LATAM AIRLINES GROUP

ANNUAL REPORT 2012

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01

INTRODUCTION

LATAM AIRLINES GROUP S.A.

INTRODUCTION /

MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear Shareholders,

In 2012, by implementing the association between LAN and TAM, the region's principal airlines, we not only fulfilled a long-sought-after dream on our road to consolidation but also took an historic step in Latin America's airline industry. The merger process represented over two years of hard work and dedication, the result of which finally materialized on June 22 when we announced the birth of LATAM Airlines Group.

This achievement is a source of both pride and, of course, motivation since it will allow us to build an airline that is a leader in the region in terms of size and coverage, with a combined fleet comprising over 300 aircraft and an unrivalled network serving 135 destinations across 22 countries and transporting cargo to 144 destinations in 27 countries. In this way, we have grown significantly in capacity and connectivity, offering more flights and more destinations in the region as well as to and from the rest of the world.

At the regional level, LATAM Airlines Group has today a diversified presence, with domestic operations in Chile, Argentina, Perú, Ecuador and Colombia as well as Brazil, by far the region's largest market, in addition to a key position in the main hubs for connections between South America and the rest of the world such as Santiago, São Paulo and Lima. This allows us to promote the region internationally through a service of excellence with which we hope to contribute to South America's commercial integration and to expand our culture beyond the region.

The integration of LAN and TAM will enable us to be more competitive and efficient, providing more travel options for our clients at attractive prices with the same service quality that has been the hallmark of all our operations. We estimate that this alliance will generate synergies worth between US$600 million and US$700 million a year as from the fourth year of the integration. This does not, moreover, include the development potential of Brazil's domestic market which moves around 77 million passengers each year and, at present, represents around 30% of the group's consolidated revenues.

Just as we foresee great opportunities for growth, we are also aware that merger processes are not easy and, on the contrary, entail many challenges and lessons to be learned. In particular, we face an important organizational challenge since the association of LAN and TAM involves a team formed by over 53,000 people of different nationalities, making LATAM Airlines Group a company that is not only multinational but also multicultural, with all the advantages this implies in terms of knowledge of different markets and their people. I would like to take this opportunity to express our sincerest thanks to all our employees for the dedication, effort and commitment they have shown over these two years. This was, without doubt, crucial for the successful implementation of our merger process.

We know we still have a long road ahead of us and I would, therefore, invite you to keep alive this spirit of collaboration and to be protagonists of the consolidation of this unique and historic project of making LATAM Airlines Group one of the world's ten largest and most important airlines.

In order to reach this stage, we have worked with passion and given the best of ourselves. 2012, in particular, was an important transition year in which we invested much time and resources and this is reflected in our results. We are certain that all this effort will create greater prosperity for all the LATAM Airlines Group family. Our passengers and cargo clients will benefit through an increased number of flights and better connections within the region and with the rest of the world. The growth of our operations will also mean new career opportunities and jobs for our employees. And, finally, the gains in terms of synergies and increased flow of passengers, among other benefits of the merger, will be reflected in greater profitability for our shareholders.

Before finishing these remarks, I would like to draw particular attention to the long history of collaboration between LAN and TAM as independent airlines. Both companies shared not only a similar business vision but also the same values and culture of service and these are decisive for the success of this integration process. Together, we will now build on all our strengths and attributes as regards size, coverage and know-how in order to consolidate our position as a global operator that is well prepared to compete in the big leagues of the international airline industry.

Mauricio Amaro
Chairman of the Board

INTRODUCTION /

LETTER FROM CHIEF EXECUTIVE OFFICER

Dear Shareholders,

In a year marked by challenges for airlines worldwide, the creation of the LATAM Airlines Group in 2012 represented a milestone in the history of aviation in the Americas. The merger – one of the continent's largest business initiatives – was crowned a success and resulted in the largest airline group in Latin America and one of the world's first in terms of market capitalization.

Important steps were taken that allowed us to capture the important synergies and opportunities initially projected for the integration process. We made available to our passengers the joint sale of LAN and TAM flights, which increased our offering of destinations, and also worked continuously to adjust itineraries to improve connections from our continent to Europe and the United States.

We also advanced important changes in our two largest domestic markets, Colombia and Brazil, which will bring significant gains going forward. In Colombia, we continued to replace our current fleet with new Airbus aircraft that are more efficient and have more seats, which reduces our costs and allows us to improve our on-time performance.

In Brazil, there are two points I would like to underscore. First, we were able to successfully reduce excess capacity in the domestic market, which significantly increased our average load factor in the year to 73.6%. Though still below the levels of more mature markets like the United States and Europe, this load factor shows that we are on the right path to recovering profitability in Brazil's domestic market, which accounts for approximately 30% of the LATAM Airlines Group's revenue.

Second, with the signing of code-sharing agreements between TAM and American Airlines, among the two largest airlines in their respective countries, following approval by the regulatory agencies, we will begin offering in the Brazilian market 48 new destinations in the United States based out of Miami, which is Brazilian's main port of entry into the country.

Brazil's largest airport, Guarulhos International Airport in São Paulo, has been under private management since mid-2012 through a concession contract. The move represents an important initiative for stimulating the region's aviation market, adjusting infrastructure to air carriers' growing needs and improving service for their millions of passengers.

One of our most important objectives is to transform Guarulhos International Airport into a major hub for LATAM Airlines Group, effectively connecting South America to the rest of the world. By concentrating our operations in a single terminal we will be able to offer our passengers, both domestic and international, shorter distances between gates, better connection times and more comfort and conveniences in our lounges.

We are also renewing our fleet over the short and medium term. The LATAM Airlines Group fleet is already one of the youngest in the world, but our objective is to offer greater comfort and well-being to our passengers, while also increasing flight efficiency by using latest generation aircraft, which consume less fuel. Along these lines, the company has significant orders of Boeing 787 and Airbus A350 state-of-the-art aircraft to operate with greater efficiency and providing a superior travel experience for passengers. Additionally, we are constantly evaluating opportunities to improve our product in the current fleet, especially for long-haul routes.

More than ever, we maintain our commitment to excellence in the service we provide to passengers and cargo customers. In addition to continuous improvements in the connectivity of our network and the constant renewal of our fleet, we have invested in systems and technology that will allow us to better manage the interactions with our passengers. These changes were not free of challenges in their implementation, but we remain convinced that in the long term they will be reflected in an organization that is increasingly responsive to customer needs.

Lastly, I would like to highlight the importance we are dedicating to our employees. Our group brings together 53,000 people from various countries and with distinct backgrounds and cultures, which is why we are investing in creating a shared team spirit across our corporation. LATAM Airlines Group was created from two companies that have always shared similar values and a culture of excellence in customer service, which is of inestimable importance in any integration process.

Over the next few years we will overcome major challenges that are inherent to any enterprise of this grandeur. And the LATAM Airlines Group merger will, without a doubt, mark the history of global aviation.

Enrique Cueto P.
CEO

02

OUR COMPANY

LATAM AIRLINES GROUP S.A.

LAN TAM — LATAM AIRLINES GROUP —

OUR COMPANY /

BUSINESS STRATEGY

Business and geographic diversification

For LATAM Airlines Group, success consists in making the airlines it brings together - LAN and TAM - a business that is sustainable over time, that has over the years carried millions of passengers and that, today, after their integration, is positioned as one of the world's most important airline groups. For this reason, it has based its strategy on the pillars of connectivity, diversity and efficiency.

Through its regional presence, the Company offers unrivalled connectivity and no other airline group in the region offers more flights to more destinations than LATAM Airlines Group. In addition, it competes on a daily basis on the global stage, with an extensive network of destinations and hubs located at strategic points in the region (Santiago, Lima and São Paulo) that enable it to improve the connection of South America with the rest of the world and of the rest of the world with South America, offering clients more travel options and constantly striving to provide a service of excellence to both passengers and cargo clients.

Both companies have a diversified business model. This includes both geographic diversity - as a regional company with a presence in the region's main markets - and business diversity in that, although a group of passenger airlines, it derives an important part of its revenues from cargo operations.

LATAM Airlines Group has built a solid network of subsidiaries in Chile, Brazil, Perú, Argentina, Ecuador and Colombia and is the leader in most of these markets, contributing to the countries' economic and social development and, thanks to its low-cost model, making air travel ever more accessible to their inhabitants.

The diversification of the Company's business model has also been key in its consolidation as one of the most efficient, competitive and profitable in the international airline industry, achieving the integration of its cargo and passenger businesses, optimizing utilization of its aircraft, adjusting its routes and flights to demand and providing solidity and stability in relation to the external factors by which it could be affected. At present, its cargo business accounts for 14.6% of revenues and its passenger business for the other 83.4%.

Another pillar of LATAM Airlines Group's strategy is for its operations to be profitable and, at the same time, environmentally friendly and their efficiency has been key for its success. With a modern fleet of more than 320 aircraft in service and purchase orders for around a further 187, LATAM Airlines Group stands out for its use of latest-generation planes such as the Boeing 787 Dreamliner and the Boeing 777-200F cargo plane as well as its purchase orders for the new Airbus A350-200.

The great investment that the Company has made in its fleet is reflected in savings on operating costs. In some cases, the efficiency of its aircraft has allowed it to cut fuel consumption by around 15%, resulting in a reduction in CO_2 emissions and offering passengers a better service.

The integration of LAN and TAM has united two financially solid companies, bringing the best of each to the new company, giving it an important position in the global market and generating synergies and cost efficiencies to allow it to continue growing and providing greater benefits to the region.

OUR COMPANY /

OUR HISTORY

1929
Línea 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.

1970
LAN begins flights to Europe.

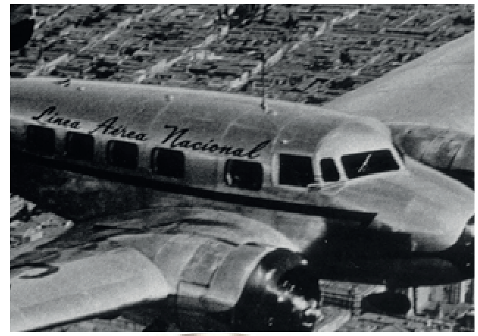
1975
Foundation of TAM-Transportes Aéreos Regionais by Capitan Rolim Adolfo Amaro.

1976
Launch of TAM services in Brazilian cities, especially Mato Grosso and São Paulo.

1983
Constitution of Linea Aerea Nacional - Chile Limitada, through CORFO

1985
LAN becomes a joint stock company.

1986
Acquisition by TAM of VOTEC-Brasil Central Linhas Aéreas, another regional airline operating in the north and center of the country.



1989
Start of privatization of LAN: the Chilean government sells a 51% stake to local investors and Scandinavian Airlines System (SAS).

1990
Brasil Central renamed TAM-Transportes Aéreos Meridonais.

1993
Launch by TAM of TAM Fidelidade, Brazil's first frequent flyer program.

1994
Privatization of LAN completed with the acquisition of a 98.7% stake by its current controllers and other shareholders.

1996
Acquisition by TAM of Lapsa airline from the Paraguayan government and creation of TAM Mercosur; start of São Paulo-Asunción flights.

1997
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.

1999
Start of TAM services to Europe through a code sharing agreement with Air France to Paris Charles de Gaulle.

2000
LAN joins the **one**world® alliance.

2001
LAN Alliance with Iberia and inauguration of Miami cargo terminal.

2001
Creation of TAM Technology Center and Service Academy in São Paulo.

2002
LAN Alliance with Qantas and Lufthansa Cargo.

2003
LAN continues its expansion plan: start of operations of LAN Ecuador.

2004
Launch of new corporate image as LAN Airlines S.A.

2004
Start of TAM flights to Santiago.

2005
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.

2006
Launch of new LAN Premium Business Class.

2006
TAM S.A. lists on the NYSE / Start of flights to London and, through agreement with Air France, to Zurich and Geneva.

2007
Implementation of low-cost model in domestic markets; capital increase of US$320 million; purchase orders for 32 Boeing 787 Dreamliners.

2007
Start of TAM flights to Milan and Córdoba; authorization from Brazil's National Civil Aviation Agency (ANAC) to start flights to Madrid and Frankfurt.

2008
Completion of renewal of LAN's short-haul fleet with aircraft from the Airbus A320 family.

2008
TAM receives its first Boeing 777-300ER.

2009
Start of cargo operations in Colombia and domestic passenger operations in Ecuador.

2009
Launch of Multiplus Fidelidade; acquisition of Pantanal Linhas Aéreas.

2010
Acquisition of Colombia's Aires airline.

2010
TAM officially joins Star Alliance.

2011
LAN and TAM sign binding agreements related to the business combination of the two airlines.

2012
LATAM Airlines Group is born as a result of the business combination between LAN and TAM.

OUR COMPANY /

OUR FLEET

LATAM Airlines Group operates a fleet of 327 aircraft whose average age of 6.7 years positions it as one of the most modern in the industry. As of December 2012, LAN's and TAM's planes continued to operate under their respective brands but with a focus on the connectivity of their networks to the benefit of passenger and cargo clients.

For short-haul operations, the Company uses almost exclusively aircraft from the Airbus A320 family. The great flexibility afforded by their range and power allows the Company to serve its domestic and regional routes within South America efficiently. In 2012, 22 new aircraft from this family were incorporated and 15 were taken out of service, giving LATAM Airlines Group a fleet of 212 planes from this family. It is important to note that the homogeneity of LAN's and TAM's short-haul fleets is an important element in the process of integrating the businesses of the two airlines.

Only in the case of LAN Colombia do six Boeing 737-700s and ten Dash planes remain in service, all of which are operating leases were received by LAN as a result of its acquisition of Colombia's Aires (in November 2010). Over the medium term, they will gradually be taken out of service and mostly replaced by Airbus A320 planes.

LATAM Airlines Group's strategic plan for the renewal of its short-haul fleet envisages the incorporation of larger models such as A320s and A321s whose greater passenger capacity will allow it to serve the densest routes efficiently and the growth of both domestic and regional markets. In this same context, the withdrawal from service of Airbus A318s, the smallest model in the Company's A320 family fleet, will be completed in 2013, as well as the withdrawal of the Dash 8-Q400s, which are currently being checked prior to their return.

In the case of long-haul planes, one of the milestones of 2012 was the incorporation of the first three Boeing 787-8 Dreamliners out of a total order for 32 planes of this model which will arrive over the next eight years. As a result, LATAM Airlines Group became the first airline in the Americas and only the fourth in the world to take delivery of these latest-generation planes. Considered the new "ecological aircraft", the Boeing 787 is between 12% and 15% more efficient in fuel consumption, representing an important competitive advantage in terms of costs as well as making a positive contribution to the environment by reducing the CO2 emissions of flights.

In 2012, the Company also incorporated nine new Boeing 767-300s, all equipped for the new long-haul configuration - complying with the same standards established for the modern Boeing 787 Dreamliners - and, as of December 2012, had 41 planes of this model in operation. During 2012, the Company also started to reconfigure the cabins of some of its Boeing 767s, in order to optimize the distribution of passengers, improve the commercial mix on the short-haul routes for which these aircraft are used and provide passengers with a better travel experience. The Company's fleet also includes 27 Airbus A330 and A340 planes, the latter of which it prefers for its ultra-long-haul routes.

The future fleet plan of LATAM Airlines Group envisages orders for 187 planes, including the new Airbus A350s, the first of which are expected to be delivered in 2016. The plan represents a total investment of approximately US$13,000 million through to 2018.

In the case of Boeing 777s, of which the Company currently has eight and expects to receive a further four in 2013 and 2014, it has launched a process of cabin reevaluation so as to offer a homogenous product, configured to service standards that are similar in both LAN and TAM.

As of December 2012, the Company's cargo fleet comprised twelve Boeing 767Fs and four Boeing 777Fs. The latter are the most modern cargo planes of their type in the industry.

FLEET	Leased	Owned	Total
PASSENGERS			
A318	-	5	5
A319	12	45	57
A320	75	66	141
A321	1	8	9
A330	2	18	20
A340-300	3	2	5
A340-500	2	-	2
B737	6	-	6
B767	11	30	41
B777	-	8	8
B787	-	3	3
DASH 8-200	10	-	10
DASH 8-Q400	4	-	4
CARGO			
B767 Freighter	4	8	12
B777 Freighter	2	2	4
total	123	204	327

MAITENANCE

In this field, one of the milestones of 2012 was the certification of TAM MRO - the Maintenance, Repair and Overhaul business unit of TAM S.A. - by Brazil's National Civil Aviation Agency (ANAC) for the provision of aircraft maintenance services such as the installation and remodeling of engines, propellers and undercarriages and corrective measures. TAM MRO is authorized to attend Airbus planes (A318 / A319 / A320 / A321 / A330), Boeing 767s, Fokker 100s and ATRs (ATR-42 and ATR-72) with Brazilian registration.

The unit is currently working to expand its services to external clients. Its goal is to increase revenues from services to third parties by 20% each year through to 2016. At present, they account for 18% of its total revenues and the aim is to reach over 40% by 2016.

A320 FAMILY

A318-100

Length: 31.8 mts
Width: 34.1 mts
Seats: 126
Cruising Speed: 850 km/h
Maximun weight at take-off: 63,000 kg

A319-100

Length: 33.8 mts
Width: 34.1 mts
Seats: 144
Cruising Speed: 850 km/h
Maximun weight at take-off: 70,000 kg

A320-200

Length: 37.6 mts
Width: 34.1 mts
Seats: 168 - 174
Cruising Speed: 850 km/h
Maximun weight at take-off: 77,000 kg

A321-200

Length: 44.51 mts
Width: 34.1 mts
Seats: 220
Cruising Speed: 850 km/h
Maximun weight at take-off: 89,000 kg

A330-200

Length: 58.8 mts
Width: 60.3 mts
Seats: 223
Cruising Speed: 870 km/h
Maximun weight at take-off: 230,000 kg

A340 FAMILY

A340-300

Length: 63.7 mts
Width: 60.3 mts
Seats: 260
Cruising Speed: 896 km/h
Maximun weight at take-off: 275,000 kg

A340-500

Length: 67.9 mts
Width: 63.45 mts
Seats: 267
Cruising Speed: 907 km/h
Maximun weight at take-off: 372,000 kg

BOEING 737-700

Length: 39.5 mts
Width: 35.7 mts
Seats: 148
Cruising Speed: 828 km/h
Maximun weight at take-off: 70,000 kg

BOEING 767-300

Length: 54.2 mts
Width: 47.6 mts
Seats: 221 - 238 - 205
Cruising Speed: 869 km/h
Maximun weight at take-off: 184,611 kg

BOEING 777-300

Length: 73.9 mts
Width: 64.8 mts
Seats: 362
Cruising Speed: 896 km/h
Maximun weight at take-off: 347,800 kg

BOEING 787-8

Length: 56.69 mts
Width: 60.0 mts
Seats: 247
Cruising Speed: 913 km/h
Maximun weight at take-off: 227,930 kg

BOEING 767-300F

Length: 54.2 mts
Width: 47.6 mts
Cargo Volume: 438.1 m3
Cruising Speed: 869 km/h
Maximun weight at take-off: 186,880 kg

BOEING 777-200F

Length: 63.7 mts
Width: 64.8 mts
Cargo Volume: 652.7 m3
Cruising Speed: 896 km/h
Maximun weight at take-off: 347,450 kg

DASH 8-200

Length: 22.25 mts
Width: 25.89 mts
Seats: 37
Cruising Speed: 500 km/h
Maximun weight at take-off: 16,470 kg

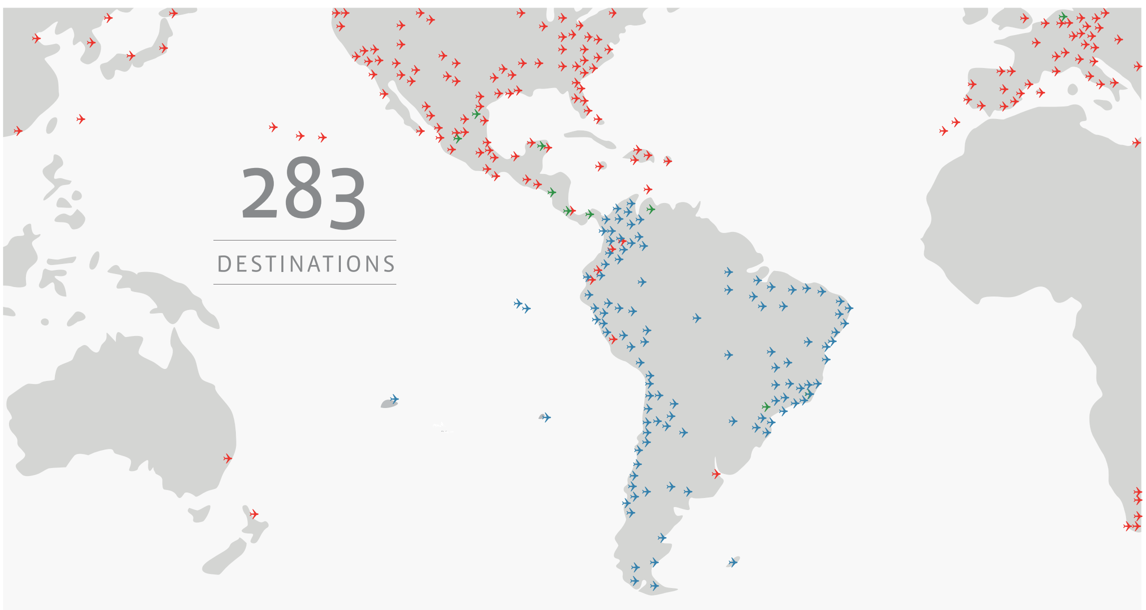
DASH 8-Q400

Length: 32.81 mts
Width: 28.4 mts
Seats: 78
Cruising Speed: 667 km/h
Maximun weight at take-off: 29,260 kg

OUR COMPANY /

DESTINATIONS

LATAM NETWORK

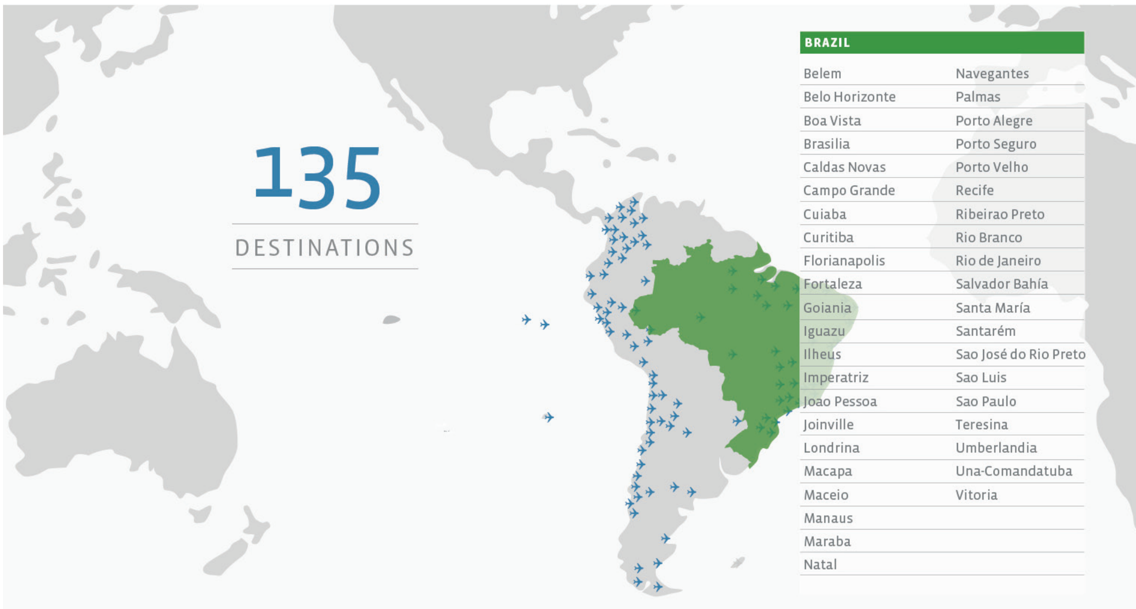


PASSENGER AND CARGO

Passenger and Cargo (Chile)

Passenger and Cargo (Perú)

Passenger and Cargo (Brazil)



Passenger and Cargo (Ecuador)

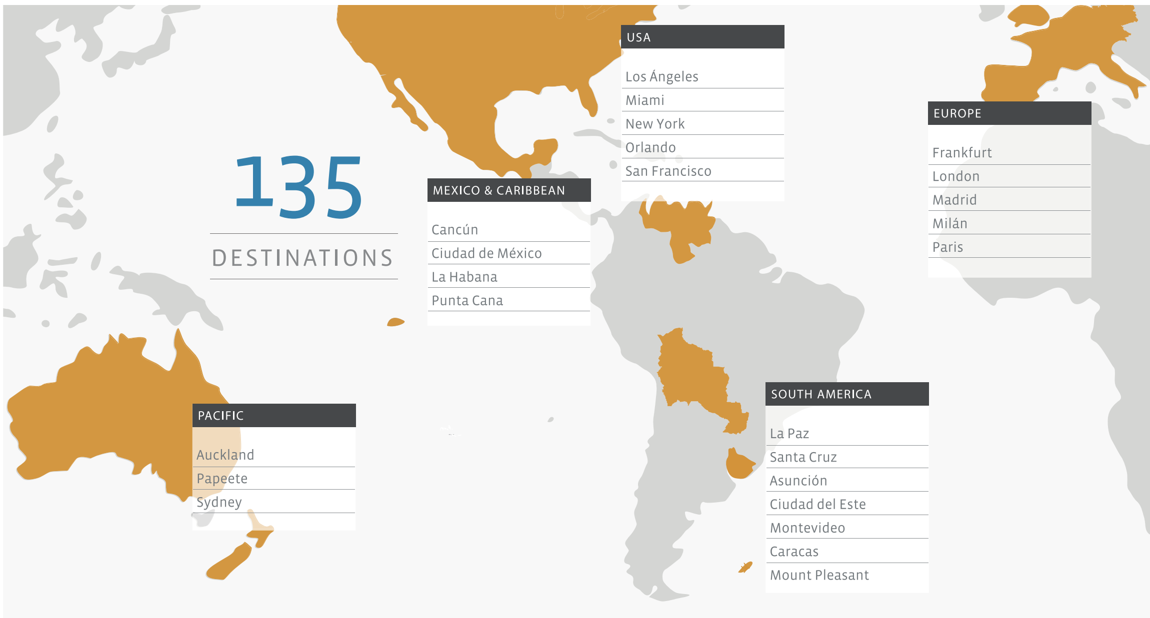
LAN TAM — LATAM AIRLINES GROUP —

Passenger and Cargo (Argentina)

Passenger and Cargo (Colombia)

LAN TAM — LATAM AIRLINES GROUP —

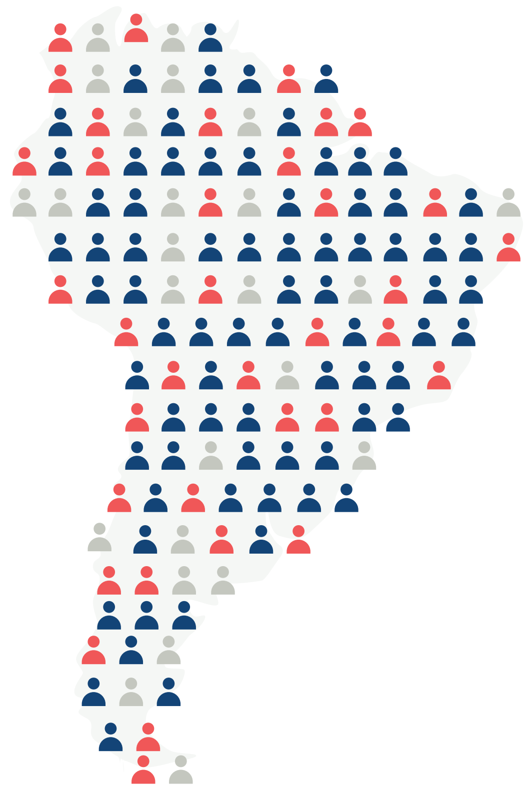
Passenger and Cargo (International)



Only Cargo and Codeshare

OUR COMPANY /

OUR PEOPLE



53,599 | EMPLOYEES

The formation of LATAM Airlines Group is the fulfillment of a great dream and has been possible thanks to the effort and commitment of all our people.

2012 has been the most significant year for all the Group's employees who are the protagonists of the important challenges implicit in the integration of LAN and TAM, their growth and cross-cultural interchange.

For both airlines, the development of their people is, therefore, fundamental for ensuring that their growth plan for the future also means new opportunities for employees and, at the same time, boosts economic development and employment in the countries served by the Group.

As of December 2012, LATAM Airlines Group had 53,599 employees of 57 different nationalities across the 20 countries where it has its own personnel.

In 2012, in line with its focus on the development of its people, 35,478 LATAM Airlines Group employees with a permanent contract, equivalent to 64% of the workforce, received a total of 1,567,604 hours of training.

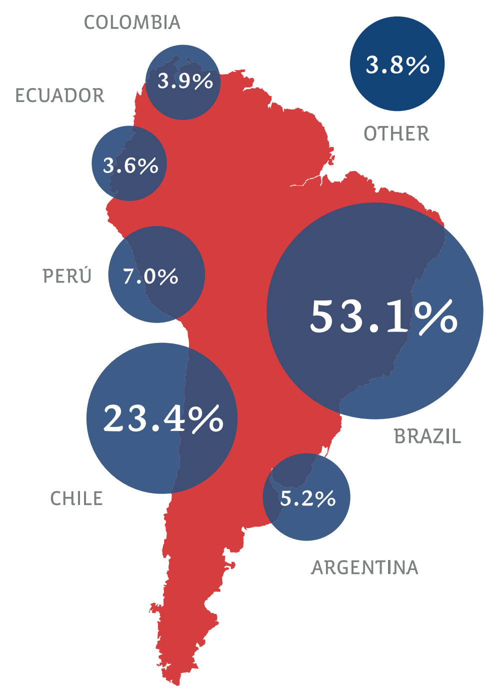
A high-performance, committed and customer-focused human team is one of the transversal objectives of LATAM Airlines Group. This is reflected in the joint work it has undertaken to homologate some policies and the modifications both companies have made in their organizational structures. As of end-2012, the areas of Human Resources, Cargo, International Business, Finance, Planning, Auditing and IT were working in an integrated way. This process implied that, across the Group, 7,810 employees changed jobs within the group while many of them had the opportunity to move to another country.

Work has also taken place to redesign both companies' executive posts in order to ensure their equivalence. This is key for the formation and cohesion of LAN's and TAM's work teams.

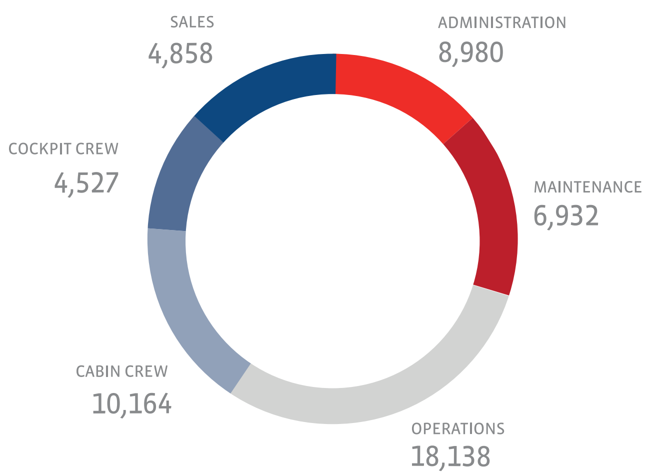
To this end, the competencies required for all members of the organization were identified, creating the new Model of Competencies for LATAM

Airlines Group. Through the development of a series of methods and techniques to strengthen those skills that are key for achieving a performance of excellence, this helps to identify the training needs to be addressed by the Company.

The challenge of creating this holding of airlines is rich in lessons and opportunities for all our people who are vital for the construction of this story which is only just beginning. At present, we are working to design a single model of Culture for LATAM Airlines Group which will, without doubt, be an important step in creating the identity of the new Company.



LATAM employees by country



Staffing levels

OUR COMPANY /

COMPANY INFORMATION

LATAM AIRLINES GROUP
Chilean Tax N° (RUT): 89.862.200-2

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TICKER SYMBOL
LAN - Santiago Stock Exchange
LFL - New York Stock Exchange
LATM11 - Sao Paulo S.E.

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JPMorgan Chase Bank, N.A.
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Tel: From outside US (651) 453-2128
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CUSTODIAN BANK ADRs
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CUSTODIAN/DEPOSITARY BANK BDRs
Itaú Corretora de Valores S.A.
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Tatuapé – São Paulo/SP
CEP: 03084-010
Attention: Unidade Dedicada Produto ADR/BDR
Tel.: (55) (11) 2797 3411
Fax.: (55) (11) 2797 3413
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Santiago, Chile
Tel: (56) (2) 2940 0000

WEBSITES
Complete information about LATAM Airlines:

www.latamairlinesgroup.net
www.lan.com
www.tam.com.br

03

CORPORATE GOVERNANCE

LATAM AIRLINES GROUP S.A.

CORPORATE GOVERNANCE /

BOARD OF DIRECTORS

MAURICIO ROLIM AMARO

Mr. Mauricio Rolim Amaro, a business administrator, has been a director of LATAM Airlines Group since 28 June 2012 and chairman of its board of directors since 3 August 2012. He has held different positions in TAM Group and was also a professional pilot with TAM Linhas Aéreas S.A. and TAM Aviação Executiva S.A. He has been a member of the Council of Administration of TAM S.A. since 2004, serving as its vice-chairman as from April 2007. He is also executive director of TAM Empreendimentos e Participações S.A. and chairs the Councils of Administration of Multiplus S.A. and TAM Aviação Executiva e Taxi Aéreo S.A.

Mr. Amaro is a member of the Strategy, Leadership, Finance, Brand, Product and Frequent Flyer Program Committees of LATAM Airlines Group.

MARÍA CLAUDIA AMARO

Mrs. María Claudia Amaro, who holds a degree in business administration and marketing, has been a director of LATAM Airlines Group since 28 June 2012. She has served as director of marketing at TAM Linhas Aéreas and, since September 2003 has been a member of the Council of Administration of TAM S.A., chairing its Board of Directors since April 2007. She is also executive director of TAM Empreendimentos e Participações S.A. and forms part of the Councils of Administration of Multiplus S.A. and TAM Aviação Executiva e Taxi Aéreo S.A.

Mrs. Amaro is a member of the Strategy, Leadership, Brand, Product and Frequent Flyer Program Committees of LATAM Airlines Group.

RAMÓN EBLEN KADIS

Mr. Ramón Eblen Kadis an economist and business administrator, has been a director of LATAM Airlines Group since June 1994. He has served as chairman of Comercial Los Lagos Ltda., Inversiones Santa Blanca S.A. and TJC Chile S.A.

Mr. Eblen is a member of the Directors' Committee and of the Leadership, Brand, Product and Frequent Flyer Program Committees of LATAM Airlines Group.

CARLOS HELLER SOLARI

Mr. Carlos Heller Solari, an agricultural engineer, joined the board of LATAM Airlines Group in May 2010. He has great experience in the retail, transport and agricultural sectors. He currently serves as vice-chairman of Bethia (an investment company and owner of Axxion) and as chairman of Axxion S.A., Megavisión, Club Hípico de Santiago, Sotraser S.A. and Agrícola Ancali. In addition, he is a member of the boards of SACI Falabella S.A., Falabella Retail S.A., Sodimac S.A. and Titanium S.A. and is the main shareholder and vice-chairman of Azul Azul.

JUAN JOSÉ CUETO PLAZA

Mr. Juan José Cueto Plaza, an economist and business administrator, has been a director of LATAM Airlines Group since 1994. He currently serves as executive vice-president of Inversiones Costa Verde S.A., a position he has held since 1990, and is a member of the boards of Forestal Copihue S.A. and Minera Michilla S.A. He also previously served as director of other companies including Consorcio Maderero S.A.

Mr. Cueto is a member of the Finance, Brand, Product and Frequent Flyer Program Committees of LATAM Airlines Group.

JOSÉ MARÍA EYZAGUIRRE BAEZA

Mr. José María Eyzaguirre Baeza, a lawyer, joined the board of LATAM Airlines Group in September 2012. He has been a partner in the Claro y Cía. law firm since 1993 and a director of Walmart Chile S.A. and Sociedad Química y Minera de Chile S.A. since 2010 and 2001, respectively. Since 2010, he has also been a director of Komax S.A., the company which represents in Chile brands that include Polo Ralph Lauren, Brooks Brothers, GAP, Banana Republic and The North Face. He previously served on the boards of other companies that include Embotelladora Andina S.A. and AES Gener S.A.

GERARDO JOFRÉ MIRANDA

Mr. Gerardo Jofré Miranda, an economist and business administrator, joined the board of LATAM Airlines Group in May 2010. He is chairman of the board of the National Copper Corporation of Chile (Codelco) and a director Air Life Chile S.A. as well as president of the Fundación Saber Más and a member of the investment council of Santander real estate funds. From 2005 to 2009, Mr. Jofré was a director of Endesa Chile S.A., Viña San Pedro Tarapacá S.A., D&S S.A., Construmart S.A., Inmobiliaria Titanium S.A. and Inmobiliaria Parque del Sendero S.A. Between 2004 and 2005, he was insurance director for the Americas at Spain's Grupo Santander. From 1989 to 2004, he worked for Grupo Santander in Chile as group vice-president and as CEO of different companies in the group.

Mr. Jofré chairs the Directors' Committee and the Finance Committee and is a member of the Strategy and Leadership Committees of LATAM Airlines Group.

GEORGES DE BOURGUIGNON ARNDT

Mr. Georges de Bourguignon holds an economic degree from the Catholic University of Chile and an MBA from Harvard University. He was elected to the board of LATAM Airlines Group in September 2012. Mr. de Bourguignon is a co-founding partner and executive director of the Asset Chile S.A. investment bank. He is currently also a director of Sal Lobos, the Chilean subsidiary of Germany's K+S group and vice-chairman of the board of Chile's La Polar retail company. Before founding Asset Chile, he served as vice-president of Citibank S.A. in Chile and director of Intergénesis Administradora de Fondos de Inversión as well as an economics lecturer at the Catholic University of Chile.

Mr. de Bourguignon is a member of the Directors' Committee of LATAM Airlines Group.

FRANCISCO LUZÓN LÓPEZ

Mr. Francisco Luzón López, an economist, was elected to the board of LATAM Airlines Group in September 2012. He is currently an advisor to the Inter-American Development Bank (IDB), a visiting leader at the China Europe International Business School (CEIBS) in Shanghai and chairman of the Council of the ICADE Business School (Madrid). From 1999 to 2012, Mr. Luzón served as executive vice-president for Latin America at Banco Santander and, during this period, was also international vice-president of Universia S.A. He was previously chairman and councilor of Grupo Bancario Argentaria and was appointed as councilor and director general of both Banco Vizcaya and Grupo Bancario BBV. During his career, Mr. Luzón has also served on the administrative councils of companies that include the global textile company Inditex-Zara.

Mr. Luzón is a member of the Strategy and Finance Committees of LATAM Airlines Group.

CORPORATE GOVERNANCE /

SENIOR MANAGEMENT

ENRIQUE CUETO

Mr. Enrique Cueto Plaza is the chief executive officer of LATAM Airlines Group, a post he has held since 1994. From 1983 to 1993, he served as general manager of Fast Air, a Chilean cargo airline. With 30 years' experience in the airline industry, Mr. Cueto has wide knowledge of both the commercial and operational management of passenger and cargo airlines. He is an active member of the governing boards of the **one**world® alliance and the International Air Transport Association (IATA). He is also a member of the boards of the Chilean Manufacturers' Association (SOFOFA) and the Endeavor foundation, an organization that promotes entrepreneurship in Chile.

IGNACIO CUETO

Mr. Ignacio Cueto Plaza is the chief executive officer of LAN, a post he has held since 2005. Mr. Cueto began his career in the airline industry in 1985 at Fast Air. Between 1985 and 1993, he held posts that included service manager, sales director and vice-president for sales and marketing. Between 1993 and 1995, he served as general manager of Fast Air and, from 1995 to 1998, as president of LAN Cargo Group. Mr. Cueto was also a director of Ladeco between 1994 and 1997 and of LAN Airlines between 1995 and 1997. In 1999, he became chief executive officer for passengers at LAN Airlines, a post he held until taking up his current position.

MARCO BOLOGNA

Mr. Marco Antonio Bologna is chief executive officer of TAM, a post he has held since April 2010. Mr. Bologna joined TAM in March 2001 as vice-president for finance and administration and director of investor relations. From 2004 to 2007, he served as president of TAM Linhas Aéreas and, in March 2009, was appointed as president of TAM Aviação Executiva e Taxi Aéreo S.A. Since February 2012, he has also been president of TAM Linhas Aéreas. Mr. Bologna has extensive experience in the airline industry in addition to having worked in the financial sector for more than 20 years.

ARMANDO VALDIVIESO

Mr. Armando Valdivieso Montes was appointed as LATAM Airlines Group's senior vice-president for passenger business in Spanish-speaking countries in 2012 following the integration of LAN and TAM. Since 2006, he had served as LAN's chief executive officer for passengers. From 1997 to 2005, he served as chief executive officer for cargo at LAN Airlines and, from 1995 to 1997, as general manager of Fast Air. Between 1991 and 1994, he served as Fast Air's vice-president in the United States, based in Miami. Mr. Valdivieso is a civil engineer and holds an Executive MBA from Harvard University.

CRISTIÁN URETA

Mr. Cristián Ureta is LATAM Airlines Group's chief executive officer for cargo, a post he has held since 2005. He holds an engineering degree from the Catholic University of Chile and is a graduate of Stanford University's Executive Specialization Program. Between 2002 and 2005, Mr. Ureta served as LAN Cargo's vice-president for production and, from 1998 to 2002, as its vice-president for planning and development. He was previously director general and commercial director of MAS Air and manager for services at Fast Air.

DAMIAN SCOKIN

Mr. Damian Scokin is chief executive officer for international passenger business. He was previously chief executive officer of LAN Argentina where he was responsible for this new subsidiary's start of operations. Before joining LAN, Mr. Scokin developed a successful career as a consultant at McKinsey & Company where, for 11 years, he worked on different projects in the United States, the United Kingdom, Chile, Brazil, Perú and Argentina. In 2000, he became a partner in the firm and, in 2003, location manager for its office in Buenos Aires. Mr. Scokin holds an undergraduate degree in economics and industrial engineering and an MBA from Harvard University.

ALEJANDRO DE LA FUENTE

Mr. Alejandro de la Fuente Goic is the chief financial officer of LATAM Airlines Group. He joined LAN Airlines in April 1995 after serving as administration and finance manager at Chiquita Frupac Ltda., a subsidiary of Chiquita Brands Inc. Mr. de la Fuente is an agricultural engineer who holds a master's degree in economics and agrarian economy from the Catholic University of Chile and an MBA from the Adolfo Ibáñez University.

ROBERTO ALVO

Mr. Roberto Alvo Milosawlewitsch is LATAM Airlines Group's vice-president for planning, management and research, a post to which he was appointed in August 2008. He joined LAN Airlines in November 2001 and, before taking up his present post, served as director of administration and finance at LAN Argentina, manager of development and financial planning and deputy chief financial officer at LAN Airlines. Before joining the company, Mr. Alvo held various posts at Sociedad Química y Minera de Chile S.A., a leading Chilean non-metallic mining company. He is a civil engineer and holds an MBA from the IMD in Lausanne, Switzerland.

EMILIO DEL REAL

Mr. Emilio del Real Sota has been LATAM Airlines Group's vice-president for human resources since August 2005. He holds a psychology degree from the Gabriela Mistral University. Between 2003 and 2005, he served as manager for human resources at D&S, a Chilean retail company. Between 1997 and 2003, he held various posts at Unilever, including human resource manager at Lever Chile, manager of executive development for customer service in Latin America and manager of training and recruitment.

LAN TAM — LATAM AIRLINES GROUP —

2012

	BOARD MEMBERS	Position	Director's Remuneration US$	Director's committee member's fees US$	Total US$
5)	MAURICIO AMARO	President	11,546		11,546
5)	MARÍA CLAUDIA AMARO	Director	5,459		5,459
3)	FRANCISCO LUZÓN LÓPEZ	Director	3,665		3,665
	JUAN JOSÉ CUETO PLAZA	Director	12,097		12,097
	RAMÓN EBLEN KADIS	Director	13,386	9,484	22,870
	JUAN GERARDO JOFRÉ MIRANDA	Director	12,097	14,763	26,861
	CARLOS HELLER SOLARI	Director	11,085		11,085
3)	JOSÉ MARÍA EYZAGUIRRE BAEZA	Director	4,123		4,123
3)	GEORGES ANTOINE DE BOURGUIGNON	Director	4,123	4,129	8,252
4)	JORGE AWAD MEHECH	President	17,257	9,282	26,539
6)	DARIO CALDERÓN GONZÁLEZ	Director	5,953		5,953
2)	JUAN CUETO SIERRA	Director	3,024		3,024
6)	JOSÉ COX DONOSO	Director	5,953		5,953
4)	BERNARDO FONTAINE TALAVERA	Director	7,975	5,248	13,223
1-4)	JORGE SALVATIERRA PACHECO	Director	3,958		3,958

1) Member since April 26th 2012
2) Member until April 26th 2012
3) Member since Sept 4th 2012
4) Member until Sept 4th 2012
5) Member since Jun 28th 2012
6) Member until Jun 28th 2012

In 2012, the Company paid its main executives (including the levels of vice-president, CEO and director) total remunerations of US$15.8 million, plus a further US$6.8 million in incentives. The company did not pay compensations to main executives.

COMPENSATION PLAN

On 31 March 2012, the period for subscribing and paying the stock options available under a Compensation Plan for employees of the Company and its subsidiaries expired. In accordance with the decision of the Extraordinary Shareholders' Meeting of 5 April 2007, a total of 2,209,091 shares were allocated to this Compensation Plan of which 91 were not subscribed and paid.

The Extraordinary Shareholders' Meeting of 21 December 2011 agreed a new Compensation Plan which has the following general characteristics:

1. A total of 4,800,000 shares were allocated to the Plan.

2. The options assigned to each employee will accrue in stages on the following three occasions: (1) 30% on 21 December 2014, (2) 30% on 21 December 2015, and 3) 40% on 21 June 2016, subject to the employee remaining with the Company.

3. Once the options have accrued in the stages indicated above, employees may exercise them totally or partially in which case they must subscribe and pay the respective options at the moment of subscribing them. If exercised partially, this may not be for less than 10% of the total options allocated to the employee.

4. The period in which employees may exercise the options, once accrued, will expire on 21 December 2016.

5. The price to be paid for each share allocated to the Compensation Plan, if the respective options are exercised, will be U$23.19. As from the date at which the price was set, this price expressed in US dollars will be adjusted for the variation in the Consumer Price Index (CPI), published monthly by the US Department of Labor, between the date of setting the price and the date of subscribing and paying the options. The options will be paid in Chilean pesos at the exchange rate for the Observed Dollar published in the Official Gazette at the same date on which they are subscribed and paid.

CORPORATE GOVERNANCE /

CORPORATE GOVERNANCE PRACTICES

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

LATAM Airlines Group's corporate governance practices are regulated by Chile's Securities Market Law (Nº 18.045) and its Corporations Law (Nº 18.046), including the latter's associated norms, as well as other norms issued by the SVS. In addition, it is subject to the legislation and regulation of the United States and that country's Securities and Exchange Commission (SEC) as they apply to ADRs and the laws and regulation of the Federal Republic of Brazil and the Comissão de Valores Mobiliários (CVM), the country's stock market regulator, as they apply to BDRs.

The corporate governance practices of LATAM Airlines Group are subject to constant review in order to ensure that its internal self-regulation processes are totally aligned with the regulation in force and its own values. LATAM Airlines Group's decisions and commercial activities are underpinned by the ethical principles established in LAN's Code of Conduct and TAM's Code of Ethics.

STRUCTURE

As of 31 December 2012, LATAM Airlines Group had a total of 1,660 registered shareholders. The Company is controlled by the Cueto group, represented by Costa Verde Aeronáutica S.A., Inversiones Nueva Costa Verde Aeronáutica Ltda. and Costa Verde Aeronáutica SpA. As of end-2012, these companies together held a 25.91% stake while the remainder corresponded to different institutional investors, companies and individuals. As of 31 December 2012, 6.16% of the Company was held in the form of ADRs and 1.36% as BDRs.

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

BOARD OF DIRECTORS OF LATAM AIRLINES GROUP

LATAM Airlines Group's Board of Directors has nine members and is the body responsible for analyzing and defining the Company's strategic vision, thereby playing a fundamental role in its corporate governance. All the Board seats come up for election every two years and, under LATAM Airlines Group's statutes, directors are elected according to the total number of votes they receive. Each shareholder has one vote per share and can use all his or her votes to support one candidate or divide them among any number of candidates. This arrangement ensures that a shareholder with more than a 10% stake can elect at least one director. The present Board of Directors was elected by the Extraordinary Shareholders' Meeting which took place on 4 September 2012.

LATAM Airlines Group's Board holds ordinary monthly meetings and extraordinary meetings whenever the Company's affairs so require. Directors' fees must be approved by vote at the Ordinary Shareholders' Meeting.

The Directors' Committee usually meets monthly and its functions and powers are established by the applicable legislation and regulation.

DIRECTOR'S COMMITTEE OF LATAM AIRLINES GROUP

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

The Directors' and Audit Committee has the functions established in Article 50 bis of Chile's Corporations Law (Nº 18,046) and the other applicable regulation. These include:

- to examine the reports of LATAM Airlines Group's external auditors, general balance sheets and other financial statements that LATAM Airlines Group's administrators provide to shareholders and for expressing an opinion about these reports prior to their presentation for approval by shareholders;
- to put to the Board proposals as to the external auditors and risk rating agencies to be used;
- to examine internal control reports and any related complaints;
- to examine and report on all matters regarding related-party transactions;
- to examine the pay scale of the Company's senior management.

The requirements for directors' independence are set out in Chile's Corporations Law and its subsequent modifications under Law Nº 19,705 on the relationship between directors and a company's controlling shareholders. A director is considered independent when he or she does not, in general, have ties, interests or economic, professional, credit or commercial dependence of a significant nature or size with or on the company, the other companies in the group of which it forms part, its controller or senior management or a family relationship with the latter nor any of the other types of ties specified in Law Nº 18,046.

Under US regulation, it is necessary to have an Audit Committee, comprising at least three Board members, that fulfills the independence requirements established under Rule 10A of the Exchange Act. Given the similarity of the functions of the Directors' Committee and the Audit Committee, LATAM Airlines Group's Directors' Committee acts as an Audit Committee under Rule 10A of the Exchange Act.

As of 31 December 2012, all the members of the Directors' Committee, who also act as part of the Audit Committee, were independent directors as defined under Rule 10A of the Exchange Act. At that date, its members were Messrs. Ramón Eblen Kadis, Georges de Bourguignon Arndt and Juan Gerardo Jofré Miranda (chairman of the Committee). For the purposes of Chile's Corporations Law (Nº 18,046), Ramón Eblen Kadis is not considered an independent director.

In accordance with Article 50 bis of Law Nº 18,046, the matters examined by the Directors' Committee during 2012 are set out below.

1. **Ordinary Session N°120 31/1/12:**

   - Review of Financial Statements at 31 December 2011
   - Related-party transaction
   - Progress of 2011 audit plan

2. **Extraordinary Session N°13 14/2/12:**

   - Review of Financial Statements at 31 December 2011
   - Letters about fees from external auditors

3. **Ordinary Session N°121 6/3/12:**

   - Progress of 2011 audit plan
   - Compensation plans for employees of the Company and its subsidiaries

4. **Ordinary Session N°122 27/3/12:**

   - Analysis of an aspect of the "safety" issue
   - Annual report on the Committee's activities
   - Proposal for external auditors and private risk rating agencies for 2012

5. **Ordinary Session N°123 24/4/12:**

   - Close of 2011 audit plan and 2012 plan
   - Approval of fees of PWC

6. **Extraordinary Session N°14 11/5/12:**

   - Formalities of meeting's convening
   - Installation and election of Committee chairman
   - Review of Financial Statements at 31 March 2012

7. **Ordinary Session N°124 29/5/12:**

   - Presentation by Revenue Accounting
   - Presentation on credit risk
   - Approval of fees of PWC

8. **Ordinary Session N°125 26/6/12:**

   - LAN 2012 audit plan, progress and methodological aspects
   - Progress on integration of audit function with TAM
   - Approval of fees of PWC

9. **Ordinary Session N°126 3/8/12:**

   - TAM Corporate Audit

10. **Extraordinary Session N°15 10/08/12:**

    - Review of Financial Statements at 30 June 2012
    - Approval of fees of PWC

11. **Ordinary Session N°127 25/09/12**

    - Installation and election of Committee chairman
    - Information about related-party transactions by subsidiaries:

      i. Sale of property at Avda. Presidente Riesco 5537, Las Condes, Santiago, Chile;

      ii. Advance ticket purchase operation between TAM Linhas Aéreas S.A. and Multiplus S.A.

    - Employee compensation plan

12. **Ordinary Session N°128 30/10/12:**

    - SOX 2012 project
    - Information about related-party transaction by subsidiary

- Progress of 2012 audit plan
- Other business

13. Extraordinary Session N°16 12/11/12:

- Review of Financial Statements at 30 September 2012
- Approval of fees of PWC
- Other business

14. Ordinary Session N°129 21/12/12:

- Coordination of matters covered in previous minutes
- Progress of 2012 audit plan
- Letter from external auditors

SUBCOMMITTEES OF THE BOARD OF DIRECTORS OF LATAM AIRLINES GROUP

In accordance with the shareholders' agreement of 25 January 2012 between LATAM Airlines Group S.A. (previously LAN Airlines S.A.) and TEP Chile S.A., the Ordinary Board Session of 3 August 2012 established the following four subcommittees to review, discuss and make recommendations to the Board about the issues entailed in their respective areas of responsibility: (i) Strategy Subcommittee, (ii) Leadership Subcommittee, (iii) Finance Subcommittee, and (iv) Brand, Product and Frequent Flyer Program Subcommittee. In accordance with the said shareholders' agreement, each subcommittee will comprise two or more directors of LATAM Airlines Group and at least one of their members must be a director elected by TEP Chile S.A.

The Strategy Subcommittee will focus on corporate strategy, current strategic affairs and three-year plans, the budgets of the main business units and functional areas and high-level strategy reviews. The Leadership Subcommittee will focus on areas that include group culture, high-level organizational structure, appointment of the executive vice-president of LATAM Airlines Group (henceforth, "CEO of LATAM") and those who report to this person, the philosophy of corporate remunerations, structures and levels of remunerations and objectives for the CEO of LATAM and other key staff, succession or contingency plan for the CEO of LATAM and evaluation of the performance of the CEO of LATAM. The Finance Subcommittee will focus on financial policies and strategy, capital structure, control of compliance policies, tax optimization strategy and the quality and reliability of financial information. Finally, the Brand, Product and Frequent Flyer Program Subcommittee will focus on brand strategies and brand construction initiatives for corporate brands and those of the principal business units, the principal characteristics of products and services for each of the principal business units, the strategy of the Frequent Flyer Program and its key characteristics and regular auditing of the brand's performance.

RELATED-PARTY TRANSACTIONS

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

LATAM Airlines Group has carried out different transactions with its subsidiaries, including entities owned or controlled by some of its majority shareholders. In the normal course of the Company's business, different types of services have been provided to or received from related companies, including the rental and exchange of aircraft, cargo transport and booking services.

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

These transactions are summarized in the audited consolidated financial statements for the year ending on 31 December 2012.

Finally, for the purposes of letter b) of the last point of Article 147 of Law No. 18,046 on Corporations, LATAM Airlines Group has a general habitual operations policy which was approved by its Board of Directors in its Session of 29 December 2009 and reported as material news to the Superintendencia de Valores y Seguros on that same date. The operations indicated in this general habitual operations policy may be carried out without the requirements envisaged in the said Article 147.

PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

PILLARS OF LATAM AIRLINES GROUP'S CORPORATE GOVERNANCE

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

1. LAN's Code of Conduct and TAM's Code of Ethics which seek to ensure that all employees adhere to the highest standards of ethics, transparency and compliance with regulation required by LATAM Airlines Group.

    - Ethics Lines of LAN (www.lan.ethicspoint.com) and TAM (www.eticatam.com.br) which provide employees with a direct and private channel through which to report any concerns in the knowledge that these will be properly processed or investigated without any risk of reprisal.

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

3. Manual for Management of Market-Sensitive Information. This is required by the SVS and, since Law Nº 20,382 on Corporate Governance came into force, also by Chilean securities market legislation. LATAM Airlines Group, however, seeks to go further than these norms and regulates the criteria for disclosure of operations, periods of voluntary abstinence from the purchase and sale of the Company's shares, mechanisms for continuous disclosure of market-sensitive information and mechanisms for the protection of confidential information by the Company's employees and executives.

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

CORPORATE GOVERNANCE /

OWNERSHIP STRUCTURE AND PRINCIPAL SHAREHOLDERS

2012

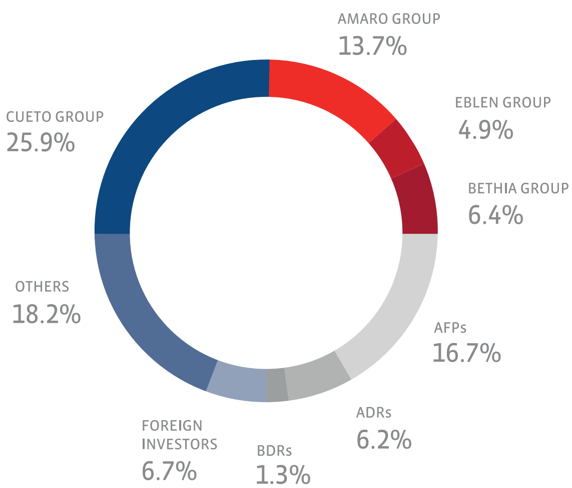
SHAREHOLDER	Nº of Shares at 31 Dec 2012	% of total
COSTA VERDE AERONÁUTICA S.A.	80,445,407	16.79%
TEP CHILE S.A.	65,554,075	13.68%
JP MORGAN CHASE BANK	29,516,208	6.16%
LARRAIN VIAL S.A. CORREDORA DE BOLSA	22,071,446	4.61%
COSTA VERDE AERONÁUTICA SPA	20,000,000	4.17%
AXXION S.A.	16,994,337	3.55%
INVERSIONES ANDES SPA	14,288,695	2.98%
AXXDOS S.A.	13,551,636	2.83%
INVERSIONES NUEVA COSTA VERDE AERONAUTICA LTDA.	12,824,095	2.68%
BANCO DE CHILE ON BEHALF OF NON-RESIDENT THIRD PARTIES	11,329,732	2.36%
BANCO ITAU ON BEHALF OF INVESTORS	10,989,090	2.29%
BANCHILE C. DE B. S.A.	10,314,524	2.15%

2011

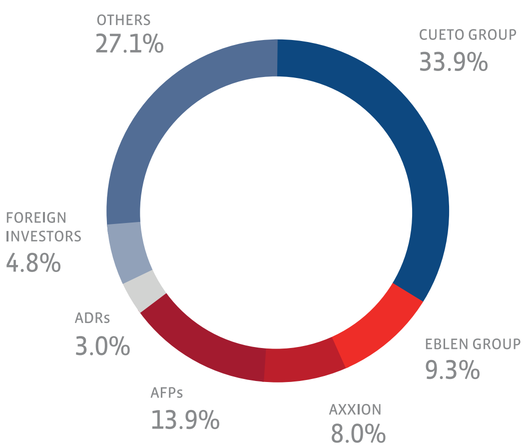
SHAREHOLDER	Nº of Shares at 31 Dec 2011	% of total
COSTA VERDE AERONAUTICA S.A.	90,575,407	26.61%
INV ANDES S.A.	22,288,695	6.55%
INVERSIONES NUEVA COSTA VERDE AERONAUTICA LTDA.	17,745,000	5.21%
AXXION S.A.	13,551,637	3.98%
AXXDOS S.A.	13,551,636	3.98%
LARRAIN VIAL SA CORREDORES DE BOLSA	12,216,292	3.59%
BANCHILE C. DE B. S.A.	11,368,599	3.34%
JP MORGAN CHASE BANK	10,182,261	2.99%
INV MINERAS DEL CANTABRICO S.A.	7,079,095	2.08%
BANCO DE CHILE ON BEHALF OF NON-RESIDENT THIRD PARTIES	6,664,072	1.96%
AFP PROVIDA S.A. FOR PENSION FUND C	5,841,605	1.72%
CELFIN CAPITAL S.A. C. DE B.	5,655,869	1.66%

PRINCIPAL CONTROLLING GROUPS

2012



2011



DIVIDENDS

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

The dividends corresponding to 2010 and 2011 represent 50% of the distributable profits of the respective year.

Distributable profits in 2010, 2011 and 2012 for the payment of dividends corresponded to the annual earnings attributable to holders of a stake in the controller's net equity while. In 2012 this amount corresponded to the net profit reported in accordance with the International Financial Reporting Standards (IFRS).

The table below shows the dividend per share paid during the past three years.

YEAR OF PROFITS AGAINST WHICH DIVIDEND PAID	Payment date	Type	Total dividend paid	Nº of shares	Dividend per share	Dividend per ADR
2010						
	13 AUGUST 2010	Provisional	74,466,242	388,790,909	0.21980	0.21980
	13 JANUARY 2011	Provisional	125,000,294	338,790,909	0.36896	0.36896
	19 MAY 2011	Definitive	10,386,295	339,310,909	0.03061	0.03061
2011						
	15 SEPTEMBER 2011	Provisional	56,590,766	339,334,209	0.16677	0.16677
	12 JANUARY 2012	Provisional	85,000,207	340,164,105	0.24988	0.24988
	17 MAY 2012	Definitive	18,461,736	340,999,909	0.05414	0.05414
2012						

* As of december 31, 2012 the company has a provision for the regulatory minimun dividend, which represents 30% of the company´s Net Income

CORPORATE GOVERNANCE /

FINANCIAL POLICY

The Directorate of Corporate Finances is responsible for managing the Company's Financial Policy. This Policy enables the Company to respond effectively to external conditions for the operation of its business and, in this way, maintain a stable flow of funds to ensure the continuity of its operations.

The Finance Committee, formed by the executive vice-president and company directors, meets periodically to review and approve matters not regulated by the Financial Policy.

LATAM Airlines Group's Financial Policy seeks to:

- Ensure a minimum level of liquidity for the operation. Preserve and maintain cash levels adequate for the needs of the operation and its growth. Maintain an adequate level of lines of credit with local and overseas banks for response to contingencies.
- Maintain an optimum borrowing level and profile that are reasonably proportionate to the growth of operations and take into account the objective of minimizing financing costs.
- Achieve a return on cash surpluses through financial investments which guarantee a level of risk and liquidity consistent with the investment policy.
- Reduce the impact on the Company's net margin of market risks such as variations in exchange rates, the price of fuel and interest rates.
- Reduce counterparty risk through diversification of and caps on investments and operations with counterparties.
- Maintain visibility of the Company's projected long-term financial situation so as to anticipate situations such as failure to comply with covenants, low liquidity and a deterioration of the financial ratios established in undertakings with ratings agencies, etc.

The Company's Financial Policy establishes guidelines and restrictions for managing operations related to Liquidity and Investment, Financing Activities and Management of Financial Risk.

LIQUIDITY AND INVESTMENT POLICY

In 2012, LATAM Airlines Group maintained an appropriate level of liquidity for providing protection against potential external shocks. In addition, it maintained lines of credit for a total of US$208 million with local and international financial institutions which, as of end-year, it had not used. During the year, it continued to finance out of its own resources an important part of pre-delivery payments for the Boeing and Airbus planes it will receive in the future. As of 31 December 2012, LATAM Airlines Group held a total of US$1,120 million in cash and easily convertible securities and US$641 million in advances on aircraft financed out of its own resources.

The aim of the Company's Investment Policy is to centralize investment decisions so as to optimize return adjusted for exchange-rate risk, subject to maintaining an adequate level of security and liquidity.

It also seeks to reduce risk through diversification of counterparties and instruments.

FINANCING POLICY

The Company's Financing Policy is designed to centralize financing activities and ensure a balance between the useful life of its assets and debt maturity.

The vast majority of LATAM Airlines Group's investments correspond to fleet acquisition programs, which are generally financed using a combination of its own resources and structured long-term financial debt. Normally, the Company finances between 80% and 85% through bank loans or bonds guaranteed by export promotion agencies and the remainder through commercial loans or out of its own resources. Maturities under the different financing structures vary from 12 to 16 years but, in the vast majority of cases, are 12 years. In the case of short-term financing, the Company holds around 7% of its total debt in the form of loans to exporters/importers in order to finance working capital needs.

MARKET RISK POLICY

The nature of LATAM Airlines Group's operations means that it is exposed to market risks such as: (i) fuel-price risk, (ii) interest-rate risk, and (iii) local exchange-rate risk. In order to hedge completely or partially against these risks, the Company uses different derivatives to fix or cap increases in the underlying assets.

In order to operate with counterparties, the Company must have a line approved and an ISDA or LFC contract signed with the one chosen. Counterparties must have a risk rating equivalent to at least A- issued by an international rating agency.

(i) Fuel-price risk:

Variations in fuel prices depend to an important extent on world oil supply and demand, decisions taken by the Organization of the Petroleum Exporting Countries (OPEC), world refining capacity and the level of stocks as well as the occurrence or not of climatic phenomena and geopolitical factors. The Company buys aircraft fuel known as Jet Fuel 54. There is an international reference index for this underlying asset - the US Gulf Coast Jet 54 - but the futures market for this index has a low level of liquidity and LATAM Airlines Group, therefore, hedges in West Texas Intermediate (WTI) crude, Brent (BRENT) crude and distilled Heating Oil (HO). They show a strong correlation with Jet Fuel and, compared to the US Gulf Coast Jet 54 index, have the advantage of greater liquidity.

The Company's Fuel Hedging Policy restricts the minimum and maximum range of fuel to be hedged depending on its capacity to pass on these changes in costs and the market outlook as reflected in the price of fuel. In addition, it limits the maximum hedging period.

As instruments for fuel hedging, it permits the use of swaps, collars, three-way collars (long volatility), call options and swaptions.

(ii) Interest-rate risk of cash flow:

Variations in interest rates bear a strong relation to the international economic situation, with an improvement in the long-term outlook leading to an increase in long-term rates and a deterioration in the outlook prompting a drop due to market effects. In periods of economic contraction, governments also tend to reduce their benchmark interest rates in order to boost domestic demand by making credit more accessible and to increase output (and, similarly, raise them at times of economic expansion).

Uncertainty as to how the market and governments will behave and, therefore, how interest rates may change implies a risk related to the Company's debt which is subject to a floating interest rate and to its investments. The interest-rate risk associated with borrowing is equivalent to the risk of future cash flows on financial instruments due to fluctuations in market interest rates. The Company's exposure to variations in market interest rates is related principally to its long-term floating-rate liabilities.

In order to reduce the risk related to an increase in interest rates, LATAM Airlines Groups has acquired interest-rate swaps and call options.

The instruments that may be used under its Interest-Rate Hedging Policy are swaps, reverse swaps, call options and forward-start swaps.

(iii) Local exchange-rate risk:

The US dollar is the functional currency used by the parent company to set the prices of its services and for its classified financial and earnings statements. It sells most of its services in US dollars, in prices equivalent to the US dollar or in Brazilian reais. Approximately 54% of the Company's revenues is denominated in US dollars and approximately 27% in Brazilian reais. A large part of its costs are also denominated in US dollars or in the equivalent in US dollars. This is the case, particularly, of fuel costs, airport charges, aircraft rentals, insurance and aircraft components and accessories. Remunerations, on the other hand, are denominated in local currency. As a result, around 41% of the Company's total costs is denominated in US dollars and approximately 33% in Brazilian reais.

The tariffs of LATAM Airlines Group's cargo and international passenger businesses are set in US dollars while, in its domestic businesses, a mix exists. In Perú, sales are in local currency but prices are indexed to the US dollar while, in Brazil, Chile, Argentina and Colombia, prices are in local currency without any form of indexation and, in Ecuador, both tariffs and sales are in US dollars. As a result, the Company is exposed to fluctuations in different currencies including, principally, the Brazilian real, the Chilean peso, the Argentine peso, the Uruguayan peso, the Paraguayan guaraní, the Mexican peso, the euro, sterling, the Peruvian nuevo sol, the Colombian peso and the Australian and New Zealand dollars. Out of these currencies, its greatest exposure is to the Chilean peso and the Brazilian real.

LATAM Airlines Group has partially hedged against exchange-rate risk by acquiring currency forwards.

The Company's policy allows it to acquire derivatives to protect it against the possible appreciation or depreciation of currencies against the functional currency used by the parent company.

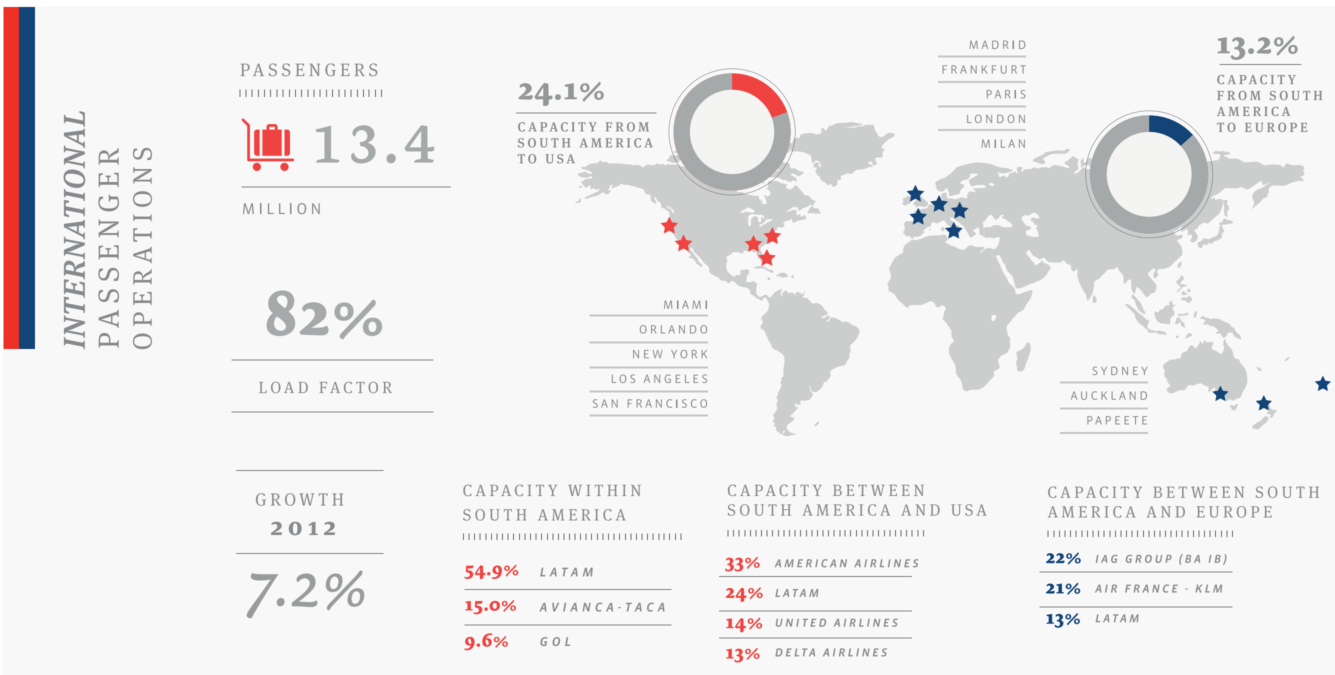
04

OPERATIONS

LATAM AIRLINES GROUP S.A.

OPERATIONS /

INTERNATIONAL PASSENGER OPERATIONS



LATAM Airlines Group's international passenger operations include both long-haul flights connecting South America with the rest of the world and services within the region. The integration of LAN's and TAM's businesses represents the birth of the region's largest airline group in terms of its network of connections. The undertaking of this new group of airlines is to make air travel an ever simpler and more accessible experience, facilitating the connection of people within the region and with the rest of the world. In 2012, passenger traffic in the region grew by 10%, ahead of the world average, as compared to increases of 1% in the United States and 5% in Europe.

Following the two companies' integration, during the second half of 2012, their international operations were unified and, as from the second half of the year, placed under the management of LATAM Airlines Group, although they continue to operate in parallel under their existing brands. The integration of this area of the business called for homogenization of the two companies' tariffs and the implementation of a system of crossed sales of their flights as well as the introduction of code sharing on several international routes in order to capture connectivity synergies and offer clients more alternatives through a single network.

In the case of long-haul passenger operations, the United States and Europe are the two most important markets and, therefore, strategic for LATAM Airlines Group. In the former, it serves five destinations - Miami, Orlando, New York, Los Angeles and San Francisco - and is the second largest operator in terms of capacity for the transport of passengers between South America and the United States, accounting for 24% of total capacity, after American Airlines with 33% and followed by United Airlines and Delta Airlines with 14% and 13%, respectively. In the case of Europe, complementarity between the routes operated by LAN and TAM means that LATAM Airlines Group can now serve five cities, with a larger number of flights through the different connections permitted by its network. The destinations served are Madrid, Frankfurt, Paris, London and Milan and, in terms of capacity, the airline is positioned as the third largest operator between South America and Europe, accounting for 13% of total capacity after IAG with 22% and Air France-KLM with 21%.

In view of Europe's weak economic situation in 2012, LATAM Airlines Group gave priority to the growth of its services to North America. In this context, LAN Colombia inaugurated the Bogotá-Miami route with a daily flight throughout the week operated by an Airbus A320. In addition, TAM replaced the Airbus A330 on its two flights daily on the São Paulo-Miami route with a Boeing 777-300, thereby significantly increasing their capacity. Similarly, for its routes from Belo Horizonte, Brasilia, Manaus and Río de Janeiro to Miami, TAM began to use Airbus A330s, instead of Boeing 767s, also increasing capacity, and, as from August, gradually added one, two and up to three flights per week from Santiago and Lima to North America and the Caribbean, offering passengers a total of more than 20 new flights. In this context, LAN Perú increased its flights on the Lima-New York, Lima-Miami and Lima-Los Angeles routes to 11, 17 and 13 per week, respectively, and, on the Lima-San Francisco route, from three to four per week. These increases seek to boost Miami as the port of entry to the United States through the hub of our associate, American Airlines, and to strengthen services to the rest of our destinations in North America through our hub in Lima. In the case of Mexico and the Caribbean, flights from Lima to Mexico City increased from four to seven per week while more flights were also added from Lima to Cancún and La Habana.

LATAM Airlines Group is the leading operator of regional services within South America, representing 46% of total capacity. In this market, its main competitors are Avianca-Taca and GOL, with shares of 24% and 10%, respectively. The new regional routes opened by LATAM Airlines Group in 2012 include Bogotá-São Pablo, served by LAN Colombia with one flight per day using an Airbus A320, while TAM also began to fly the Río de Janeiro-Montevideo and Río de Janeiro-Santiago routes, with one flight daily in both cases, and increased its flights on the São Paulo-Santiago and São Paulo-Montevideo routes to three per day. LAN also added more flights on the Santiago-Montevideo route, offering passengers a third daily non-stop flight between the two cities. Capacity on the Lima- São Paulo route also increased as a result of the connection of these two cities with an Airbus A330 instead of an Airbus A320, thereby boosting these two centers as a hub.

In all, considering comparable joint LAN and TAM statistics, LATAM Airlines Group's international passenger operations transported 13.4 million passengers in 2012 of whom 5.4 million flew international long-haul routes and 8.0 million regional routes. Considering both LAN's and TAM's international operations, consolidated passenger traffic grew by 7.2% in 2012 while capacity increased by 7.0%, giving a load factor of 82.0%.

In a bid to improve its passenger service system (PSS), which includes the booking system, inventories and control of departures, LAN switched these processes to SABRE. Some difficulties were experienced during the change, implemented in September 2012. However, for both the airline and its passengers, it will mean important improvements in the provision of these services and is expected to generate important cost savings in the coming years.

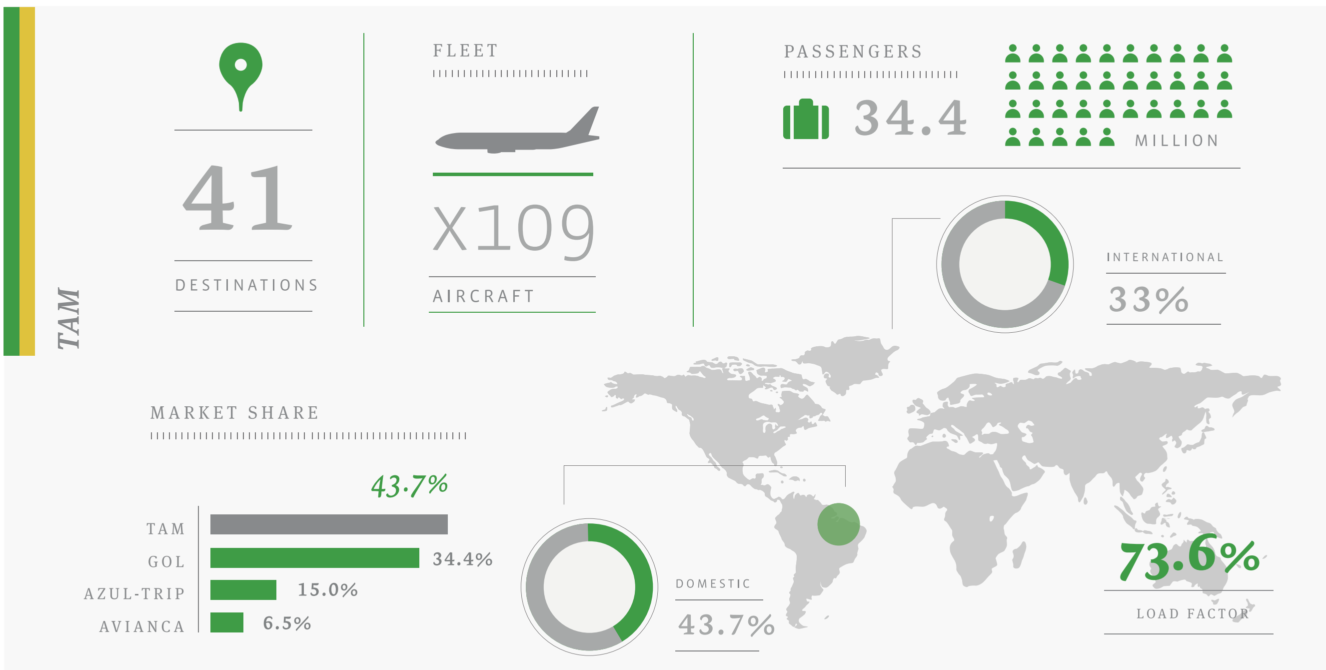
In addition to the numerous international destinations that LATAM Airlines Group serves directly, its clients have access to some 159 destinations around the world under strategic alliances and commercial agreements that LAN and TAM have signed with other airline operators.

As of December 2012, LAN continued to be a member of the oneworld alliance and TAM of Star Alliance. However, in compliance with a requirement imposed by Chile's Tribunal for the Defense of Free Competition, the choice of oneworld as LATAM Airlines Group's global passenger alliance was announced on 7 March 2013. This implies that LAN Colombia and TAM, with its subsidiary in Paraguay, will join the alliance in 2014.

In 2012, TAM entered into a code sharing agreement with American Airlines, allowing it to increase and diversify options for flights to North America. Similarly, LAN Ecuador and LAN Colombia signed bilateral agreements with American Airlines in order to offer more alternatives for traveling to and within the United States and Canada and, at the same time, bring more tourists from these countries to Ecuador and Colombia, thereby boosting connectivity in the region.

OPERATIONS /

TAM



With a population of around 200 million, Brazil accounts for almost half of South America's inhabitants, making it the region's largest passenger market. Although 77.4 million people took domestic flights in 2012, the penetration of air travel is quite low, offering great potential for growth.

Internationally, LATAM Airlines Group has built a superior network from Brazil to Europe, America and the rest of South America. This is why the coordination between the group's airlines has been improved, and thus empower this country as a gateway to Europe, covering five destinations to this continent.

In Brazil, TAM serves 45 domestic destinations, using a modern fleet of 109 aircraft from the Airbus A320 family. In 2012, it carried 33.5 million domestic passengers and, as of the end of the year, had a 43.7% market share of traffic. Its main competitors are GOL, Azul and Avianca Brasil, with market shares of 34.4%, 15.0% and 6.5%, respectively.

Despite the opportunities the Brazilian market offers for the development of air travel, it has been characterized in recent years by the strong growth of capacity. At the end of 2011, this began to be adjusted by the main operators.

In this context, TAM reduced its capacity in the domestic market by around 1.1% in 2012 while the industry's total capacity, measured in ASKs, contracted by 7.4%. TAM's restructuring process seeks to increase unit revenues on domestic operations through better passenger segmentation. This was reflected in a sharp increase in the Company's load factor which rose from 68.8% in 2011 to 73.6% in 2012 and an average 77.8% in the second half of the year.

Along these same lines, TAM also developed a new tariff structure in 2012. Based on a larger number of tariffs, this implied a complete redesign of the regulation of each one in order to achieve better segmentation by type of passenger.

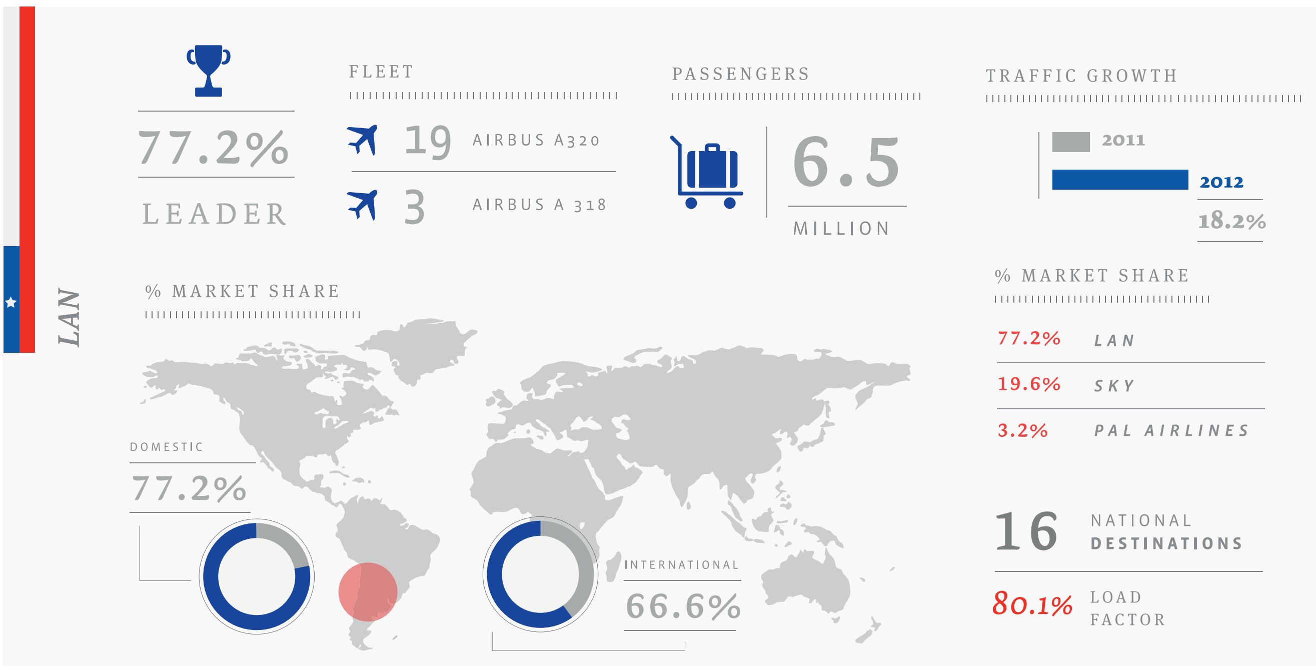
Other commercial initiatives implemented in 2012 included a change in the duration of a booking in order to be able to define the offer of a flight with more anticipation. In addition, different policies such as the baggage allowance were brought into line with those of LAN.

All these measures put TAM on a better footing to address the complex context that existed for its domestic operation in 2012, affected by the deceleration of the Brazilian economy. In addition, the depreciation of the real had a negative impact on results due to the high percentage of the Company's costs that are denominated in US dollars.

In the future, TAM will continue to reinforce the structural changes already beginning to be seen in Brazil's domestic market in order to make them sustainable and permanent over time and establish solid foundations from which to take advantage of the growth potential offered by this market.

OPERATIONS /

LAN



In 2012, Chile experienced the region's second highest rate of economic growth and this dynamism was reflected in strong and solid demand for domestic air travel. Demand has been further stimulated by the low-cost model that LAN introduced in Chile a few years ago and by mining development in the north of the country. The Company took advantage of this favorable context to continue improving its service and maintain its position as the leading operator, reaching a 77.2% market share at the end of the year.

In 2012, LAN carried 6.3 million passengers, up by 18% on 2011. Domestic passenger traffic within Chile, measured in RPKs, rose by 13.3% while capacity, measured in ASKs, increased by 15.9%, giving an average load factor on domestic passenger operations of 80.1%, down by 1.8 percentage points on the previous year.

This is the continuation of the solid expansion experimented by this country in the last five years, empowered principally by the enhanced development of the mining industry in the north part of Chile, accumulating an average annual increase of 15% in passenger traffic, and an increase of 23% in 2012 in the number of flights to ther north part of Chile

LAN serves 16 domestic destinations in Chile, integrating the north and south of the country as well as Easter Island. In October 2012, it incorporated the Island of Chiloé into its network, offering four flights per week from Santiago to Castro with a stopover in Puerto Montt, and is the first airline to fly to this destination. Through this new service, the Company is seeking to enhance connectivity for the Island's inhabitants while, at the same time, promoting it as one of southern Chile's most attractive areas for tourism.

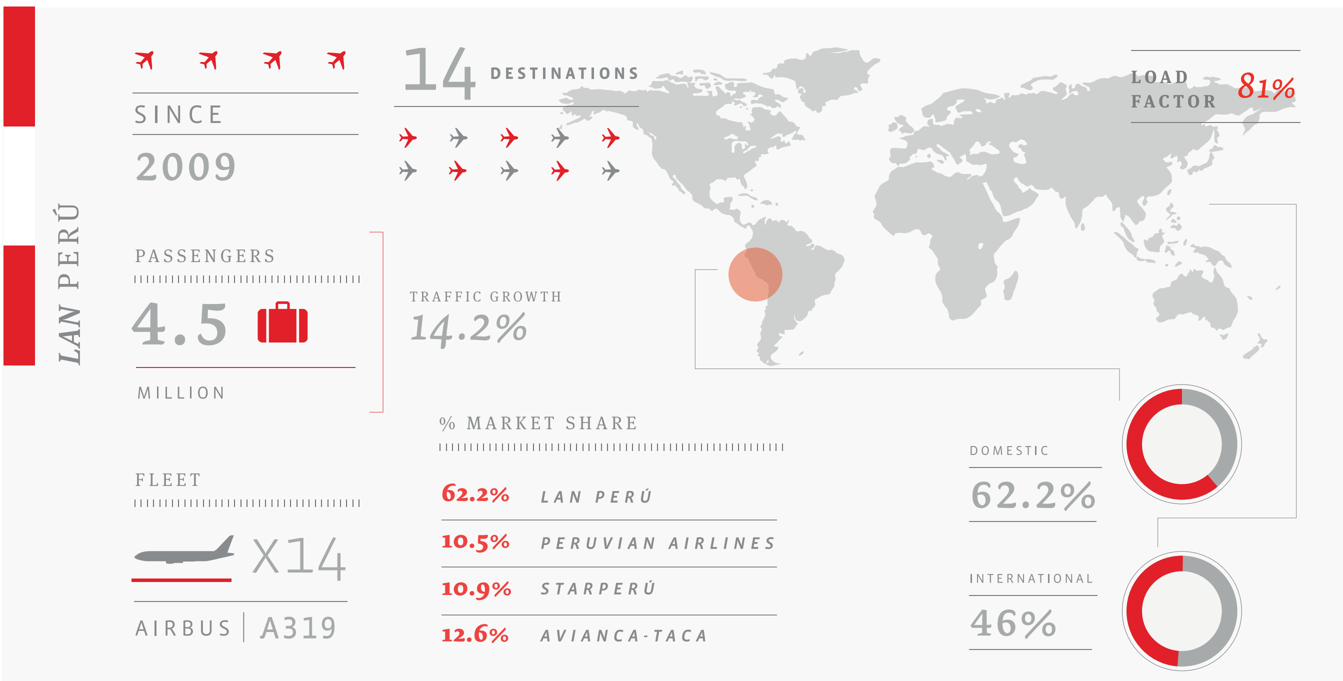
For its domestic operations in Chile, the Company has a modern fleet of 22 aircraft from the Airbus A320 family, with between 126 and 174 seats, designed with the highest levels of technology. The fleet plan for 2013 envisages the withdrawal from service of the 126-seat A318s and their replacement by planes with more capacity, to optimize the operations and improve the capacity

The main competitors of LAN in Chile are Sky Airline and Principal Airlines which have a market share of 19.6% and 3.2%, respectively. In 2012, a new player, the Sinami airline, entered the domestic market. Formed by the Union of Industrial Assembly Workers (SINAMI) together with Servicios Aéreos Río Baker, it has focused its operations in the mining regions of northern Chile.

From Chile, LAN operates a broad international network, with flights to the rest of South America, Europe, United States and Oceania, being the gateway to this continent from South America.

OPERATIONS /

LAN PERÚ



Thanks to the dynamism of the Peruvian economy, this country's domestic airline industry has been growing at an annual rate of over 18% in past four years, registering the region's highest rate of expansion in terms of the number of domestic passengers transported. This trend persisted in 2012 when Perú experienced the region's fastest economic growth and this was, in turn, reflected in an 8% annual increase in the industry's capacity measured in ASK, driven both by LAN Perú and other airlines.

Although the increase in LAN Perú's capacity was slightly below that of its competitors, the Company was more successful in stimulating demand and saw an 18% increase in passenger traffic, measured in RPKs. As a result, it closed the year with a market share of 62.2% on domestic routes and carried 4.5 million passengers, up by 14.2% on the previous year. This gave it an average load factor of 81.0%, up by three percentage points and above the average for the industry internationally.

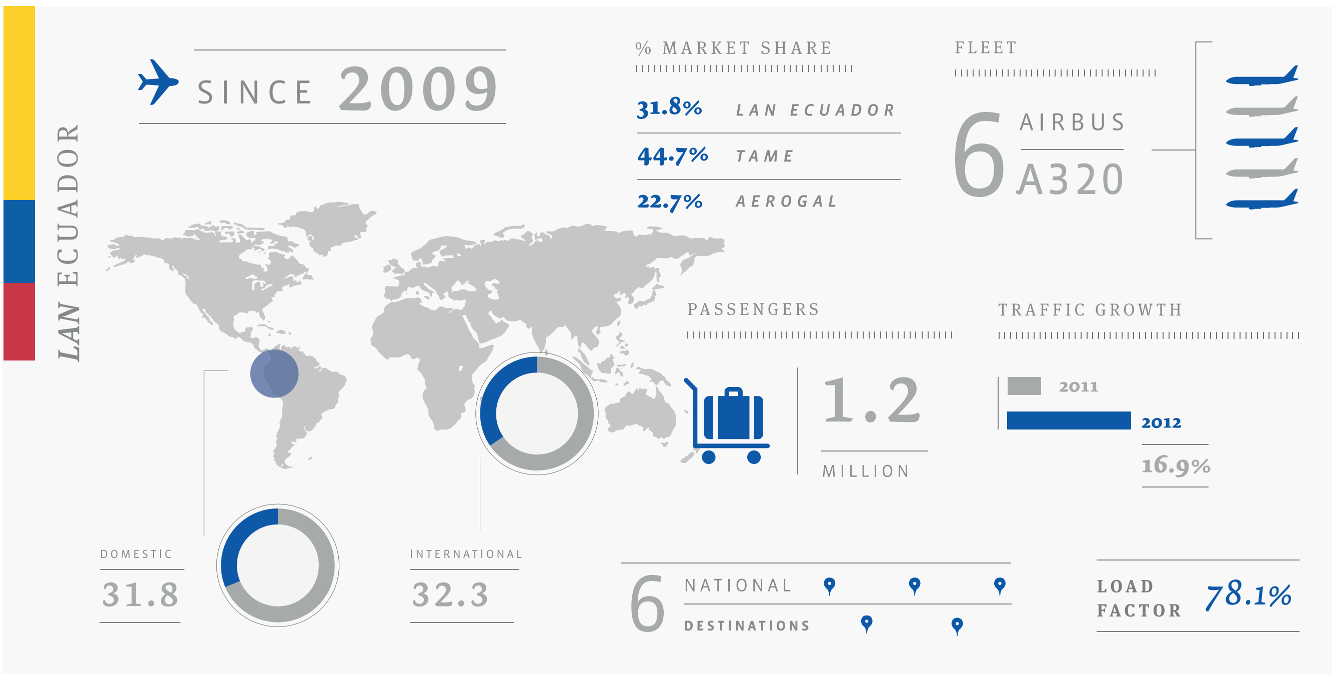
LAN Perú currently serves 14 domestic destinations, operating up to 110 flights per day with a modern fleet of 14 Airbus A319s. In 2012, the Company inaugurated the Tarapoto-Iquitos route, with two flights per week, thereby offering the most complete coverage, connectivity and national integration. On domestic routes, its main competitors are Peruvian Airlines, Starperú and Avianca-Taca which have market shares of 10.5%, 10.9% and 12.6%, respectively.

In the same time, Lima has been positioned as an important hub for the regional and international operations of LATAM Airlines Group, with connections to the rest of South America, United States and Europe.

In terms of its infrastructure, LAN Perú achieved two important milestones in 2012. In April, it inaugurated its new Premium Maintenance base in Lima, with the capacity to provide maintenance services for six Airbus planes of the A320 family or two Boeing 767s in an area of 10,500 m2 plus 3,000 m2 for support offices. In October, it went on to inaugurate the Technical Training Center (CIT) in the Jorge Chávez airport, with simulators of Boeing aircraft and Airbus A320s and latest-generation installations and equipment for the training of Peruvian pilots and crew. This Center, the most modern of its type in Latin America, will enable LAN Perú to optimize the time and resources used in this area.

OPERATIONS /

LAN ECUADOR



LAN Ecuador serves six domestic destinations through the Quito-Guayaquil, Quito-Cuenca and Guayaquil-Cuenca routes as well as the Quito/ Guayaquil route to the San Cristóbal and Baltra Islands in the Galápagos. In March 2013, it incorporated its sixth domestic destination, with the launch of two flights daily on the Quito-Manta route.

Regarding the international market, LAN Ecuador has operations to rest of South America, United States and Europe, and has been recognized as the main operator with the 32% of the market share. Also more connectivity is offered through the connection with the group's entire network and our airline partners. For its domestic operations, the Company uses a modern fleet of five Airbus A320s. These aircraft have the largest and most comfortable passenger cabin of their category. The Company's growth in 2012 included an increase in the number of flights on the Quito-Guayaquil and Quito-Cuenca routes.

In 2012, Ecuador's airline industry was affected by the ending of fuel subsidies. These subsidies, which covered 40% of the cost of fuel purchases, had helped to boost the development of Ecuador's airline market since operators were able to keep some of their fares unchanged and, even, lower them, thanks to the introduction of innovative models for stimulating demand such as that implemented by LAN Ecuador after the start of its domestic operations in 2009.

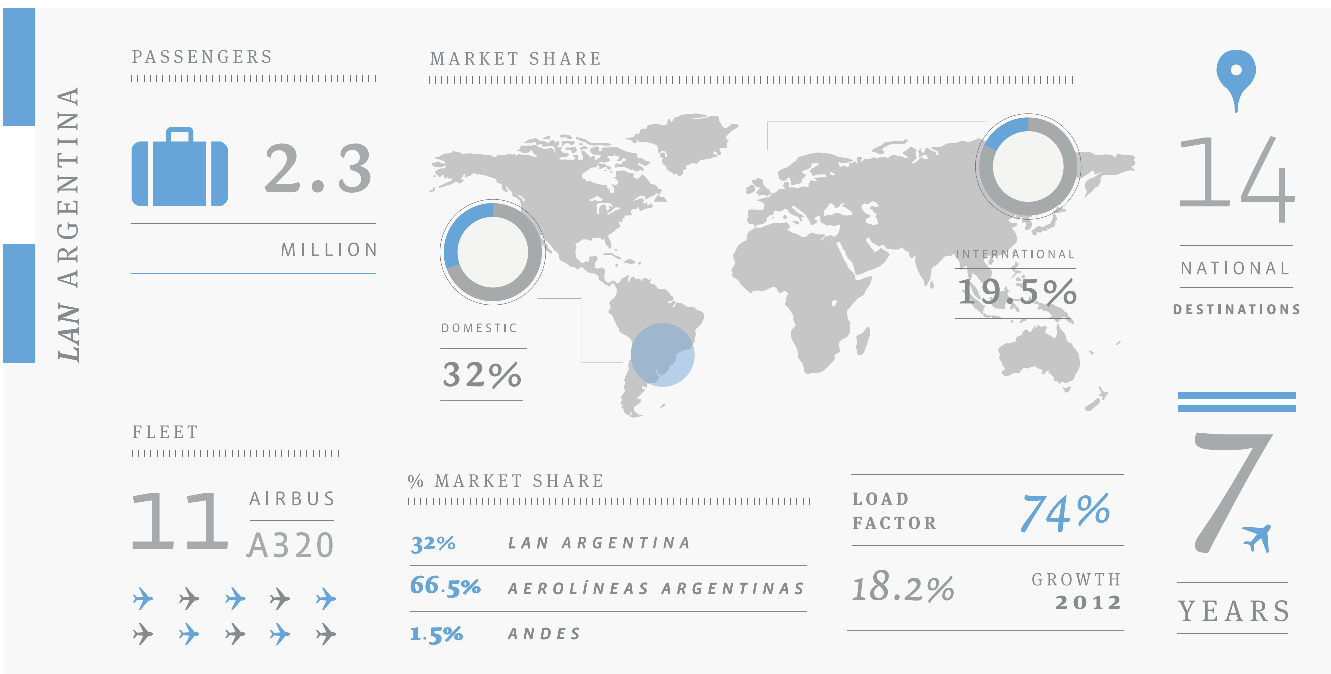
In order to mitigate the impact of this government measure and finance the resulting increase in costs, all the country's airlines modified their fare structures. LAN Ecuador had to introduce a fuel surcharge, separate from fares, which varies with the international price of oil. Thanks to its constant efforts to provide the best product to passengers in terms of safety, reliability and service, LAN Ecuador has progressively consolidated a position as an important player in the domestic market. As of December 2012, it had achieved a market share of 31.8% and, considering only the routes it operates, of 44.8%. In 2012, the Company carried 1.2 million passengers, up by 20.0% on the previous year. It is also important to note that the Company increased its market share of all the routes it serves by 5 percentage points and, on the most heavily used Quito-Guayaquil route, by 7 percentage points. LAN Ecuador's passenger traffic on domestic routes rose by 16.9% in 2012 while its capacity increased by 13.3%, giving an average load factor of 78.1%, up by 2.5 percentage points on 2011.

On domestic routes, LAN Ecuador's main competitors are TAME and Avianca-Taca through its Aerogal subsidiary, with market shares of 44.7% and 22.7%, respectively.

In a demonstration of its commitment to the country, LAN Ecuador made a number of important investments in 2012. They included the implementation of its facilities at the new Quito International Airport, in which it invested US$4.7 million, and the inauguration of its new offices and passenger contact centers.

OPERATIONS /

LAN ARGENTINA



Since its launch seven years ago, LAN Argentina has positioned itself as one of the country's most important operators of domestic flights. It currently serves 14 destinations in Argentina, connecting the capital with the country's other main cities.

In 2012, it completely reestablished its direct service on the Buenos Aires-San Carlos de Bariloche route after an interruption of nine months following the eruption of Chile's Puyehue Volcano in June 2011, which particularly affected this destination. In July, it also increased the number of flights on this route to up to five flights on weekdays and up to nine per day at weekends in order to provide an efficient service for the high winter-holiday demand experienced by this tourist center.

The company was rewarded with the preference of passengers on all the routes it serves and, at end-2012, had a 32.0% share of the domestic market. During the year, it carried 2.3 million passengers, up by 21% on the previous year. Consolidated passenger traffic grew by 18.2% while capacity increased by 21.1%, giving an average load factor of 74.0%. On domestic routes, LAN Argentina competes with Aerolíneas Argentinas and Andes Lineas Aereas, with market shares of 66.5% and 1.5%, respectively.

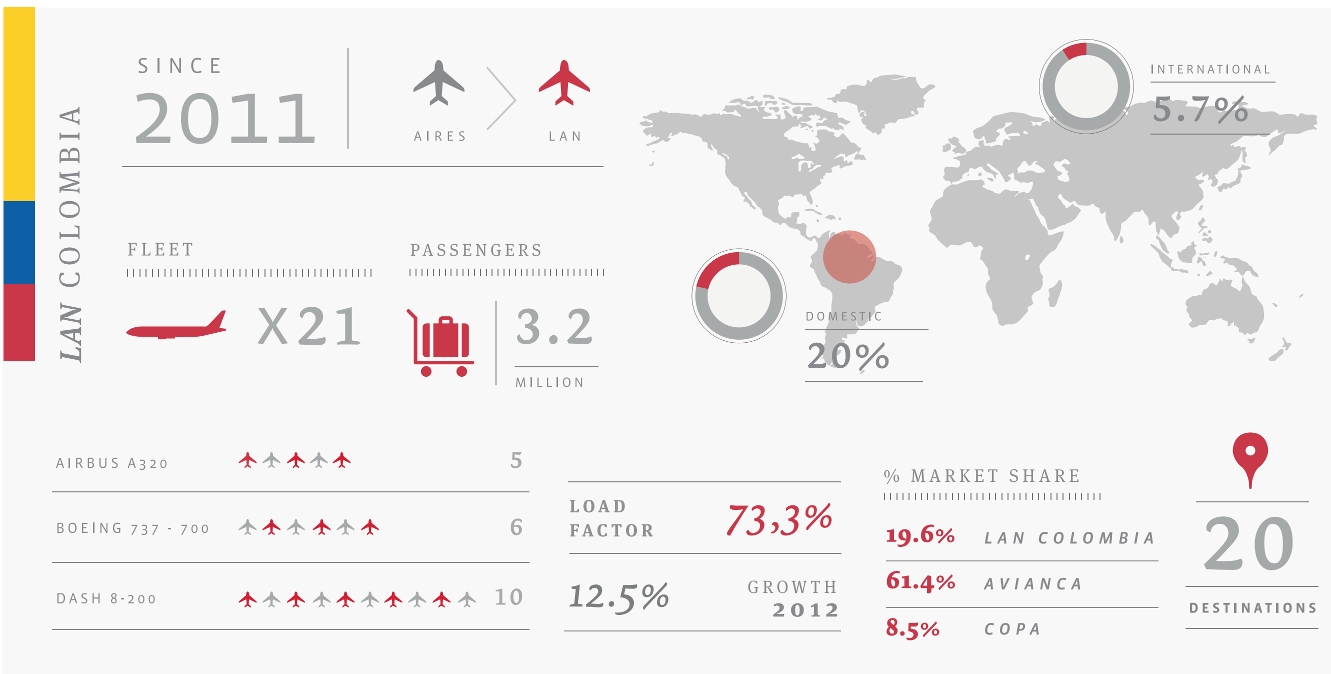
For its domestic flights, the Company has a fleet of ten Airbus A320s, considered the most modern, efficient and ecologic in the industry for operations of this type.

In a bid to stimulate growth of the domestic airline market through more competitive tariffs, the Company mounted a number of campaigns in association with local banks, offering attractive discounts on the purchase of tickets. In addition, the Company launched the LANTOURS program throughout the country, including different destinations within the country, and also opened two new commercial offices in Buenos Aires and one in the city of Tucumán.

In 2012, as part of its permanent quest to enhance its value proposition, LAN Argentina launched the first stage of the “bus project” to transport passengers between an airport and nearby cities to which there are not flights.

Regarding the international market, LAN Argentina operates flights to other South American cities and the United States, achieving a solid coverage through the LATAM Airlines Group’s network and codeshare agreements with our airline partners.

OPERATIONS /
LAN COLOMBIA



In its first year of operations as LAN Colombia, the Company achieved a share of the domestic market that reached 19.6% in December 2012 and, over the course of the year, carried 3.2 million passengers. Its consolidated passenger traffic grew by 12.5% while its capacity increased by 13.4%, giving an average load factor of 73.3%. The Company serves 20 destinations in Colombia and, in terms of coverage, is the country's second largest airline. Its main competitors are Avianca-Taca and Copa Colombia, with market shares of 61.4% and 8.5%, respectively.

Regarding international operations, in 2012 LAN Colombia changed its route to the United States from Fort Lauderdale to Miami, aiming to generate better connections with our partner airlines, specially with American Airlines. Also during 2013 LAN Colombia will incorporate new Boeing 767-300 aircraft to its international operations, in order to improve its service. These new wide-body aircraft, configured with the new onboard design of LAN, will initially start flying on routes to Miami and Sao Paulo, increasing the capacity between those cities and improving the passenger's experience.

LAN Colombia is the result of the acquisition of the local Aires airline (at the end of 2010). Its deteriorated financial situation and low service standards called for a far-reaching restructuring plan to bring it into line with LAN's safety, punctuality and efficiency standards. This process was achieved in record time and culminated at the end of 2011 with the change of brand.

Among other measures designed to restore its profitability, the Company began the renewal of its fleet in 2012 in order to gradually take Aires's Boeing 737-700s and Bombardier Dashs out of service and replace them, mainly, with Airbus A320s, a process which will take some years and generate associated costs. As of December 2012, LAN Colombia was operating its domestic flights with a fleet of 21 aircraft, comprising five Airbus A320s, six Boeing 737-700s and ten Dash 8-200s, having already withdrawn from service four Dash 8-Q400s which should be returned. In 2013, all the Boeing 737-700s are also expected to be taken out of service.

In 2012, the Company defined a commercial strategy focusing on stimulating demand, replicating the low-cost model successfully implemented by LAN in other domestic markets in the region, with reductions of around 35% in base fares accompanied by better segmentation of passengers. It also implemented a new marketing strategy designed to increase recognition of the LAN brand, increased its penetration of the corporate segment by signing contracts with the main companies using air transport within Colombia and launched the LAN Corporate loyalty program.

Other commercial initiatives implemented in 2012 included a redefinition of the commissions paid to travel agencies in order to increase the Company's penetration of the indirect sales channel and the co-branding of LANPASS with the Banco de Bogotá y Occidente in conjunction with the Visa brand.

Finally, in maintenance, LAN Colombia implemented the MXI system in order to homologate the operation in a single corporate system.

OPERATIONS /

CUSTOMER LOYALTY PROGRAMS

As of December 2012, LAN and TAM continued to have independent customer loyalty programs although, as from June 2012, members of the two programs were able to accumulate and redeem kilometers and points, respectively, throughout the two airlines' network.

LANPASS is the frequent flyer program created by LAN in 1984 to reward the preference and loyalty of its customers with numerous benefits and privileges through the accumulation of kilometers that can be exchanged for tickets or a wide range of other products and services. As of December 2012, the program had 7.4 million members across Chile, Argentina, Perú, Ecuador, the United States and Colombia. This last country led the program's expansion in 2012, ending the year with over 620,000 members.

Members of the program earn LANPASS kilometers every time they fly with LAN, TAM or any of the airlines in the oneworld alliance or others affiliated to the program such as Alaska Airlines and Aeroméxico as well as when shopping with or using the services of a vast network of companies around the world which have an agreement with it.

With people who fly constantly in mind, TAM created the TAM Fidelidade program in 1993 to enhance services for its passengers and reward them. Members of the program have a single account in which they accumulate points in a wide variety of loyalty programs. These can then be redeemed in all TAM's destinations and those of associated airlines as well as to participate in the Multiplus Fidelidade network.

In January 2012, TAM went on to create Multiplus, a coalition of loyalty programs, to administer the accumulation and redemption of TAM Fidelidade points. Multiplus is a joint stock company that trades on the São Paulo stock market and in which LATAM Airlines Group is the principal shareholder with a 72.9% stake.

As of December 2012, this program had over 10.5 million members and a network of 230 partner companies including hotels, financial institutions, retailers, supermarkets, car rentals and magazines.

OPERATIONS /

CARGO OPERATIONS

Following the association of LAN and TAM in June 2012, the cargo operations of the two companies and their subsidiaries began to develop commercial and operational agreements, bringing together highly complementary capacities and networks of routes.

This positioned the cargo companies that form part of LATAM Airlines Group as the largest air cargo operator group in Latin America and, in particular, Brazil. This generated important benefits for clients in terms of access to the broadest network of routes in the region and the world with 144 destinations in 27 countries, modern infrastructure, increased capacity and a wide range of products and services at both the domestic and international levels.

In the framework of the association, important efficiency gains were achieved in the international business during 2012. Commercial and operational structures were unified either by bringing back in-house offices and functions that TAM had outsourced or by negotiating new agreements with suppliers. In addition, through agreements for the purchase of space, the bellies of TAM's aircraft began to be administered by LAN Cargo and its subsidiaries. This permitted the incorporation of LAN Cargo's systems, processes and best practices into the group's new cargo operations. Connectivity in the main cargo hubs was also improved in order to optimize the filling of this new capacity and be able to administer the business as a single large network.

In the domestic Brazilian market, important synergies were generated through the incorporation of TAM's extensive network of passenger planes, permitting coverage of a large number of destinations, while the freighters of ABSA - LAN Cargo's subsidiary in Brazil for 15 years - provide great capacity on the routes where demand is heaviest as well as access to the charter business and special businesses such as the routes tendered by the country's postal service. In all these fields, the group's operations were further boosted by the strong position of the TAM Cargo brand under which all its capacity is marketed.

In 2012, the cargo business was, however, affected by a contraction of markets in response to adverse macroeconomic conditions and, in particular, the crisis in the Eurozone. Weaker demand was explained mainly by a drop in imports into Latin America and, especially, Brazil, the region's largest market, where the economy showed an important deceleration. Competition in Latin America's cargo markets also increased not only on the part of local operators but also because European and Asian cargo airlines transferred part of their capacity to the region and, in particular, Brazil, exerting downward pressure on tariffs.

One of the strengths of LATAM Airlines Group's cargo business is its presence in the region's different markets. In 2012, this allowed it to partly offset the weakness of imports into Brazil with the solid performance of the exports of other countries in the region to the United States and Europe, principally perishable products such as flowers, fruit and fish, which remained strong throughout the year.

In addition, the incorporation of two new Boeing 777-200F freighters in 2012 not only strengthened operations in Latin America and Europe but also helped to increase the efficiency of the business. These modern aircraft represent an improvement on the Boeing 767-300Fs in that they have twice their capacity but only consume 50% more fuel.

Overall, the cargo traffic of LATAM Airlines Group and its subsidiaries fell by 2.4% in 2012 while capacity showed a 0.1% drop, giving a load factor of 58.7%, down by 1.1 percentage points, in all cases relative to comparable figures for the operations of TAM, LAN and their respective subsidiaries in 2011.

05

2012 RESULTS

LATAM AIRLINES GROUP S.A.

2012 RESULTS /

INDUSTRY OVERVIEW

Conditions for the world's airline industry were complex in 2012. This reflected a combination of factors that included the high price of fuel, which averaged around US$109.5/barrel (WTI), and the depreciation of a number of currencies against the dollar, which raised the costs of many airlines, as well as the euro zone debt crisis and the deceleration of the world's largest economies and, in particular, China.

History shows that, under similar conditions in the past, the airline industry reported very weak results and, even, losses.

In 2012, however, airlines achieved levels of earnings and cash flow that were similar to 2006 when the price of fuel was just US$45/barrel and the world economy was experiencing 4% growth. The industry has, in other words, reinvented itself and now has greater resources with which to address the current difficult conditions.

In this process, consolidation and capacity discipline have proven to be key factors for success. In 2012, there was also a clear trend towards cooperation, rather than confrontation, with an even greater emphasis on the development of alliances, commercial agreements and, even, cross-border mergers.

It was large operators, with the advantages of scale economies and greater efficiency, that were best placed to handle the difficult context while many small airlines were unable to survive and some other larger companies only did so with government help.

Capacity discipline, previously a practice confined almost exclusively to North American airlines, spread to other regions. Particularly noteworthy was the capacity discipline seen in the second half of the year in Brazil where the principal operators embarked on a sharp reduction in the excess capacity seen in this country's domestic market.

Despite the weak macroeconomic context, the industry's global performance was positively impacted in 2012 by strong passenger traffic - which rose by 5.3% on the previous year - and by a 3% increase in yields. These advances were led by the Middle East, followed by Latin America, while, in Europe and the Asia-Pacific region, there was a marked rise in the traffic of low-cost airlines which increased their market share.

By contrast, the cargo market saw a 2% contraction of traffic and a similar drop in yields. This was the result of a decrease in international trade and a preference for sea transport. This affected principally operators in the Asia-Pacific region for whom the cargo business represents an important part of their total revenues. The only operators to achieve growth in the cargo market were those in the Middle East.

In view of the industry's performance over the first nine months of the year, the International Air Transport Association (IATA) increased its estimate of airlines' global earnings in 2012 from US$3.0 billion in June to US$6.7 billion in December (as compared to US$8.8 billion in 2011). This change, nonetheless, envisages a drop in net margin from 1.4% in 2011 to 1.0% in 2012 and 1.3% in 2013 whereas the margin required to recover the industry's cost of capital is 7%-8%.

It is important to note that, in recent years, the industry's growth has been driven by the emerging markets of Asia-Pacific, Latin America and the Middle East. This trend is expected to persist in the coming years due to the low penetration of air transport in these regions and their prospects for economic growth.

2012 RESULTS /

FINANCIAL RESULTS

In 2012, the results of LATAM Airlines Group were affected principally by the integration of LAN's and TAM's businesses which occurred in June 2012. The Company reported net earnings of US$11.0 million for 2012, down by 96.6% from US$320.2 million in 2011. This included a loss of US$45.2 million due to the consolidation of TAM as from 22 June 2012.

In addition, tax payments rose by US$70.4 million due to a rise in Chile's corporate income tax rate from 17% to 20% as part of a tax reform officially published on 27 September 2012. As a result, the net margin dropped to 0.1% in 2012, down from 5.6%.

Operating revenues reached US$9,942.3 million, up by 73.9% on the previous year, of which US$3,695.8 million corresponded to the integration with TAM. Operating costs increased by 85.9% to US$9,625.5 million of which US$3,709.0 million corresponded to the integration with TAM.

LATAM Airlines Group's accounting operating earnings reached US$316.9 million, down by 41.3% on 2011, while its operating margin, at 3.2%, was equivalent to a drop of 6.2 percentage points on the previous year. If the impact of the integration of LAN's and TAM's businesses is excluded, operating earnings reached US$331.2 million, down by 38.6% on 2011, while the operating margin dropped from 9.4% to 5.2%.

The pro-forma financial statements presented below, which consolidate LAN's and TAM's results for the complete years of 2011 and 2012, provide a more meaningful comparison.

Consolidated pro forma Income Statement (in thousands of US Dollars)

	For the twelve month period ended December 31		
	2012	2011	% Change
REVENUE			
Passenger	11,065,983	10,960,668	1.0%
Cargo	1,939,754	2,067,617	-6.2%
Other	255,364	283,015	-6.2%
TOTAL OPERATING REVENUE	13,271,101	13,311,300	-0.3%
TOTAL OPERATING EXPENSES	-13,182,166	-12,300,353	7.2%
OPERATING INCOME	88,935	1,010,947	-91.2%
Operating Margin	0.7%	7.6%	-6.9pp
NET INCOME	-491,815	29,791	-1750.9%
Net Margin	-3.7%	0.2%	-3.9pp
EBITDA	1,205,486	2,126,992	-43.3%
EBITDA Margin	9.1%	16.0%	-6.9pp
EBITDAR	1,635,998	2,527,264	-35.3%
EBITDAR Margin	12.3%	19.0%	-6.7pp

In 2012, pro-forma revenues dropped by 0.3% as compared to 2011 and reached US$13,271.1 million. This reflected a 1.0% increase in passenger revenues, a 6.2% drop in cargo revenues and also a 6.2% drop in other revenues.

In the case of passenger operations, unit revenues per ASK were down by 3.5% due to a 6.3% drop in yields. This reflected the important impact of the 16.7% devaluation of the Brazilian real against the US dollar in 2012, which affected approximately a third of the Company's revenues and was partly offset by increases in revenues per ASK in LATAM Airlines Group's other domestic markets. In 2012, the load factor rose from 75.9% to 78.2% since, at 4.6%, the increase in capacity measured in ASKs was less than the increase of 7.8% in traffic measured in RPKs.

In the case of cargo operations, a 5.7% drop in unit revenues per ATK was driven by a decrease of 3.9% in the yield and of 1.1 percentage points in the load factor which reached 58.7%. Traffic, measured in tonnes, dropped by 1.0% in 2012, reflecting the weakness of global cargo markets and weak demand in the market for imports into Latin America.

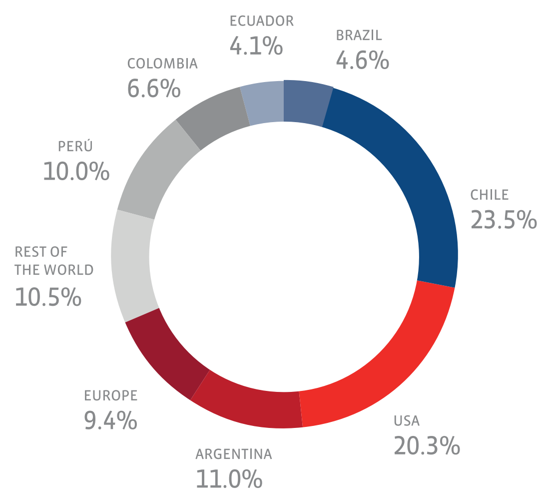
The Company's pro-forma operating costs reached US$13,182.2 million in 2012, up by 7.2% on the pro-forma results for 2011. They were affected by a US$535.5 million increase in expenditure on fuels, an item that accounted for 36.3% of total operating costs. This 12.6% increase was the result of a 2.7% rise in gallons consumed and a 9.7% increase in the price of fuel once hedging is taken into account. In addition, TAM received a credit against payments of fuel taxes (PIS/COFINS) for US$323 million in 2011 which was registered as a reduction in that year's expenditure on fuel.

As a result, the pro-forma operating earnings of LATAM Airlines Group in 2012 reached US$88.9 million in comparison to US$1,010.9 million under the pro-forma results for 2011.

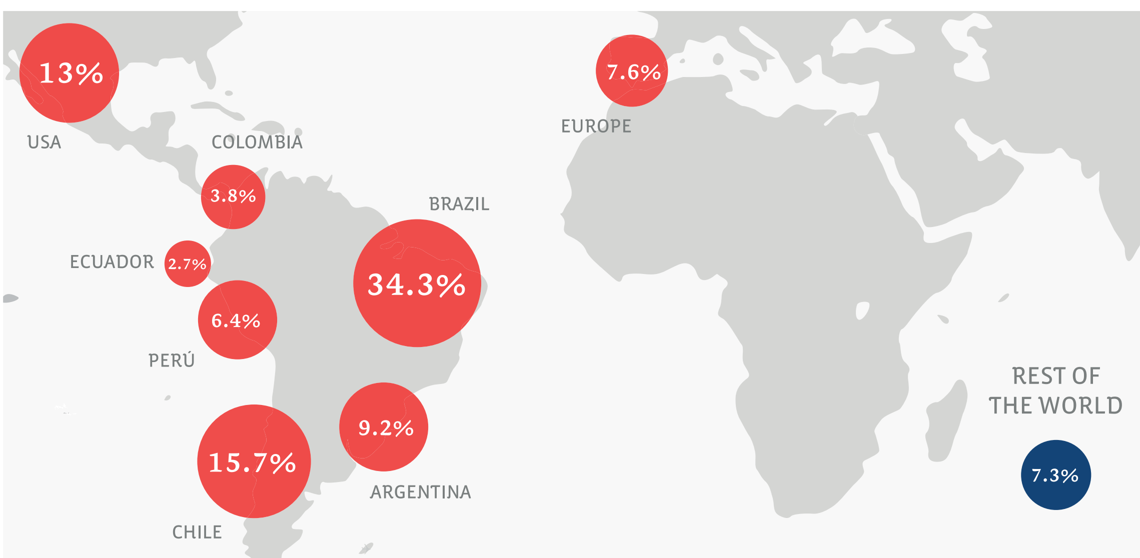
It should be noted that these earnings include approximately US$72 million in synergies related to the integration of LAN's and TAM's businesses as well as one time costs of US$47 million during 2012 that were related to the merger process.

Finally, LATAM Airlines Group showed a net pro-forma loss of US$491.8 million in 2012 as compared to a net pro-forma profit of US$29.8 million in 2011. This implies a negative net pro-forma margin of 3.7% in 2012 as compared to a positive net pro-forma margin of 0.2% in the previous year.

Revenue Breakdown by Country 2011



Revenue Breakdown by Country 2012



Consolidated Financial Summary (in thousands of US Dollars)

	For the twelve month period ended December 31		
	2012	2011	% Change
REVENUE			
Passenger	7,978,664	4,008,910	99.0%
Cargo	1,743,525	1,576,530	10.6%
Other	220,156	132,804	65.8%
TOTAL OPERATING REVENUE	9,942,345	5,718,244	73.9%
TOTAL OPERATING EXPENSES	-9,625,466	-5,178,519	85.9%
OPERATING INCOME	316,879	539,725	-41.3%
Operating Margin	3.2%	9.4%	-6.3pp
NET INCOME	10,956	320,197	-96.6%
Net Margin	0.1%	5.6%	-5.5pp
EBITDA	1,101,766	944,397	16.7%
EBITDA Margin	11.1%	16.5%	-5.4pp
EBITDAR	1,414,804	1,118,594	26.5%
EBITDAR Margin	14.2%	19.6%	-5.3pp

TOTAL ASSETS	20,593,267
TOTAL LIABILITIES	15,424,451
TOTAL EQUITY	5,168,816
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	20,593,267

Operational Statistics Proforma

	For the twelve month period ended December 31		
	2012	2011	% Change
SYSTEM			
ASKs - equivalent (millions)	212,932	207,444	2.6%
RPKs - equivalent (millions)	150,801	144,480	4.4%
Overall Load Factor (based on ASK-equivalent) %	70.8%	69.6%	1.2pp
Break-Even Load Factor (based on ASK-equivalent) %	72.1%	65.8%	6.3pp
Yield based on RPK-equivalent (US Cents)	8.6	9.0	-4.4%
Operating Revenues per ASK-equivalent (US Cents)	6.1	6.3	-2.7%
Costs per ASK-equivalent (US Cents)	6.5	6.2	3.7%
Fuel Gallons Consumed (millions)	1,295	1,261	2.7%
Average Trip Length (thousands km)	1.6	1.6	0.2%
Total Number of Employees	53,599	51,606	3.9%
PASSENGER			
ASKs (millions)	132,449	126,565	4.6%
RPKs (millions)	103,555	96,081	7.8%
Passengers Transported (thousands)	64,857	60,283	7.6%
Load Factor (based on ASKs) %	78.2%	75.9%	2.3pp
Yield based on RPKs (US Cents)	10.7	11.4	-6.3%
Revenues per ASK (US Cents)	8.4	8.7	-3.5%
CARGO			
ATKs (millones)	7,646	7,683	-0.5%
RTKs (millones)	4,488	4,598	-2.4%
Tons Transported (thousands)	1,154	1,165	-1.0%
Load Factor (based on ATKs) %	58.7%	59.8%	-1.1pp
Yield based on RTKs (US Cents)	43.2	45.0	-3.9%
Revenues per ATK (US Cents)	25.4	26.9	-5.7%

2012 RESULTS /

AWARDS AND RECOGNITIONS

Principal recognitions received by LATAM Airlines Group in 2012

LAN 2012

- **BUSINESS TRAVELLER'S CELLARS IN THE SKY AIRLINE WINE AWARDS**

  1st place
  Best Sparkling Wine (Champagne Louis Roederer)

- **WORLD AIRLINE AWARDS (SKYTRAX)**

  2nd place
  "Best South American Airline".

- **BEST OF THE WEB AWARDS: LAST MILE LEADER**

  1st place
  "Best online airline site"

- **LA SEGUNDA-ADIMARK: RANKING OF CHILE'S MOST RESPECTED COMPANIES**

  1st place
  "Most Respected Company"

- **MERCO**

  1st place
  "Company with Best Reputation in Chile"

- **2012 DUOC UC HUMAN CAPITAL PRIZE**

  Recognition of nine Chilean companies that most supported professional-technical training courses

- **CAPITAL MAGAZINE AND FUNDACIÓN CHILE**

  5th place
  Ranking of Companies in Chile Most Committed to Climate Change Management

- **BUSINESS TRAVELLER**

  1st place
  "Best Business Class in Latin America"

TAM 2012

- **WORLD AIRLINE AWARDS (SKYTRAX)**

  1st place
  "Best Airline in South America" and "Best Airline Staff Service in South America".

- **CARTA CAPITAL MAGAZINE: MOST ADMIRED COMPANIES IN BRAZIL**

  1st and 5th places, respectively
  "Airline" and "Brazilian Companies Most Admired in Latin America".

- **THE BEST OF DINHEIRO (ISTOÉ DINHEIRO)**

  1st place
  "Human Resource Management".

- **BRAZIL'S MOST VALUABLE BRANDS (ISTOÉ DINHEIRO / BRAND ANALYTICS)**

  1st place
  In industry and 19th in overall ranking

- **AIRLINETRENDS.COM**

  5th most innovative airline in the world.

- **PRIZE FOR EXCELLENCE IN CUSTOMER SERVICE (CONSUMIDOR MODERNO MAGAZINE)**

  1st place
  "Best Logistics Company (TAM Cargo)"

- **TRUSTED BRANDS PRIZE (SELECCIONES MAGAZINE)**

  1st place
  "Airline"

- **FREDDIE AWARDS, INSIDE FLYER MAGAZINE**

  1st place (TAM Fidelidade)
  "Best redemption of customer loyalty programs in the Americas"

- **CELLARS IN THE SKY REVISTA BUSINESS TRAVELLER**

  1st place
  "Best First Class Red Clos Canon 2008"

  1st place
  "Most Improved First Class Cellar".

LAN TAM
— LATAM AIRLINES GROUP —

2012 RESULTS /

STOCK MARKET INFORMATION

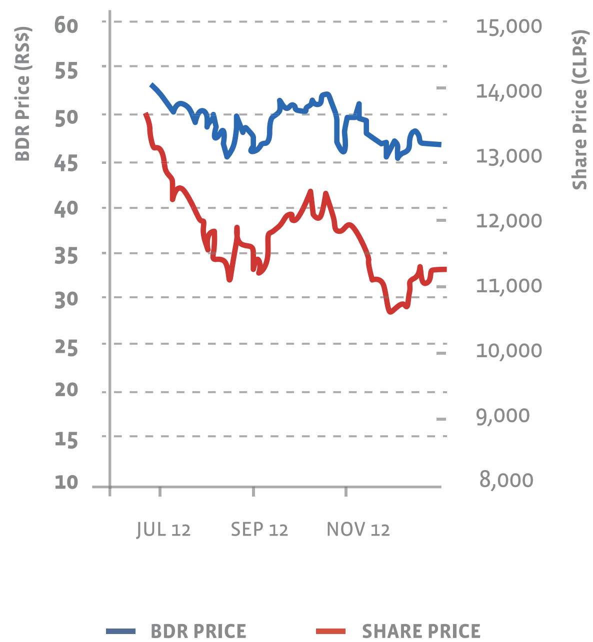
STOCK MARKET ACTIVITY

In 2012, LATAM Airlines Group's share price showed a loss of 7.7% while LAN's ADR gained 1.4%. As of 31 December 2012, the Company had a market capitalization of US$11,218 million. In 2012, LATAM Airlines Group's shares performed below Chile's IPSA share price index, which showed an annual gain of 3.0%.

ADR AND SHARE PRICE, 2012

LAN TAM
— LATAM AIRLINES GROUP —

BDR AND SHARE PRICE, 2012



IPSA AND SHARE PRICE, 2012

Quaterly Volume of Share Trading (Santiago Stock Exchange)

		N° of Shares Traded	Average Price (CLP)	Total Value (CLP)
2010				
	First Quarter	78,527,652	5.030	157,934,911,429
	Second Quarter	28,989,000	5.942	190,474,096,845
	Third Quarter	68,123,784	6.763	186,403,260,956
	Fourth Quarter	34,761,835	7.701	209,561,025,666
2011				
	First Quarter	47,347,742	9.321	731,977,564,550
	Second Quarter	58,475,637	10.281	298,041,173,402
	Third Quarter	76,581,903	14.292	973,595,650,579
	Fourth Quarter	50,436,418	14.632	508,645,049,034
2012				
	First Quarter	64,710,000	14.373	812,172,800,000
	Second Quarter	107,445,492	13.097	1,006,390,000,000
	Third Quarter	57,157,847	12.063	683,382,000,000
	Fourth Quarter	38,877,169	11.286	438,423,700,000

Quaterly Volume of ADR Trading (NYSE)

		N° of Shares Traded	Average Price (USD)	Total Value (USD)
2010				
	First Quarter	23,040.927	17.72	408,225,320
	Second Quarter	23,101.571	18.74	432,817,173
	Third Quarter	44,356.223	29.45	1,306,224,233
	Fourth Quarter	21982.883	30.70	674,964,638
2011				
	First Quarter	31,175,948	25.65	799,544,598
	Second Quarter	20,585,237	28.50	586,730,718
	Third Quarter	31,053,167	21.04	653,274,790
	Fourth Quarter	24,414,359	23.27	568,234,440
2012				
	First Quarter	17,180,265	29.20	456,019,600
	Second Quarter	27,871,128	25.97	725,219,500
	Third Quarter	43,620,441	25.37	1,080,972,000
	Fourth Quarter	23,579,847	23.48	560,725,400

Quaterly Volume of BDR Trading (BOVESPA)

	N° of Shares Traded	Average Price (BRL)	Total Value (BRL)
2012			
Second Quarter	35,857,854	52.12	2,041,688,000
Third Quarter	5,982,600	50.50	301,911,500
Fourth Quarter	1,118,000	47.00	54,162,270

2012 RESULTS /

ADDITIONAL INFORMATION

SUPPLIERS

In 2012, as in previous years, the main suppliers of LATAM Airlines Group were the Airbus and Boeing aircraft manufacturers. Its other suppliers consist mainly of companies that produce aircraft accessories, spares and components such as Pratt & Whitney, IAE International Aero Engines AG, Rolls-Royce plc, General Electric Commercial Aviation Services Ltd. (engines), SICMA (seats), Air France and Lufthansa Technik (MRO components), Thales (in-flight entertainment), Goodrich (reversers) and Messier Bugatti and Goodrich (brakes). In addition, the Company has a number of fuel suppliers including Repsol YPF, Copec, Shell, Terpel, Chevron and Exxon.

INSURANCE

Taking into account all those areas of its operations that involve potential risks, LATAM Airlines Group carries insurance that can be divided into three main categories: aviation, hull and liability insurance. This type of insurance covers all the risks inherent to commercial aviation such as aircraft, engines, spare parts and third-party liability for passengers, cargo, baggage, merchandise and airports. This coverage is taken out jointly by LATAM Airlines Group and its subsidiaries and reinsured on the London market. Since 2006, the Company has also had an agreement with British Airways, Aer Lingus and other companies for the joint negotiation of the terms of hull and liability insurance, which helps in obtaining lower premiums and better coverage.

GENERAL INSURANCE

Insurance of this type provides coverage against all those risks that could affect the Company's assets, particularly its physical goods and financial assets. These are protected through multi-risk policies (including fire, theft, computer equipment, transport of securities, window breakage and other all-risk coverage) as well as traditional coverage of motor vehicles, air and sea transport, corporate civil liability, etc. In addition, the Company holds life and accident insurance on behalf of all its personnel including executives, staff in general and flight crews.

TRADEMARKS AND PATENTS

The Company and its subsidiaries use a number of trademarks. These are duly registered with the corresponding bodies in the different countries in which they operate or are the origin and/or destination of their operations in order to be able to differentiate and market their products and services in these countries.

2012 RESULTS /

MATERIAL NEWS

20/12/2012 - 19:15
PLACEMENT OF SECURITIES ON INTERNATIONAL AND/OR NATIONAL MARKETS / LATAM AIRLINES GROUP S.A.

As provided in Article 9 and in the second subparagraph of Article 10 of the Securities Market Law, and in General Rule #30, under due authorization, I hereby make the following material DISCLOSURE regarding LATAM Airlines Group S.A., Securities Registration #306:

At a meeting held today, the Board unanimously resolved:

1. To begin the preemptive option period to subscribe 7,436,816 cash shares in the Company on account of the capital increase approved by the Special Shareholders Meeting on December 21, 2011, as modified by the Special Shareholders Meeting on September 4, 2012. The period will begin on December 21, 2012 by publication of the Notice ordered in Article 26 (formerly Article 29) of the Companies Regulations, which will be made in the newspaper La Tercera.

2. To set the placement price for the shares being preemptively offered to the Company's shareholders at CH$ [•] per share during the preemptive option period.

3. To place a total of 2,951,390 shares in the Company on December 21, 2012 at a price of CH$ 11,000 per share using the Order Book Auction system of the Santiago Stock Exchange, Securities Exchange, according to the parameters of the share offer submitted on December 14, 2012.

04/09/2012 - 17:42
CHANGES IN MANAGEMENT / LATAM AIRLINES GROUP S.A.

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 Extraordinary Shareholders Meeting (Meeting) of LATAM Airlines Group S.A. (LATAM) held September 4, 2012, 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:

- José María Eyzaguirre Baeza;
- Juan José Cueto Plaza;
- Mauricio Rolim Amaro;
- Maria Claudia Amaro;
- Ramón Eblen Kadis;

- Carlos Heller Solari;
- Francisco Luzón López;
- Juan Gerardo Jofré Miranda; y
- Georges de Bourguignon Arndt.

The Directors named in numbers 7, 8 and 9 above were elected as independent directors, according to article 50-bis of Companies Law 18046.

03/08/2012 - 18:34
CHANGES IN MANAGEMENT / LAN AIRLINES S.A.

As provided in Article 9, in the second subparagraph of Article 10 of the Securities Market Law and in General Rule #30, under due authorization, I hereby DISCLOSE the following material events of LATAM Airlines Group S.A. (formerly called LAN Airlines S.A.), Securities Registration #306:

Today, Mr. Jorge Awad Mehech submitted his resignation from his position of Chairman of the Company's Board of Directors. He will continue on as director. The Board then unanimously appointed Mr. Mauricio Rolim Amaro as Chairman of the Board of LATAM Airlines Group S.A.

03/08/2012 - 18:28
EXTRAORDINARY SHAREHOLDER'S MEETING, NOTICES, AGREEMENTS AND PROPOSALS / LATAM AIRLINES GROUP S.A.

As provided in Article 9, in the second subparagraph of Article 10 of the Securities Market Law and in General Rule #30, under due authorization, I hereby DISCLOSE the following material events of LATAM Airlines Group S.A. (formerly called LAN Airlines S.A.), Securities Registration #306:

At a the meeting held today, the Board of Directors of LATAM Airlines Group S.A. resolved to convene an Extraordinary Shareholders Meeting at 10:30 a.m. on September 4, 2012 to discuss the following matters:

1. Revoke Board of Directors.
2. Election of members of the Board of Directors.
3. Approve that the remaining 7,436,816 shares (all ordinary and without nominal value) of LATAM Airlines Group S.A., from the total of 142,555,882 shares (all ordinary and without nominal value) issued as per the authorization from the Extraordinary General Meeting of Shareholders held on December 21, 2011 and that not were exchanged for shares of Sister Holdco S.A. and Holdco II S.A., to be offered preferably to the shareholders of LATAM Airlines Group S.A. (the "Remaining Shares") pursuant to section 25 of the Law No. 18,046 regarding the Chilean Corporation Act; and that any unsubscribed shares to be offered and placed in the securities markets.
4. Fix, set and determine the subscription and placement price of the Remaining Shares, namely, for the 7,436,816 shares (all ordinary and without nominal value) of LATAM Airlines Group S.A., or to delegate in the Board of Directors of the Company to determine the price and conditions for the subscription and placement of the Remaining Shares.
5. Fix, set and determine the subscription and placement price of the 4,800,000 shares (all ordinary and without nominal value) to be used to create and implement a stock option plan pursuant to Section 24 of the of the Law No. 18,046 regarding the Chilean Corporation Act, as approved by the Extraordinary General Meeting of Shareholders held on December 21, 2011 (the "Stock Option Compensation Plan"); or to delegate in the Board of Directors of the Company the determination, setting and fixing of the subscription and placement price and applicable terms and conditions for the creation and implementation of the Stock Option Compensation Plan.
6. Adopt any other resolutions to carry out the items above listed.

28/06/2012 - 9:19
OTHERS / LAN AIRLINES S.A.

As provided in Article 9, in the second subparagraph of Article 10 of the Securities Market Law and in General Rule #30, under due authorization, I hereby DISCLOSE the following material events of LATAM Airlines Group S.A. (formerly called LAN Airlines S.A.), Securities Registration #306:

1. A Special Shareholders Meeting held December 21, 2011 (the "Meeting") approved, among other matters, the merger of LAN Airlines S.A. ("LAN") and Sister Holdco S.A. ("Sister") and Holdco II S.A. ("Holdco II") (the "Merger"). These two latter companies had been incorporated especially for, and prior to, the merger of LAN and TAM S.A. ("TAM"), a Brazilian company. Sister and Holdco II held the shares in TAM either directly or indirectly. LAN (now called "LATAM") would be the company surviving the Merger.

2. Among the matters discussed at the Meeting, the issuance of 142,555,882 shares was authorized to implement the respective exchange in the Merger (all common shares, with no par value). Said Meeting also approved the issuance of 4,800,000 additional shares (all common, with no par value) to create and implement, combined with any remainder of shares not used in the Merger exchange, an employee compensation plan for employees of LATAM and its subsidiaries pursuant to Article 24 of the Companies Law. The Board was granted the power to determine the conditions for placement of such shares.

3. Since the level of acceptance of the exchange offer did not cover all shares in TAM existing on the market, there was a remainder of 7,421,021 authorized shares in LATAM after the Merger (all common, with no par value) that were not exchanged for shares in Sister and Holdco II ("Share Remainder").

4. On today's date, the Board resolved to submit a motion to the company's shareholders that the Share Remainder not be used to create and implement a compensation plan for employees of LATAM and its subsidiaries pursuant to Article 24 of the Companies Law, but rather be allocated to a preemptive offer to the LATAM shareholders according to Article 25 of the Companies Law, and that any unsubscribed balance be offered and placed on the general market. For these purposes, the Board shall also convene the corresponding Special Shareholders Meeting, which will be duly disclosed.

5. Please note that by letter dated June 26, 2012, BM&FBOVESPA S.A. Bolsa de Valores Mercadorias y Futuros notified Itau Corretora de Valores S.A. ("Itau Corretora")--the securities intermediary retained by LATAM to implement the exchange offer and depositary of its BDR program--that 17,550 shares were unilaterally reversed, of the 29,723,889 shares in TAM that were accepted for exchange in the Federal Republic of Brazil ("Brazil") by the end of the exchange offer that were in the custody of that stock exchange and were contributed by Itau Corretora to Holdco II by subscription of the same number of shares in this company, because of duplicate orders that the stock exchange did not opportunely identify.

   Therefore, the result of the exchange offer in Brazil was effectively 29,706,339 shares in TAM, which meant that LATAM delivered 15,795 shares in LATAM in excess to Itau Corretora (17,550 x 0.90). Said shares are in possession of Itau Corretora in the form of BDRs. LATAM is taking action with Itau Corretora to correct this situation as soon as possible (which will result in the revocation of foreign exchange contracts in Brazil for those 15,795 shares and their respective BDRs).

6. The situation described in the preceding paragraph did not affect the timely delivery of the corresponding ADRs and BDRs of LATAM to TAM shareholders that accepted the exchange offer on June 27, 2012. And after the adjustment indicated in the preceding paragraph concludes, the Share Remainder placeable will total 7,436,816 shares in LATAM (all common shares, with no par value).

LAN LATAM AIRLINES GROUP TAM

28/06/2012 - 9:14
CHANGES IN MANAGEMENT / LAN AIRLINES S.A.

As provided in Article 9, in the second subparagraph of Article 10 of the Securities Market Law and in General Rule #30, under due authorization, I hereby DISCLOSE the following material event of LATAM Airlines Group S.A. (formerly called LAN Airlines S.A.), Securities Registration #306:

1. On today's date, the company's Board of Directors learned of the resignation of Mr. Jose Cox Donoso and Mr. Dario Calderon Gonzalez from their directorships. In view of those vacancies, the Board resolved to appoint Mr. Mauricio Rolim Amaro and Ms. Maria Cláudia Amaro in their stead as directors of the company.

In light of the foregoing, the entire board of directors will be renewed at the next regular shareholders meeting of the company.

22/06/2012 - 9:04
DIVISION, MERGER OR CREATION OF COMPANIES / LAN AIRLINES S.A.

As established in Article 9 and in Article 10, paragraph 2, of the Securities Market Law (Ley de Mercado de Valores), and in General Regulation No. 30, (Norma de Carácter General N° 30), being duly empowered, I hereby report the following ESSENTIAL FACT regarding LAN Airlines S.A. ("LAN"), Securities Registry No. 306:

1. By means of Essential Fact dated December 21, 2011, it was reported that shareholders meetings were held and approved the merger of LAN with Sister Holdco S.A. ("Sister Holdco") and Holdco II S.A. ("Holdco II"), two companies specially incorporated for purposes of the proposed combination between LAN and TAM S.A. ("TAM"). If Holdco II successfully completed an exchange offer for the TAM shares (including those represented by American Depositary Shares – ADSs – of TAM), both Sister Holdco and Holdco II would be absorbed by LAN (the "Mergers"), with LAN continuing as the surviving entity. Prior to the Mergers, Sister Holdco would hold the TAM shares contributed by the controlling shareholders of TAM, and Holdco II would hold the TAM shares and ADSs acquired pursuant to the exchange offer.

2. By means of Essential Fact dated May 10, 2012, it was reported that Holdco II and LAN had initiated in the Federal Republic of Brazil ("Brazil") and in the United States of America ("USA") an exchange offer (the "Exchange Offer") for all outstanding TAM shares (including those represented by TAM ADSs) other than those held by the controlling shareholders of TAM, for Holdco II shares, and ultimately, for LAN shares (the latter being the legal successor of Holdco II due to the effectiveness of the Mergers), in the form of Brazilian Depositary Receipts - BDRs - in Brazil, and American Depositary Receipts - ADRs – in the USA.

3. The Exchange Offer was subject to minimum conditions of acceptance for its success and to certain other conditions. In particular, there were established (i) the squeeze-out condition, as a result of which TAM would be able to mandatorily redeem all of the TAM shares not tendered in the Exchange Offer or contributed by the controlling shareholders of TAM; and (ii) the delisting condition, as a result of which TAM would no longer be a registered public company in Brazil.

    - According to Brazilian law, for the delisting condition to be met, more than 2/3 of the total TAM shares participating in the Exchange Offer shall have agreed with the deregistration of TAM as a public company in Brazil.

4. On June 12, 2012, LAN waived the squeeze-out condition, which was informed by means of an Essential Fact on that same date. As a result of this waiver, according to Brazilian law, the term of the Exchange Offer was extended for 10 calendar days, and a new date for the auction in BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros was scheduled for June

22, 2012 at 9:00 a.m., Santiago and New York time (10:00 a.m., Sao Paulo time).

5. Prior to the expiration of the Exchange Offer, 99.9% of the TAM shares that participated in the Exchange Offer agreed with the deregistration of TAM as a public company in Brazil, thereby satisfying the delisting condition. For information purposes, the TAM shares tendered in the Exchange Offer together with those contributed by the controlling shareholders of TAM represent 95.9% of TAM shares in circulation.

6. Based on the foregoing and the satisfaction of the other conditions to the completion of the Exchange Offer, the auction took place in BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros today, at 9:00 a.m., Santiago and New York time (10:00 a.m., Sao Paulo time).

7. Also, and following the steps provided in the transaction, on this same date LAN, Sister Holdco and Holdco II have executed the deed evidencing the Mergers, pursuant to which the outstanding Sister Holdco and Holdco II shares are exchanged for LAN shares, at the rate of 0.9 shares of LAN for each one of such shares:

Shareholder	Sister Holdco Shares	LAN Shares Issued in Merger	Note
Sister Holdco			
TEP Chile S.A.	72,837,861	65,554,074	Evidencing the direct and indirect contribution of 72,837,860 shares of TAM by the controlling shareholders of TAM
Accionista Nominal	1	1	
TOTAL	72,837,862	65,554,075	
Holdco II			
Itaú Corredora de Valores S.A.	29,723,889	26,751,500 in the form of BDRs of LAN	Evidencing the contribution of 72,837,860 shares of TAM as a result of the Exchange Offer
JP Morgan Chase Ban, N.A.	47,588,095	42,829,285 in the form of ADRs of LAN	Evidencing the contribution of 47,588,095 shares of TAM (in the form of ADSs) as a result of the Exchange Offer
Nominal Shareholder	1	1	
LAN	1	-	Share is cancelled
TOTAL	77,311,986	69,580,786	

8. The share exchange process is automatically executed in the LAN's shareholders registry on June 22, 2012, and settlement of the Exchange Offer will occur with the delivery abroad to the shareholders of TAM that accepted the Exchange Offer of the corresponding ADRs and BDRs of LAN on June 27, 2012.

9. Finally, on this date (i) LAN changes its name to "LATAM Airlines Group S.A.", notwithstanding that it may also continue to do business under the trade names "LATAM Airlines", "LATAM Airlines Group", "LATAM Group", "LAN Airlines", "LAN Group" and/or "LAN"; and (ii) the shareholders agreements with respect to LAN, Holdco I S.A., and TAM and its subsidiaries referred to in the Material Fact dated January 19, 2011, become effective.

12/06/2012 - 8:28
OTHERS / LAN AIRLINES S.A.

As established in Article 9 and in Article 10, part 2, of the Securities Market Law (Ley de Mercado de Valores), and in General Regulation No. 30, (Norma de Carácter General N° 30), duly empowered, I hereby report the following ESSENTIAL FACT regarding LAN Airlines S.A. ("LAN"), Securities Registry No. 306:

1. By means of Essential Fact dated December 21, 2011, it was reported that the shareholders meetings that approved the merger of LAN with Sister Holdco S.A. ("Sister Holdco") and Holdco II S.A. ("Holdco II"), two companies specially incorporated for purposes of the proposed combination between LAN and TAM S.A. ("TAM"), had occurred. If Holdco II successfully completes an exchange offer for the shares of TAM (including those represented by American Depositary Shares – ADSs – of TAM), both Sister Holdco and Holdco II will be merged into LAN (the "Merger"), with LAN continuing as the surviving entity of the Merger. Prior to the Merger, Sister Holdco will hold the shares of TAM contributed by the controlling shareholders of TAM, and Holdco II will hold the shares and ADSs of TAM acquired pursuant to the exchange offer.

2. By means of Essential Fact dated May 10, 2012, it was reported that Holdco II S.A. ("Holdco II") and LAN had commenced in the República Federativa de Brazil ("Brazil") and in the United States of America ("USA") an exchange offer (the "Exchange Offer") for all the outstanding TAM shares (including those represented by TAM ADSs) other than those held by the controlling shareholders of TAM, in exchange for Holdco II shares, and ultimately, for LAN shares (the latter as legal successor of Holdco II due to the effectiveness of the Merger), in the form of Brazilian Depositary Receipts - BDRs - in Brazil, and American Depositary Receipts - ADRs – in the USA.

3. The Exchange Offer was subject to minimum conditions of acceptance for its success and certain other conditions.

4. Prior to the expiration of the Exchange Offer, the acceptances received, together with the shares held by the controlling shareholders of TAM, account for 147,836,864 TAM shares (including those represented by TAM ADSs), which correspond to 94.4% of the TAM shares in circulation, amount which is less than the acceptances required to satisfy the squeeze-out condition. Unless this condition is satisfied, TAM cannot mandatorily redeem all of the TAM shares not offered for acceptance in the Exchange Offer or contributed by the controlling shareholders of TAM.

5. In order to proceed with the proposed association between LAN and TAM, on this date the board of directors of LAN has authorized the company to waive, and LAN has waived, the squeeze-out condition. As a result of this waiver, in accordance with Brazilian laws, the period of the Exchange Offer will be extended for 10 calendar days.

6. Therefore, subject to the satisfaction of the other completion conditions set forth in the Exchange Offer documents, the auction that was originally scheduled for today in BM&FBOVESPA

S.A. - Bolsa de Valores, Mercadorias e Futuros has been postponed until 9:00 am, Santiago and New York time (10:00 am, Sao Paulo time), of June 22, 2012.

10/05/2012 - 5:31
OTHERS / LAN AIRLINES S.A.

As established in Article 9 and in Article 10, part 2, of the Securities Market Law (Ley de Mercado de Valores), and in General Regulation 30, (la Norma de Carácter General N° 30), duly empowered, I hereby report the following ESSENTIAL FACT regarding LAN Airlines S.A. ("LAN"), Securities Registry Nº 306:

1. We refer to the Essential Facts dated May 7 and 9, 2012, in which we informed that Holdco II S.A. ("Holdco II") and LAN obtained the required registrations and authorizations in the Federative Republic of Brazil ("Brazil") and in the United States of America ("USA") to carry out the offer to exchange shares of TAM S.A. ("TAM") initially for Holdco II shares and ultimately for LAN shares (as Holdco II will merge into LAN, with LAN being the legal successor of Holdco II), in the form of Brazilian Depositary Receipts – BDRs – in Brazil and American Depositary Receipts – ADRs – in the USA.

2. In addition to the information previously mentioned, in view of the registrations and authorizations obtained in Brazil and in the USA, and having obtained further authorizations in other jurisdictions, including the resolution of the Chilean Antitrust Court (Tribunal de Defensa de la Libre Competencia) dated September 21, 2011, which was upheld by the Supreme Court of Chile (Excelentísima Corte Suprema) on April 5, 2012, and the registration for the issuance of LAN shares in your Superintendency under N° 955 dated April 17, 2012, on this date Holdco II and LAN have commenced the exchange offer for TAM shares simultaneously in Brazil and in the USA. The exchange offer shall remain open until 5:00 pm, New York time (6:00 pm, Sao Paulo time) on June 11, 2012 and the auction will be held on BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros, at 9:00 am, New York time (10:00 am, Sao Paulo time) on June 12, 2012.

3. The documents related to the exchange offer can be found in the corporate Internet websites www.lan.com, www.tam.com.br, and www.latamairlines.com, and in the Internet websites of the Brazilian and US securities authorities, respectively, www.cvm.gov.br and www.sec.gov.

09/05/2012 - 17:11
OTHERS / LAN AIRLINES S.A.

As established in Article 9 and in Article 10, part 2, of the Securities Market Law (Ley de Mercado de Valores), and in General Regulation 30, (la Norma de Carácter General N° 30), duly empowered, I hereby report the following ESSENTIAL FACT regarding LAN Airlines S.A. ("LAN"), Securities Registry Nº 306:

1. On January 18, 2011, LAN, Costa Verde Aeronáutica S.A., Inversiones Mineras del Cantábrico S.A., TAM S.A. ("TAM"), TAM Empreendimentos e Participações S.A., and Messrs Maria Cláudia Oliveira Amaro, Maurício Rolim Amaro, Noemy Almeida Oliveira Amaro, and João Francisco Amaro signed contracts written in the English language, referred to as (a) Implementation Agreement, and (b) Exchange Offer Agreement (the "Executed Contracts", including subsequent amendments thereto) containing the definitive terms and conditions for the proposed merger between LAN and TAM.

2. On December 21, 2011, shareholders' meetings were held authorizing the merger of LAN with the companies Sister Holdco S.A. ("Sister Holdco") and Holdco II S.A. ("Holdco II"), two companies incorporated specifically for the purposes of the proposed combination of LAN and TAM. If Holdco II successfully completes the first-step exchange offer for TAM shares (including those represented by TAM ADSs) contemplated by the Executed Contracts (the "Exchange Offer"), each of Sister Holdco and Holdco II will merge with and into LAN (the "Mergers") and LAN will be the surviving company of each Merger. Prior to the Mergers, Sister Holdco will hold TAM shares contributed by the controlling shareholders of TAM and Holdco II will hold TAM shares and TAM ADSs acquired in the Exchange Offer.

3. In accordance with the steps set forth in the Executed Contracts:

    - Holdco II and LAN filed with the United States of America ("USA") securities authority, the Securities and Exchange Commission (the "SEC"), the registration statement under the US Securities Act of 1933 referred to as the Registration Statement on Form F-4 (Registration No. 333-177984) ("Form F-4") regarding the Exchange Offer and Merger in order to register the offer and sale of the Holdco II shares to be issued in the Exchange Offer and the LAN shares to be issued in the Mergers (in the form of American Depositary Receipts – ADRs) to US shareholders of TAM.

    - The Form F-4 contains an offer to exchange/prospectus which sets forth the terms and conditions of the Exchange Offer and Mergers which will be mailed to US shareholders of TAM

    - The Form F-4 can be found in the websites www.lan.com, www.tam.com.br, www.latamairlines.com, and www.sec.gov.

    - On May 7, 2012, Holdco II and LAN filed a request with the SEC to accelerate the effectiveness of the Form F-4 to 10:00 a.m., New York time, on May 9, 2012.

    - At 10:00 a.m., New York time, on May 9, 2012, the SEC declared the Form F-4 effective, which will permit Holdco II and LAN to commence the Exchange Offer in the USA.

    - As previously informed by Essential Fact dated May 7, 2012, on that date the securities authorities and the stock exchange of the Federative Republic of Brazil ("Brazil") provided their authorization for the corresponding registration of the Exchange Offer in Brazil. The Exchange Offer, according to the applicable regulations in Brazil, must be launched in Brazil within 10 days following the registration date and will be launched simultaneously in the USA.

07/05/2012 - 17:57
OTHERS / LAN AIRLINES S.A.

As established in Article 9 and in Article 10, part 2, of the Securities Market Law (Ley de Mercado de Valores), and in General Regulation 30, (la Norma de Carácter General N° 30), duly empowered, I hereby report the following ESSENTIAL FACT regarding LAN Airlines S.A. ("LAN"), Securities Registry Nº 306:

1. On January 18, 2011, LAN, Costa Verde Aeronáutica S.A., Inversiones Mineras del Cantábrico S.A., TAM S.A. ("TAM"), TAM Empreendimentos e Participações S.A., and Messrs. Maria Cláudia Oliveira Amaro, Maurício Rolim Amaro, Noemy Almeida Oliveira Amaro, and João Francisco Amaro signed contracts written in the English language, referred to as (a) Implementation Agreement, and (b) Exchange Offer Agreement (the "Executed Contracts", including subsequent amendments thereto) containing the definitive terms and conditions for the proposed combination of LAN and TAM.

2. On December 21, 2011, shareholders' meetings were held authorizing the merger of LAN with the companies Sister Holdco S.A. ("Sister Holdco") and Holdco II S.A. ("Holdco II"), two companies incorporated specifically for the purposes of the proposed combination of LAN and TAM. If Holdco II successfully completes the first-step exchange offer for TAM shares (including those represented by TAM ADSs) contemplated by the Executed Contracts, each of Sister Holdco and Holdco II will merge with and into LAN (the "Mergers") and LAN will be the surviving company of each Merger. Prior to the Mergers, Sister Holdco will hold TAM shares contributed by the controlling shareholders of TAM and Holdco II will hold TAM shares and TAM ADSs acquired in the exchange offer.

3. In accordance with the steps set forth in the Executed Contracts:

- LAN and Itaú Corretora de Valores S.A. ("Itaú Corretora"), in its capacity as a depositary organization, made a request to the exchange authorities and stock exchange in the Federative Republic of Brazil, to wit, theComissão de Valores Mobiliários (the "CVM") and BM&FBOVESPA S.A.—Bolsa de Valores, Mercadorias e Futuros (the "BM&FBOVESPA"), for the registration of a Programa de Certificados de Depósito de Ações Ordinárias de Emissão by LAN, also known as a Brazilian Depositary Receipts ("BDRs") program.

- Furthermore, on February 27, 2012, LAN and Itaú Corretora signed a contract written in the Portuguese language referred to as Contrato de Prestação de Serviços de Emissão e Escrituração de BDRs, which, subject to receipt of the registration mentioned in the preceding paragraph, regulates the issuance of the BDRs and designates Banco Itaú Chile as the share custodian.

- On May 7, 2012, the CVM granted authorization for the corresponding registration of the LAN BDR program, which was assigned the ticker symbol "LATM11". Trading of the BDRs would commence on the business day following the completion of the Exchange Offer in Brazil (as defined in the following paragraphs).

- Furthermore, Holdco II, LAN, and Banco Itaú BBA S.A., the latter acting through Itaú Corretora, made a request to CVM and BM&FBOVESPA for the registration of the offer for the exchange of TAM shares in Brazil initially for Holdco II shares and ultimately for LAN shares (as LAN will be the legal successor of Holdco II after the Mergers) in the form of BDRs, and cancellation of the registration of TAM as a company listed on the BM&FBOVESPA (the "Exchange Offer in Brazil").

- The terms and conditions of the Exchange Offer in Brazil will be reflected in the Edital de Oferta Pública de Permuta de Ações para Cancelamento de Registro de Companhia Aberta e Consequente Saída do Nível 2 de Governança Corporativa da BM&FBOVESPA regarding TAM (the "Edital").

- The Edital can be found in the websites www.lan.com, www.tam.com.br, www.latamairlines.com and www.cvm.gov.br.

- On May 7, 2012, the CVM and BM&FBOVESPA granted authorization for the corresponding registration of the Exchange Offer in Brazil which, according to applicable regulations in Brazil, must commence within the following 10 days.

26/04/2012 - 18:16
DISTRIBUTION OF PROFITS (PAYMENT OF DIVIDENDS) / LAN AIRLINES S.A.

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 a Regular Shareholders Meeting of Lan Airlines S.A. (LAN) held April 26, 2012, LAN's shareholders approved payment of the final dividend proposed by the Board at its meeting held April 24, 2012, consisting of the distribution of 50% of the 2011 fiscal year profits, equal to US$160,098,330.74.

The two interim dividends #44 and #45 will be imputed toward this dividend, which, combined, amount to US$141,635,532.96 and were disclosed and paid previously by LAN. Consequently, US$18,461,735.07 will be effectively distributed, equal to US$0.05414 per share, payable starting May 17, 2012. All shareholders who are shareholders on the fifth business day prior to that date will be entitled to this dividend.

In compliance with Circular #660 of 1986, enclosed please find Appendix 1 that describes this dividend in detail.

26/04/2012 - 18:15
DISTRIBUTION OF PROFITS (PAYMENT OF DIVIDENDS) /LAN AIRLINES S.A.

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 a Regular Shareholders Meeting (Meeting) of Lan Airlines S.A. (LAN) held April 26, 2012, LAN's shareholders elected the members of LAN's Board of Directors, who will hold office for two years.

The following individuals were elected Directors at the Meeting:

- Juan José Cueto Plaza;
- José Cox Donoso;
- Darío Calderón González;
- Carlos Heller Solari;
- Ramón Eblen Kadis;
- Jorge Alberto Awad Mehech;
- Bernardo Fontaine Talavera;
- Juan Gerardo Jofré Miranda; y
- Jorge Salvatierra Pacheco

The Directors named in numbers 6, 7, 8 and 9 above were elected as independent directors, according to article 50-bis of Companies Law 18,046.

27/03/2012 - 18:25
ORDINARY SHAREHOLDERS MEETING, NOTICES, AGREEMENTS AND PROPOSALS / LAN AIRLINES S.A.

As provided in Articles 9 and 10 of Securities Market Law and in General Rule #30, under due authorization, please be advised that at a Regular Meeting held March 27, 2012, the Board of Directors of Lan Airlines S.A. (hereinafter the "Company") resolved to convene a Regular Shareholders Meeting at 10:30 a.m. on April 26, 2012 to discuss the following matters:

1. approval of the annual report, balance sheet and financial statements of the Company for the fiscal year ending December 31, 2011;
2. approval of the payment of a final dividend on account of the 2011 fiscal year profits. The interim dividends of US$0.116677 and US$0.24988 per share, paid in September 2011 and January 2012, must be imputed toward that sum;
3. the election of the Company's Board of Directors;
4. the compensation to be paid to the Company's Board of Directors for the fiscal year ending December 31, 2012;
5. the compensation to be paid to the Company's Audit Committee and its budget for the fiscal year ending December 31, 2012;
6. the appointment of the external auditing firm and risk rating agencies for the Company; and the reports on the matters indicated in Title XVI of Companies Law 18,046;
7. information on the cost of processing, printing and sending the information indicated in Circular 1816 of the Securities and Insurance Commission;
8. designation of the newspaper in which the Company will make publications; and
9. other matters of corporate interest within the purview of a Regular Shareholders Meeting of the Company.

31/01/2012 - 18:04
OTHERS / LAN AIRLINES S.A.

Pursuant to article 9 and the second subparagraph of article 10 of Securities Market Law 18045 and General Rule No. 30 of the Securities and Insurance Commission, under due authority and accordingly to the board of Directors meeting held on January 31st, 2012, please be advised of the following MATERIAL EVENT of Lan Airlines S.A. ("LAN"), Securities Register N° 306:

On this date, notwithstanding the forwarding of the corresponding FECU within the pertinent deadline, the Audit Committee and Board of Directors of LAN Airlines S.A. have approved publication, as a material event, of the financial information enclosed herewith. This information corresponds to summary financial information on the income statement and consolidated balance sheet of the company and also includes a qualitative explanation of the operating performance for year 2011 as well as for the fourth quarter ending December 31st, 2011.

Please note that LAN Airlines S.A. will provide this financial information to its shareholders, investors and the market in general for the purpose of (i) providing them truthful, sufficient and timely information in advance of the delivery of the respective FECU within the applicable deadlines; (ii) complying with the deadline for delivery of financial information to the market, investors and analysts, as has been the practice of LAN Airlines S.A. in recent years; and (iii) keeping our shareholders, investors and the market in general adequately informed through the delivery of financial information on LAN Airlines S.A. according to IFRS.

Finally, this financial information does not supersede or modify the corresponding FECU according to IFRS, which will be delivered for the purposes of year 2011 within the deadlines stipulated in the rules of the Securities and Insurance Commission.

12/01/2012 - 19:29
OTHERS / LAN AIRLINES S.A.

As provided in Article 9, in the second subparagraph of Article 10 of Securities Market Law and in General Rule #30, under due authorization granted at the Board Meeting held January 12, 2012, I hereby DISCLOSE the following material event of LAN Airlines S.A. ("LAN"), Securities Registration #306:

1. As reported to investors and to the market at large upon the merger of LAN and TAM S.A. ("TAM"), once the merger is perfected, it should create annually synergies for approximately US$400 million. Overall, those synergies will come in equal proportions from an alignment of the passenger networks, a growth in the coverage of cargo operations (internationally and in Brazil) and cost reductions. Approximately one-third of the synergies should be achieved during the first year after the process is closed and all by the end of the third year.

2. Because of the decision by the Antitrust Court on September 21, 2001, which approved the merger of both companies subject to fulfillment of certain conditions, investors and the market were later informed that the impact on minor synergies given those mitigative measures would be no more than US$10 million annually. The previously announced figure of US$400 million annually would be reduced by that amount.

3. According to evaluations made in the last 10 weeks together with McKinsey & Company and Bain & Company, consultants, the combined synergies after consummation of the merger of LAN and TAM have been estimated to increase the operating income of the new company, LATAM Airlines Group S.A. ("LATAM"), over time by US$600 million to US$700 million, before depreciation and taxes, by the fourth year after the merger is complete. This new estimation is a reflection of the revision and adjustment of combined cost savings and of income–generating opportunities resulting from the merger between LAN and TAM. It includes the benefits of transferring the best practices identified in certain areas. From US$170 million to US$200 million of the total of this new estimation of synergies are expected to be attained during the first year after the merger is complete.

4. It is predicted that 40% of the potential synergies in this new estimation of the synergies from the merger of LAN and TAM would also come from an increase in passenger income, 20% from an increase in cargo income, and the remaining 40% from cost-savings synergies.

5. A press release and investor release sent by LAN according to the Manual on Handling Information of Interest of LAN is attached, which was sent simultaneously to this disclosure. It describes how the aforesaid potential synergies will be created and segmented. This

information is provided subject to the legends and cautions contained in that release, which are an essential part of the same.

2012 RESULTS /

RISK FACTORS

RISKS RELATED TO OUR OPERATIONS AND THE AIRLINE INDUSTRY

Our performance depends significantly on the economic situation in the countries where we operate. Adverse economic conditions in these countries could have an adverse impact on our business. Its success depends on key regulatory issues that can negatively affect our business and operating results. We depend on strategic alliances and commercial relations in many countries in which we operate and our business could be negatively impacted if any of these strategic alliances or commercial relations were terminated. Our businesses and operating results could be negatively affected if we ceased to obtain and maintain routes, suitable airport access and slots and other operating permits.

Our businesses and the market value of our ADRs and common shares would suffer if we were unable to implement our growth strategy successfully.

Our businesses could be negatively affected by a downturn in the commercial aviation industry as a result of exogenous events that affect travel habits or raise costs, such as epidemics, wars or terrorist attacks.

A relatively limited range of products accounts for a considerable part of our cargo revenues which could be affected by events impacting their production or sale.

Our operations are subject to fluctuations in the supply and cost of jet fuel, which could negatively affect our businesses. We rely on maintaining a high daily rate of aircraft utilization in order to increase our revenues and this makes us particularly vulnerable to delays.

We fly Airbus and Boeing aircraft and depend on these companies. As a result, our business is at risk if we do not receive opportune delivery of aircraft, if aircraft are not available from these companies or if the public has a negative perception of our aircraft.

We are frequently affected by certain factors beyond our control such as weather conditions that affect our operations. Losses and liabilities caused by accidents affecting one or more aircraft could have a significant impact on our businesses.

The intense competition in the airline industry can adversely affect our level of operations. Some of our competitors could receive external support with a negative impact on our competitive position.

If, in future, we are unable to incorporate leased aircraft into our fleet at acceptable prices and conditions, our business could suffer.

We are incorporating a number of technologies and new equipment and their phase-in could have a negative impact on our service and operating standards.

Our business could be adversely affected if we were unable to cover our important future financing requirements. Our business could be negatively affected by our high borrowing level and aircraft leasing liabilities as compared to our equity.

Higher insurance costs and/or significant reductions in its coverage could negatively affect our financial situation and the results of our operations. Problems in air control systems or other technical failures could disrupt our operations and have a significant adverse effect on our business.

Our financial success depends on the availability and performance of key personnel, who are not subject to non-competition restrictions. There can be negative consequences for our business if we are unable to reach satisfactory collective bargaining agreements with our unionized employees. Pressure from employees could cause operational difficulties and negatively affect our business. Increases in labor costs, which represent a significant part of our operating costs, could directly affect our earnings. We may experience difficulties in finding, training and retaining employees. A failure on our part to comply with the applicable environment regulation could adversely affect our business and reputation.

RISKS INHERENT TO CHILE AND OTHER EMERGING MARKETS

Events in Latin American countries and other emerging markets could adversely affect the Chilean economy, negatively impact our business and operating results and cause a drop in the market price of our common shares and ADRs.

Fluctuations in the value of the Chilean peso and the currencies of other countries where we operate could adversely affect our revenues and profitability. We are not obliged to disclose as much information to our investors as US issuers and you may, therefore, receive less information than from a comparable US company.

RISKS RELATED TO OUR COMMON SHARES AND ADRs

Our controlling shareholders may have interests that differ from those of our other shareholders. A limited number of our ADRs and common shares have been placed on the market and could experience further illiquidity and price volatility. Holders of our ADRs could be adversely affected by currency devaluations and exchange-rate fluctuations. Future changes in Chile's foreign investment controls and withholding taxes could negatively affect non-residents in Chile who invest in our shares. Holders of our ADRs could, in certain circumstances, be unable to exercise their preferential rights.

06

SUSTAINABILITY

LATAM AIRLINES GROUP S.A.

SUSTAINABILITY /

LAN

At LAN, we are aware of our role as an agent with an impact on society, the environment and economic development. For this reason, the Company has, since 2011, had in place a sustainability strategy comprising eight spheres which, as a company, we consider it a priority to address and which represent the concrete way in which we contribute to sustainable development.

OPERATIONAL EXCELLENCE

- **Host:** We changed LAN's booking, inventory and passenger check-in system without any interruption of our operations or significant impact on clients.

- **Risk Management**: We have created a special integrated risk management area with a financial approach.

- **Boeing 787 Dreamliners:** The arrival of our first three B-787s is the fruit of our efforts to increase the efficiency and environmental friendliness of our fleet.

ETHICS AND GOVERNANCE

- **Ethics point:** We have implemented a platform that allows our collaborators to make enquiries and report complaints anonymously.

- **Global Compact:** As LATAM Airlines Group, we have signed the UN Global Compact in a demonstration of our commitment to adhering in our strategies and operations to its ten principles (relating to human rights and labor, environmental and anti-corruption practices).

OUR PEOPLE

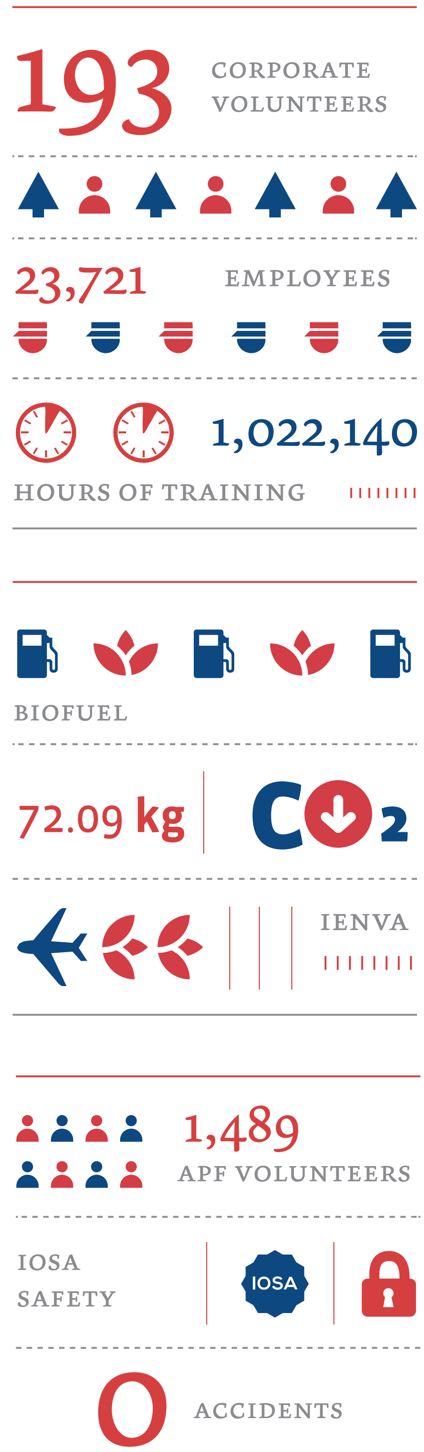
- **193 corporate volunteers**: In 2012, 193 volunteers reforested green areas in the cities of Buenos Aires, Guayaquil and Santiago.
- **Employees:** LAN has a total of 23,721 employees of whom 42.8% are women and 57.2% are men.
- **1,022,140 hours of training:** Our Corporate Academy provided 1,022,140 hours of training to a total of 21,006 employees in 2012, representing an investment of US$31.13 million.

ENVIRONMENT

- **Biofuel:** We carried out South America's first commercial flight using biofuel and support the Roadmap Chile Bio Renovables initiative.
- By managing fuel use on our flights, we have gradually reduced CO_2 emissions per unit transported. In 2012, we emitted 72.09 kg of CO_2/100 RTK.
- The carbon footprint of our subsidiary in Perú was certified by the Spanish Normalization and Certification Association (AENOR).
- We are members of the IATA Environmental Assessment (IEnvA) Program, an environmental management system designed specially for the airline industry.
- **CO_2 calculator:** We posted a CO_2 calculator on www.lancargo.com with which it is possible to calculate the impact of the movement of cargo.

SAFETY

- 1,489 employees are volunteers with the Assistance to Passengers and their Families (APF) Program.
- **IOSA:** LAN and its subsidiaries have IATA Operational Safety Audit (IOSA) certification.



- **Zero accidents:** Since 1991, no flight has suffered an accident that has resulted in serious injury to passengers or crew or serious damage to an aircraft.

SUPPLIERS

- 81.2% of expenditure on global corporate procurement went to suppliers in Argentina, Chile, Colombia, Ecuador and Perú, the countries we have domestic operations.

- **Four groups of suppliers:** We classify our suppliers into four groups: aircraft suppliers, suppliers of inputs and fuel, in-flight suppliers and suppliers of general goods and services.

- **Sustainable suppliers:** In 2012, we worked to draw up a supplier policy that incorporates sustainability issues.

COMMUNITY

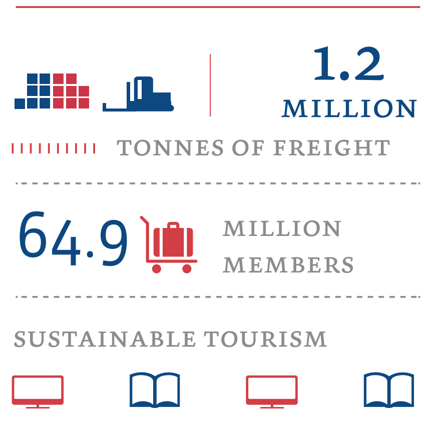
- **Cuido mi Destino program in 12 places:** The Cuido mi destino (I look after my destination) program experienced strong growth in 2012, restoring tourist attractions in 12 places in South America, encouraging 693 young people and 107 volunteers to promote sustainable tourism.

- **4,331 children visit LAN:** In 2012, 4,331 children had the opportunity to visit the Company's installations and hundreds of them were able to fly for the first time, thanks to the Conociendo LAN (Getting to know LAN) programs.

- **Works of art and animals:** In 2012, LAN Cargo transported nine elephants from Namibia to Mexico City, 83 works of art from the Guggenheim collection from Venice and New York to Santiago for the Grandes Momentos (Great Moments) exhibition and the instruments of Chile's National Youth Symphony Orchestra to Frankfurt for its tour of Europe.

- **Donation of LANPASS kilometers:** The donation of 1,000,000 LANPASS kilometers to three NGOs marked the launch in Chile of the option of

donating LANPASS kilometers, without a transfer charge, to NGOs throughout Latin America that have an alliance with LAN (América Solidaria, COANIQUEM, TECHO).

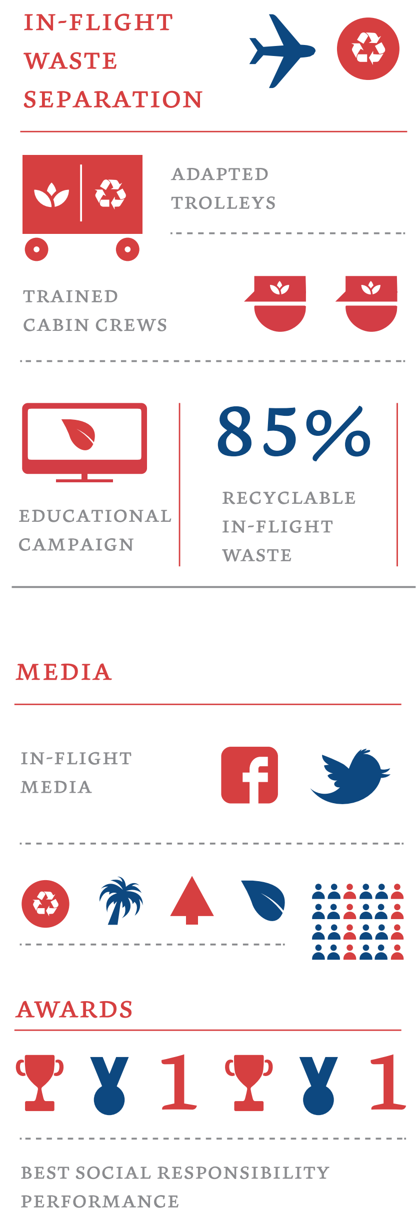


CARGO CLIENTS AND PASSENGERS: WE PROMOTE SOUTH AMERICA IN THE REST OF THE WORLD

- LAN and TAM unified their cargo operations and together transported 1.2 million tonnes of freight as well as 64.9 million passengers.
- LANPASS had 7.4 million members and 572,637 tickets were obtained with LANPASS kilometers.
- **Sustainable tourism:** In-flight promotion of sustainable tourism through videos, images on snacks and the In magazine.
- **Customer rights:** Campaigns were implemented in Colombia and Argentina to inform our passengers about their rights and obligations.

LAN TAM
— LATAM AIRLINES GROUP —

SUSTAINABILITY /
TAM



CLIENTS

We demonstrate our commitment to sustainability in order to make this apparent to clients at all points of contact from booking to boarding.

- **In-Flight Waste Separation:** In 2012, we achieved great progress in our sustainability projects, particularly in the area of in-flight waste separation where we equipped our planes with specially adapted trolleys that have two compartments, one for organic waste and the other for recyclable waste.

  This initiative is part of the adjustment required to comply with new disposal procedures introduced by Infraero at São Paulo's Congonhas Airport which we saw as an opportunity to apply waste separation to our entire domestic network. We also trained our cabin crews and other employees involved in waste collection and prepared an educational campaign for passengers. Tests showed that approximately 85% of in-flight waste is recyclable.

- **Media:** We use our in-flight media and presence in social networks to inform clients about our sustainability practices as well as to promote the concept of sustainability, addressing issues such as sustainable tourism, conservation of the environment, diversity, social inclusion and volunteer activities. In this way, we help to give greater visibility to the campaigns and activities of the NGOs with which we have alliances whilst also strengthening our ties with them.

- **Awards:** We received the ISTOÉ Dinheiro Award as the transport services company with the best social responsibility performance.

EMPLOYEES

We seek to increase our employees' awareness of issues related to sustainability through educational and motivational activities and encourage our teams to adopt sustainable practices in their activities both within and outside the Company.

- **Education:** In view of our crews' close relations with clients, we decided to create a training program on sustainability especially for them. The result was the FOCCO program, launched in 2011, which, in two years, has already trained 4,060 cabin staff.

- **Diversity:** Our internal policy of valuing diversity and non-discrimination and seeking integration and equity takes account of people with disabilities, ethnic-racial issues, gender, age and sexual orientation.

  We promote diversity through:

  Jovem Aprendiz (Young Apprentice) program: The key objective of the Young Apprentice program is to prepare young people for their professional life, providing training and, by creating conditions of employability, guaranteeing social inclusion. Over 600 young people aged between 14 and 24, who are starting their professional careers with our Company, are currently participating in the program.

  Asas da Inclusão (Wings of Inclusion) program: Through this program, we train people with disabilities so they can fill work posts in the Company. By 2012, a total of 319 people had received this training.

VOLUNTEER ACTIVITIES

- We have in place two volunteer programs

EDUCATION

4,060

TRAINED CABIN STAFF

DIVERSITY

WINGS OF INCLUSION

319

TRAINED PEOPLE

developed in conjunction with international institutions:

- **Make a Wish:** We make the dreams of terminally or seriously ill children come true. Our employees participate in this program through groups that meet to fulfill the dreams of these children and young people.

- **Junior Achievement:** We promote classes on entrepreneurship given by volunteer employees to young people from deprived communities.

In addition to these two programs, we also undertake specific activities such as campaigns to collect clothing and toys.

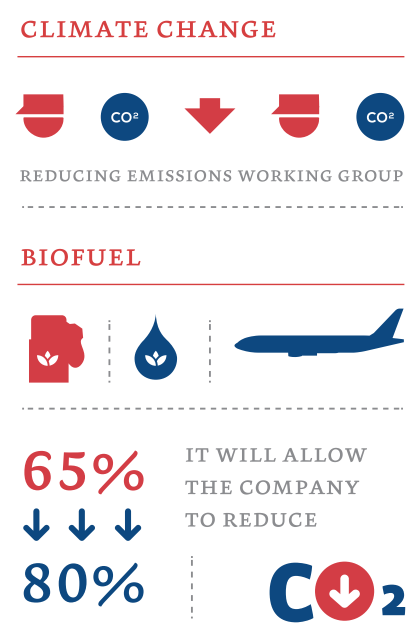
ENVIRONMENT

In order to avoid or minimize damage to the environment, we must understand and study the environmental impact of our present and future activities. At TAM, we have a plan in place to reduce emissions of greenhouse gases and the generation of waste and to protect biodiversity.

- **Climate Change:** We have a working group charged with reducing our emissions of greenhouse gases through education about the issue, research for the development of biofuels and our operational practices.

- **Biofuel:** On 22 November 2010, we carried out an experimental flight in a commercial aircraft using biofuel made from jatropha, an oilseed plant also used to produce biodiesel. This was the first flight of its type in Latin America and represented a milestone in the history of Brazil's airline industry.

  In this experimental project, the aircraft, an Airbus A320 with a capacity for 174 passengers, took off from Río de Janeiro's Tom Jobim International Airport and flew over the Atlantic Ocean in Brazilian airspace for 45 minutes, with 18 people on board including technicians and executives from TAM and other companies



involved in the project. Brazil is already working on different lines of research and the first aircraft biofuels are expected to be ready for production in five years' time. Through this innovative project, we have taken the first step towards the creation of a Brazilian aircraft biofuel platform.

The long-term goal is to replace up to 20% of oil-based kerosene with the new biokerosene. This will represent an enormous gain from the point of view of the environment since it will allow the Company to reduce the carbon emissions of its flights by between 65% and 80%.

WASTE SEPARATION, RECYCLING AND DISPOSAL

- **Waste Separation:** We installed groups of bins for each type of waste (paper, plastic, metal, non-recyclable, etc.) at strategic places.
- **Recycling of Uniform:** TAM is working to recycle waste with the potential for reuse. In conjunction with a specialized company, we are recycling old uniforms.
- **Waste Management:** This is required by law and we monitor and organize disposal of the different types of waste generated by all TAM's different activities (offices, maintenance hangars, cargo terminals and airports). By 2012, 100% of bases were managing the waste that poses the highest risk of environmental impact.
- **Environmental permits:** The process through which an activity obtains an environmental permit or is exempted from requiring a permit is established by law. Rather than merely complying with legal requirements, TAM has adopted a proactive stance, investing in processes for obtaining environmental permits. In 2012, six bases completed the process and were exempted from requiring a permit while another 25 bases are engaged in the same process and awaiting the results.
- **Emissions Report:** EThe fifth GHG Report was prepared in conjunction with different areas of the Company but has yet to be published.

WASTE SEPARATION

GROUPS OF BINS

RECYCLING

RECICLYING OF UNIFORMS

WASTE MANAGEMENT

100% OF BASES WERE MANAGING THE WASTE

ENVIRONMENTAL PERMITS

PERMIT

6 BASES COMPLETED THE PROCESS

INVESTORS

sustainability report ANNUAL PUBLICATION

COMMUNITY

SUSTAINABLE TOURISM

- **Investors:** We seek to explain to investors that our sustainability practices have a bearing on their economic interests, demonstrating that our economic results are related to the Company's environmental and social activities. We do this through the annual publication of a Sustainability Report.

COMMUNITY

We undertake activities related to sustainable tourism and the environment and strive to establish close relations with the community.

- **Social Investment fund:** Our private social investment has a strategic focus on the development of sustainable tourism and protection of the environment. Each year, we invest resources in non-profit social organizations such as associations, foundations and NGOs that promote these issues, with an emphasis on projects that foster tourism through improvements in hospitality, the promotion of local culture, the mitigation of environmental impacts and conservation of the environment. The number of NGOs registering in the selection process has increased year by year. In 2013, over 200 projects were presented, up by 82% on the previous year, by a total of 110 organizations.

- **Donations:** In addition to our social investment fund, we also donate surplus items from our operations and those collected through campaigns. In 2012, over 240,000 people benefited from these donations.

- **Suppliers:** We have had a project in place for the implementation of sustainable practices by suppliers since 2007.

  In 2012, we went on to launch a second stage of this project, drawing up a map of the more than 4,000 suppliers of TAM Linhas Aéreas. This includes evaluation of their contracts, the inclusion of sustainability clauses, workshops for critical suppliers and

SOCIAL INVESTMENT FUND

over **200**

PROJECTS WERE PRESENTED

SUPPLIERS

240,000

PEOPLE BENEFITED

sustainability audits and training as well as the design of LATAM's sustainability policy.

We expect to complete this project during the first half of 2013.

09

CONSOLIDATED FINANCIAL STATEMENTS

LATAM AIRLINES GROUP S.A. AND SUBSIDIARIES

DECEMBER 31, 2012

CONTENTS

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

CLP	-	CHILEAN PESO
ARS	-	ARGENTINE PESO
US$	-	UNITED STATES DOLLAR
THUS$	-	THOUSANDS OF UNITED STATES DOLLARS
COP	-	COLOMBIAN PESO
BRL/R$	-	BRAZILIAN REAL
THR$	-	THOUSANDS OF BRAZILIAN REAL

pwc

LAN TAM

— LATAM AIRLINES GROUP —

INDEPENDENT AUDITOR'S REPORT

(Free translation of the original in Spanish)

Santiago, March 19, 2013

To the Shareholders and Directors
Latam Airlines Group S.A.

We have audited the accompanying consolidated financial statements of Latam Airlines Group S.A. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated 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 International Financial Reporting Standards. 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 audit. We conducted our audit 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. Consequently, we do not express such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Latam Airlines Group S.A. and its subsidiaries as at December 31, 2012 and 2011, and the results of operations and cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Jonathan Yeomans Gibbons
RUT: 13.473.972-k

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

Assets	Note	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT ASSETS			
Cash and cash equivalents	6 - 7	650,263	374,407
Other financial assets	7 - 12	636,543	227,803
Other non-financial assets	13	169,824	32,711
Trade and other accounts receivable	7 - 8	1,426,330	531,355
Accounts receivable from related entities	7 - 9	15,187	838
Inventories	10	181,283	72,787
Tax assets	11	220,529	98,789
TOTAL CURRENT ASSETS OTHER THAN NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE OR AS HELD FOR DISTRIBUTION TO OWNERS		3,299,959	1,338,690
NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE OR AS HELD FOR DISTRIBUTION TO OWNERS	14	47,655	4,661
TOTAL CURRENT ASSETS		**3,347,614**	**1,343,351**
NON-CURRENT ASSETS			
Other financial assets	7 - 12	74,095	21,833
Other non-financial assets	13	243,905	15,205
Accounts receivable	7 - 8	50,612	7,491
Equity accounted investments	16	3,757	991
Intangible assets other than goodwill	17	1,848,593	64,923
Goodwill	18	3,008,657	163,777
Property, plant and equipment	19	11,797,889	5,927,982
Current tax assets, long term portion	11	73,516	42,958
Deferred tax assets	20	144,629	60,148
TOTAL NON-CURRENT ASSETS		17,245,653	6,305,308
TOTAL ASSETS		**20,593,267**	**7,648,659**

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LATAM AIRLINES GROUP S.A AN D SUBSIDIARIES

Liabilities and Equity	Note	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
LIABILITIES			
Other financial liabilities	7 - 21	2,047,330	582.257
Trade and other accounts payables	7 - 22	1,652,955	645.086
Accounts payable to related entities	7 - 9	274	367
Other provisions	23	21,719	7.363
Tax liabilities	24	115,481	29.369
Other non-financial liabilities	25	1,942,530	1.057.637
TOTAL CURRENT LIABILITIES		**5,780,289**	**2.322.079**
NON-CURRENT LIABILITIES			
Other financial liabilities	7 - 21	7,698,857	3,109,136
Accounts payable	7 - 27	731.235	354,930
Other provisions	23	536,334	22,385
Deferred tax liabilities	20	558,049	369,625
Employee benefits	26	18,366	13,132
Other non-financial liabilities	25	101,321	-
TOTAL NON-CURRENT LIABILITIES		9,644,162	3,869,208
TOTAL LIABILITIES		**15,424,451**	**6,191,287**

EQUITY	Note	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Share capital	28	1,501,018	473,907
Retained earnings	28	1,106,168	1,116,798
Treasury Shares	28	(203)	-
Other reserves	28	2,535,100	(145,381)
Parent's ownership interest		5,142,083	1,445,324
Non-controlling interest		26,733	12,048
TOTAL EQUITY		5,168,816	1,457,372
TOTAL LIABILITIES AND EQUITY		**20,593,267**	**7,648,659**

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

	Note	For the Periods ended December 31, 2012 ThUS$	2011 ThUS$
Revenue	29	9,722,189	5,585,440
Cost of sales		(7,642,643)	(4,078,598)
GROSS MARGIN		**2,079,546**	**1,506,842**
Other income	32	220,156	132,804
Distribution costs		(803,619)	(479,829)
Administrative expenses		(869,504)	(405,716)
Other expenses		(311,753)	(214,411)
Other gains/(losses)		(38,750)	(33,039)
GAINS (LOSSES) FROM OPERATING ACTIVITIES		**276.076**	**506.651**
Financial income		77,489	14,453
Financial costs	30	(294,598)	(139,077)
Equity accounted earnings	16	972	458
Foreign exchange gains/(losses)	33	66,685	(256)
Result of indexation units		(22)	131
INCOME BEFORE TAXES		**126,602**	**382,360**
INCOME TAX EXPENSE	20	**(102,212)**	**(61,789)**
Net income for the period		24,390	320,571
Income attributable to owners of the parent		10,956	320,197
Income attributable to non-controlling interest		13,434	374
NET INCOME FOR THE PERIOD		**24,390**	**320,571**
EARNINGS PER SHARE			
Basic earnings per share (US$)	34	0.02657	0.94335
Diluted earnings per share (US$)	34	0.02657	0.94260

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

	Note	For the Periods ended December 31, 2012	2011
		ThUS$	ThUS$
NET INCOME		24,390	320,571
Components of other comprehensive income, before taxes			
Currency translation differences			
Gains (losses) on currency translation, before tax	33	18,692	(10,864)
Other comprehensive income, before taxes, currency translation differences		18,692	(10,864)
Cash flow hedges			
Gains (losses) on cash flow hedges before tax	21	(2,510)	(40,368)
Other comprehensive income, before taxes, cash flow hedges		(2,510)	(40,368)
Other components of other comprehensive income, before taxes		16,182	(51,232)
INCOME TAX RELATING TO OTHER COMPREHENSIVE INCOME			
Income tax related to currency translation differences in other comprehensive income	20	(2,734)	1,846
Income tax related to cash flow hedges in other comprehensive income	20	(2,623)	6,862
Amount of income taxes related to components of other comprehensive income		(5,357)	8,708
Other comprehensive income		10,825	(42,524)
TOTAL COMPREHENSIVE INCOME		**35,215**	**278,047**
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent		27,673	277,631
Comprehensive income attributable to non-controlling interest		7,542	416
TOTAL COMPREHENSIVE INCOME		**35,215**	**278,047**

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

		Attributable to owners of the parent								
					Changes in other reserves					
	Note	Share Capital	Treasury shares	Other sundry reserve	Currency translation reserve	Cash flow hedging reserve	Retained earnings	Parent's ownership interest	Non controlling interest	Total equity
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity as of January 1, 2012		473,907	-	8,492	(13,317)	(140,556)	1.116,798	1,445,324	12,048	1,457,372
Total increase (decrease) in equity										
Comprehensive income										
Gain (losses)	28	-	-	-	-	-	10,956	10,956	13,434	24,390
Other comprehensive income		-	-	-	16,891	(174)	-	16,717	(5,892)	10,825
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**-**	**16,891**	**(174)**	**10,956**	**27,673**	**7,542**	**35,215**
Transactions with shareholders										
Equity issuance	28-38	1,030,621	-	2,665,692	-	-	-	3,696,313	-	3,696,313
Dividends	28	-	-	-	-	-	(21,749)	(21,749)	-	(21,749)
Increase (decrease) through transactions with treasury shares	28	-	(203)	-	-	-	-	(203)	-	(203)
Increase (decrease) through										
transfers and other changes, equity	28-38	(3,510)	-	(1,928)	-	-	163	(5,275)	7,143	1,868
TOTAL TRANSACTIONS WITH SHAREHOLDERS		**1,027,111**	**(203)**	**2,663,764**	**-**	**-**	**(21,586)**	**3,669,086**	**7,143**	**3,676,229**
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012		**1,501,018**	**(203)**	**2,672,256**	**3,574**	**(140,730)**	**1,106,168**	**5,142,083**	**26,733**	**5,168,816**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

			Attributable to owners of the parent						
			Changes in other reserves						
	Note	Share capital	Other sundry reserves	Currency translation reserve	Cash flow hedging reserve	Retained earnings	Parent's ownership interest	Non controlling interest	Total equity
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Equity as of January 1, 2011		453,444	5,463	(4,257)	(107,050)	949,214	1,296,814	3,246	1,300,060
Total increase (decrease) in equity									
Comprehensive income									
Gain (losses)	28	-	-	-	-	320,197	320,197	374	320,571
Other comprehensive income		-	-	(9,060)	(33.506)	-	(42,566)	42	(42,524)
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**(9,060)**	**(33,506)**	**320,197**	**277,631**	**416**	**278,047**
Transactions with shareholders									
Equity issuance	28-38	23,135	-	-	-	-	23,135	-	23,135
Dividends	28	-	-	-	-	(151,981)	(151,981)	-	(151,981)
Increase (decrease) through transfers and other changes, equity	28-38	(2,672)	3,029	-	-	(632)	(275)	8,386	8,111
TOTAL TRANSACTIONS WITH SHAREHOLDERS		**20,463**	**3,029**	**-**	**-**	**(152,613)**	**(129,121)**	**8,386**	**(120,735)**
PRIOR YEAR ENDING BALANCES DECEMBER 31, 2011		**473,907**	**8,492**	**(13,317)**	**(140,556)**	**1,116,798**	**1,445,324**	**12,048**	**1,457,372**

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES

	Note	For the Periods ended December 31, 2012 ThUS$	2011 ThUS$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash collection from operating activities			
Proceeds from sales of goods and services		10,258,473	5,966,464
Other cash receipts from operating activities		57,763	52,012
PAYMENTS FOR OPERATING ACTIVITIES			
Payments to suppliers for goods and services		(7,153,865)	(4,286,394)
Payments to and on behalf of employees		(1,938,769)	(883,297)
Other payments for operating activities		(19,325)	(84.000)
Interest received		(52,986)	9.762
Income taxes refunded (paid)		(3,018)	626
Other cash inflows (outflows)		(50,433)	(7.499)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,203,812**	**767,674**
Cash flows used in investing activities			
Cash flows arising from the loss of control of subsidiaries or other entities		-	47,337
Cash flows used for acquisition of subsidiaries		(3,223)	(3,541)
Other cash receipts from sales of equity or debt instruments of other entities		386,379	9,201
Other payments to acquire equity or debt instruments of other entities		-	(72)
Amounts raised from sale of property, plant and equipment		73,429	93,787
Purchases of property, plant and equipment		(2,389,364)	(1,367,025)
Amounts raised from sale of intangible assets		-	6,189
Purchases of intangible assets		(59,166)	(27,615)
Payment from other long-term assets		38,035	-
Dividends received		351	89
Other cash inflows (outflows)		27,143	545
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(1,926,416)**	**(1,241,105)**
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		83,512	23,153
Payments to acquire or redeem the shares of the entity		(203)	-
Amounts raised from long-term loans		2,185,663	969,252
Amounts raised from short-term loans		152,000	334,500
Loans repayments		(539,332)	(883,402)
Payments of finance lease liabilities		(292,931)	(59,990)
Dividends paid		(124,827)	(192,133)
Interest paid		(227,607)	(121,338)
Other cash inflows (outflows)		(231,079)	146,849
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		1,005,196	216,891
Net increase (decrease) in cash and cash equivalents before effect of exchanges rate change		282,592	(256,540)
Effects of variation in the exchange rate on cash and cash equivalents		(6,736)	(105)
Net increase (decrease) in cash and cash equivalents		275,856	(256,645)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	374,407	631,052
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6**	**650,263**	**374,407**

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LATAM AIRLINES GROUP S.A AND SUBSIDIARIES
AS OF DECEMBER 31, 2012

NOTE 1. GENERAL INFORMATION

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

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

On August 13, 2010, the Company reported to the Superintendency of Securities and Insurance, as an Essential Matter, that at this date the Company Costa Verde Aeronáutica S.A. and Inversiones Mineras del Cantábrico S.A. (the latter two, "Cueto Subsidiaries"), TAM S.A. ("TAM"), and TAM Empreendimentos e Participações ("TEP") signed a non-binding Memorandum of Understanding ("MOU") in which the companies agreed to proceed with their intention of carrying out their operations jointly under one parent company, to be named LATAM Airlines Group S.A. ("LATAM"). The proposed affiliation would be within the world's 10 largest airline groups, providing transport services for passengers and cargo to more than 115 destinations in 23 countries, operating with a fleet of over 300 aircraft, with over 50,000 employees. Both airlines would continue operating independently with their current operating licenses and brands. On October 20, 2010, the Company and TAM announced that the operating subsidiaries of TAM had presented the structure of the transaction to the Brazilian Civil Aviation Agency ("ANAC"), which was approved by this agency on March 1, 2011.

On January 18, 2011 the parties of the MOU and Mrs. Maria Cláudia Oliveira Amaro, Maurício Rolim Amaro, Noemy Almeida Olivera Amaro and Joao Francisco Amaro ("Amaro Family"), as the only shareholders of TEP, signed binding contracts written in English called (a) Implementation Agreement and (b) Exchange Offer Agreement ("Contracts Signed") containing the final terms and conditions of the proposed partnership between the Company and TAM.

On September 21, 2011, the Court of Defense of Free Competition ("TDLC") approved the merger between the Company and TAM, establishing 14 mitigation measures. On October 3, 2011, the Company and TAM filed an appeal to the Supreme Court objecting to certain mitigation measures. On April 5, 2012, the Supreme Court confirmed the TDLC resolution rejecting the appeal filed by both companies.

On December 21, 2011, the Board of the Company cited a special meeting of shareholders, carried out on November 11, 2011, in which their shareholders approved, among others, the following matters:

(a) The merger of the Company with Sister Holdco S.A. and Holdco II S.A. companies (the "Absorbed Companies"), two companies specially constituted for the purpose of the association between the Company and TAM;

(b) The change of Company name and the rest of the transactions contemplated in the subscribed contracts.

(c) The increase in capital by US$ 1,465,372,970.09 by issuing 147,355,882 common shares without par value of which:

(i) US$ 1,417,639,617.60 through the issuance of 142,555,882 shares, which would be intended to be exchanged for shares of the Absorbed Companies as a result of the proposed merger, at a rate of 0.9 new shares of the Company for each share that is fully subscribed and paid for each of the Absorbed Companies, and that belongs to shareholders other than the Company's. The shares that the Company holds in the acquired companies at the time of the merger, shall have no effect; and

(ii) US$ 47,733,352.49 through the issuance of 4,800,000 shares, which would go towards compensation plans for employees of the Company and its Subsidiaries, as provided in Article 24 of the Corporations Law.

The effectiveness of these agreements was subject to compliance with the conditions established in the extraordinary shareholders' meeting.

On May 10, 2012, the Company and Holdco II initiated the exchange offer of TAM shares. Having complied with the conditions for declaring the exchange offer successful and having received 95.9% of the total shares of TAM in circulation, on June 22, 2012, the Company and the Absorbed Companies granted the execution deed of Merger, through which the shares of the Absorbed Companies were exchanged for shares of the Company, as effected according to that described above. On that same date the change of the Company's name to "LATAM Airlines Group S.A." became effective. The execution deed was rectified by instrument dated July 10, 2012.

On September 4, 2012 the Board of the Company cited a special meeting of shareholders, carried out on August 3, 2012 in which their shareholders approved, among others, the following matters:

(a) Total revocation of the Board and election of the new Board of the Company.

(b) Approval that the remaining 7,436,816 LATAM shares, out of the total 142,555,882 shares issued under the authorization of the Extraordinary Shareholders' Meeting held on December 21, 2011, and that were not to be exchanged for shares of the Sister Holdco SA and Holdco II SA, would be defined to be offered preferably to LATAM shareholders under Article 25 of the Corporations Law and that the unsubscribed balance would be offered and placed on the market in general.

(c) Authorization of the Board of the Company to agree and proceed with the broadest powers, the terms of the issue and placement of the referred remaining shares and delegation to the Board of the Company the authority to determine, fix and agree freely and with broadest powers the placement price of the shares in accordance with the second paragraph of Article 28 of the Corporate Regulations.

(d) Delegation to the Board of the Company the authority to determine, fix and agree freely and with the broadest powers the placement price of 4,800,000 shares defined under the Extraordinary Shareholders meeting dated December 21, 2011 to the compensation in terms of Article 24 of the Corporations Law, in accordance with the second paragraph of Article 28 of the Corporations Regulations, and determine the terms and conditions applicable to the latter.

The placement of the shares referred to in paragraph (b) above was approved by the Superintendency of Securities and Insurance, on December 11, 2012. On December 20, 2012, the Board of Directors agreed to start, from December 21, 2012, at the period of preferred option of those shares and proceeded to fix the price of placement of them, all of which was reported to the Superintendency of Securities and Insurance by Essential Matter on the same date. The Information on the result of this placement is available in Note 40 on Subsequent Events.

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

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

The Board of the Company is composed of nine members who are elected every two years by the ordinary shareholders' meeting. The Board meets in regular monthly sessions and in extraordinary sessions as the corporate needs demand. Of the nine board members, three form part of its Directors' Committee which fulfills both the role foreseen in the Corporations Law and the functions of the Audit Committee required by the Sarbanes Oxley Law of the United States of America and the respective regulations of the SEC.

The majority shareholder of the Company is the Cueto Group, which through Costa Verde Aeronáutica S.A., and its Subsidiaries, Inversiones Nueva Costa Verde Aeronáutica Limitada, Costa Verde Aeronáutica., Spa owns 25.92% 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, 2012, the Company had a total of 1,660 registered shareholders. At that date approximately 6.16% of the Company's share capital was in the form of ADRs and approximately 1.36% in the form of BDRs.

The Company had an average of 22,214 employees in the first semester of 2012 and 53,167 employees in the second semester of 2012, caused by Business Combination with TAM S.A. and Subsidiaries. Ended this year with a total of 53,599 employees, spread over 8,980 administrative employees, 6,932 in Maintenance, 18,138 in Operations, 10,164 in Cabin Crew, 4,527 in Controls Crew, and 4,858 in Sales.

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

a) As of December 31, 2012

Tax No.	Company	Country of origin	Functional Currency	Participation Rate As of December 31, 2012			Statement of financial position As of December 31, 2012			Results for the period ending December 31, 2012
				Direct ownership interest	Indirect ownership interest	Total ownership interest	Assets	Liabilities	Equity	NET Income
				%	%	%	ThUS$	ThUS$	ThUS$	ThUS$
96.518.860-6	Lantours Division de Servicios Terrestres S.A.and subsidiaries (****)	Chile	US$	99.9900	0.0100	100.0000	2,678	2,153	525	1.300
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US$	99.0100	0.9900	100.0000	57,227	23,029	34,198	17,719
96.969.680-0	Lan Pax Group S.A. and subsidiaries (*)	Chile	US$	99.8361	0.1639	100.0000	522,408	637,851	(112,395)	(77,269)
Foreign	Lan Perú S.A.	Peru	US$	49.0000	21.0000	70.0000	159,361	150,319	9,042	2.513
Foreign	Lan Chile Investments Limited and subsidiaries (*)	Cayman Islands	US$	99.9900	0.0100	100.0000	4,419	5,247	(828)	(10)
93.383.000-4	Lan Cargo S.A.	Chile	US$	99.8939	0.0041	99.8980	727,091	371.,663	355,428	(50,693)
Foreign	Connecta Corporation	U.S.A	US$	0.0000	100.0000	100.0000	234	2,041	(1,807)	70
Foreign	Prime Airport Services Inc. and subsidiaries (*)	U.S.A	US$.	0.0000	100.0000	100.0000	24,678	29,484	(4,806)	1,174
96.951.280-7	Transporte Aéreo S.A.	Chile	US$.	0.0000	100.0000	100.0000	357,725	114,302	243,423	11,144
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	612	(612)	-
Foreign	Aircraft International Leasing Limited	U.S.A	US$.	0.0000	100.0000	100.0000	-	2,799	(2,799)	(5)
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	9,708	1,553	8,155	2,067
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	416	11	405	3
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	70	228	(158)	(42)
Foreign	Lan Cargo Overseas Limited and subsidiaries (*)	Bahamas	US$.	0.0000	100.0000	100.0000	364,482	397,611	(37,368)	(6,375)
96.969.690-8	Lan Cargo Inversiones S.A. and subsidiaries (*)	Chile	CLP	0.0000	100.0000	100.0000	57,154	64,905	(8,692)	(4,458)
96.575.810-0	Inversiones Lan S.A. and subsidiaries (*)	Chile	CLP	99.7100	0.0000	99.7100	16,181	9,714	6,466	(112)
Foreign	TAM S.A. and subsidiaries (*) (**) (***)	Brazil	BRL	63.0901	36.9099	100.0000	8,292,729	7,517,696	753.903	(45,163)

(*) The Equity reported corresponds to Equity attributable to owners of the parent, does not include Non-controlling interest.
(**) The indirect participation percentage over TAM S.A. and Subsidiaries comes from Holdco I S.A., entity for which LATAM Airlines Group S.A. holds a 99.9983% participation.
(***) LATAM Airlines Group S.A. owns 226 voting shares of Holdco I S.A., equivalent to 19.42% of total voting shares of that company.
(****) On November 22, 2012, by public deed in the Notary of Santiago of Mr. Patricio Rabiy Benavente, Lantours División Servicios Terrestres II S.A. was incorporated, which corresponds 99.99% to Lantours División Servicios Terrestres S.A. and 0.01% to Inversiones Lan S.A., entity without movement.

b) As of December 31, 2011

Tax No.	Company	Country of origin	Functional Currency	Direct ownership interest (As of December 31, 2011)	Indirect ownership interest (As of December 31, 2011)	Total ownership interest (As of December 31, 2011)	Assets (Statement of financial position As of December 31, 2011)	Liabilities	Equity	NET Income (Results for the period ended December 31, 2011)
				%	%	%	ThUS$	ThUS$	ThUS$	ThUS$
96.518.860-6	Lantours Division de Servicios Terrestres S.A.	Chile	US$	99.9900	0.0100	100.0000	2,534	1,749	785	860
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US$	99.0100	0.9900	100.0000	65,580	34,101	31,479	3,484
96.969.680-0	Lan Pax Group S.A. and Subsidiaries (*)	Chile	US$	99.8361	0.1639	100.0000	464,789	502,284	(4,935)	(28,163)
Foreign	Lan Perú S.A.	Peru	US$	49.0000	21.0000	70.0000	139,888	128,979	10,909	920
Foreign	Lan Chile Investments Limited and Subsidiaries (*)	Cayman Islands	US$	99.9900	0.0100	100.0000	4,420	5,238	(818)	1,820
93.383.000-4	Lan Cargo S.A.	Chile	US$	99.8939	0.0041	99.8980	765,829	343,799	422,030	57,140
Foreign	Connecta Corporation	U.S.A	US$	0.0000	100.0000	100.0000	346	2,223	(1,877)	(109)
Foreign	Prime Airport Services Inc. and Subsidiary (*)	U.S.A	US$.	0.0000	100.0000	100.0000	9,965	15,945	(5,980)	(735)
96.951.280-7	Transporte Aéreo S.A.	Chile	US$.	0.0000	100.0000	100.0000	348,943	116,663	232,280	26,146
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	-	566	(566)	-
Foreign	Aircraft International Leasing Limited	U.S.A	US$.	0.0000	100.0000	100.0000	-	2,794	(2,794)	(8)
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	24,692	11,372	13,320	1,998
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	380	8	372	1
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	82	216	(134)	(18)
Foreign	Lan Cargo Overseas Limited and Subsidiaries (*)	Bahamas	US$.	0.0000	100.0000	100.0000	162,002	189,614	(30,990)	9,037
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary (*)	Chile	CLP	0.0000	100.0000	100.0000	67,194	69,671	(2,477)	3,070
96.575.810-0	Inversiones Lan S.A. and Subsidiaries (*)	Chile	CLP	99.7100	0.0000	99.7100	14,299	7,821	6,478	(347)

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

Additionally, has proceeded to consolidate special purpose entities, denominated: JOL, destined to the aircraft financing and Chercán Leasing Limited, destined to the aircraft advance financing, as the Company has major risks and benefits associated to them according to standards issued by the Standing Interpretations Committee of the International Accounting Information: Consolidation - Special Purpose Entities ("SIC 12") and private investment funds in which the parent company and subsidiaries are contributors.

All the entities controlled have been included in the consolidation.

Changes in the scope of consolidation between January 1, 2011 and December 31, 2012, are detailed below:

(1) Incorporation or acquisition of companies

- AEROASIS S.A., direct subsidiary of Lan Pax Group S.A, was acquired in February 2011 (See Note 18.2).

- TAM S.A. and Subsidiaries became part of LATAM Airlines Group S.A. as of June 22, 2012 date on which merger was materialized with the companies Sister Holdco S.A. and Holdco II S.A. (see Note 18.2).

(2) Disposal of companies

- Blue Express INTL Ltda. and Subsidiaries, dated April 6, 2011 Lan Cargo S.A. and Inversiones Lan S.A., subsidiaries of LATAM Airline Group S.A., as sellers, and Servicios de Transporte Limitada and Inversiones Betmin SpA, subsidiaries of the Bethia S.A. company, as buyers, entered into a purchase agreement in respect to 100% of the share capital of Blue Express INTL Ltda. and its subsidiary Blue Express S.A. The sales value of Blue Express INTL Ltda and subsidiary was ThUS$ 53,386, the book value of the investment at March 2011 was ThUS$ 9,061, the sale generated a profit of approximately ThUS$ 44,325, which is reflected in Other gain (loss) in the Consolidated income statement.

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. PREPARATION

The consolidated financial statements of LATAM Airlines Group S.A. are for the period ended December 31, 2012 and have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and IFRIC interpretations.

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.

In order to facilitate comparison, there have been some minor reclassifications to the consolidated financial statements corresponding to the previous year.

(a) Accounting pronouncements with implementation effective from January 1, 2012:

Standards and amendments	Mandatory application: Annual periods beginning on or after
Amendment to IFRS 7: Financial Instruments: Disclosures Issued in October 2010, increases the disclosure requirements for transactions involving transfers of financial assets. Comparative information for the first year of implementation is not required.	07/01/2011
Amendment to IAS 12: Income tax This amendment, issued in December 2010, provides an exception to the general principles of IAS 12 for investment properties that are measured using the fair value contained in IAS 40 "Investment Property". The exception also applies to investment property acquired in a Business Combination if after the Business Combination the acquirer applies the fair value contained in IAS 40. The amendment incorporates the presumption that investment property valued at fair value, are made by sale, so it requires apply to the temporary differences arising from these, the tax rate for sales operations. Early adoption is permitted.	01/01/2012

The adoption of the standards, amendments and interpretations described above have not had a significant impact on the Company's consolidated financial statements.

(b) Accounting pronouncements with applications effective as of January 1, 2013 and following:

Standards and amendments	Mandatory application: Annual periods beginning on or after
Amendment to IAS 1: Presentation of financial statements Issued in June 2011. The main change in this amendment requires that items of Other Comprehensive Income are classified and grouped evaluating if they potentially will be reclassified to results in future periods. Early adoption is permitted.	07/01/2012
IAS 27: Separate financial statements. Issued in May 2011, replaces IAS 27 (2008). The scope of this standard is restricted beginning with this change only for separate financial statements, as the aspects related to the definition of control and consolidation were removed and included in IFRS 10. Early adoption is permitted in conjunction with IFRS 10, IFRS 11 and IFRS 12 and the amendment to IAS 28.	01/01/2013

Standards and amendments	Mandatory application: Annual periods beginning on or after
Amendment IFRS 7: Financial Instruments: Disclosures	01/01/2013
Issued in December 2011. Requires improvement of current disclosures over compensation of financial assets and liabilities, with the aim of increasing convergence between IFRS and USGAAP. These revelations are focused on quantitative information over the financial instruments recognized that offset in the Statement of Financial Position. Early adoption is permitted.	
IFRS 10: Consolidated financial statements	01/01/2013
Issued in May 2011, replaces SIC 12 "Consolidation of special purpose entities" and orientation on control and consolidation in IAS 27 "Consolidated Financial Statements". Sets clarifications and new parameters for the definition of control, and the principles for the preparation of consolidated financial statements. Early adoption is permitted in conjunction with IFRS 11, IFRS 12 and amendments to IAS 27 and 28.	
IFRS 11: Joint arrangements	01/01/2013
Issued in May 2011, replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly controlled entities". Provides a more realistic reflection of joint arrangements by focusing on rights and obligations arising from the agreements rather than their legal form. Within its modifications include the elimination of the concept of jointly controlled assets and the possibility of proportional consolidation of entities under joint control. Early adoption is permitted in conjunction with IFRS 10, IFRS 12 and amendments to IAS 27 and 28.	
IFRS 12: Disclosures of interests in other entities	01/01/2013
Issued in May 2011, brings together in one standard all required disclosures in the financial statements related to investments in other entities, whether they are classified as subsidiaries, associates or joint ventures. Applicable for entities that hold investments in subsidiaries, joint ventures, and associates. Early adoption is permitted in conjunction with IFRS 10, IFRS 11 and amendments to IAS 27 and 28.	

Standards and amendments	Mandatory application: Annual periods beginning on or after
IFRS 13: Fair value measurement Issued in May 2011, brings together in one standard the way to measure the fair value of assets and liabilities and disclosures required on it, and incorporates new concepts and explanations for measurement.	01/01/2013
IAS 19 Revised: Employee benefits Issued in June 2011, replaces IAS 19 (1998). This revised standard changes the recognition and measurement of costs for defined benefit plans and termination benefits. Additionally, it includes modifications to disclosures for all employee benefits.	01/01/2013
Amendment to IAS 32: Financial instruments: Presentation Issued in December 2011. Clarifies the requirements for off-setting financial assets and liabilities in the Statement of Financial Position. Specifically, that the right to compensation should be available at the reporting date and not depend on a future event. It also indicates that it must be legally binding upon both counterparties in the normal course of business, as well as in the case of default, insolvency or bankruptcy. Early adoption is permitted.	01/01/2014
IFRS 9: Financial instruments Issued in December 2009, amending the classification and measurement of financial assets. Later this standard was amended in November 2010 to include treatment and classification of financial liabilities. Early adoption is permitted.	01/01/2015

Improvements issued in May 2012

IAS 1: Presentation of financial statements – Clarifies requirements for comparative information when an entity has a 3rd Statement of Financial Position column.	01/01/2013
IAS 16: Property plant and equipment - Clarifies that the parts and service equipment will be classified as Property, plant and equipment rather than inventory, as it meets the definition of Property, plant and equipment.	
IAS 32: Financial instrument: Presentation - Clarifies the treatment income tax distributions and related transaction costs.	
IAS 34 Interim Financial Reporting - Clarifies the disclosure requirements of segment assets and liabilities in interim periods, confirming the same requirements applicable to annual financial statements.	
Amendments to IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of interests in other entities. Issued in June 2012. Clarifies the transitional provisions for IFRS 10, indicating that it is necessary to apply the first day of the annual period in adopting the rule. Therefore, it may be necessary to make modifications to the comparative information presented in this period, if the evaluation of the control over investments differs from that recognized in accordance with IAS 27/SIC 12.	
IAS 27: Separate Financial Statements and IFRS 10: Consolidated Financial Statements and IFRS 12: Disclosure of interests in other entities - issued in October 2012. The modifications include the definition of an investment entity and introduce an exception to consolidate certain subsidiaries pertaining to investment entities. This amendment requires an entity to measure the investment of these subsidiaries at fair value through profit or loss according to IFRS 9 “Financial Instruments” in the consolidated and separate financial statements. The amendment also introduces new disclosure requirements on investment firms in IFRS 12 and IAS 27.	01/01/2014

The Company’s management believes that the adoption of the standards, amendments and interpretations described above would not have had a significant impact on the Company’s consolidated financial statements in the year of their first application. The Company has not early adopted any of the above standards.

2.2. 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.

The Company uses the acquisition method for the purchase of subsidiaries. The cost of acquisition is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed on the exchange date. The identifiable assets acquired and the liabilities and contingent liabilities assumed in a Business Combination are initially valued at their fair value on the date of acquisition, regardless of the extent of the non-controlling interests. The excess of the acquisition cost over the fair value of the Company's holding in the net identifiable assets acquired is shown as Goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recorded directly in the consolidated statement of income (Note 2.6). The transaction costs in a Business Combination are recognized in the consolidated income statement when they are incurred.

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

(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 are 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.

The participation of LATAM Airlines Group S.A. and Subsidiaries in the losses or gains after the acquisition of its investees or associates is shown in results, and its participation in post acquisition movements in reserves of investees or associates are shown in reserves.

Post-acquisition movement is adjusted against the book value of the investment. When the participation of LATAM Airlines Group S.A. and Subsidiaries in the losses of an investee or associate is equal to or more than its holding in it, including any other non guaranteed account receivable, LATAM Airlines Group S.A. and Subsidiaries will not show the additional losses unless it has incurred obligations or made payments on behalf of the investee or associate.

Gains or losses for dilution in investees or associates are shown in the consolidated statement of income.

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.

(c) Group entities

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

(i) Assets and liabilities of each consolidated statement of financial position presented are translated at the closing exchange rate on the consolidated statement of financial position date;

(ii) The revenues and expenses of each income statement account are translated at the exchange rates prevailing on the transaction dates,

(iii) All the resultant exchange differences 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.

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

Adjustments to the Goodwill and fair value arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

2.4. PROPERTY, PLAN AND EQUIPMENT

The land of LATAM Airlines Group S.A. and Subsidiaries is recognized at cost less any accumulated impairment loss. The rest of the Property, plant and equipment are measured, initially and subsequently, at historic cost less the corresponding depreciation and any impairment loss.

The amounts of advance payments to aircraft manufacturers are capitalized by the Company under Construction in progress until receipt of the aircraft.

Subsequent costs (replacement of components, improvements, extensions, etc.) are included in the value of the initial asset or shown as a separate asset only when it is probable that the future economic benefits associated with the elements of Property, plant and equipment are going to flow to the Company and the cost of the element can be determined reliably. The value of the component replaced is written off in the books at the time of replacement. The rest of the repairs and maintenance are charged to the results of the year in which they are incurred.

Depreciation of Property, plant and equipment is calculated using the straight-line method over their estimated technical useful lives; except in the case of certain technical components which are depreciated on the basis of cycles and hours flown.

The residual value and useful life of assets are reviewed, and adjusted if necessary, once per year.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is reduced immediately to its recoverable amount (Note 2.8).

Losses and gains on the sale of Property, plant and equipment are calculated by comparing the proceeds obtained with the book value and are included in the consolidated statement of income.

2.5. INTANGIBLE ASSETS OTHER THAN GOODWILL

Brands and airport Slots

Brands and airport Slots are intangible assets of indefinite useful life and are subject to impairment tests annually.

The airport slots correspond to an administrative authorization to carry out an operation of arrival and departure of aircraft at a specific airport, within a specified period.

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.

Expenses related to the development or maintenance of computer software which do not qualify for capitalization, are shown as an expense when incurred. Certain 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. The direct costs include the expenses of the personnel who develop the computer software and other costs directly associated.

Development costs of computer software shown as assets are amortized over their estimated useful lives.

2.6. GOODWILL

Goodwill represents the excess of acquisition cost over the fair value of the Company's participation in the net identifiable assets of the subsidiary or associate on the acquisition date. Goodwill related to acquisition of subsidiaries is not amortized but tested for impairment annually. Gains and losses on the sale of an entity include the book amount of the goodwill related to the entity sold.

2.7.BORROWING COSTS

Interest costs incurred for the construction of any qualified asset are capitalized over the time necessary for completing and preparing the asset for its intended use. Other interest costs are charged to income and expenses.

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 losses. 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.

2.9. FINANCIAL ASSETS

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit and loss, loans and receivables and financial assets held to maturity. 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 acquired for trading unless they are designated as hedges. Assets in this category are classified as Cash and cash equivalents, held for trading, and other financial assets, designated on initial recognition.

(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).

(c) Financial assets held to maturity

Financial assets held to maturity are non-derivative financial instruments with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and capacity to hold until their maturity. Should the Company sell a not-insignificant amount of the financial assets held to their maturity, the whole category is reclassified as available for sale. These financial instruments held to maturity are included in non-current assets, except for those maturity equal to or less than 12 months from the consolidated statement of financial position, which are classified as other current financial assets.

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 loss 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. Held to maturity investments are carried at amortized cost using the effective interest rate.

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. For the case of financial assets held to maturity, if there is any evidence of impairment, 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.

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 an 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

Certain derivatives are 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.

2.15. TRADE AND OTHER ACCOUNTS PAYABLES

Trade payables and other accounts payable are initially recognized at fair value and subsequently at amortized cost and are valued according to the method of the effective interest rate.

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. DEFERRED TAXES

Deferred taxes are calculated 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 recognised when it is probable that there will be sufficient future tax earnings with which to compensate the temporary differences.

The Company does not record deferred tax on temporary differences arising on investments in subsidiaries, provided that the opportunity to reverse the temporary differences is controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax on temporary differences arising on investments in associates is immaterial.

2.18. EMPLOYEE BENEFITS

(a) Personnel vacations

The Company recognizes the expense for personnel vacations on an accrual basis.

(b) Share-based compensation

The compensation plans implemented by the granting of options for the subscription and payment of shares are shown in the consolidated financial statements in accordance with IFRS 2: Share based payments, showing the effect of the fair value of the options granted as a charge to remuneration on a straight-line basis between the date of granting such options and the date on which these become vested.

(c) Post-employment and other long-term benefits

Provisions are made for these obligations by applying the method of the actuarial value of the accrued cost, 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 results for the period when they occur.

(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 recognised 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.

Provisions are shown at the present value of the disbursements expected to be necessary for settling the obligation using the Company's best estimates. The pre-tax discount rate used for determining the present value reflects current market evaluations on the date of the consolidated financial statements, time value of money, as well as the specific risks related to the liability in question.

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.

(ii) Frequent flyer program

The Company currently has a frequent flyer program, whose objective is customer loyalty through the delivery of kilometers or points fly whenever the program holders make certain flights, use the services of entities registered with the program or make purchases with an associated credit card. The kilometers or points earned can be exchanged for flight tickets or other services of associated entities.

The consolidated financial statements include liabilities for this concept (deferred income), according to the estimate of the valuation established for the kilometers or points accumulated pending use at that date, in accordance with IFRIC 13: Customer loyalty programs.

(iii) Other revenues

The Company records revenues for other services when these have been provided.

(b) Interest income

Interest income is booked using the effective interest rate method.

(c) Dividend income

Dividend income is booked when the right to receive the payment is established.

2.21. LEASES

(a) When the Company is the lessee – financial lease

The Company leases certain Property, plant and equipment in which it has substantially all the risk and benefits deriving from the ownership; they are therefore classified as financial leases. Financial leases are initially recorded at the lower of the fair value of the asset leased and the present value of the minimum lease payments.

Every lease payment is separated between the liability component and the financial expenses so as to obtain a constant interest rate over the outstanding amount of the debt. The corresponding leasing obligations, net of financial charges, are included in Other financial liabilities. The element of interest in the financial cost is charged to the consolidated statement of income over the lease period so that it produces a constant periodic rate of interest on the remaining balance of the liability for each year. The asset acquired under a financial lease is depreciated over its useful life and is included in Property, plant and equipment.

(b) When the Company is the lessee – operating lease

Leases, in which the lessor retains an important part of the risks and benefits deriving from ownership, are classified as operating leases. Payments with respect to operating leases (net of any incentive received from the lessor) are charged in the consolidated statement of income on a straight-line basis over the term of the lease.

2.22. NON-CURRENT ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups) classified as assets held for sale are shown at the lesser of their book value and the fair value less costs to sell.

2.23. MAITENANCE

The costs incurred for scheduled major 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 its use expressed in terms of cycles and flight hours.

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's activities are exposed to different financial risks: (a) market risk, (b) credit risk, and (c) liquidity risk. The Company's global risk management program is focused on uncertainty in the financial markets and tries to minimize the potential adverse effects on the net margin. The Company uses derivatives to hedge part of these risks.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market risks such as:

(i) fuel-price risk, (ii) interest-rate risk, and (iii) local exchange-rate risk. In order to fully or partially hedge all of these risks, the Company operates with derivative instruments to fix or limit rises in the underlying assets..

i. Fuel-price risk:

Fluctuations in fuel prices largely depend on the global supply and demand for oil, decisions taken by Organization of Petroleum Exporting Countries ("OPEC"), global refining capacity, stock levels maintained, and weather and geopolitical factors.

The Company purchases an aircraft fuel called Jet Fuel grade 54. There is a benchmark price in the international market for this underlying asset, which is US Gulf Coast Jet 54. However, the futures market for this asset has a low liquidity index and as a result the Company hedges its exposure using West Texas Intermediate ("WTI") crude, Brent ("BRENT") crude and distillate Heating Oil ("HO"), which have a high correlation with Jet Fuel and are highly liquid assets and therefore have advantages in comparison to the use of the U.S. Gulf Coast Jet 54 index.

During the financial year 2012, the Company recognized losses of US$ 1.8 million on fuel hedging. During the same period 2011, the Company recognized gains of US$ 39.9 million for the same reason.

At December 31, 2012, the market value of its fuel positions amounted to US$ 9.9 million (negative). At December 31, 2011, this market value was US$ 30.6 million (positive).

The following tables show the notional value of the purchase positions together with the derivatives contracted for the different periods:

Positions as of December 31, 2012 (*)	Maturities						
	Q113	Q213	Q313	Q413	Q114	Q214	Total
Volume (thousands of barrels WTI)	4,824	600	525	525	525	75	7,074
Contracted future price (US$ per barrel)(**)	104	117	119	119	100	93	107
TOTAL (ThUS$)	**501,696**	**70,200**	**62,475**	**62,475**	**52,500**	**6,975**	**756,918**
Aproximate percentage of the hedge (of expected consumption value)	61%	7%	6%	6%	6%	1%	19%

(*) The volume shown in the table considers all the hedging instruments (swaps and options) in Brent and WTI.
(**) Weighted average between collars and options when activated. Correspond to equivalent in WTI.

Positions as of December 31, 2011 (*)	Maturities			
	Q112	Q212	Q312	Total
Volume (thousands of barrels WTI)	1,800	1,134	693	3,627
Contracted future price (US$ per barrel)(**)	95	92	92	93
TOTAL (ThUS$)	**171,000**	**104,328**	**63,756**	**337,311**
Approximate percentage of hedge (of expected consumption value)	50%	33%	19%	34%

(*) The volume shown in the table considers all the hedging instruments (swaps and options) in WTI.
(**) Weighted average between collars and options, when activated.

Sensitivity analysis

A drop in fuel price positively affects the Company through a reduction in costs. However, this drop 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.

Due to the fact that current positions do not represent changes in cash flows, but a variation in the exposure to the market value, the current hedge positions have no impact on income (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 second quarter of 2014.

The calculations were made considering a parallel movement of US$ 5 per barrel in the curve of the WTI and BRENT crude futures benchmark price at December, 2012 and the end of December, 2011.

Benchmark price (US$ per barril)	Positions as of December 31, 2012 effect on equity (millions of US$)	Positions as of December 31, 2011 effect on equity (millions of US$)
+5	+12.6	+16.5
-5	-11.3	-13.8

The Company seeks to reduce the risk of fuel price rises to ensure it is not left at a disadvantage compared to its competitors in the event of a sharp price fall. The Company therefore uses hedge instruments like swaps, call options and collars to partially hedge the fuel volumes consumed.

Beginning with the third quarter of 2012 the company meets the required criteria of IAS 39, presented to apply hedge accounting in respect of fuel hedging TAM society. Until June 30, 2012, the Company did not apply hedge accounting to fuel hedging instruments of TAM. During the periods presented the Company has not recorded inefectiveness within the income statement.

Given the fuel hedge structure during 2012, which considers a hedge-free portion, a vertical fall by 5 dollars in the WTI and BRENT benchmark price (the monthly daily average), would have meant a impact of approximately US$ 91.0 million in the cost of total fuel consumption for the same period. For the 2012, a vertical rise by 5 dollars in the WTI and BRENT benchmark price (the monthly daily average) would have meant an impact of approximately US$ 90.4 million of increased fuel costs.

ii. Cash flow interest-rate risk:

The fluctuation in interest rates depends heavily on the state of the global economy. An improvement in long-term economic prospects moves long-term rates upward while a drop causes a decline through market effects. However, if we consider government intervention in periods of economic recession, it is usual to reduce interest rates to stimulate aggregate demand by making credit more accessible and increasing production (in the same way interest rates are raised in periods of economic expansion).

The present uncertainty about how the market and governments will react, and thus how interest rates will change, creates a risk related to the Company's debt at floating interest rates and its investments.

Cash flow interest rate risk equates to the risk of future cash flows of the financial instruments due to the fluctuation in interest rates on the market. The Company's exposure to risks of changes in market interest rates is mainly related to long-term obligations with variable interest rates.

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 62% of the debt is fixed to fluctuations in interest rate. Therefore the Company is exposed in one portion to the variations of London Inter Bank Offer Rate ("LIBOR") of 30 days, 90 days, 180 days and 360 days, Brazilian Interbank Deposit Certificate ("ILC"), and the Interest Rate Term of Brazil ("TJLP").

The following table shows the sensitivity of changes in financial obligations that are not hedged against interest-rate variations. These changes are considered reasonably possible based on current market conditions.

Increase (decrease) in libor 3 months	Positions as of December 31, 2012 effect on Pre-Tax earnings (millions of US$)	Positions as of December 31, 2011 effect on Pre-Tax earnings (millions of US$)
+100 basis points	+33.69	-3.06
-100 basis points	+33.69	+3.06

Changes in market conditions produce a change in the valuation of current financial instruments hedging interest rates, causing an effect on the Company's equity (because they are booked as cash-flow hedges). These changes are considered reasonably possible based on current market conditions. The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve.

Increase (decrease) future curve in libor 3 months	Positions as of December 31, 2012 effect on equity (millions of US$)	Positions as of December 31, 2011 effect on equity (millions of US$))
+100 basis points	+33.6	+40.7
-100 basis points	-35.5	-43.2

There are limitations in the method usede for the sensitivity analysis and relate to those provided by the market because the levels indicated by the futures curves are not necessarily met and will change in each period.

In accordance with the requarements of IAS 39, during the periods presented, the Company has not recorded amounts for effectiveness in the consolidated income statement.

iii. Foreign exchange rate risk:

The functional currency used by the Company is the US dollar in terms of setting prices for its services, the composition of its statement of financial position and effects on its operating income. The Company sells most of its services in US dollars, prices equivalent to the US dollar and Brazilian real. A large part of its expenses are denominated in US dollars or equivalents to the US dollar, particularly fuel costs, aeronautic charges, aircraft leases, insurance and aircraft components and accessories. Remuneration expenses are denominated in local currencies.

The Company maintains its cargo and passenger business tariffs in US dollars. There is a mix in the domestic markets as sales in Peru are in local currency but the prices are indexed to the US dollar. In Brazil, Chile, Argentina and Colombia the tariffs are in local currency without any kind of indexation. In the case of the domestic business in Ecuador, both tariffs and sales are in US dollar. The Company is therefore exposed to fluctuations in the different currencies, mainly: Brazilian real, Chilean peso, Argentine peso, Uruguayan peso, Paraguayan guaraní, Mexican peso, Euro, Esterling libra, Peruvian sol, Colombian peso, Australian dollar and New Zealand dollar. Of these currencies, the largest exposure is presented by chilean peso and brazilian real.

The Company manages its exposure to foreign currency risk through hedging selected balances using forward exchange contracts.

The Company may enter into derivative contracts to protect the possible appreciation or depreciation of currencies against the functional currency of the Company.

In order to restructure derivative contracts in Brazil, in the first quarter of 2009, in the second quarter of 2010 and in the second quarter of 2011, a dollar deposit was required as a guaranteed collateral. As foreign currency deposits are not allowed in Brazil, a collar contract was made with a notional foreign currency equivalent to the amount of deposit to meet the requirement.

The notional value and market value of foreign currency derivative are presented below:

Foreign currency derivative	Position at December 31, 2012
Notional Value (MUS$)	+30.00
Market Value (MUS$)	+0.00

According the structure of the Company to convert financial liabilities, financial assets and account receivables of US dollars to Brazilian real, the results of the Company vary. The following table shows the variation of financial performance to appreciate or depreciate 10% exchange rate R$/US$:

Apprececiation (depreciation) R$/US$	Effect at December 31, 2012 MUS$
-10%	+404.19
+10%	-404.21

The prices of frequent flyer points in the subsidiary Multiplus S.A. are denominated in US dollars. As functional currency is the Brazilian real, the sale of these points are assigned to variations in the exchange rate R$/US$. To decrease exposure, Multiplus S.A. contract rate collars.

The following table presents the notional amount and market value of derivatives exchange rate for each maturity date. The expiration date of the derivatives coincide with the probable date of collection points. The highly probable sale of the points are expected to be recognized in income after being exchanged, on average, six months later.

Foreign currency derivative multiplus	Position at December 31, 2012 maturity		
	2013	2014	Total
Notional Value(MUS$)	+283.00	+18.00	+301.00
Market Value(MUS$)	-14.68	-0.55	-15.23

Sensitivity exchange rate Multiplus S.A.

If the Brazilian real appreciates or depreciates by 10% against the US dollar and all other variables are held constant, the financial results would have varied approximately MUS$ 21.8/ MUS$ 28.2, mainly as the effect of gains or losses from exchange rate in the time value of derivatives, which are recognized immediately as equity.

Due to the functional currency of TAM S.A. and Subsidiaries is the Brazilian real, the Company presents effects by 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, being these last currency 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 to appreciate or depreciate 10% exchange rate R$/US$:

Apprececiation (depreciation) R$/US$	Effect at December 31, 2012 MMUS$
-10%	+401.12
+10%	-328.19

Effects of exchange rate derivatives in the Financial Statements

The profit or loss caused by changes in the fair value of hedging instruments are segregated between intrinsic value and time value. The intrinsic value is the percentage of cash flow cash covered, initially shown in equity and later transferred to income, while the hedge transaction is recorded in income. The time value corresponds to the ineffective portion of cash flow hedge and is recognized in the financial results of the Company (Note 21).

(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 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 related to market-risk hedges, the Company requires liquid funds to meet its payment obligations.

The Company therefore manages its cash and cash equivalents and its financial assets, matching the term of investments with those of its obligations. The Company's policy is that the average term of its investments may not exceed the average term of its obligations. This cash and cash equivalents position is invested in highly-liquid short-term instruments through first-class financial entities.

The Company has future obligations related to financial leases, operating leases, maturities of other bank borrowings, derivative contracts and aircraft purchase contracts.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2012

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor 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	Amortization	Effective rate	Nominal value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US$	30,331	-	-	-	-	30,331	Semiannual	2.17%	30,000	2.17%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US$	35,102	-	-	-	-	35,102	Semiannual	1.70%	35,000	1.70%
		LATAM Airlines Group S.A.	Chile	76.645.030-K	ITAU	Chile	US$	75,205	-	-	-	-	75,205	Quarterly	1.32%	75,000	1.32%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US$	102,770	-	-	-	-	102,770	Annual	1.83%	102.000	1.79%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	181	195	214,373	-	-	214,749	-	2.57%	214,373	2.57%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US$	-	45,430	-	-	-	45,430	Semiannual	1.76%	44,848	1.74%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	4,025	12,070	32,208	32,203	44,336	124,842	Quarterly	5.69%	102,649	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	12,945	34,730	36,019	6,757	-	90,451	Quarterly	3.42%	87,448	3.37%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	4,209	12,695	24,726	15,597	19,493	76,720	Quarterly	4.96%	66,148	4.41%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A	US$	17,740	53,435	144,037	146,463	152,574	514,249	Quarterly	4.15%	451,090	3.67%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A	US$	48,067	144,221	383,034	380,772	1.207,825	2,163,919	Quarterly	2.57%	1.959,463	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	11,508	34,628	93,287	94,699	217,034	451,,156	Quarterly	2.71%	409,908	2.10%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	5,405	16,281	44,085	45,085	119,771	230,627	Quarterly	1.39%	220,449	0.85%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A	US$	2,876	8,680	23,567	24,190	77,456	136,769	Quarterly	1.73%	128,222	1.13%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A	US$	1,410	4,262	11,576	11,898	38,593	67,739	Quarterly	1.71%	63,480	1.11%
		LATAM Airlines Group S.A.	Chile	0-E	BANK OF AMERICA MERRIL LYNCH	U.S.A	US$	3,714	11,194	30,188	30,703	111,059	186,858	Quarterly	1.97%	172,789	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	DEVELOPMENT BANK OF JAPAN	U.S.A	US$	2,309	6,958	18,759	19,079	68,662	115,767	Quarterly	1.98%	107,072	1.27%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A	US$	5,777	17,413	46,958	47,790	109,099	227,037	Quarterly	3.35%	190,000	3.35%
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	7,260	17,848	38,443	26,596	1,865	92,012	Quarterly	3.71%	85,491	3.42%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	4,992	15,145	31,093	31,375	26,226	108,831	Quarterly	1.32%	103,684	1.29%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	2,009	6,028	16,075	16,075	16,075	56,262	Quarterly	6.38%	46,086	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A	US$	1,849	5,676	-	-	-	7,525	Quarterly	1.31%	7,462	1.31%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	15,604	46,825	124,870	122,783	51,501	361,583	Quarterly	5.29%	314,261	4.70%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A	US$	596	2,248	146,189	-	-	149,033	-	1.86%	146,189	1.86%
		LATAM Airlines Group S.A.	Chile	-	OTROS	-	US$	3,539	10,733	29,473	15,214	-	58,959	Quarterly	2.08%	58,960	2.08%
Hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	OTROS	-	US$	10,393	31,344	68,360	30,509	5.,678	146,284	-	-	141,624	-
Non-Hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	OTROS	-	US$	1,235	3,557	5,926	-	-	10,718	-	-	10,300	-
					TOTAL			411,051	541,596	1,563,246	1,097,788	2,267,247	5,880,928			5,373,996	

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2012

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor 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	Amortization	Effective rate	Nominal value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE	France	US$	1,093	64,533	-	-	-	65,626	Quarterly	2.81%	50,322	2.81%
		TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	Brazil	US$	26,520	5,945	-	-	-	32,465	At Expiration	4.03%	29,986	4.03%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A	Brazil	US$	45,946	118,821	-	-	-	164,767	At Expiration	5.35%	151,980	5.35%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A	Brazil	BRL	356	-	-	-	-	356	Semiannual	10.72%	92	10.72%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US$	52,628	129,638	-	-	-	182,266	At Expiration	5.65%	163,391	5.65%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL/US$	18,893	15,391	861	-	-	35,145	Monthly/ At Expiration	7.69% / 4.01%	32,446	7.69% / 4.01%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO UNIBANCO	Brazil	BRL	72	29	-	-	-	101	Monthly	8.94%	88	8.94%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	28,563	-	-	-	28,563	At Expiration	3.34%	27,484	3.34%
		TAM S.A. and Subsidiaries	Brasil	0-E	NCM - NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US$	231	495	1,320	1,320	2,695	6,061	Monthly	0.96%	4,608	0.95%
Obligation with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A.	US$	27,009	87,902	191,720	480,708	1,028,161	1,815,500	At Expiration	8.60%	1,100,000	8.41%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A	Brazil	BRL	42,222	271,490	-	-	-	313,712	Semiannual	8.96%	244,678	8.56%
Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A.	US$	3,482	7,728	20,609	20,609	29,196	81,624	Monthly	N/A	65,127	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	AIR CANADA	U.S.A.	US$	3,521	9,350	-	-	-	12,871	Monthly	N/A	12,750	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	AIRBUS FINANCIAL SERVICES	U.S.A.	US$	3,689	10,105	28,056	28,642	23,687	94,179	Monthly	2.25%	87,033	2.25%
		TAM S.A. and Subsidiaries	Brazil	0-E	AWAS	U.S.A.	US$	5,957	14,958	9,418	-	-	30,333	Monthly	N/A	17,617	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	U.S.A.	US$	775	1,919	5,445	5,983	11,867	25,989	Quarterly	1.50%	24,326	1.50%
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	France	US$	2,938	8,487	19,824	19,476	45,939	96,664	Quarterly	3.84%	87,986	3.84%
		TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK N.A	England	US$	13,119	44,695	90,296	87,083	241,694	476,887	Quarterly	3.69%	451,284	3.69%
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE - CIB	U.S.A.	US$	5,392	14,164	70,758	11,728	20,603	122,645	Quarterly	2.29%	114,810	2.29%
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE - CIB	France	US$	20,355	50,931	132,830	124,825	184,734	513,675	Quarterly/Semiannual	2.01% / 0.82%	494,721	2.01% / 0.37%
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	Germay	US$	3,482	10,103	25,845	-	-	39,430	Quarterly	2.89%	37,500	2.89%
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	U.S.A.	US$	509	1,456	2,918	768	-	5,651	Monthly	2.25%	5,402	2.25%
		TAM S.A. and Subsidiaries	Brazil	0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US$	10,898	20,745	51,339	-	-	82,982	Monthly	2.59%	81,086	2.59%
		TAM S.A. and Subsidiaries	Brazil	0-E	HSBC	France	US$	1,601	4,427	12,000	12,302	43,975	74,305	Quarterly	1.70%	69,458	0.85%
		TAM S.A. and Subsidiaries	Brazil	0-E	KFW IPEX-BANK	Germay	US$	4,568	12,801	35,134	25,246	27,784	105,533	Monthly/Quarterly	2.11% / 2.21%	97,770	2.11% / 2.21%
		TAM S.A. and Subsidiaries	Brazil	0-E	NATIXIS	France	US$	12,126	26,169	73,710	78,388	178,957	369,350	Quarterly/Semiannual	2.62% / 3.32%	316,425	2.62% / 3.32%
		TAM S.A. and Subsidiaries	Brazil	0-E	PK AIRFINANCE US, INC.	U.S.A.	US$	3,618	9,773	27,406	38,907	48,681	128,385	Monthly	1.96%	117,092	1.96%
		TAM S.A. and Subsidiaries	Brazil	0-E	WACAPOU LEASING S.A.	Luxembourg	US$	1,340	1,835	4,332	3,569	15,599	26,675	Quarterly	2.42%	23,647	2.42%
		TAM S.A. and Subsidiaries	Brazil	0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US$	1,836	5,379	3,205	-	-	10,420	Monthly	1.98%	10,271	1.98%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	14,786	39,102	100,197	99,264	157,422	410,771	Quarterly	1.95%	380,025	1.95%
		TAM S.A. and Subsidiaries	Brazil	0-E	THE TORONTO-DOMINION BANK	U.S.A.	US$	661	1,654	4,481	4,589	8,956	20,341	Quarterly	0.88%	19,431	0.08%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	493	1,458	1,891	-	-	3,842	Monthly	7.51%	2,025	7.51%
		TAM S.A.and Subsidiaries	Brazil	0-E	BANCO IBM S.A	Brazil	BRL	604	1,882	136	-	-	2,622	Monthly	10.58%	2,255	10.58%
		TAM S.A. and Subsidiaries	Brazil	0-E	CISLATINA ARRENDAMENTO MERCANTIL S.A	Brazil	BRL	41	13	-	-	-	54	Monthly	5.31%	53	5.31%
		TAM S.A. and Subsidiaries	Brazil	0-E	HP FINANCIAL SERVICE	Brazil	BRL	177	529	93	-	-	799	Monthly	9.08%	747	9.08%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE AIR FRANCE	France	EUR	629	108	1,203	-	-	1,940	Monthly	6.82%	1,572	6.82%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE GENERALE LEASING S.A	Brazil	BRL	2,766	-	-	-	-	2,766	Monthly	0.00%	2,520	0.00%
Other loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,882	9,143	-	-	-	41,025	Monthly	2.20%	41,025	2.20%
Hedging derivatives	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	OTROS	Brazil	US$	4,008	9,353	1,963	-	-	15,324	-	0.00%	15,324	0.00%
Non-Hedging derivatives	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brasil	0-E	OTROS	Brazil	US$	3,603	6,903	4,529	-	-	15,035	-	0.00%	15,035	0.00%
					Total			373,826	1,047,977	921,519	1,043,407	2,069,950	5,456,679			4,399,392	

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2012

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor 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	Amortization	Effective rate	Nominal value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Trade and other accounts payables payable		LATAM Airlines Group S.A. and Subsidiaries	Others	-	Others	-	US$	555,290	82,.049	-	-	-	637,339	-	-	637,339	-
							CLP	5,761	-	-	-	-	5,761	-	-	5,761	-
							BRL	432,693	31,.190	-	-	-	463,883	-	-	463,883	-
							BRL	29,758	8,860	-	-	-	38,618	-	-	38,618	-
							BRL	5,389	14,480	-	-	-	19,869	Monthly	6.60%	19,668	6.60%
							OTHER CURRENCIES	198,968	-	-	-	-	198,968	-	-	198,968	-
Accounts payable, non-current	-	LATAM Airlines Group S.A. and Subsidiaries	Others	-	Others	-	US$	-	-	18,000	-	-	18,000	-	-	18,000	-
							US$	-	-	15,994	-	-	15,994	Quarterly	2.06%	15,541	2.06%
							BRL	-	-	3,594	-	-	3,594	-	-	3,594	-
							BRL	-	-	39,251	44,872	142,914	227,037	Monthly	6.60%	207,089	6.60%
Accounts payable to related parties currents	-	LATAM Airlines Group S.A.	Others	78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	14	-	-	-	-	14	-	-	-	-
			Others	96.847.880-K	Lufthansa Lan Technical Training S.A.	Chile	US$	237	-	-	-	-	237	-	-	-	-
			Others	0-E	Made in Everywhere Rep. Com.Distr.Ltda	Brazil	BRL	23	-	-	-	-	23	-	-	-	-
					Subtotal of page			**1,228,133**	**136,579**	**76,839**	**44,872**	**142,914**	**1,629,337**			**1,608,461**	
					Total consolidated			**2,013,010**	**1,726,152**	**2,561,604**	**2,186,067**	**4,480,111**	**12,966,944**			**1,1.38,1.849**	

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2011

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor 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	Amortization	Effective rate	Nominal value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US$	292	30,291	-	-	-	30,583	Semiannual	1.91%	30,000	1.91%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US$	50,187	-	-	-	-	50,187	Quarterly	1.51%	50,000	1.51%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	-	12,704	-	-	-	12,704	Semiannual	2.35%	12,500	2.35%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US$	-	61,297	-	-	-	61,297	Annual	2.21%	60,000	2.13%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	1,145	2,314	203,779	-	-	207,238	-	2.55%	202,899	2.55%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US$	-	876	45,532	-	-	46,408	Semiannual	1.82%	44,848	1.81%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	4,025	12,076	32,192	32,213	60,438	140,944	Quarterly	5.69%	113,193	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	21,249	61,560	67,744	33,826	7,228	191,607	Quarterly	4.05%	182,041	4.05%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	15,633	46,900	125,060	106,833	124,408	418,834	Quarterly	5.18%	354,360	4.61%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A	US$	19,616	59,263	159,420	161,548	252,865	652,712	Quarterly	4.27%	557,517	3.81%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A	US$	5,615	16,828	44,837	44,749	113,352	225,381	Quarterly	3.64%	188,942	3.53%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	13,585	41,065	110,232	111,306	290,463	566,651	Quarterly	2.94%	497,707	2.61%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	5,436	16,577	44,721	45,461	143,675	255,870	Quarterly	1.14%	239,882	1.01%
		LATAM Airlines Group S.A.	Chile	0-E	JP MORGAN	U.S.A	US$	4,692	14,329	38,755	39,580	143,763	241,119	Quarterly	1.09%	226,295	0.94%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A	US$	2,227	6,817	18,434	18,807	69,085	115,370	Quarterly	1.41%	105,863	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A	US$	757	2,330	6,322	6,469	23,952	39,830	Quarterly	1.37%	36,541	1.22%
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	7,332	21,559	43,281	39,703	9,324	121,199	Quarterly	3.94%	110,576	3.73%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	2,311	7,020	20,099	20,901	35,093	85,424	Quarterly	1.46%	79,428	1.46%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	1,809	6,140	19,663	-	-	27,612	Quarterly	1.85%	26,426	1.82%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A	US$	1,773	5,435	7,538	-	-	14,746	Quarterly	1.56%	14,481	1.56%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	4,204	12,617	33,636	33,629	14,736	98,822	Quarterly	5.22%	85,948	4.68%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A	US$	-	5,884	271,307	-	-	277,191	-	1.87%	269,965	1.87%
		LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US$	-	-	31,081	31,006	-	62,087	Quarterly	2.43%	58,960	2.43%
Hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US$	10,191	28,940	70,303	41,382	8,620	159,436	-	-	154,410	-
Non-hedging derivatives	89.862.200-2	LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US$	1,357	3,896	8,998	1,586	-	15,837	-	-	15,380	-
Trade and other accounts payables	-	LATAM Airlines Group S.A. and Subsidiaries	Others	-	OTHERS	-	US$	411,908	25,920	-	-	-	437,828	-	-	437,828	-
							CLP	15,408	-	-	-	-	15,408	-	-	15,408	-
							OTHER CURRENCIES	78,245	-	-	-	-	78,245	-	-	78,245	-
Accounts payable,	-	LATAM Airlines Group S.A. and Subsidiaries	Others	-	OTHERS	-	US$	-	-	36,000	-	-	36,000	-	-	36,000	-
Accounts payable to related parties currents	-	LATAM Airlines Group S.A. and Subsidiaries	Others	96.847.880-K	Lufthansa Lan Technical Training S.A.	Chile	US$	147	-	-	-	-	147	-	-	147	-
			Others	96.921.070-3	Austral Sociedad Concesionaria S.A.	Chile	CLP	2	-	-	-	-	2	-	-	2	-
			Others	78.591.370-1	Bethia S.A. y Filiales	Chile	CLP	116	-	-	-	-	116	-	-	116	-
			Others	Foreing	Inversora Aeronáutica Argentina	Argentine	US$	102	-	-	-	-	102	-	-	102	-
					Total			679,364	502,638	1,438,934	768,999	1,297,002	4,686,937			4,286,010	

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 2011, the Company provided US$ 117.2 million in derivative margin guarantees, for cash and stand-by letters of credit. At the end of December 31, 2012, the Company had provided US$ 189.9 million in guarantees for Cash and cash equivalent and stand-by letters of credit. The increase was due at maturity and fuel purchase contracts and rates, and changes in fuel prices and interest rates.

3.2. CAPITAL RISK MANAGEMENT

The Company's objectives, with respect to the management of capital, are (i) to safeguard it in order to continue as an on-going business, (ii) to seek a return for its shareholders, and (iii) to maintain an optimum capital structure and reduce its costs.

In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors the adjusted leverage ratio, in line with industry practice. This index is calculated as net adjusted debt divided by the sum of adjusted equity and net adjusted debt. Net adjusted debt is total financial debt plus 8 times the operating lease payments of the last 12 months, less total cash (measured as the sum of cash and cash equivalents plus marketable securities). Adjusted capital is the amount of net equity without the impact of the market value of derivatives.

The Company's strategy, which has not changed since 2007, has consisted of maintaining a leverage ratio of between 70% and 80% and an international credit rating of higher than BBB-(the minimum required for being considered investment grade). As a result of consolidation with TAM S.A. and Subsidiaries, the rating agency Fitch has issued on June 22, 2012 a new long-term rating for the Company of BB + with stable perspective (which is not an investment grade rating). Prior to the merger, the Company had a rating of BBB with a negative perspective (issued pursuant to the merger announcement in August 2010).

The leverage ratios as of December 31, 2012, and December 31, 2011, were as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Total financial loans	9,759,507	3,788,272
Last twelve months Operating lease payment x 8	3,390,664	1,393,576
Less:		
Cash and marketable securities	(1,120,335)	(472,499)
TOTAL NET ADJUSTED DEBT	**12,029,836**	**4,709,349**
Net Equity	5,142,083	1,445,324
Cash flow hedging reserve	140,730	140,556
ADJUSTED EQUITY	**5,282,813**	**1,585,880**
TOTAL ADJUSTED DEBT AND EQUITY	**17,312,649**	**6,295,229**
Adjusted leverage	69.5%	74.8%

See information related to financial covenants in Note 36 (a).

3.3 ESTIMATES OF FAIR VALUE

At December 31, 2012, the Company maintained financial instruments that should be recorded at fair value. These include:

- Investments in short-term Mutual Funds (cash equivalent),
- Bank certificate of deposit - CBD
- Interest rate derivative contracts,
- Fuel derivative contracts,
- Currency derivative contracts, Private investment funds and
- Financial letters

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 at December 31, 2012 depending on the level of information used in the assessment:

As of December 31,2012

	Fair value Ar December 31, 2012	Fair value measurements using values considered as		
		Level I	Level II	Level III
	ThUS$	ThUS$	ThUS$	ThUS$
ASSETS				
CASH AND CASH EQUIVALENTS	311,675	311,675	-	-
Short-term mutual funds	311,675	311,675	-	-
OTHER FINANCIAL ASSETS, CURRENT	474,176	319,145	155,031	-
Fair value of interest rate derivatives	6	-	6	-
Fair value of fuel derivatives	4,098	-	4,098	-
Private investment funds	317,598	317,598	-	-
Certificate of deposit CDB	77,316	-	77,316	-
Financial letter	73,611	-	73,611	-
Domestic and foreign bonds	748	748	-	-
Other investments	799	799	-	-
OTHER FINANCIAL ASSETS, NON CURRENT	1,118	-	1,118	-
Fair value of fuel derivatives	1,023	-	1,023	-
Fair value of foreign currency derivatives	95	-	95	-
LIABILITIES				
OTHER FINANCIAL LIABILITIES, CURRENT	70,075	-	70,075	-
Fair value of interest rate derivatives	41,736	-	41,736	-
Fair value of fuel derivatives	10,502	-	10,502	-
Fair value of foreign currency derivatives	13,360	-	13,360	-
Interest rate derivatives not recognized as a hedge	4,477	-	4,477	-
OTHER FINANCIAL LIABILITIES, NON CURRENT	116,555	-	116,555	-
Fair value of interest rate derivatives	104,547	-	104,547	-
Fair value of fuel derivatives	4,530	-	4,530	-
Fair value of foreign currency derivatives	1,963	-	1,963	-
Interest rate derivatives not recognized as a hedge	5,515	-	5,515	-

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As of December 31, 2011

	Fair value measurements using values considered as			
	Fair value	Level I	Level II	Level III
	ThUS$	ThUS$	ThUS$	ThUS$
ASSETS				
CASH AND CASH EQUIVALENTS	156,334	156,334	-	-
Short-term mutual funds	156,334	156,334	-	-
OTHER FINANCIAL ASSETS, CURRENT	92,052	60,733	31,319	-
Fair value of interest rate derivatives	73	-	73	-
Fair value of fuel derivatives	30,615	-	30,615	-
Fair value of foreign currency derivatives	631	-	631	-
Private investment funds	60,733	60,733	-	-
LIABILITIES				
OTHER FINANCIAL LIABILITIES, CURRENT	44,923	-	44,923	-
Fair value of interest rate derivatives	39,132	-	39,132	-
Fair value of foreign currency derivatives	884	-	884	-
Interest rate derivatives not recognized as a hedge	4,907	-	4,907	-
OTHER FINANCIAL LIABILITIES, NON CURRENT	130,163	-	130,163	-
Fair value of interest rate derivatives	120,304	-	120,304	-
Interest rate derivatives not recognized as a hedge	9,859	-	9,859	-

Additionally, at December 31, 2012, 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, 2012		As of December 31, 2011	
	Book value	Fair value	Book value	Fair value
	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	338,588	338,588	218,073	218,073
Cash on hand	6,835	6,835	4,605	4,605
Bank balance	147,373	147,373	17,013	17,013
Overnight	119,713	119,713	46,028	46,028
Time deposits	64,667	64,667	150,427	150,427
Other financial assets	162,367	162,367	135,751	138,642
Domestic and foreign bonds	-	-	37,359	40,250
Other financial assets	162,367	162,367	98,392	98,392
Trade and other accounts receivable current	1,426,330	1,426,330	531,355	531,355
Accounts receivable from related entities	15,187	15,187	838	838
Other financial assets, non current	72,977	72,977	21,833	21,833
Accounts receivable	50,612	50,612	7,491	7,491
Other financial liabilities, current	1,977,255	2,090,726	537,334	593,585
Trade and other accounts payables	1,652,955	1,652,955	645,086	645,086
Accounts payable to related entities	274	274	367	367
Other financial liabilities, non current	7,582,302	7,806,643	2,978,973	3,072,076
Accounts payable, non-current	731,235	731,235	354,930	354,930

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, deposits and accounts payable, non-current, fair value approximates their carrying values.

The fair value of Other financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments. In the case of Other financial assets, the valuation was performed according to market prices at period end.

NOTE 4. ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has used estimates to value and book some of the assets, liabilities, revenues, expenses and commitments; these relate principally to:

(a) The evaluation of possible impairment losses for certain assets.

(b) The useful lives and residual values of fixed and intangible assets.

(c) The criteria employed in the valuation of certain assets.

(d) Air tickets sold that are not actually used.

(e) The calculation of deferred income at the end of the period, corresponding to the valuation of kilometers or points credited to holders of the loyalty programs which have not yet been used.

(f) The need for provisions and where required, the determination of their values.

(g) The recoverability of deferred tax assets.

These estimates are made on the basis of the best information available on the matters analyzed.

In any case, it is possible that events will require modification of the estimates in the future, in which case the effects would be accounted for prospectively.

Additionally, the management has applied judgment in determining that LATAM Airlines Group S.A. has control over TAM S.A. and Subsidiaries for accounting purposes and therefore has consolidated their financial statements. The above on the basis that LATAM issued their ordinary shares in exchange for all of the outstanding common and preferred shares of TAM (except those shareholders of TAM who did not accept exchange and which were subject of the squeeze-out described in Note 18.2), entitling LATAM to substantially all of the economic benefits that will be generated by the LATAM Group and also, consequently, exposing it to substantially all the risks incidental to the operations of TAM. This exchange aligns the economic interests of LATAM and all of its shareholders, including the TAM controlling shareholders, ensuring that the shareholders and directors of TAM will have no incentive to exercise their rights in a manner that is beneficial to TAM but detrimental to LATAM. Further, all significant actions required for the operation of the airlines require the affirmative vote of both LATAM and the TAM controlling shareholders.

In addition, LATAM is in process of integrating operations with TAM, and both entities will be operated as a single company. Within this, most critical airline activities will be managed in Brazil under the TAM CEO and globally by the LATAM CEO, who will be in charge of the overall operation of the LATAM Group and will report to the LATAM board. Further, the LATAM CEO will evaluate performance of the LATAM Group executives and, together with the LATAM board, determine compensation. Although there are restrictions on voting interests that currently may be held by foreign investors under Brazilian law, LATAM believes that the economic substance of these arrangements satisfies the requirements established by the applicable accounting standards and that consolidation by LATAM of TAM's operations is appropriate.

NOTE 5. SEGMENTAL INFORMATION

The Company reports information by segments as established in IFRS 8 “Operating segments”. This standard sets rules for the reporting of information by segments in the financial statements, plus reporting about products and services, geographical areas and principal customers.

An operating segment is defined as a component of an entity on which financial information is held separately and which is evaluated regularly by the senior management in making decisions with respect to the assignment of resources and evaluation of results.

The Company has determined that it has two operating segments: the air transportation and the customer loyalty program (“Multiplus”).

(a) For the periods ended

	Air transport At December 31,		Multiplus At December 31,		Eliminations At December 31,		Consolidated At December 31,	
	2012	2011	2012	2011	2012	2011	2012	2011
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Income from ordinary activities	9,733,950	5,585,440	400,860	-	(412,621)	-	9,722,189	5,585,440
Other operating income	211,955	132,804	8,201	-	-	-	220,156	132,804
Interest income	51,004	14,453	26,485	-	-	-	77,489	14,453
Interest expense	(294,447)	(139,077)	(151)	-	-	-	(294,598)	(139,077)
TOTAL NET INTEREST EXPENSE	**(243.443)**	**(124,624)**	**26,334**	**-**	**-**	**-**	**(217,109)**	**(124,624)**
Depreciation and amortization	(784,038)	(396.475)	(849)	-	-	-	(784,887)	(396,475)
SEGMENT PROFIT	**(51,190)**	**320,197**	**62,146**	**-**	**-**	**-**	**10,956**	**320,197**
Participation of the entity in the income of associates	972	458	-	-	-	-	972	458
Expenses for income tax	(101,019)	(61,789)	(1,193)	-	-	-	(102,212)	(61,789)
Assets of segment	19,978,154	7,648,659	637,195	-	(22,082)	-	20,593,267	7,648,659
Investments in associates	1,619	991	2,138	-	-	-	3,757	991
Purchase of non-monetary assets of segment	-	1,394,640	-	-	-	-	2,448,530	1,394,640

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

	For the period ended at December 31,	
	2012	2011
	ThUS$	ThUS$
Perú	620,263	557,549
Argentina	890,167	616,625
USA	1,268,573	1,135,904
Europe	738,803	523,749
Colombia	366,664	367,642
Brazil	3,334,249	258,300
Ecuador	266,271	228,871
Chile	1,525,009	1,312,376
Asia Pacífic and rest of Latin America	712,190	584,424
INCOME FROM ORDINARY ACTIVITIES	**9,722,189**	**5,585,440**
OTHER OPERATING INCOME	**220,156**	**132,804**

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.

For the period ended at December 31, 2012 the income incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 6. CASH AND CASH EQUIVALENTS

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Cash	6,835	4,605
Cash on hand	147,373	17,013
Overnight	119,713	46,028
TOTAL CASH	**273,921**	**67,646**
Time deposits	64,667	150,427
Mutual funds	311,675	156,334
TOTAL CASH EQUIVALENTS	**376,342**	**306,761**
TOTAL CASH AND CASH EQUIVALENTS	**650,263**	**374,407**

The balance at December 31, 2012 Cash and cash equivalents, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

Cash and cash equivalents are denominated in the following currencies at December 31, 2012, and December 31, 2011:

Currency	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Argentine peso (*)	70,381	20,020
Brazilian real	149,723	6,616
Chilean peso (*)	40,212	148,274
Colombian peso	28,758	7,668
Euro	15,502	5,688
US Dollar	230,776	158,313
Strong bolivar (**)	51,346	21,589
Other currencies	63,565	6,239
TOTAL	**650,263**	**374,407**

(*) The Company has no currency derivative contracts (forward) at December 31, 2012 (ThUS$ 110,339 at December 31, 2011), for conversion into dollars of investments in pesos. For currency derivative contracts, for conversion into dollars for the investments in Argentine pesos, the Company has no outstanding contracts at December 31, 2012.

(**) In Venezuela, effective 2003, the authorities decreed that all remittances abroad should be approved by the Currency Management Commission ("CADIVI"). Despite having free availability of bolivars in Venezuela, the Company has certain restrictions for freely remitting these funds outside Venezuela. At December 31, 2012, the restricted amount, in US dollars is ThUS$ 51,346 (ThUS$ 23,914 at December 31, 2011).

The Company has no significant non-cash transactions that must be disclosed.

Other inflows (outflows) of cash at 31 December 2012 and 31 December 2011 are detailed as follow.

	For the period ended December 31,	
	2012	2011
	ThUS$	ThUS$
Fuel hedge	14,237	51,611
Hedging margin guarantees	12,057	(40,519)
Guarantees	(13,974)	(1,609)
Commodities fuel derivatives	(20,479)	(7,987)
Bank commissions, taxes paid and other	(42,274)	(8,995)
TOTAL OTHER INFLOW (OUTFLOWS) OPERATION FLOW	**(50,433)**	**(7,499)**
Opening balance Cash and cash equivalents acquired companies	263,986	1,122
Amount paid by Squeeze Out TAMS S.A (*)	(167,589)	-
Certificate of bank deposits	(69,254)	-
Other	-	(577)
TOTAL OTHER INFLOWS (OUTFLOWS) INVESTMENT FLOW	**27,143**	**545**
Aircraft Financing advances	(242,804)	163,754
Credit card loan manager	76,280	-
Settlement of derivative contracts	(50,827)	(9,219)
Other	(13,728)	(7,686)
TOTAL OTHER INFLOWS (OUTFLOWS) FINANCING FLOW	**(231,079)**	**146,849**

NOTE 7. FINANCIAL INSTRUMENTS

7.1 FINANCIAL INSTRUMENTS BY CATEGORY

As of December 31, 2012

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	338,588	-	-	311,675	650,263
Other financial assets, current (*)	162,367	4,104	74,359	395,713	636,543
Trade and others accounts receivable, current	1,426,330	-	-	-	1,426,330
Accounts receivable from related entities, current	15,187	-	-	-	15,187
Other financial assets, non current (*)	72,470	1,118	507	-	74,095
Accounts receivable, non current	50,612	-	-	-	50,612
TOTAL	**2,065,554**	**5,222**	**74,866**	**707,388**	**2,853,030**

Liabilities	Other financial liabilities	Hedge derivatives	Held for trading	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Other liabilities, current	1,977,255	65,598	4,477	2,047,330
Trade and others accounts payable, current	1,652,955	-	-	1,652,955
Accounts payable to related entities, current	274	-	-	274
Other financial liabilities, non current	7,582,302	111,040	5,515	7,698,857
Accounts payable, non current	731,235	-	-	731,235
TOTAL	**11,944,021**	**176,638**	**9,992**	**12,130,651**

(*) The value presented at fair value through profit and loss on initial recognition, corresponds to private investment funds; and loans and receivables corresponds to guarantees given.

At December 31, 2011

Assets	Held for maturity	Loans to receivables	Hedge derivatives	Held for trading	Initial designation as fair value through profit and loss	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	-	218,073	-	156,334	-	374,407
Other financial assets, current (*)	37,359	98,392	31,319	-	60,733	227,803
Trade and others accounts receivable, current	-	531,354	-	-	-	531,355
Accounts receivable to related entities, current	-	838	-	-	-	838
Other financial assets, non current (*)	508	21,325	-	-	-	21,833
Accounts receivable, non current	-	7,491	-	-	-	7,491
TOTAL	**37,867**	**877,474**	**31,319**	**156,334**	**60,733**	**1,163,727**

Liabilities	Other financial liabilities	Hedge derivatives	Held for trading	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Other liabilities, current	537,334	40,016	4,907	582,257
Trade and other accounts payable, current	645,086	-	-	645,086
Accounts payable to related entities, current	367	-	-	367
Other financial liabilities, non current	2,978,973	120,304	9,859	3,109,136
Accounts payable, non current	354,930	-	-	354,930
TOTAL	**4,516,690**	**160,320**	**14,766**	**4,691,776**

(*) The value presented in held to maturity corresponds mainly to domestic and foreign bonds and other investments; in designated as at fair value through profit and loss on initial recognition corresponds to private investment funds; and loans and receivables corresponds to guarantees given.

7.2 FINANCIAL INSTRUMENTS BY CURRENCY

a) Assets

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Cash and cash equivalents	650,263	374,407
Argentine peso	70,381	20,020
Brazilian real	149,723	6,616
Chilean peso	40,212	148,274
Colombian peso	28,758	7,668
Euro	15,502	5,688
US Dollar	230,776	158,313
Strong bolívar	51,346	21,589
Other currencies	63,565	6,239
Other financial assets (current and non current)	710,638	249,636
Argentine peso	131	125
Brazilian real	545,426	3,066
Chilean peso	648	588
Colombian peso	2,828	4,175
Euro	7,825	291
US Dollar	142,254	241,008
Strong bolívar	601	5
Other currencies	10,925	378
Trade and other accounts receivable, current	1,426,330	531,355
Argentine peso	33,049	24,879
Brazilian real	561,746	35,467
Chilean peso	132,869	63,818
Colombian peso	8,086	34,583
Euro	67,287	8,266
US Dollar	530,380	348,921
Strong bolívar	2,759	1,247
Other currencies	90,154	14,174
Accounts receivable, non-current	50,612	7,491
Brazilian real	6,677	-
Chilean peso	9,564	7,422
US Dollar	34,123	9
Other currencies	248	60
Accounts receivable from related entities, current	15,187	838
Brazilian real	611	-
Chilean peso	14,565	809
US Dollar	11	29
TOTAL ASSETS	**2,853,030**	**1,163,727**
ARGENTINE PESO	**103,561**	**45,024**
BRAZILIAN REAL	**1,264,183**	**45,149**
CHILEAN PESO	**197,858**	**220,911**
COLOMBIAN PESO	**39,672**	**46,426**
EURO	**90,614**	**14,245**
US DOLLAR	**937,544**	**748,280**
STRONG BOLÍVAR	**54,706**	**22,841**
OTHER CURRENCIES	**164,892**	**20,851**

b) Liabilities

Liabilities information is detailed in the table within Note 3 Financial risk management

NOTE 8. TRADE, OTHER ACCOUNTS RECEIVABLE AND NON-CURRENT ACCOUNTS RECEIVABLE

	As of December 31, 2012 ThUS$	As of December 31, 2012 ThUS$
Trade accounts receivable	1,369,465	474,852
Other accounts receivable	182,980	84,519
TOTAL TRADE AND OTHER ACCOUNTS RECEIVABLE	**1,552,445**	**559,371**
LESS: ALLOWANCE FOR IMPAIRMENT LOSS	(75,503)	(20,525)
TOTAL NET TRADE AND ACCOUNTS RECEIVABLE	**1,476,942**	**538,846**
LESS: NON-CURRENT PORTION – ACCOUNTS RECEIVABLE	(50,612)	(7,491)
TRADE AND OTHER ACCOUNTS RECEIVABLE, CURRENT	**1,426,330**	**531,355**

The balance at December 31, 2012 of Trade, other accounts receivables and non-current accounts receivables, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

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, 2012 ThUS$	As of December 31, 2011 ThUS$
Day	1,226,120	428,706
Expired from 1 to 90 days	33,160	24,082
Expired from 91 to 180 days	10,705	564
More than 180 days overdue (*)	23,977	975
Judicial, pre-judicial collection and protested documents	29,556	10,549
Accounts receivable that were evaluated in their ability to recover	45,947	9,976
TOTAL	**1,369,465**	**474,852**

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

The receivable past due but not impaired at the end of each period is as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Expired from 1 to 90 days	33,160	24,082
Expired from 91 to 180 days	10,705	564
More than 180 days overdue	23,977	975
TOTAL	**67,842**	**25,621**

The amounts of individually impaired Trade and other accounts receivable are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Judicial, pre-judicial collection and protested documents	29,556	10,549
Debtors under pre-judicial collection process and portfolio sensitization	45,947	9,976
TOTAL	**75,503**	**20,525**

Currency balances that make up the Trade receivables, non-current accounts receivable and accounts receivables at December 31, 2012 and December 31, 2011, are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENCY		
Argentine Peso	33,049	24,879
Brazilian Real	568,423	35,467
Chilean Peso	142,433	71,240
Colombian peso	8,086	34,583
Euro	67,287	8,266
US Dollar	564,503	348,930
Strong bolivar	2,759	1,247
Other currency	90,402	14,234
TOTAL	**1,476,942**	**538,846**

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%

Specifically for TAM S.A. the situation is different, the estimate of the provision is by document, those due in more than 180 days are provisioned 100%, except for those that are considered real active guarantees.

The movement in the allowance for impairment loss of Trade accounts and Other accounts receivables between January 1, 2011 and December 31, 2012 is as follows:

	ThUS$
As of January 1, 2011	(22,077)
Write-offs	4,060
(Increase) decrease in allowance	(2,508)
CLOSING BALANCE AS OF DECEMBER 31, 2011	**(20,525)**
As of January 1. 2012	(20,525)
Write-offs	3,312
(Increase) decrease in allowance	(2,857)
Addition for business combination	(54,511)
Conversion difference affiliates	(922)
CLOSING BALANCE AS OF DECEMBER 31, 2012	**(75,503)**

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, 2012			As of December 31, 2011		
	Gross exposure	Gross Impaired exposure	Exposure net of risk concen-trations	Gross exposure	Gross Impaired exposure	Exposure net of risk concen-trations
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Trade accounts receivable	1,.369,465	(75,503)	1,293,962	474,852	(20,525)	454,327
Other accounts receivable	182,980	-	182,980	84,519	-	84,519

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

The Accounts receivable from and payable to related entities as of December 31, 2012 and December 31, 2011, respectively, are as follows:

(a) Accounts Receivable

Tax No.	Related party	Relationship	Country of origin	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	Currency	Transaction deadlines	Nature of transaction
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling shareholder	Chile	1	19	CLP	30 to 45 days	Monetary
78.591.370-1	Bethia S.A. y Filiales	Others related parties	Chile	14,534	758	CLP	30 to 45 days	Monetary
87.752.000-5	Granja Marina Tornagaleones S.A.	Others related parties	Chile	30	32	CLP	30 to 45 days	Monetary
96.812.280-0	San Alberto S.A. y Filiales	Others related parties	Chile	-	29	US$	30 to 45 days	Monetary
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Others related parties	Brazil	14	-	BRL	30 to 45 days	Monetary
Foreign	Companhia Brasileira de Serviços de Fidelização	Others related parties	Brazil	597	-	BRL	30 to 45 days	Monetary
Foreign	Inversora Aeronautica Argentina	Others related parties	Argentina	11	-	US$	30 to 45 days	Monetary
	TOTAL CURRENT ASSETS			**15,187**	**838**			

On December 28, 2012, Inmobiliaria Aeronáutica S.A. as seller and Sotraser S.A. (Subsidiary of Bethia S.A.) as purchaser, entered into an agreement to purchase the land called "Lot No. 12 of parcellation project Lo Echevers". The value of the sale amounts to ThUS$ 14,217.

(b) Accounts payable

Tax No.	Related party	Relationship	Country of origin	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	Currency	Transaction deadlines	Nature of transaction
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	237	147	US$	30 to 45 days	Monetary
96.921.070-3	Austral Sociedad Concesionaria S.A.	Associate	Chile	-	2	CLP	30 to 45 days	Monetary
78.591.370-1	Bethia S.A. y Filiales	Other related parties	Chile	14	116	CLP	30 to 45 days	Monetary
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Other related parties	Brazil	23	-	BRL	30 to 45 days	Monetary
Foreign	Inversora Aeronaútica Argentina	Other related parties	Argentina	-	102	US$	30 to 45 days	Monetary
	TOTAL CURRENT LIABILITIES			**274**	**367**			

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

NOTE 10. INVENTORIES

The Inventories at December 31, 2012 and December 31, 2011 respectively, are detailed below:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Technical stock	150,130	57,836
Non-technical stock	31,153	14,951
TOTAL PRODUCTION SUPPLIERS	**181,283**	**72,787**

The balance at December 31, 2012 of Inventories, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services provided to the Company and third parties, which are valued at average cost, net of provision for obsolescence that as of December 31, 2012 amounts to ThUS$ 1,174 (ThUS$ 1,685 as of December 31, 2011). The resulting amounts do not exceed the respective net realizable values.

As of December 31, 2012, the Company recorded ThUS$ 127,989 (ThUS$ 41,213 as of December 31, 2011) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of Cost of Sales.

NOTE 11. TAX ASSETS

The composition of Tax assets is as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Sales tax	110,609	68,755
Tax income	100,263	24,727
Others	9,657	5,307
TOTAL CURRENT	**220,529**	**98,789**
NON-CURRENT		
Sales tax	73,516	42,958
TOTAL NON-CURRENT	**73,516**	**42,958**

The balances at December 31, 2012 of Tax assets, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 12. OTHER FINANCIAL ASSETS

The composition of Other financial assets is as follows:

		As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT			
(a)	Other financial assets	632,439	196,484
(b)	Hedging asset	4,104	31,319
TOTAL CURRENT		**636,543**	**227,803**
NON-CURRENT			
(a)	Other financial assets	72,977	21,833
(b)	Hedging asset	1,118	-
TOTAL NON-CURRENT		**74,095**	**21,833**

The balance at December 31, 2012 of Other financial assets, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

(a) Other financial assets

Other financial assets as of December 31, 2012 and December 31, 2011, respectively, are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Private investment funds	317,598	60,733
Guarantees for margins of derivatives	121,889	79,171
Financial letters	73,611	-
Deposits in guarantee (aircraft)	33,012	11,657
Certificate of deposit CBD	77,316	-
Other guarantees given	7,466	7,564
Other investments	799	-
Domestic and foreign bonds	748	37,359
TOTAL CURRENT	**632,439**	**196,484**
NON-CURRENT		
Deposits in guarantee (aircraft)	37,247	15,498
Deposits in guarantee (loan)	29,344	-
Other guarantees given	5,879	5,827
Other investments	507	508
TOTAL NON-CURRENT	**72,977**	**21,833**
TOTAL OTHER FINANCIAL ASSETS	**705,416**	**218,317**

(b) Hedging assets

Hedging assets as of December 31, 2012 and December 31, 2011, are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Fair value of interest rate derivatives	6	73
Fair value of foreign currency derivatives	-	631
Fair value of fuel price derivatives	4,098	30,615
TOTAL CURRENT	**4,104**	**31,319**
NON-CURRENT		
Fair value of foreign currency derivatives	95	-
Fair value of fuel price derivatives	1,023	-
TOTAL NON-CURRENT	**1,118**	**-**
TOTAL HEDGING ASSET	**5,222**	**31,319**

Foreign currency derivatives include the fair value of forward exchange and collars contracts.

The types of derivative hedging contracts maintained by the Company at the end of each period are presented in Note 21.

NOTE 13. OTHER NON-FINANCIAL ASSETS

The composition of Other non-financial assets is as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
a) Advance payments	45,829	31,552
b) Other assets	123,995	1,159
TOTAL CURRENT	**169,824**	**32,711**
NON-CURRENT		
a) Advance payments	39,707	11,189
b) Other assets	204,198	4,016
TOTAL NON-CURRENT	**243,905**	**15,205**

(a) Advance payments

Advance payments as of December 31, 2012 as of December 31, 2011 are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Aircraft insurance and others	12,643	7,954
Aircraft leases	18,703	13,196
Handling and ground handling services	158	2,941
Others	14,325	7,461
TOTAL CURRENT	**45,829**	**31,552**
NON-CURRENT		
Aircraft leases	20,732	11,189
Others	18,975	-
TOTAL NON-CURRENT	**39,707**	**11,189**
TOTAL ADVANCE PAYMENTS	**85,536**	**42,741**

(b) Other assets

Other assets as of December 31, 2012, and December 31, 2011 are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Aircraft maintenance reserve	123,299	-
Contributions to SITA	696	841
Others	-	318
TOTAL CURRENT	**123,995**	**1,159**
NON-CURRENT		
Aircraft maintenance reserve	149,084	-
Judicial deposits	54,336	-
Contributions to SITA	474	-
Others	304	4,016
TOTAL NON-CURRENT	**204,198**	**4,016**
TOTAL OTHER ASSETS	**328,193**	**5,175**

NOTE 14. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups held for sale as of December 31, 2012, and December 31, 2011 are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Aircraft	44,878	1,537
Rotables	1,184	28
Inventories on consignment	686	527
Engines	542	2,204
Scrapped aircraft	365	365
TOTAL	**47,655**	**4,661**

The balance at December 31, 2012 of Non-current assets or disposal groups classified as held for sale, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

During the year 2012, a transfer of an aircraft Boing 767-200, two A318-100 aircraft, the land located in Avenida Presidente Riesco N° 5537 and the land located in Avenida Circunvalación Américo Vespucio N° 1401 from the item Property, plant and equipment to Non-current assets or groups of assets for disposal classified as held for sale. Were sold during the third quarter the Boeing 767-200 and the land located in Avenida Presidente Riesco, and during the fourth quarter the land located in Avenida Circunvalación Américo Vespucio. Otherwise, during the second and third quarter of 2012 retirements were made, as a result of sales of engines of Boeing 737-200 fleet.

Item balances are shown net of provision, which as of December 31, 2012 amounted to ThUS$ 23,413 (ThUS$ 15,504 at December 31, 2011).

The Company has no discontinued operations as of December 31, 2012.

NOTE 15. 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 and private investment funds.

The following is a summary of financial information with respect to the sum of the financial statements of subsidiary companies, special-purpose entities and private investment funds that have been consolidated:

As of December 31, 2012	Assets	Liabilities
	ThUS$	ThUS$
Current	2,453,764	3,747,068
Non-Current	7,634,339	5,389,364
TOTAL	**10,088,103**	**9,136,432**

As of December 31, 2011	Assets	Liabilities
	ThUS$	ThUS$
Current	493,662	618,360
Non-Current	1,498,840	917,171
TOTAL	**1,992,502**	**1,535,531**

For the period ended December 31,	2012	2011
	ThUS$	ThUS$
Total operating revenues	6,494,944	2,619,157
Total expenses	(6,586,805)	(2,577,685)
TOTAL NET INCOME	**(91,861)**	**41,472**

The summarized financial information at December 31, 2012 incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries..

Significant subsidiaries detailed as of December 31, 2012

Name of significant subsidiary	Country of incorporation	Functional currency	% Ownership	Nature and scope of significant restrictions on transferring funds to controller
Lan Perú S.A.	Peru	US$	69.97858	Without significant restrictions
Lan Cargo S.A.	Chile	US$	99.89803	Without significant restrictions
Lan Argentina S.A.	Argentina	ARS	94.99055	Without significant restrictions
Transporte Aéreo S.A.	Chile	US$	99.89804	Without significant restrictions
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US$	71.94990	Without significant restrictions
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	98.21089	Without significant restrictions
TAM S.A.	Brazil	BRL	99.99938	Without significant restrictions

Summary financial information of significant subsidiaries.

	Statement of financial position as of December 31, 2012						Results for the period ended December 31, 2012	
Name of significant subsidiary	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Lan Perú S.A.	159,361	133,448	25,913	150,319	149,263	1,056	1,.047,106	2,513
Lan Cargo S.A.	727,091	172,856	554,235	371,663	169,501	202,162	292,066	(50,693)
Lan Argentina S.A.	165,961	144,463	21,498	141,454	139,653	1,801	538,328	9,152
Transporte Aéreo S.A.	357,725	249,174	108,551	114,302	26,731	87,571	373,157	11,144
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	74,204	40,531	33,673	71,284	68,068	3,216	305,177	(14,077)
Aerovías de Integración Regional, AIRES S.A.	165,032	58,457	106,575	58,398	46,434	11,964	283,870	(75,522)
TAM S.A. (*)	8,292,729	2,026,549	6,266,180	7,517,696	3,039,500	4,478,196	3,645,409	(45,163)

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

Significant subsidiaries detailed as of December 31, 2011.

Name of significant subsidiary	Country of incorporation	Functional currency	% Ownership	Nature and scope of significant restrictions on transferring funds to controller
Lan Perú S.A.	Peru	US$	69.97858	Without significant restrictions
Lan Cargo S.A.	Chile	US$	99.89803	Without significant restrictions
Lan Argentina S.A.	Argentina	ARS	94.99055	Without significant restrictions
Transporte Aéreo S.A.	Chile	US$	99.89804	Without significant restrictions
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US$	71.94990	Without significant restrictions
Aerovías de Integración Regional, AIRES S.A.	Colombia	COP	98.21089	Without significant restrictions
Summary financial information of significant subsidiaries				

Summary financial information of significant subsidiaries.

	Statement of financial position as of December 31, 2011						Results for the period ended December 31, 2011	
Name of significant subsidiary	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Lan Perú S.A.	139,888	124,485	15,403	128,979	128,025	954	916,861	920
Lan Cargo S.A.	765,829	188,937	576,892	343,799	122,450	221,349	258,298	57,140
Lan Argentina S.A.	136,579	108,561	28,018	114,037	112,555	1,482	438,137	(1,972)
Transporte Aéreo S.A.	348,943	237,627	111,316	116,663	26,332	90,331	370,697	26,146
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	71,598	42,369	29,229	61,102	58,726	2,376	278,039	2,303
Aerovías de Integración Regional, AIRES S.A.	134,983	76,936	58,047	80,271	70,112	10,159	282,493	(25,860)

NOTE 16. EQUITY ACCOUNTED INVESTMENTS

The composition of investments accounted for using the equity method is as follows:

		As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
(a)	Related companies	1,619	991
(b)	Joint Ventures	2,138	-
EQUITY ACCOUNTED INVESTMENTS		**3,757**	**991**

The balance at December 31, 2012 of Equity accounted investments, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries..

(a) Related Companies

The following summarized financial information is the sum of the financial statements of the investees, corresponding to the statements of financial position as of December 31, 2012 and December 31, 2011, and the statements of income for the periods ending as of December 31, 2012 and December 31, 2011.

As of December 31, 2012	Assets ThUS$	Liabilities ThUS$
Current	3,193	1,421
Non-current	419	109
TOTAL	**3,612**	**1,530**

As of December 31, 2011	Assets ThUS$	Liabilities ThUS$
Current	2,649	721
Non-current	269	115
TOTAL	**2,918**	**836**

	For the period ended December 31	
	2012	2011
	ThUS$	ThUS$
Total operating revenues	3,704	2,896
Total expenses	(2,759)	(1,902)
SUM OF NET INCOME	**945**	**994**

As an investment in associates, the Company has shown its holdings in the following companies: Austral Sociedad Concesionaria S.A. and Lufthansa Lan Technical Training S.A. The Company made no investments in associates during the year 2012.

Company	Country of incorporation	Functional currency	Percentage of ownership		Cost os investment	
			As of December 31, 2012	As of December 31, 2011	As of December 31, 2012	As of December 31, 2011
			%	%	ThUS$	ThUS$
Austral Sociedad Concesionaria S.A.	Chile	CLP	20.00	20.00	661	661
Lufthansa Lan Technical Training S.A.	Chile	CLP	50.00	50.00	702	702

These companies do not have significant restrictions on the ability to transfer funds.

The movement of investments in associates between January 1, 2011 and December 31, 2012 is as follows:

	ThUS$
Opening balance as of January 1, 2011	593
Participation in profits	502
Other reductions, investments in associated entities	(25)
Dividends received	(79)
TOTAL CHANGES IN INVESTMENTS IN ASSOCIATED ENTITIES	398
CLOSING BALANCE AS OF DECEMBER 31, 2011	**991**
Opening balance as of January 1, 2012	991
Participation in profits	295
Other increases, investments in associated entities	685
Dividends received	(352)
TOTAL CHANGES IN INVESTMENTS IN ASSOCIATED ENTITIES	628
CLOSING BALANCE AS OF DECEMBER 31, 2012	**1,619**

The Company records the gain or loss on its investments in associates on a monthly basis in the consolidated statement of income, using the equity method. The Company has no investments in associates which are not accounted for using the equity method.

(b) Joint Venture

Multiplus S.A., a subsidiary of TAM S.A. and AIMIA Newco UK LLP ("Aimia") jointly control the Companhia Brasileira de Servicos de Fidelização S.A. ("CBSF"). The company was incorporated on April 2, 2012, whose corporate name was changed to Prismah Fidelidade S.A. ("Prismah").

The purpose of Prismah Fidelidade S.A. is the provision of various services, the development of programs related to loyalty programs/customer relationships and sales incentive programs for companies. Their activities include but are not limited to: the customer relationship management, technical and technological consulting, and through points programs or other ways of possible changes, the conversion of loyalty program points.

The shareholding participation in Prismah Fidelidade S.A., does not allow unilateral decisions that affect investment returns. Multiplus S.A. owns 50% of company shares and participation is accounted by the equity method proportional investment, initially recognized at cost. The participation in earnings of the company are recognized in income and the participation in changes in reserves are recognized in reserves of Multiplus S.A.

Movement investment al December 31, 2012

	Amount of shares	ThUS$
Beginning balance at December 31, 2011	-	-
Capital aware - AAG Constituent (*)	500	1
Capital increase - AGE (**) 09/18/2012	6,571,500	3,215
Result of equity equivalence	-	(1,078)
ENDING BALANCE AT DECEMBER 31, 2012	**6,572,000**	**2,138**

(*) General Assembly Act
(**) Extraordinary General Assembly

The company Prismah Fidelidade S.A. as of December 31, 2012, has the following items::

Social capital at December 31, 2012 ThUS$	6,432
Number of ordinary shares	13,144,000
"Ordinary shares owned by Multiplus S.A."	6,572,000
Participation %	50

	As of December 31, 2012 ThUS$
Liquid equity	6,432
Investment value	2,137
Loss for the year	(2,156)
Result of the heritage equity	(1,078)
Current assets	4,356
Non-current assets	2,275
Current liabilities	2,356
Year Revenues	164
Expense in the period	(2,320)

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NOTE 17. INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

CLASSES OF INTANGIBLE ASSETS (NET)	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
Computer software	144,244	25,124
Developing software	60,040	39,395
Airport slots	1,561,130	-
Trademarks	82,373	-
Other assets	806	404
TOTAL	**1,848,593**	**64,923**

CLASSES OF INTANGIBLE ASSETS (GROSS)	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
Computer software	223,586	73,486
Developing computer software	60,040	39,395
Airport slots	1,561,130	-
Trademarks	82,373	-
Other assets	1,372	808
TOTAL	**1,928,501**	**113,689**

The balance at December 31, 2012 of Intangible assets other than goodwill, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

The movement in Intangible assets other than goodwill between January 1, 2011 and December 31, 2012 is as follows:

	Computer software Net ThUS$	Developing software ThUS$	Airport slots ThUS$	Trademarks ThUS$	Other assets Net ThUS$	Total ThUS$
Opening balance as of January 1, 2011	26,074	19,109	-	-	566	45,749
Additions	8,904	20,286	-	-	-	29,190
Withdrawals	(184)	-	-	-	-	(184)
Amortization	(9,670)	-	-	-	(162)	(9,832)
CLOSING BALANCE AS OF DECEMBER 31, 2011	**25,124**	**39,395**	**-**	**-**	**404**	**64,923**
Opening balance as of January 1, 2012	25,124	39,395	-	-	404	64,923
Additions	18,768	43,633	-	-	-	62,401
Withdrawals	(1,637)	-	-	-	(2)	(1,639)
Acquisitions through business combinations	78,106	28,238	1,552,016	81,892	563	1,740,815
Transfer software	55,618	(51,392)	-	-	-	4,226
Subsidiaries conversion difference	(757)	166	9,114	481	3	9,007
Amortization	(30,978)	-	-	-	(162)	(31,140)
CLOSING BALANCE AS OF DECEMBER 31, 2012	**144,244**	**60,040**	**1,561,130**	**82,373**	**806**	**1,848,593**

The airport slots correspond to an administrative authorization for the arrival and departure of aircraft, in a specific airport, within a period of time.

Intangible assets with defined useful lives consist primarily of licensing and computer software, for which the Company has established useful lives of between 3 and 7 years.

The amortization of the period is shown in the consolidated statement of income in administrative expenses. The accumulated amortization of computer programs as of December 31, 2012 amounts to ThUS$ 79,342 (ThUS$ 48,362 as of December 31, 2011). The accumulated amortization of other identifiable intangible assets as of December 31, 2012 amounts to ThUS$ 566 (ThUS$ 404 as of December 31, 2011).

NOTE 18. GOODWILL AND BUSINESS COMBINATION

18.1 GOODWILL

The goodwill represents the excess of cost of acquisition over the fair value of the participation of the Company in the identifiable net assets of the subsidiary at the acquisition date. Goodwill at December 31, 2012 amounted to ThUS$ 3,008,657 (ThUS$ 163,777 at December 31, 2011)

At December 31, 2012, the Company performed an impairment test based on the value in use and no impairment was identified. The testing is done at least once per year.

The value in use of those cash generating units to which goodwill has been assigned has been determined assuming that yields, occupation factors and fleet capacity are maintained at current obtainable levels. The Company projects cash flows for the initial periods based on internal budgets and extrapolate the final value of these periods based on a growth factor consistent with the long-term economic projections in the markets in which the units operate. The determined cash flows are discounted at a rate which takes into account the time value of money and risks related to those cash generating units which have not been taken into account in estimation of the units' future cash flows.

The movement of Goodwill from January 1, 2011 to December 31, 2012, is as follows:

	TAM S.A.	Aerovías de Integración Regional. AIRES S.A.	AEROASIS S.A.	Other societies	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2011	-	94,224	-	63,770	157,994
Additions by business combinations	-	-	6,736	-	6,736
Initial recognition modification (*)	-	(820)	-	-	(820)
Increase (decrease) due to exchange rate differences	-	25	(123)	(35)	(133)
CLOSING BALANCE AS OF DECEMBER 31, 2011	**-**	**93,429**	**6,613**	**63,735**	**163,777**
Opening balance as of January 1, 2012	-	93,429	6,613	63,735	163,777
Additions by business combinations	2,118,057	-	-	-	2,118,057
Amendment initial recognition (*)	700,458	-	-	-	700,458
Increase (decrease) due to exchange rate differences	16,552	9.219	653	(59)	26,365
CLOSING BALANCE AS OF DECEMBER 31, 2012	**2,835,067**	**102,648**	**7,266**	**63,676**	**3,008,657**

(*) The amendments relate to initial recognition of changes in the Fair value determined at the time of the Business Combination. In TAM S.A. these changes are mainly relate to: fair value of financial instruments, fair value of the fleet and recognition of labor, civil and tax contingency. The maximum time that the standard gives (IFRS 3) to make changes is one year from the date of acquisition of the combined companies..

18.2 BUSINESS COMBINATION

(a) TAM S.A. and Subsidiaries

Dated June 22, 2012 the merger was successfully completed between LAN Airlines S.A. (today LATAM Airlines Group S.A.), with Sister Holdco S.A. and Holdco II S.A., two companies specially constituted for the purpose of the association between the Company and TAM S.A. which was reflected in the deed of execution of merger issued by such companies at the same time, and it was rectified by deed dated July 10, 2012. These scriptures recorded the share exchange of Sister Holdco S.A. and Holdco II S.A. for LAN´s shares in one related of 0.9 of LAN´s shares for each Sister Holdco S.A. and Holdco II S.A.. That exchange occurred with the delivery of the respective LAN shares to shareholders of Sister Holdco S.A. and the respective BDRs (“Brazilian Depositary Receipts”) and ADRs (“American Depositary Receipts”) from LAN to the shareholders of Holdco II S.A. abroad on June 27, 2012, that is, TAM shareholders who accepted the exchange offer.

Under IFRS 3 this operation has been registered as a Business Combination consigning to the Company as purchaser of TAM. Besides the fact that LATAM is the one who issuing the shares in the combination, this is based on the economic rights and relative vote relating of the former shareholders of LAN and TAM over the combined entity.

The share exchange offer materialized with the exchange previously referenced was 99.9% of the TAM shares that accepted that TAM would stop being a public company in Brazil, which fulfilled the condition for the cancellation of registration, requirement for the success of the exchange offer.

As a consequence of the end of that process: (i) concluded the process of Business Combination of LAN and TAM, and (ii) the renaming of LAN Airlines S.A. to LATAM Airlines Group S.A. became effective.

On July 10, 2012, in Santiago´s Notary of Eduardo Diez Morello, Sister Holdco S.A., Holdco II S.A. and the Company granted a deed of rectification Materialization Statement on Merger by Absorption writing Materialization Statement issued Merger by Absorption dated June 22, 2012 by the same parties in the same Notary which the purpose was to invalidate the inclusion of 17,550 shares of TAM accepted for exchange in Brazil for shares of LAN which corresponded to duplicate orders that were not timely identified as such. Because of this, the result of the Exchange Offer in Brazil amounted to 29,706,339 shares of TAM, instead of 29,723,889 shares of TAM. This should be reflected in the Register of Shareholders so that Banco Itaú on behalf of investors was due to discount 15,795 shares of the Company.

On July 18, 2012, the Comissão de Valores Mobiliários (“CVM”), by Deed No. 330/2012 informed TAM of the cancellation of its registration as a public company which, dated July 19, 2012, TAM was informed by a Essential Matter.

On July 27, 2012, TAM made use of the Squeeze-Out granted by the Brazilian legislation, under which a compulsory could rescue all TAM shares that were not exchanged in the exchange offer or contributed by controlling shareholders of TAM. Since TAM shares received in the exchange offer, plus the shares committed by the controlling shareholders of TAM, represented 95.9% of the total outstanding shares of TAM, the aforementioned condition was met on the remaining 4.1% through the disbursement by TAM of 339 million Brazilian Real.

At December 31, 2012 the ownership structure of TAM was as follows:

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Holdco I S.A.

Shares	TEP Chile S.A. (owned by the controlling shareholders of TAM)	LATAM Airlines Group S.A.	Total
Series A (voting):	938 (80.58%)	226 (19.42%)	**1,164**
Series B (economic)	0	55,413,621 (100.00%)	**55,413,621**
TOTAL	**938**	**55,413,847**	**55,414,785**

TAM S.A.

Shares	Holdco I S.A.	LATAM Airlines Group S.A	Total
ON (voting):	55,413,784 (100%)	0	**55,413,784**
PN (non-voting):	0	94,718,931 (100%)	**94,718,931**
TOTAL	**55,413,784**	**94,718,931**	**150,132,715**

TAM is a leading airline in Brazil with 35 years of operation, over 30 thousand employees, a fleet of 160 aircraft, sales of 7,300 million United States dollars and a market share (2011) Domestic 41.2% in Brazil and 88.1% on international routes operated for the Brazilian airline.

This Business Combination has created the leading airline in the region in terms of coverage and fleet. Additionally, the business models of both companies are complementary creating a significant potential for development in terms of networking and connectivity to its passengers.

The combined company will offer to its passengers around 150 destinations in 22 countries and transporting cargo to 169 destinations in 27 countries. Among the benefits that passengers of both airlines LATAM and TAM will have are, the increased connectivity, improved routes and frequencies, and reduced connection times. Additionally, members of frequent flyer programs LANPASS and TAM Fidelidade may earn and redeem miles/points in the complete flight network of LATAM and TAM.

Considering the acquisition date for accounting purposes was June 22, 2012, the definition and determination of adjustments of Business Combination at December 31, 2012 is not complete, being at this date, provisional in character. The main assets and liabilities that are still subject to fair value calculations are: Intangibles, Contingencies and certain items of Property, plant and equipment. The maximum period that the standard provides for this purpose is one year.

The assets and liabilities of the statement of financial position at June 22, 2012 of TAM S.A. and Subsidiaries are as follows:

Expressed in ThUS$	Book Value	FairValue
Cash and cash equivalents	263,986	263,986
Other financial assets	743,586	743,586
Other non-financial assets	27,380	27,380
Trade and other accounts receivable	1,027,949	1,022,010
Accounts receivable from related entities	25	25
Inventories	70,123	69,823
Tax assets	174,718	151,949
Non-current assets (or disposal groups) classified as held for sale	8,865	8,865
Other financial assets	66,493	66,493
Other non-financial assets	325,171	305,706
Accounts receivable	13,682	13,682
Intangible assets other than goodwill	282,690	1,740,815
Property, plant and equipment	4,651,274	4,233,592
Current tax assets, non-current	4,266	4,266
Deferred tax assets	253,476	181,953
TOTAL ASSETS	**7,913,684**	**8,834,131**
Other financial liabilities	1,048,847	1,054,225
Trade and other accounts payables	731,394	642,863
Accounts payable to related entities	62	62
Other provisions	14,236	14,236
Tax liabilities	63,239	65,185
Other non-financial liabilities	969,575	970,299
Other financial liabilities	3,717,019	3,748,677
Accounts payable	454,289	434,921
Accounts payable to related entities	45	45
Other provisions	189,101	619,840
Deferred tax liabilities	52,835	204,062
Other non-financial liabilities	94,483	94,483
TOTAL LIABILITIES	7,335,125	7,848,898
NET ASSETS	**578,559**	**985,233**

The airport slots (landing and take-offs) have been measured at fair value at the date of the combination and its useful lives are classified as indefinite, which shall be subject to impairment test annually.

The Goodwill recognized on the acquisition of TAM S.A and Subsidiaries reflects the excess value of the transaction that cannot be attributed to assets and liabilities. This value expresses the synergies that are expected to be achieved through the Business Combination. Therefore, in the statement of financial position of LATAM Airlines Group S.A., Goodwill of ThUS$ 2,818,515 has been recognized.

Goodwill determination:	ThUS$	ThUS$
Purchase price		3,782,244
Less:		963,729
Fair value of assets and liabilities acquired	985,233	
Noncontrolling interest	(21,504)	
GOODWILL		**2,818,515**

The determination of the purchase price is explained in the following table:

Number of shares LAN Exchange (a)	Share price a fair value at June 22 exchange rate at June 22 US$ (b)	Purchase price ThUS$ (a) times (b)	Squeeze Out At July exchange rate at June 22 ThUS$	Total purchase price ThUS$
135,119,066	26.76973 (*)	3,617,101	165,143	3,782,244

(*) Value of the share at June 22 $ 13,489
Exchange rate as of June 22 503.89

The capital increase originated in the merger, is determined by the social capital amount of Sister Holdco S.A. and Holdco II S.A., equivalent to ThUS$ 951,409. The difference between this value and the purchase price, amounting to ThUS$ 2,665,692 is shown in Other reserves.

The costs incurred by LATAM Airline Group S.A. to make the Business Combination amounts to ThUS$50,647, and are recorded in the Income statement when they were incurred.

In regards to non-controlling interest, this is valued at fair value of acquired assets and liabilities at December 31, 2012.

The income contribution of TAM S.A. and Subsidiaries was ThUS$ 3,645,409, the net result considered in the consolidated financial statements of the group, at December 31, 2012, being ThUS$ (45,163).

(b) Aerovías de Integración Regional, AIRES S.A.

On November 26, 2010 LAN Pax Group S.A., a subsidiary of the Company, acquired 98.942% of the Colombian company Aerovías de Integración Regional, AIRES S.A.

This acquisition was made through the purchase of 100% of the shares of the Panamanian corporations AKEMI Holdings S.A. and SAIPAN Holding S.A., which owned the aforementioned percentage of AIRES S.A. The purchase price was ThUS$ 12,000.

Aerovías de Integración Regional, AIRES S.A., founded in 1980, at the date of acquisition it was the second largest operator within the Colombian domestic market with a market share of 22%. AIRES S.A. offered regular service to 27 domestic destinations within Colombia as well as 3 international destinations. Synergies are expected between the combination of AIRES S.A. in the Colombian market and efficiency of the business model of LATAM Airlines Group S.A. Additionally, better performance is expected by the business of LATAM Airlines Group S.A. (passengers and cargo) through an increase in coverage in Latin America.

The Business Combination is recognized in the statement of financial position of the Company and Subsidiaries as Goodwill of ThUS$ 94,224.

Summary statement of financial position at acquisitions date:

	ThUS$		ThUS$
Currents assets	27,315	Current liabilities	125,193
Non-current assets	31,652	Non-current liabilities	20,327
		Equity	(86,553)
TOTAL ASSETS	**58,967**	**TOTAL LIABILITIES**	**58,967**
Controlling Interest	(82,224)		

Goodwill determination:

	ThUS$
Controlling interest	82,224
Purchase price	12,000
GOODWILL	**94,224**

(c) AEROASIS S.A.

Dated February 15, 2011, LAN Pax Group S.A. subsidiary of the Company acquired 100% of Colombian society AEROASIS S.A. The purchase price was ThUS$ 3,541.

AEROASIS S.A. is a corporation incorporated under the laws of the Republic of Colombia through Public Deed No. 1,206 dated May 2, 2006.

The Business Combination is recognized in the statement of financial position of the Company and Subsidiaries as goodwill of ThUS$ 6,736.

Summary statement of financial position at acquisition date:

	ThUS$		ThUS$
Currents assets	1,802	Current Liabilities	8,007
Non-current assets	3,010	Non - Current Liabilities	-
		Equity	(3,195)
TOTAL ASSETS	**4,812**	**TOTAL LIABILITIES**	**4,812**
Controlling interst	(3,195)		

Goodwill determination

	ThUS$
Controlling interest	3,195
Purchase price	3,541
GOODWILL	**6,736**

NOTE 19. 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, 2012	As of December 31, 2011	As of December 31, 2012	As of December 31, 2011	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Construction in progress	1,153,003	1,087,563	-	-	1,153,003	1,087,563
Land	65,307	35,673	-	-	65,307	35,673
Buildings	245,939	101,123	(70,869)	(23,185)	175,070	77,938
Plant and equipment	7,946,519	5,335,840	(1,640,530)	(1,211,814)	6,305,989	4,124,026
Own aircraft	6,979,986	4,921,907	(1,278,738)	(1,123,871)	5,701,248	3,798,036
Other	966,533	413,933	(361,792)	(87,943)	604,741	325,990
Machinery	76,956	3,376	(41,799)	(1,998)	35,157	1,378
Information technology equipment	171,568	89,678	(131,105)	(67,087)	40,463	22,591
Fixed installations and accessories	81,251	64,936	(38,908)	(29,838)	42,343	35,098
Motor vehicles	70,706	45,161	(48,451)	(26,943)	22,255	18,218
Leasehold improvements	87,004	94,485	(65,276)	(62,986)	21,728	31,499
Other property, plants and equipment	5,812,401	832,772	(1,875,827)	(338,774)	3,936,574	493,998
Financial leasing aircraft	5,657,286	772,.887	(1,835,736)	(308,805)	3,821,550	464,082
Other	155,115	59,885	(40,091)	(29,969)	115,024	29,916
TOTAL	**15,710,654**	**7,690,607**	**(3,912,765)**	**(1,762,625)**	**11,797,889**	**5,927,982**

The balance at December 31, 2012 of Property, plant and equipment, incorporates the effects of Business Combinations with TAM S.A.and Subsidiaries.

The movement in the different categories of Property, plant and equipment from January 1, 2011 to December 31, 2012 is shown below:

(a) As of December 31, 2011

	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, 2011	715,603	35,538	80,121	3,663,136	18,599	27,003	1,290	44,120	363,020	4,948,430
Additions	29,898	-	1,111	1,028,568	11,885	6,663	543	6,555	19,072	1,104,295
Acquisitions through business combination	-	-	-	-	-	-	-	-	16	16
Disposals	-	-	(2,681)	(109,936)	(8)	-	(6)	-	(537)	(113,168)
Transfers (to) from non-current assets and disposal group	(127)	-	-	(112)	(1,195)	(588)	(1)	-	(115)	(2,138)
Retirements	(150)	-	(4)	(4,817)	(85)	(23)	(17)	-	(332)	(5,428)
Depreciation expense	-	-	(3,302)	(265,062)	(6,354)	(3,602)	(215)	(19,938)	(30,608)	(329,081)
Conversion difference subsidiaries	(852)	-	(95)	(771)	(63)	(54)	18	-	(95)	(1,912)
Other increases (decreases)	343,191	135	2,788	(169,021)	(188)	5,699	25	762	143,577	326,968
CHANGES, TOTAL	**371,960**	**135**	**(2,183)**	**478,849**	**3,992**	**8,095**	**347**	**(12,621)**	**130,978**	**979,552**
CLOSING BALANCE AS OF DECEMBER 31, 2011	**1,087,563**	**35,673**	**77,938**	**4,141,985**	**22,591**	**35,098**	**1,637**	**31,499**	**493,998**	**5,927,982**

The movement in the different categories of Property, plant and equipment from January 1, 2011 to December 31, 2012 is shown below:

(b) As of December 31, 2012

	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, 2012	1,087,563	35,673	77,938	4,141,985	22,,591	35,098	1,637	31,499	493,998	5,927,982
Additions	34,885	-	8,805	2,783,869	11	7,836	458	4,668	154,000	3,006,147
Acquisitions through business combination	553,781	46,373	87,338	464,415	16,990	1,697	4,099	-	3,058,899	4,233,592
Disposals	(27)	(5,116)	(4,821)	(73,654)	(15)	-	(28)	-	(5)	(83,666)
Transfers (to) from non-current assets and disposal groups	(2,256)	(11,895)	-	(49,910)	-	-	-	-	-	(64,061)
Retirements	(281)	-	(1,100)	(127,519)	(951)	(262)	(62)	(82)	(18,799)	(149,056)
Depreciation expense	-	-	(3,311)	(324,189)	(14,982)	(6,526)	(1,316)	(16,432)	(255,366)	(622,122)
Conversion difference subsidiaries	1,,844	272	(2,370)	2,206	3,967	532	(100)	-	16,287	22,638
Other increases (decreases)	(522,506)	-	12,591	(458,524)	1,237	3,968	34	2,075	487,560	(473,565)
CHANGES, TOTAL	**65,440**	**29,634**	**97,132**	**2,216,694**	**17,872**	**7,245**	**3,085**	**(9,771)**	**3,442,576**	**5,869,907**
CLOSING BALANCE AS OF DECEMBER 31, 2012	**1,153,003**	**605,307**	**175,070**	**6,358,679**	**40,463**	**42,343**	**4,722**	**21,728**	**3,936,574**	**11,797,889**

(c) Composition of the fleet

Aircraft included in the Company´s Property, plant and equipment:

Aircraft	Model	As of December 31, 2012	As of December 31, 2011
Boeing 767	300	3	-
Boeing 767	300ER	30	21
Boeing 767	300F	8	8
Boeing 767	200ER	-	1
Boeing 777	300ER	8	-
Boeing 777	Freighter	2	-
Boeing 787	800	3	-
Airbus A318	100	5	10
Airbus A319	100	39	24
Airbus A320	200	76	33
Airbus A321	200	8	-
Airbus A330	200	18	-
Airbus A340	300	2	4
Airbus A340	500	2	-
TOTAL		**204**	**101**

Operating leases:

Aircraft	Model	As of December 31, 2012	As of December 31, 2011
Boeing 767	300ER	8	10
Boeing 767	300F	4	4
Boeing 777	Freighter	2	2
Airbus A319	100	18	-
Airbus A320	200	65	9
Airbus A321	200	1	-
Airbus A330	200	2	-
Airbus A340	300	3	1
Boeing 737	700	6	9
Bombardier	Dhc8-200	10	10
Bombardier	Dhc8-400	4	4
TOTAL		**123**	**49**
TOTAL FLEET		**327**	**150**

(d) Method used for the depreciation of Property, plant and equipment:

	Method	Useful life	
		minimum	maximum
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	5	20
Information technology equipment	Straight line without residual value	5	10
Fixed installations and accessories	Straight line without residual value	10	10
Motor vehicle	Straight line without residual value	10	10
Leasehold improvements	Straight line without residual value	5	5
Other property, plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet. (*)	3	20

(*) Except for certain technical components, which are depreciated on the basis of cycles and flight hours.

As a result of the Business Combination with TAM S.A. and Subsidiaries 65 aircraft were incorporated 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.

Additionally, for the same Business Combination, 5 aircraft were added under operating lease contracts, which according to the stated policy, are classified as finance leases because the present value of the payments represents most of the economic value of the property. The useful life assigned is 6 years, according to the duration of the contracts

(**) Aircraft with remarketing clause are those that are required to sell at the end of the contract.

The depreciation charged to income in the period, which is included in the consolidated statement of income, amounts to ThUS$ 622,122 (ThUS$ 329,081 for the period ended December 31, 2011). Depreciation charges for the year are recognized in Cost of sales and administrative expenses in the consolidated statement of income.

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

i. Property, plant and equipment pledged as guarantee::

In the period ended December 31, 2012 direct guarantees were added for three aircraft Airbus A319-100, seven Airbus A320-200 aircraft, nine Boeing 767-300 aircraft, six Boeing 777-300 aircraft (four passengers and two cargo) and three Boeing 787-800 aircraft. During the first quarter the Company sold its participation in the permanent establishments Quetro Leasing LLC, Codorniz Leasing Limited, Pochard Leasing LLC, Garza Leasing LLC and Caiquen Leasing LLC. As such the Company eliminated direct guarantees associated with two aircraft Airbus A319-100 and seven aircraft Boeing 767-300 (six passenger aircrafts and one freighter). Additionally, during the second semester of 2012 the guaranties were eliminated for three aircraft A318-100 due to the sale, of two aircraft A340-300 and one aircraft B767-300F.

Description of Property, plant and equipment pledged as guarantee:

Creditor of guarantee	Assets committed	Fleet	As of December 31,2012 Existing Debt ThUS$	As of December 31,2012 Book Value ThUS$	As of December 31,2011 Existing Debt ThUS$	As of December 31,2011 Book Value ThUS$
Wilmington Trust Company	Aircraft and engines	Boeing 767	1,296,704	1,640,071	1,032,921	1,305,915
		Boeing 787	858,221	937,074	13,750	24,664
Banco Santander S.A.	Aircraft and engines	Airbus A319	81,698	111,458	89,287	117,106
		Airbus A320	626,317	782,609	411,043	504,827
BNP Paribas	Aircraft and engines	Airbus A318	121,172	150,026	187,705	239,530
		Airbus A319	360,100	501,836	301,327	404,723
		Airbus A320	261,139	333,105	284,265	350,387
Credit Agricole	Aircraft and engines	Airbus A319	44,002	107,625	93,019	114,376
		Airbus A320	68,096	156,355	34,530	163,746
		Airbus A340	19,531	105,349	54,491	215,978
JP Morgan	Aircraft and engines	Boeing 777	280,698	324,159	-	-
TOTAL DIRECT GUARANTEE			**4,017,678**	**5,149,667**	**2,502,338**	**3,441,252**

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, 2012 amounted to ThUS$ 2,888,753 (ThUS$ 316,859 at December 31, 2011). The book value of assets with indirect guarantees as of December 31, 2012 amounts to ThUS$ 3,777,715 (ThUS$ 504,355 as of December 31, 2011).

The balance at December 31, 2012 of Property, plant and equipment, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

ii. Commitments and others

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

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Gross book value of fully depreciated property, plant and equipment still in use	188,214	43,626
Commitments for the acquisition of aircraft (*)	24,500,000	14,500,000

(*) According to the manufacturer's price list.

In December 2009, the Company signed a purchase commitment with Airbus S.A.S. for the purchase of 30 aircraft of the A320 family with deliveries between 2011 and 2016. Later, in December 2010 the Company signed a new commitment to this manufacturer for the acquisition of 50 aircraft of the same family with deliveries between 2012 and 2016. Additionally, in June 2011, a contract was signed for 20 additional aircraft of the A320 NEO family with deliveries between 2017 and 2018.

With regards to the above, as of December 31, 2012, and as a result of different aircraft purchase contracts signed with Airbus S.A.S., there remain 78 Airbus aircraft of the A320 family to be delivered between 2013 and 2018. The approximate amount is ThUS$ 6,400,000, according to the manufacturer's price list. Additionally, the Company has active purchase options for 4 A320 NEO aircraft.

Otherwise purchase contracts were signed with The Boeing Company during February, May and December 2011, for 3, 5 and 2 B767-300 aircraft respectively.

As of December 31, 2012, and as a result of different aircraft purchase contracts signed with The Boeing Company, remain to receive a total of 4 767-300 aircraft during 2013 and 23 787 Dreamliner aircraft, with delivery dates between 2013 and 2017. The approximate amount, according to the manufacturer's price list, is ThUS$ 5,000,000. Additionally, the Company has valid purchase options for 15 787 Dreamliner aircraft.

The acquisition of these aircraft is part of the strategic plan for the long-term fleet. This plan also involves the sale of 15 Airbus A318 model between 2011 and 2013. It is estimated that this sale will have no significant impact on results. During 2011 the first 5 aircraft were sold. During 2012 sold another 3 and during 2013 the Company plans to sell the last 7.

Additionally, as a result of the Business Combination with TAM S.A. and Subsidiaries the following commitments are incorporated:

In November 2006, a purchase commitment was signed with Airbus S.A.S. for the acquisition of 31 A320 family aircraft and 6 A330-200 aircraft, with deliveries between 2007 and 2010. Subsequently, in January 2008 signed a new commitment for the acquisition of 20 additional A320 family aircraft and 4 aircraft A330-200, with deliveries between 2010 and 2014, also signed a purchase commitment for 22 A350 aircraft. In July 2010, signed a purchase commitment with Airbus S.A.S. for the acquisition of 20 A320 family aircraft with deliveries between 2014 and 2015 and on the same date the option was exercised to purchase 5 A350. In October 2011, a new commitment was signed to this manufacturer for the acquisition of 10 additional aircraft of the A320 family with deliveries between 2016 and 2017, plus 22 family aircraft A320 NEO with deliveries between 2016 and 2018.

With the above, at December 31, 2012, as a result of the different aircraft purchase agreements signed with Airbus S.A.S., remain to receive 71 aircraft Airbus A320 family, with deliveries between 2013 and 2018, and 27 Airbus aircraft A350 family with delivery dates starting from 2015. Additionally, the Company has valid purchase options for 10 A320 family aircraft and 5 Airbus NEO A350.

In December 2008, a new commitment purchase agreement was signed with The Boeing Company for 2 B777 aircraft with deliveries in 2013, and in February 2011 an agreement was signed for the purchase of another 2 B777 aircraft with deliveries in 2014.

With the above, at December 31, 2012, due to the various purchase contracts signed with The Boeing Company, remain to receive 4 B777 aircraft. Additionally, the Company has valid purchase options for 2 B777 aircraft.

The approximate amount of individual purchase contracts incorporated for the effect of the Business Combination with TAM S.A. and Subsidiaries is ThUS$ 13,100,000, according to the manufacturers price list.

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

		For the periods ended December 31,	
		2012	**2011**
Average rate of capitalization of capitalized interest costs	%	2.60	3.51
Costs of capitalized interest	ThUS$	45,069	33,342

iV. Financial leases

The detail of the main financial leases is as follows:

Lessor	Aircraft	Model	As of December 31,2012	As of December 31,2011
Agonandra Statutory Trust	Airbus A319	100	4	-
Agonandra Statutory Trust	Airbus A320	200	2	-
Air Canada	Airbus A340	500	2	-
AWMS I (AWAS)	Boeing 767	300	3	-
Bluebird Leasing LLC	Boeing 767	300F	2	2
Caiquen Leasing LLC	Boeing 767	300F	1	-
Cernicalo Leasing LLC	Boeing 767	300F	2	2
Codorniz Leasing Limited	Airbus A319	100	2	-
Eagle Leasing LLC	Boeing 767	300ER	1	1
FLYAFI 1 S.R.L.	Boeing 777	300ER	1	-
FLYAFI 2 S.R.L.	Boeing 777	300ER	1	-
FLYAFI 3 S.R.L.	Boeing 777	300ER	1	-
Forderum Holding B.V. (GECAS)	Airbus A320	200	2	-
Garza Leasing LLC	Boeing 767	300ER	1	-
General Electric Capital Corporation	Airbus A330	200	6	-
Intraelo BETA Corpotation (KFW)	Airbus A320	200	1	-
Juliana Leasing Limited	Airbus A320	200	2	-
Linnet Leasing Limited	Airbus A320	200	4	4
NBB Rio de Janeiro Lease CO and Brasilia Lease LLC (BBAM)	Airbus A320	200	1	-
NBB São Paulo Lease CO. Limited (BBAM)	Airbus A321	200	1	-
Petrel Leasing LLC	Boeing 767	300ER	1	1
Pochard Leasing LLC	Boeing 767	300ER	2	-
Quetro Leasing LLC	Boeing 767	300ER	3	-
Seagull Leasing LLC	Boeing 767	300F	-	1
SG Infraestructure Italia S.R.L.	Boeing 777	300ER	1	-
SL Alcyone LTD (Showa)	Airbus A320	200	1	-
TMF Interlease Aviation B.V.	Airbus A320	200	12	-
TMF Interlease Aviation B.V.	Airbus A330	200	1	-
TMF Interlease Aviation II B.V.	Airbus A319	100	5	-
TMF Interlease Aviation II B.V.	Airbus A320	200	2	-
TMF Interlease Aviation III B.V.	Airbus A319	100	3	-
TMF Interlease Aviation III B.V.	Airbus A320	200	12	-
TMF Interlease Aviation III B.V.	Airbus A321	200	7	-
TMF Interlease Aviation III B.V.	Airbus A330	200	10	-
Wacapou Leasing S.A	Airbus A320	200	1	-
Wells Fargo Bank North National Association (ILFC)	Airbus A330	200	1	-
TOTAL			**102**	**11**

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

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

Fixed assets acquired under financial leases are classified as Other property, plant and equipment. As of December 31, 2012 the Company had one hundred and two aircraft (eleven aircraft as of December 31, 2011).

During the first quarter of 2012, due to the sale of its participation in the permanent establishments Caiquen Leasing LLC, Codorniz Leasing Limited, Garza Leasing LLC, Pochard Leasing LLC and Quetro Leasing LLC, the Company increased its number of aircraft on lease by seven Boeing 767-300 (one freighter and six passenger aircrafts) and two A319-100. Therefore, these aircraft were reclassified from the Plant and equipment category to the category Other property plant and equipment.

As a result of the Business Combination 81 aircraft capital leases were added as financial leasing, and during the third quarter of 2012 two more Airbus A320-200 were added in this way.

The book value of assets under financial leases as of December 31, 2012 amounts to ThUS$ 3,863,193 (ThUS$ 464,082 as of December 31, 2011).

The minimum payments under financial leases are as follows:

As of December 31, 2012

	Gross Value	Interest	Present Value
	ThUS$	ThUS$	ThUS$
No later than one year	523,033	(66,090)	456,943
Between one and five years	1,687,596	(186,145)	1,501,451
Over five years	1,135,262	(57,455)	1,077,807
TOTAL	**3,345,891**	**(309,690)**	**3,036,201**

As of December 31, 2011

	Gross Value	Interest	Present Value
	ThUS$	ThUS$	ThUS$
No later than one year	78,369	(7,622)	70,747
Between one and five years	207,365	(18,657)	188,708
Over five years	59,152	(2,078)	57,074
TOTAL	**344,886**	**(28,357)**	**316,529**

NOTE 20. TAXES AND DEFERRED TAXES

Deferred tax assets and liabilities are offset if there is a legal right to offset assets and liabilities for income taxes relating to the same tax authority.

The balances of deferred taxes are as follows:

	Assets		Liabilities	
Concept	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Depreciation	(662)	(547)	548,618	338,741
Leased assets	-	-	105,554	65,240
Amortizacion	15,148	14,255	69,335	36,667
Provissions	16,266	9,998	(247,743)	47,757
Revaluation of financial instruments	5,178	-	(30,110)	(28,788)
Tax losses	105,652	35,300	(328,608)	(83,297)
Revaluation property, plant and equipment	-	-	(45,579)	-
Intangibles	-	-	498,674	-
Others	3,047	1,142	(12,092)	(6,695)
TOTAL	**144,629**	**60,148**	**558,049**	**369,625**

The balance at December 31, 2012 of deferred taxes, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

The balance of deferred tax assets and liabilities are composed principally of temporary differences to reverse in the long term.

Movements of Deferred tax assets and liabilities from January 1, 2011 to December 31, 2012 are as follows:

(a) From January 1 to December 31, 2011

	Beginning Balance asset (Liability)	Recognized in consolidated income	Recognized in other comprehensive income	Incorporation by business combination	Reclassifications	Others	Sale of Investments	Ending balance asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	(290,669)	(48,614)	-	-	-	-	(5)	(339,288)
Leased assets	(59,848)	(5,392)	-	-	-	-	-	(65,240)
Amortization	(17,320)	(8,903)	-	3,811	-	-	-	(22,412)
Provisions	(14,889)	(22,482)	-	-	-	-	(388)	(37,759)
Post employment benefit obligations	1,604	(1,604)	-	-	-	-	-	-
Revaluation of financial instruments	21,926	-	6,862	-	-	-	-	28,788
Tax losses	13,229	112,013	-	-	(6,645)	-	-	118,597
Others	72,039	(63,460)	1,846	-	-	(2,521)	(67)	7,837
TOTAL	**(273,928)**	**(38,442)**	**8,708**	**3,811**	**(6,645)**	**(2,521)**	**(460)**	**(309,477)**

(b) From January 1 to December 31, 2012

	Opening balance assets/ liabilities	Recognized in consolidated income	Recognized in other comprehensive income	Incorporation by business combination	Exchange rate variation	Effect from change in tax rate	Others	Ending balance asset (liability)
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation	(339,288)	(86,740)	-	(63,106)	(370)	(59,776)	-	(549,280)
Leased assets	(65,240)	(28,801)	-	-	-	(11,513)	-	(105,554)
Amortization	(22,412)	(6,580)	-	(18,614)	(110)	(6,471)	-	(54,187)
Provisions	(37,759)	(8,823)	-	317,083	1,861	(8,353)	-	264,009
Revaluation of financial instruments	28,788	(5,348)	(2,623)	9,335	56	5,080	-	35,288
Tax losses	118,597	110,930	-	188,910	1,110	14,713	-	434,260
Revaluation propety, plant and equipment	-	-	-	45,313	266	-	-	45,579
Intangibles	-	-	-	(495,762)	(2,912)	-	-	(498,674)
Others	7,837	10,422	(2,734)	14,440	86	701	(15,613)	15,139
TOTAL	**(309,477)**	**(14,940)**	**(5,357)**	**(2,401)**	**(13)**	**(65,619)**	**(15,613)**	**(413,420)**

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Deferred tax assets not recognized:

	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
Temporary differences	-	2,152
Tax losses	1,439	35
TOTAL	**1,439**	**2,187**

Deferred tax assets on tax loss carry-forwards, are recognized to the extent that it is likely to provide relevant tax benefit through future taxable profits. The Company has not recognized deferred tax assets of ThUS$ 1,439 (ThUS$ 35 at December 31, 2011) compared to a loss of ThUS$ 5,265 (ThUS$ 103 at December 31, 2011) to offset against future years tax benefits.

Expense (income) for deferred and current income taxes for the periods ended at December 31, 2012 and December 31, 2011, respectively, are as follows:

	For the periods ended December 31	
	2012	2011
	ThUS$	ThUS$
Expense for current income tax		
Current tax expense	35,527	19,470
Adjustment to previous year's current tax	(13,886)	3,877
Other current tax expense (income)	12	-
TOTAL CURRENT TAX EXPENSE, NET	**21,653**	**23,347**
Expense for deferred income taxes		
Deferred expense (income) for taxes related to the creation and reversal of temporary differences	79,155	40,051
Reduction (increase) in value of deferred tax assets during the evacuation of its usefulness.	1,404	(1,609)
TOTAL DEFERRED TAX EXPENSE, NET	**80,559**	**38,442**
INCOME TAX EXPENSE	**102,212**	**61,789**

Composition of income tax expense (income):

	For the period ended December 31,	
	2012	2011
	ThUS$	ThUS$
Current tax expense, net, foreign	31,791	4,486
Current tax expense, net, Chile	(10,138)	18,861
TOTAL CURRENT TAX EXPENSE, NET	**21,653**	**23,347**
Deferred tax expense, net, foreign	(54,980)	(20,876)
Deferred tax expense, net, Chile	135,539	59,318
DEFERRED TAX EXPENSE, NET, TOTAL	**80,559**	**38,442**
INCOME TAX EXPENSE	102,212	61,789

Reconciliation of tax expense using the legal rate to the tax expense using the effective rate:

	For the period ended December 31,	
	2012	2011
	ThUS$	ThUS$
Tax expense using the legal rate	22,633	76,410
Tax effect of legal rate change	70,441	(10,571)
Tax effects of rates in other jurisdictions	(10,686)	1,916
Tax effect of non-taxable operating revenues	(7,029)	(11,094)
Tax effect of disallowable expenses	27,437	5,087
Other increases (decreases)	(584)	41
TOTAL ADJUSTMENTS TO TAX EXPENSE USING THE LEGAL RATE	**79,579**	**(14,621)**
TAX EXPENSE USING THE EFFECTIVE RATE	102,212	61,789

Reconciliation of legal tax rate to effective tax rate:

	For the period ended December 31,	
	2012	2011
	%	%
Legal tax rate	20.00	20.00
Effect of tax rates for legal rate change	62.24	(2.77)
Effect of tax rates in other jurisdictions	(9.44)	0.50
Effect of tax rate on non-taxable operating revenues	(6.21)	(2.89)
Effect of tax rate on disallowable expenses	24.24	1.33
Efecto en tasa impositiva de gastos no deducibles	(0.52)	0.01
TOTAL ADJUSTMENTS TO THE LEGAL TAX RATE	**70.31**	**(3.82)**
TOTAL EFFECTIVE TAX RATE	**90.31**	**16.18**

On September 27, 2012, the Law N° 20,630 was published in the Official Journal that "Improves Tax Legislation and Finance Education Reform". Among the major tax reforms that the amending Law contains, the First Category Tax Rate was modified which must be declared and paid beginning in the 2013 tax year.

The above implies, that the rate of income tax for the tax year 2013 is 20%. Therefore, for purposes of the closing financial statements beginning as of September 30, 2012, this should be considered in determining the provision for income taxes and the determination of deferred tax rate of 20%.

Thereby, at December 31, 2012 the Company had tax expense considering the increased rate of 17% to 20%, which meant a higher recorded tax expense by ThUS$ 70,441.

Deferred taxes related to items charged to net equity:

	For the period ended December 31,	
	2012	2011
	ThUS$	ThUS$
Aggregate deferred taxation of components of other comprehensive income	(5,357)	8,708
Aggregate deferred taxation related to items charged to net equity	(257)	(355)
TOTAL DEFERRED TAXES RELATED TO ITEMS CHARGED TO NET EQUITY	**(5,614)**	**8,353**

Deferred tax effects of the components of other comprehensive income:

		As of December 31, 2012	
	Amount before Taxes	Income tax expense (income)	Amount after Taxes
	ThUS$	ThUS$	ThUS$
Cash-flow hedges	2,510	2,623	5,133
Translation adjustment	(18,692)	2,734	(15,958)
		5,357	

		As of December 31, 2011	
	Amount before Taxes	Income tax expense (income)	Amount after Taxes
	ThUS$	ThUS$	ThUS$
Cash-flow hedges	40,368	(6,862)	33,506
Translation adjustment	10,864	(1,846)	9,018
		(8,708)	

NOTE 21. OTHER FINANCIAL LIABILITIES

The composition of Other financial liabilities is as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
(a) Interest bearing loans	1,977,255	537,334
(b) Derivatives not recognized as a hedge	4,477	4,907
(c) Hedge derivatives	65,598	40,016
TOTAL CURRENT	**2,047,330**	**582,257**
NON-CURRENT		
(a) Interest bearing loans	7,582,302	2,978,973
(b) Derivatives not recognized as a hedge	5,515	9,859
(c) Hedge derivatives	111,040	120,304
TOTAL NON-CURRENT	**7,698,857**	**3,109,136**

The balance at December 31, 2012 of Other financial liabilities, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

(a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Loans to exporters	242,955	153,386
Bank loans	519,762	379
Guaranteed obligations	411,313	310,217
SUBTOTAL BANK LOANS	**1,174,030**	**463,982**
Obligation with the public	273,682	-
Financial leases	471,896	70,747
Other loans	57,647	2,605
TOTAL CURRENT	**1,977,255**	**537,334**
NON-CURRENT		
Bank loans	219,319	247,725
Guaranteed obligations	3,432,919	2,159,055
SUBTOTAL BANK LOANS	**3,652,238**	**2,406,780**
Obligation with the public	1,123,840	-
Financial leases	2,615,924	245,782
Other loans	190,300	326,411
TOTAL NON-CURRENT	**7,582,302**	**2,978,973**
TOTAL OBLIGATIONS WITH FINANCIAL INSTITUTIONS	**9,559,557**	**3,516,307**

All interest-bearing liabilities are recorded using the effective interest rate method. Under IFRS, the effective interest rate for loans with a fixed interest rate does not vary throughout the loan, while in the case of loans with variable interest rates, the effective rate changes on each date of repricing of the loan.

Currency balances that make the interest bearing loans at December 31, 2012 and December 31, 2011, are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENCY		
Brazilian real	326,394	-
Euro	1,785	-
US Dollar	9,231,378	3,516,307
TOTAL	**9,559,557**	**3,516,307**

Interest-bearing loans due in install results due at December 31, 2012 at nominal value

Class of Liability	Debtor tax No.	Debtor	Creditor country	Creditor 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	Efective rate	Total accounting value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	ThUS$	%
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US$	30,000	-	-	-	-	30,000	Semiannual	2.17%	30,253	2.17%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US$	35,000	-	-	-	-	35,000	Semiannual	1.70%	35,056	1.70%
		LATAM Airlines Group S.A.	Chile	76.645.030-K	ITAU	Chile	US$	75,000	-	-	-	-	75,000	Quarterly	1.32%	75,084	1.32%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US$	102,000	-	-	-	-	102,000	Annual	1.79%	102,562	1.79%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	-	-	214,373	-	-	214,373	-	2.57%	214,586	2.57%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US$	-	44.848	-	-	-	44,848	Semiannual	1.74%	44,972	1.74%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US$	2,732	8,374	23,951	26,478	41,114	102,649	Quarterly	5.01%	101,461	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	12,203	33,402	35,129	6,714	-	87,448	Quarterly	3.37%	87,719	3.37%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US$	3,474	10,696	20,753	13,014	18,211	66,148	Quarterly	4.41%	65,494	4.41%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US$	13,578	41,635	118,769	130,877	146,231	451,090	Quarterly	3.67%	444,700	3.67%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US$	39,546	119,458	324,890	334,407	1,141,162	1,959,463	Quarterly	1.76%	1,872,616	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US$	9,311	28,406	79,112	84,369	208,710	409,908	Quarterly	2.10%	399,854	2.10%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	4,931	14,919	40,930	42,645	117,024	220,449	Quarterly	0.85%	214,434	0.85%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A..	US$	2,514	7,638	21,116	22,221	74,733	128,222	Quarterly	1.13%	123,920	1.13%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A.	US$	1,231	3,748	10,359	10,919	37,223	63,480	Quarterly	1.11%	61,411	1.11%
		LATAM Airlines Group S.A.	Chile	0-E	BANK OF AMERICA MERRIL LYNCH	U.S.A.	US$	3,159	9,602	26,388	27,586	106,054	172,789	Quarterly	1.26%	165,394	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	DEVELOPMENT BANK OF JAPAN	U.S.A.	US$	1,962	5,974	16,404	17,153	65,579	107,072	Quarterly	1.27%	102,662	1.27%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A.	US$	4,151	12,813	36,339	39,791	96,906	190,000	Quarterly	3.35%	190,813	3.35%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aviones llegados	-	US$	815	2,316	5,158	3,549	1,916	13,754	-	-	13,754	-
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A.	US$	6,510	16,075	35,499	25,563	1,844	85,491	Quarterly	3.42%	85,670	3.42%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	4,646	14,192	29,145	30,216	25,485	103,684	Quarterly	1.29%	103,869	1.29%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A.	US$	1,358	4,164	12,014	13,461	15,089	46,086	Quarterly	5.65%	45,480	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A.	US$	1,825	5,637	-	-	-	7,462	Quarterly	1.31%	7,466	1.31%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A.	US$	11,899	36,603	104,071	112,116	49,572	314,261	Quarterly	4.70%	311,418	4.70%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A.	US$	-	-	146,189	-	-	146,189	-	1.86%	148,582	1.86%
		LATAM Airlines Group S.A.	Chile	-	OTHERS	-	US$	3,524	10,706	29,472	15,258	-	58,960	Quarterly	2.08%	58,340	2.08%
					TOTAL			**371,369**	**431,206**	**1,330,061**	**956,337**	**2,146,853**	**5,235,826**			**5,107,570**	

Interest-bearing loans due in install rents due at December 31, 2012, at nominal value

Class of Liability	Debtor tax No.	Debtor	Creditor country	Creditor 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	Efective rate	Total accounting value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$		%	ThUS$	%
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE	France	US$	-	50,322	-	-	-	50,322	Quarterly	2.81%	64,480	2.81%
		TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	Brazil	US$	24,363	5,623	-	-	-	29,986	At Expiration	4.03%	30,419	4.03%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	US$	42,106	109,874	-	-	-	151,980	At Expiration	5.35%	152,517	5.35%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A.	Brazil	BRL	92	-	-	-	-	92	Semiannual	10.72%	336	10.72%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US$	45,539	117,852	-	-	-	163,391	At Expiration	5.65%	166,916	5.65%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL/US$	17,306	14,356	784	-	-	32,446	Monathly/ At Expiration	7.69% / 4.01%	32,596	7.69% / 4.01%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO UNIBANCO	Brazil	BRL	61	27	-	-	-	88	Monathly	8.94%	78	8.94%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	27,484	-	-	-	27,484	At Expiration	3.34%	27,506	3.34%
		TAM S.A. and Subsidiaries	Brazil	0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US$	96	297	861	971	2,383	4,608	Monathly	0.96%	4,674	0.95%
Obligations with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A	US$	-	-	-	300,000	800,000	1,100,000	At Expiration	8.60%	1,146,251	8.41%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	BRL	24,468	220,210	-	-	-	244,678	Semiannual	8.96%	251,271	8.56%
Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A	US$	1,666	5,140	14,816	16,580	26,925	65,127	Monathly	N/A	66,032	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	AIR CANADA	U.S.A	US$	3,400	9,350	-	-	-	12,750	Monathly	N/A	12,871	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	AIRBUS FINANCIAL SERVICES	U.S.A	US$	2,862	8,819	25,357	27,070	22,925	87,033	Monathly	2,25%	87,409	2.25%
		TAM S.A. and Subsidiaries	Brazil	0-E	AWAS	U.S.A	US$	2,991	8,975	5,651	-	-	17,617	Monathly	N/A	18,588	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	U.S.A	US$	544	1,699	4,939	5,609	11,535	24,326	Quarterly	1.50%	24,479	1.50%
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	France	US$	2,372	7,237	17,064	17,384	43,929	87,986	Quarterly	3.84%	88,109	3.84%
		TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	England	US$	11,862	41,043	82,593	81,129	234,657	451,284	Quarterly	3.69%	451.201	3.69%
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE-CIB	U.S.A	US$	4,182	12,683	67,629	10,627	19,689	114,810	Quarterly	2.29%	115,493	2.29%
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE -CIB	France	US$	15,945	47,894	126,930	121,391	182,561	494,721	Quarterly/ Semiannual	2.01% / 0.82%	497,986	2.01% / 0.37%
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	Germany	US$	3,125	9,375	25,000	-	-	37,500	Quarterly	2.89%	37,570	2.89%
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	U.S.A	US$	456	1,369	2,821	756	-	5,402	Monathly	2.25%	5,420	2.25%
		TAM S.A. and Subsidiaries	Brazil	0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A	US$	9,140	19,967	51,979	-	-	81,086	Monathly	2.59%	81,379	2.59%
		TAM S.A. and Subsidiaries	Brazil	0-E	HSBC	France	US$	1,275	3,887	10,713	11,249	42,334	69,458	Quarterly	1.70%	69,596	0.85%
		TAM S.A. and Subsidiaries	Brazil	0-E	KFW IPEX-BANK	Germany	US$	3,709	11,343	32,226	23,604	26,888	97,770	Monathly/ Quarterly	2.11% / 2.21%	98,111	2.11% / 2.21%
		TAM S.A. and Subsidiaries	Brazil	0-E	NATIXIS	France	US$	5,972	20,421	59,579	66,989	163,464	316,425	Quarterly/ Semiannual	2.62% / 3.32%	319,002	2.62% / 3.32%
		TAM S.A. and Subsidiaries	Brazil	0-E	PK AIRFINANCE US, INC.	U.S.A	US$	2,609	8,080	23,530	36,373	46,500	117,092	Monathly	1.96%	117,520	1.96%
		TAM S.A. and Subsidiaries	Brazil	0-E	WACAPOU LEASING S.A.	Luxembourg	US$	493	1,417	3.369	2,847	15,521	23,647	Quarterly	2.42%	23,844	2.42%
		TAM S.A. and Subsidiaries	Brazil	0-E	WELLS FARGO BANK NORTHWEST N.A.	E.E.U.U.	US$	1,769	5,308	3,194	-	-	10,271	Monathly	1.98%	10,300	1.98%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	11,355	34,574	90,164	91,964	151,968	380,025	Quarterly	1.95%	381,847	1.95%
		TAM S.A. and Subsidiaries	Brazil	0-E	THE TORONTO-DOMINION BANK	U.S.A	US$	504	1,532	4,207	4,390	8,798	19,431	Quarterly	0.88%	19,545	0.08%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	252	758	1.015	-	-	2,025	Monathly	7.51%	1,344	7.51%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A	Brazil	BRL	543	1,631	81	-	-	2,255	Monathly	10.58%	2,192	10.58%
		TAM S.A. and Subsidiaries	Brazil	0-E	CISLATINA ARRENDAMENTO MERCANTIL S.A	Brazil	BRL	40	13	-	-	-	53	Monathly	5.31%	50	5.31%
		TAM S.A. and Subsidiaries	Brazil	0-E	HP FINANCIAL SERVICE	Brazil	BRL	189	484	74	-	-	747	Monathly	9.08%	711	9.08%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE AIR FRANCE	France	EUR	61	191	1.320	-	-	1,572	Monathly	6.82%	1,785	6.82%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE GENERALE LEASING S.A	Brazil	BRL	2,520	-	-	-	-	2,520	Monathly	0.00%	1,534	0.00%
		TAM S.A. and Subsidiaries	Brazil														
Other loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,882	9,143	-	-	-	41,025	Monathly	2.20%	41,025	2.20%
					TOTAL			**275,749**	**818,378**	**655,896**	**818,933**	**1,800,077**	**4,369,033**			**4,451,987**	
					TOTAL CONSOLIDATED			**647,118**	**1,249,584**	**1,985,957**	**1,775,270**	**3,946,930**	**9,604,859**			**9,559,557**	

Interest-bearing loans due in installments to December 31, 2012, at accounting values

Class of Liability	Debtor tax No.	Debtor	Debtor country	Creditor 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 accounting value	Amortization	Efective rate	Total nominal value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US$	30,253	-	-	-	-	30,253	semiannual	2.17%	30,000	2.17%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US$	35,056	-	-	-	-	35,056	semiannual	1.70%	35,000	1.70%
		LATAM Airlines Group S.A.	Chile	76.645.030-K	ITAU	Chile	US$	75,084	-	-	-	-	75,084	Quarterly	1.32%	75,000	1.32%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US$	102,562	-	-	-	-	102,562	Annual	1.83%	102,000	1.79%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	214	-	214,372	-	-	214.586	-	2.57%	214.373	2.57%
		LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US$	-	44,988	(16)	-	-	44.972	semiannual	1.76%	44.848	1.74%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	3,590	8,374	22,767	25,947	40,783	101.461	Quarterly	5.69%	102,649	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	12,475	33,402	35,128	6,714	-	87,719	Quarterly	3.42%	87,448	3.37%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	3,829	10,696	20,126	12,764	18,079	65,494	Quarterly	4.96%	66,148	4.41%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A	US$	15,428	41,635	113,648	128,765	145,224	444,700	Quarterly	4.15%	451,090	3.67%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A	US$	45,109	119,458	284,423	313,700	1,109,926	1,872,616	Quarterly	2.57%	1,959,463	1.76%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	10,711	28,406	73,422	81,588	205,727	399,854	Quarterly	2.71%	409,908	2.10%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	5,308	14,919	37,797	41,117	115,293	214,434	Quarterly	1.39%	220,449	0.85%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A	US$	2,746	7,638	19,070	21,177	73,289	123,920	Quarterly	1.73%	128,222	1.13%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A	US$	1,418	3,748	9,347	10,401	36,497	61,411	Quarterly	1.71%	63,480	1.11%
		LATAM Airlines Group S.A.	Chile	0-E	BANK OF AMERICA MERRIL LYNCH	U.S.A	US$	3,566	9,602	23,088	25,860	103,278	165,394	Quarterly	1.97%	172,789	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	DEVELOPMENT BANK OF JAPAN	U.S.A	US$	2,373	5,974	14,360	16,085	63,870	102,662	Quarterly	1.98%	107,072	1.27%
		LATAM Airlines Group S.A.	Chile	0-E	DEUTSCHE BANK	U.S.A	US$	4,964	12,813	36,339	39,791	96,906	190,813	Quarterly	3.35%	190,000	3.35%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aviones llegados	-	US$	815	2,316	5,158	3,549	1,916	13,754	-	-	13,754	-
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	7,167	16,076	35,155	25,431	1,841	85,670	Quarterly	3.71%	85,491	3.42%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	4,831	14,191	29,145	30,216	25,486	103,869	Quarterly	1.32%	103,684	1.29%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	1,603	4,164	11,481	13,237	14,995	45,480	Quarterly	6.38%	46,086	5.65%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A	US$	1,828	5,638	-	-	-	7,466	Quarterly	1.31%	7,462	1.31%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	13,960	36,603	100,514	110,981	49,360	311,418	Quarterly	5.29%	314,261	4.70%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A	US$	563	1,829	146,190	-	-	148,582	-	1.86%	146,189	1.86%
		LATAM Airlines Group S.A.	Chile	-	OTHERS	U.S.A	US$	3,524	10,706	29,472	14,638	-	58,340	Quarterly	2.08%	58,960	2.08%
					TOTAL			**388,977**	**433,176**	**1,260,986**	**921,961**	**2,102,470**	**5,107,570**			**5,235,826**	

Interest-bearing loans due in installments to December 31, 2012, at accounting value

Class of Liability	Debtor Tax N°	Debtor	Debtor country	Creditor Tax N°	Creditor	Debtor country	Currency	Up to 90 days	More than 90 days to one year	More than one to three year	More than three to five year	More than five year	Total accounting value	Amortization	Efective rate	Total nominal value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Bank loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE	France	US$	733	63,747	-	-	-	64,480	Quarterly	2.81%	50,322	2.81%
		TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	Brazil	US$	24,735	5,684	-	-	-	30,419	At Expiration	4.03%	29,986	4.03%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	US$	41,444	111,073	-	-	-	152,517	At Expiration	5.35%	151,980	5.35%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A.	Brazil	BRL	336	-	-	-	-	336	Semiannual	10.72%	92	10.72%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO ITAU BBA	Brazil	US$	47,205	119,711	-	-	-	166,916	At Expiration	5.65%	163,391	5.65%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO SAFRA	Brazil	BRL/US$	17,288	14,560	748	-	-	32,596	Monthly/ At Expiration	7.69% / 4.01%	32,446	7.69% / 4.01%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO UNIBANCO	Brazil	BRL	50	28	-	-	-	78	Monthly	8.94%	88	8.94%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO BRADESCO	Brazil	BRL	-	27,506	-	-	-	27,506	At Expiration	3.34%	27,484	3.34%
		TAM S.A. and Subsidiaries	Brazil	0-E	NEDERLANDSCHE CREDIETVERZEKERING MAATSCHAPPIJ	Holland	US$	162	298	861	971	2,382	4,674	Monthly	0.96%	4,608	0.95%
Obligations with the public	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	THE BANK OF NEW YORK	U.S.A.	US$	12,759	9,652	6,720	306,771	810,349	1,146,251	At Expiration	8.60%	1,100,000	8.41%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DO BRASIL S.A.	Brazil	BRL	31,061	220,210	-	-	-	251,271	Semiannual	8.96%	244,678	8.56%
Financial leases	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	AFS INVESTMENT IX LLC	U.S.A.	US$	2,571	5,140	14,816	16,580	26,925	66,032	Monthly	N/A	65,127	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	AIR CANADA	U.S.A.	US$	3,521	9,350	-	-	-	12,871	Monthly	N/A	12,750	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	AIRBUS FINANCIAL SERVICES	U.S.A.	US$	3,238	8,819	25,357	27,070	22,925	87,409	Monthly	2.25%	87,033	2.25%
		TAM S.A. and Subsidiaries	Brazil	0-E	AWAS	U.S.A.	US$	3,962	8,975	5,651	-	-	18,588	Monthly	N/A	17,617	N/A
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	U.S.A.	US$	697	1,699	4,939	5,609	11,535	24,479	Quarterly	1.50%	24,326	1.50%
		TAM S.A. and Subsidiaries	Brazil	0-E	BNP PARIBAS	France	US$	2,495	7,237	17,064	17,384	43,929	88,109	Quarterly	3.84%	87,986	3.84%
		TAM S.A. and Subsidiaries	Brazil	0-E	CITIBANK	England	US$	11,779	41,043	82,593	81,129	234,657	451,201	Quarterly	3.69%	451,284	3.69%
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE-CIB	U.S.A.	US$	4,865	12,683	67,629	10,627	19,689	115,493	Quarterly	2.29%	114,810	2.29%
		TAM S.A. and Subsidiaries	Brazil	0-E	CREDIT AGRICOLE -CIB	France	US$	19,209	47,894	126,929	121,392	182,562	497,986	Quarterly/ Semiannual	2.01% / 0.82%	494,721	2.01% / 0.37%
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	Germany	US$	3,195	9,375	25,000	-	-	37,570	Quarterly	2.89%	37,500	2.89%
		TAM S.A. and Subsidiaries	Brazil	0-E	DVB BANK SE	U.S.A.	US$	474	1,369	2,821	756	-	5,420	Monthly	2.25%	5,402	2.25%
		TAM S.A. and Subsidiaries	Brazil	0-E	GENERAL ELECTRIC CAPITAL CORPORATION	U.S.A.	US$	10,536	19,967	50,876	-	-	81,379	Monthly	2.59%	81,086	2.59%
		TAM S.A. and Subsidiaries	Brazil	0-E	HSBC	France	US$	1,413	3,887	10,713	11,249	42,334	69,596	Quarterly	1.70%	69,458	0.85%
		TAM S.A. and Subsidiaries	Brazil	0-E	KFW IPEX-BANK	Alemania	US$	4,049	11,343	32,226	23,605	26,888	98,111	Monthly/ Quarterly	2.11% / 2.21%	97,770	2.11% / 2.21%
		TAM S.A. and Subsidiaries	Brazil	0-E	NATIXIS	France	US$	8,549	20,421	59,579	66,989	163,464	319,002	Quarterly/ Semiannual	2.62% / 3.32%	316,425	2.62% / 3.32%
		TAM S.A. and Subsidiaries	Brazil	0-E	PK AIRFINANCE US, INC.	U.S.A.	US$	3,037	8,080	23,530	36,373	46,500	117,520	Monthly	1.96%	117,092	1.96%
		TAM S.A. and Subsidiaries	Brazil	0-E	WACAPOU LEASING S.A.	Luxemburg	US$	1,192	1,417	3,370	2,847	15,018	23,844	Quarterly	2.42%	23,647	2.42%
		TAM S.A. and Subsidiaries	Brazil	0-E	WELLS FARGO BANK NORTHWEST N.A.	U.S.A.	US$	1,798	5,308	3,194	-	-	10,300	Monthly	1.98%	10,271	1.98%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIÉTÉ GÉNÉRALE MILAN BRANCH	Italy	US$	13,177	34,574	90,164	91,964	151,968	381,847	Quarterly	1.95%	380,025	1.95%
		TAM S.A. and Subsidiaries	Brazil	0-E	THE TORONTO-DOMINION BANK	U.S.A.	US$	618	1,533	4,206	4,390	8,798	19,545	Quarterly	0.88%	19,431	0.08%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO DE LAGE LANDEN BRASIL S.A	Brazil	BRL	103	302	939	-	-	1,344	Monthly	7.51%	2,025	7.51%
		TAM S.A. and Subsidiaries	Brazil	0-E	BANCO IBM S.A	Brazil	BRL	505	1,585	102	-	-	2,192	Monthly	10.58%	2,255	10.58%
		TAM S.A. and Subsidiaries	Brazil	0-E	CISLATINA ARRENDAMENTO MERCANTIL S.A	Brazil	BRL	37	13	-	-	-	50	Monthly	5.31%	53	5.31%
		TAM S.A. and Subsidiaries	Brazil	0-E	HP FINANCIAL SERVICE	Brazil	BRL	158	472	81	-	-	711	Monthly	9.08%	747	9.08%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE AIR FRANCE	France	EUR	602	35	1,148	-	-	1,785	Monthly	6.82%	1,572	6.82%
		TAM S.A. and Subsidiaries	Brazil	0-E	SOCIETE GENERALE LEASING S.A	Brazil	BRL	1,534	-	-	-	-	1,534	Monthly	0.00%	2,520	0.00%
Others loans	02.012.862/0001-60	TAM S.A. and Subsidiaries	Brazil	0-E	COMPANHIA BRASILEIRA DE MEIOS DE PAGAMENTO	Brazil	BRL	31,882	9,143	-	-	-	41,025	Monthly	2.20%	41,025	2.20%
					TOTAL			**310,969**	**844,133**	**661,256**	**825,706**	**1,809,923**	**4,451,987**			**4,369,033**	
					TOTAL CONSOLIDATED			**699,946**	**1,277,309**	**1,922,242**	**1,747,667**	**3,912,393**	**9,559,557**			**9,604,859**	

Interest-bearing loans installments due at December 31, 2011, at nominal value

Class of Liability	Debtor tax No	Debtor	Creditor country	Creditor 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	Efective rate	Total accounting value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Loans to exporters	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	-	12,500	-	-	-	12,500	Semiannual	2.35%	12,615	2.35%
		LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US$	-	30,000	-	-	-	30,000	Semiannual	1.91%	30,224	1.91%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US$	50,000	-	-	-	-	50,000	Quarterly	1.51%	50,065	1.51%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US$	-	60,000	-	-	-	60,000	Annual	2.21%	60,482	2.13%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US$	-	-	44,848	-	-	44,848	Semiannual	1.82%	44,975	1.81%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	-	-	202,899	-	-	202,899	-	2.55%	203,129	2.55%
Guaranteed obligation	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	2,584	7,961	22,779	25,172	54,697	113,193	Quarterly	5.69%	111,605	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	19,373	57,624	64,797	33,089	7,158	182,041	Quarterly	4.05%	182,876	4.05%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	11,515	35,377	100,266	90,741	116,461	354,360	Quarterly	5.18%	350,084	4.61%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A	US$	14,230	43,705	124,762	137,393	237,427	557,517	Quarterly	4.27%	548,525	3.81%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A	US$	3,946	12,031	33,640	35,999	103,326	188,942	Quarterly	3.64%	184,969	3.53%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	10,285	31,428	88,005	94,388	273,601	497,707	Quarterly	2.94%	484,801	2.61%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	4,822	14,611	40,108	41,767	138,574	239,882	Quarterly	1.14%	232,676	1.01%
		LATAM Airlines Group S.A.	Chile	0-E	JP MORGAN	U.S.A	US$	4,151	12,635	34,726	36,288	138,495	226,295	Quarterly	1.09%	217,978	0.94%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A	US$	1,886	5,742	15,876	16,702	65,657	105,863	Quarterly	1.41%	102,065	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A	US$	643	1,957	5,440	5,740	22,761	36,541	Quarterly	1.37%	35,254	1.22%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aviones llegados	-	US$	969	2,770	8,887	3,792	2,021	18,439	-	-	18,439	-
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	7,258	21,816	59,161	13,340	9,001	110,576	Quarterly	3.94%	110,707	3.73%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	3,136	9,534	25,518	41,240	-	79,428	Quarterly	1.46%	79,552	1.46%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	2,357	4,842	19,227	-	-	26,426	Quarterly	1.85%	26,467	1.82%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A	US$	1,716	5,303	7,462	-	-	14,481	Quarterly	1.56%	14,488	1.56%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	3,181	9,826	27,939	30,653	14,349	85,948	Quarterly	5.22%	85,315	4.68%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A	US$	-	-	269,965	-	-	269,965	-	1.87%	272,569	1.87%
		LATAM Airlines Group S.A.	Chile	-	OTROS	-	US$	-	-	-	58,960	-	58,960	Quarterly	2.43%	56,447	2.43%
					TOTAL			**142,052**	**379,662**	**1,196,305**	**665,264**	**1,183,528**	**3,566,811**			**3,516,307**	

Interest-bearing loans due in installments at December 31, 2011, at accounting Values

Class of Liability	Debtor tax No.	Debtor	Debtor country	Creditor 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 aacounting value	Amortization	Efective rate	Total nominal value	Nominal rate
								ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$			ThUS$	
Loans to export	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	115	12,500	-	-	-	12,615	Semiannual	2.35%	12,500	2.35%
		LATAM Airlines Group S.A.	Chile	97.004.000-5	BANCO DE CHILE	Chile	US$	224	30,000	-	-	-	30,224	Semiannual	1.91%	30,000	1.91%
		LATAM Airlines Group S.A.	Chile	97.006.000-6	BCI	Chile	US$	50,065	-	-	-	-	50,065	Quarterly	1.51%	50,000	1.51%
		LATAM Airlines Group S.A.	Chile	97.032.000-8	BBVA	Chile	US$	482	60,000	-	-	-	60,482	Annual	2.21%	60,000	2.13%
Bank loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	97.030.000-7	ESTADO	Chile	US$	149	-	44,826	-	-	44,975	Semiannual	1.82%	44,848	1.81%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	230	-	202,899	-	-	203,129	-	2.55%	202,899	2.55%
Guaranteed obligations	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	3,498	7,961	21,490	24,538	54,118	111,605	Quarterly	5.69%	113,193	5.01%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	20,209	57,624	64,796	33,089	7,158	182,876	Quarterly	4.05%	182,041	4.05%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	13,616	35,377	96,396	89,083	115,612	350,084	Quarterly	5.18%	354,360	4.61%
		LATAM Airlines Group S.A.	Chile	0-E	BNP PARIBAS	U.S.A	US$	16,712	43,705	118,390	134,443	235,275	548,525	Quarterly	4.27%	557,517	3.81%
		LATAM Airlines Group S.A.	Chile	0-E	WELLS FARGO	U.S.A	US$	4,567	12,031	31,412	34,896	102,063	184,969	Quarterly	3.64%	188,942	3.53%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	12,140	31,427	81,172	90,922	269,140	484,801	Quarterly	2.94%	497,707	2.61%
		LATAM Airlines Group S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	5,269	14,611	36,649	40,011	136,136	232,676	Quarterly	1.14%	239,882	1.01%
		LATAM Airlines Group S.A.	Chile	0-E	JP MORGAN	U.S.A	US$	4,476	12,635	31,060	34,373	135,434	217,978	Quarterly	1.09%	226,295	0.94%
		LATAM Airlines Group S.A.	Chile	0-E	BTMU	U.S.A	US$	2,161	5,741	14,167	15,803	64,193	102,065	Quarterly	1.41%	105,863	1.26%
		LATAM Airlines Group S.A.	Chile	0-E	APPLE BANK	U.S.A	US$	761	1,957	4,852	5,430	22,254	35,254	Quarterly	1.37%	36,541	1.22%
		LATAM Airlines Group S.A.	Chile	-	SWAP Aviones llegados	-	US$	969	2,770	8,887	3,792	2,021	18,439	Quarterly	-	18,439	-
Financial leases	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	ING	U.S.A	US$	8,158	21,816	58,568	13,194	8,971	110,707	Quarterly	3.94%	110,576	3.73%
		LATAM Airlines Group S.A.	Chile	0-E	CREDIT AGRICOLE	France	US$	3,260	9,534	25,518	41,240	-	79,552	Quarterly	1.46%	79,428	1.46%
		LATAM Airlines Group S.A.	Chile	0-E	CITIBANK	U.S.A	US$	2,411	4,842	19,214	-	-	26,467	Quarterly	1.85%	26,426	1.82%
		LATAM Airlines Group S.A.	Chile	0-E	S.CHARTERED	U.S.A	US$	1,723	5,303	7,462	-	-	14,488	Quarterly	1.56%	14,481	1.56%
		LATAM Airlines Group S.A.	Chile	0-E	PEFCO	U.S.A	US$	3,874	9,826	26,985	30,325	14,305	85,315	Quarterly	5.22%	85,948	4.68%
Other loans	89.862.200-2	LATAM Airlines Group S.A.	Chile	0-E	BOEING	U.S.A	US$	2,605	-	269,964	-	-	272,569	-	1.87%	269,965	1.87%
		LATAM Airlines Group S.A.	Chile	-	OTROS	-	US$	-	-	-	56,447	-	56,447	Quarterly	2.43%	58,960	2.43%
					TOTAL			**157,674**	**379,660**	**1,164,707**	**647,586**	**1,166,680**	**3,516,307**			**3,566,811**	

Summary of other financial non-current loans (other than bank loans, obligations with the public and financial leases)

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
a) Other interest bearing loans (see note 21 a)	57,647	2,605
b) Derivative not recognized as a hedge (see note 21 b)	4,477	4,907
c) Hedge derivatives (see note 21 c)	65,598	40,016
TOTAL CURRENTS	**127,722**	**47,528**
NON-CURRENT		
a) Other interest bearing loans (see note 21 a)	190,300	326,411
b) Derivative not recognized as a hedge (see note 21 b)	5,515	9,859
c) Hedge derivatives (see note 21 c)	111,040	120,304
TOTAL NON-CURRENTS	**306,855**	**456,574**

(b) Derivatives not recognized as a hedge.

Derivatives not recognized as a hedge as of December 31, 2012 and December 31, 2011, respectively, is as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Interest rate derivative not recognized as a hedge	4,477	4,907
TOTAL CURRENT	**4,477**	**4,907**
NON-CURRENT		
Interest rate derivative not recognized as a hedge	5,515	9,859
TOTAL NON-CURRENT	**5,515**	**9,859**
TOTAL OTHER FINANCIAL LIABILITIES	**9,992**	**14,766**

(c) Hedge derivatives

Hedge derivatives as of December 31, 2012 and December 31, 2011 are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Accrued Interest from the last date of interest rate swap	4,660	5,027
Fair value interest rate derivatives	37,076	34,105
Fair value of fuel derivatives	10,502	-
Fair value of foreign currency derivatives	13,360	884
TOTAL CURRENT	**65,598**	**40,016**
NON-CURRENT		
Fair value of interest rate derivatives	104,547	120,304
Fair value of fuel derivatives	4,530	-
Fair value of foreign currency derivatives	1,963	-
TOTAL NON-CURRENT	**111,040**	**120,304**
TOTAL HEDGING LIABILITIES	**176,638**	**160,320**

The foreign currency derivatives are forward exchange and collars contract.

Hedging operation

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

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Forward starting swaps (FSS) (1)	-	(19,703)
Interest rate options (2)	6	73
Interest rate swaps (3)	(146,283)	(139,733)
Fuel collars (4)	(911)	19,016
Fuel swap (5)	(9,000)	11,599
Currency forward (6)	-	(253)
Currency collars (7)	(15,228)	-

(1) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate for long-term loans incurred in the acquisition of aircraft to be produced from the future contract date. These contracts are recorded as cash flow hedges.

(2) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month LIBOR interest rate for long-term loans incurred in the acquisition of aircraft. These contracts are recorded as cash flow hedges.

(3) Covers the significant variations in cash flows associated with market risk implicit in the increases in the 3, 6 and 12 months LIBOR interest rates for long-term loans incurred in the acquisition of aircraft and bank loans. These contracts are recorded as cash flow hedges.

(4) Covers significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases.

(5) Covers the significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases.

(6) Covers investments denominated in Chilean pesos to changes in the US Dollar - Chilean Peso exchange rate, with the aim of ensuring investment in dollars.

(7) Covers TAM's revenues recorded in another currency.

During the periods presented, the Company only maintains cash flow hedges. In the case of fuel hedges, the cash flows subject to said hedges will impact results over the next 18 months from the consolidated statement of financial position date, where as in the case of interest rate hedging, the hedges will impact results over the life of the related loans, which are valid for 12 years. The hedges on investments will impact results continuously throughout the life of the investment (up to 3 months), while the cash flows occur at the maturity of the investment.

During the periods presented, there have not occurred hedging operations of future highly probable transaction that have not been realized.

During the periods presented, there has been hedge ineffectiveness recognized in the consolidated statement of income, for currency collars.

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:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Debit (credit) recognized in comprehensive income during the year	(2,510)	(40,368)
Debit (credit) transferred from net equity to income during the year	(26,470)	62

NOTE 22. TRADE AND OTHER ACCOUNTS PAYABLES

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

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
(a) Trade and other accounts payables	1,364,237	531,481
(b) Accrued liabilities at the reporting date	288,718	113,605
TOTAL TRADE AND OTHER ACCOUNTS PAYABLES	**1,652,955**	**645,086**

The balance at December 31, 2012 of Trade and other accounts payables, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

(a) Trade and other accounts payable as of December 31, 2012 and December 31, 2011 are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Trade creditors	1,036,436	410,533
Leasing obligations	30,818	18,849
Other accounts payabe (*)	296,983	102,099
TOTAL	**1,364,237**	**531,481**

(*) Includes agreement entitled “Plea Agreement” with the Department of Justice of the United States of America. See detail in Note 23.

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

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Aircraft fuel	360,618	134,088
Boarding Fee	203,690	80,253
Other personnel expenses	134,357	32,833
Landing and other aviation fees	121,464	41,900
Suppliers' technical purchases	64,981	36,387
Fleet (jol)	59,181	-
Professional services and advisory	52,903	29,870
Marketing	51,360	22,183
Handling and ground handling	49,738	34,743
Ground services	38,436	7,563
Aircraft and engines leasing	30,818	18,849
Services on board	26,674	12,929
Leases, maintenance and IT services	24,433	13,419
Tax recovery program (*)	19,668	-
U.S.A. Department of Justice (**)	18,387	18,387
Crew	16,233	9,780
Maintenance	8,619	11,252
Aviation insurance	7,465	6,274
Communications	5,038	5,881
Distrubution sistem	1,389	3,137
Others	68,785	11,753
TOTAL TRADE AND OTHER ACCOUNTS PAYABLES	**1,364,237**	**531,481**

(*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance.. (**) Includes agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 23.

(b) The liabilities accrued at December 31, 2012 and December 31, 2011, are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Accrued personnel expenses	174,147	46,034
Accounts payable to personnel (*)	70,625	38,391
Aircraft and engine maintenance	22,053	11,178
Others accrued liabilities	21,893	18,002
TOTAL ACCRUED LIABILITIES	**288,718**	**113,605**

(*) Profits and bonds participation (Note 26 letter b)

NOTE 23. OTHER PROVISIONS

The detail of Other provisions as of December 31, 2012 and December 31, 2011 is as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
PROVISION LEGAL CLAIMS (1)		
Civil contingencies	14,776	260
Labor contingencies	171	331
Tax contingencies	6,772	6,772
TOTAL OTHER PROVISIONS, CURRENT	**21,719**	**7,363**
NON-CURRENT		
PROVISION LEGAL CLAIMS (1)		
Civil contingencies	68,236	1,024
Labor contingencies	125,119	1,005
Tax contingencies	326,048	3,700
Other	6,066	5,981
PROVISION FOR EUROPEAN COMMISION INVESTIGATION (2)	10,865	10,675
TOTAL OTHER PROVISIONS, NON-CURRENT	**536,334**	**22,385**
TOTAL OTHER PROVISIONS (3)	**558,053**	**29,748**

(1) The amount represents a provision for certain legal claims made against the Company by former employees, regulatory agencies and others. The charge for the provision is shown in the consolidated statement of income in Administrative expenses. It is expected that the current balance as of December 31, 2012 will be applied during the next 12 months.

(2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.

(3) Referenced value in Note 35 Contingencies.

The balance at December 31, 2012 of Other provisions, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

The movement of provisions between January 1, 2011 and December 31, 2012 is as follows:

	Legal claims	European Commission Investigation	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 1, 2011	21,957	10,916	32,873
Increase in provisions	12,085	-	12,085
Provision used	(3,592)	-	(3,592)
Reversal of unused provision (*)	(11,518)	-	(11,518)
Exchange difference	141	(241)	(100)
CLOSING BALANCE AS OF DECEMBER 31, 2011	**19,073**	**10,675**	**29,748**
Opening balance as of January 1, 2012	19,073	10,675	29,748
Increase in provisions	5,596	-	5,596
Provision used (**)	(115,123)	-	(115,123)
Reversal of unused provision	(449)	-	(449)
Additions due to business combination	634,076	-	634,076
Subsidiaries conversion difference	3,724	-	3,724
Exchange difference	291	190	481
CLOSING BALANCE AS OF DECEMBER 31, 2012	**547,188**	**10,865**	**558,053**

(*) Is mainly related to the reversal of tax contingencies.

(**) The deposit judicial in guarantee, regarding the Fundo Aeroviário (FA), in the amount of MUSD $115, was done in order to suspend the enforceability of the tax credit. The company is discussing over the Tribunal the constitutionality of the requirement made by FA in a legal suit. Initially it was covered by the effects of a provisional remedy, meaning that, the company was not obligated to collect the tax while there was not a judicial decision in this regard. However, the decision taken by a judge in the first instance was publicized in an unfavorable way, revoking the provisional remedy relief. As the legal suit is still in progress (TAM appealed from this first decision), the company needed to do the deposit judicial in guarantee to suspend the enforceability of such tax credit. Finally, if the final decision is favorable to the company, the deposit already made is going to come back to TAM. On the other hand, if the tribunal confirms the first decision, such deposit will be converted in a definitive payment in favor of the Brazilian Government.

European Commission Provision:

(a) This provision was established because of the investigation brought by the Directorate General for Competition of the European Commission against more than 25 cargo airlines, including Lan Cargo S.A., as part of a global investigation begun in 2006 regarding possible unfair competition on the air cargo market. This was a joint investigation by the European and U.S.A. authorities. The start of the investigation was disclosed through a Essential Matter report dated December 27, 2007. The U.S.A. portion of the global investigation concluded when Lan Cargo S.A. and its subsidiary, Aerolíneas Brasileiras S.A. ("ABSA") signed a Plea Agreement with the U.S.A. Department of Justice, as disclosed in a Essential Matter report notice on January 21, 2009.

(b) A Essential Matter report dated November 9, 2010, reported that the General Direction of Competition had issued its decision on this case (the "decision"), under which it imposed fines totaling € 799,445,000 (seven hundred and ninety nine million four hundred and forty-five thousand Euros) for infringement of European Union regulations on free competition against eleven (11) airlines, among which are LATAM Airline Group S.A. and Lan Cargo S.A., Air Canada, Air France, KLM, British Airways, Cargolux, Cathay Pacific, Japan Airlines, Qantas Airways, S.A.S. and Singapore Airlines.

(c) Jointly, LATAM Airline Group S.A. and Lan Cargo S.A., have been fined in the amount of € 8,220,000 (eight million two hundred twenty thousand Euros) for said infractions, which was provisioned in the financial statements of LATAM Airline Group S.A.. This is a minor fine in comparison to the original decision, as there was a significant reduction in fine because LATAM Airline Group S.A. cooperated during the investigation.

(d) On January 24, 2011, LATAM Airline Group S.A. and Lan Cargo S.A. appealed the decision before the Court of Justice of the European Union. At December 31, 2012, the provision reached the amount of ThUS$ 10,865 (ThUS$ 10,675 at December 31, 2011)

NOTE 24. TAX LIABILITIES

The composition of Tax liabilities is as follow:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
CURRENT		
Sales tax	47,122	5,197
Retentions	14,512	13,138
Income tax	45,413	9,750
Others	8,434	1,284
TOTAL CURRENT	**115,481**	**29,369**

The balances at December 31, 2012 of Tax liabilities, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 25. OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities as of December 31, 2012 and December 31, 2011 are as follows:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Current		
Deferred revenues	1,909,896	969,873
Dividends payable	4,023	85,318
Sale leaseback	7,867	-
Other sundry liabilities	20,744	2,446
TOTAL OTHER NON-FINANCIAL LIABILITIES, CURRENT	**1,942,530**	**1,057,637**
Non-current		
Deferred revenues	101,259	-
Other sundry liabilities	62	-
TOTAL OTHER NON-FINANCIAL, NON CURRENT	**101,321**	-
TOTAL OTHER NON-FINANCIAL LIABILITIES	**2,043,851**	**1,057,637**

The balance at December 31, 2012 of Other non-financial liabilities current and non-current, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 26. EMPLOYEE BENEFITS

Liability for employee benefits as of December 31, 2012 and December 31, 2011, respectively, are as follows:

	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
Pension payments	12,594	10,556
Termination payments	240	280
Other obligations	5,532	2,296
TOTAL LIABILITY FOR EMPLOYEE BENEFITS	**18,366**	13,132

The balance at December 31, 2012 of Employee benefits, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

(a) The movement in Pension and termination payments and other obligations between January 1, 2011 and December 31, 2012 is as follows:

	ThUS$
Opening balance as of January 1, 2011	9,657
Increase (decrease) current service provision	5,482
Benefits paid	(2,007)
CLOSING BALANCE AS OF DECEMBER 31, 2011	**13,132**
Opening balance as of January 1, 2012	13,132
Increase (decrease) current service provision	5,274
Benefits paid	(40)
CLOSING BALANCE AS OF DECEMBER 31, 2012	**18,366**

(b) The liability for short-term benefits as of December 31, 2012 and December 31, 2011 respectively, is detailed below:

	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
Profit-sharing and bonuses (*)	70,625	38,391

(*) Accounts payables to the personnel (Note 22 letter b)

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

(c) Employment expenses are detailed below:

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Salaries and wages	1,296,101	764,396
Short-term employee benefits	397,824	85,681
Termination benefits	32,864	18,207
Other personnel expenses	181,084	144,219
TOTAL	**1,907,873**	**1,012,503**

For the period ended at December 31, 2012 the personnel expenses, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 27. ACCOUNTS PAYABLE, NON-CURRENT

Non-current accounts payable as of December 31, 2012 and December 31, 2011 are as follows::

	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
Fleet financing (JOL)	140,769	271,965
Tax recovery program (*)	207,089	-
Other accounts payable (**)	21,594	36,000
Aircraft and engine maintenance	335,834	38,540
Provision for vacations and bonuses	9,954	7,982
Other sundry liabilities	15,995	443
TOTAL ACCOUNTS PAYABLE, NON-CURRENT	**731,235**	**354,930**

(*) Fiscal Recovery Program in Brazil (REFIS), established in Law No. 11.941/09 and Provisional Measure No. 449/2009. REFIS is intended to allow the settlement of tax debts through a special mechanism to pay and refinance.

(**) Agreement entitled “Plea Agreement” with the Department of Justice of United States of America; its short-term part is in Trade and other payable. See details in Note 23.

The balance at December 31, 2012 of accounts payable non-current, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 28. EQUITY

(a) Capital

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

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

The capital of the Company at December 31, 2012 amounts to ThUS$ 1,501,018 divided into 479,098,052 common stock of a same series (ThUS$ 473,907, divided into 340,326,431 shares as of December 31, 2011), no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disablement, loss, replacement and other similar circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.

(b) Subscribed and paid shares

As of December 31, 2012, the total number of shares authorized is 488,355,791 shares no par value, according to the capital increase approved at the Extraodinary Shareholders' Meeting of December 21, 2011 by 147,355,882 ordinary shares no par value. Of this increase, 142,555,882 shares, was allocated to the merger with companies Sister Holdco S.A. and Holdco II S.A.; and 4,800,000 shares will be allocated to compensation plans for employees of the Company and its subsidiaries. At the end of December 2012, 343,978,986 are fully paid and 135,119,066 were subjected to exchange for shares of the Sister Holdco S.A. and Holdco II S.A.

As reported by Essential Matter dated June 28, 2012, the Board agreed to submit to the approval of shareholders of the Company that the remaining 7,436,816 shares that were not used in the exchange, not be used for the purpose of creating and implementing a compensation plan for employees of the Company and its subsidiaries, as provided in Article 24 of the Corporations Law, but instead preferably intended to be offered to shareholders of LATAM Airlines Group S.A., according to article 25 of the Corporation Law.

According to the information through Essential Matter dated August 3, 2012, to this date, the Board agreed to call Extraordinary Shareholders Meeting to discuss, among other matters, that the referred 7,436,816 shares were intended to be offered preferentially to shareholders of the Company and the balance not subscribed, was offered and placed on the market in general. The aforementioned Extraordinary Shareholders Meeting held on September 4, 2012, agreed, among other matters, the approval of the remaining 7,436,816 shares of total 142,555,882 shares issued under the authorization of the Extraordinary Shareholders Meeting dated December 21, 2011, and were not to be exchanged for shares of the Sister Holdco S.A. and Holdco II S.A., were intended to be offered preferably between the LATAM shareholders under Article 25 of the Corporations Law and that the unsubscribed balance, would be offered and placed on the market in general.

The re-destination and placement of those shares was approved by the Superintendency of Securities and Insurance, dated December 11, 2012. On December 20, 2012, the Board of Directors agreed to start, from December 21, 2012, the period of preferred option of those shares, proceeded to fix the price of placing them, which was reported to the Superintendency of Securities and Insurance by Essential Matter on the same date. At December 31, 2012, 2,988,885 of the said 7,436,816 shares had been placed of which 2,979,077 were paid. The Information on the result of this placement is available in Note 40 on Subsequent Events.

At December 31, 2011, of the total shares subscribed, 340,326,431 shares have been fully paid (includes 7,000 shares paid on December 30, 2011 and registered in the Register of Shareholders in January 2012), leaving 673,569 shares reserved for issuance under option contracts.

The following table shows the movement of the authorized and fully paid shares described above between January 1, 2011 and December 31, 2012

Movement of authorized shares	N° of shares	
Authorized shares as of January 1, 2011	341,000,000	
Increase Capital as of December 21, 2011		
Issued shares merger companies sister Holco S.A. and Holdcol S.A.	142,555,882	
Compensation plans for employees	4,800,000	
Authorized shares as of December 31, 2011	**488,355,882**	
Authorized shares as of January 1, 2012	488,355,882	
Increase capital option closing year 2007 options over canceled shares	(91)	
Authorized shares as of December 31, 2012	488,355,791	
Movement fully paid shares (*)	**N° of shares**	**Amount ThUS$**
Paid shares as of January 1, 2011	338,790,909	453,444
Exercise stock options increase capital 2007	1,535,522	23,135
Paid shares as of December 31, 2011	**340,326,431**	**476,579**
Paid shares as of January 1, 2012	340,326,431	476,579
Exercise stock options increase capital 2007	673,478	10,226
Exchange of shares for merger Companies Sister Holdco S.A. and Holdco II S.A.	135,119,066	951,409
Placement of the remaining preferred shares issued for merger with companies sister Holdco S.A. and Holdco II S.A.	2,979,077	68,986
Paid shares as of December 31, 2012 (*)	**479,098,052**	**1,507,200**

(*) Amounts reported represent only those arising from the payment of the outstanding shares, does not consider the capitalization costs for issuance and placement of shares by ThUS$ (3,510) at December 31, 2012 and ThUS$ (2,672) to December 31, 2011.

The movement of stock options over shares related to the capital increase in 2007 is detailed in Note 38.

(c) Treasury stock

At December 31, 2012, of the total number of shares subscribed and paid, the Company has acquired 7,401 shares, from the shareholders who exercised the right to retirement, for an amount of ThUS$ 203.

(d) Other sundry reserves

The movement of Other sundry reserves between January 1, 2010 and December 31, 2012 is as follows:

	Stock option plans ThUS$	Other reserves ThUS$	Total ThUS$
Opening balance as of January 1, 2011	5,401	62	5,463
Stock option plans	2,084	-	2,084
Deferred tax	(355)	-	(355)
Transactions with non-controlling interest	-	(1,801)	(1,801)
Capitalization share issuance and placement cost (1)	-	2,672	2,672
Legal reserves	-	429	429
CLOSING BALANCE AS OF DECEMBER 31, 2011	**7,130**	**1,362**	**8,492**
Opening balance as of January 1, 2012	7,130	1,362	8,492
Stock option plan	(1,299)	-	(1,299)
Deferred tax	(257)	-	(257)
Transactions with non-controlling interest	-	(1,604)	(1,604)
Cost of issuance and placement of shares (2)	-	(3,510)	(3,510)
Capitalization share issuance and placement cost (2)	-	3,510	3,510
Higher value for TAM S.A. share exchange	-	2,665,692	2,665,692
Legal reserves	-	1,232	1,232
CLOSING BALANCE AS OF DECEMBER 31, 2012	**5,574**	**2,666,682**	**2,672,256**

(1) Capitalization share issuance and placement costs caused by the capital increase carried out in 2007, as set out Extraordinary Shareholders Meeting held on December 21, 2011.

(2) The costs of issuance and placement of shares recognized in reserves during the first half of 2012 were capitalized during the month of September 2012, according to the minutes of the Extraordinary Meeting of Shareholders held on September 4, 2012.

(d.1) Reserves for stock option plans

These reserves are related to the "Share-based payments" explained in Note 38.

(d.2) Other reserves

The balance of Other reserves comprises the following:

	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
Higher value for TAM S.A. share exchange (1)	2,665,692	-
Reserve for the adjustment to the value of fixed assets (2)	2,620	2,620
Transactions with non-controlling interest (3)	(3,405)	(1,801)
Others	1,775	543
TOTAL	**2,666,682**	**1,362**

(1) Corresponds to the difference in the shares value of TAM S.A. acquired (under subscriptions) by Sister Holdco S.A. and Holdco II S.A. (under the Exchange Offer), as stipulated in the Declaration of Posting of Merger by Absorption and the fair value of these exchange shares of LATAM Airlines Group S.A. at June 22, 2012.

(2) Corresponds to the technical revaluation of fixed assets authorized by the Superintendence of Securities and Insurance in 1979, in Circular No. 1,529. The revaluation was optional and could be taken only once, the reserve is not distributable and can only be capitalized.

(3) Corresponds to the loss generated by the participation of Lan Pax Group S.A., in the capital increase for Aerovías de Integración Regional, AIRES S.A. by ThUS$ (621) at December 31, 2012 (ThUS$ (1,801) at December 31, 2011) and the loss generated by the participation of Lan Cargo S.A. Investment in the capital increase carried out by Línea Aérea Carguera de Colombia S.A. by ThUS$ (983) at December 31, 2012.

(e) Reserves with effect in other comprehensive income.

The movement of Reserves with effect in other comprehensive income between January 1, 2011 and December 31, 2012 is as follows:

	Currency translation reserve ThUS$	Cash flow hedging reserve ThUS$	Total ThUS$
Opening balance as of January 1, 2011	(4,257)	(107,050)	(111,307)
Derivatives valuation gains (losses)	-	(40,368)	(40,368)
Deferred tax	1,855	6,862	8,717
Conversion difference subsidiaries	(10,915)	-	(10,915)
CLOSING BALANCE AS OF DECEMBER 31, 2011	**(13,317)**	**(140,556)**	**(153,873)**
Opening balance as of January 1, 2012	(13,317)	(140,556)	(153,873)
Derivatives valuation gains (losses)	-	5,003	5,003
Deferred tax	(2,727)	(5,177)	(7,904)
Conversion difference subsidiaries	19,618	-	19,618
CLOSING BALANCE AS OF DECEMBER 31, 2012	**3,574**	**(140,730)**	**(137,156)**

(e.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.

(e.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) Retained earnings

The movement of Retained earnings between January 1, 2010 and December 31, 2012 is as follows:

	ThUS$
Opening balance as of January 1, 2011	949,214
Result for the period	320,197
Other decreases	(632)
Dividends	(151,981)
CLOSING BALANCE AS OF DECEMBER 31, 2011	**1,116,798**
Opening balance as of January 1, 2012	1,116,798
Result for the period	10,956
Other decreases	163
Dividends	(21,749)
CLOSING BALANCE AS OF DECEMBER 31, 2012	**1,106,168**

(g) Dividends per share

As of December 31, 2012

Description	Final dividend, 2011	Mandatory minimum dividend, 2012
Date of dividend	04-26-2012	12-31-2012
Amount of the dividend (ThUS$)	18,462	3,287
Number of shares among which the dividend is distributed	340,999,909	479,098,052
Dividend per share (US$)	0.05414	0.00686

As of December 31, 2011

Description	Final dividend, 2010	Interim dividend, 2011	Interim dividend, 2011
Date of dividend	04-29-2011	08-30-2011	12-20-2011
Amount of the dividend (ThUS$)	10,386	56,595	85,000
Number of shares among which the dividend is distributed	339,310,509	339,358,209	340,164,105
Dividend per share (US$)	0.03061	0.16677	0.24988

The Company's dividend policy is that dividends distributed will be equal to the minimum required by law, i.e. 30% of the net income according to current regulations. This policy does not preclude the Company from distributing dividends in excess of this obligatory minimum, based on the events and circumstances that may occur during the course of the year.

At December 31, 2012, dividends are provisioned for a minimum mandatory dividend corresponding to 30% of the value of Company. This amount is in the category Other non-financial liabilities, current.

NOTE 29. REVENUE

The detail of revenues is as follows:

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Passengers	7,978,664	4,008,910
Cargo	1,743,525	1,576,530
TOTAL	**9,722,189**	**5,585,440**

For the period ended at December 31, 2012 the Revenue, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 30. 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,	
	2012	2011
	ThUS$	ThUS$
Other rentals and landing fees	1,052,594	671,614
Aircraft fuel	3,434,569	1,750,052
Comissions	308,941	209,255
Other operating expenses	1,288,151	646,051
Aircraft rentals	313,038	174,197
Aircraft maintenance	297,618	182,358
Passenger services	239,848	136,049
TOTAL	**6,934,759**	**3,769,576**

(b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Depreciation (*)	753,747	386,644
Amortization	31,140	9,831
TOTAL	**784,887**	**396,475**

(*) Includes the depreciation of Property, plant and equipment and the maintenance cost of aircraft held under operating leases.

(c) Personnel expensesl

The costs for personnel expenses are disclosed in Liability for employee benefits (See Note 26).

(d) Financial costs

The detail of financial costs is as follows:

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Bank loan interest	213,332	109,168
Financial leases	46,893	12,265
Other financial instruments	34,373	17,644
TOTAL	**294,598**	**139,077**

Costs and expenses by nature presented in this note plus the Employee expenses disclosed in Note 26, 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.

For the period ended at December 31, 2012 the Cost and expenses by nature, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 31. GAINS (LOSSES) ON THE SALE OF NON-CURRENT ASSETS NOT CLASSIFIED AS HELD FOR SALE

The gains (losses) on sales of non-current assets not classified as held for sale as of December 31, 2012 and 2011 are as follows:

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Property, plant and equipment	(2,836)	(172)
TOTAL	**(2,836)**	**(172)**

NOTE 32. OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Duty free	17,463	16,874
Aircraft leasing	28,863	12,701
Logistics and courier	-	10,958
Customs and warehousing	24,537	24,677
Tours	74,226	43,952
Other miscellaneous income	75,067	23,642
TOTAL	**220,156**	**132,804**

For the period ended at December 31, 2012 of Other income, by function, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 33. FOREIGN CURRENCY AND EXCHANGE RATE DIFFERENCES

The functional currency of LATAM Airlines Group S.A. is the US dollar, also it has subsidiaries whose functional currency is different to the US dollar, such as the Chilean peso, Argentine peso, Colombian peso and Brazilian real, the latter due to Business Combinations with TAM S.A. and Subsidiaries.

The functional currency is defined primarily as the currency of the primary economic environment in which an entity operates in each state 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.

It was also necessary to apply the above definition to the December 2011 amounts, for comparative purposes.

(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, 2012 ThUS$	As of December 31, 2011 ThUS$
CASH AND CASH EQUIVALENTS	**337,223**	**216,747**
Argentine peso	68,705	12,956
Brazilian real	3,308	6,616
Chilean peso	40,091	148,148
Colombian peso	671	864
Euro	15,502	5,688
U.S. dollar	94,035	14,647
Strong bolivar	51,346	21,589
Other currency	63,565	6,239
OTHER FINANCIAL ASSETS	**30,936**	**17,214**
Argentine peso	-	1
Brazilian real	2,167	1,127
Chilean peso	550	499
Colombian peso	2,147	18
Euro	8	291
U.S. dollar	18,020	14,948
Strong bolivar	601	5
Other currency	7,443	325

Current assets	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
TRADE AND OTHER ACCOUNTS RECEIVABLE	**503,601**	**160,882**
Argentine peso	9,441	8,450
Brazilian real	33,313	35,467
Chilean peso	130,736	61,839
Colombian peso	3,153	28,150
Euro	67,287	8,266
U.S. dollar	166,758	3,289
Strong bolivar	2,759	1,247
Other currency	90,154	14,174
ACCOUNTS RECEIVABLE FROM RELATED ENTITIES	**14,565**	**838**
Chilean peso	14,565	809
U.S. dollar	-	29
TAX ASSETS	**64,553**	**45,524**
Argentine peso	3,740	1,792
Brazilian real	10,753	8,475
Chilean peso	24,764	14,651
Colombian peso	924	124
Euro	4,618	522
U.S. dollar	1,649	-
Strong bolivar	351	-
Other currency	17,754	19,960
TOTAL ASSETS	**950,878**	**441,205**
Argentine peso	81,886	23,199
Brazilian real	49,541	51,685
Chilean peso	210,706	225,946
Colombian peso	6,895	29,156
Euro	87,415	14,767
U.S. Dollar	280,462	32,913
Strong bolivar	55,057	22,841
Other currency	178,916	40,698

Non-current assets	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
OTHER FINANCIAL ASSETS	**31,329**	**4,388**
Argentine peso	8	1
Brazilian real	3,505	1,939
Chilean peso	98	89
Colombian peso	524	2,166
Euro	7,817	-
U.S. dollar	15,895	140
Other currency	3,482	53
ACCOUNTS RECEIVABLE	**14,812**	**7,482**
Chilean peso	9,564	7,422
U.S. dollar	5,000	-
Other currency	248	60
TAX ASSETS, LONG TERM PORTION	**22,105**	**17,951**
Argentine peso	41	17,951
U.S. dollar	1	-
Other currency	22,063	-
DEFERRED TAX ASSETS	**4,203**	**-**
Other currency	4,203	-
TOTAL ASSETS	**72,449**	**29,821**
Argentine peso	49	17,952
Brazilian real	3,505	1,939
Chilean peso	9,662	7,511
Colombian peso	524	2,166
Euro	7,817	-
U.S. dollar	20,896	140
Other currency	29,996	113

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

	Up to 90 days		91 days to 1 year	
Current liabilities	**As of December 31, 2012 ThUS$**	**As of December 31, 2011 ThUS$**	**As of December 31, 2012 ThUS$**	**As of December 31, 2011 ThUS$**
OTHER FINANCIAL LIABILITIES CURRENT	**241,473**	**-**	**589,105**	**-**
U.S. dollar	240,871	-	589,070	-
Euro	602	-	35	-
TRADE AND OTHER ACCOUNTS PAYABLES	**825,391**	**292,133**	**19,850**	**12,272**
Argentine peso	21,398	14,968	-	-
Brazilian real	38,506	32,898	8	9
Chilean peso	72,643	74,576	11,938	10,062
Colombian peso	29,268	26,594	-	-
Euro	38,540	10,921	1,695	697
U.S. dollar	208,858	44,115	6,157	1,431
Strong bolivar	2,710	1,269	-	22
Other currency	413,468	86,792	52	51
ACCOUNTS PAYABLE TO RELATED ENTITIES	**14**	**367**	**-**	**-**
Chilean peso	14	118	-	-
U.S. dollar	-	249	-	-
TAX LIABILITIES	**12,840**	**7,520**	**-**	**1,012**
Argentine peso	2,125	305	-	-
Brazilian real	2,925	1,724	-	334
Chilean peso	3,019	3,238	-	678
Colombian peso	200	-	-	-
Euro	3,261	468	-	-
U.S. dollar	325	593	-	-
Other currency	985	1,192	-	-

Current liabilities	Up to 90 days		91 days to 1 year	
	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
OTHER NON-FINANCIAL LIABILITIES	**48,935**	**51,884**	**16**	**3,827**
Brazilian real	98	-	10	235
Chilean peso	120	114	-	361
Colombian peso	3,082	16,135	-	-
U.S. dollar	44,056	35,392	-	3,231
Strong bolivar	1,211	239	-	-
Other currency	368	4	6	-
TOTAL LIABILITIES	**1,128,653**	**351,904**	**608,971**	**17,111**
Argentine peso	23,523	15,273	-	-
Brazilian real	41,529	34,622	18	578
Chilean peso	75,796	78,046	11,938	11,101
Colombian peso	32,550	42,729	-	-
Euro	42,403	11,389	1,730	697
U.S. dollar	494,110	80,349	595,227	4,662
Strong bolivar	3,921	1,508	-	22
Other currency	414,821	87,988	58	51

Non-current liabilities	More than 1 to 3 years		More than 3 to 5 years		More than 5 years	
	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
OTHER FINANCIAL LIABILITIES	**623,828**	**-**	**859,526**	**-**	**1,811,660**	**-**
U.S. dollar	622,680	-	859,526	-	1,811,660	-
Euro	1.148	-	-	-	-	-
ACCOUNTS PAYABLE	313,215	7,530	138	76	-	10
Chilean peso	8,286	6,549	138	76	-	10
U.S. dollar	303,631	-	-	-	-	-
Other currency	1,298	981	-	-	-	-
Other provisions	16,187	11,821	-	-	-	-
Argentine peso	664	651	-	-	-	-
Brazillian real	808	466	-	-	-	-
Chilean peso	36	29	-	-	-	-
Euro	10,865	10,675	-	-	-	-
Other currency	3,814	-	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	**953,230**	**19,351**	**859,664**	**76**	**1,811,660**	**10**
Argentine peso	664	651	-	-	-	-
Brazilian real	808	466	-	-	-	-
Chilean peso	8,322	6,578	138	76	-	10
Euro	12,013	10,675	-	-	-	-
U.S. dollar	926,311	-	859,526	-	1,811,660	-
Other currency	5,112	981	-	-	-	-

General summary of foreign currency:	As of December 31, 2012 ThUS$	As of December 31, 2011 ThUS$
TOTAL ASSETS	**1,023,327**	**471,026**
Argentine peso	81,935	41,151
Brazilian real	53,046	53,624
Chilean peso	220,368	233,457
Colombian peso	7,419	31,322
Euro	95,232	14,767
U.S. dollar	301,358	33,053
Strong bolivar	55,057	22,841
Other currency	208,912	40,811
TOTAL LIABILITIES	**5,362,178**	**388,452**
Argentine peso	24,187	15,924
Brazilian real	42,355	35,666
Chilean peso	96,194	95,811
Colombian peso	32,550	42,729
Euro	56,146	22,761
U.S. dollar	4,686,834	85,011
Strong bolivar	3,921	1,530
Other currency	419,991	89,020
NET POSITION		
Argentine peso	57,748	25,227
Brazilian real	10,691	17,958
Chilean peso	124,174	137,646
Colombian peso	(25,131)	(11,407)
Euro	39,086	(7,994)
U.S. dollar	(4,385,476)	(51,958)
Strong bolivar	51,136	21,311
Other currency	(211,079)	(48,209)

(b) Exchange differences

Exchange differences recognized in the income statement, except for financial instruments measured at fair value through profit or loss for the year ended December 31, 2012 and 2011, generated a gain of ThUS$ 66,685 and a loss of ThUS$ 256, respectively.

Exchange differences recognized in equity as reserves for currency translation differences for the year ended December 31, 2012 and 2011, represented a gain of ThUS$ 18,692 and a loss of ThUS$ 10,864, respectively.

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

	As of December 31, 2012	As of December 31, 2011
Argentine peso	4.91	4.30
Brazilian real	2.04	1.87
Chilean peso	479.96	519.20
Colombian peso	1,760.00	1,936.00
Euro	0.76	0.77
Strong bolivar	4.30	4.30
Australian dollar	0.96	0.98
Boliviano	6.86	6.86
Mexican peso	12.99	13.96
New Zealand dollar	1.22	1.28
Peruvian Sol	2.55	2.69
Uruguayan peso	19.05	19.80

For the period ended at December 31, 2012 of Foreign currency and exchange rate differences, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries.

NOTE 34. EARNINGS PER SHARE

	For the periods ended December 31,	
Basic earnings	**2012**	**2011**
Earnings attributable to controlling company's equity holders (ThUS$)	10,956	320,197
Weighted average number of shares, basic	412,267.624	339,424,598
Basic earnings per share (US$)	0.02657	0.94335

	For the periods ended December 31,	
Diluted earnings	**2012**	**2011**
Earnings attributable to controlling company's equity holders (ThUS$)	10,956	320,197
Weighted average number of shares, basic	412,267,624	339,424,598
Adjustment diluted weighted average shares stock options	-	271,380
Weighted average number of shares, diluted	412,267,624	339,695,978
DILUTED EARNINGS PER SHARE (US$)	**0.02657**	**0.94260**

NOTE 35. CONTINGENCIES

Lawsuits

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

Company	Court	Case No.	Origin	Stage of trial	Amounts commited 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.	In implementation stage in Switzerland, the conviction stated that Variglog should pay the principal, interest and costs in favor of AAI. It keeps the embargo of Variglog funds in Switzerland with AAI. Variglog is in the process of judicial recovery in Brazil and has asked Switzerland to recognize the judgment that declared the state of judicial recovery.	17,100 plus interest and costs
Atlantic Aviation Investments LLC (AAI)	Supreme Court of the State of New York County of New York.	602286-09	Atlantic Aviation Investments LLC. ("AAI") sued on July 24, 2009 Matlin Patterson Global Advisers LLC, Matlin Patterson Global Opportunities Partners II LP, Matlin Patterson Global Opportunities Partners (Cayman) II LP and Logistics LLC Volo (a) as alter egos of Variglog for non-payment of the four loans mentioned in the previous note and (b) for breach of its obligation to guarantee and other obligations under the Memorandum of Understanding signed between the parties on September 29, 2006.	AAI filed a "summary judgment" (abbreviated trial) which the court ruled favorably. The defendants appealed this decision which was ultimately dismissed by the High Court. The cause was turned back to the lower court for determination of the amount actually payable by the applicants (damages).	17,100 plus interest, costs and damages
Aerotransportes Mas de Carga S.A.	Federal Court of fiscal and administrative justice.	31698/11-17-01-8	Nullity trial against the tax authority's refusal to restore balance in favor of VAT.	Presentation of evidence.	4,900

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Lan Cargo S.A. y LATAM Airlines Group S.A.	In the High Court of Justice Chancery División (Inglaterra) and Directie Juridische Zaken Afdeling Ceveil Recht (Países Bajos).	-	Lawsuits filed against European airlines by users of freight services in private prosecutions as a result of the investigation for possible violations of airline competition freighters, especially fuel surcharge. Lan Cargo S.A. and LATAM Airlines Group S.A, have been sued in court proceedings as third parties, based in England and the Netherlands.	Case is in evidence discovery process.	Undeter-mined
Aerovías de Integración Regional, AIRES S.A.	Juzgado Tercero Civil del Circuito de Bogotá.	-	On December 10, 2008, the aircraft HK-4491 was in the airport in Bucaramanga, and after start of the engine No. 2, to start the engine starting procedure of the engine No. 1, failure occurred in the start system and pressurization of the aircraft. The demander, Mrs. Milena Paez, alleged contractual liability for what happened because she lost hearing capacity in her right ear and her family, professional and community life were affected, breaking the obligation to keep airline passengers safe until their destination.	On July 31, 2012 the demander filed a memorial rectifying the demand. By order on August 23, 2012 (reported by state August 27, 2012), the Court considered the demand remedied and resolved the preliminary objection requirement, stating that it did not prosper. Also ordered to pay the costs guarantee call for a million pesos COP. ($ 1,000,000).	Aires S.A. was demanded with a main claim of approximately ThUS$ 1,768, i.e. COP 1,900 million (equivalent to 3,550 SMMLV (*), plus the interests liquidated from December 2008, an item that generates an additional COP 1,500 million, equivalent to 2,800 SMMLV). *(*) SMMLV: Current legal monthly minimum wage.*
Aerolinhas Brasileiras S.A.	Administrative Council for Economic Defense, Brazil	-	Investigation for possible violations of airline competition freighters, especially fuel surcharge	Investigation pending. CADE has not yet issued a final decision.	Indetermined

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	2nd District Court Guayaquil	09504-2010-0114	Order Determining the Value Added Tax (VAT) 2006.	Sentence pending	4,565
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Tribunal Fiscal de Guayaquil.	6319-4064-05	Judicial proceedings against the Regional Director of the Internal Revenue Services Guayaquil, for overpayment of taxes.	Tax Litigation Division of the National Court accepts appeal of IRS. Extraordinary Action Protection for the Constitutional Court.	4,210 plus interest
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Internal revenue services.	17502-2012-0082	Determination Act for 2006 Income Tax, which have unknown CEDT requesting certification of branch expenses, ARC commissions without Withholding of Income Tax, etc. Process initiated in 2012.	Sentence pending.	8,971

(ii) Trials received by LATAM AIRLAINS GROUP S.A. and subsidiries

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
LATAM Airlines Group S.A. y Lan Cargo S.A.	European commission and Canada	-	Investigation for possible violations of airline competition freighters, especially fuel surcharge. On December 26, 2007, the Directorate General for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group S.A. of a case against twenty-five cargo airlines, including Lan Cargo S.A., for possible violations of free competition in the European air cargo market, especially the alleged fixing a fuel surcharge and freight. On November 9, 2010, the Directorate General for Competition of the European Commission notified Lan Cargo S.A. and LATAM Airlines Group SA the imposition of a fine in the amount of ThUS$ $ 10,865. This penalty is being appealed by Lan Cargo SA and LATAM Airlines Group S.A. The outcome of this appeal cannot be predicted.	On April 14, 2008, the notification of the European Commission was answered. The appeal was filed on January 24, 2011.	10,865
LATAM Airlines Group S.A. y Lan Cargo S.A.	Competition Bureau Canadá.	-	Investigation for possible violations of airline competition freighters, especially fuel surcharge	Investigation pending	Undetermined

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
LATAM Airlines Group S.A.	Tenth Civil Court of Santiago	-	The company Jara Jara and Limited sues LATAM Airlines Group S.A. based on the damage they have caused due to the criminal complaints filed for the crime of fraud against them in 2008, which were dismissed for good. They claim that the damage caused by LATAM Airlines Group S.A. affected their prestige and business continuity.	First instance.	11,935
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Civil Court 20 Pichincha.	374-2012 LA	Passenger demand for misuse by counter agent of credit card.	Waiting for conciliation hearing date.	5,500
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10314.720023 / 2011-15	Notice of Violation to request Import tax collection ("II") and the Excise Tax ("IPI") over the imports of certain aircraft.	Decision in favor at first instance by determining the exclusion of BRL$ 700 millions. Currently waiting for the judgment on the letter of appeal and the voluntary appeal filed by the Company.	376,827
Tam Linhas Aéreas S.A.	Tribunal Regional Federal da 2 da Região the (Court of the Second Region).	2001.51.01. 012530-0	Ordinary judicial action brought to declare that there is no legal relationship obligating the Company to raise the Air Fund.	Protection granted to remove the charge by the Fundo Aeroviário (FA). Pending the completion of the survey.	123,204
Tam Linhas Aéreas S.A.	Tribunal Regional Federal da 3a Região (Court of the Third Region)	2007.61.05. 014317-3 (AI 2008.03.00. 004494-2)	Requirements presented to eliminate possible sanctions for noncompliance with special customs regime of temporary admission.	The main process associated with this case ruled favorably to the interests of the Company. Currently awaiting the implementation of the same decision in the present case.	50,205
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	16643.000087 /2009-36	Notice of Violation of the requirement to pay the social contribution on net profit ("CSL").	Decisions of first and second administrative instance adverse to the interest of the company. Currently awaiting the decision of the wew action brought by the company.	35,447

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10880.725950 /2011-05	Compensation claims of social contributions PIS and COFINS.	Currently awaiting for the judgment in the event of disagreement presented by the Company.	32,586
Pantanal Linhas Aéreas S.A.	Regional Court of the Third District.	1997.0002503-9	Execution filed to collect tax penalties for breach of special customs regime of temporary admission.	Waiting for the decision of the second instance. Favorable sentence.	25,789
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10314.720181 /2011-75	Order to require the collection of II, IPI and social contributions PIS and COFINS affecting imports of aircraft components.	Pending the decision of the first administrative instance.	23,792
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	16643.000085 /2009-47	Order compound to demand the income tax and CSL derived from royalties expense detail and the use of the brand TAM.	First instance decision unfavorable to the interests of the company. Currently expecting ruling on the appeal filed by the Company.	15,687
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	10831.012344 /2005-55	Infraction II presented to demand payment and social contributions of PIS and COFINS arising from the loss of unidentified international cargo.	Partially favorable decision at the first administrative level. Currently awaiting the decision of appeal by the Company.	12,619
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo)	3.123.785-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Currently expecting the ruling on the appeal filed by the Company.	10,951
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.130.043-1	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Currently expecting ruling on the appeal filed by the Company.	10,531

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.099.486-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Currently expecting ruling on the appeal filed by the Company.	10,531
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	11610.001360 /2001-56	Application for reimbursement of social security contributions of PIS.	Unfavorable ruling in the first and second administrative instances. Currently expecting fiscal execution ruling.	8,864
Tam Linhas Aéreas S.A.	Secretary of Finance of the State of Sao Paulo.	3.117.001-8	Notice of infringement demanding payment of ICMS on imports of aircraft	Pending decision on the appeal filed by the Company.	8,712
Tam Linhas Aéreas S.A.	Secretary of Finance of the State of Sao Paulo.	3.120.346-2	Notice of infringement demanding payment of ICMS on imports of aircraft.	Pending decision on the appeal filed by the company.	8,375
Tam Linhas Aéreas S.A.	Tribunal Regional Federal da 3a Região (Court of the Third Region).	2006.03.00. 022504-6	Penalty forcing IRPJ collection in the months of February, March and August 1998.	Pending first instance ruling.	8,066
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.120.355-3	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Currently awaiting a ruling on the appeal filed by the Company.	7,970
Tam Linhas Aéreas S.A.	Secretary of Federal Revenues of Brazil (Internal Revenue Service of Brazil).	0045794	Notice of infraction registered to demand payment of COFINS social contribution in the third quarter of 1997.	Expected the ruling on impeachment filed by the Company	7,941

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.120.286-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	7,234
Tam Linhas Aéreas S.A.	Governo do Estado de São Paulo (State Government of Sao Paulo).	990.172	Fiscal Execution to demand payment of ICMS that affects the import of aircraft.	Trial suspended. It now expects the end of main trial.	6,956
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.123.000-3	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	6,950
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.099.563-2	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Currently awaiting a ruling on the appeal filed by the Company.	6,427
Tam Linhas Aéreas S.A.	Internal Revenue Service.	2002.61.19. 001123-1	Injunction filed to prevent recovery of IPI on imports of aircraft.	Currently awaiting a ruling on the appeal filed by the Company.	6,360
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	4.002.475-1	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Expected the ruling on impeachment filed by the Company.	6,184

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.019.886-0	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	5,693
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado da Paraíba (Secretary of Finance of the State of Paraiba).	93300008.09. 00000883 /2009-31	Order of infringement to demand payment of ICMS in particular operations.	Currently awaiting a ruling on the appeal filed by the Company.	5,626
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.123.770-8	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Currently awaiting a ruling on the appeal filed by the Company.	5,604
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.154.701-1	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Expected the ruling on impeachment filed by the Company.	5,480
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.146.575-4	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	5,309
Tam Linhas Aéreas S.A.	Secretaria da Receita Federal (Internal Revenue Service).	10880-676.339 /2009-13	Order of infringement to demand payment of IRPJ.	Expected the ruling on impeachment filed by the Company.	5,264

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Tam Linhas Aéreas S.A.	National Social Security Institute – INSS.	2006.03.00. 080569-5	Regular judicial action filed to cancel the collection of INSS on amounts paid by way of transportation benefit.	Pending decision on the appeal filed by the company.	5,202
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.146.651-5	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of main trial.	5,174
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de Goiás (Secretaria de Hacienda del Estado de Goias).	3032722060291	Order of infringement to demand payment of ICMS in particular operations.	Currently awaiting a ruling on the appeal filed by the Company.	5,309
Tam Linhas Aéreas S.A.	Secretaria da Receita Federal (Servicio de Impuestos Internos de Brazil).	16643.000088 /2009-81	Order of infringement to demand payment of IRPJ and CSLL.	Currently awaiting a ruling on the appeal filed by the Company.	4,850
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.117.801-7	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Trial suspended. It now expects the end of mai trial.	4,816
Tam Linhas Aéreas S.A.	Secretaria da Fazenda do Estado de São Paulo (Secretary of Finance of the State of Sao Paulo).	3.129.987-8	Order of infringement to demand payment of ICMS governing the importation of aircraft.	Currently awaiting arulin on the appeal riled by the company.	4,537

Company	Court	Case No.	Origin	Stage of trial	Amounts commited ThUS$
Tam Linhas Aéreas S.A.	1st Civil Court of the District of Navegantes / SC.	033.03.013110-6 (precautionary) 033.03.014870-(ordinary).	Action filed by a former sales representative of TAM demanding compensation for moral and economic damage in consequence of the alleged wrongful termination of contract and unfounded trade representative land freight transport other than agreeing in advance the establishment of protection enforceable court.	We are currently awaiting the evaluation of our objection to the expert report.	4,637
Tam Linhas Aéreas S.A.	Labour Court of Porto Alegre.	0000504-79.2010.5.04.0014	Class action by the Union of Aviation Workers of Porto Alegre which requires payment of the bond risk for maintenance employees.	Process in the last instance, waiting judgment of appeal.	5,046 Approximate value / Estimated
Tam Linhas Aéreas S.A.	Labour Justice Guarulhos / SP - Jurisdiction of Labor Guarulhos.	0000728-47.2010.5.02.0313	Class action by the Union of Aviation Workers of Guarulhos/SP which requires payment of risk bonus for all workers of the base.	Process in the second instance, awaiting the judgment of the appeal on both parts.	53,020 Approximate value / Estimated
Tam Linhas Aéreas S.A.	Labour Justice Salvador / BA - Labor Jurisdiction Salvador / BA.	0000033-78.2011.5.05.0021	Class action by the National Union of Aviation workers, which requires payment of risk bonus for all employees of the SSA base.	Process in the first instance. Awaiting sentencing.	13,010 Approximate value / Estimated
Tam Linhas Aéreas S.A.	Labour Justice Sao Paulo.	001680-65.2011.5.02.0030	Action by the Union State Aerovias de São Paulo/SP that requires payment of hazard pay for all employees.	Procedure according to completion.	15,645 Approximate value / Estimated
Tam Linhas Aéreas S.A.	Labour Court Brasilia.	01683.2009.015.10.003	Action by the Union Aerovias Brasilia/DF demanding payment of hazard compensation for all maintenance employees.	Process in the last instance. Awaiting the outcome of the appeal.	4,717 Approximate value / Estimated

In order to deal with any financial obligations arising from legal proceedings outstanding at December 31, 2012, whether civil, labor or tax, LATAM Airlines Group S.A., has made provisions, which at the end of these financial statements, reached the sum of ThUS$ 558,053 which is disclosed in Note 23.

The Company has not disclosed the individual probability of success for each contingency in order to not negatively affect its outcome.

NOTE 36. COMMITMENTS

(a) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767, 777 and 787 aircraft, which carry the guarantee of the United States Export–Import Bank, limits have been set on some of the Company's financial indicators on a consolidated basis. Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership and disposal of assets.

Additionally, with respect to various loans signed by its subsidiary Lan Cargo S.A. for the financing of Boeing 767F and 777F aircraft, which carry the guarantee of the United States Export–Import Bank, restrictions have been established to the Company´s management and its subsidiary Lan Cargo S.A. in terms of shareholder composition and disposal of assets.

In connection with the financing of spare engines for its Boeing 767, 767F, 777, 777F and 787, which are guaranteed by the Export - Import Bank of the United States, restrictions have been placed on the ownership structure of their guarantors and their legal successor in case of merger.

In relation to credit agreements entered into by the Company, for the current period local banks have set limits to some financial indicators of the Company on a consolidated basis. At December 31, 2012, the Company is in compliance with these indicators.

The subsidiary TAM Linhas Aéreas S.A., in connection with the issuance of debentures (CVM 476) by original amount of ThR$ 600,000 in 2009, has established financial limit indicators to TAM Linhas Aéreas S.A.. Anticipating a possible declaration of breach of this limit at the end of December 2012, TAM Linheas Aéreas S.A. requested a waiver to the Asamblea General de Debenturista and according to IFRS accounting standards, financial liabilities related to this issuance of debentures are classified in current financial liabilities. On February 14, 2013, the Asamblea General de Debenturista granted the requested waiver and as a result, this obligation shall be classified within current financial liabilities and non-current in the next financial statements.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

Lessor	Aircraft	As of December 31, 2012	As of December 31, 2011
ACS Aircraft Finance Bermuda Ltd. - Aircastle (WFBN)	Boeing 737	1	1
Air Canada (Sublessor)	Airbus A340	1	1
Airbus Financial Services	Airbus A340	2	-
Aircraft 76B-26261 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-26327 Inc. (ILFC)	Boeing 767	-	1
Aircraft 76B-26329 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-27597 Inc. (ILFC)	Boeing 767	-	1
Aircraft 76B-27613 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-27615 Inc. (ILFC)	Boeing 767	1	1
Aircraft 76B-28206 Inc. (ILFC)	Boeing 767	1	1
Aircraft Solutions Lux V S.ÀR.L. (AVMAX)	Bombardier Dhc8-200	1	1
ALC A319 1703, LLC (*)	Airbus A319	1	-
Aviacion Centaurus, A.I.E (Santander) (*)	Airbus A319	3	-
Aviación Centaurus, A.I.E. (*)	Airbus A321	1	-
Aviación Real A.I.E (*)	Airbus A319	1	-
Aviación Real A.I.E (*)	Airbus A320	1	-
Aviación Tritón A.I.E. (*)	Airbus A319	3	-
Avolon Aerospace AOE 19 Limited	Airbus A320	1	1
Avolon Aerospace AOE 20 Limited	Airbus A320	1	1
Avolon Aerospace AOE 6 Limited	Airbus A320	1	1
AWAS (SWEDEN TWO) AB (*)	Airbus A320	2	-
AWAS 4839 Trust	Airbus A320	1	1
AWAS 5125 Trust	Airbus A320	1	-
AWAS 5178 Limited	Airbus A320	1	-
AWAS 5234 Trust	Airbus A320	1	-
Baker & Spice Aviation Limited (*)	Airbus A320	2	-
BOC Aviation Pte. Ltd.	Airbus A320	1	1
Celestial Aviation Trading 35 Ltd. (GECAS)	Boeing 767	1	1
CIT Aerospace International	Boeing 767	1	1
CIT Aerospace International (*)	Airbus A319	3	-
CIT Aerospace International (*)	Airbus A320	4	-
Continuity Air Finance IV B.V (BOC) (*)	Airbus A319	1	-
Delaware Trust Company, National Association (CRAFT)	Bombardier Dhc8-200	9	9
Eden Irish Aircr Leasing MSN 1459 (AERCAP) (*)	Airbus A320	1	-
GECAS Sverige Aircraft Leasing Worldwide AB (*)	Airbus A320	10	-

Lessor	Aircraft	As of December 31, 2012	As of December 31, 2011
GECAS Sverige Aircraft Leasing Worldwide AB (*)	Airbus A330	2	-
GFL Aircraft Leasing Netherlands B.V. (GECAS) (*)	Airbus A320	1	-
International Lease Finance Corporation	Boeing 737	2	2
International Lease Finance Corporation	Boeing 767	1	1
International Lease Finance Corporation (*)	Airbus A320	1	-
JB 30244, Inc. - AWAS	Boeing 737	-	1
JB 30249, Inc. - AWAS	Boeing 737	-	1
KN Operating Limited (NAC)	Bombardier Dhc8-400	4	4
MASL Sweden (1) AB (MACQUARIE) (*)	Airbus A320	1	-
MASL Sweden (2) AB (MACQUARIE) (*)	Airbus A320	1	-
MASL Sweden (7) AB (MACQUARIE) (*)	Airbus A320	1	-
MASL Sweden (8) AB (MACQUARIE) (*)	Airbus A320	1	-
MCAP Europe Limited - Mitsubishi (WTC)	Boeing 737	1	1
MSN 32415, LLC - AWAS	Boeing 737	-	1
Orix Aviation Systems Limited	Airbus A320	3	2
Pembroke B737-7006 Leasing Limited	Boeing 737	2	2
RBS Aerospace Limited (*)	Airbus A320	6	-
SKY HICH V LEASING COMPANY LIMITED (*)	Airbus A320	1	-
Sunflower Aircraft Leasing Limited - AerCap	Airbus A320	2	2
Volito Aviation August 2007 AB (*)	Airbus A320	2	-
Volito Aviation November 2006 AB (*)	Airbus A320	2	-
Volito Brasilien AB (*)	Airbus A319	1	-
Volito November 2006 AB (*)	Airbus A320	2	-
Wells Fargo Bank North National Association (ACG) (*)	Airbus A319	1	-
Wells Fargo Bank North National Association (ACG) (*)	Airbus A320	2	-
Wells Fargo Bank North National Association (BAKER & SPICE) (*)	Airbus A320	1	-
Wells Fargo Bank North National Association (BOC) (*)	Airbus A319	3	-
Wells Fargo Bank North National Association (BOC) (*)	Airbus A320	2	-
Wells Fargo Bank Northwest N.A (AVOLON) (*)	Airbus A320	4	-
Wells Fargo Bank Northwest National Association (ACG) (*)	Airbus A320	2	-
Wells Fargo Bank Northwest National Association (BOC) (*)	Airbus A320	1	-
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 767	4	4
Wells Fargo Bank Northwest, N.A. (GECAS)	Boeing 777	2	2
Wilmington Trust Company (ILFC) (*)	Airbus A319	1	-
Zipdell Limited (BBAM) (*)	Airbus A320	1	-
TOTAL		**123**	**49**

(*) The composition of the fleet as operating leases at December 31, 2012, incorporates the effects of Business Combinations with TAM S.A. and Subsidiaries. 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, 2012 ThUS$	As of December 31, 2011 ThUS$
No later than one year	380,713	169,842
Between one and five years	852,659	443,256
Over five years	235,658	92,264
TOTAL	**1,469,030**	**705,362**

The minimum lease payments charged to income are the following:

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Minimum operating lease payments	310,496	168,369
TOTAL	**310,496**	**168,369**

In December 2010, the Company added one Airbus A 320-200 aircraft for a period of eight months, the latter finally returned in May 2011. Additionally, in November and December 2010 added two Boeing 767-300F for periods of seven and six months, respectively.

In January 2011 the Company added to the fleet three aircraft, a Boeing 767-300F with a contract term of five years, one Airbus A320-200 for a period of seven years and one Airbus A319-100 for a period of four months which was returned in May 2011. In July 2011 the Company added two Airbus A320-200 aircrafts for a period of eight years, while in August and September 2011, the Company received an Airbus A320-200 aircraft for a period of eight years. On the other hand, in September 2011 a Bombardier Dhc8-200 aircraft was returned due to termination of the lease term.

In September 2011, the Company signed a contract to establish the early departure of three Boeing 737-700. The return of these three aircraft was completed during the second quarter of 2012.

During the second quarter of 2012, added three Airbus A320-200 aircraft leased for a period of 8 years. During the third quarter of 2012, it the Company added two Airbus A320-200 aircraft, leased for periods of 6 and 8 years. In addition, two Boeing 767-300 aircraft and two Airbus A320-200 were returned given the end of the lease contract.

The operating lease agreements signed by the Company and its subsidiaries state that maintenance of the aircraft should be done according to the manufacturer's technical instructions and within the margins agreed in the leasing agreements, a cost that must be assumed by the lessee. The lessee should also contract insurance for each aircraft to cover associated risks and the amounts of these assets. Regarding rental payments, these are unrestricted and may not be netted against other accounts receivable or payable between the lessor and lessee.

At December 31, 2012 the Company has existing letters of credit related to operating leasing as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
Air Canada	LATAM Airlines Group S.A.	One letter of credit	1,800	February 13, 2013
Celestial Aviation Trading 16 Limited	Lan Cargo S.A.	Two letter of credit	3,500	April 25, 2013
GE Capital Aviation Services Limited	LATAM Airlines Group S.A.	Six letter of credit	17,052	January 10, 2013
GE Capital Aviation Services Limited	Lan Cargo S.A.	Five letter of credit	15,222	November 16, 2013
International Lease Finance Corp	LATAM Airlines Group S.A.	Eight letter of credit	3,880	February 26, 2013
Orix Aviation System Limited	LATAM Airlines Group S.A.	Two letter of credit	6,520	May 5, 2013
TAF Mercury	LATAM Airlines Group S.A.	One letter of credit	4,000	December 11, 2013
TAF Venus	LATAM Airlines Group S.A.	One letter of credit	4,000	December 11, 2013
CIT Aerospace International	LATAM Airlines Group S.A.	Two letter of credit	3,240	May 13, 2013
Wells Fargo Bank Northwest, National Association	LATAM Airlines Group S.A.	One letter of credit	2,530	June 30, 2013
Baker & Spice Aviation Limited	Tam Linhas Aéreas S.A.	Four letter of credit	30,428	April 23, 2013
BOC Aviation (USA) Corporation	Tam Linhas Aéreas S.A.	Four letter of credit	8,365	February 3, 2013
Cit Aerospace International	Tam Linhas Aéreas S.A.	Seven letter of credit	26,382	January 10, 2013
DVB Group Merchant Bank (Asia) Ltd.	Tam Linhas Aéreas S.A.	Two letter of credit	6,386	April 13, 2013
GE Capital Aviation Services Limited	Tam Linhas Aéreas S.A.	Twelve letter of credit	8,380	May 23, 2013
Masl Sweden	Tam Linhas Aéreas S.A.	Six letter of credit	6,163	October 4, 2013
RBS Aerospace Limited	Tam Linhas Aéreas S.A.	Five letter of credit	7,425	May 31, 2013
SMBC Aviation	Tam Linhas Aéreas S.A.	Three letter of credit	12,143	February 24, 2013
Volito November 2006 Ab	Tam Linhas Aéreas S.A.	Three letter of credit	1,311	September 17, 2013
			168,727	

(c) Other commitments

At December 31, 2012 the Company has existing letters of credit, certificates of deposits and warranty insurance policies as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
Deutsche Bank A.G.	LATAM Airlines Group S.A.	Three letter of credit	30,000	January 31, 2013
The Royal Bank of Scotland plc	LATAM Airlines Group S.A.	Two letter of credit	18,000	January 8, 2013
Dirección General de Aviación Civil de Chile	LATAM Airlines Group S.A.	Sixty two ticket guarantee	16,970	September 1, 2013
Comisión Europea	LATAM Airlines Group S.A.	One letter of credit	10,686	February 11, 2013
Dirección Seccional de Aduanas de Bogotá	Línea Aérea Carguera de Colombia S.A.	Three insurance policies guarantee	5,025	June 10, 2013
Washington International Insurance	LATAM Airlines Group S.A.	Six letter of credit	2,700	April 5, 2013
Metropolitan Dade County	LATAM Airlines Group S.A.	Five letter of credit	1,675	May 31, 2013
PK Airfinance US, INC.	Tam Linhas Aéreas S.A.	Three letter of credit	4,800	September 23, 2013
GE Capital Aviation Services Limited	Tam Linhas Aéreas S.A.	Three letter of credit	4,162	October 8, 2013
12ª Vara Cível da Comarca de Natal/RN	Tam Linhas Aéreas S.A.	One insurance policies guarantee	2,347	May 17, 2013
6ª Vara da Fazenda Pública de São Paulo/SP	Tam Linhas Aéreas S.A.	One insurance policies guarantee	2,474	March 1, 2013
3ª Vara da Fazenda Pública de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,402	May 28, 2014
12ª Vara da Fazenda Pública do Estado de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,392	January 28, 2014
Vara De Execuções Fiscais De Santa Cataria	Tam Linhas Aéreas S.A.	One insurance policies guarantee	3,780	November 20, 2013
6ª Vara de Execuções Fiscais Federal de Campo Grande/MS	Tam Linhas Aéreas S.A.	Two insurance policies guarantee	73,142	January 4, 2014
União Federal	Tam Linhas Aéreas S.A.	One insurance policies guarantee	2,533	July 24, 2015
Execuções Fiscais Estaduais da Comarca de São Paulo	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,158	May 25, 2014
2ª Vara Cível da Comarca de Bauru/SP	Tam Linhas Aéreas S.A.	One insurance policies guarantee	1,000	November 14, 2014
			183,246	

NOTA 37. TRANSACTIONS WITH RELATED PARTIES

a) Transactions with related parties for the period ended December 31, 2012

Tax No.	Related party	Nature of relationship with related parties	Country of oorigin	Explanation of other information about related parties	Nature of related parties transctions	Currency	Amounts of transactions
							ThUS$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling Shareholder	Chile	Investments	Revenue from services provided	CLP	11
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor Services received Services received	CLP CLP US$	411 (1,101) (803)
65.216.000-K	Comunidad Mujer	Other related parties	Chile	Promotion and women empowerment	Revenue from services provided Services received	CLP CLP	13 (13)
78.591.370-1	Bethia S.A. y Filiales	Other related parties	Chile	Investments	Leases as lessor	CLP	741
		Other related parties			Revenue from services provided	CLP	897
					Commitments made on behalf of the entity	CLP	3
					Services received	CLP	(786)
					Sale of Property plant and equipment (1)	CLP	14,217
79.773.440-3	Transportes San Felipe S.A.	Other related parties	Chile	Transport	Services Received	CLP	(279)
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Pisciculture	Revenue from services provied	CLP	243
96.812.280-0	San Alberto S.A. y Filiales	Other related parties	Chile	Investments	Services Received	US$	(29)
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Leases as lessor	US$	(442)
					Liabilities settlement on behalf of the entity for the related party	US$	11
Foreign	Tadef-Transporte Administração e Participação Ltda.	Other related parties	Brazil	Transport	Services Received	US$	(18)
Foreign	TAM Aviação Executiva e Taxi Aéreo S.A.	Other related parties	Brazil	Transport	Revenue from services provied	BRL	306
					Liabilities settlement on behalf of the entity for the related party	BRL	3
Foreign	Made In Everywhere Repr. Com. Distr. Ltda.	Other related parties	Brazil	Transport	Services Received	BRL	(211)
Foreign	Prismah Fidelidade S.A.	Other related parties	Brazil	Marketing	Liabilities settlement on behalf of the entity for the related party	BRL	419

(1) On December 28, 2012, Inmobiliaria Aeronáutica S.A. as seller and Sotraser S.A. (Subsidiary of Bethia S.A.) as purchaser, entered into an agreement to purchase the land called "Lot No. 12 of the parcellation proyect Lo Echevers." The value of the sale amounted to ThUS$ 14,217.

(b) Transactions with related parties for the period ended December 31, 2011

Tax No.	Related party	Nature of relationship with related parties	Country of oorigin	Explanation of other information about related parties	Nature of related parties transctions	Currency	Amounts of transactions
							ThUS$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA.	Controlling Shareholders	Chile	Investments	Leases as lessor	CLP	71
					Revenue from services provided	CLP	19
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Leases as lessor Services received Services received	CLP CLP US$	122 (652) (594)
78.591.370-1	Bethia S.A. y Filiales (1)	Other related parties	Chile	investments	Leases as lessor Revenue from services provided Cession granted debt Services received Sale of subsidiaries	CLP CLP CLP CLP CLP	546 1,683 4,461 (456) 53,386
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Fish farming	Revenue from services provided	CLP	199
96.625.340-1	Inversiones Mineras del Cantabrico S.A.	Other related parties	Chile	Investments	Other prepayments received	US$	(811)
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Leases as lessee Other prepayments granted	US$ US$	(412) 811

(1) On April 6, 2011, Lan Cargo S.A. and Inversiones Lan S.A., subsidiaries of LATAM Airlines Groups S.A. as sellers and Servicios de Transporte Limitada and Inversiones Betmin SpA., subsidiaries of Bethia S.A., as purchasers, entered into a contract of sale related to 100% of the social equity of companies Blue Express INTL Ltda. y Blue Express S.A. The value of the sale of Blue INTL Ltda. and subsidiary was for ThUS$ 53,386.

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

As of December 31, 2012 operations with common shareholders of TAM S.A. and Subsidiaries, are considered from the date of Business Combination, which is June 22, 2012.

(c) Compensation of key management

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

	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Remuneration	15,146	9,696
Management fees	653	185
Non-monetary benefits	395	665
Short-term benefits	5,060	5,011
Share-based payments	1,412	2,084
TOTAL	**22,666**	**17,641**

NOTE 38. SHARE-BASED PAYMENTS

(a) LATAM Airlines Group S.A. compensation plans.

The compensation plans implemented through the granting of options to subscribe and pay for shares, which have been granted since the last quarter of 2007, are shown in the consolidated statements of financial position in accordance with IFRS 2 "Share-based payments", booking the effect of the grate date fair value of the options granted as a charge to remuneration on a straight-line basis between the date of granting the options and the date on which these become vested.

During the last quarter of 2009, the original terms of the plan were amended regarding subscription and payment of options. These modifications were carried out during the first quarter of 2010 and established a new term and exercise price.

The original grant and subsequent amendments have been formalized through the signing of option contracts for the subscription of shares according to the proportions shown in the accrual schedule, which are related to the permanence of the executive on those dates for exercising the options:

Percentage	Period
30%	From October 29, 2010 until March 31, 2012
70%	From October 30, 2011 until March 31, 2012

These options have been valued and booked at their fair value on the grant date, determined using the "Black-Scholes-Merton" method.

All options expired on March 31, 2012.

Stock options under a share-based payment agreement	Number of share options
Balance as of January 1, 2011	2,209,091
Stock options exercised	(1,535,522)
Closing balance as of December 31, 2011	673,569
Balance as of January 1, 2012	673,569
Stock options annulled	(91)
Stock options exercised	(673,478)
Closing balance as of December 31, 2012	-

Entry data for option valuation model used for stock options granted.

Weighted average share price	Exercise price	Expected volatility	Life of option	Dividends expected	Risk-free interest
US$ 17.3	US$ 14.5	33.2%	1.9 YEARS	50%	0.0348

(b) Subsidiaries compensation plans

TAM Linhas Aereas S.A. and Multiplus S.A., both subsidiaries of TAM S.A., have outstanding stock options at December 31, 2012, which amounted to 972,344 shares and 891,261 shares, respectively.

TAM Linhas Aéreas S.A.

Description	1st Grant	2nd Grant	3rd Grant	4th Grant	1st Extraordinary Grant	3rd Extraordinary Grant	4th Extraordinary Grant	Total
Date	12-28-2005	11-30-2006	12-14-2007	05-28-2010	09-27-2007	04-01-2010	04-01-2010	
Outstanding option number	-	119,041	259,857	363,446	230,000	-	-	**972,344**

Multiplus S.A.

Description	1st Grant	2nd Grant	3rd Grant	4th Grant	1st Extraordinary Grant	2nd Extraordinary Grant	3th Extraordinary Grant	Total
Date	10-04-2010	11-08-2010	04-16-2012	10-04-2010	10-04-2010	10-04-2010	04-16-2012	
Outstanding option number	61,463	2,245	362,272	-	403,235	-	62,046	**891,261**

The Options of TAM Linhas Aéreas S.A., under the plan's terms, are divided into three equal parts and employees can run a third of its options after three, four and five years respectively, as long as they remain employees of the company. The agreed term of the options is seven years.

For Multiplus S.A., the plan's terms provide that the options granted to the usual prizes are divided into three equal parts and employees may exercise one-third of their two, three and four, options respectively, as long as they keep being employees of the company. The agreed term of the options is seven years after the grant of the option. The first extraordinary granting was divided into two equal parts, and only half of the options may be exercised after three years and half after four years. The second extraordinary granting was also divided into two equal parts, which may be exercised after one and two years respectively.

Both companies have an option that contains a "service condition" in which the exercise of options depends exclusively on the delivery services by employees during a predetermined period. Terminated employees will be required to meet certain preconditions in order to maintain their right to the options.

The state, in relation to the acquisition of the share's rights, in both companies is as follows:

Company	Number of shares Accrued options	Number of shares Non accrued options
TAM Linhas Aéreas S.A.	972,344	-
Multiplus S.A.	-	891,261

NOTE 39. THE ENVIRONMENT

In 2010 the Group completed the creation of the Environmental Division of LAN Airlines S.A., whose structure has allowed it to manage environmental issues inside the Company on a global level over the last two years. The main objective of this department is to implement a management system and environmental programs that meet the increasingly demanding requirements globally and with it, position the Company as an industry leader in global environmental issues.

One of the functions of the Environmental Division is to develop, in conjunction with the various areas of the Company, continuous improvement programs in their internal processes that generate environmental benefits and to complement those programs currently in process.

The main initiatives in 2012 on environmental issues were as follow:

Chile:

- Implementation of the first commercial flight within South America with Biofuel used cooking oil;
- Studies and external audits and environmental issues, particularly in diagnostics and updating environmental compliances.

Peru:

- Measurement and external Verification of Carbon Footprint in LAN Perú S.A.
- Purchase carbon credits in the amount of US$ 49,000 to offset the emissions of our operations on the ground.

Ecuador:

- Starting the implementation of an environmental management system project for our operations at the new airport in Quito.

USA:

- Starting the implementation of an environmental management system project for our cargo operation in Miami.

During 2012 the expenses incurred by the Environmental Division was US$ 526,074.

NOTE 40. EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS

1. Devaluation in Venezuela:

On February 8, 2013, Exchange Arrangement N°14 was published in the Official Gazette of the Bolivarian Republic of Venezuela according to which effective February 9, 2013, the exchange rate was set at 6.30 bolivars per US$1. Until that date, the exchange rate was 4.30 bolivars per US$1.

Article 9 of the same Arrangement added that foreign currency sale transactions corresponding to applications that had been marked received by the Foreign Currency Administration Commission as of February 8, 2013 for, among other purposes, international passenger, cargo and mail air carriage duly licensed by the National Executive Branch, will be settled using the exchange rate of 4.30 bolivars per US$1.

2. Suspension of the B787 Fleet Operation:

On January 16, 2013, All Nippon Airways and Japan Airlines suspended their Boeing 787 operations because of recent occurrences with the battery systems of those aircraft. On the same date, the Federal Aviation Administration ("FAA") instructed the Boeing 787 operators in the United States of America to suspend their flights until inspections and actions were taken regarding the battery system.

Therefore, in coordination with the Chilean Civil Aviation Board ("DGAC"), the Company decided to suspend its Boeing 787 operations until further notice.

Boeing has been working on resolving the problems that led to the suspension of the Boeing 787 fleet. There has not yet been any official decision by the FAA, so it is impossible to determine when that fleet will resume operation.

3. Employee Compensation Plan for the Company and its subsidiaries:

At a Special Shareholders Meeting held December 21, 2011, the Company's shareholders approved, among other matters, an increase in its capital by US$1,465,372,970.09 through the issuance of 147,355,882 common shares with no par value. US$47,733,352.49 of that increase, corresponding to the issuance of 4,800,000 shares, would be allocated to compensation plans for employees of the Company and its subsidiaries, pursuant to Article 24 of the Companies Law.

The main conditions for these compensation plans are:

(a) Upon a recommendation by the Company's Executive Committee, the Board will determine the employees of the Company and its subsidiaries included in the Compensation Plan and the number of options for the acquisition of shares in the Company that will be allocated to each, after which a stock option agreement will be signed with each employee.

(b) Until the shares in the option are subscribed, the optionee will have no economic or political rights and will not be considered in the quorum for shareholders meetings.

(c) The options allocated to each employee will accrue in parts on the following three dates: 1) 30% on December 21, 2014: (2) 30% on December 21, 2015 and (3) 40% on June 21, 2016, subject to remaining in the company's employ.

(d) The price payable for each share allocated to the Compensation Plan, if the options are exercised, will be CLP$11,000. It will be calculated, adjusted and payable in the manner indicated in letter h) below.

(e) Once the options accrue, in the aforesaid parts, the employee may exercise them in whole or in part, in which case he must subscribe and pay for the respective shares at once, in the act of subscription, in cash, by check, by bank check, by electronic fund transfer or any other instrument or paper representing money payable on demand. Partial exercise may be for no less than 10% of all options held by the Employee.

(f) The period during which the employee must exercise the options after they have accrued according to letter c) above will expire December 21, 2016. If the employee has not exercised or waived the options in that period, he will be understood, for all purposes, to have waived the options and, accordingly, all rights, powers, promises or offers in relation to the subscription of cash shares in the Company will be deemed extinguished and it will be understood that the employee has irrevocably waived any right or power in relation thereto. The Company will be released from any obligation.

(g) If the employee resigns from his position or his employment contract is terminated for any reason other than the reasons contained in article 160 of the Labor Code, only the options accrued through the date of termination of the employment contract may be exercised, always provided the period for exercise of the options is in force.

The employee will also forfeit the right to exercise the options, whether or not they have accrued, if he is severed for any of the reasons contained in article 160 of the Labor Code.

The heirs or legatees of the employee shall exercise the rights and fulfill the obligations in substitution for the employee should he die, and the above provisions in this letter shall consequently not apply. In that case, all of the options granted shall accrue automatically and the heirs or legatees must exercise them within 180 calendar days after the date of the employee's death. The employee shall retain his rights to the options in the event of a permanent disability and may exercise them in the periods indicated above.

(h) The price payable for these shares, if the respective options are exercised, will be expressed in Dollars of the United States of America ("Dollars"), for the equivalent in that currency to the Placement Price indicated in letter d) above on the date when the Company's Board of Directors sets it (the "Pricing Date"), converted at the observed dollar exchange rate published in the Official Gazette on the Pricing Date. As of the Pricing Date, said price expressed in Dollars will be adjusted by the change in the Consumer Price Index (CPI) published monthly by the U.S. Department of Labor, from the Pricing Date to the date of subscription and payment of the shares. The subscription price shall be paid in pesos, local currency, converted at the observed dollar exchange rate published in the Official Gazette on the date of subscription and payment of the shares.

(i) The options may not be assigned, liened or transferred in any way by the employee. However, the employee may state his waiver of the options at any time by sending a certified letter of waiver to the Chief Financial Officer of the Company.

4. Decision on Global Alliance:

On March 7, 2013, the Company informed the Securities and Insurance Commission of the following material event:

(a) In Decision N° 37 dated September 21, 2011 (the "Decision"), the Antitrust Court ("TDLC") approved the concentration transaction between LAN Airlines S.A. (now called LATAM Airlines Group S.A.) and TAM Linhas Aereas S.A., subject to fulfillment of the conditions stipulated in that Decision.

(b) The sixth condition imposed by the TDLC's Decision requires that "LATAM resign from at least one of the two global alliances in which the parties to this Transaction, LAN and TAM, are members, in the period of 24 months as from the date of consummation of the Transaction."

(c) The Conselho Administrativo de Defesa Economica (the Administrative Economic Defense Council, or CADE) of Brazil approved the merger of TAM S.A. and LAN Airlines S.A. by resolution issued December 14, 2011, which was partially amended on February 8, 2012, subject to fulfillment of the conditions stipulated in said resolution. One of those definitive conditions was that the petitioners, namely LAN Airlines S.A. and TAM S.A., submit the choice of the global alliance in which they will participate to approval by CADE in the period of 22 months after consummation of the concentration transaction, i.e., as from June 22, 2012.

(d) In order to fulfill the aforesaid conditions imposed by each of TDLC and CADE, the Board of Directors of LATAM Airlines Group resolved, at a regular Board meeting held March 5, 2013, to choose oneworld as its global alliance for the airlines in its group. As a result, TAM Linhas Aereas S.A. ("TAM") and Aerovias de Integracion Regional-Aires S.A. ("Lan Colombia") will join oneworld in which LATAM Airlines Group and 13 others are already members.

(e) In the opinion of the Board of LATAM Airlines Group, this global alliance is the one best suited to the company's interests and has the most synergies with LATAM Airlines Group. It also offers the best benefits, more connectivity and products for our passengers.

(f) TAM's Board also resolved to resign from TAM's membership in the Star Alliance global alliance, which will take effect in the second quarter of 2014, on a date to be disclosed during 2013.

(g) TAM is expected to officially join oneworld during the second quarter of 2014, as soon as it leaves Star Alliance. That date will also be announced this year.

(h) LAN Colombia is expected to join oneworld in the fourth quarter of 2013.

(i) Finally, this decision by the Board of LATAM Airlines Group S.A. will be presented in due course to CADE, according to the terms of its aforesaid resolution and to applicable procedure.

5. Covenants of TAM Linhas Aéreas S.A.:

Our subsidiary, TAM Linhas Aéreas S.A., has set limits on some of its financial indicators in relation to the issuance of debentures (CVM 476) in 2009 for an original amount of ThR $600,000. Anticipating a potential declaration of default on those limits at the close of December 2012, TAM Linheas Aéreas S.A. requested a waiver by the General Debenture Holder Assembly and according to IFRS accounting standards, the financial liabilities relating to this debenture issue are classified as a current financial liability. On February 14, 2013, the General Debenture Holder Assembly granted that waiver, so this obligation will be classified as current and non-current financial liabilities in the future financial statements.

6. Placement of remainder in the exchange of shares:

On September 4, 2012, the Company held a special shareholders meeting convened by its Board of Directors on August 3, 2012. At that meeting, shareholders decided, among other matters, that the remainder of 7,436,816 shares in LATAM out of a total of 142,555,882 shares issued under authorization of the Special Shareholders Meeting held December 21, 2011 that were not exchanged for shares in Sister Holdco S.A. and Holdco II S.A. be allocated to a preemptive offer among LATAM shareholders according to article 25 of the Companies Law, and that any unsubscribed balance be placed on the market.

Placement of these shares was approved by the Securities and Insurance Commission on December 11, 2012. On December 20, 2012, the Company's Board of Directors agreed to begin the right of first refusal period for such shares effective December 21, 2012 and to set the placement price at CLP$11,000 per share, all of which was informed to the Securities and Insurance Commission by a disclosure on the same date. At the end of that right of first refusal period, i.e., on January 19, 2013, 6,857,190 shares of that remainder had been subscribed and paid, leaving a balance of 579,626 unsubscribed shares. That balance was auctioned on the Santiago Stock Exchange, Securities Exchange, on January 23, 2013 at a price of CLP$11,921 per share.

7. Capital increase of Multiplus S.A.

On March 8, 2013 the company Multiplus S.A., subsidiary of TAM S.A., published the following Significant matter:

Multiplus S.A. (BM&FBOVESPA: MPLU3) ("Company"), pursuant to Law 6404 of December 15, 1976, as amended ("Corporation Law"), Instruction 358/02 issued by the Brazilian Securities and Exchange Commission ("CVM"), as amended, and article 7 of CVM Instruction 471 of August 8, 2008 ("CVM Instruction 471"), hereby informs its shareholders and the market in general that:

Today, the Company presented ANBIMA – the Brazilian Association of Capital and Financial Market Entities ("ANBIMA") with a request for the preliminary analysis of the registration of a primary public distribution of registered common book-entry shares with no par value issued by the Company, free and clear of any encumbrances ("Shares" and "Offering", respectively). Said request for the preliminary analysis for the registration of the Offering will obey the simplified procedure envisaged in CVM Instruction 471 and in the ANBIMA Regulation and Best Practices Code for Agreement Activities.

The Offering will be coordinated by Banco BTG Pactual S.A. ("Lead Manager" and "Stabilizing Agent") and Banco J.P. Morgan S.A. and will comprise the primary public distribution of Shares in Brazil on the unorganized over-the-counter market, pursuant to CVM Instruction 400 of December 29, 2003, as amended ("CVM Instruction 400"), including best placement efforts abroad for qualified institutional investors resident and domiciled in the United States of America, defined in accordance with Rule 144A of the Securities Act of 1933, through operations that are exempt from prior registration as per said Securities Act, as well as for investors in other countries, except the United States of America and Brazil, who are not resident in the United States of America or constituted in accordance with its laws.

The Company's shareholders will not be entitled to pre-emptive rights as per article 172 of Corporation Law, although they will have priority to subscribe to shares proportional to their share of the Company's total capital stock, pursuant to the Offering documentation ("Priority Offering").

In accordance with article 24 of CVM Instruction 400, the number of Shares initially offered may be augmented by an over-allotment option of up to 15% of the total Shares initially offered ("Over-Allotment Option"), to be granted by the Company to the Stabilizing Agent in order to meet any excess demand determined during the Offering. In addition, without prejudice to the Over-Allotment Option, pursuant to article 14, paragraph 2 of CVM Instruction 400, the number of Shares initially offered, excluding the Over-Allotment Option, may, at the criterion of the Company, be augmented by up to 20% of the total Shares initially offered under the same conditions and at the same price as the Shares initially offered ("Additional Shares").

The amount of the Offering, excluding the Over-Allotment Option and the Additional Shares, is estimated at approximately R$ 800 million (eight hundred million reais), although this may vary depending on effective demand for the Shares demonstrated during the course of the Offering. The sale price of the Shares will be determined after conclusion of the bookbuilding process, based on the following parameters: (i) the price of the Shares on the BM&FBOVESPA; and (ii) the indications of interest, due to the nature of demand (by volume and price), collected during the bookbuilding process.

The Offering, and its terms and conditions, were approved by a meeting of the Company's Board of Directors on March 7, 2013. The effective capital increase within the limits of authorized capital, with the exclusion of existing shareholders' pre-emptive rights, pursuant to article 172, item I of Corporation Law, and the price per share will be approved by a meeting of the Company's Board of Directors to be held before the CVM grants registration of the Offering.

This communication should not be regarded as an announcement of a Share offering. The Offering will be subject to national and international market conditions. In due time, the Company will publish a Notice to the Market containing information on: (i) the remaining characteristics of the Offering; (ii) the locations from where the preliminary prospectus can be obtained; (iii) the estimated Offering disclosure dates and locations; and (iv) the conditions, procedures, reserve period and bookbuilding period. The Offering's registration request is currently under study and the Offering will only begin when it has been duly registered with the CVM.

The Company will keep the market informed of any important decisions regarding the Offering. Finally, pursuant to Official Letter Ofício-Circular/CVM/SEP/N°01/2013, the Company hereby declares that its Management opted to discontinue the disclosure of its guidance in item 11 of its Reference Form, given the need to align its guidance disclosure policy with the procedures of its independent auditors and other consultants in the context of public offerings of securities issued by the Company in Brazil and abroad, in accordance with CVM Instruction 400.

The Consolidated Financial Statements of LATAM Airlines Group S.A. and Subsidiaries as December 31, 2012 were approved at Board of Directors Meeting held March 19, 2013.

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATED COMPANIES

LATAM AIRLINES GROUP S.A.

LATAM Airlines Group S.A.

NOMBRE: LATAM AIRLINES GROUP S.A., CHILEAN TAX N° 89.862.200-2

Incorporation: Established as a limited liability company by public deed of 30 December 1983, extended by Public NotaryEduardo 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 LíneaAéreaNacionalde Chile S.A. (now LATAM Airlines Group S.A.). As regards aeronautic 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.

The Extraordinary Shareholders' Meeting of LAN Chile S.A. held on 23 July 2004 agreed to change the company's name to "LAN Airlines S.A.". An extract of the public deed corresponding to the Meeting's minutes was recorded on the Business Register of the Real Estate Registry Office at Folio 25,128 Nº 18,764 of 2004 and was published in the Official Gazette of 21 August 2004. Thechange of namecameintoforceon 8 September 2004.

The Extraordinary Shareholders' Meeting of LAN Airlines S.A. held on 21 December 2011 agreed to change the company's name to "LATAM Airlines Group S.A." An extract of the public deed corresponding to the Meeting's minutes was recorded on the Business Register of the Real Estate Registry Office at Folio 4,238 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 subject to the regulation applicable to listed joint stock companies and is registered with the Superintendencia de Valores y Seguros (SVS), Chile's stock market regulator, under Inscription N° 0306 of 22 January 1987.

Note: The financial information about subsidiaries presented below has been summarized. Their complete financial statements are available to the public at our corporate headquarters and at the Superintendencia de Valores y Seguros (SVS).

TAM S.A. and Subsidiaries

Incorporation: Joint stock company established in Brazil in May 1997.

Purpose: To participate as a shareholder in other companies, especially companies that provide regular national and international air transport services and other activities associated, related and complementary to regular air transport.

BOARD OF DIRECTORS:

Chairman: Maria Cláudia Oliveira Amaro
Directors: Maurício Rolim Amaro
Noemy Almeida Oliveira Amaro
Flávia Turci
Enrique Cueto Plaza
Ignacio Cueto Plaza

Subscribed and paid-in capital:	ThUS$ 404,169
Net income:	ThUS$ (28,166)
Shareholding:	100,00%
% of consolidated assets:	3,76%

Sociedades Filiales de TAM S.A. y Participación	
TAM Linhas Aereas S.A. y filiales	100,00%
Multiplus S.A.	72,87%
Transportes Aereos del Mercosur S.A.	94,98%
Pantanal Linhas Aereas S.A.	100,00%
Corsair Participações Ltda.	100,00%
TP Franchising Limited	99,99%

TAM S.A. and Subsidiaries

Consolidated Statements of Financial Position	As of December 31, 2012
ASSETS	
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	2.017.632
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	8.917
Total current assets	2.026.549
Total non-current assets	6.266.180
TOTAL ASSETS	**8.292.729**
LIABILITIES AND EQUITY	
LIABILITIES	
Total current liabilities	3.039.500
Total non-current liabilities	4.478.196
TOTAL LIABILITIES	**7.517.696**
EQUITY	
Parent's ownership interest	753.907
Non-controlling interest	21.126
Total equity	775.033
TOTAL LIABILITIES AND EQUITY	**8.292.729**

Consolidated Statements of Income by Function	As of the period betweenJune 22th and December 31th of 2012 ThUS$
Revenues	3.645.409
Gross margin	615.475
Income before taxes	(22.171)
Income tax expense	(5.995)
NET INCOMEFOR THE PERIOD	**(28.166)**
Net income for the period attributable to:	
Owners of the parent	(45.163)
Non-controlling interest	16.997
NET INCOMEFOR THE PERIOD	**(28.166)**

Consolidated Statements of Comprehensive Income by Function	As of the period between June 22th and December 31th of 2012 ThUS$
NET INCOMEFOR THE PERIOD	(28.166)
Other comprehensive income	5.941
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(22.225)**
Comprehensive income attributable to:	
Owners of the parent	(40.072)
Non-controlling interest	17.847
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(22.225)**

Consolidated Statements of Changes in Equity	Parent's ownership interest ThUS$	Non-controlling interest ThUS$	Total equity ThUS$
Equity as ofJune 22, 2012	963.736	21.497	985.233
Comprehensive income for the period	(40.072)	17.847	(22.225)
Dividends	-	(19.997)	(19.997)
Other increase (decrease) in equity	(169.757)	1.779	(167.978)
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012	**753.907**	**21.126**	**775.033**

Consolidated Statements of Cash Flows – Direct Method	As of the period between June 22th and December 31th of 2012 MUS$
Net cash flow from (used in) operating activities	(28.166)
Net cash flow from (used in) investment activities	195.418
Net cash flow from (used in) financing activities	(537.981)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(63.317)**
Effects of variation in the exchanges rate on cash and cash equivalents	(6.587)
Cash and cash equivalents at end of period	320.716

LAN Cargo S.A. and Subsidiaries

Board of directors

Chairman: José Cox Donoso
Directors: Juan José Cueto Plaza
Ramón Eblen Kadis
Ignacio Cueto Plaza
Enrique Cueto Plaza

INCORPORATION: Established as a closed joint stock company by public deed of 22 May 1970, extended by Public Notary Sergio Rodríguez Garcés, with the assets and liabilities of the Línea Aérea del Cobre Limitada (Ladeco Limitada) which had been established by public deed of 3 September 1958, extended by Public Notary Jaime García

Palazuelos. The company's bylaws have since been amended on a number of occasions, most recently by public deed of 20 November 1998, recorded at Folio 30,091 Nº 24,117 of the Santiago Business Register and published in the Official Gazette of 3 December 1998, under which Ladeco S.A. merged through incorporation with Fast Air Carrier S.A., a subsidiary of LAN Chile S.A.

Under public deed of 22 October 2001 corresponding to the Extraordinary Shareholders' Meeting of Ladeco S.A. held on the same date, its name was changed to "LAN Chile Cargo S.A.". An extract of this deed is recorded on the Business Register of the Santiago Real Estate Registry Office at Folio 27,746 Nº 22,624 of 2001 and was published in the Official Gazette of 5 November, 2001. The change of name came into force on 10 December 2001.

Under public deed of 23 August 2004 corresponding to the Extraordinary Shareholders' Meeting of LAN Chile Cargo S.A. held on 17 August 2004, its name was changed to "LAN Cargo S.A." An extract of this deed is recorded on the Business Register of the Santiago Real Estate Registry Office at Folio 26,994 Nº 20,082 of 2004 and was published in the Official Gazette of 30 August 2004.

PURPOSE: To engage in and develop, on its own account or on behalf of others, the following activities: transport in general in any of its forms and, in particular, the air transport of passengers, cargo and mail within and outside Chile; tourism, hotel and other complementary activities in any of their forms within and outside Chile; the purchase, sale, manufacture and/or assembly, maintenance, renting or any other form of use of aircraft, spare parts and aeronautic equipment, either on its own account or on behalf of third parties, and their exploitation on any account; the provision of all types of services and consultancy related to transport in general and to air transport in particular, in any of its forms whether consisting of ground support, maintenance, technical or any other type of consultancy, within and outside Chile; and, all types of activities related to tourism, hotels and the other activities and goods referred to above, within and outside Chile. In compliance with these objectives, the Company may make investments or become a partner in other companies by acquiring shares or rights or interests in any other type of association, whether existing or formed in the future, and may in general perform all the acts and enter into all contracts necessary and pertinent to fulfill the above objectives.

Subscribed and paid-in capital:	THUS$ 83,225
Net income:	THUS$55,356
Shareholding:	99,8980%
% of consolidated assets:	2,20%

LAN Cargo S.A.: Shareholdings in subsidiaries

Laser Cargo S.R.L	99,99%
Aircraft Internacional Leasing Limited	99,98%
Ediciones Ladeco América S.A.	99,00%
Ladeco Cargo S.A.	99,00%
Fast Air Almacenes de Carga S.A.	99,89%
Prime Airport Services Inc. y filial	100,00%
LAN Cargo Overseas Limited y filiales	99,98%
Transporte Aéreo S.A.	99,99%
Consorcio Fast Air Almacenes de Carga S.A. - Laser Cargo S.R.L. Unión Transitoria de Empresas	100,00%
LAN Cargo Inversiones S.A. y filial	99,00%
Connecta Corporation	100,00%

LAN Cargo S.A. and subsidiaries
(Closed joint stock company)

Consolidated Statements of Financial Position	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
ASSETS		
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	484.594	499.321
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	2.318	2.291
Total current assets	486.885	501.639
Total non-current assets	716.666	528.033
TOTAL ASSETS	**1.203.551**	**1.029.672**
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	296.223	215.112
Total non-current liabilities	455.291	292.417
TOTAL LIABILITIES	**751.514**	**507.529**
EQUITY		
Parent’s ownership interest	447.028	518.600
Non-controlling interest	5.009	3.543
TOTAL EQUITY	**452.037**	**522.143**
TOTAL LEABILITIES AND EQUITY	**1.203.551**	**1.029.672**

Consolidated Statements of Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Revenues	1.333.780	1.292.997
Gross margin	40.465	59.930
Income before income taxes	(47.360)	111.710
Income tax expense	(7.996)	(14.657)
NET INCOMEFOR THE PERIOD	**(55.356)**	**97.053**
Net income for the period attributable to:		
Owners of the parent	(55.478)	96.365
Non-controlling interest	122	688
NET INCOME FOR THE PERIOD	**(55.356)**	**97.053**

Consolidated Statements of Comprehensive Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
NET INCOMEFOR THE PERIOD	(55.356)	97.053
Other comprehensive income	1.055	(1.162)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(54.301)**	**95.891**
Comprehensive income attributable to:		
Owners of the parent	(54.308)	95.199
Non-controlling interest	7	692
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(54.301)**	**95.891**

Consolidated Statements of Changes in Equity	Parent's ownership interest	Non-controlling interest	Total equity
	ThUS$	ThUS$	ThUS$
EQUITY AS OF JANUARY 1, 2011	456.106	2.752	458.858
Comprehensive income for the period	95.199	692	95.891
Dividends	(32.544)	(14)	(32.558)
Other increase (decrease) in equity (161)	(161)	113	(48)
PRIOR YEAR ENDING BALANCE AS OF DECEMBER 31, 2011	**518.600**	**3.543**	**522.143**
EQUITY AS OF JANUARY 1, 2012	518.600	3.543	522.143
Comprehensive income for the period	(54.308)	7	(54.301)
Dividends	(15.901)	-	(15.901)
Other increase (decrease) in equity	(1.363)	1.459	96
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012	**447.028**	**5.009**	**452.037**

Consolidated Statements of Cash Flows – Direct Method	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Net cash flow from (used in) operating activities	125.990	71.438
Net cash flow from (used in) investment activities	(11.677)	104.682
Net cash flow from (used in) financing activities	(118.848)	(177.751)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(4.535)**	**(1.631)**
Effects of variation in the exchanges rate on cash and cash equivalents	(2)	(74)
Cash and cash equivalents at end of period	12.688	17.225

LAN Perú S.A.

BOARD OF DIRECTORS:

Chairman: Emilio Rodríguez Larraín Salinas
Directors: Enrique Cueto Plaza
Ignacio Cueto Plaza
Alejandro de la Fuente Goic
Jorge Harten Costa
Alejandro García Vargas
Luis Enrique Gálvez de la Puente

INCORPORATION: Established as a joint stock company in Peru on14 February 1997.

PURPOSE: To provide air transport services for passengers, cargo and mail, domestically and internationally, in compliance with civil aeronautical laws.

Subscribed and paid-in capital:	THUS$4,341
Net income:	THUS$2,683
Shareholding:	70,00%
% of consolidated assets:	0,04%

LAN Perú S.A.
(Closed joint stock company)

Balance Sheet	**As of December 31, 2012**	**As of December 31, 2011**
	ThUS$	**ThUS$**
Assets	167.121	143.212
Liabilities	147.055	126.881
Shareholder equity	20.066	16.331
Equity and Liabilities	167.121	143.212

Income Statement	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Operating revenues	1.121.219	975.522
Operating profit	4.336	2.182
Non-operating income (loss)	78	685
Incometax	(1.731)	(1.874)
Net income	2.683	993

Statements of Changes in Equity	Changes in equity paid-in-capital	Changes in surplus revaluation	Changes in legal reserve	Changes in retained earnings	Changes in Equity total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
OPENING BALANCE AS OF JANUARY 01, 2011	4.341	3.229	868	5.169	13.707
Revaluation of land	-	2.330	-	-	2.330
Deferred tax revaluation of land	-	(699)	-	-	(699)
Years'profit	-	-	-	993	993
CLOSING BALANCE AS OF DECEMBER 31, 2011	**4.341**	**4.960**	**868**	**6.162**	**16.331**
OPENING BALANCE AS OF JANUARY 01, 2012	4.341	4.960	868	6.162	16.331
Revaluation of land	-	7.760	-	-	7.760
Dividends	-	-	-	(4.380)	(4.380)
Deferred tax revaluation of land	-	(2.328)	-	-	(2.328)
Years'profit	-	-	-	2.683	2.683
CLOSING BALANCE AS OF DECEMBER 31, 2012	**4.341**	**10.392**	**868**	**6.162**	**20.066**

Consolidated Statements of Cash Flows – Direct Method	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Net cash flow from (used in) operating activities	(3.134)	(3.209)
Net cash flow from (used in) investment activities	(6.636)	(5.377)
Net cash flow from (used in) financing activities	(4.380)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14.150)**	**(8.586)**
Cash and cash equivalents at end of period	41.982	56.132

Inversiones LAN S.A. and Subsidiaries

BOARD OF DIRECTORS:

Chairman:	Enrique Cueto Plaza
Directors:	Ignacio Cueto Plaza
	Alejandro de la Fuente Goic
	Roberto Alvo Milosawlewitsch
	Enrique Elsaca Hirmas

INCORPORATION: Established as a closed joint stock company by public deed of 23 January 1990, extended by Public Notary Humberto Quezada M., recorded at Folio 3,462 Nº 1,833 of 1990 of the Santiago Business Register and published in the Official Gazette of 2 February 1990.

PURPOSE: To invest in all types of property, whether moveable or real, tangible or intangible; in addition, the company may form other companies of all types and acquire rights in, administer, modify and liquidate existing companies.

Subscribed and paid-in capital:	ThUS$ 458
Net income:	ThUS$ (111)
Shareholding:	99,71%
% of consolidated assets:	0,03%

Inversiones LAN S.A.: Shareholdings in subsidiaries

Transport Aviation Leasing Limited	100,00%
Hawk Aviation Management Ltd	100,00%
Falcon Aviation Management Ltd	100,00%
Aviation Administration Services Ltd	100,00%
Cargo Aircraft Leasing Limited	100,00%
Passenger Aircraft Leasing Limited	100,00%
Andes Airport Services S.A.	98,00%

LAN TAM — LATAM AIRLINES GROUP —

INVERSIONES LAN S.A.: SHAREHOLDINGS IN SUBSIDIARIES
(Closed joint stock company)

Consolidated Statements of Financial Position	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
ASSETS		
Total current assets other than non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	5.001	4.230
Non-current assets (or disposal groups) classified as held for sale or as held for distribution to owners	948	573
Total current assets	5.574	5.178
Total non-current assets	10.607	9.121
TOTAL ASSETS	**16.181**	**14.299**
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	9.158	7.650
Total non-current liabilities	556	171
TOTAL LIABILITIES	**9.714**	**7.821**
EQUITY		
Parent's ownership interest	6.466	6.476
Non-controlling interest	1	2
TOTAL EQUITY	**6.467**	**6.478**
TOTAL LEABILITIES AND EQUITY	**16.181**	**14.299**

Consolidated Statements of Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Revenues	24.667	22.546
Gross margin	4.854	3.232
Income before income taxes	(201)	(427)
Income tax expense	90	73
NET INCOMEFOR THE PERIOD	**(111)**	**(354)**
Net income for the period attributable to:		
Owners of the parent	(112)	(347)
Non-controlling interest	1	(7)
NET INCOME FOR THE PERIOD	**(111)**	**(354)**

Consolidated Statements of Comprehensive Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
NET INCOME FOR THE PERIOD	(111)	(354)
Other comprehensive income	152	49
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**41**	**(305)**
Comprehensive income attributable to:		
Owners of the parent	37	(306)
Non-controlling interest	4	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**41**	**(305)**

Statement of Changes in Equily	Parent's ownership interest	Non-controlling interest	Total equity
	ThUS$	ThUS$	ThUS$
Equity as of January 1, 2011	7.320	8	7.328
Comprehensive income for the period	(306)	1	(305)
Other increase (decrease) in equity	(538)	(7)	(545)
PRIOR YEAR ENDING BALANCE AS OF DECEMBER 31, 2011	**6.476**	**2**	**6.478**
Equity as of January 1, 2012	6.476	2	6.478
Comprehensive income for the period	37	4	41
Other increase (decrease) in equity	(47)	(5)	(52)
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012	**6.466**	**1**	**6.467**

Consolidated Statements of Cash Flows – Direct Method	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Net cash flow from (used in) operating activities	4.677	814
Net cash flow from (used in) investment activities	(4.547)	(859)
Net cash flow from (used in) financing activities	96	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	**226**	**(45)**
Effects of variation in the exchanges rate on cash and cash equivalents	(2)	(24)
Cash and cash equivalents at end of period	290	66

Inmobiliaria Aeronáutica S.A.

BOARD OF DIRECTORS:

Chairman:	Enrique Cueto Plaza
Directors:	Alejandro de la Fuente Goic
	Armando Valdivieso Montes

INCORPORATION: Established as a closed joint stock company by public deed of 1 August 1995, extended by Public Notary Gonzalo de la CuadraFabres, recorded at Folio 21,690 N° 17,549 of 1995 of the Santiago Business Register and published in the Official Gazette of 14 September 1995.

PURPOSE: To acquire and sell real estate and rights over real estate; to develop, plan, sell and build real estate and real estate projects; to rent, administer and exploit real estate in any other way, whether on its own account or on behalf of third parties.

Subscribed and paid-in capital:	ThUS$1,147
Net income:	ThUS$17,719
Shareholding:	100,00%
% of consolidated assets:	0,17%

INMOBILIARIA AERONAUTICA S.A.
(Closed joint stock company)

Statements of Financial Position	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
ASSETS		
Total current assets	15.620	2.908
Total non-current assets	41.607	62.672
TOTAL ASSETS	57.227	65.580
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	17.226	1.676
Total non-current liabilities	5.803	32.425
Total liabilities	23.029	34.101
EQUITY		
TOTAL EQUITY	**34.198**	**31.479**
TOTAL LEABILITIES AND EQUITY	**57.227**	**65.580**

Statements of Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Revenues	50.256	8.961
Gross margin	24.671	4.765
Income before income taxes	23.514	4.444
Income tax expense	(5.795)	(960)
NET INCOMEFOR THE PERIOD	**17.719**	**3.484**

Statements of Comprehensive Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
NET INCOMEFOR THE PERIOD	17.719	3.484
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**17.719**	**3.484**

Statements of Changes in Equity	Changes in paid-in-capital	Changes in retainedearnings	Changes in net equity total
	ThUS$	ThUS$	ThUS$
EQUITY AS OF JANUARY 1, 2011	1.147	29.348	30.495
Comprehensive income for the period	-	3.484	30.495
Dividends	-	(2.500)	(2.500)
PRIOR YEAR ENDING BALANCE AS OF DECEMBER 31, 2011	**1.147**	**30.332**	**31.479**
EQUITY AS OF JANUARY 1, 2012	1.147	30.332	31.479
Comprehensive income for the period	-	17.719	17.719
Dividends	-	(15.000)	(15.000)
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012	**1.147**	**33.051**	**34.198**

Statements of Cash Flows – Direct Method	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Net cash flow from (used in) operating activities	(22.860)	1.366
Net cash flow from (used in) investment activities	22.986	332
Net cash flow from (used in) financing activities	1	(1.680)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**127**	**18**
Effects of variation in the exchanges rate on cash and cash equivalents	1	(6)
Cash and cash equivalents at end of period	142	14

Lantours División Servicios Terrestres S.A. and subsidiary

BOARD OF DIRECTORS:

Chairman:	Damián Scokin Rimolo
Directors:	Armando Valdivieso Monte
	Andrés del Valle Eitel

INCORPORATION: Established as a closed joint stock company by public deed of 22 June 1987, extended by Santiago Public Notary RaúlUndurragaLaso, recorded at Folio 13,139 N° 8,495 of 1987 of the Santiago Business Register and published in the Official Gazette of 2 July 1987. The company's bylaws have been amended on a number of occasions, most recently under public deed of 27 July 2010, extended by Santiago Public Notary Patricio RabyBenavente, recorded at Folio 39,034 N° 26,946 of 2010 of the Santiago Business Register and published in the Official Gazette of 12 August 2010.

PURPOSE: To exploit, administer and represent local or overseas companies or businesses dedicated to hotel, shipping, air transport and tourism activities; to exploit, on its own account or on behalf of third parties, car rental activities; to import, export, produce, market and distribute, on its own account or on behalf of others, in domestic or international markets, any type of goods whether raw materials, inputs or finished products.

Subscribed and paid-in capital:	THUS$225
Net income:	THUS$1,300
Shareholding:	100,00%
% of consolidated assets:	0,00%

Lantours División Servicios Terrestres S.A. : Shareholdings in subsidiary	
Lantours División Servicios Terrestres II S.A.	99,99%

LANTOURS DIVISION SERVICES TERRESTRES S.A. AND SUBSIDIARY
(Closed joint stock company)

Statements of Financial Position	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
ASSETS		
Total current assets	2.411	2.283
Total non-current assets	267	251
TOTAL ASSETS	**2.678**	**2.534**
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	2.121	1.745
Total non-current liabilities	32	4
Total liabilities	2.153	1.749
EQUITY		
TOTAL EQUITY	**525**	**785**
TOTAL LEABILITIES AND EQUITY	**2.678**	**2.534**

Statements of Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Revenues	9.399	7.872
Gross margin	5.600	4.575
Income before income taxes	1.598	1.082
Income tax expense	(298)	(222)
NET INCOMEFOR THE PERIOD	**1.300**	**860**

Statements of Comprehensive Income by Function	For the periods ended December 31,	
	2012	2011
	MUS$	MUS$
NET INCOMEFOR THE PERIOD	1.300	860
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1.300**	**860**

Statements of Changes in Equity	Changes in paid-in-capital	Changes in retainedearnings	Changes in net equity total
	ThUS$	ThUS$	ThUS$
EQUITY AS OF JANUARY 1, 2011	225	80	305
Comprehensive income for the period	-	860	860
Dividends	-	(380)	(380)
PRIOR YEAR ENDING BALANCE AS OF DECEMBER 31, 2011	225	**560**	**785**
EQUITY AS OF JANUARY 1, 2012	225	560	305
Comprehensive income for the period	-	1.300	1.300
Dividends	-	(1.560)	(1.560)
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012	225	**300**	**525**

Statements of Cash Flows – Direct Method	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Net cash flow from (used in) operating activities	1.604	444
Net cash flow from (used in) investment activities	(41)	(69)
Net cash flow from (used in) financing activities	(1.560)	(380)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3**	**(5)**
Cash and cash equivalents at end of period	11	8

LAN Pax Group S.A. and Subsidiaries

BOARD OF DIRECTORS:

Chairman:	Ignacio Cueto Plaza
Directors:	Alejandro de la Fuente Goic
	Enrique Elsaca Hirmas

Incorporation: Established as a closed joint stock company by public deed of 27 September 2001, extended by Santiago Public Notary Patricio ZaldivarMackenna, recorded at Folio 25,636 N° 20,794 of the Santiago Business Register on 4 October 2001 and published in the Official Gazette of 6 October 2001.

Purpose: To invest in all types of property, whether moveable or real, tangible or intangible; in addition, the company may form other companies of all types and acquire rights in, administer, modify and liquidate existing companies. In general, it may acquire, sell and exploit all types of goods, whether on its own account or on behalf of others, and perform acts of any type and enter into contracts of any kind that are conducive to its objectives. It may also develop and undertake any other activity resulting from its purpose and/or linked, related, pursuant or complementary to this purpose.

Subscribed and paid-in capital:	THUS$425
Net income:	THUS$(82,277)
Shareholding:	100,00%
% of consolidated assets:	0,00%

LAN Pax Group S.A.: Shareholdings in subsidiaries

Inversora Cordillera S.A. and subsidiaries	95,78%
Lantours S.A. (Ex Siventas S.A.)	100,00%
Atlantic Aviation Investments LLC	99,00%
Perdiz Leasing LLC	99,00%
Akemi Holdings S.A.	100,00%
Saipan Holdings S.A.	100,00%
Aeroasis S.A.	100,00%
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	71,92%
Puerto Montt Holding S.A. and subsidiaries	99,875%

LAN — LATAM AIRLINES GROUP — TAM

LAN PAX GROUP S.A. AND SUBSIDIARIES
(Closed joint stock company)

Estado de Situación Financiera Clasificado Consolidado	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
ASSETS		
Total current assets	228.849	228.532
Total non-current assets	293.559	236.257
TOTAL ASSETS	**522.408**	**464.789**
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	582.742	447.140
Total non-current liabilities	55.109	55.144
Total liabilities	637.851	502.284
EQUITY		
Parent's ownership interest	(112.395)	(41.935)
Non-controlling interest	(3.048)	4.440
TOTAL EQUITY	**(115.443)**	**(37.495)**
TOTAL LEABILITIES AND EQUITY	**522.408**	**464.789**

Consolidated Statements of Income by Function	For the periods ended December 31,	
	2012	2011
	MUS$	MUS$
Revenues	1.130.295	722.701
Gross margin	128.389	88.125
Income before income taxes	(114.478)	(46.074)
Income tax expense	32.201	16.784
NET INCOMEFOR THE PERIOD	**(82.277)**	**(29.290)**
Net income for the period attributable to:		
Owners of the parent	(77.269)	(27.622)
Non-controlling interest	(5.008)	(1.668)
NET INCOME FOR THE PERIOD	**(82.277)**	**(29.290)**

Consolidated Statements of Comprehensive Income by Function	For the periods ended December 31, 2012 ThUS$	2011 ThUS$
NET INCOMEFOR THE PERIOD	(82.277)	(29.290)
Other comprehensive income	(6.087)	(5.690)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(76.190)**	**(34.980)**
Comprehensive income attributable to:		
Owners of the parent	(70.823)	(33.228)
Non-controlling interest	(5.367)	(1.752)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(76.190)**	**(34.980)**

Consolidated Statements of Changes in Equity	Parent's ownership interest ThUS$	Non-controlling interest ThUS$	Total equity ThUS$
EQUITY AS OF JANUARY 1, 2011	(7.082)	(3.175)	(10.257)
Comprehensive income for the period	(33.228)	(1.752)	(34.980)
Other increase (decrease) in equity	(1.625)	9.367	7.742
PRIOR YEAR ENDING BALANCE AS OF DECEMBER 31, 2011	**(41.935)**	**4.440**	**(37.495)**
EQUITY AS OF JANUARY 1, 2012	(41.935)	4.440	(37.495)
Comprehensive income for the period	(70.823)	(5.367)	(76.190)
Other increase (decrease) in equity	363	(2.121)	(1.758)
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012	**(112.395)**	**(3.048)**	**(115.443)**

Consolidated Statements of Cash Flows – Direct Method	For the periods ended December 31, 2012 ThUS$	2011 ThUS$
Net cash flow from (used in) operating activities	(134.249)	(115.774)
Net cash flow from (used in) investment activities	4.310	145.516
Net cash flow from (used in) financing activities	116.611	(2.498)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(13.328)**	**27.244**
Effects of variation in the exchanges rate on cash and cash equivalents	(144)	(1)
Cash and cash equivalents at end of period	42.335	55.807

LAN Chile Investments Limited and subsidiaries

INCORPORATION: Established as a limited liability company by public deed of 30 July 1999 in the Cayman Islands and recorded in the Cayman Islands Company Register on the same date.

PURPOSE: To invest in all types of property, whether moveable or real, tangible or intangible.

BOARD OF DIRECTORS:

Chairman: Enrique Cueto Plaza
Directors: Alejandro de la Fuente Goic
Andrea Williams

Subscribed and paid-in capital:	ThUS$10
Net income:	ThUS$(10)
Shareholding:	100,00%
% of consolidated assets:	0,00%

LAN Chile Investments Limited: Shareholdings in subsidiary	
Inversiones La Burguería S.A.	99,90%

LAN CHILE INVESTMENTS LIMITED AND SUBSIDIARIES
(Limited liability company)

Consolidated Statements of Financial Position	As of December 31, 2012	As of December 31, 2011
	ThUS$	ThUS$
ASSETS		
Total current assets	4.419	4.420
Total non-current assets	-	-
TOTAL ASSETS	**4.419**	**4.420**
LIABILITIES AND EQUITY		
LIABILITIES		
Total current liabilities	11	2.088
Total non-current liabilities	5.236	3.150
TOTAL LIABILITIES	**5.247**	**5.238**
EQUITY		
Parent's ownership interest	(828)	(818)
TOTAL EQUITY	**(828)**	**(818)**
TOTAL LEABILITIES AND EQUITY	**4.419**	**4.420**

Consolidated Statements of Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Revenues	-	278.039
Gross margin	-	37.692
Income before income taxes	(10)	1.578
Income tax expense	-	889
NET INCOMEFOR THE PERIOD	**(10)**	**2.467**
Net income for the period attributable to:		
Owners of the parent	(10)	1.820
Non-controlling interest	-	647
NET INCOME FOR THE PERIOD	**(10)**	**2.467**

LAN TAM — LATAM AIRLINES GROUP —

Consolidated Statements of Comprehensive Income by Function	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
NET INCOMEFOR THE PERIOD	(10)	2.467
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(10)**	**2.467**
Comprehensive income attributable to:		
Owners of the parent	(10)	1.820
Non-controlling interest	-	647
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(10)**	**2.467**

Consolidated Statements of Changes in Equity	Parent's ownership interest	Non- controlling interest	Total equity
	ThUS$	ThUS$	ThUS$
EQUITY AS OF JANUARY 1, 2011	(2.634)	6	(2.628)
Comprehensive income for the period	1.820	647	2.467
Other increase (decrease) in equity	(4)	(653)	(657)
PRIOR YEAR ENDING BALANCE AS OF DECEMBER 31, 2011	**(818)**	**-**	**(818)**
EQUITY AS OF JANUARY 1, 2012	(818)	-	(818)
Comprehensive income for the period	(10)	-	(10)
CLOSING BALANCE AS OF CURRENT YEAR ENDING BALANCES DECEMBER 31, 2012	**(828)**	**-**	**(828)**

Consolidated Statements of Cash Flows – Direct Method	For the periods ended December 31,	
	2012	2011
	ThUS$	ThUS$
Net cash flow from (used in) operating activities	-	18.494
Net cash flow from (used in) investment activities	-	(27.479)
Net cash flow from (used in) financing activities	-	6.325
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-**	**(2.660)**
Cash and cash equivalents at end of period	1	1

SWORN STATEMENT

As Directors and Chief Financial Officer of LATAM Airlines Group, we declare under oath our responsibility on the veracity of the information contained in this Annual Report.

Mauricio Rolim Amaro
President

María Claudia Amaro
Director

Ramón Eblen Kadis
Director

Carlos Heller Solari
Director

Juan José Cueto Plaza
Director

José María Eyzaguirre Baeza
Director

Gerardo Jofré Miranda
Director

Georges De Bourguignon Arndt
Director

Francisco Luzón López
Director

Alejandro de la Fuente Goic
Chief Financial Officer

— LATAM AIRLINES GROUP —