as a result of past events;

(ii) It is probable that payment is going to be necessary to settle an obligation; and

(iii) The amount has been reliably estimated.

2.20. Revenue recognition

Revenues include the fair value of the proceeds received or to be received on sales of goods and rendering services in the ordinary course of the Company's business. Revenues are shown net of refunds, rebates and discounts.

(a) Rendering of services

(i) Passenger and cargo transport

The Company shows revenue from the transportation of passengers and cargo once the service has been provided.

Consistent with the foregoing, the Company presents the deferred revenues, generated by anticipated sale of flight tickets and freight services, in heading other non - financial liabilities in the Consolidated Statement of Financial Position.

(ii) Frequent flyer program

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

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

(iii) Other revenues

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

(b) Dividend income

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

2.21. Leases

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

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

Every lease payment is separated between the liability component and the financial expenses so as to obtain a constant interest rate over the outstanding amount of the debt. The corresponding leasing obligations, net of financial charges, are included in other financial liabilities. The element of interest in the financial cost is charged to the consolidated statement of income over the lease period so that it produces a constant periodic rate of interest on the remaining balance of the liability for each year. The asset acquired under a financial lease is depreciated over its useful life and is included in Property, plant and equipment.

(b) When the Company is the lessee – operating lease

Leases, in which the lessor retains an important part of the risks and benefits deriving from ownership, are classified as operating leases. Payments with respect to operating leases (net of any incentive received from the lessor) are charged in the consolidated statement of income on a straight-line basis over the term of the lease.

2.22. Non-current assets or disposal groups classified as held for sale

Non-current assets (or disposal groups) classified as assets held for sale are shown at the lesser of their book value and the fair value less costs to sell.

2.23. Maintenance

The costs incurred for scheduled heavy maintenance of the aircraft's fuselage and engines are capitalized and depreciated until the next maintenance. The depreciation rate is determined on technical grounds, according to the use of the aircraft expressed in terms of cycles and flight hours.

In case of own aircraft or under financial leases, these maintenance cost are capitalized as Property, plant and equipment, while in the case of aircraft under operating leases, a liability is accrued based on the use of the main components is recognized, since a contractual obligation with the lessor to return the aircraft on agreed terms of maintenance levels exists. These are recognized as Cost of sales.

Additionally, some leases establish the obligation of the lessee to make deposits to the lessor as a guarantee of compliance with the maintenance and return conditions. These deposits, often called maintenance reserves, accumulate until a major maintenance is performed, once made, the recovery is requested to the lessor. At the end of the contract period, there is comparison between the reserves that have been paid and required return conditions, and compensation between the parties are made if applicable.

The unscheduled maintenance of aircraft and engines, as well as minor maintenance, are charged to results as incurred.

2.24. Environmental costs

Disbursements related to environmental protection are charged to results when incurred.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Company is exposed to different financial risks: (a) market risk, (b) credit risk, and (c) liquidity risk. The program overall risk management of the Company aims to minimize the adverse effects of financial risks affecting the company.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market factors such as: (i) fuel-price risk, (ii) exchange -rate risk, and (iii) interest -rate risk.

The Company has developed policies and procedures for managing market risk, which aim to identify, quantify, monitor and mitigate the adverse effects of changes in market factors mentioned above.

For this, the Administration monitors the evolution of price levels, exchange rates and interest rates, and quantifies their risk exposures (Value at Risk), and develops and implements hedging strategies.

(i) Fuel-price risk:

Exposition:

For the execution of its operations the Company purchases a fuel called Jet Fuel grade 54 USGC, which is subject to the fluctuations of international fuel prices.

Mitigation:

To cover the risk exposure fuel, the Company operates with derivative instruments (swaps and options) whose underlying assets may be different from Jet Fuel, being possible use West Texas Intermediate ("WTI") crude, Brent ("BRENT") crude and distillate Heating Oil ("HO"), which have a high correlation with Jet Fuel and greater liquidity.

Fuel Hedging Results:

During the period ended December 31, 2017, the Company recognized gains of US $ 15.1 million for fuel net premium coverage. During the same period of 2016, the Company recognized losses of US $ 48.0 million for the same concept.

As of December 31, 2017, the market value of fuel positions amounted to US $ 10.7 million (positive). At the end of December 2016, this market value was US $ 8.1 million (positive).

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

Positions as of December 31, 2017 (*)	Maturities			
	Q118	Q218	Q318	Total
Percentage of coverage over the expected volume of consumption	19%	12%	5%	12%

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

Positions as of December 31, 2016 (*)	Maturities		
	Q117	Q217	Total
Percentage of coverage over the expected volume of consumption	21%	16%	18%

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

Sensitivity analysis

A drop in fuel price positively affects the Company through a reduction in costs. However, also negatively affects contracted positions as these are acquired to protect the Company against the risk of a rise in price. The policy therefore is to maintain a hedge-free percentage in order to be competitive in the event of a drop in price.

The current hedge positions they are booked as cash flow hedge contracts, so a variation in the fuel price has an impact on the Company's net equity.

The following table shows the sensitivity analysis of the financial instruments according to reasonable changes in the fuel price and their effect on equity. The term of the projection was defined until the end of the last current fuel hedge contract, being the last business day of the third quarter of 2018.

The calculations were made considering a parallel movement of US$ 5 per barrel in the curve of the BRENT and JET crude futures benchmark price at the end of December 2017 and the end of December, 2016.

Benchmark price (US$ per barrel)	Positions as of December 31, 2017 effect on equity (millions of US$)	Positions as of December 31, 2016 effect on equity (millions of US$)
+5	+1.8	+3.12
-5	- 3.3	-4.78

Given the structure of fuel coverage during 2017, considers a hedge-free portion, a vertical drop of 5 dollars in the JET reference price (considered as the monthly average), would have meant an approximate impact US $ 109.7 million of lower fuel costs. For the same period, a vertical rise of $ 5 in the JET reference price (considered as the monthly average) would have meant an impact of approximately US $ 110.5 million of higher fuel costs.

(ii) Foreign exchange rate risk:

Exposition:

The functional and presentation currency of the Financial Statements of the Parent Company is the US dollar, so that the risk of the Transactional and Conversion exchange rate arises mainly from the Company's business, strategic and accounting operating activities that are expressed in a monetary unit other than the functional currency.
The subsidiaries of LATAM are also exposed to foreign exchange risk whose impact affects the Company's Consolidated Income.

The largest operational exposure to LATAM's exchange risk comes from the concentration of businesses in Brazil, which are mostly denominated in Brazilian Real (BRL), and are actively managed by the company.

At a lower concentration, the Company is also exposed to the fluctuation of other currencies, such as: euro, pound sterling, Australian dollar, Colombian peso, Chilean peso, Argentine peso, Paraguayan guarani, Mexican peso, Peruvian nuevo sol and New Zealand dollar.

Mitigation:

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

FX Hedging Results:

In order to reduce the exposure to the exchange rate risk in the operational cash flows of 2017, and to ensure the operating margin, LATAM makes hedges using FX derivatives.

As of December 31, 2017, the market value of FX derivative positions amounted to US $ 4.4 million (positive). At the end of December 2016, this market value was US $ 1.1 million (negative).

During the period ended December 31, 2017, the Company recognized losses of US $ 9.7 million for FX net premium coverage. During the same period of 2016, the company recognized losses of US $ 40.3 million for this concept.

As of December 31, 2017, the Company has contracted FX derivatives for US $ 180 million for BRL. By the end of December 2016, the company had contracted FX derivatives for US $ 60 million for BRL, and US $ 10 million for GBP.

Sensitivity analysis:

A depreciation of the R $ / US $ exchange rate, negatively affects the Company's operating cash flows, however, also positively affects the value of the positions of derivatives contracted.

FX derivatives are recorded as cash flow hedge contracts; therefore, a variation in the exchange rate has an impact on the market value of the derivatives, the changes of which affect the Company's net equity.

The following table shows the awareness of FX derivative instruments according to reasonable changes in the exchange rate and its effect on equity. The projection term was defined until the end of the last contract of coverage in force, being the last business day of the second quarter of the year 2018:

Appreciation (depreciation)* of R$	Effect at December 31, 2017 Millions of US$	Effect at December 31, 2016 Millions of US$
-10%	-10.7	-1.02
+10%	+9.7	+3.44

(*)Both currencies (BRL and GBP) only apply period to the closing of 2016.

During 2017, the Company contracted derivative currency swaps to hedge debt issued the same year for a notional UF 8.7 million. As of December 31, 2017, the market value of derivative positions of currency swaps amounted to US$ 30.6 million (positive).

As of December 31, 2017, the Company has recorded an amount for ineffectiveness in the consolidated statement of income for this type of hedges for US $ 6.2 million (positive).

In the case of TAM S.A, whose functional currency is the Brazilian real, a large part of its liabilities are expressed in US dollars. Therefore, when converting financial assets and liabilities, from dollars to reais, they have an impact on the result of TAM S.A., which is consolidated in the Company's Income Statement.

With the objective of reducing the impact on the Company's results caused by appreciations or depreciations of R$/US $, the Company has executed internal operations to reduce the net exposure in US$ for TAM S.A.

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

Appreciation (depreciation)* of R$/US$	Effect at December 31, 2017 Millons of US$	Effect at December 31, 2016 Millons of US$
-10%	+80.5	+119.2
+10%	-80.5	-119.2

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

Effects of exchange rate derivatives in the Financial Statements

The profit or losses caused by changes in the fair value of hedging instruments are segregated between intrinsic value and temporary value. The intrinsic value is the actual percentage of cash flow covered, initially shown in equity and later transferred to income, while the hedge transaction is recorded in income. The temporary value corresponds to the ineffective portion of cash flow hedge which is recognized in the financial results of the Company (Note 19).

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

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

Appreciation (depreciation) of R$/US$	Effect at December 31, 2017 Millions of US$	Effect at December 31, 2016 Millions of US$
-10%	+386.62	+351.04
+10%	-316.33	-287.22

(iii) Interest -rate risk:

Exposition:

The Company is exposed to fluctuations in interest rates affecting the markets future cash flows of the assets, and current and future financial liabilities.

The Company is exposed in one portion to the variations of London Inter-Bank Offer Rate (“LIBOR”) and other interest rates of less relevance are Brazilian Interbank Deposit Certificate ("ILC").

Mitigation:

In order to reduce the risk of an eventual rise in interest rates, the Company has signed interest-rate swap and call option contracts. Currently a 63% (63% at December 31, 2016) of the debt is fixed to fluctuations in interest rate.

Rate Hedging Results:

At December 31, 2017, the market value of the positions of interest rate derivatives amounted to US$ 6.6 million (negative). At end of December 2016 this market value was US$ 17.2 million (negative).

Sensitivity analysis:

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

Increase (decrease) futures curve in libor 3 months	Positions as of December 31, 2017 effect on profit or loss before tax (millions of US$)	Positions as of December 31, 2016 effect on profit or loss before tax (millions of US$)
+100 basis points	-29.26	-32.16
-100 basis points	+29.26	+32.16

Much of the current rate derivatives are registered for as hedges of cash flow, therefore, a variation in the exchange rate has an impact on the market value of derivatives, whose changes impact on the Company's net equity.

The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve, being both reasonably possible scenarios according to historical market conditions.

Increase (decrease) futures curve in libor 3 months	Positions as of December 31, 2017 effect on equity (millions of US$)	Positions as of December 31, 2016 effect on equity (millions of US$)
+100 basis points	+1.9	+3.93
-100 basis points	-1.9	-4.03

The assumptions of sensitivity calculation must assume that forward curves of interest rates do not necessarily reflect the real value of the compensation flows. Moreover, the structure of interest rates is dynamic over time.

During the periods presented, the Company has no registered amounts by ineffectiveness in consolidated statement of income for this kind of hedging.

(b) Credit risk

Credit risk occurs when the counterparty to a financial agreement or instrument fails to discharge an obligation due or financial instrument, leading to a loss in market value of a financial instrument (only financial assets, not liabilities).

The Company is exposed to credit risk due to its operative and financial activities, including deposits with banks and financial institutions, investments in other kinds of instruments, exchange-rate transactions and the contracting of derivative instruments or options.

To reduce the credit risk associated with operational activities, the Company has established credit limits to abridge the exposure of their debtors which are monitored permanently (mainly in case of operational activities in Brazil with travel agents).

As a way to mitigate credit risk related to financial activities, the Company requires that the counterparty to the financial activities remain at least investment grade by major Risk Assessment

Agencies. Additionally the Company has established maximum limits for investments which are monitored regularly.

(i) Financial activities

Cash surpluses that remain after the financing of assets necessary for the operation are invested according to credit limits approved by the Company's Board, mainly in time deposits with different financial institutions, private investment funds, short-term mutual funds, and easily-liquidated corporate and sovereign bonds with short remaining maturities. These investments are booked as Cash and cash equivalents and other current financial assets.

In order to reduce counterparty risk and to ensure that the risk assumed is known and managed by the Company, investments are diversified among different banking institutions (both local and international). The Company evaluates the credit standing of each counterparty and the levels of investment, based on (i) their credit rating, (ii) the equity size of the counterparty, and (iii) investment limits according to the Company's level of liquidity. According to these three parameters, the Company chooses the most restrictive parameter of the previous three and based on this, establishes limits for operations with each counterparty.

The Company has no guarantees to mitigate this exposure.

(ii) Operational activities

The Company has four large sales "clusters": travel agencies, cargo agents, airlines and credit-card administrators. The first three are governed by International Air Transport Association, international ("IATA") organization comprising most of the airlines that represent over 90% of scheduled commercial traffic and one of its main objectives is to regulate the financial transactions between airlines and travel agents and cargo. When an agency or airline does not pay their debt, they are excluded from operating with IATA's member airlines. In the case of credit-card administrators, they are fully guaranteed by 100% by the issuing institutions.

The exposure consists of the term granted, which fluctuates between 1 and 45 days.

One of the tools the Company uses for reducing credit risk is to participate in global entities related to the industry, such as IATA, Business Sales Processing ("BSP"), Cargo Account Settlement Systems ("CASS"), IATA Clearing House ("ICH") and banks (credit cards). These institutions fulfill the role of collectors and distributors between airlines and travel and cargo agencies. In the case of the Clearing House, it acts as an offsetting entity between airlines for the services provided between them. A reduction in term and implementation of guarantees has been achieved through these entities. Currently the sales invoicing of TAM Linhas Aéreas S.A. related with travel agents and cargo agents for domestic transportation in Brazil is done directly by TAM Linhas Aéreas S.A.

Credit quality of financial assets

The external credit evaluation system used by the Company is provided by IATA. Internal systems are also used for particular evaluations or specific markets based on trade reports available on the local market. The internal classification system is complementary to the external one, i.e. for agencies or airlines not members of IATA, the internal demands are greater.

To reduce the credit risk associated with operational activities, the Company has established credit limits to abridge the exposure of their debtors which are monitored permanently (mainly in case of operational activities of TAM Linhas Aéreas S.A. with travel agents).The bad-debt rate in the principal countries where the Company has a presence is insignificant.

(c) Liquidity risk

Liquidity risk represents the risk that the Company has no sufficient funds to meet its obligations.

Because of the cyclical nature of the business, the operation, and its investment and financing needs related to the acquisition of new aircraft and renewal of its fleet, plus the financing needs, the Company requires liquid funds, defined as cash and cash equivalents plus other short term financial assets, to meet its payment obligations.

The liquid funds, the future cash generation and the capacity to obtain additional funding, through bond issuance and banking loans, will allow the Company to obtain sufficient alternatives to face its investment and financing future commitments.

At December 31, 2017 is US$ 1,614 million (US$ 1,486 million at December 31, 2016), invested in short term instruments through financial high credit rating levels entities.

In addition to the liquid funds, the Company has access to short term credit line. As of December 31, 2017, LATAM has working capital credit lines with multiple banks and additionally has a US$ 450 million undrawn committed credit line (US$ 325 million at December 31, 2016) subject to borrowing base availability.

27

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2017
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2 Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Loans to exporters													
97.032.000-8	BBVA	Chile	US$	75,863	-	-	-	-	75,863	75,000	At Expiration	2.30	2.30
97.032.000-8	BBVA	Chile	UF	-	57,363	-	-	-	57,363	55,801	At Expiration	3.57	2.77
97.036.000-K	SANTANDER	Chile	US$	30,131	-	-	-	-	30,131	30,000	At Expiration	2.49	2.49
97.030.000-7	ESTADO	Chile	US$	40,257	-	-	-	-	40,257	40,000	At Expiration	2.57	2.57
97.003.000-K	BANCO DO BRASIL	Chile	US$	100,935	-	-	-	-	100,935	100,000	At Expiration	2.40	2.40
97.951.000-4	HSBC	Chile	US$	12,061	-	-	-	-	12,061	12,000	At Expiration	2.03	2.03
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	22,082	22,782	43,430	-	-	88,294	84,664	Quarterly	3.68	3.68
0-E	BLADEX	U.S.A.	US$	-	16,465	15,628	-	-	32,093	30,000	Semiannual	5.51	5.51
97.036.000-K	SANTANDER	Chile	US$	2,040	3,368	202,284	-	-	207,692	202,284	Quarterly	4.41	4.41
Obligations with the public													
0-E	BANK OF NEW YORK	U.S.A.	US$	-	84,375	650,625	96,250	772,188	1,603,438	1,200,000	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	20,860	41,720	226,379	245,067	534,026	379,274	At Expiration	5.50	5.50
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US$	8,368	25,415	56,305	12,751	-	102,839	98,091	Quarterly	2.66	2.22
0-E	BNP PARIBAS	U.S.A.	US$	14,498	59,863	148,469	145,315	313,452	681,597	575,221	Quarterly	3.41	3.40
0-E	WELLS FARGO	U.S.A.	US$	30,764	92,309	246,285	246,479	245,564	861,401	808,987	Quarterly	2.46	1.75
0-E	WILMINGTON TRUST COMPANY	U.S.A.	US$	32,026	95,042	253,469	244,836	676,474	1,301,847	1,034,853	Quarterly	4.48	4.48
0-E	CITIBANK	U.S.A.	US$	14,166	42,815	114,612	112,435	102,045	386,073	351,217	Quarterly	3.31	2.47
0-E	BTMU	U.S.A.	US$	3,292	9,997	26,677	26,704	14,133	80,803	74,734	Quarterly	2.87	2.27
0-E	APPLE BANK	U.S.A.	US$	1,611	4,928	13,163	13,196	7,369	40,267	37,223	Quarterly	2.78	2.18
0-E	US BANK	U.S.A.	US$	18,485	55,354	146,709	145,364	158,236	524,148	472,833	Quarterly	4.00	2.82
0-E	DEUTSCHE BANK	U.S.A.	US$	4,043	12,340	32,775	32,613	32,440	114,211	96,906	Quarterly	4.39	4.39
0-E	NATIXIS	France	US$	18,192	54,952	129,026	105,990	166,011	474,171	413,011	Quarterly	3.42	3.40
0-E	PK AirFinance	U.S.A.	US$	2,375	7,308	20,812	18,104	-	48,599	46,500	Monthly	3.18	3.18
0-E	KFW IPEX-BANK	Germany	US$	2,570	7,111	16,709	1,669	-	28,059	26,888	Quarterly	3.31	3.31
0-E	AIRBUS FINANCIAL	U.S.A.	US$	2,033	6,107	15,931	-	-	24,071	22,925	Monthly	3.19	3.19
0-E	INVESTEC	England	US$	1,930	11,092	26,103	26,045	11,055	76,225	63,378	Semiannual	6.04	6.04
Other guaranteed obligations													
0-E	CREDIT AGRICOLE	France	US$	1,757	5,843	246,926	-	-	254,526	241,287	At Expiration	3.38	3.38
Financial leases													
0-E	ING	U.S.A.	US$	5,890	12,076	28,234	-	-	46,200	42,957	Quarterly	5.67	5.00
0-E	CITIBANK	U.S.A.	US$	12,699	38,248	91,821	51,222	2,880	196,870	184,274	Quarterly	3.78	3.17
0-E	PEFCO	U.S.A.	US$	13,354	34,430	23,211	-	-	70,995	67,783	Quarterly	5.46	4.85
0-E	BNP PARIBAS	U.S.A.	US$	13,955	35,567	50,433	2,312	-	102,267	98,105	Quarterly	3.66	3.25
0-E	WELLS FARGO	U.S.A.	US$	12,117	38,076	98,424	66,849	21,253	236,719	221,113	Quarterly	3.17	2.67
97.036.000-K	SANTANDER	Chile	US$	6,049	18,344	48,829	47,785	3,156	124,163	117,023	Quarterly	2.51	1.96
0-E	RRPF ENGINE	England	US$	370	3,325	8,798	8,692	9,499	30,684	25,983	Monthly	4.01	4.01
Other loans													
0-E	CITIBANK (*)	U.S.A.	US$	25,783	77,810	206,749	-	-	310,342	285,891	Quarterly	6.00	6.00
Derivatives of coverage													
-	Others	-	US$	5,656	6,719	6,228	-	-	18,603	17,407	-	-	-
	Total			535,352	960,284	3,010,385	1,630,990	2,780,822	8,917,833	7,633,613			

(*) Bonus securitized with the future flows of credit card sales in the United States and Canada.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2017
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans													
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US$	176	497	1,332	722	-	2,727	2,382	Monthly	6.01	6.01
Financial leases													
0-E	NATIXIS	France	US$	4,248	7,903	23,141	71,323	-	106,615	99,036	Quarterly / Semiannual	5.59	5.59
0-E	WACAPOU LEASING S.A.	Luxembourg	US$	837	2,411	6,509	3,277	-	13,034	12,047	Quarterly	3.69	3.69
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	11,735	32,230	204,836	-	-	248,801	244,513	Quarterly	4.87	4.81
0-E	BANCO IBM S.A	Brazil	BRL	34	-	-	-	-	34	21	Monthly	6.89	6.89
0-E	SOCIÉTÉ GÉNÉRALE	France	BRL	161	12	-	-	-	173	109	Monthly	6.89	6.89
	Total			17,191	43,053	235,818	75,322	-	371,384	358,108			

29

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2017
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Trade and other accounts payables													
-	OTHERS	OTHERS	ThUS$	566,838	-	-	-	-	566,838	566,838	-	-	-
			CLP	165,299	-	-	-	-	165,299	165,299	-	-	-
			BRL	315,605	-	-	-	-	315,605	315,605	-	-	-
			Other currencies	290,244	11,215	-	-	-	301,459	301,459	-	-	-
Accounts payable to related parties currents													
78.997.060-2	Viajes Falabella Ltda.	Chile	CLP	534	-	-	-	-	534	534	-	-	-
0-E	Inversora Aeronáutica Argentina	Argentina	ThUS$	4	-	-	-	-	4	4	-	-	-
0-E	Consultoría Administrativa Profesional S.A. de C.V.	Mexico	MXN	210	-	-	-	-	210	210	-	-	-
78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	12	-	-	-	-	12	12	-	-	-
	Total			1,338,746	11,215	-	-	-	1,349,961	1,349,961			
	Total consolidated			1,891,289	1,014,552	3,246,203	1,706,312	2,780,822	10,639,178	9,341,682			

30

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

Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Nominal value ThUS$	Amortization	Effective rate %	Nominal rate %
Loans to exporters													
97.032.000-8	BBVA	Chile	ThUS$	75,212	-	-	-	-	75,212	75,000	At Expiration	1.85	1.85
97.032.000-8	BBVA	Chile	ThUS$	-	52,675	-	-	-	52,675	50,381	At Expiration	5.23	4.43
97.036.000-K	SANTANDER	Chile	ThUS$	30,193	-	-	-	-	30,193	30,000	At Expiration	2.39	2.39
97.030.000-7	ESTADO	Chile	ThUS$	40,191	-	-	-	-	40,191	40,000	At Expiration	1.91	1.91
97.003.000-K	BANCO DO BRASIL	Chile	ThUS$	72,151	-	-	-	-	72,151	70,000	At Expiration	3.08	3.08
97.951.000-4	HSBC	Chile	ThUS$	12,054	-	-	-	-	12,054	12,000	At Expiration	1.79	1.79
Bank loans													
97.023.000-9	CORPBANCA	Chile	UF	20,808	61,112	63,188	16,529	-	161,637	153,355	Quarterly	4.06	4.06
0-E	BLADEX	U.S.A.	ThUS$	-	14,579	31,949	-	-	46,528	42,500	Semiannual	5.14	5.14
0-E	DVB BANK SE	U.S.A.	ThUS$	145	199	28,911	-	-	29,255	28,911	Quarterly	1.86	1.86
97.036.000-K	SANTANDER	Chile	ThUS$	1,497	4,308	160,556	-	-	166,361	158,194	Quarterly	3.55	3.55
Obligations with the public													
0-E	BANK OF NEW YORK	U.S.A.	ThUS$	-	36,250	72,500	518,125	-	626,875	500,000	At Expiration	7.77	7.25
Guaranteed obligations													
0-E	CREDIT AGRICOLE	France	ThUS$	11,728	30,916	65,008	33,062	3,760	144,474	138,417	Quarterly	2.21	1.81
0-E	BNP PARIBAS	U.S.A.	ThUS$	13,805	56,324	142,178	141,965	376,894	731,166	628,118	Quarterly	2.97	2.96
0-E	WELLS FARGO	U.S.A.	ThUS$	35,896	107,830	287,878	288,338	411,076	1,131,018	1,056,345	Quarterly	2.37	1.68
0-E	WILMINGTON TRUST COMPANY	U.S.A.	ThUS$	25,833	79,043	206,952	200,674	733,080	1,245,582	967,336	Quarterly	4.25	4.25
0-E	CITIBANK	U.S.A.	ThUS$	20,224	61,020	164,077	166,165	184,053	595,539	548,168	Quarterly	2.72	1.96
97.036.000-K	SANTANDER	Chile	ThUS$	5,857	17,697	47,519	48,024	26,448	145,545	138,574	Quarterly	1.98	1.44
0-E	BTMU	U.S.A.	ThUS$	3,163	9,568	25,752	26,117	27,270	91,870	85,990	Quarterly	2.31	1.72
0-E	APPLE BANK	U.S.A.	ThUS$	1,551	4,712	12,693	12,891	13,857	45,704	42,754	Quarterly	2.29	1.69
0-E	US BANK	U.S.A.	ThUS$	18,563	55,592	147,357	146,045	230,747	598,304	532,608	Quarterly	3.99	2.81
0-E	DEUTSCHE BANK	U.S.A.	ThUS$	6,147	18,599	31,640	31,833	48,197	136,416	117,263	Quarterly	3.86	3.86
0-E	NATIXIS	France	ThUS$	14,779	44,826	116,809	96,087	206,036	478,537	422,851	Quarterly	2.60	2.57
0-E	PK AirFinance	U.S.A.	ThUS$	2,265	6,980	19,836	25,610	3,153	57,844	54,787	Monthly	2.40	2.40
0-E	KFW IPEX-BANK	Germany	ThUS$	2,503	7,587	18,772	9,178	-	38,040	36,191	Quarterly	2.55	2.55
0-E	AIRBUS FINANCIAL	U.S.A.	ThUS$	1,982	5,972	16,056	7,766	-	31,776	30,199	Monthly	2.49	2.49
0-E	INVESTEC	England	ThUS$	1,880	10,703	25,369	25,569	23,880	87,401	72,202	Semiannual	5.67	5.67
Other guaranteed obligations													
0-E	CREDIT AGRICOLE	France	ThUS$	1,501	4,892	268,922	-	-	275,315	256,860	At Expiration	2.85	2.85
Financial leases													
0-E	ING	U.S.A.	ThUS$	5,889	17,671	34,067	12,134	-	69,761	63,698	Quarterly	5.62	4.96
0-E	CREDIT AGRICOLE	France	ThUS$	1,788	5,457	-	-	-	7,245	7,157	Quarterly	1.85	1.85
0-E	CITIBANK	U.S.A.	ThUS$	6,083	18,250	48,667	14,262	-	87,262	78,249	Quarterly	6.40	5.67
0-E	PEFCO	U.S.A.	ThUS$	17,558	50,593	67,095	3,899	-	139,145	130,811	Quarterly	5.39	4.79
0-E	BNP PARIBAS	U.S.A.	ThUS$	13,744	41,508	79,165	22,474	-	156,891	149,119	Quarterly	3.69	3.26
0-E	WELLS FARGO	U.S.A.	ThUS$	5,591	16,751	44,615	44,514	1,880	113,351	103,326	Quarterly	3.98	3.54
0-E	DVB BANK SE	U.S.A.	ThUS$	4,773	9,541	-	-	-	14,314	14,127	Quarterly	2.57	2.57
0-E	RRPF ENGINE	England	ThUS$	-	-	8,248	8,248	12,716	29,212	25,274	Monthly	2.35	2.35
Other loans													
0-E	BOEING	U.S.A.	ThUS$	163	320	26,214	-	-	26,697	26,214	At Expiration	2.35	2.35
0-E	CITIBANK (*)	U.S.A.	ThUS$	25,802	77,795	207,001	103,341	-	413,939	370,389	Quarterly	6.00	6.00
Hedging derivatives													
-	OTROS	-	ThUS$	7,364	15,479	7,846	-	-	30,689	-	-	-	-
-	Total			508,683	944,749	2,476,840	2,002,850	2,303,047	8,236,169	7,257,368			

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

31

Clases de pasivo para el análisis del riesgo de liquidez agrupado por vencimiento al 31 de diciembre de 2016
Nombre empresa deudora: TAM S.A. y Filiales, Rut 02.012.862/0001-60, Brasil.

Rut empresa acreedora	Nombre empresa acreedora	País de empresa acreedora	Descripción de la moneda	Hasta 90 días MUS$	Más de 90 días a un año MUS$	Más de uno a tres años MUS$	Más de tres a cinco años MUS$	Más de cinco años MUS$	Total Valor MUS$	Total Valor nominal MUS$	Tipo de amortización	Tasa efectiva %	Tasa nominal %
Préstamos bancarios													
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holanda	US$	179	493	1,315	1,314	54	3,355	2,882	Mensual	6.01	6.01
0-E	CITIBANK	E.E.U.U.	US$	1,528	203,150	-	-	-	204,678	200,000	Al Vencimiento	3.39	3.14
Obligaciones con el Público													
0-E	THE BANK OF NEW YORK	E.E.U.U.	US$	-	352,938	83,750	562,813	-	999,501	800,000	Al Vencimiento	8.17	8.00
Arrendamiento Financiero													
0-E	AFS INVESTMENT IX LLC	E.E.U.U.	US$	2,733	7,698	20,522	8,548	-	39,501	35,448	Mensual	1.25	1.25
0-E	DVB BANK SE	E.E.U.U.	US$	120	165	-	-	-	285	282	Mensual	2.50	2.50
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	E.E.U.U.	US$	3,852	5,098	-	-	-	8,950	8,846	Mensual	2.30	2.30
0-E	KFW IPEX-BANK	Alemania	US$	592	1,552	-	-	-	2,144	2,123	Mensual/Trimestral	2.80	2.80
0-E	NATIXIS	Francia	US$	4,290	7,837	22,834	40,968	41,834	117,763	107,443	Trimestral/Semestral	4.90	4.90
0-E	WACAPOU LEASING S.A.	Luxemburgo	US$	833	2,385	6,457	6,542	-	16,217	14,754	Trimestral	3.00	3.00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italia	US$	11,875	32,116	85,995	171,553	-	301,539	279,335	Trimestral	4.18	4.11
0-E	BANCO IBM S.A	Brasil	BRL	380	1,161	35	-	-	1,576	1,031	Mensual	13.63	13.63
0-E	HP FINANCIAL SERVICE	Brasil	BRL	225	-	-	-	-	225	222	Mensual	10.02	10.02
0-E	SOCIÉTÉ GÉNÉRALE	Francia	BRL	146	465	176	-	-	787	519	Mensual	13.63	13.63
	Total			26,753	615,058	221,084	791,738	41,888	1,696,521	1,452,885			

32

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

Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total	Nominal value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Trade and other accounts payables													
-	OTHERS	OTHERS	ThUS$	549,897	21,215	-	-	-	571,112	571,112	-	-	-
			CLP	48,842	(30)	-	-	-	48,812	48,812	-	-	-
			BRL	346,037	27	-	-	-	346,064	346,064	-	-	-
			Others currencies	140,471	11,467	-	-	-	151,938	151,938	-	-	-
Accounts payable to related parties currents													
0-E	Consultoría Administrativa Profesional S.A. de C.V.	Mexico	MXN	170	-	-	-	-	170	170	-	-	-
78.997.060-2	Viajes Falabella Ltda.	Chile	CLP	46	-	-	-	-	46	46	-	-	-
0-E	TAM Aviação Executiva e Taxi Aéreo S.A.	Brazil	BRL	28	-	-	-	-	28	28	-	-	-
65.216.000-K	Comunidad Mujer	Chile	CLP	13	-	-	-	-	13	13			
78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	6	-	-	-	-	6	6			
79.773.440-3	Transportes San Felipe S.A.	Chile	CLP	4	-	-	-	-	4	4	-	-	-
0-E	Inversora Aeronáutica Argentina	Argentina	ThUS$	2	-	-	-	-	2	2	-	-	-
	Total			1,085,516	32,679	-	-	-	1,118,195	1,118,195			
	Total consolidated			1,620,952	1,592,486	2,697,924	2,794,588	2,344,935	11,050,885	9,828,448			

The Company has fuel, interest rate and exchange rate hedging strategies involving derivatives contracts with different financial institutions. The Company has margin facilities with each financial institution in order to regulate the mutual exposure produced by changes in the market valuation of the derivatives.

At the end of 2016, the Company provided US$ 30.2 million in derivative margin guarantees, for cash and stand-by letters of credit. At December 31, 2017, the Company had provided US$ 16.4 million in guarantees for Cash and cash equivalent and stand-by letters of credit. The decrease was due at: i) maturity of hedge contracts, ii) acquire of new fuel purchase contracts, and iii) changes in fuel prices, exchange rate and interest rates.

3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to comply with the restrictions of minimum equity and (ii) to maintain an optimal capital structure.

The Company monitors its contractual obligations and the regulatory limitations in the different countries where the entities of the group are domiciled to assure they meet the limit of minimum net equity, where the most restrictive limitation is to maintain a positive net equity.

Additionally, the Company periodically monitors the short and long term cash flow projections to assure the Company has adequate sources of funding to generate the cash requirement to face its investment and funding future commitments.

The Company international credit rating is the consequence of the Company capacity to face its long terms financing commitments. As of December 31, 2017 the Company has an international long term credit rating of BB- with stable outlook by Standard & Poor's, a B+ rating with stable outlook by Fitch Ratings and a B1 rating with stable outlook by Moody's.

3.3. Estimates of fair value.

At December 31, 2017, the Company maintained financial instruments that should be recorded at fair value. These are grouped into two categories:

1. Hedge Instruments:

This category includes the following instruments:

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

2. Financial Investments:

This category includes the following instruments:

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

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

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

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

	As of December 31, 2017				As of December 31, 2016			
		Fair value measurements using values considered as				Fair value measurements using values considered as		
	Fair value ThUS$	Level I ThUS$	Level II ThUS$	Level III ThUS$	Fair value ThUS$	Level I ThUS$	Level II ThUS$	Level III ThUS$
Assets								
Cash and cash equivalents	29,658	29,658	-	-	15,522	15,522	-	-
Short-term mutual funds	29,658	29,658	-	-	15,522	15,522	-	-
Other financial assets, current	536,001	473,653	62,348	-	548,402	536,991	11,411	-
Fair value derived interest rate	3,113	-	3,113	-	-	-	-	-
Fair value of fuel derivatives	10,711	-	10,711	-	10,088	-	10,088	-
Fair value derived from foreign currency	48,322	-	48,322	-	1,259	-	1,259	-
Interest accrued since the last payment date of Cross Currency Swap	202	-	202	-	64	-	64	-
Private investment funds	472,232	472,232	-	-	536,991	536,991	-	-
Domestic and foreign bonds	1,421	1,421	-	-	-	-	-	-
Other financial assets, not current	519	-	519	-	-	-	-	-
Fair value derived from foreign currency	519	-	519	-	-	-	-	-
Liabilities								
Other financial liabilities, current	12,200	-	12,200	-	24,881	-	24,881	-
Fair value of interest rate derivatives	8,919	-	8,919	-	9,579	-	9,579	-
Fair value of foreign currency derivatives	2,092	-	2,092	-	13,155	-	13,155	-
Interest accrued since the last payment date of Currency Swap	1,189	-	1,189	-	2,147	-	2,147	-
Other financial liabilities, non current	2,617	-	2,617	-	6,679	-	6,679	-
Fair value of interest rate derivatives	2,617	-	2,617	-	6,679	-	6,679	-

Additionally, at December 31, 2017, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values, the Company has valued these instruments as shown in the table below:

	As of December 31, 2017		As of December 31, 2016	
	Book value	Fair value	Book value	Fair value
	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	1,112,346	1,112,346	933,805	933,805
Cash on hand	8,562	8,562	8,630	8,630
Bank balance	330,430	330,430	255,746	255,746
Overnight	239,292	239,292	295,060	295,060
Time deposits	534,062	534,062	374,369	374,369
Other financial assets, current	23,918	23,918	164,426	164,426
Other financial assets	23,918	23,918	164,426	164,426
Trade debtors, other accounts receivable and Current accounts receivable	1,214,050	1,214,050	1,107,889	1,107,889
Accounts receivable from entities related, current	2,582	2,582	554	554
Other financial assets, not current	87,571	87,571	102,125	102,125
Accounts receivable, non-current	6,891	6,891	8,254	8,254
Other current financial liabilities	1,288,749	1,499,495	1,814,647	2,022,290
Accounts payable for trade and other accounts payable, current	1,695,202	1,695,202	1,593,068	1,593,068
Accounts payable to entities related, current	760	760	269	269
Other financial liabilities, not current	6,602,891	6,738,872	6,790,273	6,970,375
Accounts payable, not current	498,832	498,832	359,391	359,391

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

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

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has used estimates to value and record certain assets, liabilities, revenue, expenditure, and commitments. Basically, these estimates relate to:

(a) Evaluation of possible losses through impairment of goodwill and intangible assets with an indefinite useful life.

As of December 31, 2017, the capital gain amounts to ThUS $ 2,672,550 (ThUS $ 2,710,382 as of December 31, 2016), while the intangible assets comprise the Airport Slots for ThUS $ 964,513 (ThUS $ 978,849 as of December 31, 2016) and Loyalty Program for ThUS $ 321,440 (ThUS $ 326,262 as of December 31, 2016).

The Company checks at least once a year whether goodwill and intangible assets with an indefinite useful life have suffered an impairment loss. For this evaluation, the Company has identified two cash generating units (CGU), "Air transport" and "Multiplus coalition and loyalty program". The book value of the surplus value assigned to each CGU as of December 31, 2017 amounted to ThUS $ 2,146,692 and ThUS $ 525,858 (ThUS $ 2,176,634 and ThUS $ 533,748 as of December 31, 2016), which include the following Intangible assets of indefinite useful life:

	Air Transport CGU		Coalition and loyalty Program Multiplus CGU	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$
Airport Slots	964,513	978,849	-	-
Loyalty program	-	-	321,440	326,262

The recoverable value of these cash-generating units (CGUs) has been determined based on calculations of their value in use. The principal assumptions used by the management include: growth rate, exchange rate, discount rate, fuel prices, and other economic assumptions. The estimation of these assumptions requires significant judgment by the management, as these variables feature inherent uncertainty; however, the assumptions used are consistent with Company's internal planning. Therefore, management evaluates and updates the estimates on an annual basis, in light of conditions that affect these variables. The mainly assumptions used as well as, the corresponding sensitivity analyses are showed in Note 16.

(b) Useful life, residual value, and impairment of property, plant, and equipment

The depreciation of assets is calculated based on the linear model, except for certain technical components depreciated on cycles and hours flown. These useful lives are reviewed on an annual basis according with the Company's future economic benefits associated with them.

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

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

(c) Recoverability of deferred tax assets

Deferred taxes are calculated according to the liability method, on the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets on tax losses are recognized to the extent that it is probable that future tax benefits will be available with which to offset the temporary differences. The Company makes financial and fiscal projections to evaluate the realization in time of this deferred tax asset. Additionally, it ensures that these projections are consistent with those used to measure other long-lived assets. As of December 31, 2017, the Company has recognized deferred tax assets of ThUS $ 364,021 (ThUS $ 384,580 as of December 31, 2016) and has ceased to recognize deferred tax assets on tax losses of ThUS $ 81,155 (ThUS $ 115,801). December 31, 2016) (Note 18).

(d) Air tickets sold that are not actually used.

The Company register advance sales of tickets as deferred revenue. Revenue from ticket sales is recognized in the income statement when the service is provided or when the tickets expires unused, reducing the corresponding deferred revenue. The Company evaluates monthly the probability that tickets expiry unused, based on the history of used tickets. Changes in the exchange probability would have an impact our revenue in the year in which the change occurs and in future years. As of December 31, 2017, deferred revenue associated with air tickets sold amounted to ThUS$ 1,550,447 (ThUS$ 1,535,229 as of December 31, 2016). An hypothetical change of 1% in passenger behavior regarding to the ticket usage, that is, if during the next six months after sells probability of used were 89% rather than 90%, as we consider, it would lead to a change in the expiry period from six to seven months, which, would have an impact of up to ThUS$ 20,000 in the results of 2017.

(e) Valuation of loyalty points and kilometers granted to loyalty program members, pending usage.

As of December 31, 2017 and 2016 the Company operated the following loyalty programs: LATAM Pass, LATAM Fidelidade and Multiplus, with the objective of enhancing customer loyalty by offering points or kilometers (see Note 22).

The members of these programs accumulate kilometers when they fly with LATAM Airlines Group or any other airline member of the onewordl® program, as well as use the services of the associated entities.

When kilometers and points are redeemed for products and services other than the services provided by the Company, revenue is recognized immediately; when they are redeemed for air tickets on airlines from to LATAM Airlines Group S.A. and subsidiaries, revenue is deferred until the transport service is provided or the corresponding tickets expired.

Deferred revenue from loyalty programs at the closing date corresponds to the valuation of points and kilometers granted to loyalty program members, pending of use, weighted by the probability to be redeemed.

According to IFRIC-13, kilometers and points value that the Company estimate are not likely to be redeemed (“breakage”), they recognize the associated value proportionally during the period in which the remaining kilometers or points are expected to be redeemed. The Company uses

statistical models to estimate the breakage, based on historical redemption patterns Changes in the breakage would have a significant impact on our revenue in the year in which the change occurs and in future years.

As of December 31, 2017, the deferred revenue associated with the LATAM Pass loyalty program amounts to ThUS $ 853,505 (ThUS $ 896,190 as of December 31, 2016). A hypothetical change of one percentage point in the exchange probability would result in an impact as of December 31, 2017 of ThUS $ 25,000 (ThUS $ 30,632 as of December 31, 2016). While the deferred revenues associated with the loyalty programs LATAM Fidelidade and Multiplus amount to ThUS $ 364,866 (ThUS $ 392,107 as of December 31, 2016). A hypothetical change of two percentage points in the number of points pending to be exchanged would result in an impact as of December 31, 2017 of ThUS $ 16,700 (ThUS $ 14,639 as of December 31, 2016).

The fair value of kilometers and other associated components are determined by the Company on the basis of fair value analysis of them past. As of December 31, 2017 a hypothetical change of one percentage point in the fair value of the unused kilometers would result in an impact of ThUS$ 8,000 in 2017 (ThUS$ 8,400 in 2016).

(f) Provisions needs, and their valuation when required

Known contingencies are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Company applies professional judgment, experience, and knowledge to use available information to determine these values, in light of the specific characteristics of known risks. This process facilitates the early assessment and valuation of potential risks in individual cases or in the development of contingent eventualities.

(g) Investment in subsidiary (TAM)

The management has applied its judgment in determining that LATAM Airlines Group S.A. controls TAM S.A. and Subsidiaries, for accounting purposes, and has therefore consolidated the financial statements.

The grounds for this decision are that LATAM issued ordinary shares in exchange for the majority of circulating ordinary and preferential shares in TAM, except for those TAM shareholders who did not accept the exchange, which were subject to a squeeze out, entitling LATAM to substantially all economic benefits generated by the LATAM Group, and thus exposing it to substantially all risks relating to the operations of TAM. This exchange aligns the economic interests of LATAM and all of its shareholders, including the controlling shareholders of TAM, thus insuring that the shareholders and directors of TAM shall have no incentive to exercise their rights in a manner that would be beneficial to TAM but detrimental to LATAM. Furthermore, all significant actions necessary of the operation of the airlines require votes in favor by the controlling shareholders of both LATAM and TAM.

Since the integration of LAN and TAM operations, the most critical airline operations in Brazil have been managed by the CEO of TAM while global activities have been managed by the CEO of LATAM, who is in charge of the operation of the LATAM Group as a whole and reports to the LATAM Board.

The CEO of LATAM also evaluates the performance of LATAM Group executives and, together with the LATAM Board, determines compensation. Although Brazilian law currently imposes restrictions on the percentages of voting rights that may be held by foreign investors, LATAM believes that the economic basis of these agreements meets the requirements of accounting standards in force, and that the consolidation of the operations of LAN and LATAM is appropriate.

These estimates were made based on the best information available relating to the matters analyzed.

In any case, it is possible that events that may take place in the future could lead to their modification in future reporting periods, which would be made in a prospective manner.

NOTE 5 - SEGMENTAL INFORMATION

The Company has determined that it has two operating segments: the air transportation business and the coalition and loyalty program Multiplus.

The Air transport segment corresponds to the route network for air transport and it is based on the way that the business is run and managed, according to the centralized nature of its operations, the ability to open and close routes and reallocate resources (aircraft, crew, staff, etc..) within the network, which is a functional relationship between all of them, making them inseparable. This segment definition is the most common level used by the global airline industry.

The segment of loyalty coalition called Multiplus, unlike LATAM Pass and LATAM Fidelidade, is a frequent flyer programs which operate as a unilateral system of loyalty that offers a flexible coalition system, interrelated among its members, with 19.4 million of members, along with being a regulated entity with a separately business and not directly related to air transport.

For the periods ended	Air transportation At December 31,		Coalition and loyalty program Multiplus At December 31,		Eliminations At December 31,		Consolidated At December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Income from ordinary activities from external customers (*)	9,159,031	8,587,772	454,876	400,568	-	-	9,613,907	8,988,340
LAN passenger	4,313,287	4,104,348	-	-	-	-	4,313,287	4,104,348
TAM passenger	3,726,314	3,372,799	454,876	400,568	-	-	4,181,190	3,773,367
Freight	1,119,430	1,110,625	-	-	-	-	1,119,430	1,110,625
Income from ordinary activities from transactions with other operating segments	454,876	400,568	67,554	65,969	(522,430)	(466,537)	-	-
Other operating income	308,937	364,551	240,952	174,197	-	-	549,889	538,748
Interest income	28,184	27,287	50,511	58,380		(10,718)	78,695	74,949
Interest expense	(393,286)	(427,054)	-	-		10,718	(393,286)	(416,336)
Total net interest expense	(365,102)	(399,767)	50,511	58,380	-	-	(314,591)	(341,387)
Depreciation and amortization	(994,416)	(952,285)	(7,209)	(8,043)	-	-	(1,001,625)	(960,328)
Material non-cash items other than depreciation and amortization	(75,479)	10,069	(145)	(991)	-	-	(75,624)	9,078
Disposal of fixed assets and inventory losses	(39,238)	(82,734)	-	-	-	-	(39,238)	(82,734)
Doubtful accounts	(18,272)	(29,674)	(144)	(476)	-	-	(18,416)	(30,150)
Exchange differences	(18,717)	122,129	(1)	(478)	-	-	(18,718)	121,651
Result of indexation units	748	348	-	(37)	-	-	748	311
Income (loss) atributable to owners of the parents	(3,482)	(83,653)	158,783	152,873	-	-	155,301	69,220
Expenses for income tax	(104,376)	(92,476)	(69,128)	(70,728)	-	-	(173,504)	(163,204)
Segment profit / (loss)	41,931	(42,203)	158,783	152,873	-	-	200,714	110,670
Assets of segment	17,430,937	17,805,749	1,373,049	1,400,432	(6,014)	(7,987)	18,797,972	19,198,194
Segment liabilities	14,007,916	14,469,505	563,849	572,065	(41,029)	(28,680)	14,530,736	15,012,890
Amount of non-current asset additions	412,846	1,481,090	-	-	-	-	412,846	1,481,090
Property, plant and equipment	325,513	1,390,730	-	-	-	-	325,513	1,390,730
Intangibles other than goodwill	87,333	90,360	-	-	-	-	87,333	90,360
Purchase of non-monetary assets of segment	490,983	782,957	-	-	-	-	490,983	782,957

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

41

For the periods ended	Air transportation At December 31,		Coalition and loyalty program Multiplus At December 31,		Eliminations At December 31,		Consolidated At December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Net cash flows from								
Purchases of property, plant and equipment	403,282	693,581	384	789	-	-	403,666	694,370
Additions associated with maintenance	218,537	197,866	-	-	-	-	218,537	197,866
Other additions	184,745	495,715	384	789	-	-	185,129	496,504
Purchases of intangible assets (**)	79,102	84,377	8,216	4,210	-	-	87,318	88,587
Net cash flows from (used in) operating activities	1,489,797	827,108	186,367	154,411	(9,424)	(635)	1,666,740	980,884
Net cash flow from (used in) investing activities	(278,790)	(426,989)	(8,632)	(4,800)	-	-	(287,422)	(431,789)
Net cash flows from (used in) financing activities	(1,010,705)	(246,907)	(168,383)	(149,372)	-	-	(1,179,088)	(396,279)

(**) The company does not have the cash flows of intangible asset acquisitions associated with maintenance.

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

	For the period ended At December 31, 2017	2016
	ThUS$	ThUS$
Peru	626,316	627,215
Argentina	1,113,467	1,030,973
U.S.A.	900,413	933,130
Europe	676,282	714,436
Colombia	359,276	343,001
Brazil	3,436,402	2,974,234
Ecuador	190,268	198,171
Chile	1,527,158	1,512,570
Asia Pacific and rest of Latin America	784,325	654,610
Income from ordinary activities	9,613,907	8,988,340
Other operating income	549,889	538,748

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Cash on hand	8,562	8,630
Bank balances	330,430	255,746
Overnight	239,292	295,060
Total Cash	578,284	559,436
Cash equivalents		
Time deposits	534,062	374,369
Mutual funds	29,658	15,522
Total cash equivalents	563,720	389,891
Total cash and cash equivalents	1,142,004	949,327

Cash and cash equivalents are denominated in the following currencies:

Currency	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Argentine peso	12,135	7,871
Brazilian real	106,499	97,401
Chilean peso	81,845	30,758
Colombian peso	7,264	4,336
Euro	11,746	1,695
US Dollar	882,114	780,124
Other currencies	40,401	27,142
Total	1,142,004	949,327

NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of December 31, 2017

Assets	Loans and receivables	Hedge derivatives	Held for trading	Initial designation as fair value through profit and loss	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	1,112,346	-	-	29,658	1,142,004
Other financial assets, current (*)	23,918	62,348	1,421	472,232	559,919
Trade and others accounts receivable, current	1,214,050	-	-	-	1,214,050
Accounts receivable from related entities, current	2,582	-	-	-	2,582
Other financial assets, non current (*)	87,077	519	494	-	88,090
Accounts receivable, non current	6,891	-	-	-	6,891
Total	2,446,864	62,867	1,915	501,890	3,013,536

Liabilities	Other financial liabilities	Held Hedge derivatives	Total
	ThUS$	ThUS$	ThUS$
Other liabilities, current	1,288,749	12,200	1,300,949
Trade and others accounts payable, current	1,695,202	-	1,695,202
Accounts payable to related entities, current	760	-	760
Other financial liabilities, non-current	6,602,891	2,617	6,605,508
Accounts payable, non-current	498,832	-	498,832
Total	10,086,434	14,817	10,101,251

(*) The value presented as initial designation as fair value through profit and loss, corresponds

As of December 31, 2016

Assets	Loans and receivables	Hedge derivatives	Held for trading	Initial designation as fair value through profit and loss	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	933.805	-	-	15.522	949.327
Other financial assets, current (*)	164.426	11.411	-	536.991	712.828
Trade and others accounts receivable, current	1.107.889	-	-	-	1.107.889
Accounts receivable from related entities, current	554	-	-	-	554
Other financial assets, non current (*)	101.603	-	522	-	102.125
Accounts receivable, non current	8.254	-	-	-	8.254
Total	2.316.531	11.411	522	552.513	2.880.977

Liabilities	Other financial liabilities	Held Hedge derivatives	Total
	ThUS$	ThUS$	ThUS$
Other liabilities, current	1.814.647	24.881	1.839.528
Trade and others accounts payable, current	1.593.068	-	1.593.068
Accounts payable to related entities, current	269	-	269
Other financial liabilities, non-current	6.790.273	6.679	6.796.952
Accounts payable, non-current	359.391	-	359.391
Total	10.557.648	31.560	10.589.208

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

7.2. Financial instruments by currency

a) Assets	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Cash and cash equivalents	1,142,004	949,327
Argentine peso	12,135	7,871
Brazilian real	106,499	97,401
Chilean peso	81,845	30,758
Colombian peso	7,264	4,336
Euro	11,746	1,695
US Dollar	882,114	780,124
Other currencies	40,401	27,142
Other financial assets (current and non-current)	648,009	814,953
Argentine peso	297	337
Brazilian real	475,810	686,501
Chilean peso	26,679	668
Colombian peso	1,928	1,023
Euro	7,853	6,966
US Dollar	133,431	117,346
Other currencies	2,011	2,112
Trade and other accounts receivable, current	1,214,050	1,107,889
Argentine peso	49,958	82,770
Brazilian real	635,890	551,260
Chilean peso	83,415	92,791
Colombian peso	3,249	16,454
Euro	48,286	21,923
US Dollar	257,324	312,394
Other currencies (*)	135,928	30,297
Accounts receivable, non-current	6,891	8,254
Brazilian real	4	4
Chilean peso	6,887	8,250
Accounts receivable from related entities, current	2,582	554
Brazilian real	2	-
Chilean peso	735	554
US Dollar	1,845	-
Total assets	3,013,536	2,880,977
Argentine peso	62,390	90,978
Brazilian real	1,218,205	1,335,166
Chilean peso	199,561	133,021
Colombian peso	12,441	21,813
Euro	67,885	30,584
US Dollar	1,274,714	1,209,864
Other currencies	178,340	59,551

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

b) Liabilities

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

46

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

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Trade accounts receivable	1,175,796	1,022,933
Other accounts receivable	133,054	170,264
Total trade and other accounts receivable	1,308,850	1,193,197
Less: Allowance for impairment loss	(87,909)	(77,054)
Total net trade and accounts receivable	1,220,941	1,116,143
Less: non-current portion – accounts receivable	(6,891)	(8,254)
Trade and other accounts receivable, current	1,214,050	1,107,889

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

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

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Fully performing	1,040,671	907,358
Matured accounts receivable, but not impaired		
Expired from 1 to 90 days	34,153	27,651
Expired from 91 to 180 days	10,141	9,303
More than 180 days overdue (*)	2,922	1,567
Total matured accounts receivable, but not impaired	47,216	38,521
Matured accounts receivable and impaired		
Judicial, pre-judicial collection and protested documents	43,175	34,909
Debtor under pre-judicial collection process and portfolio sensitization	44,734	42,145
Total matured accounts receivable and impaired	87,909	77,054
Total	1,175,796	1,022,933

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

47

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

Currency	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Argentine Peso	49,958	82,770
Brazilian Real	635,894	551,264
Chilean Peso	90,302	101,041
Colombian peso	3,249	16,454
Euro	48,286	21,923
US Dollar	257,324	312,394
Other currency (*)	135,928	30,297
Total	1,220,941	1,116,143

(*) Other currencies		
Australian Dollar	40,303	5,487
Chinese Yuan	37	271
Danish Krone	197	151
Pound Sterling	5,068	3,904
Indian Rupee	3,277	303
Japanese Yen	18,756	2,601
Norwegian Kroner	133	184
Swiss Franc	2,430	1,512
Korean Won	18,225	4,241
New Taiwanese Dollar	2,983	662
Other currencies	44,519	10,938
Total	135,928	30,254

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

Maturity	Impairment
Judicial and pre-judicial collection assets	100%
Over 1 year	100%
Between 6 and 12 months	50%

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

Periods	Opening balance ThUS$	Write-offs ThUS$	(Increase) Decrease ThUS$	Closing balance ThUS$
From January 1 to December 31, 2016	(60,072)	20,910	(37,892)	(77,054)
From January 1 to December 31, 2017	(77,054)	8,249	(19,104)	(87,909)

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

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

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

	As of December 31, 2017			As of December 31, 2016		
	Gross exposure according to balance ThUS$	Gross impaired exposure ThUS$	Exposure net of risk concentrations ThUS$	Gross exposure according to balance ThUS$	Gross Impaired exposure ThUS$	Exposure net of risk concentrations ThUS$
Trade accounts receivable	1,175,796	(87,909)	1,087,887	1,022,933	(77,054)	945,879
Other accounts receivable	133,054	-	133,054	170,264	-	170,264

There are no relevant guarantees covering credit risk and these are valued when they are settled; no materially significant direct guarantees exist. Existing guarantees, if appropriate, are made through IATA.

NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED ENTITIES

(a) Accounts Receivable

Tax No.	Related party	Relationship	Country of origin	Currency	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Foreign	Qatar Airways	Indirect shareholder	Qatar	ThU$	1,845	-
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	728	538
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Related director	Brazil	BRL	2	-
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	CLP	5	14
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Related director	Chile	CLP	2	2
	Total current assets				2,582	554

(b) Accounts payable

Tax No.	Related party	Relationship	Country of origin	Currency	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
78.997.060-2	Viajes Falabella Ltda.	Related director	Chile	CLP	534	46
78.591.370-1	Bethia S.A. and Subsidiaries	Related director	Chile	CLP	12	6
Foreign	Inversora Aeronáutica Argentina S.A.	Related director	Argentina	ThUS$	4	2
65.216.000-K	Comunidad Mujer	Related director	Chile	CLP	-	13
Foreign	Consultoría Administrativa Profesional S.A. de C.V.	Related company	México	MXN	210	170
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Related director	Brazil	BRL	-	28
79.773.440-3	Transportes San Felipe S.A	Common property	Chile	CLP	-	4
	Total current liabilities				760	269

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

NOTE 10 -INVENTORIES

The composition of Inventories is as follows:

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Technical stock	195,530	191,864
Non-technical stock	41,136	49,499
Total	236,666	241,363

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services provided to the Company and third parties, which are valued at average cost, net of provision for obsolescence, as per the following detail:

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Provision for obsolescence Technical stock	21,839	31,647
Provision for obsolescenceNon-technical stock	6,488	3,429
Total	28,327	35,076

The resulting amounts do not exceed the respective net realization values.

As of December 31, 2017, the Company recorded ThUS$ 155,421 (ThUS$ 167,365 at December 31, 2016) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of Cost of sales.

NOTE 11 - OTHER FINANCIAL ASSETS

The composition of other financial assets is as follows:

	Current Assets		Non-current assets		Total Assets	
	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
(a) Other financial assets						
Private investment funds	472.232	536.991	-	-	472.232	536.991
Deposits in guarantee (aircraft)	15.690	16.819	41.058	56.846	56.748	73.665
Guarantees for margins of derivatives	2.197	939	-	-	2.197	939
Other investments	-	-	494	522	494	522
Domestic and foreign bonds	1.421	-	-	-	1.421	-
Other guarantees given	6.031	140.733	46.019	44.757	52.050	185.490
Other	-	5.935	-	-	-	5.935
Subtotal of other financial assets	497.571	701.417	87.571	102.125	585.142	803.542
(b) Hedging assets						
Interest accrued since the last payment date of Cross currency swap	202	64	-	-	202	64
Fair value of interest rate derivatives	3.113	-	-	-	3.113	-
Fair value of foreign currency derivatives	48.322	1.259	519	-	48.841	1.259
Fair value of fuel price derivatives	10.711	10.088	-	-	10.711	10.088
Subtotal of hedging assets	62.348	11.411	519	-	62.867	11.411
Total Other Financial Assets	559.919	712.828	88.090	102.125	648.009	814.953

The types of derivative hedging contracts maintained by the Company at the end of each period are described in Note 19.

52

NOTE 12 - OTHER NON-FINANCIAL ASSETS

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

	Current assets		Non-current assets		Total Assets	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
(a) Advance payments						
Aircraft leases	31,322	37,560	4,718	14,065	36,040	51,625
Aircraft insurance and other	17,681	14,717	-	-	17,681	14,717
Others	10,012	4,521	1,186	1,573	11,198	6,094
Subtotal advance payments	59,015	56,798	5,904	15,638	64,919	72,436
(b) Other assets						
Aircraft maintenance reserve (*)	21,505	51,576	51,836	90,175	73,341	141,751
Sales tax	137,866	102,351	37,959	40,232	175,825	142,583
Other taxes	2,475	500	-	-	2,475	500
Contributions to Société Internationale de Télécommunications Aéronautiques ("SITA")	327	406	670	591	997	997
Judicial deposits	-	-	124,438	90,604	124,438	90,604
Others	-	611	-	104	-	715
Subtotal other assets	162,173	155,444	214,903	221,706	377,076	377,150
Total Other Non - Financial Assets	221,188	212,242	220,807	237,344	441,995	449,586

(*) Aircraft maintenance reserves reflect prepayment deposits made by the group to lessors of certain aircraft under operating lease agreements in order to ensure that funds are available to support the scheduled heavy maintenance of the aircraft.

These amounts are calculated based on performance measures, such as flight hours or cycles, are paid periodically (usually monthly) and are contractually required to be repaid to the lessee upon the completion of the required maintenance of the leased aircraft. At the end of the lease term, any unused maintenance reserves are either returned to the Company in cash or used to offset amounts that we may owe the lessor as a maintenance adjustment.

In some cases (five lease agreements), if the maintenance cost incurred by LATAM is less than the corresponding maintenance reserves, the lessor is entitled to retain those excess amounts at the time the heavy maintenance is performed. The Company periodically reviews its maintenance reserves for each of its leased aircraft to ensure that they will be recovered, and recognizes an expense if any such amounts are less than probable of being returned. The cost of aircraft maintenance in the last years has been higher than the related maintenance reserves for all aircraft.

As of December 31, 2017, maintenance reserves total ThUS $ 73,341 (ThUS $ 141,751 as of December 31, 2016), corresponding to 14 aircraft that maintain remaining balances, which will be settled in the next maintenance or return.

Aircraft maintenance reserves are classified as current or non-current depending on the dates when the related maintenance is expected to be performed (Note 2.23)

53

NOTE 13 - NON-CURRENT ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Non-current assets and in disposal groups held for sale at December 31, 2017 and December 31, 2016 are detailed below:

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Current assets		
Aircraft	236,022	281,158
Engines and rotables	9,197	29,083
Other assets	45,884	26,954
Total	291,103	337,195
Current liabilities		
Other liabilities	15,546	10,152
Total	15,546	10,152

The balances are presented at the lower of book value and fair value less cost to sell. The fair value of these assets was determined based on quoted prices in active markets for similar assets or liabilities. This is a level II measurement as per the fair value hierarchy set out in note 3.3 (2). There were no transfers between levels for recurring fair value measurements during the year.

(a) Assets reclassified from Property, plant and equipment to Non-current assets or groups of assets for disposal classified as held for sale

During 2016, two Airbus A319 aircraft, two Airbus A320 aircraft, six Airbus A330 aircraft, two Boeing 777 aircraft, eight A330 spare engines, A330 rotables and two buildings under the heading Non-current assets were transferred from the Property, plant and equipment heading. or groups of assets for disposal, classified as held for sale.

As a result, as of December 31, 2016, an adjustment of US $ 55 million was recorded to write down these assets to their net.

During 2016, two Airbus A319 aircraft, one Airbus A320 aircraft, two Airbus A330 aircraft, one A330 spare engine and D200 rotables were sold.

During 2017, an adjustment of US $ 17.4 million was recognized to record these assets at their net realizable value.

In addition, during 2017 seven Airbus A330 Spare engines and two Airbus A330 aircraft were sold.

54

The detail of fleet classified as non-current assets or groups of assets for disposal classified as held for sale is the following:

Aircraft	As of December 31, 2017	As of December 31, 2016
Boeing 777 Freighter	2 (*)	2 (*)
Airbus A330-200	1	3
Airbus A320-200	1	1
ATR42-300	1	1
Total	5	7

(*) One aircraft leased to DHL.

(b) Assets reclassified from Inventories to Non-current assets or groups of assets for disposal classified as held for sale

During in the first quarter of 2017, stocks of the fleet Airbus A330, were reclassified from Inventories to Non-current assets or groups of assets for disposal classified as held for sale.

During 2017 an adjustment of US $ 1.3 million was recognized to record these assets at their net realizable value.
In addition, during 2017 there was the partial sale of A330 inventory.

NOTE 14 - INVESTMENTS IN SUBSIDIARIES

(a) Investments in subsidiaries

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

Detail of significant subsidiaries and summarized financial information:

			Ownership	
Name of significant subsidiary	Country of incorporation	Functional currency	As of December 31, 2017	As of December 31, 2016
			%	%
Lan Perú S.A.	Peru	US$	70.00000	70.00000
Lan Cargo S.A.	Chile	US$	99.89803	99.89803
Lan Argentina S.A.	Argentina	ARS	99.86560	99.86560
Transporte Aéreo S.A.	Chile	US$	100.00000	100.00000
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US$	100.00000	100.00000
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	99.19061	99.19061
TAM S.A.	Brazil	BRL	99.99938	99.99938

The consolidated subsidiaries do not have significant restrictions for transferring funds to controller.

55

Summary financial information of significant subsidiaries

Name of significant subsidiary	Statement of financial position as of December 31, 2017 Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Results for the period ended December 31, 2017 Revenue	Net Income
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Lan Perú S.A.	315,607	294,308	21,299	303,204	301,476	1,728	1,046,423	1,205
Lan Cargo S.A.	584,169	266,836	317,333	371,934	292,529	79,405	264,544	(30,220)
Lan Argentina S.A.	198,951	166,445	32,506	143,731	139,914	3,817	387,557	(41,636)
Transporte Aéreo S.A.	324,498	30,909	293,589	104,357	36,901	67,456	317,436	2,172
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	96,407	66,166	30,241	84,123	78,817	5,306	219,039	3,722
Aerovías de Integración Regional, AIRES S.A.	138,138	64,160	73,978	91,431	80,081	11,350	279,414	526
TAM S.A. (*)	4,490,714	1,843,822	2,646,892	3,555,423	2,052,633	1,502,790	4,621,338	160,582

Name of significant subsidiary	Statement of financial position as of December 31, 2016 Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Results for the period ended December 31, 2016 Revenue	Net Income
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Lan Perú S.A.	306,111	283,691	22,420	294,912	293,602	1,310	967,787	(2,164)
Lan Cargo S.A.	480,908	144,309	336,599	239,728	211,395	28,333	266,296	(24,813)
Lan Argentina S.A.	216,331	194,306	22,025	200,172	197,330	2,842	371,896	(29,572)
Transporte Aéreo S.A.	340,940	36,986	303,954	124,805	59,668	65,137	297,247	8,206
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	89,667	56,064	33,603	81,101	75,985	5,116	219,676	(1,281)
Aerovías de Integración Regional, AIRES S.A.	129,734	55,132	74,602	85,288	74,160	11,128	277,503	(13,675)
TAM S.A. (*)	5,287,286	1,794,189	3,493,097	4,710,308	2,837,620	1,872,688	4,145,951	2,107

56

(b) Non-controlling interest

Equity	Tax No.	Country of origin	As of December 31, 2017 %	As of December 31, 2016 %	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Lan Perú S.A	0-E	Peru	30.00000	30.00000	3,722	3,360
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10196	0.10196	849	957
Promotora Aérea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	4,578	3,162
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0,13940	0.70422	3,502	515
Lan Argentina S.A.	0-E	Argentina	0,02842	0.13440	79	(311)
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	1	1
Americonsult Costa Rica S.A.	0-E	Costa Rica	1.00000	1.00000	12	12
Linea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	(520)	(905)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.80944	0.80944	461	436
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	1,324	1,104
Multiplus S.A.	0-E	Brazil	27.26000	27.26000	77,139	80,313
Total					91,147	88,644

Incomes	Tax No.	Country of origin	As of December 31, 2017 %	As of December 31, 2016 %	For the period ended December 31, 2017 ThUS$	For the period ended December 31, 2016 ThUS$
Lan Perú S.A	0-E	Peru	30.00000	30.00000	360	(649)
Lan Cargo S.A. and Subsidiaries	93.383.000-4	Chile	0.10196	0.10196	(4)	(7)
Promotora Aerea Latinoamericana S.A. and Subsidiaries	0-E	Mexico	51.00000	51.00000	1,416	96
Inversora Cordillera S.A. and Subsidiaries	0-E	Argentina	0,13940	0.70422	117	364
Lan Argentina S.A.	0-E	Argentina	0,02842	0.13440	24	77
Americonsult de Guatemala S.A.	0-E	Guatemala	1.00000	1.00000	-	(4)
Linea Aérea Carguera de Colombiana S.A.	0-E	Colombia	10.00000	10.00000	398	(106)
Aerolíneas Regionales de Integración Aires S.A.	0-E	Colombia	0.80944	0.80944	4	(140)
Transportes Aereos del Mercosur S.A.	0-E	Paraguay	5.02000	5.02000	299	146
Multiplus S.A.	0-E	Brazil	27.26000	27.26000	42,796	41,673
Total					45,410	41,450

NOTE 15 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

	Classes of intangible assets (net)		Classes of intangible assets (gross)	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$
Airport slots	964,513	978,849	964,513	978,849
Loyalty program	321,440	326,262	321,440	326,262
Computer software	160,970	157,016	509,377	419,652
Developing software	123,415	91,053	123,415	91,053
Trademarks (1)	46,909	57,133	62,539	63,730
Other assets	-	-	-	808
Total	1,617,247	1,610,313	1,981,284	1,880,354

Movement in Intangible assets other than goodwill:

	Computer software Net	Developing software	Airport slots (2)	Trademarks and loyalty program (1) (2)	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2016	104,258	74,887	816,987	325,293	1,321,425
Additions	6,688	83,672	-	-	90,360
Withdrawals	(736)	(191)	-	-	(927)
Transfer software	85,029	(74,376)	-	-	10,653
Foreing exchange	5,689	7,061	161,862	64,447	239,059
Amortization	(43,912)	-	-	(6,345)	(50,257)
Closing balance as of December 31, 2016	157,016	91,053	978,849	383,395	1,610,313
Opening balance as of January 1, 2017	157,016	91,053	978,849	383,395	1,610,313
Additions	8,453	78,880	-	-	87,333
Withdrawals	(244)	(684)	-	-	(928)
Transfer software	45,783	(45,580)	-	-	203
Foreing exchange	(1,215)	(254)	(14,336)	(5,459)	(21,264)
Amortization	(48,823)	-	-	(9,587)	(58,410)
Closing balance as of December 31, 2017	160,970	123,415	964,513	368,349	1,617,247

(1) In 2016, after the extensive work of integration after the association between LAN and TAM, during which there has been solid progress in the homologation of the optimization processes of its air connections, in addition to the restructuring and modernization of the fleet of aircraft, the Company has resolved adopt a unique name and identity, and announce that the brand of the group will be LATAM ", which would unite all companies under a single image.

Given the above, we have proceeded to review the brands useful life, concluding that these should go from an indefinite to defined useful life. The estimated new useful life is 5 years, equivalent to the period for finishing all the image changes necessary.

(2) See Note 2.5

The amortization of the period is shown in the consolidated statement of income in administrative expenses. The accumulated amortization of computer programs and brands as of December 31, 2017, amounts to ThUS$ 373,463 (ThUS$ 270,041 at December 31, 2016).

NOTE 16 – GOODWILL

The Goodwill amount at December 31, 2017 is ThUS$ 2,672,550 (ThUS$ 2,710,382 at December 31, 2016 and ThUS$ 2,280,575 at December 31, 2015). Movement of Goodwill separated by CGU it includes the following:

Movement of Goodwill, separated by CGU:

	Air Transport	Coalition and loyalty program Multiplus	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2016	1,835,088	445,487	2,280,575
Increase (decrease) due to exchange rate differences	341,813	88,261	430,074
Others	(267)	-	(267)
Closing balance as of December 31, 2016	2,176,634	533,748	2,710,382
Opening balance as of January 1, 2017	2,176,634	533,748	2,710,382
Increase (decrease) due to exchange rate differences	(29,942)	(7,890)	(37,832)
Closing balance as of December 31, 2017	2,146,692	525,858	2,672,550

The Company has two cash- generating units (CGUs), “Air transportation” and, “Coalition and loyalty program Multiplus”. The CGU "Air transport" considers the transport of passengers and cargo, both in the domestic markets of Chile, Peru, Argentina, Colombia, Ecuador and Brazil, and in a developed series of regional and international routes in America, Europe and Oceania, while the CGU "Coalition and loyalty program Multiplus” works with an integrated network associated companies in Brazil.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of expected cash flows, 5 years after tax, which are based on the budget approved by the Board. Cash flows beyond the budget period are extrapolated using the estimated growth rates, which do not exceed the average rates of long-term growth.

Management establish rates for annual growth, discount, inflation and exchange for each cash generating, as well as fuel prices, based on their key assumptions. The annual growth rate is based on past performance and management's expectations over market developments in each country where it operates. The discount rates used are in American Dollars for the CGU "Air transportation" and Brazilian Reals for CGU "Program coalition loyalty Multiplus", both after taxes and reflect specific risks related to each country where the Company operates. Inflation and exchange rates are based on available data for each country and the information provided by the Central Bank of each country, and the fuel price is determined based on estimated production levels, competitive environment market in which they operate and its business strategy.

As of December 31, 2017 the recoverable values were determined using the following assumptions presented below:

		Air transportation CGU	Coalition and loyalty program Multiplus CGU (2)
Annual growth rate (Terminal)	%	1.0 - 2.0	4.0 - 5.0
Exchange rate (1)	R$/US$	3.3 - 3.9	3.3 - 3.9
Discount rate based on the weighted average cost of capital (WACC)	%	7.55 - 8.55	-
Discount rate based on cost of equity (Ke)	%	-	12.4 - 13.4
Fuel Price from futures price curves commodities markets	US$/barrel	73-78	-

(1) In line with the expectations of the Central Bank of Brazil
(2) The flow, as well as annual growth rte and discount, are denominated in real.

The result of the impairment test, which includes a sensitivity analysis of the main variables, showed that the estimated recoverable amount is higher than carrying value of the book value of net assets allocated to the cash generating unit, and therefore impairment was not detected.

CGU´s are sensitive to rates for annual growth, discount and exchanges rates. The sensitivity analysis included the individual impact of changes in estimates critical in determining the recoverable amounts, namely:

	Increase Maximum WACC	Increase Maximum CoE	Decrease Minimum terminal growth rate
	%	%	%
Air transportation CGU	8.55	-	1.0
Coalition and loyalty program Multiplus CGU	-	13.4	4.0

In none of the previous cases impairment in the cash- generating unit was presented.

As of December 31, 2017, no signs of deterioration have been identified for the CGU Multiplus Coalition and Loyalty Program and for the UGE Transporte Aéreo that require a deterioration test.

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

The composition by category of Property, plant and equipment is as follows:

	Gross Book Value		Acumulated depreciation		Net Book Value	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Construction in progress (*)	556,822	470,065	-	-	556,822	470,065
Land	49,780	50,148	-	-	49,780	50,148
Buildings	190,552	190,771	(66,004)	(60,552)	124,548	130,219
Plant and equipment	9,222,540	10,099,587	(2,390,142)	(2,350,045)	6,832,398	7,749,542
Own aircraft	8,544,185	9,436,684	(2,138,612)	(2,123,025)	6,405,573	7,313,659
Other (**)	678,355	662,903	(251,530)	(227,020)	426,825	435,883
Machinery	39,084	39,246	(29,296)	(26,821)	9,788	12,425
Information technology equipment	166,713	163,695	(136,557)	(123,981)	30,156	39,714
Fixed installations and accessories	186,989	178,363	(106,212)	(94,451)	80,777	83,912
Motor vehicles	70,290	96,808	(58,812)	(67,855)	11,478	28,953
Leasehold improvements	186,679	192,100	(102,454)	(87,559)	84,225	104,541
Other property, plants and equipment	3,640,838	3,005,981	(1,355,475)	(1,177,351)	2,285,363	1,828,630
Financial leasing aircraft	3,551,041	2,905,556	(1,328,421)	(1,152,190)	2,222,620	1,753,366
Other	89,797	100,425	(27,054)	(25,161)	62,743	75,264
Total	14,310,287	14,486,764	(4,244,952)	(3,988,615)	10,065,335	10,498,149

(*) As of December 31, 2017, includes pre-delivery payments to aircraft manufacturers for ThUS$ 543,720 (ThUS$ 434,250 as of December 31, 2016)

(**) Mainly considers rotable and tools.

(a) Movement in the different categories of Property, plant and equipment:

	Construction in progress	Land	Buildings net	Plant and equipment net	Information technology equipment net	Fixed installations & accessories net	Motor vehicles net	Leasehold improvements net	Other property, plant and equipment net	Property, Plant and equipment net
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2016	1,142,812	45,313	91,491	7,341,075	43,889	88,958	1,525	54,088	2,129,506	10,938,657
Additions	14,481	-	272	1,301,093	7,392	292	6	54,181	13,013	1,390,730
Disposals	-	-	-	(16,918) (1)	(59)	-	(32)	-	(2,972)	(19,981)
Retirements	(284)	-	(68)	(39,816)	(55)	(1,258)	-	-	(2,604)	(44,085)
Depreciation expenses	-	-	(6,234)	(562,131)	(14,909)	(13,664)	(293)	(23,283)	(124,038)	(744,552)
Foreing exchange	5,081	4,835	2,538	51,770	2,924	9,384	223	2,849	93,383	172,987
Other increases (decreases)	(692,025)	-	42,220	(285,198) (2)	532	200	(384)	16,706	(277,658)	(1,195,607)
Changes, total	(672,747)	4,835	38,728	448,800	(4,175)	(5,046)	(480)	50,453	(300,876)	(440,508)
Closing balance as of December 31, 2016	470,065	50,148	130,219	7,789,875	39,714	83,912	1,045	104,541	1,828,630	10,498,149
Opening balance as of January 1, 2017	470,065	50,148	130,219	7,789,875	39,714	83,912	1,045	104,541	1,828,630	10,498,149
Additions	11,145	-	-	258,615	5,708	329	77	8,156	41,483	325,513
Disposals	-	-	-	(16,004)	(6)	(10)	(43)	-	(27)	(16,090)
Retirements	(127)	-	(6)	(24,341)	(473)	(497)	-	-	(1,610)	(27,054)
Depreciation expenses	-	-	(7,946)	(496,857)	(14,587)	(14,124)	(187)	(27,266)	(204,237)	(765,204)
Foreing exchange	107	(368)	(275)	(4,603)	(183)	(820)	(8)	(243)	(5,113)	(11,506)
Other increases (decreases)	75,632	-	2,556	(653,457)	(17)	11,987	(448)	(963)	626,237	61,527
Changes, total	86,757	(368)	(5,671)	(936,647)	(9,558)	(3,135)	(609)	(20,316)	456,733	(432,814)
Closing balance as of December 31, 2017	556,822	49,780	124,548	6,853,228	30,156	80,777	436	84,225	2,285,363	10,065,335

(1) During 2016 the sale of two Airbus A330 aircraft was materialized.

(2) During 2016 the reclassification to non-current assets or groups of assets for disposal classified as held for sale (see Note 13) of two Airbus A319 aircraft, two Airbus A320 aircraft, six Airbus A330 aircraft and two Boeing 777 aircraft was materialized.

(b) Composition of the fleet:

Aircraft	Model	Aircraft included in Property, plant and equipment As of December 31, 2017	Aircraft included in Property, plant and equipment As of December 31, 2016	Operating leases As of December 31, 2017	Operating leases As of December 31, 2016	Total fleet As of December 31, 2017	Total fleet As of December 31, 2016
Boeing 767	300ER	34	34	2	3	36	37
Boeing 767	300F	8 (1)	8 (1)	2	3	10 (1)	11 (1)
Boeing 777	300ER	4	4	6	6	10	10
Boeing 777	Freighter	-	-	-	2	-	2
Boeing 787	800	6	6	4	4	10	10
Boeing 787	900	4	4	10	8	14	12
Airbus A319	100	37	36	9	12	46	48
Airbus A320	200	93 (2)	93	38	53	131 (2)	146
Airbus A320	NEO	1	1	3	1	4	2
Airbus A321	200	30	30	17	17	47	47
Airbus A350	900	5 (3)	5	2 (3)	2	7 (3)	7
Total		222	221	93	111	315	332

(1) Two aircraft leased to FEDEX as of December 2017; three aircraft as of December 2016.
(2) Three aircraft leased to Salam Air and one to Sundair
(3) Four aircraft leased to Qatar Air. Two in operating leases and two in Properties, plant and equipment.

(c) Method used for the depreciation of Property, plant and equipment:

	Method	Useful life (years) minimum	Useful life (years) maximum
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	5	23
Information technology equipment	Straight line without residual value	5	10
Fixed installations and accessories	Straight line without residual value	10	10
Motor vehicle	Straight line without residual value	10	10
Leasehold improvements	Straight line without residual value	5	5
Other property, plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	10	23

(*) Except for the Boeing 767 300ER and Boeing 767 300F fleets which consider a lower residual value due to the extension of their useful life to 22 and 23 years respectively. Additionally certain technical components, which are depreciated based on the basis of cycles and flight hours.

The aircraft with remarketing clause (**) under modality of financial leasing, which are depreciated according to the duration of their contracts, between 12 and 18 years. Its residual values are estimated according to market value at the end of such contracts.

(**) Aircraft with remarketing clause are those that are required to sell at the end of the contract.

As of December 31, 2017, the deferred charge for the period, which is included in the consolidated statement of income, amounts to ThUS $ 765,204 (ThUS $ 744,552 as of December 31, 2016). This charge is recognized in the items of cost of sales and administrative expenses of the consolidated statement of income.

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

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

Description of Property, plant and equipment pledged as guarantee:

Guarantee agent (*)	Assets committed	Fleet	As of December 31, 2017 Existing Debt ThUS$	As of December 31, 2017 Book Value ThUS$	As of December 31, 2016 Existing Debt ThUS$	As of December 31, 2016 Book Value ThUS$
Wilmington Trust Company	Aircraft and engines	Airbus A321 / A350	637,934	721,602	596,224	722,979
		Boeing 767	593,655	888,948	811,723	1,164,364
		Boeing 787	720,267	842,127	739,031	899,445
Banco Santander S.A.	Aircraft and engines	Airbus A319	-	-	50,671	91,889
		Airbus A320	199,165	291,649	462,950	709,788
		Airbus A321	29,296	40,584	32,853	44,227
BNP Paribas	Aircraft and engines	Airbus A319	84,767	136,407	134,346	228,384
		Airbus A320	110,267	175,650	128,173	181,838
Credit Agricole	Aircraft and engines	Airbus A319	20,874	38,826	26,014	37,389
		Airbus A320	46,895	98,098	71,794	144,157
		Airbus A321	30,322	85,463	40,609	93,110
Wells Fargo	Aircraft and engines	Airbus A320	224,786	306,660	252,428	333,419
Bank of Utah	Aircraft and engines	Airbus A320 / A350	614,632	666,665	670,826	709,280
Natixis	Aircraft and engines	Airbus A320	34,592	72,388	45,748	66,738
		Airbus A321	378,418	481,397	377,104	514,625
Citibank N. A.	Aircraft and engines	Airbus A320	94,882	141,817	111,243	166,370
		Airbus A321	36,026	72,741	42,867	70,166
KfW IPEX-Bank	Aircraft and engines	Airbus A319	5,592	5,505	7,494	6,360
		Airbus A320	21,296	30,513	28,696	36,066
Airbus Financial Services	Aircraft and engines	Airbus A319	22,927	26,973	30,199	33,823
PK AirFinance US, Inc.	Aircraft and engines	Airbus A320	46,500	56,539	54,786	46,341
JP Morgan	Aircraft and engines	Boeing 777 (1)	169,674	216,000	192,671	236,400
Banco BBVA	Land and buildings (2)		55,801	66,876	50,381	69,498
Total direct guarantee			4,178,568	5,463,428	4,958,831	6,606,656

(*) Due to the characteristics of a syndicated loan, the guarantee agent is the representative of the creditors.

(1) These assets are classified under Non-current assets and disposal group classified as held for sale

(2) Corresponds to a debt classified in item loans to exporters (see Note 19).

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

Additionally, there are indirect guarantees related to assets recorded in Property, plant and equipment whose total debt at December 31, 2017 amounted to ThUS$ 1,087,052 (ThUS$ 913,494 at December 31, 2016). The book value of assets with indirect guarantees as of December 31, 2017 amounts to ThUS$ 2,222,620 (ThUS$ 1,740,815 as of December 31, 2016).

(ii) Commitments and others

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

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Gross book value of fully depreciated property, plant and equipment still in use	136,811	116,386
Commitments for the acquisition of aircraft (*)	15,400,000	15,100,000

(*) Acording to the manufacturer's price list.

Purchase commitment of aircraft

	Year of delivery					
Manufacturer	2018	2019	2020	2021	2022	Total
Airbus S.A.S.	13	11	16	21	11	72
A320-NEO	7	3	9	8	5	32
A321	-	1	-	-	-	1
A321-NEO	2	3	5	5	4	19
A350-1000	-	-	2	8	2	12
A350-900	4	4	-	-	-	8
The Boeing Company	-	6	2	2	-	10
Boeing 777	-	2	-	-	-	2
Boeing 787-9	-	4	2	2	-	8
Total	13	17	18	23	11	82

As of December 31, 2017, as a result of the different aircraft purchase agreements signed with Airbus SAS, there remain 52 Airbus aircraft of the A320 family, with deliveries between 2018 and 2022, and 20 Airbus aircraft of the A350 family with dates of delivery between 2018 and 2022.

The approximate amount is ThUS$ 12,600,000, according to the manufacturer's price list.

As of December 31, 2017, as a result of the different aircraft purchase agreements signed with The Boeing Company, there are 8 Boeing 787 Dreamliner aircraft remaining, with delivery dates between 2019 and 2021, and 2 Boeing 777 aircraft, with delivery scheduled for the year 2019.

The approximate amount, according to the manufacturer's list prices, is ThUS $ 2,800,000.

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

		For the periods ended December 31, 2017	For the periods ended December 31, 2016
Average rate of capitalization of capitalized interest costs	%	4.21	3.54
Costs of capitalized interest	ThUS$	11,053	(696)

(iv) Financial leases

The detail of the main financial leases is as follows:

Lessor	Aircraft	Model	As of December 31, 2017	As of December 31, 2016
Bandurria Leasing Limitd	Airbus A319	100	3	-
Bandurria Leasing Limitd	Airbus A320	200	4	-
Becacina Leasing LLC	Boeing 767	300ER	1	1
Caiquen Leasing LLC	Boeing 767	300F	1	1
Cernicalo Leasing LLC	Boeing 767	300F	-	2
Cisne Leasing LLC	Boeing 767	300ER	2	2
Codorniz Leasing Limited	Airbus A319	100	-	2
Conure Leasing Limited	Airbus A320	200	2	2
Flamenco Leasing LLC	Boeing 767	300ER	1	1
FLYAFI 1 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 2 S.R.L.	Boeing 777	300ER	1	1
FLYAFI 3 S.R.L.	Boeing 777	300ER	1	1
Garza Leasing LLC	Boeing 767	300ER	1	1
General Electric Capital Corporation	Airbus A330	200	-	3
Intraelo BETA Corpotation (KFW)	Airbus A320	200	-	1
Jilguero Leasing LLC	Boing B767	300ER	3	-
Loica Leasing Limited	Airbus A319	100	2	2
Loica Leasing Limited	Airbus A320	200	2	2
Mirlo Leasing LLC	Boeing 767	300ER	1	1
NBB Rio de Janeiro Lease CO and Brasilia Lease LLC (BBAM)	Airbus A320	200	1	1
NBB São Paulo Lease CO. Limited (BBAM)	Airbus A321	200	1	1
Osprey Leasing Limited	Airbus A319	100	8	8
Patagon Leasing Limited	Airbus A319	100	3	-
Petrel Leasing LLC	Boeing 767	300ER	1	1
Pilpilen Leasing Limited	Airbus A320	200	-	4
Pochard Leasing LLC	Boeing 767	300ER	2	2
Quetro Leasing LLC	Boeing 767	300ER	3	3
SG Infraestructure Italia S.R.L.	Boeing 777	300ER	1	1
SL Alcyone LTD (Showa)	Airbus A320	200	1	1
Torcaza Leasing Limited	Airbus A320	200	8	-
Tricahue Leasing LLC	Boeing 767	300ER	3	3
Wacapou Leasing S.A	Airbus A320	200	1	1
Wells Fargo Bank North National Association	Airbus A319	100	1	-
Total			60	50

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

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

The assets acquired under the financial leasing modality are classified under Other property, plant and equipment. As of December 31, 2017, the Company registered sixty aircraft under this modality (fifty aircraft as of December 31, 2016).

The book value of assets under financial leases as of December 31, 2017 amounts to ThUS$ 2,107,526 (ThUS$ 1,753,366 at December 31, 2016).

The minimum payments under financial leases are as follows:

	As of December 31, 2017			As of December 31, 2016		
	Gross Value	Interest	Present Value	Gross Value	Interest	Present Value
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
No later than one year	303,863	(32,447)	271,416	285,168	(32,365)	252,803
Between one and five years	835,696	(30,050)	805,646	704,822	(43,146)	661,676
Over five years	36,788	(816)	35,972	43,713	(120)	43,593
Total	1,176,347	(63,313)	1,113,034	1,033,703	(75,631)	958,072

NOTE 18 - CURRENT AND DEFERRED TAXES

In the period ended December 31, 2017, the income tax provision was calculated for such period, applying the rate of 25.5% for the business year 2017, in accordance with the Law No. 20,780 published in the Official Journal of the Republic of Chile on September 29, 2014.

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

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

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

The Partially Integrated Taxation System is based on the taxation by the perception of profits and the Attributed Income Taxation System is based on the taxation by the accrual of profits.

Assets and deferred tax liabilities are offset if there is a legal right to offset the assets and liabilities always correspond to the same entity and tax authority.

(a) Current taxes

(a.1) The composition of the current tax assets is the following:

	Current assets		Non-current assets		Total assets	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Provisional monthly payments (advances)	65,257	43,821	-	-	65,257	43,821
Other recoverable credits	12,730	21,556	17,532	20,272	30,262	41,828
Total assets by current tax	77,987	65,377	17,532	20,272	95,519	85,649

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

	Current liabilities		Non-current liabilities		Total liabilities	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Income tax provision	3,511	9,632	-	-	3,511	9,632
Additional tax provision	-	4,654	-	-	-	4,654
Total liabilities by current tax	3,511	14,286	-	-	3,511	14,286

(b) Deferred taxes

The balances of deferred tax are the following:

	Assets		Liabilities	
Concept	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	210,855	11,735	1,401,277	1,387,760
Leased assets	(103,201)	(35,922)	275,142	203,836
Amortization	(484)	(15,820)	54,335	61,660
Provisions	(9,771)	222,253	690	(59,096)
Revaluation of financial instruments	(734)	-	(4,484)	(3,223)
Tax losses	290,973	202,536	(1,188,586)	(1,126,200)
Intangibles	-	-	406,536	430,705
Others	(23,617)	(202)	4,787	20,317
Total	364,021	384,580	949,697	915,759

The balance of deferred tax assets and liabilities are composed primarily of temporary differences to be reversed in the long term.

Movements of Deferred tax assets and liabilities

(a) From January 1 to December 31, 2016

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Others	Ending balance Asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	(1,130,991)	(241,435)	-	(3,599)	-	(1,376,025)
Leased assets	(251,302)	14,833	-	(3,289)	-	(239,758)
Amortization	(71,164)	(4,375)	-	(1,941)	-	(77,480)
Provisions	378,537	(149,969)	921	53,448	(1,568)	281,369
Revaluation of financial instruments	8,284	28,294	(34,695)	1,340	-	3,223
Tax losses (*)	1,009,782	304,892	-	14,062	-	1,328,736
Intangibles	(364,314)	4,131	-	(70,522)	-	(430,705)
Others	(13,802)	(30,185)	-	22,234	1,214	(20,539)
Total	(434,970)	(73,814)	(33,774)	11,733	(354)	(531,179)

(b) From January 1 to December 31, 2017

	Opening balance Assets/(liabilities)	Recognized in consolidated income	Recognized in comprehensive income	Exchange rate variation	Ending balance Asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	(1,376,025)	185,282	-	322	(1,190,421)
Leased assets	(239,758)	(138,879)	-	294	(378,343)
Amortization	(77,480)	22,486	-	174	(54,820)
Provisions	281,369	(286,267)	(785)	(4,778)	(10,461)
Revaluation of financial instruments	3,223	2,417	(1,770)	(120)	3,750
Tax losses (*)	1,328,736	152,081	-	(1,257)	1,479,560
Intangibles	(430,705)	24,436	-	(267)	(406,536)
Others	(20,539)	(7,547)	-	(319)	(28,405)
Total	(531,179)	(45,991)	(2,555)	(5,951)	(585,676)

Deferred tax assets not recognized:	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Tax losses	81,155	115,801
Total Deferred tax assets not recognized	81,155	115,801

Deferred tax assets on tax loss, are recognized to the extent that it is likely probable the realization of future tax benefit By the above at December 31, 2017, the Company has not recognized deferred tax assets of ThUS$ 81,155 (ThUS$ 115,801 at December 31, 2016) according with a loss of ThUS$ 247,920 (ThUS$ 340,591 at December 31, 2016).

Deferred tax expense and current income taxes:

	For the period ended December 31, 2017	For the period ended December 31, 2016
	ThUS$	ThUS$
Current tax expense		
Current tax expense	127,024	87,307
Adjustment to previous period's current tax	489	2,083
Total current tax expense, net	127,513	89,390
Deferred tax expense		
Deferred expense for taxes related to the creation and reversal of temporary differences	45,991	73,814
Reduction (increase) in value of deferred tax assets during the evaluation of its usefulness	-	-
Total deferred tax expense, net	45,991	73,814
Income tax expense	173,504	163,204

Composition of income tax expense (income):

	For the period ended December 31, 2017	For the period ended December 31, 2016
	ThUS$	ThUS$
Current tax expense, net, foreign	100,657	80,600
Current tax expense, net, Chile	26,856	8,790
Total current tax expense, net	127,513	89,390
Deferred tax expense, net, foreign	21,846	119,175
Deferred tax expense, net, Chile	24,145	(45,361)
Deferred tax expense, net, total	45,991	73,814
Income tax expense	173,504	163,204

Profit before tax by the legal tax rate in Chile (25.5% and 24.0% at December 31, 2017 and 2016, respectively)

	For the period ended December 31,		For the period ended December 31,	
	2017	2016	2017	2016
	ThUS$	ThUS$	%	%
Tax expense using the legal rate (*)	95,425	65,449	25.50	24.00
Tax effect by change in tax rate (*)	897	-	0.24	-
Tax effect of rates in other jurisdictions	42,326	16,333	11.31	5.99
Tax effect of non-taxable operating revenues	(44,593)	(62,419)	(11.92)	(22.89)
Tax effect of disallowable expenses	35,481	132,469	9.48	48.58
Tax effect of the use of tax losses not previously recognized	211	-	0.06	-
Other increases (decreases) in legal tax charge	43,757	11,372	11.69	4.17
Total adjustments to tax expense using the legal rate	78,079	97,755	20.86	35.85
Tax expense using the effective rate	173,504	163,204	46.36	59.85

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

Thus, at December 31, 2017 the Company presents the reconciliation of income tax expense and legal tax rate considering the rate increase.

Deferred taxes related to items charged to net equity:

	For the period ended December 31,	
	2017	2016
	ThUS$	ThUS$
Aggregate deferred taxation of components of other comprehensive income	(2,555)	(33,774)
Aggregate deferred taxation related to items charged to net equity	-	(807)

NOTE 19 - OTHER FINANCIAL LIABILITIES

The composition of other financial liabilities is as follows:

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Current		
(a) Interest bearing loans	1,288,749	1,814,647
(b) Hedge derivatives	12,200	24,881
Total current	1,300,949	1,839,528
Non-current		
(a) Interest bearing loans	6,602,891	6,790,273
(b) Hedge derivatives	2,617	6,679
Total non-current	6,605,508	6,796,952

(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Current		
Loans to exporters	314,618	278,164
Bank loans (1)	59,017	290,810
Guaranteed obligations	531,173	578,014
Other guaranteed obligations	2,170	1,908
Subtotal bank loans	906,978	1,148,896
Obligation with the public (2)	14,785	312,043
Financial leases	276,541	268,040
Other loans	90,445	85,668
Total current	1,288,749	1,814,647
Non-current		
Bank loans	260,433	294,477
Guaranteed obligations (3)	3,505,669	4,180,538
Other guaranteed obligations	240,007	254,512
Subtotal bank loans	4,006,109	4,729,527
Obligation with the public (4) (5) (6)	1,569,281	997,302
Financial leases	832,964	754,321
Other loans	194,537	309,123
Total non-current	6,602,891	6,790,273
Total obligations with financial institutions	7,891,640	8,604,920

(1) On September 29, 2016 TAM Linhas Aéreas S.A. obtained financing for US$ 200 million, guaranteed with 18% of the shares of Multiplus S.A., percentage adjustable depending on the shares

price. Additionally, TAM obtained a hedging economic (Cross Currency Swap) for the same amount and period, in order to convert the commitment currency from US$ to BRL.

On March 30, 2017, TAM Linhas Aéreas S.A. restructured the financing mentioned in the previous paragraph, modifying the nominal amount of the transaction to US $ 137 million.

On September 27, 2017, TAM Linhas Aéreas S.A. made the payment of capital plus interest corresponding to the last installment of the financing described above. Simultaneously, all the garments were lifted on the shares of Multiplus S.A. delivered as collateral.

(2) On April 25, 2017, the payment of the principal plus interest on the long-term bonds issued by the company TAM Capital Inc. for an amount of US$ 300,000,000 at an interest rate of 7.375% annual. The payment consisted of 100% of the capital, US$ 300,000,000, and interest accrued as of the date of payment for ThUS $ 11,063.

(3) On April 10, 2017, the issuance and private placement of debt securities in the amount of US$ 140,000,000 was made under the current structure of the Enhanced Equipment Trust Certificates ("EETC") issued and placed the year 2015 to finance the acquisition of eleven Airbus A321-200, two Airbus A350-900 and four Boeing 787-9 with arrivals between July 2015 and April 2016. The offer is made up of Class C Certificates, which are subordinate to the Current Class A Certificates and Class B Certificates held by the Company. The term of the Class C Certificates is six years and expires in 2023.

(4) On April 11, 2017, LATAM Finance Limited, a company incorporated in the Cayman Islands with limited liability and exclusively owned by LATAM Airlines Group SA, has issued and placed on the international market, pursuant to Rule 144 -A and Regulation S of the securities laws of the United States of America, long-term unsecured bonds in the amount of US$ 700,000,000, maturing in 2024 at an annual interest rate of 6.875%.

As reported in the essential fact of April 6, 2017, the Issue and placement of the 144-A Bonds was intended to finance general corporate purposes of LATAM.

(5) On August 17, 2017, LATAM made the placement in the local market (Santiago Stock Exchange) of the Series A Bonds (BLATM-A), Series B (BLATM-B), Series C (BLATM-) C) and Series D (BLATM-D), which correspond to the first issue of bonds charged to the line inscribed in the Securities Registry of the Commission for the Financial Market (“CMF”), under number 862 for a total of UF 9,000,000.

The total amount placed of the Series A Bond was UF 2,500,000; The total amount placed of the Series B Bond was UF 2,500,000. The total amount placed of the Series C Bond was UF 1,850,000. The total amount placed of the Series D Bond was UF 1,850,000, thus totaling UF 8,700,000.

The Series A Bonds have an expiration date on June 1, 2022 and an annual interest rate of 5.25%. The Series B Bonds have an expiration date on January 1, 2028 and an annual interest rate of 5.75%. The Series C Bonds have an expiration date on June 1, 2022 and an annual interest rate of 5.25%. The Series D Bonds have an expiration date on January 1, 2028 and an annual interest rate of 5.75%.

The proceeds of the placement of the Series A, Series B, Series C and Series D Bonds were allocated in full to the partial financing of the early redemption of the total bonds of TAM Capital 3 inc.

(6) On September 1, 2017, TAM Capital 3 Inc., a company controlled indirectly by TAM S.A. through its subsidiary TAM Linhas Aéreas SA, which consolidates its financial statements with LATAM, made the full advance redemption of the bonds it placed abroad on June 3, 2011, for an amount of US $ 500 million at a 8.375% rate and with an expiration date on June 3, 2021. The total redemption was partially financed with the placement of bonds in the local market described in number (5) above, and the balance, with other funds available from the Company.

All interest-bearing liabilities are recorded according to the effective rate method. Under IFRS, in the case of fixed rate loans, the effective rate determined does not vary over the duration of the loan, whereas in variable rate loans, the effective rate changes to the date of each payment of interest.

Currency balances that make the interest bearing loans:

Currency	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Brazilian real	130	1,253
Chilean peso (U.F.)	521,122	203,194
US Dollar	7,370,388	8,400,473
Total	7,891,640	8,604,920

74

Interest-bearing loans due in installments to December 31, 2017
Debtor: LATAM Airlines Group S.A. and Subsidiaries, Tax No. 89.862.200-2, Chile.

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total nominal value ThUS$	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total accounting value ThUS$	Amortization	Effective rate %	Nominal rate %
Loans to exporters																		
97.032.000-8	BBVA	Chile	ThUS$	75,000	-	-	-	-	75,000	75,781	-	-	-	-	75,781	At Expiration	2.30	2.30
97.032.000-8	BBVA	Chile	UF	-	55,801	-	-	-	55,801	-	55,934	-	-	-	55,934	At Expiration	3.57	2.77
97.036.000-K	SANTANDER	Chile	ThUS$	30,000	-	-	-	-	30,000	30,129	-	-	-	-	30,129	At Expiration	2.49	2.49
97.030.000-7	ESTADO	Chile	ThUS$	40,000	-	-	-	-	40,000	40,071	-	-	-	-	40,071	At Expiration	2.57	2.57
97.003.000-K	BANCO DO BRASIL	Chile	ThUS$	100,000	-	-	-	-	100,000	100,696	-	-	-	-	100,696	At Expiration	2.40	2.40
97.951.000-4	HSBC	Chile	ThUS$	12,000	-	-	-	-	12,000	12,007	-	-	-	-	12,007	At Expiration	2.03	2.03
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	21,298	21,360	42,006	-	-	84,664	21,542	21,360	41,548	-	-	84,450	Quarterly	3.68	3.68
0-E	BLADEX	U.S.A.	ThUS$	-	15,000	15,000	-	-	30,000	-	15,133	14,750	-	-	29,883	Semiannual	5.51	5.51
97.036.000-K	SANTANDER	Chile	ThUS$	-	-	202,284	-	-	202,284	439	-	202,284	-	-	202,723	Quarterly	4.41	4.41
Obligations with the public																		
0-E	BANK OF NEW YORK	U.S.A.	ThUS$	-	-	500,000	-	700,000	1,200,000	-	13,047	492,745	-	697,536	1,203,328	At Expiration	7.44	7.03
97.030.000-7	ESTADO	Chile	UF	-	-	-	189,637	189,637	379,274	-	1,738		189,500	189,500	380,738	At Expiration	5.50	5.50
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	7,767	23,840	54,074	12,410	-	98,091	8,101	23,840	52,924	12,026	-	96,891	Quarterly	2.66	2.22
0-E	BNP PARIBAS	U.S.A.	ThUS$	10,929	44,145	114,800	119,948	285,399	575,221	13,328	44,781	111,319	117,987	282,714	570,129	Quarterly	3.41	3.40
0-E	WELLS FARGO	U.S.A.	ThUS$	27,223	82,402	225,221	233,425	240,716	808,987	30,143	82,402	203,371	224,295	236,179	776,390	Quarterly	2.46	1.75
0-E	WILMINGTON TRUST	U.S.A.	ThUS$	20,427	61,669	175,334	183,332	594,091	1,034,853	26,614	61,669	169,506	180,520	590,723	1,029,032	Quarterly	4.48	4.48
0-E	CITIBANK	U.S.A.	ThUS$	11,994	36,501	101,230	104,308	97,184	351,217	13,231	36,501	95,208	101,558	94,807	341,305	Quarterly	3.31	2.47
0-E	BTMU	U.S.A.	ThUS$	2,856	8,689	24,007	25,278	13,904	74,734	3,082	8,689	22,955	24,941	13,849	73,516	Quarterly	2.87	2.27
0-E	APPLE BANK	U.S.A.	ThUS$	1,401	4,278	11,828	12,474	7,242	37,223	1,583	4,278	11,303	12,303	7,212	36,679	Quarterly	2.78	2.18
0-E	US BANK	U.S.A.	ThUS$	15,157	45,992	126,550	132,441	152,693	472,833	17,364	45,992	109,705	125,006	148,318	446,385	Quarterly	4.00	2.82
0-E	DEUTSCHE BANK	U.S.A.	ThUS$	2,965	9,127	25,826	28,202	30,786	96,906	3,534	9,127	25,130	27,739	30,323	95,853	Quarterly	4.39	4.39
0-E	NATIXIS	France	ThUS$	14,645	44,627	107,068	91,823	154,848	413,011	15,642	44,627	105,056	90,823	153,124	409,272	Quarterly	3.42	3.40
0-E	PK AIRFINANCE	U.S.A.	ThUS$	2,163	6,722	19,744	17,871	-	46,500	2,225	6,722	19,744	17,871	-	46,562	Monthly	3.18	3.18
0-E	KFW IPEX-BANK	Germany	ThUS$	2,397	6,678	16,173	1,640	-	26,888	2,428	6,677	16,174	1,640	-	26,919	Quarterly	3.31	3.31
0-E	AIRBUS FINANCIAL	U.S.A.	ThUS$	1,855	5,654	15,416	-	-	22,925	1,900	5,654	15,416	-	-	22,970	Monthly	3.19	3.19
0-E	INVESTEC	England	ThUS$	1,374	7,990	20,440	22,977	10,597	63,378	1,808	8,181	19,801	22,769	10,565	63,124	Semiannual	6.04	6.04
-	SWAP Aviones llegados	-	ThUS$	301	749	765	-	-	1,815	301	749	765	-	-	1,815	Quarterly		-
Other guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	-	-	241,287	-	-	241,287	2,170	-	240,007	-	-	242,177	At Expiration	3.38	3.38
Financial leases																		
0-E	ING	U.S.A.	ThUS$	5,347	10,779	26,831	-	-	42,957	5,717	10,779	26,500	-	-	42,996	Quarterly	5.67	5.00
0-E	CITIBANK	U.S.A.	ThUS$	11,206	34,267	86,085	49,853	2,863	184,274	12,013	34,267	84,104	49,516	2,859	182,759	Quarterly	3.78	3.17
0-E	PEFCO	U.S.A.	ThUS$	12,526	32,850	22,407	-	-	67,783	12,956	32,850	22,088	-	-	67,894	Quarterly	5.46	4.85
0-E	BNP PARIBAS	U.S.A.	ThUS$	13,146	33,840	48,823	2,296	-	98,105	13,548	33,840	48,253	2,293	-	97,934	Quarterly	3.66	3.25
0-E	WELLS FARGO	U.S.A.	ThUS$	10,630	33,866	91,162	64,471	20,984	221,113	11,460	33,866	88,674	63,860	20,903	218,763	Quarterly	3.17	2.67
97.036.000-K	SANTANDER	Chile	ThUS$	5,459	16,542	45,416	46,472	3,134	117,023	5,813	16,542	44,010	46,153	3,128	115,646	Quarterly	2.51	1.96
0-E	RRPF ENGINE	England	ThUS$	265	2,430	6,856	7,441	8,991	25,983	265	2,430	6,856	7,441	8,991	25,983	Monthly	4.01	4.01
Other loans																		
0-E	CITIBANK (*)	U.S.A.	ThUS$	21,822	67,859	196,210	-	-	285,891	22,586	67,859	194,537	-	-	284,982	Quarterly	6.00	6.00
	Total			482,153	713,657	2,562,843	1,346,299	2,513,069	7,618,021	508,477	729,534	2,484,733	1,318,241	2,490,731	7,531,716			

(*) Bonus securitized with the future flows of credit card sales in the United States and Canada.

Interest-bearing loans due in installments to December 31, 2017

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

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans																		
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	ThUS$	130	401	1,161	690	-	2,382	142	401	1,161	690	-	2,394	Monthly	6.01	6.01
Financial leases																		
0-E	NATIXIS	France	ThUS$	2,853	6,099	19,682	70,402	-	99,036	3,592	6,099	19,682	70,402	-	99,775	Quarterly/Semiannual	5.59	5.59
0-E	WACAPOU LEASING S.A.	Luxemburg	ThUS$	696	2,125	6,020	3,206	-	12,047	732	2,125	6,020	3,207	-	12,084	Quarterly	3.69	3.69
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	ThUS$	8,964	27,525	208,024	-	-	244,513	9,992	27,525	208,024	-	-	245,541	Quarterly	4.87	4.81
0-E	BANCO IBM S.A	Brazil	BRL	21	-	-	-	-	21	21	-	-	-	-	21	Monthly	6.89	6.89
0-E	SOCIETE GENERALE	France	BRL	101	8	-	-	-	109	101	8	-	-	-	109	Monthly	6.89	6.89
	Total			12,765	36,158	234,887	74,298	-	358,108	14,580	36,158	234,887	74,299	-	359,924			
	Total consolidated			494,918	749,815	2,797,730	1,420,597	2,513,069	7,976,129	523,057	765,692	2,719,620	1,392,540	2,490,731	7,891,640			

76

Interest-bearing loans due in installments to December 31, 2016

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

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Loans to exporters																		
97.032.000-8	BBVA	Chile	ThUS$	75.000	-	-	-	-	75.000	75.234	-	-	-	-	75.234	At Expiration	1,85	1,85
97.032.000-8	BBVA	Chile	UF	-	50.381	-	-	-	50.381	-	50.324	-	-	-	50.324	At Expiration	5,23	4,43
97.036.000-K	SANTANDER	Chile	ThUS$	30.000	-	-	-	-	30.000	30.183	-	-	-	-	30.183	At Expiration	2,39	2,39
97.030.000-7	ESTADO	Chile	ThUS$	40.000	-	-	-	-	40.000	40.098	-	-	-	-	40.098	At Expiration	1,91	1,91
97.003.000-K	BANCO DO BRASIL	Chile	ThUS$	70.000	-	-	-	-	70.000	70.323	-	-	-	-	70.323	At Expiration	3,08	3,08
97.951.000-4	HSBC	Chile	ThUS$	12.000	-	-	-	-	12.000	12.002	-	-	-	-	12.002	At Expiration	1,79	1,79
Bank loans																		
97.023.000-9	CORPBANCA	Chile	UF	19.229	57.686	60.186	16.254	-	153.355	19.819	57.686	59.176	16.189	-	152.870	Quarterly	4,06	4,06
0-E	BLADEX	U.S.A.	ThUS$	-	12.500	30.000	-	-	42.500	-	12.667	29.625	-	-	42.292	Semiannual	5,14	5,14
0-E	DVB BANK SE	U.S.A.	ThUS$	-	-	28.911	-	-	28.911	3	-	28.911	-	-	28.914	Quarterly	1,86	1,86
97.036.000-K	SANTANDER	Chile	ThUS$	-	-	158.194	-	-	158.194	542	-	158.194	-	-	158.736	Quarterly	3,55	3,55
Obligations with the public																		
0-E	BANK OF NEW YORK	U.S.A.	ThUS$	-	-	-	500.000	-	500.000	2.291	-	-	489.885	-	492.176	At Expiration	7,77	7,25
Guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	11.073	29.252	62.209	32.172	3.711	138.417	11.454	29.252	60.781	31.221	3.631	136.339	Quarterly	2,21	1,81
0-E	BNP PARIBAS	U.S.A.	ThUS$	10.496	42.401	111.962	118.181	345.078	628.118	12.792	43.023	108.271	116.067	341.481	621.634	Quarterly	2,97	2,96
0-E	WELLS FARGO	U.S.A.	ThUS$	31.448	95.186	260.112	269.512	400.087	1.056.345	35.211	95.186	233.012	257.387	391.253	1.012.049	Quarterly	2,37	1,68
0-E	WILMINGTON TRUST	U.S.A.	ThUS$	15.554	49.236	135.254	140.848	626.444	967.336	20.997	49.236	130.792	138.455	622.153	961.633	Quarterly	4,25	4,25
0-E	CITIBANK	U.S.A.	ThUS$	17.495	53.162	146.932	154.774	175.805	548.168	19.059	53.162	138.257	150.891	172.087	533.456	Quarterly	2,72	1,96
97.036.000-K	SANTANDER	Chile	ThUS$	5.347	16.204	44.472	46.386	26.165	138.574	5.680	16.204	42.707	45.815	26.063	136.469	Quarterly	1,98	1,44
0-E	BTMU	U.S.A.	ThUS$	2.787	8.470	23.393	24.635	26.705	85.990	3.001	8.470	22.132	24.149	26.519	84.271	Quarterly	2,31	1,72
0-E	APPLE BANK	U.S.A.	ThUS$	1.364	4.167	11.516	12.146	13.561	42.754	1.538	4.166	10.889	11.902	13.464	41.959	Quarterly	2,29	1,69
0-E	US BANK	U.S.A.	ThUS$	14.817	44.958	123.705	129.462	219.666	532.608	17.298	44.958	104.709	120.509	211.895	499.369	Quarterly	3,99	2,81
0-E	DEUTSCHE BANK	U.S.A.	ThUS$	4.992	15.365	24.725	26.984	45.197	117.263	5.570	15.365	24.023	26.515	44.522	115.995	Quarterly	3,86	3,86
0-E	NATIXIS	France	ThUS$	12.289	37.388	98.873	82.066	192.235	422.851	13.038	37.388	97.469	81.130	190.048	419.073	Quarterly	2,60	2,57
0-E	PK AIRFINANCE	U.S.A.	ThUS$	2.018	6.268	18.413	24.944	3.144	54.787	2.071	6.269	18.412	24.944	3.144	54.840	Monthly	2,40	2,40
0-E	KFW IPEX-BANK	Germany	ThUS$	2.288	7.015	17.869	9.019	-	36.191	2.319	7.015	17.869	9.019	-	36.222	Quarterly	2,55	2,55
0-E	AIRBUS FINANCIAL	U.S.A.	ThUS$	1.797	5.476	15.262	7.664	-	30.199	1.841	5.477	15.261	7.664	-	30.243	Monthly	2,49	2,49
0-E	INVESTEC	England	ThUS$	1.298	7.526	19.290	21.667	22.421	72.202	1.771	7.733	18.533	21.368	22.309	71.714	Semiannual	5,67	5,67
-	SWAP Aviones llegados	-	ThUS$	403	1.067	1.658	158	-	3.286	403	1.067	1.658	158	-	3.286	Quarterly	-	-
Other guaranteed obligations																		
0-E	CREDIT AGRICOLE	France	ThUS$	-	-	256.860	-	-	256.860	1.908	-	254.512	-	-	256.420	Quarterly	2,85	2,85
Financial leases																		
0-E	ING	U.S.A.	ThUS$	5.089	15.653	31.151	11.805	-	63.698	5.641	15.652	30.577	11.771	-	63.641	Quarterly	5,62	4,96
0-E	CREDIT AGRICOLE	France	ThUS$	1.754	5.403	-	-	-	7.157	1.780	5.403	-	-	-	7.183	Quarterly	1,85	1,85
0-E	CITIBANK	U.S.A.	ThUS$	4.956	15.312	44.177	13.804	-	78.249	5.622	15.312	43.413	13.762	-	78.109	Quarterly	6,40	5,67
0-E	PEFCO	U.S.A.	ThUS$	15.979	47.048	63.957	3.827	-	130.811	16.852	47.048	63.072	3.819	-	130.791	Quarterly	5,39	4,79
0-E	BNP PARIBAS	U.S.A.	ThUS$	12.520	38.494	75.958	22.147	-	149.119	13.122	38.494	74.776	22.079	-	148.471	Quarterly	3,69	3,26
0-E	WELLS FARGO	U.S.A.	ThUS$	4.678	14.261	39.862	42.663	1.862	103.326	5.018	14.260	38.834	42.430	1.861	102.403	Quarterly	3,98	3,54
0-E	DVB BANK SE	U.S.A.	ThUS$	4.680	9.447	-	-	-	14.127	4.713	9.448	-	-	-	14.161	Quarterly	2,57	2,57
0-E	RRP ENGINE	England	ThUS$	-	-	6.402	6.955	11.917	25.274	-	-	6.402	6.955	11.917	25.274	Monthly	2,35	2,35
Other loans																		
0-E	BOEING	U.S.A.	ThUS$	-	-	26.214	-	-	26.214	185	-	26.214	-	-	26.399	At Expiration	2,35	2,35
0-E	CITIBANK (*)	U.S.A.	ThUS$	20.555	63.942	184.866	101.026	-	370.389	21.541	63.942	182.043	100.866	-	368.392	Quarterly	6,00	6,00
	Total			451.906	753.268	2.122.383	1.819.099	2.113.998	7.260.654	480.920	754.207	2.040.524	1.774.950	2.082.347	7.132.948			

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

77

Interest-bearing loans due in installments to December 31, 2016
Debtor: TAM S.A. and Subsidiaries, Tax No. 02.012.862/0001-60, Brazil.

				Nominal values						Accounting values								
Tax No.	Creditor	Creditor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total nominal value	Up to 90 days	More than 90 days to one year	More than one to three years	More than three to five years	More than five years	Total accounting value	Amortization	Effective rate	Nominal rate
				ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	%
Bank loans																		
0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	ThUS$	122	378	1.094	1.234	54	2.882	137	378	1.094	1.233	55	2.897	Monthly	6,01	6,01
0-E	CITIBANK	U.S.A	ThUS$	-	200.000	-	-	-	200.000	(151)	199.729	-	-	-	199.578	At Expiration	3,39	3,14
Obligation with the public																		
0-E	THE BANK OF NEW YORK	U.S.A	ThUS$	-	300.000	-	500.000	-	800.000	8.173	301.579	4.119	503.298	-	817.169	At Expiration	8,17	8,00
Financial leases																		
0-E	AFS INVESTMENT IX LLC	U.S.A	ThUS$	2.086	6.437	18.556	8.369	-	35.448	2.253	6.437	18.556	8.369	-	35.615	Monthly	1,25	1,25
0-E	DVB BANK SE	U.S.A	ThUS$	118	164	-	-	-	282	119	164	-	-	-	283	Monthly	2,50	2,50
0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A	ThUS$	3.771	5.075	-	-	-	8.846	3.794	5.075	-	-	-	8.869	Monthly	2,30	2,30
0-E	KFW IPEX-BANK	Germany	ThUS$	579	1.544	-	-	-	2.123	583	1.544	-	-	-	2.127	Monthly/Quarterly	2,80	2,80
0-E	NATIXIS	France	ThUS$	2.675	5.732	18.485	38.820	41.731	107.443	3.533	5.732	18.485	38.820	41.731	108.301	Quarterly/Semiannual	4,90	4,90
0-E	WACAPOU LEASING S.A.	Luxemburg	ThUS$	668	2.038	5.768	6.280	-	14.754	709	2.038	5.768	6.280	-	14.795	Quarterly	3,00	3,00
0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	ThUS$	8.547	26.275	74.783	169.730	-	279.335	9.779	26.275	74.783	169.730	-	280.567	Quarterly	4,18	4,11
0-E	BANCO IBM S.A	Brazil	BRL	260	749	22	-	-	1.031	260	749	21	-	-	1.030	Monthly	13,63	13,63
0-E	HP FINANCIAL SERVICE	Brazil	BRL	222	-	-	-	-	222	222	-	-	-	-	222	Monthly	10,02	10,02
0-E	SOCIETE GENERALE	France	BRL	102	307	110	-	-	519	102	307	110	-	-	519	Monthly	13,63	13,63
	Total			19.150	548.699	118.818	724.433	41.785	1.452.885	29.513	550.007	122.936	727.730	41.786	1.471.972			
	Total consolidated			471.056	1.301.967	2.241.201	2.543.532	2.155.783	8.713.539	510.433	1.304.214	2.163.460	2.502.680	2.124.133	8.604.920			

(b) Hedge derivatives

	Current liabilities		Non-current liabilities		Total hedge derivatives	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Accrued interest from the last date of interest rate swap	1,189	2,148	-	-	1,189	2,148
Fair value of interest rate derivatives	8,919	9,578	2,617	6,679	11,536	16,257
Fair value of foreign currency derivatives	2,092	13,155	-	-	2,092	13,155
Total hedge derivatives	12,200	24,881	2,617	6,679	14,817	31,560

The foreign currency derivatives correspond to options, forwards and swaps.

Hedging operation

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

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Cross currency swaps (CCS) (1)	38,875	(12,286)
Interest rate swaps (2)	(6,542)	(16,926)
Fuel options (3)	10,711	10,088
Currency forward - options US$/GBP$ (4)	-	618
Currency forward - options US$/EUR$ (4)	-	109
Currency options R$/US$ (4)	4,370	(1,752)
Currency options CLP/US$ (4)	636	-

(1) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate and the exchange rate US$/UF of bank loans. These contracts are recorded as cash flow hedges and fair value.

(2) Covers the significant variations in cash flows associated with market risk implicit in the increases in the 3 months LIBOR interest rates for long-term loans incurred in the acquisition of aircraft and bank loans. These contracts are recorded as cash flow hedges.

(3) Covers significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases. These contracts are recorded as cash flow hedges.

(4) Covers the foreign exchange risk exposure of operating cash flows caused mainly by fluctuations in the exchange rate R$/US$, US$/EUR and US$/GBP. These contracts are recorded as cash flow hedges.

During the periods presented, the Company only has cash flow and fair value hedges (in the case of CCS). In the case of fuel hedges, the cash flows subject to such hedges will occur and will impact results in the next 3 months from the date of the consolidated statement of financial position, while in the case of hedges of interest rates, these they will occur and will impact results throughout the life of the associated loans, up to their maturity. In the case of currency hedges through a CCS, there is a group of hedging relationships, in which two types of hedge accounting are generated, one of cash flow for the US $ / UF component; and another of fair value, for the floating rate component US $. The other group of hedging relationships only generates cash flow hedge accounting for the US $ / UF component.

During the periods presented, no hedging operations of future highly probable transaction that have not been realized have occurred.

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

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

	For the period ended December 31,	
	2017	2016
	ThUS$	ThUS$
Debit (credit) recognized in comprehensive income during the period	18,344	127,390
Debit (credit) transferred from net equity to income during the period	(15,000)	(113,403)

NOTE 20 - TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Current		
(a) Trade and other accounts payables	1,349,201	1,117,926
(b) Accrued liabilities at the reporting date	346,001	475,142
Total trade and other accounts payables	1,695,202	1,593,068

(a) Trade and other accounts payable:

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Trade creditors	1,096,540	876,163
Leasing obligation	4,448	10,446
Other accounts payable	248,213	231,317
Total	1,349,201	1,117,926

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

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Boarding Fee	249,898	170,053
Aircraft Fuel	219,601	188,276
Suppliers technical purchases	114,690	40,305
Airport charges and overflight	106,534	77,484
Handling and ground handling	103,784	87,406
Other personnel expenses	89,621	81,632
Professional services and advisory	81,679	79,270
Marketing	75,220	61,053
Leases, maintenance and IT services	69,873	44,287
Services on board	68,605	44,589
Air companies	31,381	21,197
Land services	31,151	74,260
Maintenance	26,244	25,962
Crew	24,163	29,074
Achievement of goals	5,732	17,801
Communications	5,273	7,500
Aviation insurance	5,108	7,694
Aircraft and engines leasing	4,285	10,446
SEC agreement (*)	-	4,719
Others	36,359	44,918
Total trade and other accounts payables	1,349,201	1,117,926

(*) Provision made for payments of fines, on July 25, 2016 LATAM reached agreements with the U.S. Department of Justice ("DOJ") U.S. and the Securities and Exchange Commission ("SEC") both authorities of the United States of America, in force as of this date, regarding the investigation on payments by LAN Airlines S.A. made in 2006-2007 to a consultant who advised on the resolution of labor matters in Argentina. The amount to the SEC agreement is ThUS$ 6,744 plus interests of ThUS$ 2,694.

As of December 31, 2017, the debt was paid in full.

(b) Liabilities accrued:

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Accrued personnel expenses	125,246	113,785
Aircraft and engine maintenance	92,711	244,949
Accounts payable to personnel (*)	99,862	89,523
Others accrued liabilities	28,182	26,885
Total accrued liabilities	346,001	475,142

(*) Profits and bonds participation (Note 23 letter b)

NOTE 21 - OTHER PROVISIONS

Other provisions:

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Provision for contingencies (1)						
Tax contingencies	1,913	1,425	258,305	313,064	260,218	314,489
Civil contingencies	497	993	62,858	56,413	63,355	57,406
Labor contingencies	373	225	28,360	29,307	28,733	29,532
Other	-	-	15,187	15,046	15,187	15,046
Provision for European Commision investigation (2)	-	-	9,883	8,664	9,883	8,664
Total other provisions (3)	2,783	2,643	374,593	422,494	377,376	425,137

(1) Provisions for contingencies:

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

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

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

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

(2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.

(3) Total other provision at December 31, 2017, and 2016, include the fair value correspond to those contingencies from the business combination with TAM S.A and subsidiaries, with a probability of loss under 50%, which are not provided for the normal application of IFRS enforcement and that only must be recognized in the context of a business combination in accordance with IFRS 3.

Movement of provisions:

	Legal claims (1)	European Commission Investigation (2)	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2016	418,453	8,966	427,419
Increase in provisions	141,797	-	141,797
Provision used	(21,997)	-	(21,997)
Difference by subsidiaries conversion	79,396	-	79,396
Reversal of provision	(201,425)	-	(201,425)
Exchange difference	249	(302)	(53)
Closing balance as of December 31, 2016	416,473	8,664	425,137
Opening balance as of January 1, 2017	416,473	8,664	425,137
Increase in provisions	106,943	-	106,943
Provision used	(14,860)	-	(14,860)
Difference by subsidiaries conversion	(5,830)	-	(5,830)
Reversal of provision	(135,109)	-	(135,109)
Exchange difference	(124)	1,219	1,095
Closing balance as of December 31, 2017	367,493	9,883	377,376

(1) Cumulative balances include judicial deposit delivered as security, with respect to the "Aerovía Fundo" (FA), for US $ 100 million, made in order to suspend the application of the tax credit. The Company is discussing in the Court the constitutionality of the requirement made by FA in a lawsuit. Initially it was covered by the effects of a precautionary measure, this means that the Company would not be obliged to collect the tax, as long as there is no judicial decision in this regard. However, the decision taken by the judge in the first instance was published unfavorably, revoking the injunction. As the lawsuit is still underway (TAM appealed this first decision), the Company needed to make the judicial deposit, for the suspension of the enforceability of the tax credit; deposit that was classified in this item, discounting the existing provision for this purpose. Finally, if the final decision is favorable to the Company, the deposit made will return to TAM. On the other hand, if the court

confirms the first decision, said deposit will become a final payment in favor of the Government of Brazil. The procedural stage as of December 31, 2017 is described in Note 31 in the Role of the case 2001.51.01.012530-0.

(2) European Commission Provision:

Provision constituted on the occasion of the process initiated in December 2007 by the General Competition Directorate of the European Commission against more than 25 cargo airlines, among which is Lan Cargo SA, which forms part of the global investigation initiated in 2006 for possible infractions of free competition in the air cargo market, which was carried out jointly by the European and United States authorities.

With respect to Europe, the General Directorate of Competition imposed fines totaling € 799,445,000 (seven hundred and ninety-nine million four hundred and forty-five thousand Euros) for infractions of European Union regulations on free competition against eleven (11) airlines, among which are LATAM Airlines Group SA and its subsidiary Lan Cargo S.A .. For its part, LATAM Airlines Group S.A. and Lan Cargo S.A., jointly and severally, have been fined for the amount of € 8,220,000 (eight million two hundred and twenty thousand Euros), for these infractions, an amount that was provisioned in the financial statements of LATAM. On January 24, 2011, LATAM Airlines Group S.A. and Lan Cargo S.A. They appealed the decision before the Court of Justice of the European Union. On December 16, 2015, the European Court resolved the appeal and annulled the Commission's Decision. The European Commission did not appeal the judgment, but on March 17, 2017, the European Commission again adopted its original decision to impose on the eleven lines original areas, the same fine previously imposed, amounting to a total of 776,465,000 Euros In the case of LAN Cargo and its parent, LATAM Airlines Group S.A. imposed the same fine of 8.2 million Euros. The procedural stage as of December 31, 2017 is described in Note 31 in section (ii) judgments received by LATAM Airlines Group S.A. and Subsidiaries.

NOTE 22 - OTHER NON-FINANCIAL LIABILITIES

	Current liabilities		Non-current liabilities		Total Liabilities	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Deferred revenues (*)	2,690,961	2,655,086	158,305	213,781	2,849,266	2,868,867
Sales tax	22,902	19,402	-	-	22,902	19,402
Retentions	38,197	45,542	-	-	38,197	45,542
Others taxes	8,695	7,465	-	-	8,695	7,465
Dividends payable	46,590	20,766	-	-	46,590	20,766
Other sundry liabilities	16,618	13,984	-	-	16,618	13,984
Total other non-financial liabilities	2,823,963	2,762,245	158,305	213,781	2,982,268	2,976,026

(*) Note 2.20.

The balance comprises, mainly, deferred income by services not yet rendered at December 31, 2017 and 2016; and programs such as: LATAM Pass, LATAM Fidelidade y Multiplus:

LATAM Pass is the frequent passenger program created by LAN to reward the preference and loyalty of its customers with multiple benefits and privileges, through the accumulation of kilometers that can be exchanged for free flight tickets or for a varied range of products and services. Customers accumulate LATAM Pass kilometers every time they fly on LAN, TAM, oneworld® member companies and other airlines associated with the program, as well as buying at stores or using the services of a vast network of companies that have an agreement with the program around the world.

For its part, TAM, thinking of people who travel constantly, created the LATAM Fidelidade program, in order to improve the service and give recognition to those who choose the company. Through the program, customers accumulate points in a wide variety of loyalty programs in a single account and can redeem them in all TAM destinations and associated airline companies, and even more, participate in the Multiplus Fidelidade Network.

Multiplus is a coalition of loyalty programs, with the objective of operating accumulation and exchange of points. This program has a network integrated by associated companies, including hotels, financial institutions, retail companies, supermarkets, vehicle leases and magazines, among many other partners from different segments.

NOTE 23 - EMPLOYEE BENEFITS

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Retirements payments	55,119	49,680
Resignation payments	10,124	10,097
Other obligations	35,844	22,545
Total liability for employee benefits	101,087	82,322

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

	Opening balance	Increase (decrease) current service provision	Benefits paid	Actuarial (gains) losses	Currency translation	Closing balance
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2016	65,271	17,487	(4,536)	3,105	995	82,322
From January 1 to December 31, 2017	82,322	21,635	(5,399)	(2,763)	5,292	101,087

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

Assumptions	As of December 31, 2017	As of December 31, 2016
Discount rate	4.55%	4.54%
Expected rate of salary increase	4.50%	4.50%
Rate of turnover	6.98%	6.16%
Mortality rate	RV-2014	RV-2009
Inflation rate	2.72%	2.86%
Retirement age of women	60	60
Retirement age of men	65	65

The discount rate corresponds to the 20-year term rate of the BCP Central Bank of Chile Bonds. The RV-2014 mortality tables correspond to those established by the Commission for the Financial Market of Chile and for the determination of the inflation rates; the market performance curves of Central Bank of Chile papers of the BCUs have been used. BCP long term at the date of scope.

The calculation of the present value of the defined benefit obligation is sensitive to the variation of some actuarial assumptions such as discount rate, salary increase, rotation and inflation.

The sensitivity analysis for these variables is presented below:

	Effect on the liability As of December 31, 2017	Effect on the liability As of December 31, 2016
	ThUS$	ThUS$
Discount rate		
Change in the accrued liability an closing for increase in 100 p.b.	(5.795)	(5.665)
Change in the accrued liability an closing for decrease of 100 p.b.	6.617	5.952
Rate of wage growth		
Change in the accrued liability an closing for increase in 100 p.b.	6.412	6.334
Change in the accrued liability an closing for decrease of 100 p.b.	(5.750)	(5.644)

(b) The liability for short-term:

	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Profit-sharing and bonuses (*)	99,862	89,523

(*) Accounts payables to employees (Note 20 letter b)

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

(c) Employment expenses are detailed below:

	For the periods ended December 31, 2017 ThUS$	2016 ThUS$
Salaries and wages	1,604,552	1,549,402
Short-term employee benefits	145,245	132,436
Termination benefits	85,070	79,062
Other personnel expenses	188,767	190,233
Total	2,023,634	1,951,133

NOTE 24 - ACCOUNTS PAYABLE, NON-CURRENT

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Aircraft and engine maintenance	483.795	347.085
Provision for vacations and bonuses	14.725	12.080
Other sundry liabilities	312	226
Total accounts payable, non-current	498.832	359.391

NOTE 25 - EQUITY

(a) Capital

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

The paid capital of the Company at December 31, 2017 amounts to ThUS$ 3,146,265 (*) divided into 606,407,693 common stock of a same series (ThUS$ 3,149,564 (**) divided into 606,407,693 shares as of December 31, 2016), a single series nominative, ordinary character with no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disablement, loss, replacement and other similar circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.

(*) Includes deduction of issuance costs for ThUS $ 3,299 and adjustment for placement of 10,282 shares for ThUS $ 156, approved at the Extraordinary Shareholders Meeting of the Company on April 27, 2017.

(**) Includes adjustment for placement of the aforementioned 10,282 shares for ThUS $ 156.

(b) Subscribed and paid shares

On August 18, 2016, the Company held an extraordinary meeting of shareholders in which it was approved to increase the capital by issuing 61,316,424 shares of payment, all ordinary shares, without par value. As of December 31, 2017, 60,849,592 shares had been placed against this increase, according to the following breakdown: (a) 30,499,685 shares subscribed and paid at the end of the preferred subscription period, which expired on, December 2016, raising the equivalent of US$ 304,996,850; and (b) 30,349,907 additional shares subscribed on December 28, 2016, earning the equivalent of US$ 303,499,070.

As a result of the last placement, as of December 31, 2017, the number Company shares subscribed and paid amounts to 606,407,693.

At December 31, 2017, the Company's capital stock is represented by 608,374,525 shares, all of the same and unique series, nominative, ordinary, with no par value, which is divided into: (a) the 606,407,693 subscribed and paid shares mentioned above; And (b) 1,966,832 shares pending subscription and payment, of which: (i) 1,500,000 shares are allocated to compensation stock option plans; And (ii) 466,832 correspond to the balance of shares pending placement of the last capital increase.

During 2016, the Company's capital stock was expressed in 613,164,243 shares, all of the same and unique series, nominative, ordinary, with no par value, that is, 551,847,819 shares already authorized at the beginning of the year and 61,316,424 shares authorized in the last Capital increase dated August 18, 2016. However, on December 21, 2016, the deadline for the subscription and payment of 4,789,718 shares that were destined to compensation plans for workers expired, so that the Company's capital stock was reduced to 608,374,525 shares.

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

Movement of authorized shares	Nro. Of shares
Autorized shares as of January 1, 2016	551,847,819
Increase capital approved at Extraordinary Shareholders meeting dated August 18, 2016	61,316,424
Full capital decrease due to maturity of the subscription and payment period of the compensation plan 2011, December 21, 2016 (*)	(4,789,718)
Authorized shares as of December 31, 2016	608,374,525
Autorized shares as of January 1, 2017	608,374,525
There is no movement of authorized shares during the period 2017	-
Authorized shares as of December 31, 2017	608,374,525

(*) See Note 34 (a.1)

Movement fully paid shares

	N° of shares	Movement value of shares (1) ThUS$	Cost of issuance and placement of shares (2) ThUS$	Paid- in Capital ThUS$
Paid shares as of January 1, 2016	545,547,819	2,552,066	(6,361)	2,545,705
Approved at Extraordinary Shereholders meeting dated August 18, 2016	60,849,592	608,496	-	608,496
Capital reserve	-	-	(4,793)	(4,793)
Increase (decrease) by transfers and other changes (4)	10,282	156	-	156
Paid shares as of December 31, 2016	606,407,693	3,160,718	(11,154)	3,149,564
Paid shares as of January 1, 2017	606,407,693	3,160,718	(11,154)	3,149,564
Capital reserve	-	-	(3,299)	(3,299)
Paid shares as of December 31, 2017	606,407,693 (3)	3,160,718	(14,453)	3,146,265

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

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

(3) At December 31, 2017, the difference between authorized shares and fully paid shares are 1,966,832 shares, of which 1,500,000 correspond to compensation plans for executives of LATAM Airlines Group S.A. and subsidiaries (see Note 34(a.2)) and 466,832 correspond to the shares issued and unsubscribed from the capital increase approved at the Extraordinary Shareholders Meeting held on August 18, 2016.

(4) These 10,282 shares were placed in January 2014 and charged to the Compensation plan 2011 (See Note 34 (a.1))

(c) Treasury stock

At December 31, 2017, the Company held no treasury stock, the remaining of ThUS$ (178) corresponds to the difference between the amount paid for the shares and their book value, at the time of the full right decrease of the shares which held in its portfolio.

(d) Reserve of share- based payments

Movement of Reserves of share- based payments:

Periods	Opening balance ThUS$	Stock option plan ThUS$	Deferred tax ThUS$	Net movement of the period ThUS$	Closing balance ThUS$
From January 1 to December 31, 2016	35,647	3,698	(807)	2,891	38,538
From January 1 to December 31, 2017	38,538	943	-	943	39,481

These reserves are related to the “Share-based payments” explained in Note 34.

(e) Other sundry reserves

Movement of Other sundry reserves:

Periods	Opening balance ThUS$	Legal reserves ThUS$	Closing balance ThUS$
From January 1 to December 31, 2016	2,634,679	5,602	2,640,281
From January 1 to December 31, 2017	2,640,281	(501)	2,639,780

Balance of Other sundry reserves comprises the following:

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Higher value for TAM S.A. share exchange (1)	2,665,692	2,665,692
Reserve for the adjustment to the value of fixed assets (2)	2,620	2,620
Transactions with non-controlling interest (3)	(25,911)	(25,911)
Cost of issuance and placement of shares	0	(9)
Others	(2,621)	(2,111)
Total	2,639,780	2,640,281

(1) Corresponds to the difference in the shares value of TAM S.A. acquired (under subscriptions) by Sister Holdco S.A. and Holdco II S.A. (under the Exchange Offer), as stipulated in the Declaration of Posting of Merger by Absorption and the fair value of these exchange shares of LATAM Airlines Group S.A. at June 22, 2012.

(2) Corresponds to the technical revaluation of fixed assets authorized by the Commission for the Financial Market in 1979, in Circular N° 1529. The revaluation was optional and could be taken only once, the reserve is not distributable and can only be capitalized.

(3) The balance at December 31, 2017, correspond to the loss generated by the participation of Lan Pax Group S.A. and Inversiones Lan S.A. in the acquisition of shares of Aerovías de Integración Regional Aires of ThUS$ (3,480) and ThUS$ (20), respectively; the acquisition of TAM S.A. of the minority holding of Aerolinhas Brasileiras S.A. of ThUS$ (885) and the acquisition of minority interest of Aerolane S.A. by Lan Pax group S.A. through Holdco Ecuador S.A. for US$ (21,526).

(f) Reserves with effect in other comprehensive income.

Movement of Reserves with effect in other comprehensive income:

	Currency translation reserve	Cash flow hedging reserve	Actuarial gain or loss on defined benefit plans reserve	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2016	(2,576,041)	(90,510)	(10,717)	(2,677,268)
Derivatives valuation gains (losses)	-	126,360	-	126,360
Deferred tax	-	(34,344)	-	(34,344)
Actuarial reserves by employee benefit plans	-	-	(3,104)	(3,104)
Deferred tax actuarial IAS by employee benefit plans	-	-	921	921
Difference by subsidiaries conversion	489,486	-	-	489,486
Closing balance as of December 31, 2016	(2,086,555)	1,506	(12,900)	(2,097,949)
Opening balance as of January 1, 2017	(2,086,555)	1,506	(12,900)	(2,097,949)
Derivatives valuation gains (losses)	-	18,436	-	18,436
Deferred tax	-	(1,802)	-	(1,802)
Actuarial reserves by employee benefit plans	-	-	2,758	2,758
Deferred tax actuarial IAS by employee benefit plans	-	-	(784)	(784)
Difference by subsidiaries conversion	(45,036)	-	-	(45,036)
Closing balance as of December 31, 2017	(2,131,591)	18,140	(10,926)	(2,124,377)

(f.1) Currency translation reserve

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

(f.2) Cash flow hedging reserve

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

(f.3) Reserves of actuarial gains or losses on defined benefit plans

Correspond to the increase or decrease in the obligation present value for defined benefit plan due to changes in actuarial assumptions, and experience adjustments, which is the effects of differences between the previous actuarial assumptions and what has actually occurred.

(g) Retained earnings

Movement of Retained earnings:

Periods	Opening balance	Result for the period	Dividends	Closing balance
	ThUS$	ThUS$	ThUS$	ThUS$
From January 1 to December 31, 2016	317,950	69,220	(20,766)	366,404
From January 1 to December 31, 2017	366,404	155,304	(46,590)	475,118

(h) Dividends per share

Description of dividend	Minimum mandatory dividend 2017	Final dividend dividend 2016
Date of dividend	12-31-2017	12-31-2016
Amount of the dividend (ThUS$)	46,590	20,766 (*)
Number of shares among which the dividend is distributed	606,407,693	606,407,693
Dividend per share (US$)	0.0768	0.0342

(*) In accordance with the Material Fact issued on April 27, 2017, LATAM Airlines Group S.A. shareholders approved the distribution of the final dividend proposed by the board of directors in the Ordinary Session of April 4, 2017, amounting to ThUS $ 20,766, which corresponds to 30% of the profits for the year corresponding to the year 2016.

The payment was made on May 18, 2017.

NOTE 26 - REVENUE

The detail of revenues is as follows:

	For the periods ended December 31,	
	2017	2016
	ThUS$	ThUS$
Passengers LAN	4,313,287	4,104,348
Passengers TAM	4,181,190	3,773,367
Cargo	1,119,430	1,110,625
Total	9,613,907	8,988,340

NOTE 27 - COSTS AND EXPENSES BY NATURE

(a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the periods ended December 31,	
	2017	2016
	ThUS$	ThUS$
Aircraft fuel	2,318,816	2,056,643
Other rentals and landing fees	1,172,129	1,077,407
Aircraft rentals	579,551	568,979
Aircraft maintenance	430,825	366,153
Comissions	252,474	269,296
Passenger services	288,662	286,621
Other operating expenses	1,381,546	1,424,595
Total	6,424,003	6,049,694

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the period ended December 31,	
	2017	2016
	ThUS$	ThUS$
Depreciation (*)	943,215	910,071
Amortization	58,410	50,257
Total	1,001,625	960,328

(*) Include the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases. The amount of maintenance cost included within the depreciation line item at December 31, 2017 is ThUS$ 359,940 and ThUS$ 345,651 for the same period of 2016.

(c) Personnel expenses

The costs for personnel expenses are disclosed in Note 23 liability for employee benefits.

(d) Financial costs

The detail of financial costs is as follows:

	For the period ended December 31,	
	2017	2016
	ThUS$	ThUS$
Bank loan interest	347,551	352,405
Financial leases	37,522	32,573
Other financial instruments	8,213	31,358
Total	393,286	416,336

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 23, are equivalent to the sum of cost of sales, distribution costs, administrative expenses, other expenses and financing costs presented in the consolidated statement of income by function.

NOTE 28 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the period ended December 31, 2017 ThUS$	2016 ThUS$
Coalition and loyalty program Multiplus	240,952	174,197
Tours	109,463	133,575
Aircraft leasing	103,741	65,011
Customs and warehousing	26,793	24,548
Maintenance	6,585	17,090
Duty free	8,038	11,141
Other miscellaneous income	54,317	113,186
Total	549,889	538,748

NOTE 29 - FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

The functional currency of LATAM Airlines Group S.A. is the US dollar, also it has subsidiaries whose functional currency is different to the US dollar, such as the chilean peso, argentine peso, colombian peso, brazilian real and guaraní.

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

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

(a) Foreign currency

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

Current assets	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Cash and cash equivalents	260,092	201,416
Argentine peso	7,309	4,438
Brazilian real	14,242	9,705
Chilean peso	81,693	30,221
Colombian peso	1,105	1,137
Euro	11,746	1,695
U.S. dollar	108,327	128,694
Other currency	35,670	25,526
Other financial assets, current	36,484	14,573
Argentine peso	21	12
Brazilian real	17	734
Chilean peso	26,605	585
Colombian peso	150	-
U.S. dollar	9,343	12,879
Other currency	348	363

96

Current assets	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Other non - financial assets, current	107,170	107,789
Argentine peso	16,507	16,086
Brazilian real	19,686	20,158
Chilean peso	34,258	1,619
Colombian peso	340	713
Euro	2,722	1,563
U.S. dollar	21,907	50,157
Other currency	11,750	17,493
Trade and other accounts receivable, current	373,447	251,204
Argentine peso	49,680	54,356
Brazilian real	22,006	30,675
Chilean peso	82,369	90,482
Colombian peso	1,169	9,720
Euro	48,286	21,923
U.S. dollar	34,268	14,086
Other currency	135,669	29,962
Accounts receivable from related entities, current	958	554
Chilean peso	735	554
U.S. dollar	223	-
Tax current assets	33,575	28,198
Argentine peso	1,679	1,798
Brazilian real	3,934	2,462
Chilean peso	3,317	6,333
Colombian peso	660	1,418
Euro	179	273
U.S. dollar	327	177
Peruvian sol	21,948	14,387
Other currency	1,531	1,350
Total current assets	811,726	603,734
Argentine peso	75,196	76,690
Brazilian real	59,885	63,734
Chilean peso	228,977	129,794
Colombian peso	3,424	12,988
Euro	62,933	25,454
U.S. Dollar	174,395	205,993
Other currency	206,916	89,081

97

Non-current assets	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Other financial assets, non-current	20,975	26,772
Brazilian real	3,831	2,769
Chilean peso	74	83
Colombian peso	281	285
Euro	7,853	6,966
U.S. dollar	7,273	14,920
Other currency	1,663	1,749
Other non - financial assets, non-current	9,108	19,069
Argentine peso	172	142
Brazilian real	6,368	6,029
U.S. dollar	38	8,309
Other currency	2,530	4,589
Accounts receivable, non-current	6,887	7,356
Chilean peso	6,887	7,356
Deferred tax assets	2,081	2,110
Colombian peso	86	117
Other currency	1,995	1,993
Total non-current assets	39,051	55,307
Argentine peso	172	142
Brazilian real	10,199	8,798
Chilean peso	6,961	7,439
Colombian peso	367	402
Euro	7,853	6,966
U.S. dollar	7,311	23,229
Other currency	6,188	8,331

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

Current liabilities	Up to 90 days		91 days to 1 year	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$
Other financial liabilities, current	36,000	287,175	115,182	455,086
Chilean peso	21,542	55,962	79,032	108,010
U.S. dollar	14,458	231,213	36,150	347,076
Trade and other accounts payables, current	919,373	585,149	33,707	16,097
Argentine peso	122,452	20,838	8,636	907
Brazilian real	28,810	40,740	669	27
Chilean peso	233,202	60,701	11,311	12,255
Colombian peso	2,964	9,049	855	578
Euro	58,081	23,445	9,165	5
U.S. dollar	409,380	374,431	1,154	962
Peruvian sol	39,064	33,701	825	1,093
Mexican peso	2,732	1,535	115	-
Pound sterling	5,839	1,769	199	246
Uruguayan peso	1,890	6,899	-	-
Other currency	14,959	12,041	778	24
Accounts payable to related entities, current	760	220	-	-
Chilean peso	546	23	-	-
U.S. dollar	4	8	-	-
Other currency	210	189	-	-
Other provisions, current	959	511	-	-
Chilean peso	30	28	-	-
Other currency	929	483	-	-
Tax liabilities, current	-	(204)	174	2,501
Argentine peso	-	-	174	2,501
Brazilian real	-	(3)	-	-
Chilean peso	-	(25)	-	-
Other currency	-	(176)	-	-

Current liabilities	Up to 90 days		91 days to 1 year	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$
Other non-financial liabilities, current	25,190	33,439	-	-
Argentine peso	393	13,463	-	-
Brazilian real	542	430	-	-
Chilean peso	11,283	14,999	-	-
Colombian peso	837	578	-	-
Euro	5,954	168	-	-
U.S. dollar	3,160	684	-	-
Other currency	3,021	3,117	-	-
Total current liabilities	982,282	906,290	149,063	473,684
Argentine peso	122,845	34,301	8,810	3,408
Brazilian real	29,352	41,167	669	27
Chilean peso	266,603	131,688	90,343	120,265
Colombian peso	3,801	9,627	855	578
Euro	64,035	23,613	9,165	5
U.S. dollar	427,002	606,336	37,304	348,038
Other currency	68,644	59,558	1,917	1,363

100

Non-current liabilities	More than 1 to 3 years		More than 3 to 5 years		More than 5 years	
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Other financial liabilities, non-current	276,436	178,793	263,798	747,218	189,500	41,785
Chilean peso	41,548	59,177	189,500	16,189	189,500	-
U.S. dollar	234,888	119,616	74,298	731,029	-	41,785
Accounts payable, non-current	362,964	195,629	-	-	-	-
Chilean peso	13,251	10,474	-	-	-	-
U.S. dollar	348,329	183,904	-	-	-	-
Other currency	1,384	1,251	-	-	-	-
Other provisions, non-current	41,514	39,513	-	-	-	-
Argentine peso	940	635	-	-	-	-
Brazillian real	24,074	23,541	-	-	-	-
Chilean peso	-	38	-	-	-	-
Colombian peso	551	569	-	-	-	-
Euro	9,883	8,664	-	-	-	-
U.S. dollar	6,066	6,066	-	-	-	-
Provisions for employees benefits, non-current	77,579	68,774	-	-	-	-
Brazilian real	-	28	-	-	-	-
Chilean peso	73,399	68,380	-	-	-	-
U.S. dollar	4,180	366	-	-	-	-
Other non-financial liabilities, non-current	-	3	-	-	-	-
Colombian peso	-	3	-	-	-	-
Total non-current liabilities	758,493	482,712	263,798	747,218	189,500	41,785
Argentine peso	940	635	-	-	-	-
Brazilian real	24,074	23,569	-	-	-	-
Chilean peso	128,198	138,069	189,500	16,189	189,500	-
Colombian peso	551	572	-	-	-	-
Euro	9,883	8,664	-	-	-	-
U.S. dollar	593,463	309,952	74,298	731,029	-	41,785
Other currency	1,384	1,251	-	-	-	-

101

General summary of foreign currency:	As of December 31, 2017	As of December 31, 2016
	ThUS$	ThUS$
Total assets	850,777	659,041
Argentine peso	75,368	76,832
Brazilian real	70,084	72,532
Chilean peso	235,938	137,233
Colombian peso	3,791	13,390
Euro	70,786	32,420
U.S. dollar	181,706	229,222
Other currency	213,104	97,412
Total liabilities	2,343,136	2,651,689
Argentine peso	132,595	38,344
Brazilian real	54,095	64,763
Chilean peso	864,144	406,211
Colombian peso	5,207	10,777
Euro	83,083	32,282
U.S. dollar	1,132,067	2,037,140
Other currency	71,945	62,172
Net position		
Argentine peso	(57,227)	38,488
Brazilian real	15,989	7,769
Chilean peso	(628,206)	(268,978)
Colombian peso	(1,416)	2,613
Euro	(12,297)	138
U.S. dollar	(950,361)	(1,807,918)
Other currency	141,159	35,240

(b) Exchange differences

Exchange differences recognized in income, except for financial instruments measured at fair value through profit or loss, for the period ended December 31, 2017, 2016 and 2015, generated a charge of ThUS $ 18,718, a credit of ThUS $ 121,651 and a charge of ThUS $ 467,896, respectively.

Exchange differences recognized in equity as reserves for exchange differences for conversion, for the period ended December 31, 2017, 2016 and 2015, generated a charge of ThUS $ 47,495, a credit of ThUS $ 494,362 and a charge of ThUS $1, 409,439, respectively.

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

	As of December 31,			
	2017	2016	2015	2014
Argentine peso	18.57	15.84	12.97	8.55
Brazilian real	3.31	3.25	3.98	2.66
Chilean peso	614.75	669.47	710.16	606.75
Colombian peso	2,984.77	3,000.25	3,183.00	2,389.50
Euro	0.83	0.95	0.92	0.82
Strong bolivar	3,345.00	673.76	198.70	12.00
Australian dollar	1.28	1.38	1.37	1.22
Boliviano	6.86	6.86	6.85	6.86
Mexican peso	19.66	20.63	17.34	14.74
New Zealand dollar	1.41	1.44	1.46	1.28
Peruvian Sol	3.24	3.35	3.41	2.99
Uruguayan peso	28.74	29.28	29.88	24.25

NOTE 30 - EARNINGS / (LOSS) PER SHARE

	For the period ended December 31,	
Basic earnings / (loss) per share	2017	2016
Earnings / (loss) attributable to owners of the parent (ThUS$)	155,304	69,220
Weighted average number of shares, basic	606,407,693	546,559,599
Basic earnings / (loss) per share (US$)	0.25610	0.12665

	For the period ended December 31,	
Diluted earnings / (loss) per share	2017	2016
Earnings / (loss) attributable to owners of the parent (ThUS$)	155,304	69,220
Weighted average number of shares, basic	606,407,693	546,559,599 (*)
Weighted average number of shares, diluted	606,407,693	546,559,599
Diluted earnings / (loss) per share (US$)	0.25610	0.12665

(*) In the calculation of diluted earnings per share have not been considered the compensation plan disclosed in Note 34 (a.1), because the average market price is lower than the price of options.

NOTE 31 – CONTINGENCIES

I. Lawsuits

1) Lawsuits filed by LATAM Airlines Group S.A. and Subsidiaries

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Atlantic Aviation Investments LLC (AAI).	Supreme Court of the State of New York County of New York.	07-6022920	Atlantic Aviation Investments LLC. ("AAI"), an indirect subsidiary LATAM Airlines Group S.A., incorporated under the laws of the State of Delaware, sued in August 29th , 2007 Varig Logistics S.A. ("Variglog") for non-payment of four documented loans in credit agreements governed by New York law. These contracts establish the acceleration of the loans in the event of sale of the original debtor, VRG Linhas Aéreas S.A.	The decision ordering Variglog to pay principal, interest and costs to AAI is in the enforcement stage in Switzerland. A settlement for CHF 24,541,781.45 was reached in Brazil for the Swiss funds, and it was agreed that it would be divided as follows: (i) 54.6% of Variglog's assets for the Swiss funds; and (ii) 45.4% to AAI, subject to approval of the Brazilian Bankruptcy Commission. Variglog also filed a petition in Switzerland for recognition of the decision declaring its condition of being in judicial recovery, and subsequently, of being declared in bankruptcy. The Brazilian courts approved the AAI settlement and Variglog's bankruptcy on April 11, 2016, which were confirmed by those courts on September 21, 2016. The final decision approving the agreement was certified September 23, 2016. US$8.9 million have been recovered thus far to date, leaving a balance of US$2.08 million pending. Variglog funds remain under embargo by AAII in Switzerland.	10,976 Plus interests and costs

105

2) Lawsuits received by LATAM Airlines Group S.A. and Subsidiaries

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
LATAM Airlines Group S.A. y Lan Cargo S.A.	European Commission.	-	Investigation of alleged infringements to free competition of cargo airlines, especially fuel surcharge. On December 26th , 2007, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the instruction process against twenty five cargo airlines, including Lan Cargo S.A., for alleged breaches of competition in the air cargo market in Europe, especially the alleged fixed fuel surcharge and freight.	On April 14th, 2008, the notification of the European Commission was replied. The appeal was filed on January 24, 2011. On May 11, 2015, we attended a hearing at which we petitioned for the vacation of the Decision based on discrepancies in the Decision between the operating section, which mentions four infringements (depending on the routes involved) but refers to Lan in only one of those four routes; and the ruling section (which mentions one single conjoint infraction). On November 9th, 2010, the General Directorate for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. the imposition of a fine in the amount of THUS$ 9,823.135 (8.220.000 Euros) This fine is being appealed by Lan Cargo S.A. and LATAM Airlines Group S.A. On December 16, 2015, the European Court of Justice revoked the Commission's decision because of discrepancies. The European Commission did not appeal the decision, but presented a new one on March 17, 2017 reiterating the imposition of the same fine on the eleven original airlines. The fine totals 776,465,000 Euros. It imposed the same fine as before on Lan Cargo and its parent, LATAM Airlines Group S.A., totaling 8.2 million Euros. On May 31, 2017 Lan Cargo S.A. and LATAM Airlines Group S.A. filed a petition with the General Court of the European Union seeking vacation of this decision. We presented our defense in December 2017.	9,823

106

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery División (England) Ovre Romerike District Court (Norway) y Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands) , Cologne Regional Court (Landgerich Köln Germany).	-	Lawsuits filed against European airlines by users of freight services in private lawsuits as a result of the investigation into alleged breaches of competition of cargo airlines, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A., have been sued in court proceedings directly and/or in third party, based in England, Norway, the Netherlands and Germany.	Cases are in the uncovering evidence stage.	-0-
Aerolinhas Brasileiras S.A.	Federal Justice.	0008285-53.2015.403.6105	An action seeking to quash a decision and petioning for early protection in order to obgain a revocation of the penalty imposed by the Brazilian Competition Authority (CADE) in the investigation of cargo airlines alleged fair trade violations, in particular the fuel surcharge.	This action was filed by presenting a guaranty – policy – in order to suspend the effects of the CADE's decision regarding the payment of the following fines: (i) ABSA: ThUS$10,438; (ii) Norberto Jochmann: ThUS$201; (iii) Hernan Merino: ThUS$ 102; (iv) Felipe Meyer :ThUS$ 102. The action also deals with the affirmative obligation required by the CADE consisting of the duty to publish the condemnation in a widely circulating newspaper. This obligation had also been stayed by the court of federal justice in this process. Awaiting CADE's statement. ABSA began a judicial review in search of an additional reduction in the fine amount. At this time we cannot predict the final amount of the fine as the judicial review by the Federal Court Judge is still pending.	11,828

107

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Aerolinhas Brasileiras S.A.	Federal Justice.	0001872-58.2014.4.03.6105	An annulment action with a motion for preliminary injunction was filed on 28/02/2014, in order to cancel tax debts of PIS, CONFINS, IPI and II, connected with the administrative process 10831.005704/2006.43.	We have been waiting since August 21, 2015 for a statement by Serasa on TAM's letter of indemnity and a statement by the Union. The statement was authenticated on January 29, 2016. A petition on evidence and replications were filed on June 20, 2016. A new insurance policy was submitted on March 3, 2016 with the change to the guarantee requested by PGFN, which was declared on June 3, 2016. A decision is pending.	15,811
Tam Linhas Aéreas S.A.	Department of Federal Revenue of Brazil	19515.720476/2015-83	Alleged irregularities in the SAT payments for the periods 01/2011 to 12/2012	A judgment by CARF is pending since April 12, 2016.	66,258
Tam Linhas Aéreas S.A.	Court of the Second Region.	2001.51.01.012530-0	Ordinary judicial action brought for the purpose of declaring the nonexistence of legal relationship obligating the company to collect the Air Fund.	Unfavorable court decision in first instance. Currently expecting the ruling on the appeal filed by the company. In order to suspend chargeability of Tax Credit a Guaranty Deposit to the Court was delivered for MUS$106. The court decision requesting that the Expert make all clarifications requested by the parties in a period of 30 days was published on March 29, 2016. The plaintiffs' submitted a petition on June 21, 2016 requesting acceptance of the opinion of their consultant and an urgent ruling on the dispute. No amount additional to the deposit that has already been made is required if this case is lost.	100,240
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil.	10880.725950/2011-05	Compensation credits of the Social Integration Program (PIS) and Contribution for Social Security Financing (COFINS) Declared on DCOMPs.	The objection (*manifestação de inconformidade*) filed by the company was rejected, which is why the voluntary appeal was filed. The case was assigned to the 1st Ordinary Group of Brazil's Administrative Council of Tax Appeals (CARF) on June 8, 2015. TAM's appeal was included in the CARF session held August 25, 2016. An agreement that converted the proceedings into a formal case was published on October 7, 2016.	64,383

108

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Aerovías de Integración Regional, AIRES S.A.	United States Court of Appeals for the Eleventh Circuit, Florida, U.S.A.	2013-20319 CA 01	The July 30th , 2012 Aerovías de Integración Recional, Aires S.A. (LATAM AIRLINES COLOMBIA) initiated a legal process in Colombia against Regional One INC and Volvo Aero Services LLC, to declare that these companies are civilly liable for moral and material damages caused to LATAM AIRLINES COLOMBIA arising from breach of contractual obligations of the aircraft HK-4107. The June 20th , 2013 AIRES SA And / Or LATAM AIRLINES COLOMBIA was notified of the lawsuit filed in U.S. for Regional One INC and Dash 224 LLC for damages caused by the aircraft HK-4107 arguing failure of LATAM AIRLINES COLOMBIA customs duty to obtain import declaration when the aircraft in April 2010 entered Colombia for maintenance required by Regional One.	This case is being heard by the 45th Civil Court of the Bogotá Circuit in Colombia. The court issued an order on August 16, 2016 setting the hearing date pursuant to Article 101 for February 2, 2017. At that hearing, a reconciliation should have been attempted, the facts in dispute determined, interrogatories made and evidence admitted. At the petition of Regional One's attorneys on January 27, 2017, which was accepted by the respondent, the hearing to be held on February 2, 2017 was postponed. A reconciliation hearing was held on June 14, 2017 that failed. This commenced the evidentiary stage in which the legal representative of LATAM Airlines Colombia was interrogated. The judge must now decree which evidence must be presented and analyzed. The U.S. Federal Court for the State of Florida rendered a decision on March 26, 2014 sustaining the petition of Lan Colombia Airlines to stay the proceedings in the U.S. as long as the lawsuit in Colombia was pending. The U.S. Court also closed the case administratively. The Federal Court of Appeals confirmed the closing of the U.S. case on April 1, 2015. On October 13, 2015, Regional One filed a petition with the U.S. Court seeking a reopening of the case. Lan Colombia Airlines presented its arguments for keeping the case closed, which were sustained by the Court on August 23, 2016. The case in the U.S. continues to be closed.	12,443

109

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Tam Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10880.722.355/2014-52	On August 19th, 2014 the Federal Tax Service issued a notice of violation stating that compensation credits Program (PIS) and the Contribution for the Financing of Social Security COFINS by TAM are not directly related to the activity of air transport.	An administrative objection was filed on September 17th, 2014. A first-instance ruling was rendered on June 1, 2016 that was partially favorable. The separate fine was revoked. A voluntary appeal was filed on June 30, 2016, which is pending a decision by CARF. On January 9, 2016, the case was referred to the Second Division, Fourth Chamber, of the Third Section of the Administrative Council of Tax Appeals (CARF).	73,890
Tam Viagens S.A.	Department of Finance to the municipality of São Paulo.	67.168.795 / 67.168.833 / 67.168.884 / 67.168.906 / 67.168.914 / 67.168.965	A claim was filed alleging infraction and seeking a fine because of a deficient basis for calculation of the service tax (ISS) because the company supposedly made incorrect deductions.	We received notice of the petition on December 22, 2015. The objection was filed on January 19, 2016. The company was notified on November 23, 2016 of the decision that partially sustained the interim infringement ruling. An ordinary appeal was filed on December 19, 2016 before the Municipal Tax Council of Sao Paulo and a judgment is pending.	108,396
Tam Linhas Aéreas S.A.	Labor Court of São Paulo.	0001734-78.2014.5.02.0045	Action filed by the Ministry of Labor, which requires compliance with legislation on breaks, extra hours and others.	This case is in the initial stages. It could possibly impact both operations and employee work shift control. TAM won in the first instance, but the Prosecutor's Office has appealed the trial court's decision. That decision was sustained by the appellate court. A petition by the Prosecutor's Office for clarification is now pending before the courts. The Office of the Public Prosecutor withdrew the petition for clarification and the case was closed in favor of LATAM. Now pending are the measures pertaining to lawsuit management so that transfer to the court is declared.	16,170

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM S.A.	Conselho Administrativo de Recursos Fiscais.	13855.720077/2014-02	Notice of an alleged infringement presented by Secretaria da Receita Federal do Brasil requiring the payment of IRPJ and CSLL, taxes related to the income earned by TAM on March, 2011, in relation of the reduction of the statute capital of Multiplus S.A.	On January 12, 2014, it was filed an appeal against the object of the notice of infringement. Currently, the company is waiting for the court judgment regarding the appeal filed in the Conselho Administrativo de Recursos Fiscais (CARF) The case will be put into the system again for re-assignment for hearing and reporting because of the departure of Eduardo de Andrade, a CARF council member. The decision was against TAM. The lawsuit was on August 13, 2017. The administrative court's decision was that TAM Linhas Aereas must pay Corporate Income Tax (IRPJ) and the Social Contribution based on Net Profits (CSLL). The Company was summoned to hear a decision on December 18, 2017. TAM filed an appeal on December 28, 2017 and must now await the appellate decision.	149,031
TAM Linhas Aéreas S.A.	Sao Paulo Labor Court, Sao Paulo	1001531-73.2016.5.02.0710	The Ministry of Labor filed an action seeking that the company adapt the ergonomics and comfort of seats.	In August 2016, the Ministry of Labor filed a new lawsuit before the competent Labor Court in Sao Paulo, in the same terms as case 0000009-45.2016.5.02.090, as previously reported. The judgment is pending. (16/02/2018).	17,230

111

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
LATAM Airlines Group S.A.	22° Civil Court of Santiago	C-29.945-2016	The Company received notice of a civil liability claim by Inversiones Ranco Tres S.A. on January 18, 2017. It is represented by Mr. Jorge Enrique Said Yarur. It was filed against LATAM Airlines Group S.A. for an alleged contractual default by the Company and against Ramon Eblen Kadiz, Jorge Awad Mehech, Juan Jose Cueto Plaza, Enrique Cueto Plaza and Ignacio Cueto Plaza, directors and officers, for alleged breaches of their duties. In the case of Juan Jose Cueto Plaza, Enrique Cueto Plaza and Ignacio Cueto Plaza, it alleges a breach, as controllers of the Company, of their duties under the incorporation agreement. LATAM has retained legal counsel specializing in this area to defend it.	The claim was answered on March 22, 2017 and the plaintiff filed its replication on April 4, 2017. LATAM filed its rejoinder on April 13, 2017, which concluded the argument stage of the lawsuit. A reconciliation hearing was held on May 2, 2017, but the parties did not reach an agreement. The Court issued the evidentiary decree on May 12, 2017. We filed a petition for reconsideration because we disagreed with certain points of evidence. That petition was partially sustained by the Court on June 27, 2017. The evidentiary stage commenced and then concluded on July 20, 2017. Observations to the evidence must now be presented. That period expires August 1, 2017. We filed our observations to the evidence on August 1, 2017. We were served the decision on December 13, 2017 that dismissed the claim since LATAM was in no way liable. The plaintiff filed an appeal on December 26, 2017. Now pending is the admission of the appeal by the Court of Appeals.	21,547
TAM Linhas Aéreas S.A.	10th Jurisdiction of Federal Tax Enforcement of Sao Paulo	0020869-47.2017.4.03.6182	Tax Enforcement Lien No. 0061196-68.2016.4.03.6182 on Profit-Based Social Contributions from 2004 to 2007.	This tax enforcement was referred to the 10th Federal Jurisdiction on February 16, 2017. A petition reporting our request to submit collateral was recorded on April 18, 2017. At this time, the period is pending for the plaintiff to respond to our petition.	42,548
TAM Linhas Aéreas S.A.	Federal Revenue Bureau	10880.900360/2017-55	A claim regarding the negative Company Income Tax (IRPJ) balance. Appraisals of compensation that were not accepted.	The case was referred to the National Claims Management Center of the Federal Revenue Bureau for Sao Paulo on May 11, 2017.	15,910

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
TAM Linhas Aéreas S.A.	Internal Revenue Service of Brazil	16643.000085/2009-47	Notice of claim to recover income taxes and social contributions paid on the basis of net profits (SCL) according to the royalty expenses and use of the TAM trademark.	Before the Internal Revenue Service of Brazil. A service of process is expected in the lawsuit on admissibility of the special appeal, filed by the General Counsel of the National Treasury, as well as notification of the decision rendered by the Administrative Council of Tax Appeals (CARF). The decision was made to file a lawsuit on December 5, 2017.	17,657
TAM Linhas Aéreas S.A.	Internal Revenue Service of Brazil	10831.012344/2005-55	Notice of an infringement filed by the Company to request the import tax (II), the Social Integration Program (PIS) of the Social Security Funding Contribution (COFINS) as a result of an unidentified international cargo loss.	Before the Internal Revenue Service of Brazil. The administrative decision was against the company. The matter is pending a decision by the CARF.	17,844
TAM Linhas Aéreas S.A.	Treasury Department of the State of Sao Paulo	3.123.785-0	Notice of an infringement to demand payment of the tax on the circulation of merchandise and services (ICMS) assessable on aircraft imports.	Before the Treasury Department of the State of Sao Paulo. A decision is now pending on the appeal that the company has filed with the Federal Supreme Court (STF).	14,647
TAM Linhas Aéreas S.A.	Treasury Department of the State of Sao Paulo	4.037.054	Action brought by the Treasury Department of the State of Sao Paulo because of non-payment of the tax on the circulation of merchandise and services (ICMS) in relation to telecommunications services.	Before the Treasury Department of the State of Sao Paulo. Defensive arguments have been presented. The first-instance decision sustained all parts of the notice. We filed an ordinary appeal on which a decision is pending by the Sao Paulo Tax Court.	10,808
TAM Linhas Aéreas S.A.	DERAT SPO (Delegacía de Receita Federal)	13808.005459/2001-45	Collection of the Social Security Funding Contribution (COFINS) based on gross revenue of the company in the period 1999-2000	The decision on collection was pending through June 2, 2010.	27,226

113

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
Pantanal Linhas Aéreas S.A.	Tax Enforcement Court	0253410-30.2012.8.26.0014	A lawsuit seeking enforcement of the fine and ICMS.	A decision is pending on the appeal.	10,877
TAM Linhas Aéreas S.A	Federal Revenue Bureau	10880.938.664/2016-12	An administrative lawsuit about compensation not being proportional to the negative corporate income tax balance.	A decision is pending by CARF on the appeal.	27,369
TAM Linhas Aéreas S.A.	Vara das execucões fiscais.	1997.0002503-9	This is a tax collection claim for a customs fine—forfeiture of the temporary customs clearance of goods (new lawsuit).	Collateral insurance was offered in 2016 and accepted by the Ministry of Finance in a petition made November 9, 2016. The defensive arguments were presented (attachments against the tax collection) and the decision was favorable to TAM, which makes the payment of a fine more unlikely for TAM. Now pending in the lawsuit is a decision in the appeal made by the Ministry of Finance.	9,983
TAM Linhas Aéreas S.A.	Delegacía de Receita Federal	10611.720630/2017-16	This is an administrative claim about a fine for the incorrectness of an import declaration (new lawsuit).	The administrative defensive arguments were presented September 28, 2017.	22,253
TAM Linhas Aéreas S.A.	Delegacía de Receita Federal	10611.720852/2016-58	An improper charge of the Contribution for the Financing of Social Security (COFINS) on an import (new lawsuit).	We are currently awaiting a decision. There is no predictable decision date because it depends on the court of the government agency.	16,079
TAM Linhas Aéreas S.A	Delegacía de Receita Federal	16692.721.933/2017-80	The Internal Revenue Service of Brazil issued a notice of violation because TAM applied for credits offsetting the contributions for the Social Integration Program (PIS) and the Social Security Funding Contribution (COFINS) that do not bear a direct relationship to air transport (new claim).	We are awaiting the presentation of an administrative defense.	34.321

Company	Court	Case Number	Origin	Stage of trial	Amounts Committed (*) ThUS$
SNEA (Sindicato Nacional das empresas aeroviárias)	União Federal	0012177-54.2016.4.01.3400	A claim against the 72% increase in airport control fees (TAT-ADR) and approach control fees (TAT-APP) charged by the Airspace Control Department (“DECEA”).	A decision is now pending on the appeal presented by SNEA.	23.118
TAM Linhas Aéreas S/A	União Federal	2001.51.01.020420-0	TAM and other airlines filed a recourse claim seeking a finding that there is no legal or tax basis to be released from collecting the Additional Airport Fee (“ATAERO”).	A decision by the superior court is pending. The amount is indeterminate because even though TAM is the plaintiff, if the ruling is against it, it could be ordered by the trial judge to pay certain fees.	-0-

- In order to deal with any financial obligations arising from legal proceedings in effect at December 31, 2017, whether civil, tax, or labor, LATAM Airlines Group S.A. and Subsidiaries, has made provisions, which are included in Other non-current provisions that are disclosed in Note 21.

- The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.

(*) The Company has reported the amounts involved only for the lawsuits for which a reliable estimation can be made of the financial impacts and of the possibility of any recovery, pursuant to Paragraph 86 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

II. Governmental Investigations.

1) On July 25, 2016, LATAM reached agreements with the U.S. Department of Justice ("DOJ") and the U.S. Securities and Exchange Commission ("SEC") regarding the investigation of payments for US$1,150,000 by Lan Airlines S.A. in 2006-2007 to a consultant advising it in the resolution of labor matters in Argentina.

The purpose of the investigation was to determine whether these payments violated the U.S. Foreign Corrupt Practices Act ("FCPA") that: (i) forbids bribery of foreign government authorities in order to obtain a commercial advantage; and (ii) requires the companies that must abide by the FCPA to keep appropriate accounting records and implant an adequate internal control system. The FCPA is applicable to LATAM because of its ADR program in effect on the U.S. securities market.

After an exhaustive investigation, the DOJ and SEC concluded that there was no violation of the bribery provisions of the FCPA, which is consistent with the results of LATAM's internal investigation. However, the DOJ and SEC consider that LAN accounted for these payments incorrectly and, consequently, infringed the part of the FCPA requiring companies to keep accurate accounting records. These authorities also consider that LAN's internal controls in 2006-2007 were weak, so LAN would have also violated the provisions in the FCPA requiring it to maintain an adequate internal control system.

The agreements signed, included the following:

a) The agreement with the DOJ involves: (i) entering into a Deferred Prosecution Agreement ("DPA"), which is a public contract under which the DOJ files public charges alleging an infringement of the FCPA accounting regulations. LATAM is not obligated to answer these charges, the DOJ will not pursue them for a period of 3 years, and the DOJ will dismiss the charges after expiration of that 3-year period provided LATAM complies with all terms of the DPA. In exchange, LATAM must admit to the negotiated events described in the DPA and agree to pay the negotiated fine explained below and abide by other terms stipulated in the agreement; (ii) clauses in which LATAM admits that the payments to the consultant in Argentina were incorrectly accounted for and that at the time those payments were made (2006-2007), it did not have adequate internal controls in place; (iii) LATAM's agreement to have an outside consultant monitor, evaluate and report to the DOJ on the effectiveness of LATAM's compliance program for a period of 27 months; and LATAM's agreement to continue evaluating and reporting directly to the DOJ on the effectiveness of its compliance program for a period of 9 months after the consultant's work concludes; and (iv) LATAM paid a fine of ThUS$ 12,750.

b) The agreement with the SEC involves: (i) accepting a Cease and Desist Order, which is an administrative resolution of the SEC closing the investigation, in which LATAM will accept certain obligations and statements of fact that are described in the document; (ii) accepting the same obligations regarding the consultant mentioned above; and (iii) LATAM paid a fine of KUS$6,744 and interest of ThUS$ 2,694.

Nothing is owed to the SEC at this time as ThUS$ 4,719 was paid in July 2017.

LATAM continued to cooperate with the Chilean authorities on this matter. The investigation continues. The 7th Criminal Court set the hearing date for October 24, 2017, at the request of the Office of the Public Prosecutor. The Prosecutor has petitioned that the investigation be closed.

2) LATAM received six Requests for Information from the Central-North Metropolitan Region Legal Division, on October 25, 2016, on November 11, 2016, on March 8, 2017, on March 22, 2017, on July 7, 2017 and the last on August 28, 2017. It requested information related to the investigation of payments made by LAN Airlines in 2006 and 2007 to a consultant who advised it on the resolution of labor matters in Argentina. It also requested an explanation of information provided to the market. The five requests have already been answered and the requested information has been provided. The 7th Criminal Court set the hearing date for October 24, 2017 at the request of the Public Prosecutor. A reopening of the investigation was denied at that hearing and that denial was confirmed by the Santiago Court of Appeals on November 20, 2017.

3) The ecuatorian airline affiliate, LATAM Airlines Ecuador was given notice on August 26, 2016 of an investigation of LATAM Airlines Ecuador and two other airlines begun, at its own initiative, by one of the Investigative Departments of the Ecuadoran Market Power Control Commission, limited to alleged signs of conscious parallelism in relation to specific fares on one domestic route in Ecuador from August 2012 to February 2013. The Investigative Prefecture has 180 days (through February 21, 2017) to issue a report on whether to quash the investigation or file charges against two or more of the parties involved. That period can be extended for another 180 days. A proceeding would begin only if the decision is made to file charges. The Commission extended the term of the investigation for another 180 days (through August 18, 2017) LATAM Airlines Ecuador is cooperating with the authority and has retained a law firm and economist expert in the subject to advise the company during this process and any additional information requested will be furnished. We received notice on August 23, 2017 that the Market Regulatory Commission decided to quash the investigation against AEROLANE LÍNEAS AÉREAS NACIONALES DEL ECUADOR S.A. and two other airlines because there was insufficient information to charge them. This decision is final.

NOTE 32 – COMMITMENTS

(a) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767, 767F, 777F and 787 aircraft, which carry the guarantee of the United States Export–Import Bank, limits have been set on some of the Company's financial indicators on a consolidated basis, for which, in any case non-compliance does not generate acceleration of the loans.

Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership, in relation to the ownership structure and the controlling group, and disposal of the assets which mainly refers to important transfers of assets.

The Company and its subsidiaries do not maintain financial credit contracts with banks in Chile that indicate some limits on financial indicators of the Company or its subsidiaries.

The Revolving Credit Facility ("Revolving Credit Facility") with guaranteed aircraft, engines, spare parts and supplies for a total amount of US $ 450 million includes restrictions of minimum liquidity measured at the level of the Consolidated Company and measured at the individual level for the companies LATAM Airlines Group S.A. and TAM Linhas Aéreas S.A. which remain stand by while the credit line is not used. This credit line established with a consortium of eleven banks led by Citibank, is not used as of December 31, 2017.

As of December 31, 2017, the Company is in compliance with all the indicators detailed above.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

Lessor	Aircraft	As of December 31, 2017	As of December 31, 2016
ACS Aero 1 Alpha limited	Airbus A320	1	-
Aircraft 76B-26329 Inc.	Boeing 767	1	1
Aircraft 76B-27615 Inc.	Boeing 767	-	1
Aircraft 76B-28206 Inc.	Boeing 767	1	1
Aviación Centaurus, A.I.E.	Airbus A319	3	3
Aviación Centaurus, A.I.E.	Airbus A321	1	1
Aviación Real A.I.E.	Airbus A319	1	1
Aviación Real A.I.E.	Airbus A320	1	1
Aviación Tritón A.I.E.	Airbus A319	3	3
Avolon Aerospace AOE 19 Limited	Airbus A320	-	1
Avolon Aerospace AOE 20 Limited	Airbus A320	-	1
Avolon Aerospace AOE 6 Limited	Airbus A320	-	1
Avolon Aerospace AOE 62 Limited	Boeing 777	1	1
Avolon Aerospace AOE 100 Limited	Airbus A320	2	-
AWAS 5234 Trust	Airbus A320	1	1
Baker & Spice Aviation Limited	Airbus A320	1	1
Bank of America	Airbus A321	2	2
Bank of Utah	Boeing 787	2	-
CIT Aerospace International	Airbus A320	1	2
ECAF I 1215 DAC	Airbus A320	-	1
ECAF I 2838 DAC	Airbus A320	1	1
ECAF I 40589 DAC	Boeing 777	1	1
Eden Irish Aircr Leasing MSN 1459	Airbus A320	1	1
GECAS Sverige Aircraft Leasing Worldwide AB	Airbus A320	-	1
GFL Aircraft Leasing Netherlands B.V.	Airbus A320	-	1
IC Airlease One Limited	Airbus A321	1	1
JSA Aircraft 38484, LLC	Boeing 787	1	1
JSA Aircraft 7126, LLC	Airbus A320	1	1
JSA Aircraft 7128, LLC	Airbus A321	1	1
JSA Aircraft 7239, LLC	Airbus A321	1	1
JSA Aircraft 7298, LLC	Airbus A321	1	1
Macquarie Aerospace Finance 5125-2 Trust	Airbus A320	1	1
Macquarie Aerospace Finance 5178 Limited	Airbus A320	1	1

Lessor	Aircraft	As of December 31, 2017	As of December 31, 2016
Magix Airlease Limited	Airbus A320	-	1
MASL Sweden (8) AB	Airbus A320	-	1
Merlin Aviation Leasing (Ireland) 18 Limited	Airbus A320	1	1
Merlin Aviation Leasing (Ireland) 7 Limited	Airbus A320	1	-
NBB Cuckoo Co., Ltd	Airbus A321	1	1
NBB Grosbeak Co., Ltd	Airbus A321	1	1
NBB Redstart Co. Ltd	Airbus A321	1	1
NBB-6658 Lease Partnership	Airbus A321	1	1
NBB-6670 Lease Partnership	Airbus A321	1	1
Orix Aviation Systems Limited	Airbus A320	4	5
PAAL Aquila Company Limited	Airbus A321	2	2
PAAL Gemini Company Limited	Airbus A321	1	1
SASOF II (J) Aviation Ireland Limited	Airbus A319	-	1
Shenton Aircraft Leasing Limited	Airbus A320	1	1
Sky High XXIV Leasing Company Limited	Airbus A320	5	5
Sky High XXV Leasing Company Limited	Airbus A320	2	2
SMBC Aviation Capital Limited	Airbus A320	4	6
SMBC Aviation Capital Limited	Airbus A321	2	2
TC-CIT Aviation Ireland Limited	Airbus A320	-	1
Volito Aviation August 2007 AB	Airbus A320	2	2
Volito Aviation November 2006 AB	Airbus A320	2	2
Volito November 2006 AB	Airbus A320	2	2
Wells Fargo Bank North National Association	Airbus A319	2	3
Wells Fargo Bank North National Association	Airbus A320	-	2
Wells Fargo Bank Northwest National Association	Airbus A320	5	7
Wells Fargo Bank Northwest National Association	Airbus A350	2	2
Wells Fargo Bank Northwest National Association	Boeing 767	2	3
Wells Fargo Bank Northwest National Association	Boeing 777	4	6
Wells Fargo Bank Northwest National Association	Boeing 787	11	11
Wilmington Trust Company	Airbus A319	-	1
Total		93	111

The rentals are shown in results for the period for which they are incurred.

The minimum future lease payments not yet payable are the following:

	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
No later than one year	462,205	533,319
Between one and five years	1,620,253	1,459,362
Over five years	1,498,064	1,262,509
Total	3,580,522	3,255,190

The minimum operating lease payments charged to income are the following:

	For the period ended December 31, 2017 ThUS$	2016 ThUS$
Minimum operating lease payments	579,551	568,979
Total	579,551	568,979

During 2017 two Airbus A320-200N were added for a period of twelve years each and two Airbus A319-100 aircraft, fifteen Airbus A320 aircraft were returned. On the other hand, two Boeing 787-9 aircraft were added for a period of twelve year each and one Boeing 767-300ER aircraft and one Boeing 767-300 Freighter aircraft were returned.

The operating lease agreements entered into by the Parent Company and its subsidiaries establish that aircraft maintenance must be carried out in accordance with the technical provisions of the manufacturer and in the margins agreed in the contracts with the lessor, a cost assumed by the lessee. Additionally, for each aircraft, the lessee must purchase policies that cover the associated risk and the amount of the assets involved. As for the rent payments, these are unrestricted and cannot be netted from other accounts receivable or payable by the lessor and the lessee.

At December 31, 2017 the Company has existing letters of credit related to operating leasing as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
GE Capital Aviation Services Limited	Lan Cargo S.A.	One letter of credit	1,100	Nov 30, 2018
ACS Aero 1 Alpha Limited	LATAM Airlines Group S.A.	One letter of credit	3,255	Aug 31, 2018
Bank of America	LATAM Airlines Group S.A.	Three letter of credit	1,043	Jul 2, 2018
Bank of Utah	LATAM Airlines Group S.A.	One letter of credit	2,000	Mar 24, 2019
Engine Lease Finance Corporation	LATAM Airlines Group S.A.	One letter of credit	4,750	Oct 8, 2018
GE Capital Aviation Services Ltd.	LATAM Airlines Group S.A.	Six letter of credit	22,105	Apr 30, 2018
International Lease Finance Corp	LATAM Airlines Group S.A.	Three letter of credit	1,450	Aug 5, 2018
ORIX Aviation Systems Limited	LATAM Airlines Group S.A.	Two letter of credit	7,366	Dec 11, 2018
Wells Fargo Bank	LATAM Airlines Group S.A.	Nine letter of credit	15,160	Mar 2, 2018
CIT Aerospace International	Tam Linhas Aéreas S.A.	One letter of credit	6,000	Oct 25, 2018
Wells Fargo Bank North N.A.	Tam Linhas Aéreas S.A.	One letter of credit	5,500	Jul 15, 2018
			69,729	

(c) Other commitments

At December 31, 2017 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
Servicio Nacional de Aduana del Ecuador	Líneas Aéreas Nacionales del Ecuador S.A.	Three letter of credit	1,705	Aug 5, 2018
Corporación Peruana de Aeropuertos y Aviación Comercial	Lan Perú S.A.	Twenty five letter of credit	1,897	Jan 31, 2018
Lima Airport Partners S.R.L.	Lan Perú S.A.	Eighteen letter of credit	996	Apr 30, 2018
Superintendencia Nacional de Aduanas y de Administración Tributaria	Lan Perú S.A.	Ten letter of credit	80,000	Jan 21, 2018
Aena Aeropuertos S.A.	LATAM Airlines Group S.A.	Four letter of credit	2,809	Nov 15, 2018
American Alternative Insurance Corporation	LATAM Airlines Group S.A.	Six letter of credit	3,690	Apr 5, 2018
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	9,868	Jun 16, 2018
Deutsche Bank A.G.	LATAM Airlines Group S.A.	One letter of credit	15,000	Mar 31, 2018
Dirección General de Aeronáutica Civil	LATAM Airlines Group S.A.	Fifty three letter of credit	19,759	Feb 28, 2018
Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador	LATAM Airlines Group S.A.	One letter of credit	5,500	Jun 18, 2018
Metropolitan Dade County	LATAM Airlines Group S.A.	Eight letter of credit	2,273	Mar 13, 2018
4ª Vara Mista de Bayeux	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,044	Mar 25, 2021
Conselho Administrativo de Conselhos Federais	Tam Linhas Aéreas S.A.	One insurance policies guarantee	12,703	May 19, 2020
Fundação de Proteão de Defesa do Consumidor Procon	Tam Linhas Aéreas S.A.	Two insurance policies guarantee	3,926	Apr 1, 2021
União Federal	Tam Linhas Aéreas S.A.	One insurance policies guarantee	6,604	Oct 20, 2021
União Federal -Fazenda Nacional	Tam Linhas Aéreas S.A.	One insurance policies guarantee	41,243	Jul 30, 2020
União Federal - Procuradoira - Gral da fazenda Nacional	Tam Linhas Aéreas S.A.	Four insurance policies guarantee	50,196	Jan 4, 2020
União Federal Vara Comarca de DF	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,551	Sep 28, 2021
União Federal Vara Comarca de SP	Tam Linhas Aéreas S.A.	One insurance policies guarantee	19,268	Feb 22, 2021
			280,032	

NOTE 33 - TRANSACTIONS WITH RELATED PARTIES

(a) Details of transactions with related parties as follows:

Tax No.	Related party	Nature of relationship with related parties	Country of origin	Nature of related parties transactions	Currency	Transaction amount with related parties As of December 31, 2017	2016
						ThUS$	ThUS$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Related director	Chile	Tickets sales	CLP	18	6
65.216.000-K	Comunidad Mujer	Related director	Chile	Tickets sales	CLP	14	9
				Services provided for advertising	CLP	-	(12)
78.591.370-1	Bethia S.A and subsidiaries	Related director	Chile	Services received of cargo transport	CLP	1,643	(394)
				Services received from National and International Courier	CLP	(382)	(285)
				Services provided of cargo transport	CLP	(17)	192
65.216.000-K	Viajes Falabella Ltda.	Related director	Chile	Sales commissions	CLP	(761)	(727)
79.773.440-3	Transportes San Felipe S.A	Related director	Chile	Services received of transfer of passengers	CLP	-	(84)
				Tickets sales	CLP	1	3
87.752.000-5	Granja Marina Tornagaleones S.A.	Common shareholder	Chile	Tickets sales	CLP	72	76
Foreign	Consultoría Administrativa Profesional S.A. de C.V.	Associate	Mexico	Professional counseling services received	MXN	(2,357)	(2,563)
Foreign	Inversora Aeronáutica Argentina	Related director	Argentina	Leases as lessor	ARS	(251)	(264)
Foreign	TAM Aviação Executiva e Taxi Aéreo S/A	Related director	Brazil	Services provided	BRL	45	(120)
				Services received at airports	BRL	(39)	7
Foreign	Qatar Airways	Indirect shareholder	Qatar	Services provided by aircraft lease	US$	31,707	-
				Interlineal received service	US$	(2,139)	-
				Interlineal provided service	US$	5,279	-
				Services provided of handling	US$	1,002	-

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

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

(b) Compensation of key management

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

	For the period ended December 31, 2017	2016
	ThUS$	ThUS$
Remuneration	17,826	16,514
Management fees	468	556
Non-monetary benefits	740	778
Short-term benefits	36,970	23,459
Share-based payments	13,173	8,085
Total	69,177	49,392

NOTE 34 - SHARE-BASED PAYMENTS

(a) Compensation plan for increase of capital

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

(a.1) Compensation plan 2011

On December 21, 2016, the subscription and payment period of the 4,800,000 shares corresponding to the compensation plan approved at the Extraordinary Shareholders' Meeting held on December 21, 2011, expired.

Of the total shares allocated to the 2011 Compensation Plan, only 10,282 shares were subscribed and paid, having been placed on the market in January 2014. In view of the above, at the expiration date, the 2011 Compensation Plan had a balance of 4,789,718 shares pending of subscription and payment, which was deducted from the authorized capital of the Company.

	Number of Stock Options In share-based payment arrangements			
Periods	Opening balance	Options waived by executives	Expired Action Options	Closing Balance
From January 1 to December 31, 2016	4,518,000	(4,172,000)	(346,000)	-
From January 1 to December 31, 2017	-	-	-	-

These options was valued and recorded at fair value at the grant date, determined by the "Black-Scholes-Merton". No result has been recognized as of December 2017 (ThUS$ 2,989 at December 31, 2016).

(a.2) Compensation plan 2013

At the Extraordinary Shareholders' Meeting held on June 11, 2013, the Company's shareholders approved motions including increasing corporate equity, of which 1,500,000 shares were allocated to compensation plans for employees of the Company and its subsidiaries, in conformity with the stipulations established in Article 24 of the Corporations Law. With regard to this compensation, a defined date for implementation does not exist.

(b) Compensation plan 2016-2018

The company implemented a retention plan long-term for executives, which lasts until December 2018, with a vesting period between October 2018 and March 2019, which consists of an extraordinary bonus whose calculation formula is based on the variation the value to experience the action of LATAM Airlines Group S.A. for a period of time.

This benefit is recognized in accordance with the provisions of IFRS 2 "Share-based Payments" and has been considered as cash settled award and therefore recorded at fair value as a liability, which is updated to the closing date of each financial statement with effect on profit or loss.

	Base Units				
Periods	Opening balance	Granted	Annulled	Exercised	Closing Balance
From January 1 to December 31, 2016	4,719,720	-	-	-	4,719,720
From January 1 to December 31, 2017	4,719,720	37,359	(1,193,286)	(630,897)	2,932,896

The fair value has been determined on the basis of the best estimate of the future value of the Company share multiplied by the number of units granted bases.

At December 31, 2017, the carrying amount of ThUS$ 13,173, is classified under "Administrative expenses" in the Consolidated Statement of Income by Function.

(c) Subsidiaries compensation plans

(c.1) Stock Options

Multiplus S.A., subsidiaries of TAM S.A., have outstanding stock options at December 31, 2017, which amounted to 316,025 shares (at December 31, 2016, the distribution of outstanding stock options amounted to 394,698 for Multiplus S.A.).

Multiplus S.A.

Description	3rd Grant 03-21-2012	4th Grant 04-03-2013	4nd Extraordinary Grant 11-20-2013	Total
Outstanding option number as December 31, 2016	84,249	173,399	137,050	394,698
Outstanding option number as December 31, 2017	84,249	163,251	68,525	316,025

For Multiplus S.A., the plan's terms provide that the options granted to the usual prizes are divided into three equal parts and employees may exercise one-third of their two, three and four, options respectively, as long as they keep being employees of the company. The agreed term of the options is seven years after the grant of the option. The first extraordinary granting was divided into two equal parts, and only half of the options may be exercised after three years and half after four years. The second extraordinary granting was also divided into two equal parts, which may be exercised after one and two years respectively.

The acquisition of the share's rights, in both companies is as follows:

	Number of shares Accrued options		Number of shares Non accrued options	
Company	As of December 31, 2017	As of December 31, 2016	As of December 31, 2017	As of December 31, 2016
Multiplus S.A.	-	-	316,025	394,698

In accordance with IFRS 2 - Payments based on shares, the fair value of the option must be recalculated and recorded in the liability of the Company, once cash payment is made (cash-settled). The fair value of these options was calculated using the "Black-Scholes-Merton" method, where the assumptions were updated with information from LATAM Airlines Group S.A. As of December 31, 2017 and December 31, 2016 there is no value recorded in liabilities and results.

(c.2) Payments based on restricted stock

In May of 2014 the Management Council of Multiplus S.A. approved a plan to grant restricted stock, a total of 91,103 ordinary, registered book entry securities with no face value, issued by the Company to beneficiaries.

The quantity of restricted stock units was calculated based on employees' expected remunerations divided by the average price of shares in Multiplus S.A. traded on the BM&F Bovespa exchange in the month prior to issue, April of 2014. This benefits plan will only grant beneficiaries the right to the restricted stock when the following conditions have been met:

a. Compliance with the performance goal defined by this Council as return on Capital Invested.

b. The Beneficiary must remain as an administrator or employee of the Company for the period running from the date of issue to the following dates described, in order to obtain rights over the following fractions: (i) 1/3 (one third) after the 2nd year from the issue date; (ii) 1/3 (one third)

125

Number shares in circulation

	Opening balance	Granted	Exercised	Not acquired due to breach of employment retention conditions	Closing balance
From January 1 to December 31, 2016	175,910	138,282	(15,811)	(60,525)	237,856
From January 1 to December 31, 2017	237,856	129,218	(41,801)	(15,563)	309,710

NOTE 35 - STATEMENT OF CASH FLOWS

(a) The Company has done significant non-cash transactions mainly with financial leases, which are detailed in Note 17 letter (d), additional information in numeral (iv) Financial leases.

(b) Other inflows (outflows) of cash:

	For the periods ended December 31, 2017	2016
	ThUS$	ThUS$
Guarantees	59,988	(51,559)
Fuel hedge	19,862	(50,029)
DOJ fine	-	(12,750)
SEC agreement	-	(4,719)
Fuel derivatives premiums	(2,832)	(6,840)
Hedging margin guarantees	(4,201)	1,184
Tax paid on bank transaction	(6,635)	(10,668)
Bank commissions, taxes paid and other	(7,738)	(769)
Change reservation systems	(16,120)	-
Currency hedge	(17,798)	(39,534)
Court deposits	(33,457)	(33,635)
Others	-	50
Total Other inflows (outflows) Operation flow	(8,931)	(209,269)
Others deposits in guarantees	3,754	-
Recovery loans convertible into shares	-	8,896
Tax paid on bank transaction	(2,594)	(3,716)
Others	(10,383)	(4,337)
Total Other inflows (outflows) Investment flow	(9,223)	843
Loan guarantee	80,615	(74,186)
Aircraft Financing advances	(26,214)	(125,149)
Settlement of derivative contracts	(40,695)	(29,828)
Total Other inflows (outflows) Financing flow	13,706	(229,163)

126

(c) Dividends:

	For the periods ended December 31, 2017	2016
	ThUS$	ThUS$
Latam Airlines Group S.A.	(20,766)	-
Multiplus S.A. (*)	(45,876)	(40,823)
Lan Perú S.A. (*)	-	(400)
Total dividends paid	(66,642)	(41,223)

(*) Dividends paid to minority shareholders

d) Reconciliation of liabilities arising from financing activities:

Obligations with financial institutions	As of December 31, 2016	Cash flows: Obtainment Capital	Cash flows: Payment Capital	Cash flows: Payment Interest	Non-Flow Movements: Interest accrued and others	Non-Flow Movements: Reclassifications	As of December 31, 2017
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Loans to exporters	278,164	130,000	(99,719)	(7,563)	13,737	-	314,619
Bank loans	585,287	70,357	(345,552)	(21,127)	32,668	-	321,633
Guaranteed obligations	4,758,552	182,140	(486,599)	(154,072)	155,907	(419,085)	4,036,843
Other guaranteed obligations	256,420	-	(15,022)	(8,890)	9,667	-	242,175
Obligation with the public	1,309,345	1,055,167	(797,828)	(128,764)	146,146	-	1,584,066
Financial leases	1,022,361	-	(344,005)	(46,874)	58,937	419,085	1,109,504
Other loans	394,791	13,107	(124,688)	(22,434)	22,024	-	282,800
Total Obligations with financial institutions	8,604,920	1,450,771	(2,213,413)	(389,724)	439,086	-	7,891,640

(e) Advances of aircraft

Below are the cash flows associated with aircraft purchases, which are included in the statement of consolidated cash flow, in the item Purchases of properties, plants and equipment:

	For the periods ended December 31, 2017	2016
	MUS$	MUS$
Increases (payments)	(205,143)	(170,684)
Recoveries	78,641	727,585
Total cash flows	(126,502)	556,901

NOTE 36 - THE ENVIRONMENT

LATAM Airlines Group S.A has a commitment to sustainable development seeking to generate value taking into account the governance, environmental and social aspects. The company manages environmental issues at a corporate level, centralized in the Sustainability Management. For the company to monitor and minimize its impact on the environment is a commitment of the highest level; where the continuous improvement and contribute to the solution of the global climate change problem, generating added value to the company and the region, are the pillars of its management.

One of the functions of the Sustainability Management in environmental issues, together with the various areas of the Company, is to ensure environmental compliance, implement a management system and environmental programs that comply with the requirements every day more. demanding worldwide; in addition to continuous improvement programs in their internal processes, which generate environmental, social and economic benefits and which are added to those currently carried out.

Within the sustainability strategy, the Environment dimension of LATAM Airlines Group S.A., is called Climate Change and is based on the goal of achieving world leadership in this area, and for which we work on the following aspects:

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

This is how, during 2017, the following initiatives have been carried out:

- Implementation of an Environmental Management System for the main operations of the company. It is highlighted that the company during 2016 has recertified its environmental management system in Miami facilities following the guidelines of the international standard ISO 14.001.
- Maintenance of the Stage 2 Certification of IATA Environmental Assestment (IEnvA) whose scope is the international flights operated from Chile, the most advanced level of this certification; being the first in the continent and one of the four airlines in the world that have this certification.
- Preparation of the environmental chapter for the sustainability report of the company, which allows to measure progress in environmental issues.
- Answer to the questionnaire of the DJSI.
- Measurement and external verification of the Corporate Carbon Footprint.
- Neutralization of land operations in the operations of Colombia and Peru with emblematic reforestation projects in the respective countries.

It is highlighted that in 2017, LATAM Airlines Group maintained its inclusion for the fourth consecutive year in the world category of the Dow Jones Sustainability Index, with only 3 airlines in the world belonging to this select group.

NOTE 37 - EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

Subsequent to December 31, 2017 and until the date of issuance of these financial statements, there is no knowledge of other financial or other events that significantly affect the balances or their interpretation.

The consolidated financial statements of LATAM Airlines Group S.A. and Subsidiaries as of December 31, 2017, have been approved in an Extraordinary Board Meeting on March 14, 2018.

SUBS IDIA RIES

and Affiliated Companies

LATAM AIRLINES GROUP S.A

Name: LATAM Airlines Group S.A., R.U.T. 89.862.200-2

Incorporation:

It was established as a limited liability company via a public deed dated December 30, 1983 before Notary Eduardo Avello Arellano; an excerpt of this deed is recorded in the Santiago Commerce Registry on page 20,341 number 11,248 of the year 1983, and published in the Official Gazzette on December 31, 1983.

Pursuant to the public deed dated August 20, 1985, granted by Notary Miguel Garay Figueroa's Office, the company became a joint-stock corporation known as Línea Aérea Nacional Chile S.A. (nowadays, LATAM Airlines Group S.A.) which, by express provision of Law N° 18,400, has the quality of legal follower of the state-owned company created in the year 1929 under the name Línea Aérea Nacional de Chile, pursuant to the aeronautical and radio communications concessions, traffic rights, and other administrative concessions.

Lan Chile S.A.'s Extraoridnary Shareholders' Meeting agreed on July 23, 2004 to change the company's name to "Lan Airlines S.A." An excerpt of the deed to which the Minutes of said Meeting referred was recorded in the Real Estate Registry of the Registry of Commerce on page 25,128 number 18,764 of the year 2004 and published in the Official Gazzette on August 21, 2004. The effective date for the name change was September 8, 2004.

Lan Airlines S.A.'s Extraordinary Shareholders' meeting held on December 21, 2011 agreed to change the company's name to "LATAM Airlines Group S.A." An excerpt of the deed to which the Minutes of said Meeting referred was recorded in the Real Estate Registry of the Registry of Commerce on page 4,238 number 2,921 of the year 2012 and published in the Official Gazzette on January 14, 2012. The effective date for the name change was June 22, 2012.

LATAM Airlines Group S.A. is ruled by the regulation applicable to open stock companies, and registered to this effect under Nº 0306, dated January 22, 1987, in the Commission for the Financial Market ("CMF"), formerly the Superintendency of Securities and Insurance.

Note: A summary of the subsidiaries' Financial Statements is presented herein. The full information is available to the public in our offices and at the CMF.

TAM S.A. AND AFFILIATES

Incorporation:
Joint Stock Corporation established in Brazil in May 1997.

Purpose:
To participate as shareholder in other companies, particularly those operating scheduled air transport services on a national and international level, as well as activities connected, related, and complementary to scheduled air transport.

Paid-in Capital:
MUS$2,514,245

Profit for the period:
MUS$203,678

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
4.98%

Chairperson:
Claudia Sender Ramirez

Board Members:
Ruy Antonio Mendes Amparo
Federico Herman Germani

TAM S.A. Affiliate Companies

TAM Linhas Aereas S.A. and affiliates

Individualization:
Joint Stock Corporation established in Brazil.

Purpose:
(a) Operate scheduled air transport services for passengers, cargo, and correspondence, pursuant to current legislation; (b) Operate complementary activities for air transport services for passengers, cargo, and correspondence; (c) Provide services for maintenance, aircraft repair (own and third-party airplanes), engines, and parts; (d) Provide aircraft storage services; (e) Provide loza y pista, on-board provision, and aircraft cleaning services; (f) Provide engineering, technical assistance, and other related services for the aeronautical industry; (h) Analyze and develop programs and systems; (i) Purchase and sell spare parts, accessories, and aeronautical equipment; (j) Develop and perform other related, correlated, or complementary activities for air transport, in addition to those expressly enumerated above; (k) Import and export finished lubricant; and (l) Operate bank correspondent services.

Paid-in Capital:
MUS$2,148,226

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
3.26596%

Chairperson:
Claudia Sender Ramirez

Board Members:
Ruy Antonio Mendes Amparo
Daniel Levy

ABSA: Aerolinhas Brasileiras S.A. and affiliate

Individualization:
Joint Stock Corporation established in Brazil.

Purpose:
(a) Operate scheduled air transport services for domestic and international passengers, cargo, and correspondence, pursuant to current legislation; (b) Operate auxiliary activities for air transport, such as service, cleaning, and hauling aircraft, load monitoring, operational flight dispatch, check-in and check-out, and other services established within its own legislation; (c) commercial and operational leasing, as well as air charter services; (d) Develop and carry out other related, correlated, and complementary activities for air transport, in addition to those enumerated above.

Paid-in Capital:
MUS$62,752

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.16901%

Chairperson:
Luis Quintiliano

Board Members:
Dario Matsuguma
Daniel Levy

TAM S.A. Affiliate Companies

Multiplus S.A.

Individualization:
Joint Stock Corporation established in Brazil.

Purpose:
i. To develop and manage the customer loyalty program based on consumption of goods and services offered by the Company's business partners; ii. To trade the award redemption rights pursuant to the framework of the customer loyalty program; iii. To create databases of both individuals and companies; iv. To obtain and process transaction information regarding consumption patterns; v. To represent other companies, both Brazilian and foreign; and vi. To provide auxiliary services for the trade of goods and products, including, but not limited to, importing and exporting said goods and products and, in addition to the acquisition of related items and products, directly or indirectly, to achieve the abovementioned activities.

Paid-in Capital:
MUS$32,437

Stake in 2017:
72.40%

YOY variation:
0.00%

% of Holding assets:
1.49870%

Chairperson:
Roberto José Maris de Medeiros

Board Members:
Ronald Domingues
Ricardo Gazetta
Ricardo Birtel Mendes de Freitas

Transportes Aereos del Mercosur S.A.

Individualization:
Joint Stock Corporation established in Paraguay.

Purpose:
It has a broad corporate purpose that includes aeronautical, commercial, tourist, service, financial, representation, and investment activities, with a focus on scheduled and charter, domestic and international, aeronautical transporation activities for people, objects, and/or correspondence, among others, as well as commercial and maintenance and technical assistance services for all types of aircraft, equipment, accessories, and material for airworthiness, among others.

Paid-in Capital:
MUS$15,708

Stake in 2017:
94.98%

YOY variation:
0.00%

% of Holding assets:
0.14770%

Chairperson:
Rosario Altgelt

Board Members:
Enrique Alcaide Hidalgo
Esteban Burt
Darío Maciel Martínez
Hernán Pablo Morosuk (Interim Member)

Management:
Enrique Alcaide Hidalgo
Esteban Burt Artaza
Maria Emiliana Duarte León
Luis Galeano
Diego Martinez

Chief Executive:
Rosario Altgelt

Corsair Participações Ltda

Individualization:
Joint Stock Corporation established in Brazil.

Purpose:
(i) to participate in other civil or commercial associations as shareholder or partner; and (ii) to manage its own assets.

Paid-in Capital:
MUS$58

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.00332%

Chairperson:
Ruy Antonio Mendes Amparo

Board Members:
Euzébio Angelotti Neto

TAM S.A. Affiliate Companies

TP Franchising Limited

Individualization:
Limited Liability Company established in Brazil.

Purpose:
(a) to award franchises; (b) to temporarily award its franchisees, free of charge or for a fee, the right to use its brands, systems, knowledge, methods, patents, actuation technology, and any other rights, stakes, or assets, movable or immovable, tangible or intangible, owned by the Company, as present or future owner or licensee, for the development, implementation, operation, or management of the franchises that it may grant; (c) to develop any and all necessary activities to ensure, insofar as possible, the ongoing maintenance and perfecting of the actuation patterns of its franchise network; (d) to develop implementation, operation, and mangement models for its franchise network and their transfer to the franchisees; and (e) the distribution, sale, and marketing of airfares and related products, as well as any related or accessory business to its main objective, while also able to participate in other companies as partner or shareholder, either in Brazil or Abroad, or in consortiums, as well as to carry out its own projects, or form partnerships with third parties in their projects, even to obtain tax benefits, pursuant to current legislation.

Paid-in Capital:
MUS$9

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.00273%

Management:
Claudia Sender Ramirez
Marcelo Eduardo Guzzi Dezem
Daniel Levy

TAM Capital Inc

Individualization:
Joint Stock Corporation established in Brazil.

Purpose:
The Company may exercise any activity that is not in conflict with the law.

Paid-in Capital:
MUS$131,171

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.00%

Board Members:
José Zaidan Maluf,
Bruno Macarenco Aléssio
Euzébio Angelotti Neto

TAM Capital 2 Inc.

Individualization:
Joint Stock Corporation established in Brazil.

Purpose:
The company may exercise any activity that is not in conflict with the law.

Paid-in Capital:
MUS$93,216

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.00%

Board Members:
José Zaidan Maluf,
Bruno Macarenco Aléssio
Euzébio Angelotti Neto

TAM S.A. Affiliate Companies

TAM Capital 3 Inc.

Individualization:
Joint Stock Corporation established in Brazil.

Purpose:
The company may exercise any activity that is not in conflict with the law.

Paid-in Capital:
MUS$210,574

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.86614%

Board Members:
José Zaidan Maluf,
Bruno Macarenco Aléssio
Euzébio Angelotti Neto

LAN CARGO S.A AND AFFILIATES

Incorporation:
Established as a private limited company via the public deed dated May 22, 1970, before Notary Sergio Rodriguez Garces, its incorporation was materialized through the contribution of assets and liabilities from company Linea Aerea del Cobre Limitada (Ladeco Limitada), established on September 3, 1958, before Notary Jaime Garcia Palazuelos. The Company has undergone various reforms, the latest of which is set forth in the public deed dated November 20, 1998, and an excerpt of which was included on page 30,091 number 24,117 of the Santiago Commerce Resgistry and published in the Official Gazzette on December 3, 1998, whereby Ladeco S.A. was merged into Lan Chile S.A.'s affiliate, Fast Air Carrier S.A.

In the public deed dated October 22, 2001, wherein the Minutes from the Extraordinary Shareholders' Meeting of Ladeco S.A. held on the same date were recorded, the company's name was changed to "Lan Chile Cargo S.A." An excerpt of said deed was recorded in the Real Estate Registry of the Santiago Registry of Commerce on page 27,746 number 22,624 of the year 2001, and published in the Official Gazzette on November 5, 2001. The name change became effective as of December 10, 2001.

In the public deed dated August 23, 2004, wherein the Minutes from the Extraordinary Shareholders' Meeting of Lan Chile Cargo S.A. held on August 17, 2004 were recorded, the company's name was changed to "Lan Cargo S.A." An excerpt of said deed was recorded in the Real Estate Registry of the Santiago Registry of Commerce on page 26,994 number 20,082 of the year 2004 and published in the Official Gazzette on August 30, 2004.

Purpose:
To perform and develop, either on its own behalf or for third parties, the following: general transportation in any form and, specifically, air transport of passengers, cargo, and correspondence, within the country and abroad; tourism, lodging, and other related activities, in any form, within the country and abroad; purchase, sale, manufacture and/or integration, maintenance, leasing, or any other form of use, be it on its own behalf or for third parties, of airplanes, spare parts, and aeronautical equipment, and their operation for any given purpose; provide all sorts of services and counseling related to transportation in general and, specifically, to air transportation in any of its forms, be it ground support, maintenance, technical assistance, or any other type, within the country and abroad, and all sorts of services and activities related to tourism, lodging, and other abovementioned activities and goods, within the country and abroad. In order to meet the abovementioned goals, the Company may perform investments or participate as partner in other companies, either by purchasing stocks or rights or stakes in any other type of corporation, be it an already established one or one created in the future, and overall, perform all acts and enter all contracts necessary and relevant to the purposes described.

Paid-in Capital:
MUS$83,226

Profit for the period:
MUS$ (4,639)

Stake in 2017:
99.898%

YOY variation:
0.00%

% of Holding assets:
1.93%

Board Members:
Andrés Bianchi Urdinola (LATAM Executives)
Ramiro Alfonsin Balza (LATAM Executives)
Enrique Cueto Plaza (LATAM Executives)

Chief Executive:
Andrés Bianchi Urdinola

Lan Cargo S.A. Affiliate Companies

Laser Cargo S.R.L.

Individualization:
Limited Liability Company established in Argentina.

Purpose:
On its own behalf and/or for third parties, to provide services as an air and sea cargo agent, operation of air and sea containers, loading and unloading control of conventional aircraft, cargo aircraft, conventional ships, and container ships, consolidation and deconsolidation, operations and contracts with air, sea, river, and land cargo transport, distribution, and promotion companies, and related activities and services, imports and exports: said operations will be carried out pursuant to the laws of the country and the regulation pertaining to said professions and activities, the legal stipulations on customs, and the rules of the Argentine coast guard (PNA), Argentine airforce, as well as by commissioning to third parties the performance of tasks assigned by current legislation to customs brokers; also, deposit and transfer of fruit, products, raw materials, general merchandise, and documents in general on its own behalf and/or for third parties: packaging of general merchandise, on its own behalf and/or for third parties. To perform said activities, the company may register as sea or air agent, importer and exporter, sea and air contractor and supplier before the corresponding authorities. In turn, it will carry out postal activities destined to the admission, classification, transportation, distribution, and delivery of correspondence, letters, postcards, and parcels weighing up to 50 kg, within the Argentine Republic and to or from other countries. This activity includes the tasks carried out by so-called couriers or courier companies, and all other assimilated or assimilable activities pursuant to Art. 4 of Decree 1187/93. The company may also carry out the logistics process consisting in transferring, storing, assembling, fractioning, packaging, and conditioning of general merchandise to be later transported and distributed to the end customer, as well as managing the pertinent information to fulfill this goal; that is: the logistics process from fetching the raw material from the supplier to delivering the finished product to the customer, and the information regulation to guarantee the efficiency in this management process.

Paid-in Capital:
MUS$68

Stake in 2017:
99.99%

YOY variation:
0.00%

% of Holding assets:
0.0000%

Board Members:
Esteban Bojanich

Management:
Esteban Bojanich,
Rosario Altgelt
María Marta Forcada,
Facundo Rocha
Gonzalo Perez Corral
Nicolás Obejero
Norberto Díaz

Fast Air Almacenes de Carga S.A.

Individualization:
Joint Stock Corporation established in Chile.

Purpose:
To operate or manage the warehouses or storage facilities of customs deposits, where any type of good or merchandise can be stored until its withdrawal, for imports, exports, or any other customs destination, pursuant to the terms stated within the Customs Ordinance, its rules, and other corresponding regulation.

Paid-in Capital:
MUS$6,741

Stake in 2017:
99.89%

YOY variation:
0.00%

% of Holding assets:
0.04292%

Board Members:
Ramiro Alfonsin Balza (LATAM Executives)
Andrés del Valle Eitel (LATAM Executives)
Hernan Pasman (LATAM Executives)

Chief Executive:
Position currently vacant

Lan Cargo S.A. Affiliate Companies

Prime Airport Services Inc. and affiliate

Individualization:
Corporation established in the United States

Purpose:
To operate or manage the warehouses or storage facilities of customs deposits, where any type of good or merchandise can be stored until its withdrawal, for imports, exports, or other customs destination, pursuant to the terms stated within the Customs Ordinance, its rules, and other corresponding regulation.

Paid-in Capital:
MUS$2

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.00000%

Chief Executive:
Rene Pascua

Lan Cargo Overseas Limited and affiliates

Individualization:
Limited Liability Company established in Bahamas.

Purpose:
To participate in any act or activity that is not expressly forbidden by any valid law in Bahamas.

Paid-in Capital:
MUS$1,183

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.12644%

Board Members:
Andrés del Valle Eitel (LATAM Executive)

Management:
Andrés del Valle Eitel (LATAM Executive)

Transporte Aéreo S.A.

Individualization:
Joint Stock Corporation established in Chile.

Purpose:
To participate in any act or activity that is not expressly forbidden by any existing law in Bahamas.

Paid-in Capital:
MUS$11,800

Stake in 2017:
99.99%

YOY variation:
0.00%

% of Holding assets:
1.17109%

Board Members:
Ramiro Alfonsin Balza
Roberto Alvo Milosawlewitsch

Management:
Ramiro Alfonsin Balza
Roberto Alvo Milosawlewitsch

Lan Cargo S.A. Affiliate Companies

Consorcio Fast Air Almacenes de Carga S.A. - Laser Cargo S.R.L.

Individualization:
Transitory merger of companies established in Argentina.

Purpose:
Bidding at National and International Public Tender N° 11/2000 to be awarded the License of Use for the Installation and Operation of a Tax Warehouse at the Rosario International Airport.

Paid-in Capital:
MUS$132

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.00018%

Board Members:
Esteban Bojanich

Management:
Esteban Bojanich

Lan Cargo Inversiones S.A. and affiliate

Individualization:
Joint Stock Corporation established in Chile.

Purpose:
a) to trade in air transportation, in any of its forms, be it of passengers, correspondence, and/or cargo, and anything related directly or indirectly to said activity within the country or abroad, on its own behalf or for third parties; b) to provide services releated to the maintenance and repair of own and third-party aircraft; c) to market and perform activities related to travel, tourism, and lodging; d) to make and/or participate in all types of investments, both in Chile and abroad, in matters directly or indirectly related to aeronautical issues and/or to any of the other corporate purposes; and e) to carry out and operate all other activities derived from the corporate purpose and/or related, connected, contributory, or complementary activities thereof.

Paid-in Capital:
MUS$125

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.00000%

Board Members:
Andrés Bianchi Urdinola Plaza (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

Connecta Corporation

Individualization:
Corporation established in the United States.

Purpose:
Ownership, operating leasing, and subleasing of aircraft

Paid-in Capital:
MUS$1

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.11430%

Chief Executive:
Andrés Bianchi Urdinola

Lan Cargo S.A. Affiliate Companies

Línea Aérea Carguera de Colombia (Subsidiary of LAN Cargo Inversiones)

Individualization:
Joint Stock Corporation established in Colombia.

Purpose:
To provide public, commercial cargo, and correspondence air transportation within the Republic of Colombia and from and to Colombia. As a secondary corporate purpose, the company can offer maintenance services to itself and to third parties; run its operations school and provide theoretical and practical instruction services, as well as tranining for its own and third-party aeronautical personnel in the various modes and specialties; import spare parts and replacements related to aeronautical activities, for itself and for third parties; provide airport services to third parties; represent or broker national and foreign air transport companies for passengers or cargo, and in general, companies that provide services to the aeronautical sector.

Paid-in Capital:
MUS$774

Stake in 2017:
90.00%

YOY variation:
0.00%

% of Holding assets:
0.05192%

Board Members:
Alberto Davila Suarez (permanent member)
Santiago Alvarez Matamoros (permanent member)
Jaime Antonio Gongora Esguerra (permanent member)
Andrés Bianchi Urdinola (Interim Member)
Jorge Nicolas Cortazar Cardoso (Interim Member)
Helen Victoria Warner Sanchez

Management:
Jaime Antonio Gongora Esguerra
Erika Zarante Bahamon

Mas Investment Limited (A subsidiary of LAN Overseas Limited)

Individualization:
Limited Liability Company established in Bahamas.

Purpose:
To perform all activities that are not expressly forbidden by Bahamas law, and specifically, to hold stakes in other LAN affiliates.

Paid-in Capital:
MUS$1,446

Stake in 2017:
100.000

YOY variation:
0.00%

% of Holding assets:
0.03554%

Board Members:
J. Richard Evans
Carlton Mortimer
Charlene Y. Wels
Geoffrey D. Andrews.

Promotora Aérea Latinoamérica S.A. and affiliates (A subsidiary of Mas Investmet Limited)

Individualization:
Variable Capital Corporation established in Mexico.

Purpose:
To promote, establish, organize, operate, and participate in the capital and equity of all types of trade companies, civil associations, industrial, commercial, service, or any other type of associations or companies, both national and foreign, as well as to participate in their management or settlement. *Acquisition, disposal, and overall trading in all types of stocks, equity interests, and any other security allowed by the law... *Providing or contracting technical, advisory, and consulting services, as well as signing contracts or agreements to pursue these goals.

Paid-in Capital:
MUS$2,216

Stake in 2017:
49.00%

YOY variation:
0.00%

% of Holding assets:
0.02508%

Management:
Luis Ignacio Sierra Arriola

Lan Cargo S.A. Affiliate Companies

**Inversiones Áreas S.A
(A Subsidiary of Mas Investmet Limited)**

Individualization:
Joint Stock Corporation established in Peru.

Purpose:
To promote, establish, organize, operate, and participate in the capital and equity of all types of trade companies, civil associations, industrial, commercial, service, or any other type of associations or companies, both national and foreign, as well as to participate in their management or settlement. *Acquisition, disposal, and overall trading in all types of stocks, equity interests, and any other security allowed by the law... *Providing or contracting technical, advisory, and consulting services, as well as signing contracts or agreements to pursue these goals.

Paid-in Capital:
MUS$428

Stake in 2017:
100.00%

YOY variation:
0.00%

% of Holding assets:
0.03116%

Chairperson:
Jorge Alejandro Villa Mardel

Board Members:
Jorge Alejandro Villa Mardel
Andrés Enrique del Valle Eitel
Ramiro Diego Alfonsín Balza

Chief Executive:
Silvana Muguerza Mori

Americonsul S.A de C.V. (A Subsidiary of Promotora Aérea Latinoamérica S.A and affiliates)

Individualization:
Variable Capital Corporation established in Mexico.

Purpose:
To provide and receive all manner of technical, administrative, or counseling services for industrial, commercial, and service companies; Promote, organize, manage, supervise, provide, and direct personnel training courses; Perform all types of studies, plans, projects, and research; Engage the necessary professional and technical personnel.

Paid-in Capital:
MUS$5

Stake in 2017:
49.00%

YOY variation:
0.00%

% of Holding assets:
0.00000%

Management:
Luis Ignacio Sierra Arriola
Hector Ivan Iriarte
Claudio Torres

Americonsult de Guatemala S.A. (A subsidiary of Americonsul S.A de C.V)

Individualization:
Joint Stock Corporation established in Guatemala.

Purpose:
Powers to represent, broker, negotiate, and market; Carry out all types of commercial and industrial activities; All manner of trade in general. Broad purpose that allows for all manner of operations within the country.

Paid-in Capital:
MUS$76

Stake in 2017:
99.00%

YOY var.:
0.00%

% of Holding assets:
0.00071%

Chairperson:
Luis Ignacio Sierra Arriola

Board Members:
Carlos Fernando Pellecer Valenzuela

Management:
Carlos Fernando Pellecer Valenzuela

Lan Cargo S.A. Affiliate Companies

Americonsult de Costa Rica S.A. (A subsidiary of Americonsul S.A de C.V)

Incorporation:
Joint Stock Corporation established in Costa Rica.

Purpose:
General trade; industry, agriculture, and livestock.

Paid-in Capital:
MUS$20

Stake in 2017:
99.00%

YOY var.:
0.00%

% of Holding assets:
0.00635%

Management:
Luis Ignacio Sierra Arriola
Treasurer: Alejandro Fernández Espinoza
Luis Miguel Renguel López
Tomás Nassar Pérez
Marjorie Hernández Valverde.

LAN PERÚ S.A

Incorporation:
Joint Stock Corporation established in Peru on February 14, 1997.

Purpose:
Provide air transportation services for passengers, cargo, and correspondence, both nationally and internationally, pursuant to current civil aeronautical legislation.

Paid-in Capital:
MUS$4,341

Profit for the period:
MUS$ 1,205

Stake in 2017:
70.00%

YOY variation:
0.00%

% of Holding assets:
0.06598%

Chairperson:
Emilio Rodríguez Larraín Salinas

Board Members:
César Emilio Rodríguez Larraín Salinas
Enrique Cueto Plaza (LATAM Executive)
Enrique Cueto Plaza (LATAM Executive)
Jorge Harten Costa
Alejandro García Vargas
Emilio Rodríguez Larraín Miró Quesada
Roberto Alejandro Alvo Milosawlewitsch (LATAM Executive)

Chief Executive:
Félix Antelo

LAN INVERSIONES S.A. AND AFFILIATES

Incorporation:
Established as a private limited company through the Public Deed dated January 23, 1990 before Notary Humberto Quezada M., recorded in the Santiago Commerce Registry on page 3,462 N° 1,833 of the year 1990, and published in the Official Gazzette on February 2, 1990.

Purpose:
Perform investments in all manner of goods, be they movable or immovable, tangible or intangible. Moreover, the Company may establish other types of companies of any sort; acquire rights in already existing corporations, manage, modify, and settle them.

Paid-in Capital:
MUS$459

Profit for the period:
MUS$1,588

Stake in 2017:
100.00%

YOY variation:
0.0%

% of Holding assets:
0.03447%

Chairperson:
Enrique Cueto Plaza (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

Chief Executive:
Gregorio Bekes (LATAM Executive)

Affiliate companies of Inversiones Lan S.A. and stakes

Andes Airport Services S.A.

Individualization:
Joint Stock Corporation established in Chile.

Purpose:
Comprehensive counseling for companies and provision of services for third parties, such as loading, ground handling, staffing, and any other requirements. For this purpose, the company will carry out its operations through personnel expressly hired for this purpose on its own behalf, or for third parties. Overall, the company can carry out all activities directly or indirectly related to its specific purpose of offering counseling or services to third parties.

Paid-in Capital:
MUS$3

Stake in 2017:
98.00%

YOY variation:
0.00%

% of Holding assets:
0.02685%

Board Members:
Enrique Cueto Plaza (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)

LATAM TRAVEL CHILE S.A AND AFFILIATE

Incorporation:
Established as a private limited company through the Public Deed dated June 22, 1987 before Santiago Notary Raul Undurraga Laso, recorded in the Santiago Commerce Registry on page 13,139 N° 8,495 of the year 1987, and published in the Official Gazzette on July 2, 1987. The company has undergone various reforms, the latest of which is recorded in the public deed dated August 24, 1999 before Santiago Notary Eduardo Pinto Peralta and recorded on page 21,042 N° 16,759 of the year 1999 and published in the Official Gazzette on September 8, 1999.

Purpose:
Operation, management, and representation of national and foregin businesses in the lodging, shipping, air, and tourism industries; operation on its own behalf or for third parties, automobile leasing; imports, exports, production, marketing, and distribution on its own behalf or forth third parties, of any type of merchandise, raw materials, inputs, or finished products, in national and international markets.

Paid-in Capital:
MUS$235

Profit for the period:
MUS$1,833

Stake in 2017:
100.00%

YOY variation:
0.0%

% of Holding assets:
0.02433%

Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

Chief Executive:
Claudia Caceres Araya (LATAM Executive)

Affiliate Company of Latam Travel Chile S.A. and stake

Latam Travel Chile II S.A.

Individualization:
Joint Stock Corporation established in Chile.

Purpose:
Operation, management, and representation of national or foreign companies or businesses in the lodging, shipping, air, and tourism activities in general; brokerage of tourist services, such as: (a) booking seats and selling tickets for all types of national transportation, (b) booking, acquistion, and sale of lodging and tourism services, and tickets to all types of entertainment, museums, monuments, and protected areas in the country, (c) organization, promotion, and sale of tourist packages, understood as the group of tourist services (food, transportation, lodging, etc.), adjusted or projected at the client's behest, at a preset price, to be operated in national territory, (d) air, land, sea, and river tourist transportation within the national territory; (e) leasing and charter of planes, ships, buses, trains, and other forms of transportation for the provision of tourist services; (f) any other activity directly or indirectly related to the provision of the abovementioned services.

Paid-in Capital:
MUS$235

Stake in 2017:
99.99%

YOY var.:
0.00%

% of Holding assets:
0.02433%

Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

Chief Executive:
Claudia Caceres Araya (LATAM Executive)

LAN PAX GROUP S.A.

Incorporation:
Established as a private limited company through the Public Deed dated September 27, 2001 before Santiago Notary Patricio Zaldivar Mackenna, recorded in the Santiago Commerce Registry on page 25,636 N° 20,794 on October 4, 2001, and published in the Official Gazzette on October 6, 2001.

Purpose:
Perform investments in all manner of goods, be they movable or immovable, tangible or intangible. Within its line of business, the Company may create other types of companies of any sort; acquire rights in already existing corporations, manage, modify, and settle them. Overall, it may acquire and sell all manner of goods and operate them, on its own behalf or for third aprties, as well as perform all manner of acts and enter into all manner of contracts conducive to its goals. Exercise the development and operation of all other activities derived from and/or related, connected, contributory, or complementary to the company's corporate purpose.

Paid-in Capital:
MUS$425

Profit for the period:
MUS$ (36,343)

Stake in 2017:
100.00%

YOY var.:
0.00%

% of Holding assets:
0.00%

Board Members:
Andrés del Valle Eitel (LATAM Executive)
Roberto Alvo Milosawlewitsch (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

Chief Executive:
Andrés del Valle Eitel (LATAM Executive)

Affiliate companies of Lan Pax Group S.A. and stakes

Inversora Cordillera S.A. and affiliates

Individualization:
Joint Stock Corporation established in Argentina.

Purpose:
To perform investments on its own behalf or for third parties, or related to third parties, in other stock companies, regardless of corporate purpose, established or to be established, within the Argentine Republic or abroad, via acquisition, incorporation, or sale of stakes, shares, quotas, bonds, options, commercial paper, convertible or otherwise, other transferrable securities, or other forms of investment allowed by the applicable regulation at any given moment, either to hold them in its own portfolio, or to sell them partially or in full, as may be the case. For this purpose, the company may carry out all transactions that are not expressly forbidden by law in compliance with its corporate purpose, and it has full legal capacity to acquire rights, contract obligations, and exercise all acts that are not expressly forbidden by law or statute.

Paid-in Capital:
MUS$215,148

Stake in 2017:
95.78%

YOY var.:
0.00%

% of Holding assets:
0.66996%

Affiliate companies of Lan Pax Group S.A. and stakes

Board Members:
Manuel Maria Benites
Jorge Luis Perez Alati
Ignacio Cueto Plaza

Management:
Manuel María Benites
Jorge Luis Perez Alati
Rosario Altgelt
María Marta Forcada
Facundo Rocha
Gonzalo Perez Corral
Nicolás Obejero
Norberto Díaz

Latam Travel S.A.

Individualization:
Joint Stock Corporation established in Argentina.

Purpose:
To perform on its own behalf or for third parties and/or in partnership with third parties, within the country and/or abroad, the following activities and transactions: A) COMMERCIAL: Carry out, intervene, develop, or design all manner of operations and activities involving the sale of airfare, land, river, and sea tickets, both nationally and abroad, or any other service related to the tourism industry in general. The aforementioned services may be carried out on its own behalf or upon request from third parties, via mandate, commission, the use of systems or methods deemed convenient for said purpose, be they manual, mechanical, electronic, telephone, or internet methods, or any other type or technology that may suit said purpose. The Company may perform ad hoc or related activities to the purpose described, such as purchase and sales, imports, exports, reexport, licencing, and representation of all manner of goods, services, know-how, and technology directly or indirectly related to the purpose described; market, by any means the technology created or whose licence or patent it has acquired or manages; develop, distribute, promote, and market all types of content for mass media of any sort. B) TOURIST: Via the performance of all activities related to the tourist and lodging industry, as responsible operator or third-party service operator, or as travel agent. Via the creation of exchange, tourism, excursion, and tour programs; the brokerage and booking and rendering of services through any form of transportation within the country or abroad, and ticket sales; brokerage for hiring lodging services in the country or abroad; booking of hotels, motels, tourist apartments, and other tourist facilities; organization of trips and tourism for individuals or groups, excursions, or similar activities within the country or abroad; reception and assistance for tourists during their trip and stay in the country, provision of tour guide services, and forwarding of their luggage; representation of other travel and tourist agencies, companies, corporations, or institutions, both national and international, in order to provide any of these services on their behalf. C) MANDATARIA: Via the acceptance, performance, and granting of representations, concessions, commissions, agencies, and mandates in general. D) CONSULTING: Provide consulting, support, and management services on all matters related to the organization, installation, service, development, support, and promotion of companies related to air transportation activities, but not exclusive to said activity, in the management, industrial, commercial, technical, and advertising areas, to be provided, when the nature of the issue so requires, by certified professionals per the corresponding regulation, and the provision of organization and management, care, maintenance, and surveillance services, and of the suitable personnel, especially prepared to carry out said tasks. E) FINANCIAL: Via its participation in other companies already created or to be created, either through the acquisition of shares in established companies, or through the establishment of new companies, via the awarding or securing of credits, loans, cash advances secured or unsecured by collateral o personal guarantee; the awarding of guarantees and sureties in favor of third parties for a fee or free of charge; placement of funds in foreign currency, gold or currencies, or bank deposits of any type. To achieve these purposes, the company has full legal capacity to exercise all acts not expressly forbidden by law or statue, including making borrowings publicly or privately via the issuance of debentures and tradable securities, and performing all manner of financial transactions except those comprised under Law 21,526 and any others requiring a public tender process.

Paid-in Capital:
MUS$(420)

Stake in 2017:
100.00%

YOY var.:
0.00%

% of Holding assets:
0.00447%

Board Members:
Nicolás Obejero
Facundo Rocha

Management:
Rosario Altgelt
María Marta Forcada
Facundo Rocha
Sebastián Pereira
Nicolás Obejero
Norberto Díaz

Affiliate companies of Lan Pax Group S.A. and stakes

Atlantic Aviation Investments LLC

Individualization:
Limited Liability Company established in the United States.

Purpose:
Any and all lawful business that the company may undertake

Paid-in Capital:
MUS$1

Stake in 2017:
99.00%

YOY var.:
0.00%

% of Holding assets:
0.06092%

Board Members:
Andrés del Valle Eitel

Management:
Andrés del Valle (LATAM Executive)

Akemi Holdings S.A.

Individualization:
Joint Stock Corporation established in Panama.

Purpose:
The corporate purposes under which the company is organized are to establish, process, and carry out the business of an investment company anywhere in the world, buy, sell, and trade all manner of consumer items, capital stocks, bonds, and securities of every type, buy, sell, lease, or in any other manner acquire or dispose of movable or immovable assets, invest in any industrial or commercial business, either as owner or shareholder, receive and provide cash as loans, secured or unsecured, to agree, sign, or follow through and carry out all manner of contracts, set up as guarantor or guarantee and enforce compliance with any and all contracts, to perform any lawful business not banned to a joint stock corporation, and to execute any and all of the above as holders, agents, or under any other representative nature.

Paid-in Capital:
MUS$0

Stake in 2017:
100.00%

YOY var.:
0.00%

% of Holding assets:
0.00000%

Board Members:
Edith O. de Bocanegra
Barbara de Rodriguez
Luis Alberto Rodriguez

Management:
Luis Alberto Rodriguez
Barbara de Rodríguez

Saipan Holdings S.A.

Individualization:
Joint Stock Corporation established in Panama.

Purpose:
The corporate purposes under which the company is organized are to establish, process, and carry out the business of an investment company anywhere in the world, buy, sell, and trade all manner of consumer items, capital stocks, bonds, and securities of every type, buy, sell, lease, or in any other manner acquire or dispose of movable or immovable assets, invest in any industrial or commercial business, either as owner or shareholder, receive and provide cash as loans, secured or unsecured, to agree, sign, or follow through and carry out all manner of contracts, set up as guarantor or guarantee and enforce compliance with any and all contracts, to perform any lawful business not banned to a joint stock corporation, and to execute any and all of the above as holders, agents, or under any other representative nature.

Paid-in Capital:
MUS$0

Stake in 2017:
100.00%

YOY var.:
0.00%

% of Holding assets:
0.00000%

Board Members:
Edith O. de Bocanegra
Barbara de Rodriguez
Luis Alberto Rodriguez

Management:
Luis Alberto Rodriguez
Barbara de Rodríguez

Affiliate companies of Lan Pax Group S.A. and stakes

Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.

Individualization:
Joint Stock Corporation established in Ecuador.

Purpose:
Combined air transport of passengers, cargo, and correspondence.

Paid-in Capital:
MUS$1,000

Stake in 2017:
55.00%

YOY var.:
0.00%

% of Holding assets:
0.06537%

Board Members:
Antonio Stagg
Manuel Van Oordt
Mariana Villagómez

Chief Executive:
Maximiliano Naranjo

Holdco Ecuador S.A

Individualization:
Joint Stock Corporation established in Chile.

Purpose:
Carry out all manner of investments for profitable purposes pertaining to tanglible or intangible, movable or immovable assets, either in Chile or abroad.

Paid-in Capital:
MUS$351,174

Stake in 2017:
99.999%

YOY var.:
0.0%

% of Holding assets:
1.85764%

Board Members:
Antonio Stagg
Manuel Van Oordt
Mariana Villagómez

Chief Executive:
Ramiro Alfonsin Balza (LATAM Executive)

Aerovias de Integración Regional, Aires SA.

Individualization:
Joint Stock Corporation established in Colombia.

Purpose:
The company's corporate purpose shall be the operation of national or international commercial air transportation services, in any form, and therefore, the entering into and execution of contracts for the transportation of passengers, objects or luggage, correspondence, and cargo in general, pursuant to the operating permits issued to this effect by the Special Administrative Unit of Civil Aeronautics, or the agency that may carry out said functions in the future, adhering fully to the stipulations of the Code of Commerce, the Colombian Aviation Regulations, and any other rules issued on the matter. Likewise, to provide maintenance and adaptation services for the equipment related to the operation of air transportation services within the country and abroad. In order to fulfill said purpose, the company will be authorized to invest in other national or foreign companies with purposes that are the same, similar, or complementary to the company's. To fulfill its corporate purpose, the company may, among other things: (a) review, inspect, or provide maintenance and/or repairs to its own or third-party aircraft, as well as spare parts and accessories, through the Company's Aeronautical Repair Stations, providing the necessary trainings for said purpose; (b) organize, establish, and invest in commercial transportation companies in Colombia or abroad to perform, industrially or commercially, the economic activity that is its purpose, so the company can acquire, for any purpose, airplanes, spare parts, replacements, and accessories of any kind, necessary for public air transportation, as well as sell them, and to set up and operate stations to repair and give maintenance to the aircraft;(c) enter leasing, charter, code-sharing, service rendering, or any other contracts pertaining to aircraft to exercise its purpose; (d) to operate scheduled air transport lines for passengers, cargo, correspondence, and securities, as well as the vehicle that will make it possible to coordinate the social management; (e) merge with equal, similar, or complementary companies to perform its activity; (f) accept national or foreign representations of services in the same sector or in complementary sectors; (g) acquire movable or immovable assets to develop its corporate purposes, build said facilities or constructions, such as warehouses, deposits, offices, etc., sell, or encumber them;(h) carry out imports and exports, as well as all foreign trade operations required; (i) take money on interest and provide personal, real, and bank guarantees, either on its own behalf or for third parties; (j) participate in all manner of securities transactions, such as purchase or sale of debentures acquired by third parties when resulting in an economic or equity benefit for the company, and obtain loans through bonds or other liability instruments;(k) enter into contracts with third parties for the

Affiliate companies of Lan Pax Group S.A. and stakes

management and operation of the businesses it may organize to achieve its corporate purposes; (l) form partnerships and acquire shares and stakes in already established companies, both national and foreign; make contributions to one and all; (m) merge with other companies and form partnerships with similar companies to ensure provision of air transportation or for other purposes pertaining to the industry; (n) promote, provide technical assistance, finance, or manage companies or associations related to the corporate purpose; (o) carry out all manner of civil or comercial, industrial or financial contracts necessary or convenient to achieve its own purposes; (p) do business and fulfill activities that will ensure the flow of clients, and obtain the necessary authorizations and licenses from the corresponding authorities to provide its services; (q) develop and carry out any other activities resulting from and/or related, connected, contributory, or complementary to the corporate purpose, including the provision of tourist services under any and all forms allowed by law, such as travel agencies; (r) practice any business or legal activity, whether or not related to trade, as long as it is related to its corporate purpose, or that it enables a more rational operation of the public service that it will provide; and (s) make any manner of investments to employ the funds and reserves created pursuant to law or the current bylaws.

Paid-in Capital:
MUS$3,388

Stake in 2017:
99.017%

YOY var.:
0.00%

% of Holding assets:
0.24603%

Board Members:
Jorge Nicolas Cortazar Cardoso (permanent member)
Jaime Antonio Gongora Esguerra (permanent member)
Santiago Alvarez Matamoros (permanent member)
Jorgue Enrique Cortazar Garcia (Interim member)
Alberto Davila Suarez (Interim member)
Helen Victoria Warner Sanchez

Management:
Erika Zarante Bahamon
Jaime Antonio Gongora Esguerra

Lan Argentina S.A
(A subsidiary of Inversora Cordillera S.A)

Individualization:
Joint Stock Corporation established in Argentina.

Purpose:
Carry out all manner of investments for profitable purposes pertaining to tanglible or intangible, movable or immovable assets, either in Chile or abroad.

Paid-in Capital:
MUS$129,589

Stake in 2017:
99.00%

YOY var.:
0.00%

% of Holding assets:
0.08762%

Board Members:
Manuel Maria Benites
Jorge Luis Perez Alati
Enrique Cueto Plaza (LATAM Executive)

Management:
Manuel María Benites
Jorge Luis Perez Alati
Rosario Altgelt
María Marta Forcada
Facundo Rocha
Sebastián Pereira
Nicolás Obejero
Norberto Díaz

TECHNICAL TRAINING LATAM S.A.

Incorporation:
Established as a Joint Stock Corporation per the public deed dated December 23, 1997 in Santiago de Chile, and then recorded in the Santiago Commerce Registry on page 878 number 675 of the year 1998.

Purpose:
Its corporate purpose is to provide technical training and other types of related services.

Paid-in Capital:
MUS$870

Profit for the period:
MUS$109

Stake:
100.00%

YOY var.:
0.00%

% of Holding assets:
0.00851%

Board Members:
Sebastián Acuto (LATAM Executive)
Ramiro Alfonsin Balza (LATAM Executive)

Chief Executive:
Vacant

PARENT COMPANIES' FINANCIAL STATEMENTS

TAM S.A.

Consolidated Classified Statement of Financial Position	As of December 31 2017 MUS$	As of December 31 2016 MUS$
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	1,838,178	1,761,049
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	5,644	33,140
Total current assets	1,843,822	1,794,189
Total non-current assets	2,64,892	3,493,097
Total assets	4,490,714	5,287,286
LIABILITIES AND EQUITY		
Liabilities		
Total current liabilities	2,052,633	2,837,619
Total non-current liabilities	1,502,790	1,872,688
Total liabilities	3,555,423	4,710,307
Equity		
Equity attributable to controller's owners	856,829	495,563
Non- controlling interest	78,462	81,416
Total equity	935,291	576,979
Total liabilities and equity	4,490,714	5,287,286

PARENT COMPANIES' FINANCIAL STATEMENTS

		For the 12 months period ended as of
	2017	2016
Consolidated Statement of Income by Function	MUS$	MUS$
Revenues from ordinary activities	4,621,338	4,145,951
Gross Income	832,939	519,223
Profit (loss) before tax	333,197	220,677
Income tax expenses	(129,520)	(176,752)
Profit (loss) of the period	203,677	43,925
Profit (loss) of the period attributable to:		
Controller's owners	160,582	2,107
Non-controlling interest	43,095	41,818
Profit (loss) of the period	203,677	43,925

		For the 12 months period ended as of
Consolidated Statements of Comprehensive Income	2017 MUS$	2016 MUS$
Profit (loss) of the period	203,677	43,925
Other Comprehensive income	(14,098)	69,724
Total comprehensive income	189,579	113,649
Total comprehensive income attributable to:		
Controller's owners	149,203	88,049
Non-controlling interest	40,376	25,600
Total comprehensive income	189,579	113,649

PARENT COMPANIES' FINANCIAL STATEMENTS

	Equity attributable Owners interest	Non- controlling Equity	total Controller's
Statement of Changes in Equity	MUS$	MUS$	MUS$
Equity as of 1 January 2016	423,190	74,140	497,330
Total comprehensive income	88,049	25,600	113,649
Dividends	-	(40,823)	(40,823)
Oher increases (decreases) in equity	(15,676)	22,499	6,823
Closing balance at 31 December 2016	495,563	81,416	576,979
Equity as of 1 January 2017	495,563	81,416	576,979
Total comprehensive income	149,203	40,376	189,579
Equity issue	210,091	-	210,091
Dividends	-	(45,876)	(45,876)
Oher increases (decreases) in equity	1,972	2,546	4,518
Closing balance at 31 December 2017	856,829	78,462	935,291

	For the 12 months period ended as of	
	2017	2016
Consolidated Statement of Cash Flow - Direct Method	MUS$	MUS$
Net cash flows from (used in) operating activities	141,787	(35,085)
Net cash flows from (used in) investment activities	280,651	78,425
Net cash flows from (used in) financing activities (373.185)	(109,240)	
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	49,253	(65,900)
Effect of exchange rates variations on cash and cash equivalents	(7,443)	43,097
Cash and equivalents at the end of period	239,028	197,218

PARENT COMPANIES' FINANCIAL STATEMENTS

LAN CARGO S.A.
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31 December 2017 MUS$	As of 31 December 2016 MUS$
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	109,527	106,963
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	108,896	22,686
Total current assets	218,423	129,649
Total non-current assets	531,485	563,577
Total assets	749,908	693,226
LIABILITIES AND EQUITY		
Liabilities		
Total current liabilities	230,565	226,755
Total non-current liabilities	155,137	101,734
Total liabilities	385,702	328,489
Equity		
Equity attributable to controller's owners	360,134	362,478
Non-controlling interest	4,072	2,259
Equity	364,206	364,737
Total liabilities and equity	749,908	693,226

PARENT COMPANIES' FINANCIAL STATEMENTS

	For the 12 months period ended as of	
	2017	2016
Consolidated Statement of Income by Function	MUS$	MUS$
Revenues from ordinary activities	1,046,423	689,153
Gross Income	(14,376)	(31,274)
Profit (loss) before tax	16,353	(6,696)
Income tax expenses	(20,992)	1,463
Profit (loss) of the period	(4,639)	(8,159)
Profit (loss) of the period attributable to:		
Controller's owners	(6,200)	(8,145)
Non-controlling interest	1,814	(14)
Profit (loss) of the period	(4,386)	(8,159)

	For the 12 months period ended as of	
	2017	2016
Consolidated Statements of Comprehensive Income	MUS$	MUS$
Profit (loss) of the period	(4,386)	(8,159)
Other Comprehensive income	3,661	(459)
Total comprehensive income	(725)	(8,618)
Total comprehensive income attributable to:		
Controller's owners	(2,539)	(8,604)
Non-controlling interest	1,814	(14)
Total comprehensive income	(725)	(8,618)

PARENT COMPANIES' FINANCIAL STATEMENTS

	Equity attributable controller's owners interest	Non- controlling Equity	total
Statement of Changes in Equity	MUS$	MUS$	MUS$
Equity as of 1 January 2016	370,791	2,273	373,064
Total comprehensive income	(8,604)	(14)	(8,618)
Other increases (decreases) in equity	291	-	291
Closing balance at 31 December 2016	362,478	2,259	364,737
Equity as of 1 January 2017	362,478	2,259	364,737
Total comprehensive income	(2,539)	1,814	(725)
Oher increases (decreases) in equity	195	(1)	194
Closing balance at 31 December 2017	360,134	4,072	364,206

	For the 12 months period ended as of	
	2017	2016
Consolidated Statement of Cash Flow - Direct Method	MUS$	MUS$
Net cash flows from (used in) operating activities	54,485	92,772
Net cash flows from (used in) investment activities	(10,641)	(34,003)
Net cash flows from (used in) financing activities	(37,925)	(51,813)
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	5,919	6,956
Effect of exchange rates variations on cash and cash equivalents	1	76
Cash and equivalents at the end of period	30,598	24,678

PARENT COMPANIES' FINANCIAL STATEMENTS

LAN PERU S.A.
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31 December 2017 MUS$	As of 31 December 2016 MUS$
ASSETS		
Total current assets	294,303	283,691
Total non-current assets	21,299	22,420
Total assets	315,602	306,111
LIABILITIES AND EQUITY		
Liabilities		
Total current liabilities	301,476	293,602
Total non-current liabilities	1,728	1,310
Total liabilities	303,204	294,912
Equity		
Equity attributable to controller's owners	12,398	11,199
Non-controlling interest	-	-
Total equity	12,398	11,199
Total liabilities and equity	315,602	306,111

Consolidated Statement of Income by Function	For the 12 months period ended as of 2017 MUS$	2016 MUS$
Revenues from ordinary activities	967,787	967,787
Gross Income	143,411	148,635
Profit (loss) before tax	6,233	1,289
Income tax expenses	(5,034)	(3,453)
Profit (loss) of the period	1,199	(2,164)

PARENT COMPANIES' FINANCIAL STATEMENTS

Statement of Changes in Equity	Equity Issued MUS$	Legal Reserve MUS$	Retained earnings MUS$	Tota equity MUS$
Equity as of 1 January 2016	4,341	868	9,544	14,753
Total comprehensive income	-	1	(2,165)	(2,164)
Dividends	-	-	(1,390)	(1,390)
Closing balance at 31 December 2016	4,341	869	5,990	11,199
Equity as of 1 January 2017	4,341	869	5,990	11,199
Total comprehensive income	-	-	1,199	1,199
Closing balance at 31 December 2017	4,341	869	7,189	12,398

	For the 12 months period ended as of	
Consolidated Statement of Cash Flow - Direct Method	2017 MUS$	2016 MUS$
Net cash flows from (used in) operating activities	(4,803)	(57,429)
Net cash flows from (used in) investment activities	(798)	(943)
Net cash flows from (used in) financing activities	9,426	5,887
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	3,825	(52,485)
Cash and equivalents at the end of period 69.717	65,892	

PARENT COMPANIES' FINANCIAL STATEMENTS

INVERSIONES LAN S.A.
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31 December 2017 MUS$	As of 31 December 2016 MUS$
ASSETS		
Total current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	3,407	7,616
Total non-current assets different from assets or groups of assets for disposal classified as held for sale or held for distribution to owners	8,217	-
Total current assets	11,624	7,616
Total non-current assets	57	3,355
Total assets	11,681	10,971
LIABILITIES AND EQUITY		
Liabilities		
Total current liabilities	5,063	5,278
Total non-current liabilities	45	1,174
Total liabilities	5,201	6,452
Equity		
Equity attributable to controller's owners	6,480	4,519
Equity	6,480	4,519
Total liabilities and equity	11,681	10,971

PARENT COMPANIES' FINANCIAL STATEMENTS

	For the 12 months period ended as of	
	2017	2016
Consolidated Statement of Income by Function	MUS$	MUS$
Revenues from ordinary activities	35,529	34,059
Gross Income	5,987	7,406
Profit (loss) before tax	2,163	3,526
Income tax expenses	(575)	(925)
Profit (loss) of the period	1,588	2,601
Profit (loss) of the period attributable to:		
Controller's owners	1,588	2,601
Profit (loss) of the period	1,588	2,601

	For the 12 months period ended as of	
	2017	2016
Consolidated Statements of Comprehensive Income	MUS$	MUS$
Profit (loss) of the period	1,588	2,601
Other Comprehensive income	55	218
Total comprehensive income	1,643	2,819
Total comprehensive income attributable to:		
Controller's owners	1,643	2,819
Total comprehensive income	1,643	2,819

PARENT COMPANIES' FINANCIAL STATEMENTS

Statement of Changes in Equity	Equity Issued MUS$	Legal Reserve MUS$	Retained earnings MUS$	Total equity MUS$
Equity as of 1 January 2016	458	417	961	1.836
Total comprehensive income	-	218	2,601	2,819
Dividends	(18)	-	(118)	(136)
Closing balance at 31 December 2016	440	635	3,444	4,519
Equity as of 1 January 2017	440	635	3,444	4,519
Total comprehensive income	-	55	1,588	1,643
Oher increases (decreases) in equity	19	-	299	318
Closing balance at 31 December 2017	459	690	5,331	6,480

	For the 12 months period ended as of	
Consolidated Statement of Cash Flow - Direct Method	2017 MUS$	2016 MUS$
Net cash flows from (used in) operating activities	1,192	(21)
Net cash flows from (used in) investment activities	(2,122)	1,469
Net cash flows from (used in) financing activities	-	(1,663)
Net increase (decrease) in cash and cash equivalents	(930)	(215)
Effect of exchange rates variations on cash and cash equivalents	43	24
Cash and equivalents at the end of period	523	1,410

PARENT COMPANIES' FINANCIAL STATEMENTS

LATAM TRAVEL CHILE S.A. AND SUBSIDIARY
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31 December 2017 MUS$	As of 31 December 2016 MUS$
ASSETS		
Total current assets	6,492	5,347
Total non-current assets	269	111
Total assets	6,761	5,458
LIABILITIES AND EQUITY		
Liabilities		
Total current liabilities	2,191	2,724
Total non-current liabilities	6	3
Total liabilities	2,197	2,727
Equity		
Total equity	4,564	2,731
Total liabilities and equity	6,761	5,458

		For the 12 months period ended as of
	2017	2016
Consolidated Statement of Income by Function	MUS$	MUS$
Revenues from ordinary activities	9,320	11,675
Gross Income	6,198	7,294
Profit (loss) before tax	2,436	3,500
Income tax expenses	(603)	(850)
Profit (loss) of the period	1,833	2.650

PARENT COMPANIES' FINANCIAL STATEMENTS

Statement of Changes in Equity	Equity Issue MUS$	Retained earnings MUS$	Total equity MUS$
Equity as of 1 January 2016	225	(144)	81
Total comprehensive income	-	2,650	2,650
Other increases (decreases) in equity	-	-	-
Closing balance at 31 December 2016	225	2,506	2,731
Equity as of 1 January 2017	225	2,506	2,731
Total comprehensive income	-	1,833	1,833
Closing balance at 31 December 2017	225	4,339	4,564

	For the 12 months period ended as of	
Consolidated Statement of Cash Flow - Direct Method	2017 MUS$	2016 MUS$
Net cash flows from (used in) operating activities	(536)	(2.,483)
Net cash flows from (used in) investment activities	(110)	(30)
Net cash flows from (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(646)	(2,513)
Cash and equivalents at the end of period	420	1,066

PARENT COMPANIES' FINANCIAL STATEMENTS

LAN PAX GROUP S.A.
(Closed joint stock company)

Consolidated Classified Statement of Financial Position	As of 31 December 2017 MUS$	As of 31 December 2016 MUS$
ASSETS		
Total current assets	220,329	261,048
Total non-current assets	279,016	214,715
Total assets	499,345	475,763
LIABILITIES AND EQUITY		
Liabilities		
Total current liabilities	894,891	347,526
Total non-current liabilities	206,657	698,235
Total liabilities	1.101.548	1,045,761
Equity		
Equity attributable to controller's owners	(602,203)	(570,638)
Non-controlling interest	-	640
Total equity	(602,203)	(569,998)
Total liabilities and equity	499,345	475,763

PARENT COMPANIES' FINANCIAL STATEMENTS

Consolidated Statement of Income by Function	For the 12 months period ended as of 2017 MUS$	2016 MUS$
Revenues from ordinary activities	894,374	877,106
Gross Income	111,797	132,300
Profit (loss) before tax	(49,855)	(41,945)
Income tax expenses	13,513	6,028
Profit (loss) of the period	(36,342)	(35,917)
Profit (loss) of the period attributable to:		
Controller's owners	(34,835)	(36,223)
Non-controlling interest	(1,507)	306
Profit (loss) of the period	(36,342)	(35,917)

Consolidated Statements of Comprehensive Income	For the 12 months period ended as of 2017 MUS$	2016 MUS$
Profit (loss) of the period	(36,343)	(35,917)
Other Comprehensive income	308	(7,118)
Total comprehensive income	(36,035)	(43,035)
Total comprehensive income attributable to:		
Controller's owners	(35,738)	(41,575)
Non-controlling interest	(297)	(1,460)
Total comprehensive income	(36,035)	(43,035)

PARENT COMPANIES' FINANCIAL STATEMENTS

	Equity attributable to controller's owners	Non- controlling Equity	total
Statement of Changes in Equity	MUS$	MUS$	MUS$
Equity as of 1 January 2016	(528,769)	(800)	(529,569)
Total comprehensive income	(41,575)	(1.460)	(43,035)
Other increases (decreases) in equity	(294)	2,900	2,606
Closing balance at 31 December 2016	(570,638)	640	(569,998)
Equity as of 1 January 2017	(570,638)	640	(569,998)
Total comprehensive income	(35,737)	(297)	(36,034)
Other increases (decreases) in equity	137	3,696	3,833
Closing balance at 31 December 2017	(606,238)	4,039	(602,199)

	For the 12 months period ended as of	
	2017	2016
Consolidated Statement of Cash Flow - Direct Method	MUS$	MUS$
Net cash flows from (used in) operating activities	(37,387)	(60,254)
Net cash flows from (used in) investment activities	(5,580)	52,991
Net cash flows from (used in) financing activities	5,914	(10,978)
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	(186)	(181)
Cash and equivalents at the end of period	34,075	71,314

PARENT COMPANIES' FINANCIAL STATEMENTS

TECHNICAL TRAINING LATAM S.A.
(Limited liability Company)

Consolidated Classified Statement of Financial Position	As of 31 December 2017 MUS$	As of 31 December 2016 MUS$
ASSETS		
Total current assets	1,869	1,597
Total non-current assets	99	148
Total assets	1,968	1,745
LIABILITIES AND EQUITY		
Liabilities		
Total current liabilities	116	284
Total non-current liabilities	251	-
Total liabilities	367	284
Equity		
Equity attributable to controller's owners	1,601	1,461
Total equity	1,601	1,461
Total liabilities and equity	1,968	1,745

PARENT COMPANIES' FINANCIAL STATEMENTS

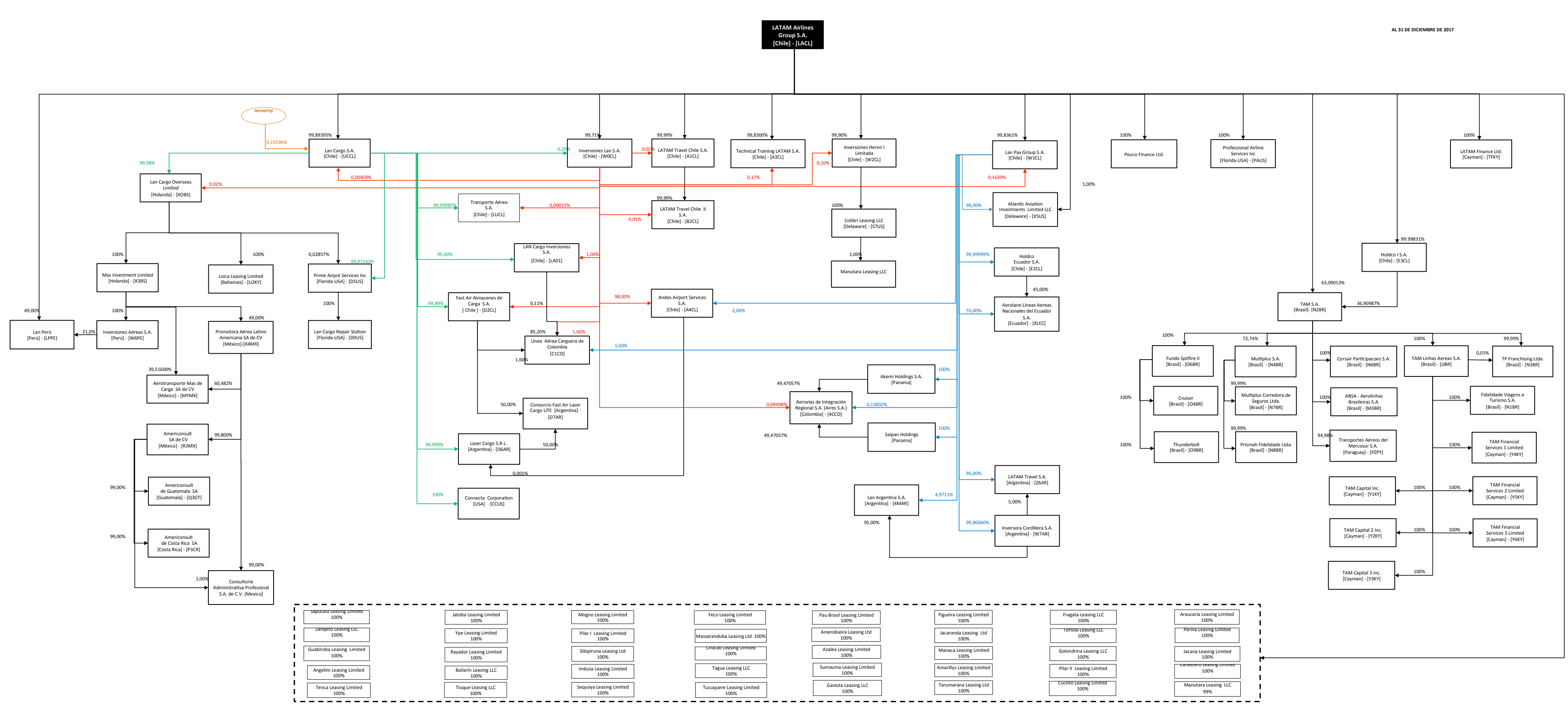
Consolidated Statement of Income by Function	Fort the period Ended as of December 31 2017 2017 MUS$	For the period between November 26 to December 31 2016 MUS$
Revenues from ordinary activities	1,633	1,784
Gross Income	286	100
Profit (loss) before tax	134	103
Income tax expenses	(25)	(30)
Profit (loss) of the period	109	73
Profit (loss) of the period attributable to:		
Controller's owners	109	73
Non-controlling interest	-	-
Profit (loss) of the period	109	73

Statement of Changes in Equity	Total equity MUS$
Equity as of January 1 2016	1,261
Total comprehensive income	73
Other increases (decreases) in equity	127
Closing balance at 31 December 2016	1,461
Equity as of 1 January 2017	496
Total comprehensive income	(72)
Closing balance at 31 December 2017	424

PARENT COMPANIES' FINANCIAL STATEMENTS

Consolidated Statement of Cash Flow – Direct Method	Fort the period Ended as of December 31 2017 2017 MUS$	For the period between November 26 to December 31 2016 MUS$
Net cash flows from (used in) operating activities	31	778
Net cash flows from (used in) investment activities	-	(14)
Net cash flows from (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents before effect of exchange rates variations	**31**	**764**
Effect of exchange rates variations on cash and cash equivalents	(83)	(2)
Cash and equivalents at the beginning of period	1,241	479
Cash and equivalents at the end of period	1,301	1,241

CORPORATE STRUCTURE



ANA LY SIS

of the Financial Statements

Comparative analysis and explanation of main trends:

1. CONSOLIDATED FINANCIAL STATEMENT

At December 31, 2017, the Company's assets totaled US$18.797 billion which, compared to the value at December 31, 2016, represents a US$400.222 million decrease, equivalent to 2.1%.

The Company's current assets increased by US$118.724 million (3.3%), compared to yearend 2016. The main increases were seen in the following segments: Cash and cash equivalents for US$192.677 million (20.3%); Trade debtors and other accounts receivable for US$106.161 million (9.6%); and current tax assets for US$12.610 million (19.3%). These items were compensated by the decreases in: Other current financial assets worth US$152.909 million (21.5%), and Non-current assets or disposable groups of assets classified as held for sale worth US$46.092 million (13.7%).

The Company's liquidity index rose from 0.58 times at yearend 2016 to 0.64 times at December 2017. Current assets increased 3.3% while Current liabilities decreaby 6.1%. Moreover, the acid-test ratio increased from 0.15 times at yearend 2016 to 0.20 times at the end of the current period.

The Company's non-current assets decreased by US$518.946 million (3.3%) compared to yearend 2016. The main decreases were seen in the following line items: Property, plants, and equipment, worth US$432.814 million (4.1%), which corresponds mainly to depreciation expenses in the period totaling US$765.204 million, and additions worth US$325.513 million, among others; Goodwill worth US$37.832 million (1.4%), and Deferred tax assets worth US$20.559 million (5.3%).

At December 31, 2017, the Company's liabilities totaled US$14.53 billion which, compared to the value as at December 31, 2016, represents a US$482.154 million decrease, equivalent to 3.2%.

The Company's current assets decreased by US$379.477 million (3.3%) compared to yearend 2016. The main decreases were seen in the following line items: Other financial liabilities worth US$538.579 million (29.3%), explained mainly by the payment of US$137 million, corresponding to the last installment on the financing obtained by Tam Linhas Aéreas S.A. in September of the previous year; the payment of US$300 million corresponding to long-term bonds issued by Tam Capital Inc., among other movements in the period; and current tax liabilities worth US$10.775 million (75.4%). All this was partially compensated by the increase in Trade and other accounts payable in the amount of US$102.134 million (6.4%) and Other non-financial liabilities worth US$61.718 million (2.2%).

The Company's current liabilities' indebtedness indicator decreased 7.88%, from 1.52 times at yearend 2016 to 1.4 times at December 31, 2017. The impact of current liabilities on total debt decreased by 1.24 percentage points, from 41.45% at yearend 2016 to 40.21% at the end of the current period.

The Company's non-current liabilities decreased by US$102.677 million (1.2%), compared to the value as at December 31, 2016. The main decreases were seen in the following line items: Other financial liabilities worth US$191.444 million (2,8%), the net variation explained by the bond issuance via Latam Finance worth US$700 million; issuance of UF local bond worth US$358 million; payment of TAM Capital 3 Inc. bond for US$500 million; and payment of TAM Capital Inc. Bond for US$300 million, among other movements in the period, and Other non-financial liabilities worth US$55.476 million (25.9%). This was compensated by the US$139.441 million increase in Accounts payable (38,8%) and the US$33.938 million rise in deferred tax liabilities (3,7%).

The Company's non-current liabilities' indebtedness indicator shows a 3.3% decrease from 2.15 times at December 31, 2016 to 2.08 times at December 31, 2017. The impact of non-current liabilities on total debt rose by 1.24 percentage points from 58.55% at yearend 2016 to 59.79% at December 2017.

The indicator of the Company's total indebtedness over Equity decreased by 4.9% from 3.66 times at yearend 2016 to 3.48 times at the end of the current period.

At December 31, 2017, roughly 63% of the debt has a fixed rate or is linked to one of the abovementioned instruments. The average rate on the debt is 4.14%.

The Equity attributable to the controlling shareholders increased by US$79.429 million, from US$4.096 billion at December 31, 2016 to US$4.176 billion at December 31, 2017. The increase is reflected in the higher accrued result, due to the US$155.304 million profit generated in the period from January to December 2017 attributable to the controlling shareholders. This is slightly countered by the decrease in Other reserves worth US$25.986 million, mainly resulting from the negative effect of the variation in Currency translation reserve for US$45.036 million, largely explained by the translation adjustment caused by the Goodwill recognized in the combined businesses with TAM and Affiliates.

In an Ordinary Board Meeting held on April 4, 2017, a US$3.299 million capitalization for cost of issuance of shares was approved.

2. CONSOLIDATED INCOME STATEMENT

At December 31, 2017, the controlling company reported a US$155.304 million gain, translating into an US$86.081 million increase in income vs. the previous year's US$69.22 million. Net margin increased from 0.7% to 1.5% in 2017.

Operating income at December 31, 2017 totaled US$714.534 million, translating into a US$146.631 million increase from 2016, equivalent to 25.8%, whereas operating margin reached 7.0%, representing a 1.0 percentage-point increase.

Operating income at December 31, 2017 grew 6.7% vs. 2016, totaling US$10.163 billion. This was due to a 7.8% increase in PAX revenues, a 0.8% rise in Cargo revenues, and a 2.1% advance in Other income. The effect of the Brazilian Real's appreciation translated into higher ordinary revenues by around US$236 million.

PAX REVENUES TOTALED US$8.494 BILLION WHICH, COMPARED TO THE US$7.877 BILLION FROM 2016, TRANSLATES INTO A 7.8% INCREASE.

This change is mainly due to a 6.7% increase in RASK, given a 5.9% rise in yields, which were boosted by a better macroeconomic scenario in South America, and by the appreciation of local currencies (especially the Brazilian Real and the Chilean Peso). This was partly compensated by the 1.1% increase in capacity as measured in ASK. Moreover, the load factor reached 84.8%, translating into a 0.6 percentage-point increase from the previous year.

At December 31, 2017, Cargo revenues reached US$1.119 billion, translating into a 0.8% increase vs. 2016. This hike was due to a 2.1% increase in yields and a 1.3% decrease in traffic in terms of RTK. The rise in yields reflects an optimistic cargo environment worldwide, and the positive effect of the Brazilian Real on Brazil's local market. On the other hand, capacity in ATK terms decreased 7.1%.

Moreover, the Other Income line item showed an US$11.14 million increase, mainly due to the effect of the Brazilian Real's appreciation on revenues from the loyalty program in Brazil, as well as to higher income from leasing of aircraft to third parties. This was partially countered by lower income from aircraft sales and ground services compared to 2016.

At December 31, 2017, Operating costs totaled US$9.449 billion which, compared to the previous year, translate into US$490.077 million higher costs, equivalent to a 5.5% increase, whereas unit cost per ASK-equivalent rose 7.0%. Furthermore, the effect of the Brazilian Real's appreciation on this line item translates into higher costs by roughly US$195 million. Item variations are explained as follows:

a) Compensation and benefits increased by US$72.501 million, mainly due to the appreciation of the Brazilian Real and the Chilean Peso, by 4.8% and 6.5%, respectively. This was partially countered by a 9.7% decrease in the average staff for the period, in line with the Company's cost control initiatives.

b) Fuel increased 12.7%, equivalent to an additional US$262.173 million in costs. The increase is mainly due to a 21.1% hike in unhedged prices, partially countered by a 2.5% decrease in consumption measured in gallon terms. During 2017, the Company recognized a gain of US$15.167 million from fuel hedges (compared to a US$48.094 million loss in the previous year), and a US$9.87 million loss on currency hedges.

c) Commissions decreased by US$16.822 million, translating into a 6.2% variation from the previous year.

d) Depreciation and Amortization increased by US$41.297 million in 2017. This change is mainly explained by the incorporation of 2 Airbus A320 airplanes, and 2 Boeing 787, and by the appreciation of the Brazilian Real. This was partially countered by the exit of 17 Airbus A320, 2 Airbus A330, 2 Boeing 767, and 2 Boeing 777.

e) Other Leasing and Landing Fees increased by US$94.722 million, mostly due to higher costs resulting from the increase in aeronautical charges in Brazil and Argentina, as well as to a hike in handling costs related to increased operations.

f) Passenger Service increased by US$2.041 million, translating into a 0.7% change, mainly due to an increase in passenger compensation and indemnification.

g) Aircraft Leasing rose US$10.572 million mainly due to the incorporation of 1 Airbus A320 and 2 Boeing 787. This was partially compensated by the return of 17 Airbus A320, 2 Boeing 767, and 2 Boeing 777.

h) Maintenance reported higher costs by US$64.672 million, equivalent to a 17.7% change, explained mainly by higher costs related to the return of the aircrafts during 2017.

i) Other Operating Costs decreased by US$41.079 million, largely due to costs from ground services related to the Rio 2016 Olympic Games and costs related to the valuation at fair value of the inventory as part of a sales plan driven by inventory reduction initiatives, recognized during the second half of the previous year. This was partially countered by the effect of the Brazilian Real's appreciation, and the increase in costs related to point redemption through third parties, as part of the loyalty program in Brazil.

Financial revenues totaled US$78.695 million which, compared to the US$74.949 million from the same period of 2016, translates into higher revenues by US$3.746 million, mainly due to the increase in cash at hand.
Financial costs decreased by 5.5%, totaling US$393.286 million at December 31, 2017, mainly due to lower costs related to lower debt levels.
Other income/costs reported a negative US$25.725 million, mainly explained by losses recognized as a result of the depreciation of the Brazilian Real during 2017.

The main line items in the Consolidated Financial Statement of TAM S.A. and Affiliates, which caused a US$15.162 million currency exchange loss at December 31, 2017, were: Other financial liabilities; US$31.243 million profit from USD-denominated financial loans and leasings for fleet acquisitions; and currency exchange variations in accounts receivable from related companies, totaling a loss of US$14.621 million. The other net assets and liabilities line items generated a US$31.784 million loss.

Multiplus S.A. Results

Multiplus' net result at December 31, 2017 showed a US$158.784 million profit which, compared to the US$152.873 million from 2016, translates into a 3.87% increase.

REVENUES INCREASED 20.75%, MAINLY EXPLAINED BY THE EFFECT OF THE BRAZILIAN REAL'S 4.8% APPRECIATION, AND BY A 9.7% INCREASE IN POINT REDEMPTION COMPARED TO THE SAME PERIOD OF THE PREVIOUS YEAR.

Moreover, expired points increased by 5.8%. Operating costs increased by 25.44%, mainly due to the appreciation of the Brazilian Real and a 27.1% hike in point redemption through partner businesses.

Financial revenues/costs showed a negative change of 14.5%, mainly due to the depreciation of the Brazilian real during 2017, but partially countered by the placement of part of the company's cash at hand in USD-linked currency hedges.

3. ANALYSIS AND EXPLANATION OF CONSOLIDATED NET CASH FLOW GENERATED BY OPERATING, INVESTMENT, AND FINANCING ACTIVITIES

Operating cash flow at December 31, 2017 showed a positive change of US$685.856 million compared to the previous year, mainly due to the rises in the following concepts: Collections from asset sales and service rendering worth US$677.129 million and Other cash revenue (expenses) worth US$200.338 million. This was partially countered by the negative variations in the following line items: Payments to and on behalf of employees worth US$135.031 million, and net effect on Other receipts and payments from operating activities worth US$57.558 million.

Investment flows showed a positive change of US$144.367 million vs. the previous year. This variation is mainly due to the increase in the following line item: Purchases of property, plant, and equipment worth US$290.704 million, mainly due to fewer down payments for aircraft acquisitions and other fixed asset acquisitions.

In 2017, one Airbus A319 was acquired, compared to 2016, when we acquired: one Boeing 787, one Airbus A320, 4 Airbus A321, and 4 Airbus A350. The positive change described above was partially countered by the decrease in: Other receivables and payables on the sale of equity or debt instruments from other companies totaling US$120.716 million, where the investments made by TAM S.A. and Affiliates in private equity funds were recognized.

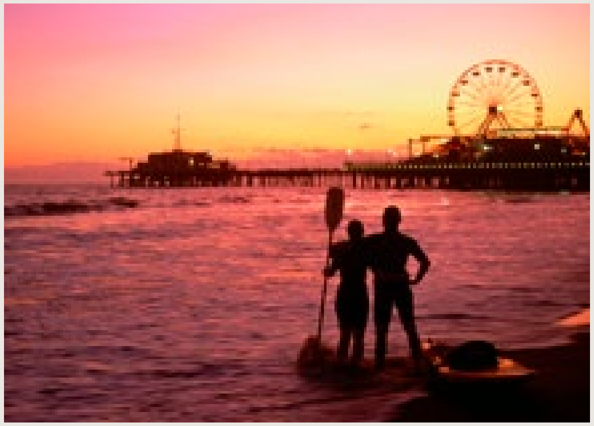
Financing flows showed a negative variation of US$782.809 million vs. the previous year, mainly explained by decreases in: Amounts from short- and long-term loans, totaling US$661.945 million; Sums from the issuance of stocks totaling US$608.496 million, from the capital increase in 2016, and from loan payments worth US$291.939 million.

The flows from loans described above include the following events:

a) On April 10, 2017, a private issuance and placement of debt securities worth US$140 million was made under the current Enhanced Equipment Trust Certificates ("EETC") structure, issued and placed in 2015.

b) On April 11, 2017, an unsecured long-term bond worth US$700 million maturing in 2024 was issued and placed on the international market, pursuant to Rule 144-A and Regulation S of the US Securities Act.

c) On April 25, 2017, the TAM Capital I Inc. Bond was paid. The sums paid totaled US$300 million in capital and US$11 million in interest.



d) On August 17, 2017, LATAM issued Bonds on the local market (Santiago Stock Exchange), corresponding to the first bond issuance charged to the line inscribed in the Securities Register of the Superintendency of Securities and Insurance ("SVS") under number 862.

The total sum placed is equivalent to UF8,700,000 (US$358 million).

e) On September 1, 2017, TAM Capital 3 Inc. made an early redemption of the total bonds issued abroad on June 3, 2011 for US$500 million, maturing on June 3, 2021.

f) On September 27, 2017, TAM Linhas Aereas S.A. paid the capital and corresponding interest on the last installment of the financing obtained in September a year earlier (US$200 million, guaranteed by roughly 18% of the stocks of Multiplus S.A.) The sum paid was US$137 million.

Last, the Company's net cash flow at December 31, 2017 showed a positive change of US$192.677 million vs. the previous year.

4. FINANCIAL RISK ANALYSIS

The goal of the Company's global risk management program is to minimize the adverse effects of the financial risks that affect the company.

(a) Market risk

Given the nature of its business, the Company is exposed to market factors, such as: (i) fuel price risk, (ii) interest rate risk, and (iii) local exchange rate risk.

(i) Fuel price risk

To carry out its operations, the Company purchases fuel known as Jet Fuel grade 54 USGC, which is subject to variations in international fuel prices.

To hedge against fuel risk exposure, the Company trades in derivatives instruments (Swaps and Options) whose underlying assets may be different from Jet Fuel, whereby it is possible to hedge in West Texas Intermediate crude oil ("WTI"), Brent crude oil ("BRENT"), and distilled Heating Oil ("HO"), which are closely related to Jet Fuel and have greater liquidity.

At December 31, 2017, the Company recognized a US$15.134 million gain from fuel hedges net of premiums. Part of the spreads resulting between the lower and higher market value of these contracts is recognized as a component of hedge reserves in the Company's net equity. At December 31, 2017, the market value of existing contracts stood at US$10.710 million (positive).

(ii) Exchange rate risk

The functional currency, also used in presenting the Parent Company's Financial Statements, is the US dollar; therefore, Transactional and Conversion exchange rate risks are mainly a result of the operating activities of the business, as well as the Company's strategic and accounting activities, which are presented in monetary units other than the functional currency. Likewise, TAM S.A. and LATAM's Affiliates are also exposed to exchange rate risk whose impact affects the Company's Consolidated Result.

The greatest exposure to exchange rate risk for LATAM comes from the concentration of businesses in Brazil, as they are mainly denominated in Brazilian Real (BRL), and it is managed actively by the company.

THE COMPANY MINIMIZES EXCHANGE RISK EXPOSURE BY CONTRACTING DERIVATIVE INSTRUMENTS OR THROUGH NATURAL HEDGES OR THE EXECUTION OF INTERNAL TRANSACTIONS.

At December 31, 2017, the market value of FX positions totaled US$4.37 million (positive).

The Company has signed cross-currency swaps (CCS) to dollarize the cash flows of existing obligations, both in Chile's inflation-linked units (Unidades de Fomento, UF), with a fixed interest rate. Through this financial instrument, it is possible to pay an interest rate in dollars, both fixed and floating (LIBOR plus a fixed spread).

At December 31, 2017, the market value of the CCS positions totaled US$39.217 million (positive).

(iii) Interest rate risk

The Company is exposed to variations in interest rates on the markets, affecting the future cash flows of its current and future financial assets and liabilities.

The Company is mainly exposed to the London Inter Bank Offer Rate ("LIBOR") and other less relevant interest rates, such as Brazilian Interbank Deposit Certificates ("CDI").

In order to reduce the risk from an eventual hike in interest rates, the Company has entered interest rate swap contracts. With regard to said contracts, the Company pays and receives, or only receives, as may be the case, the spread between the agreed fixed rate and the floating rate calculated on the capital outstanding in each contract. For these contracts, the Company recognized in the results of this period a US$9.065 million loss. Losses and gains on interest rate swaps are recognized as a component of the financial expense on the basis of the hedged loan amortization. At December 31, 2017, the market value of the existing interest rate swap contracts was US$6.628 million (negative).

At December 31, 2017, roughly 63% of the debt has a fixed rate or is linked to one of the abovementioned instruments. The average rate on the debt is 4.14%.

(b) Concentration of credit risk

A high percentage of the Company's accounts receivable comes from PAX, cargo services for individuals, and various trade companies that are spread out both economically and geographically; thus, they are generally short term. Thereby, the Company is not exposed to a significant concentration of credit risk.

5. ECONOMIC ENVIRONMENT

In order to analyze the economic environment in which the Company exists, below we present a brief explanation of the situation and evolution of the main economies that affect it, nationally, regionally, and internationally.

During 2017, the world's economies continued on the cyclical rebound that started in mid-2016, showing a strengthening compared to the previous year.

IN 2017, WORLD OUTPUT SHOWED 3.7% GROWTH, WHICH WAS ABOVE MARKET PROJECTIONS AND HALF A PERCENTAGE POINT HIGHER THAN THE GROWTH WITNESSED IN 2016. THE HIGHER GROWTH WAS DRIVEN BY THE REBOUND OF ECONOMIES IN EUROPE AND ASIA.

The recovery of the European economy is mainly attributed to the acceleration in exports, and the constant intensity of internal demand growth, given more flexible financial conditions and an easing of political risk. The growth rates of various economies in the Eurozone have been upwardly revised—particularly Germany, Italy, and the Netherlands—thanks to the spike in internal and external demand. For 2017, growth is expected to reach 2.3% (1.5% in 2016).

US growth projections were revised upwards, as economic activity in 2017 outdid expectations. The changes in US tax policy should stimulate activity, resulting in a hike in investment. For 2017, growth should be close to 2.3% (1.7% in 2016).

Latin America has continued to experience a recovery in its economies, mainly thanks to the recovery of Brazil. Ahead, this recovery is expected to gain further strength, given the favorable effects of hikes in raw material prices, resulting in an increase in projections for 2018 and 2019. For 2017, growth is expected to reach 1.3% (a 0.7% contraction in 2016).

Specifically, in Brazil, the economy started to enter positive ground in the first half of 2017, gaining further strength in the second half of the year. This was mainly thanks to greater consumer spending, even though investment remains weak as a result of the political uncertainty still prevailing in the country. For 2017, growth is expected to reach 1.1% (a 3.5% contraction in 2016).

On the other hand, in Chile, economic growth has remained stable, albeit at lower levels than the average for the last few years, mainly because of the weakness in private fixed investment, mining production, and public consumption, thus resulting in 1.4% growth expected for 2017. In the next few years, economic growth is expected to recover thanks to improved confidence, a hike in copper prices, and the cuts in interest rates in the last few months.

In this economic environment, the flexibility of the business model that the Company has implemented is essential to better face the economic fluctuations.

a) Below, we are presenting the main financial indicators in the Consolidated Financial Statement:

	12-31 -2017	12-31-2016
Liquidity Indicators		
Current liquidity (times) (Current operating assets/Current liabilities)	0.64	0.58
Acid test (times) (Funds available/current liabilities)	0.20	0.15
Indebtedness Indicators		
Debt ratio (times) (Current liabilities+non-current liabilities/Net equity)	3.48	3.66
Current debt/ Total debt (%)	40.21	41.45
Non-current debt/ Total debt (%)	59.79	58.55
Hedging of financial expenses (E.B.I.T. / financial expenses)	2.19	1.80
Activity Indicators		
Total Assets	18,797,972	19,198,194
Investments	3,510,077	3,401,103
Disposals	3,290,786	3,046,658

Profitability Indicators

Profitability indicators are calculated on equity and income attributable to Majority Shareholders.

	12-31-2017	12-31-2016
Return on Equity (Net income/average net equity)	0.04	0.02
Return on assets (Net income/average assets)	0.01	0.00
Return on operating assets (Net income/operating assets (**) Average	0.01	0.00

(**) Total assets less deferred taxes, personnel current accounts, permanent and temporary investments, and goodwill.

	12-31-2017	12-31-2016
Earnings per share (Net income/ no. of shares subscribed and paid)	0.26	0.11
Dividend yield (Dividends paid/ market price)	0.00	0.00

b) Below, we are presenting the main financial indicators in the Consolidated Financial Statement:

For the twelve month period ended December 31	2017 MUS$	2016 MUS$
Revenue	**10,163,796**	**9,527,088**
Passenger	8,494,477	7,877,715
Cargo	1,119,430	1,110,625
Other	549,889	538,748
Operating expenses	**(9.449.262)**	**(8.959.185)**
Wages and Benefits	(2,023,634)	(1,951,133)
Aircraft Fuel	(2,318,816)	(2,056,643)
Comissions to Agents	(252,474)	(269,296)
Depreciation and Amortization	(1,001,625)	(960,328)
Other Rental and Landing Fees	(1,172,129)	(1,077,407)
Passenger Services	(288,662)	(286,621)
Aircraft Rentals	(579,551)	(568,979)
Aircraft Maintenance	(430,825)	(366,153)
Other Operating Expenses	(1,381,546)	(1,422,625)
Operating Income	**714,534**	**567,903**
Operating Margin	**7.0%**	**6.0%**
Interest Income	78,695	74,949
Interest Expense	(393,286)	(416,336)
Other Income (Expense)	(25,725)	47,358
Income before taxes and minority interest	**374,218**	**273,874**
Income Taxes	(173,504)	(163,204)
Income before minority interest attributable to:	**200,714**	**110,670**
Shareholders	155,304	69,220
Minority Interest	45,410	41,450
Net Income	**155,304**	**69,220**
Net Margin	**1.5%**	**0.7%**
Effective Tax Rate	46.4%	59.6%
Total Shares	606,407,693	606,407,693
Earnings per share (US$)	0.25610	0.11415
EBITDA	1,716,159	1,528,231

Sworn

S T A T E M E N T S

As Directors, Chief Exectutives Officer, and Chief Financial Officer of LATAM Airlines Group, we declare under our responsibility on the veracity of the information contain in the Annual Report 2017.

Ignacio Cueto Plaza
Chairman
7.040.324-2

Carlos Heller Solari
Vice-Chairman
8.717.000-4

Juan José Cueto Plaza
Director
6.694.240-6

Antonio Luiz Pizarro Manso
Director
Foreign

Georges de Bourguignon Arndt
Director
6.694.240-6

Eduardo Novoa Castellón
Director
7.836.212-K

Nicolás Eblen Hirmas
Director
15.336.049-9

Henri Philippe Reichstul
Director
48.175.668-5

Enrique Cueto Plaza
CEO
6.694.239-2

Ramiro Alfonsín Balza
CFO
22.357.225-1

LATAM AIRLINES