

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Relating to Our Chapter 11 Proceedings

We and a substantial number of our consolidated subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, and we are subject to the risks and uncertainties associated with our Chapter 11 proceedings.

As a consequence of our Chapter 11 filings, the operations and our ability to develop and execute our business plan, as well as our continuation as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include our ability to:

- confirm and consummate a plan of reorganization with respect to our Chapter 11 proceedings;
- obtain sufficient financing, including for working capital whether from additional debtor-in-possession financing, exit financing or otherwise, and emerge from bankruptcy and execute our business plan post-emergence, as well as comply with the terms and conditions of that financing;
- maintain our relationships with our creditors, suppliers, service providers, customers, directors, officers and employees; and
- maintain contracts that are critical to our operations on reasonably acceptable terms and conditions.

We will also be subject to risks relating to, among others:

- the high costs of bankruptcy proceedings and related fees;
- the ability of third parties to seek and obtain court approval to (i) terminate contracts and other agreements with us, (ii) shorten the exclusivity period for us to propose and confirm a Chapter 11 plan or to appoint a Chapter 11 trustee or (iii) convert the Chapter 11 proceedings to Chapter 7 liquidation proceedings; and
- the actions and decisions of our creditors and other third parties who have interests in our Chapter 11 proceedings that may be inconsistent with our plans.

Any delays in our Chapter 11 proceedings increase the risks of our inability to reorganize our business and emerge from bankruptcy and may increase our costs associated with the reorganization process.

Because of the many risks and uncertainties associated with a voluntary filing for relief under Chapter 11 and the related proceedings, we cannot accurately predict or quantify the ultimate impact that events that occur during our Chapter 11 proceedings may have on us and there is no certainty as to our ability to continue as a going concern.

It is impossible to predict with certainty the amount of time that we could spend in our Chapter 11 proceedings or to assure parties in interest that a plan of reorganization will be confirmed. Our Chapter 11 proceedings may involve additional expense and our management will be required to spend a significant amount of time and effort focusing on the Chapter 11 proceedings.

On September 19, 2020, the Bankruptcy Court approved the Debtors' motion to approve certain debtor-in-possession financing for US\$ 2.45 billion. Our Chapter 11 proceedings may require us to seek additional debtor-in-possession financing to fund operations, particularly if there are significant delays in our Chapter 11 proceedings. If we are unable to obtain such financing on favorable terms or at all, our chances of successfully reorganizing our business may be seriously jeopardized and the likelihood that we instead will be required to liquidate our assets may be increased, and, as a result, our common shares and debt instruments could become further devalued or become worthless. Furthermore, we cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to our plan of reorganization. Even once a plan of reorganization is approved and implemented, we may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that has recently emerged from Chapter 11 proceedings.

We have substantial liquidity needs and may not be able to obtain sufficient liquidity to confirm a plan of reorganization and exit our Chapter 11 proceedings successfully.

Although we have taken multiple measures to reduce our expenses and have reduced the scale of our operations significantly, mainly as a result of developments relating to the spread of COVID-19, our business remains capital intensive. In addition to the cash requirements necessary to fund our ongoing operations, we have incurred significant professional fees and other costs in connection with our reorganization, and we expect that we will continue to incur significant professional fees and costs throughout our Chapter 11 proceedings. There are no assurances that our liquidity is sufficient to allow us to satisfy our obligations related to our Chapter 11 proceedings, to proceed with the confirmation of a Chapter 11 plan of reorganization and to emerge successfully from our Chapter 11 proceedings. Notably, as discussed below, to confirm a Chapter 11 plan of reorganization, we will have to demonstrate feasibility which will in part rely on our ability to demonstrate sufficient liquidity upon emergence.

We can provide no assurance that we will be able to secure additional interim financing or exit financing sufficient to meet our liquidity needs. Our liquidity, including our ability to meet our ongoing operational obligations and the covenants, milestones and other conditions in our debt instruments, is dependent upon, among other things: (i) our ability to comply with the terms and conditions of the cash management order entered by the Bankruptcy Court in connection with our Chapter 11 proceedings, (ii) our ability to maintain adequate cash on hand, (iii) our ability to generate cash flow from operations, which depends largely on factors beyond our control relating to developments deriving from the spread of COVID-19, (iv) our ability to confirm and consummate a Chapter 11 plan of reorganization and (v) the cost, duration and outcome of the Chapter 11 proceedings.

We may not be able to obtain confirmation of a Chapter 11 plan of reorganization or such confirmation may be protracted and delayed.

To emerge successfully from Bankruptcy Court protection as a viable entity, we must meet certain statutory requirements. Specifically, the Bankruptcy Court will have to find that the disclosure regarding our proposed plan of reorganization is adequate and that our procedures for solicitation are proper. In addition, we will have to obtain the requisite acceptances of our plan and demonstrate the feasibility of our plan to the Bankruptcy Court by a preponderance of the evidence in order to fulfill other statutory conditions for confirmation of our plan. To date, we have not filed a proposed plan of reorganization and there can be no assurance as to when or whether any or all of the conditions will be satisfied. Similarly, just as we cannot assure that a plan of reorganization will be approved by the Bankruptcy Court, we cannot guarantee that such plan will be recognized or approved by the courts in the other jurisdictions in which we operated and/or where we are subject to the parallel and ancillary reorganization proceedings, or whether or when we will be able to emerge from such parallel or ancillary proceedings.

In particular, the confirmation process can be subject to numerous unanticipated potential delays. The risks include the possibility that:

- We may receive objections to confirmation of any plan of reorganization from various stakeholders in our Chapter 11 proceedings, including the effectiveness and effect of the steps required for the implementation of the Plan, which could delay and disrupt confirmation of the Plan and the Debtors' emergence from bankruptcy. Any litigation may be expensive, lengthy and disruptive to the company's normal business operations and the plan confirmation process. We cannot predict the impact that any objection or third party motion during our Chapter 11 proceedings may have on the Bankruptcy Court's decision to confirm a plan of reorganization or our ability to complete a plan of reorganization. A resolution of any such litigation that is unfavorable to the Debtors could have a material adverse effect on the plan confirmation process, emergence from bankruptcy or on LATAM's businesses, results of operations, financial condition, liquidity and cash flow.
- Adverse publicity in connection with the Chapter 11 proceedings or otherwise could negatively affect LATAM's business both during the proceedings, the plan confirmation process and post-emergence.

- Counterparties to assumed and assigned contracts may object to the assignment of such contracts pursuant to section 365 of the Bankruptcy Code. Section 365(c)(1) of the Bankruptcy Code provides that a contract may not be assumed or assigned if applicable nonbankruptcy law so provides. While the Debtors do not believe that applicable nonbankruptcy law voids any of the Debtors' assignments, a counterparty may nevertheless object to an assignment on such grounds.

The success of any reorganization will depend on approval by the Bankruptcy Court and the willingness of our creditors to agree to the exchange or modification of their claims as will be outlined in a plan of reorganization, and there can be no guarantee of success with respect to any plan of reorganization.

If a plan of reorganization is not confirmed by the Bankruptcy Court or the courts in the other jurisdictions in which we are subject to reorganization proceedings, or if we are unable to emerge from any of our reorganization proceedings, it is unclear whether or when we would be able to reorganize our business and what, if any, distributions holders of claims against us, including holders of our secured and unsecured debt and equity, would ultimately receive with respect to their claims. There can be no assurance as to whether or when we will successfully reorganize and emerge from our Chapter 11 proceedings or, if we do successfully reorganize, as to when we would emerge from Chapter 11 proceedings. If no plan of reorganization can be confirmed, or the Bankruptcy Court finds that it would be in the best interest of creditors, the Bankruptcy Court may convert or dismiss our Chapter 11 proceedings to cases under Chapter 7 of the Bankruptcy Code. In the event of conversion, a Chapter 7 trustee would be appointed or elected to liquidate our assets for distribution in accordance with the priorities established by the Bankruptcy Code.

Any Chapter 11 plan of reorganization that we may implement will be based in large part upon assumptions and analyses developed by us. If these assumptions and analyses prove to be incorrect, our plan may be unsuccessful in its execution.

Any plan of reorganization we may implement could affect our capital structure and the ownership, structure and operation of the business and will reflect assumptions and analyses based on our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we consider appropriate under the circumstances. Whether actual future results and developments will be consistent with our expectations and assumptions depends on a number of factors, including but not limited to: (i) our ability to change substantially our capital structure, (ii) our ability to obtain adequate liquidity and access financing sources, (iii) our ability to maintain customers' confidence in our viability as a going concern, (iv) our ability to retain key employees and (v) the overall strength and stability of general macroeconomic conditions. In light of the many uncertainties and risks deriving from developments relating to the spread of COVID-19, these factors and their effect on us are highly unpredictable.

In addition, any Chapter 11 plan of reorganization will rely upon financial projections that are necessarily speculative, and it is likely that one or more of the assumptions and estimates that are the basis of these financial forecasts will not be accurate. In our case, the forecasts may be even more speculative than normal because of the many uncertainties we face relating to, among others, macroeconomic conditions in the countries in which the group operates, depressed demand for air travel and severe travel restrictions imposed by governments as a result of the COVID-19 pandemic, and the time and manner in which COVID-19 vaccines are distributed in the countries in which the group operates. Accordingly, we expect that our actual financial condition and results of operations will differ, perhaps materially, from what we have anticipated. Consequently, there can be no assurance that the results or developments contemplated by any plan of reorganization we may implement will occur or, even if they do occur, that they will have the anticipated effects on us or our business or operations. The failure of any such results or developments to materialize as anticipated could materially and adversely affect the successful execution of any plan of reorganization.

Upon emergence from a filing of voluntary relief under Chapter 11 of the Bankruptcy Code, our historical financial information may not be indicative of our future financial performance.

Our capital structure may be significantly altered under a plan of reorganization. Further, a plan of reorganization could materially change the amounts and classifications reported in our consolidated historical financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

Even if a Chapter 11 plan of reorganization is confirmed, we may not be able to achieve the effective date.

It is common for plans of reorganization to contain conditions precedent to effectiveness, such as obtaining government approvals, satisfying any conditions precedent in the exit facility and entry of an order approving the plan. Even upon confirmation of a plan, there can be no assurance as to when such conditions will be satisfied, if at all.

Even if a Chapter 11 plan of reorganization is consummated, we may not be able to achieve our stated goals and continue as a going concern.

Even if a Chapter 11 plan of reorganization is consummated, we will continue to face a number of risks, including further depressed demand for air travel and challenging economic conditions as a result of developments relating to the spread of COVID-19 or otherwise. Accordingly, we cannot guarantee that a Chapter 11 plan of reorganization will achieve our stated goals and permit us to effectively implement our strategy.

Furthermore, even if our debts are reduced or discharged through a plan of reorganization, we may need to raise additional funds through public or private debt or equity financing or other various means to fund the group's business after the completion of our Chapter 11 proceedings. Our access to additional financing is, and for the foreseeable future will likely continue to be, limited, if it is available at all. Therefore, adequate funds may not be available when needed or may not be available on favorable terms.

We may be subject to claims that will not be discharged in our Chapter 11 proceedings, which could have a material adverse effect on our financial condition and results of operations.

The Bankruptcy Code provides that the confirmation of a Chapter 11 plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arose prior to confirmation of the plan of reorganization: (i) would be subject to compromise and/or treatment under the plan of reorganization and (ii) would be discharged in accordance with the Bankruptcy Code and the terms of the plan of reorganization. Any claims not ultimately discharged through a Chapter 11 plan of reorganization could be asserted against the reorganized entities and may have an adverse effect on the business and financial condition and results of operations of the group on a post-reorganization basis.

Our Chapter 11 proceedings may adversely affect our ability to maintain important relationships with creditors, customers, suppliers, employees, financing sources and other personnel and counterparties, which could materially and adversely affect us.

Our Chapter 11 proceedings may adversely affect our commercial relationships and our ability to negotiate favorable terms with important stakeholders and counterparties, including potential sources of financing. Further, public perception of our continued viability may also adversely affect our relationships with customers and their loyalty to us. Strains in any of these relationships could materially and adversely affect us. In particular, critical suppliers, credit and debit card processors and acquirers, banks, export credit agencies, providers of letters of credit, surety bonds or similar instruments, vendors, lessors and customers may determine not to do business with us due to our Chapter 11 proceedings. Also, during the pendency of the Chapter 11 proceedings, the court has stayed the enforcement of any payment toward debt obligations and we will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit our ability to respond timely to certain events or take advantage of certain opportunities.

There is uncertainty regarding our ability to continue as a going concern.

Our audited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. As discussed above, our ability to continue as a going concern is contingent upon, among other things, our ability to: (i) develop and successfully implement a restructuring plan within the timeframe required, (ii) reduce debt and other liabilities through the restructuring process, (iii) generate sufficient cash flow from operations and (iv) obtain financing sources to meet our future obligations. The accompanying consolidated financial statements also do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Risks Relating to our Company

A pandemic or the widespread outbreak of contagious illnesses has had, and may continue to have, a material adverse effect on the group's business and results of operations.

The widespread outbreak of a contagious illness such as the COVID-19 pandemic, or fear of such an event, has materially reduced, and may continue to further reduce, demand for, and availability of, worldwide air travel and therefore is having a material adverse effect on the group's business and results of operations.

In 2003, an outbreak of a coronavirus known as severe acute respiratory syndrome (SARS) originating in China became an epidemic and resulted in a slowdown of passenger air traffic due to contagion fears. At the time, RPK growth was reduced due to oversupply in the market as airlines tried to cut capacity.

The COVID-19 pandemic has negatively affected global economic conditions, disrupted supply chains and otherwise negatively impacted aircraft manufacturing operations and may reduce the availability of aircraft spare parts. The ultimate severity of the COVID-19 pandemic is uncertain at this time and therefore we cannot predict the impact it may have on the availability of aircraft or aircraft spare parts. However, the effect on our results may be material and adverse if supply chain disruptions persist and preclude our ability to adequately maintain our fleet.

The potential for a period of significantly reduced demand for travel has and will likely continue to result in significant lost revenue. As a result of these or other conditions beyond our control, our results of operations could continue to be volatile and subject to rapid and unexpected change. In addition, if the spread of COVID-19 were to continue unabated, our operations could also be negatively affected if employees are quarantined as the result of exposure to the contagious illness. We cannot fully predict the impact that the COVID-19 pandemic will continue to have on global air travel, corporate travel, and the extent to which it may impact the demand for air travel in the regions in which the group operates. Continued government-imposed travel restrictions, border closures or operational issues resulting from the rapid spread of COVID-19 or other contagious illnesses, all of which may be unpredictable, may materially reduce demand for air travel in parts of the world in which we have significant operations and could have lasting impacts on how people do business and the need or demand for business travel. In addition, the pace of the COVID-19 vaccine rollout globally may materially impact our operations. These measures and issues have had and could continue to have a material adverse effect on the group's business and results of operations.

It is possible that in spite of mitigation measures in place, COVID-19 or other diseases could be transmitted to passengers or employees on our aircraft or at an airport, which could lead to reputational and/or financial impacts.

The health safety and sanitation measures we have implemented as a group may not be sufficient to prevent the spread or contagion of COVID-19 or other infectious diseases to our passengers or employees on our aircraft or the airports in which we operate, which could result in adverse reputational and financial impacts for the group. For further information on the health safety and sanitation measures implemented by the group, see "Explanatory Note-COVID-19 Pandemic," above. However, it is possible that these measures could prove insufficient and COVID-19 or other diseases could be transmitted to passengers or employees in an airport or on an aircraft.

As a result of the COVID-19 pandemic, the airline industry may experience consumer behavior changes, including with regard to corporate travel, long-haul travel, and travel demand.

The potential for mid- to long-term changes to consumer behaviour resulting from the COVID-19 pandemic exists and could lead to adverse financial impacts for the Company. Corporate travel has been hindered, and in many cases, prohibited by companies due to risks during the pandemic. At this time, it is not possible to predict the potential consequences of the increased use of technology as a substitute for travel and whether or when corporate travel, long-haul travel and travel demand could return to the levels existing prior to the COVID-19 pandemic. Furthermore, travelers may be less prone to travel or be more price conscious and may choose low-cost alternatives as a result of the COVID-19 pandemic.

A failure to successfully implement the group's strategy or a failure to adjust such strategy to the current economic situation would harm the group's business and the market value of our ADSs and common shares.

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

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

Our financial results are exposed to foreign currency fluctuations.

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

Changes in Chilean, Brazilian and other governmental economic policies affecting foreign exchange rates could also adversely affect the business, financial condition, results of operations and the return to our shareholders on their common shares or ADSs. For further information, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk-Risk of Variation in Foreign Exchange Rates."

The group depends on strategic alliances or commercial relationships in many different countries, and the business may suffer if any of our strategic alliances or commercial relationships terminates.

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

The group's business and results of operations may suffer if we fail to obtain and maintain routes, suitable airport access, slots and other operating permits. Also, technical and operational problems with the airport infrastructure of cities in which we have a focus may have a material adverse effect on us.

LATAM's business depends upon our access to key routes and airports. Bilateral aviation agreements between countries, open skies laws and local aviation approvals frequently involve political and other considerations outside of our control. The group's operations could be constrained by any delay or inability to gain access to key routes or airports, including:

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

The group operates numerous international routes subject to bilateral agreements, as well as domestic flights within Chile, Peru, Brazil, Ecuador and Colombia, subject to local route and airport access approvals. See "Item 4. Information on the Company-B. Business Overview-Regulation."

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

Moreover, our operations and growth strategy are dependent on the facilities and infrastructure of key airports, including Santiago's International Airport, São Paulo's Guarulhos International and Congonhas Airports, Brasília's International Airport and Lima's Jorge Chavez International Airport. Airports may face challenges to meet their capex programs, after suffering significant financial deterioration stemming from the COVID-19 pandemic. Delays or cancellations of capex programs could impact our operations or ability to grow in the future.

Santiago's Comodoro Arturo Merino Benítez International Airport is undergoing an important expansion, which is expected to be completed by 2021. There is a currently a dispute between the airport operator and the government arising from the impact of the COVID-19 pandemic and deceleration of airport operations on revenues, which placed additional stress on the operator's liquidity in light of ongoing investments required for the expansion project. In order to mitigate the impact of the financial loss, the current operator is requesting an extension of the concession period, which expires in 2035. This dispute implies a risk to future opex and capex investments and adverse effects to the airport's operations.

One of the major operational risks we face on a daily basis at Lima's Jorge Chavez International Airport is the limited number of parking positions. Additionally, the indoor infrastructure of the airport limits our ability to manage connections and launch new flights due to the lack of gates and increasing security and immigration controls. Lima's Jorge Chavez International Airport is currently undergoing an expansion, which is expected to be completed by 2024. Any delays could negatively impact our operations limit our ability to grow and affect our competitiveness in the country and in the region.

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

One of the largest operational risks that the El Dorado International Airport in Bogotá faces is the limited capacity that it has during certain time periods due to the adverse weather conditions, the operation of non-regular flights and the lack of availability of slots. As a result, measures have been implemented to mitigate and regulate the operation, such as Ground Stop and Ground Delay Program (GDP Program), which generate delays controlled by the control tower. Another issue faced at the El Dorado International Airport is delays by ATC of the control tower in connection with the GDP Program. These delays occur particularly in certain time periods with high traffic and are associated with non-regular flight operation, emergency flights, lower performance planes, all of which lower the airport's capacity. However, the El Dorado Airport, its concessionaire, Opain S.A., and the relevant authorities are working on the ACDM (Airport Collaborative Decision Making) project which seeks to optimize the airport's resources, involving all the industry's players by understanding their needs, in order to achieve a more controlled operation with less schedule delays.

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

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

Our operations are subject to fluctuations in the supply and cost of jet fuel, which could adversely impact our business.

Higher jet fuel prices could have a materially adverse effect on our business, financial condition and results of operations. Jet fuel costs have historically accounted for a significant amount of our operating expenses, and accounted for 17.4% of our operating expenses in 2020. For additional information, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk-Risk of Fluctuations in Fuel Prices." Both the cost and availability of fuel are subject to many economic and political factors and events that we can neither control nor predict, including international political and economic circumstances such as the political instability in major oil-exporting countries. Any future fuel supply shortage (for example, as a result of production curtailments by the Organization of the Petroleum Exporting Countries, or "OPEC"), a disruption of oil imports, supply disruptions resulting from severe weather or natural disasters, labor actions such as the 2018 trucking strike in Brazil, the continued unrest in the Middle East or other events could result in higher fuel prices or reductions in scheduled airline services. We cannot ensure that we would be able to offset any increases in the price of fuel by increasing our fares. In addition, lower fuel prices may result in lower fares through the reduction or elimination of fuel surcharges. We have entered into fuel hedging arrangements, but there can be no assurance that such arrangements will be adequate to protect us from an increase in fuel prices in the near future or in the long term. Also, while these hedging arrangements are designed to limit the effect of an increase in fuel prices, our hedging methods may also limit our ability to take advantage of any decrease in fuel prices, as was the case in 2015 and, to a lesser extent, in 2016. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk-Risks of Fluctuations in Fuel Prices." Hedging arrangements are limited after our Chapter 11 filings, as our ISDA contracts went stale. The Company is in the process of signing new contracts.

We rely on maintaining a high aircraft utilization rate to increase our revenues and absorb our fixed costs, which makes us especially vulnerable to delays.

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

As a result of the COVID-19 pandemic our turnaround times between flights have increased to allow for the incorporation of numerous changes to the operation, such as increased aircraft sanitization and adjusted embarking and disembarking procedures. This increase in turnaround times has a direct impact on our utilization rate. Further, as a result of our Chapter 11 proceedings, the majority of LATAM's fleet is operating on a payment by use (or Power By Hour, "PBH") plan, thus turning the once fixed costs into variable costs that are not easily absorbed through higher utilization.

LATAM flies and depends upon Airbus and Boeing aircraft, and our business could suffer if we do not receive timely deliveries of aircraft, if aircraft from these companies become unavailable or if the public negatively perceives our aircraft.

As of December 31, 2020, LATAM Airlines Group has a total fleet of 239 Airbus and 61 Boeing aircraft. Risks relating to Airbus and Boeing include:

- our failure or inability to obtain Airbus or Boeing aircraft, parts or related support services on a timely basis because of high demand, aircraft delivery backlog or other factors;
- the interruption of fleet service as a result of unscheduled or unanticipated maintenance requirements for these aircraft;
- the issuance by the Chilean or other aviation authorities of directives restricting or prohibiting the use of our Airbus or Boeing aircraft, or requiring time-consuming inspections and maintenance;

- adverse public perception of a manufacturer as a result of safety concerns, negative publicity or other problems, whether real or perceived, in the event of an accident; or
- delays between the time we realize the need for new aircraft and the time it takes us to arrange for Airbus and Boeing or for a third-party provider to deliver this aircraft.

The occurrence of any one or more of these factors could restrict our ability to use aircraft to generate profits, respond to increased demands, or could otherwise limit our operations and adversely affect our business. In the context of our Chapter 11 proceedings, certain of our agreements with suppliers may be rejected. For further information, related to current contractual obligations, see “Item 5. Operating and Financial Review and Prospects–F. Long term Indebtedness–Tabular Disclosure of Contractual Obligations.”

If we are unable to incorporate leased aircraft into the fleet at acceptable rates and terms in the future, our business could be adversely affected.

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

Furthermore, we will need Bankruptcy Court approval for certain lease transactions, which may delay or further complicate negotiations ultimately limiting our ability to take advantage of favorable market conditions.

Our business may be adversely affected if we are unable to service our debt or meet our future financing requirements.

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

In addition, a substantial portion of our property and equipment is subject to liens securing our indebtedness, including our debtor-in-possession financing. In the event that we fail to make payments on our debtor-in-possession financing or other secured indebtedness, creditors’ enforcement of liens could limit or end our ability to use the affected property and equipment to fulfill our operational needs and thus generate revenue. For further information, related to current contractual obligations, see “Item 5. Operating and Financial Review and Prospects–F. Long term Indebtedness–Tabular Disclosure of Contractual Obligations.”

Moreover, external conditions in the financial and credit markets may limit the availability of funding at particular times or increase its costs, which could adversely affect our profitability, our competitive position and result in lower net interest margins, earnings and cash flows, as well as lower returns on shareholders’ equity and invested capital. Factors that may affect the availability of funding or cause an increase in our funding costs include global macro-economic crises, reductions in our credit rating or in that of our issuances, and other potential market disruptions.

We have significant exposure to LIBOR and other floating interest rates; increases in interest rates will increase our financing cost and may have adverse effects on our financial condition and results of operations.

We are exposed to the risk of interest rate variations, principally in relation to the U.S. dollar London Interbank Offer Rate (“LIBOR”). Many of our financial leases are denominated in U.S. dollars and bear interest at a floating rate. 55% of our outstanding consolidated debt as of December 31, 2020 bears interest at a floating rate (and 58% if you consider US\$375 million in DIP financing provided by Related Parties), after giving effect to interest rate hedging agreements. Volatility in LIBOR or other reference rates could increase our periodic interest and lease payments and have an adverse effect on our total financing costs. We may be unable to adequately adjust our prices to offset any increased financing costs, which would have an adverse effect on our results of operations.

On July 27, 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Federal Reserve Board and the Federal Reserve Bank of New York convened the Alternative Reference Rates Committee (ARRC), a group of private-market participants, to help ensure a successful transition from U.S. dollar (USD) LIBOR to a more robust reference rate, its recommended alternative, the Secured Overnight Financing Rate (SOFR). Although the adoption of SOFR is voluntary, the impending discontinuation of LIBOR makes it essential that market participants consider moving to alternative rates such as SOFR and that they have appropriate fallback language in existing contracts referencing LIBOR. The impact of such a transition away from LIBOR could be significant for us because of our substantial indebtedness. See also the discussion of interest rate risk in “Item 11. Quantitative and Qualitative Disclosures About Market Risk–Risk of Fluctuations in Interest Rates.”

Increases in insurance costs and/or significant reductions in coverage could harm our financial condition and results of operations.

Significant events affecting the aviation insurance industry (such as terrorist attacks, airline crashes or accidents and health epidemics and the related widespread government-imposed travel restrictions) may result in significant increases of airlines' insurance premiums and/or relevant decreases of insurance coverage. Further increases in insurance costs and/or reductions in available insurance coverage could have a material impact on our financial results, change the insurance strategy, and also increase the risk of uncovered losses.

Problems with air traffic control systems or other technical failures could interrupt our operations and have a material adverse effect on our business.

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

We depend on a limited number of suppliers for certain aircraft and engine parts.

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. As a result, we are vulnerable to problems associated with the supply of those aircraft, parts and engines, including design defects, mechanical problems, contractual performance by the suppliers, or adverse perception by the public that would result in unscheduled maintenance requirements, in customer avoidance or in actions by the aviation authorities resulting in an inability to operate our aircraft. During the year 2020, LATAM Airline's main suppliers were aircraft manufacturers Airbus and Boeing.

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

Rolls-Royce continues to face delays with its Trent 1000 engine program, used to power LATAM's Boeing 787 fleet, with increased demand for inspections and maintenance. This has affected the availability and the operational flexibility of this aircraft for operators worldwide, with the impact for LATAM reaching its peak in July 2018. While the situation has improved considerably, there is no guarantee that this will not continue and therefore reduce the availability of Boeing 787 aircraft, thus negatively affecting operations and financial results.

In the context of our Chapter 11 proceedings, certain of our agreements with suppliers may be rejected.

Our business relies extensively on third-party service providers. Failure of these parties to perform as expected, or interruptions in our relationships with these providers or in their provision of services to us, could have an adverse effect on our financial position and results of operations.

We have engaged a significant number of third-party service providers to perform a large number of functions that are integral to our business, including regional operations, operation of customer service call centers, distribution and sale of airline seat inventory, provision of technology infrastructure and services, performance of business processes, including purchasing and cash management, provision of aircraft maintenance and repairs, catering, ground services, and provision of various utilities and performance of aircraft fueling operations, among other vital functions and services. We do not directly control these third-party service providers, although we do enter into agreements with many of them that define expected service performance. Any of these third-party service providers, however, may materially fail to meet their service performance commitments, may suffer disruptions to their systems that could impact their services, or the agreements with such providers may be terminated. For example, flight reservations booked by customers and/or travel agencies via third-party GDSs (Global Distribution Systems) may be adversely affected by disruptions in our business relationships with GDS operators or by issues in the GDS's operations. Such disruptions, including a failure to agree upon acceptable contract terms when contracts expire or otherwise become subject to renegotiation, may cause the carriers' flight information to be limited or unavailable for display, significantly increase fees for both us and GDS users, and impair our relationships with customers and travel agencies. The failure of any of our third-party service providers to adequately perform their service obligations, or other interruptions of services, may reduce our revenues and increase our expenses or prevent us from operating our flights and providing other services to our customers. In addition, our business, financial performance and reputation could be materially harmed if our customers believe that our services are unreliable or unsatisfactory. In the context of our Chapter 11 proceedings, certain of our agreements with suppliers and third-party contractors may be rejected. See "Item 4. Information on the Company—B. Business Overview—Chapter 11 Proceedings."

Disruptions or security breaches of our information technology infrastructure or systems could interfere with the operations, compromise passenger or employee information, and expose us to liability, possibly causing our business and reputation to suffer.

A serious internal technology error, failure, or cybersecurity incident impacting systems hosted internally at our data centers, externally at third-party locations or cloud providers, or large-scale interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network with potential impact on our operations. Our technology systems and related data may also be vulnerable to a variety of sources of interruption, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks and other security issues. These systems include our computerized airline reservation system, flight operations system, telecommunications systems, website, customer, self-service applications (“apps”), maintenance systems, check-in kiosks, in-flight entertainment systems and data centers.

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

Increases in our labor costs, which constitute a substantial portion of our total operating expenses, could directly impact our earnings.

Labor costs constitute a significant percentage of our total operating expenses (16.0% in 2020) and at times in our operating history we have experienced pressure to increase wages and benefits for our employees. A significant increase in our labor costs could result in a material reduction in our earnings.

Collective action by employees could cause operating disruptions and adversely impact our business.

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

A strike, work interruption or stoppage or any prolonged dispute with employees who are represented by any of these unions could have an adverse impact on operations. These risks are typically exacerbated during periods of renegotiation with the unions, which typically occurs every two to four years depending on the jurisdiction and the union. Any renegotiated collective bargaining agreement could feature significant wage increases and a consequent increase in our operating expenses. Any failure to reach an agreement during negotiations with unions may require us to enter into arbitration proceedings, use financial and management resources, and potentially agree to terms that are less favorable to us than our existing agreements. Employees who are not currently members of unions may also form new unions that may seek further wage increases or benefits.

Our business may experience adverse consequences if we are unable to reach satisfactory collective bargaining agreements with unionized employees.

As of December 31, 2020, approximately 64% of the group’s employees, including administrative personnel, cabin crew, flight attendants, pilots and maintenance technicians are members of unions and have contracts and collective bargaining agreements which expire on a regular basis. The business, financial condition and results of operations could be materially adversely affected by a failure to reach agreement with any labor union representing such employees or by an agreement with a labor union that contains terms that are not in line with expectations or that prevent the group from competing effectively with other airlines. For further information regarding the unions representing employees in each country in which the group operates and with which there are established collective bargaining agreements, see “Item 6. Directors, Senior Management and Employees—D. Employees—Labor Relations.”

LATAM may experience difficulty finding, training and retaining employees.

The business is labor intensive. The group employs a large number of pilots, flight attendants, maintenance technicians and other operating and administrative personnel. The airline industry has, from time to time, experienced a shortage of qualified personnel, especially pilots and maintenance technicians. Such shortage of qualified personnel is further exacerbated as a result of our Chapter 11 proceedings, and extends to non-flight personnel. In addition, as is common with most of our competitors, the group may, from time to time, face considerable turnover of our employees. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, our training costs will be significantly higher. LATAM cannot assure you that it will be able to recruit, train and retain the managers, pilots, technicians and other qualified employees that are needed to continue the current operations or replace departing employees. An increase in turnover or failure to recruit, train and retain qualified employees at a reasonable cost could materially adversely affect the business, financial condition, and results of operations. As a result of the Chapter 11 proceedings, the group may experience increased levels of employee attrition. A loss of key personnel or material erosion of employee morale could impair the ability to execute strategy and implement operational initiatives, thereby adversely affecting the group.

Risks Relating to the Airline Industry and the Countries in Which the Group Operates

Our performance is heavily dependent on economic conditions in the countries in which the group does business. Negative economic conditions in those countries could adversely impact the group's business and results of operations and cause the market price of our common shares and ADSs to decrease.

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

Any of the following factors could adversely affect the business, financial condition and results of operations in the countries in which the group operates:

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

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

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

We are exposed to increases in landing fees and other airport service charges that could adversely affect our margin and competitive position. Also, it cannot be assured that in the future we will have access to adequate facilities and landing rights necessary to achieve our expansion plans.

The group must pay fees to airport operators for the use of their facilities. Any substantial increase in airport charges, including at Guarulhos International Airport in São Paulo, Jorge Chavez International Airport in Lima or Comodoro Arturo Merino Benitez International Airport in Santiago, could have a material adverse impact on our results of operations. Passenger taxes and airport charges have increased substantially in recent years. We cannot assure you that the airports in which the group operates will not increase or maintain high passenger taxes and service charges in the future. Any such increases could have an adverse effect on our financial condition and results of operations.

Certain airports that we serve (or that we plan to serve in the future) are subject to capacity constraints and impose various restrictions, including takeoff and landing slot restrictions during certain periods of the day and limits on aircraft noise levels. We cannot be certain that the group will be able to obtain a sufficient number of slots, gates and other facilities at airports to expand services in line with our growth strategy. It is also possible that airports not currently subject to capacity constraints may become so in the future. In addition, an airline must use its slots on a regular and timely basis or risk having those slots re-allocated to others. Where slots or other airport resources are not available or their availability is restricted in some way, the group may have to amend schedules, change routes or reduce aircraft utilization. It is also possible that aviation authorities in the countries in which the group operates, change the rules for the assignment of takeoff and landing slots, as it was the case with the São Paulo airport (Congonhas) in 2019 where the slots previously operated by Avianca Brazil were reassigned. Any of these alternatives could have an adverse financial impact on operations. We cannot ensure that airports at which there are no such restrictions may not implement restrictions in the future or that, where such restrictions exist, they may not become more onerous. Such restrictions may limit our ability to continue to provide or to increase services at such airports.

The business is highly regulated and changes in the regulatory environment in the different countries may adversely affect our business and results of operations.

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

Our business, financial condition, results of operations and the price of common shares and ADSs may be adversely affected by changes in policy or regulations at the federal, state or municipal level in the countries in which the group operates, involving or affecting factors such as:

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

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

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

We are also subject to international bilateral air transport agreements that provide for the exchange of air traffic rights between the countries where the group operates, and we must obtain permission from the applicable foreign governments to provide service to foreign destinations. There can be no assurance that such existing bilateral agreements will continue, or that we will be able to obtain more route rights under those agreements to accommodate our future expansion plans. Certain bilateral agreements also include provisions that require substantial ownership or effective control. Any modification, suspension or revocation of one or more bilateral agreements could have a material adverse effect on our business, financial condition and results of operations. The suspension of our permits to operate to certain airports or destinations, the inability for us to obtain favorable take-off and landing authorizations at certain high-density airports or the imposition of other sanctions could also have a negative impact on our business. We cannot be certain that a change in ownership or effective control or in a foreign government's administration of current laws and regulations or the adoption of new laws and regulations will not have a material adverse effect on our business, financial condition and results of operations.

Losses and liabilities in the event of an accident involving one or more of our aircraft could materially affect our business.

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

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

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

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

High levels of competition in the airline industry, such as the presence of low-cost carriers in the markets in which the group operates, may adversely affect the level of operations.

Our business, financial condition and results of operations could be adversely affected by high levels of competition within the industry, particularly the entrance of new competitors into the markets in which the group operates. Airlines compete primarily over fare levels, frequency and dependability of service, brand recognition, passenger amenities (such as frequent flyer programs) and the availability and convenience of other passenger or cargo services. New and existing airlines (and companies providing ground cargo or passenger transportation) could enter our markets and compete with us on any of these bases, including by offering lower prices, more attractive services or increasing their route offerings in an effort to gain greater market share. For more information regarding our main competitors, see "Item 4. Information of the Company–B. Business Overview–Passenger Operations–International Passenger Operations" and "Item 4. Information of the Company–B. Business Overview–Passenger Operations–Business Model for Domestic Operations."

Low-cost carriers have an important impact in the industry's revenues given their low unit costs. Lower costs allow low-cost carriers to offer inexpensive fares which, in turn, allow price sensitive customers to fly or to shift from large to low cost carriers. In past years we have seen more interest in the development of the low-cost model throughout Latin America. For example, in the Chilean market, Sky Airline, our main competitor, has been migrating to a low-cost model since 2015, while in July 2017, JetSmart, a new low-cost airline, started operations. In the Peruvian domestic market, VivaAir Peru, a new low-cost airline, started operations in May 2017, and in April 2019, another low-cost airline, Sky Airline Peru, started operations. In Colombia, low-cost competitor VivaColombia has been operating in the domestic market since May 2012. A number of low-cost carriers have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. The entry of low-cost carriers into local markets in which we compete, including those described above, could have a material adverse effect on our operations and financial performance. Additionally, certain of our competitors have also filed voluntary petitions under Chapter 11 of the Bankruptcy Code. The ability of competitors to significantly adjust their cost structure and become more competitive, resulting from a bankruptcy reorganization process or other financial restructuring may also adversely affect our ability to compete.

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

Some of our competitors may receive external support, which could adversely impact our competitive position.

Some of our competitors may receive support from external sources, such as their national governments, which may be unavailable to us. Support may include, among others, subsidies, financial aid or tax waivers. This support could place the group at a competitive disadvantage and adversely affect operations and financial performance. For example, Aerolíneas Argentinas has historically been government subsidized. Additionally, during the COVID-19 pandemic, some of our competitors on long-haul routes have received, or will receive, government support.

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

Some of the countries where the group operates may not comply with international agreements previously established, which could increase the risk perception of doing business in that specific market and as a consequence impact the business and financial results.

Rulings by a bankruptcy court in Brazil and by higher judicial authorities related to the bankruptcy proceedings of Avianca Brazil may appear to be inconsistent with the Cape Town Convention (CTC) treaty that Brazil has signed, thus raising concerns about the rights of creditors in respect of financings secured by aircraft. Accordingly, if creditors perceive that an increase business risk is created by these rulings for leasing or other financing transactions involving aircraft in Brazil, there is a possibility that rating agencies may issue lower credit ratings in respect of financings that are secured by aircraft in Brazil. As a result, business and financial results may be adversely affected if our financing activities in Brazil are impacted by such events.

LATAM's operations are subject to local, national and international environmental regulations; costs of compliance with applicable regulations, or the consequences of noncompliance, could adversely affect our results, our business or our reputation.

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

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

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

The business may be adversely affected by a downturn in the airline industry caused by exogenous events that affect travel behavior or increase costs, such as outbreak of disease, weather conditions and natural disasters, war or terrorist attacks.

Demand for air transportation may be adversely impacted by exogenous events, such as adverse weather conditions and natural disasters, epidemics (such as Ebola and Zika) and pandemics (such as the COVID-19 pandemic), terrorist attacks, war or political and social instability. Situations such as these in one or more of the markets in which the group operates could have a material impact on the business, financial condition and results of operations. Furthermore, the COVID-19 pandemic and other adverse public health developments could have a prolonged effect on air transportation demand and any prolonged or widespread effects could significantly impact operations.

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

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

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

An accumulation of ticket refunds could have an adverse effect on our financial results.

The COVID-19 pandemic and the corresponding widespread government-imposed travel restrictions that are outside of LATAM's control have resulted in an unprecedented number of requests for ticket refunds from customers due to changed or cancelled flights. Although at the time this issue has been managed, we cannot assure you that the COVID-19 pandemic or other outbreak of contagious illness will not result in additional changed or cancelled flights, and we cannot predict the total amount of refunds that customers might request as a result thereof. If the group is required to pay out a substantial amount of ticket refunds in cash, this could have an adverse effect on our financial results or liquidity position. Furthermore, the Company has agreements with financial institutions that process customer credit card transactions for the sale of air travel and other services. Under certain of the Company's credit card processing agreements, the financial institutions in certain circumstances have the right to require that the Company maintain a reserve equal to a portion of advance ticket sales that have been processed by that financial institution, but for which the Company has not yet provided the air transportation. Such financial institutions may require cash or other collateral reserves to be established or withholding of payments related to receivables to be collected, including if the Company does not maintain certain minimum levels of unrestricted cash, cash equivalents and short-term investments. Refunds lower our liquidity and put us at risk of triggering liquidity covenants in these processing agreements and, in doing so, could force us to post cash collateral with the credit card companies for advance ticket sales.

LATAM is subject to risks relating to litigation and administrative proceedings that could adversely affect the business and financial performance in the event of an unfavorable ruling.

The nature of the business exposes us to litigation relating to labor, insurance and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes. Litigation is inherently costly and unpredictable, making it difficult to accurately estimate the outcome among other matters. Currently, as in the past, we are subject to proceedings or investigations of actual or potential litigation. Although we establish accounting provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually have to pay due to the inherent uncertainties in the estimation process. We cannot assure you that these or other legal proceedings will not materially affect the business. For further information, see "Item 8. Financial Information—Legal and Arbitration Proceedings" and Note 31 to our audited consolidated financial statements included in this report.

The group is subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Chile, the United States and in the various countries in which it operates. Violations of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

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

Latin American governments have exercised and continue to exercise significant influence over their economies.

Governments in Latin America frequently intervene in the economies of their respective countries and occasionally make significant changes in policy and regulations. Governmental actions have often involved, among other measures, nationalizations and expropriations, price controls, currency devaluations, mandatory increases on wages and employee benefits, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, including such factors as exchange rates and exchange control policies, inflation control policies, price control policies, consumer protection policies, import duties and restrictions, liquidity of domestic capital and lending markets, electricity rationing, tax policies, including tax increases and retroactive tax claims, and other political, diplomatic, social and economic developments in or affecting the countries where the group operates.

For example, the Brazilian government's actions to control inflation and implement other policies have involved wage and price controls, depreciation of the real, controls over remittance of funds abroad, intervention by the Central Bank to affect base interest rates and other measures. In the future, the level of intervention by Latin American governments may continue or increase. We cannot assure you that these or other measures will not have a material adverse effect on the economy of each respective country and, consequently, will not adversely affect our business, financial condition and results of operations.

Political instability and social unrest in Latin America may adversely affect the business.

LATAM operates primarily within Latin America and is thus subject to a full range of risks associated with our operations in this region. These risks may include unstable political or social conditions, lack of well-established or reliable legal systems, exchange controls and other limits on our ability to repatriate earnings and changeable legal and regulatory requirements.

Although political and social conditions in one country may differ significantly from another country, events in any of our key markets could adversely affect the business, financial conditions or results of operations.

For example, in Brazil, in the last couple of years, as a result of the ongoing Lava Jato investigation ("Operation Car Wash"), a number of senior politicians have resigned or been arrested and other senior elected officials and public officials are being investigated for allegations of corruption. One of the most significant events that elapsed from this operation was the impeachment of the former President Rousseff by the Brazilian Senate on August, 2016, for violations of fiscal responsibility laws and the governing of its Vice-President, Michel Temer, during the last two years of the presidential mandate, which, due to the development of the investigations conducted by the Federal Police Department and the General Federal Prosecutor's Office, indicted President Temer on corruption charges. Along with the political and economic uncertainty period the country was facing, in July 2017, former President Luiz Inácio Lula da Silva was convicted of corruption and money laundering by a lower federal court in the State of Paraná in connection with Operation Car Wash.

In Peru, on September 30, 2019, President Martin Vizcarra took the executive action to dissolve the Peruvian Congress and called for a new election of congressional members. In response to the dissolution of the Congress, former members of the legislative body voted to suspend President Vizcarra for twelve months and appointed Vice President Mercedes Araoz as interim president to temporarily replace Mr. Vizcarra. Vice President Araoz resigned from her position as interim president the following day. On January 14, 2020, the Peruvian Constitutional Court declared the executive action taken by President Vizcarra to be constitutionally and legally valid. On January 26, 2020, congressional elections were held to elect the new Congress. The new Congress is fragmented and will likely be replaced in the next general election in April 2021.

On October 20, 2020, a group of 27 congressmen introduced a motion to hold new impeachment proceedings against President Vizcarra as a result of allegations that President Vizcarra received illicit payments from construction companies when he was the governor of Moquegua (between 2011 and 2014). On November 2, 2020, the Peruvian Congress voted to hold new impeachment proceedings. On November 9, 2020, with the affirmative vote of the required qualified members of Congress, the impeachment of President Vizcarra was approved. Because, at the time, Peru did not have designated vice presidents, the then-president of the Congress, Manuel Arturo Merino de Lama, assumed the role of acting President. Since that day, Peru has been undergoing political and social unrest, followed by multiple protests within the country. On November 15, 2020, Manuel Arturo Merino de Lama resigned from his role of acting President. On November 16, 2020, the Congress elected congressman Francisco Rafael Sagasti Hochhausler as president of Congress, and he assumed the role of acting President on November 17, 2020 until July 28, 2021.

Notwithstanding the foregoing, Peru is currently scheduled to hold a general election in April 2021 to elect a new President and Congress, which increases the uncertainty surrounding the Peruvian economy. In the past, governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. We cannot be certain whether the new Peruvian government (appointed by Congress) or the Peruvian government to be elected in 2021 will continue to pursue business-friendly and open-market economic policies that stimulate economic growth and stability.

In October 2019, Chile saw significant protests associated with economic conditions resulting in the declaration of a state of emergency in several major cities. The protests in Chile began over criticisms about social inequality, lack of quality education, weak pensions, increasing prices and low minimum wage. If social unrest in Chile were to continue or intensify, it could lead to operational delays or adversely impact our ability to operate in Chile.

Furthermore, current initiatives to address the concerns of the protesters are under discussion in the Chilean Congress. These initiatives include labor reforms, tax reforms and pension reforms, among others. It is not possible to predict the effect of these changes as they are still under discussion, but they could potentially result in higher payments of wages and salaries and an increase in taxes. On October 25, 2020 (postponed from April 26, 2020 due to the impact of the COVID-19 pandemic), Chile widely approved a referendum to redraft the constitution via constitutional convention. The election for selecting the 155-member constitutional convention is set to be held on April 11, 2021. Thereafter, the convention will have 9 months, with the possibility of a one-time, three-month extension, to present a new constitution, which will be approved or rejected in a referendum during 2022. In addition, Chile will hold presidential and congressional elections in November 2021.

Although conditions throughout Latin America vary from country to country, our customers' reactions to developments in Latin America generally may result in a reduction in passenger traffic, which could materially and negatively affect our financial condition and results of operations.

Latin American countries have experienced periods of adverse macroeconomic conditions.

The business is dependent upon economic conditions prevalent in Latin America. Latin American countries have historically experienced economic instability, including uneven periods of economic growth as well as significant downturns. High interest, inflation (in some cases substantial and prolonged), and unemployment rates generally characterize each economy. Because commodities such as agricultural products, minerals, and metals represent a significant percentage of exports of many Latin American countries, the economies of those countries are particularly sensitive to fluctuations in commodity prices. Investments in the region may also be subject to currency risks, such as restrictions on the flow of money in and out of the country, extreme volatility relative to the U.S. dollar, and devaluation.

For example, in the past, Peru has experienced periods of severe economic recession, currency devaluation, high inflation, and political instability, which have led to adverse economic consequences. We cannot assure you that Peru will not experience similar adverse developments in the future even though for some years now, several democratic procedures have been completed without any violence. We cannot assure you that the current or any future administration will maintain business-friendly and open-market economic policies or policies that stimulate economic growth and social stability. In Brazil, the Brazil Real GDP decreased 3.5% in 2015, decreased 3.3% in 2016, increased 1.3% in 2017 and 2018 and increased 1.1% in 2019, according to the Brazilian Institute for Geography and Statistics (Instituto Brasileiro de Geografia e Estatística, or "IBGE"). In addition, the credit rating of the Brazilian federal government was downgraded in 2015 and 2016 by all major credit rating agencies and is no longer investment grade. We can offer no assurances as to the policies that may be implemented by the recently elected Argentine administration, or that political developments in Argentina will not adversely affect the Argentine economy.

Accordingly, any changes in the economies of the Latin American countries in which LATAM and its affiliates operate or the governments' economic policies may have a negative effect on the business, financial condition and results of operations.

Risks Relating to our Common Shares and ADSs

Because our post-bankruptcy capital structure is yet to be determined, and any changes to our capital structure may have a material adverse effect on holders of the ADSs or our shares, trading in the ADSs or our shares during the pendency of our Chapter 11 proceedings is highly speculative and poses substantial risks.

Our post-bankruptcy capital structure will be set pursuant to a reorganization plan that requires approval by the bankruptcy court. The reorganization of our capital structure may include exchanges of new equity securities for existing equity securities or of debt securities for equity securities, which would dilute any value of our existing equity securities, or may provide for all existing equity interests in us to be extinguished. In this case, amounts invested by holders of the ADSs or our shares will not be recoverable and these securities will have no value.

As a result of our Chapter 11 proceedings, on June 10, 2020, the NYSE notified the SEC of its intention to remove the ADSs from listing and registration on the NYSE, effective at the opening of business on June 22, 2020. As of the date of this annual report, the ADSs are traded in the over-the-counter market, which is a less liquid market. There can be no assurance that the ADSs will continue to trade in the over-the-counter market or that any public market for the ADSs will exist in the future, whether broker-dealers will continue to provide public quotes of the ADSs, whether the trading volume of the ADSs will be sufficient to provide for an efficient trading market, whether quotes for the ADSs may be blocked in the future or that we will be able to relist the ADSs on a securities exchange.

Trading prices of the ADSs or our shares bear no relationship to the actual recovery, if any, by their holders in the context of our Chapter 11 proceedings. Additionally, trading prices of ADSs or our shares may experience significant fluctuation and volatility. Due to these and other risks described in this annual report, trading in the ADSs or our shares during the pendency of our Chapter 11 proceedings poses substantial risks and we urge extreme caution with respect to existing and future investments in these securities.

Our major shareholders may have interests that differ from those of our other shareholders.

One of the major shareholder groups, the Cueto Group (the “Cueto Group”), beneficially owned 16.39% of our common shares as of February 28, 2021. The Amaro Group (the “Amaro Group”), as of February 28, 2021, held 6.40 % of LATAM shares through TEP Chile and TEP Aeronáutica S.A. Previously, the Amaro Group held a 21.88% stake in Costa Verde Aeronáutica S.A., the main legal vehicle through which the Cueto Group holds its LATAM shares, which included 4.42% of the 6.40% LATAM shares held by the Amaro Group. On December 28, 2020, however, TEP Aeronáutica S.A. was created through a demerger of Costa Verde Aeronáutica S.A., and the Amaro Group’s interest in Costa Verde Aeronáutica S.A. transferred to the new company, wholly-owned by the Amaro Group, and which as of February 28, 2021, held 4.42% of the LATAM Shares. Pursuant to an existing shareholders’ agreement, the Cueto Group and the Amaro Group have agreed to use their good faith efforts to reach an agreement and act jointly on all actions to be taken by our board of directors or shareholders’ meeting, and if unable to reach to such agreement, to follow the proposals made by our board of directors. Decisions by the Company that require supermajority votes under Chilean law are subject to voting arrangements by the Cueto Group and the Amaro Group. In addition, other shareholders including, Delta Air Lines, Inc, which, as of February 28, 2021, held 20.00% of our common shares, and Qatar Airways Investments (UK) Ltd., which as of February 28, 2021, held 9.999999918% of our common shares, could have interests that may differ from those of our other shareholders. See “Item 7. Major Shareholders and Related Party Transactions–A. Major Shareholders.”

Under the terms of the deposit agreement governing the ADSs, if holders of ADSs do not provide JP Morgan Chase Bank, N.A., in its capacity as depositary for the ADSs, with timely instructions on the voting of the common shares underlying their ADRs, the depositary will be deemed to have been instructed to give a person designated by the board of directors the discretionary right to vote those common shares. The person designated by the board of directors to exercise this discretionary voting right may have interests that are aligned with our majority shareholders, which may differ from those of our other shareholders. Historically, our board of directors has designated its chairman to exercise this right; for example, the members of the board of directors elected by the shareholders in 2020 designated Mr. Ignacio Cueto, to serve in this role.

Trading of our ADSs and common shares in the securities markets is limited and could experience further illiquidity and price volatility.

Our common shares are listed on the two Chilean stock exchanges. Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. In addition, Chilean securities markets may be materially affected by developments in other emerging markets, particularly other countries in Latin America. Accordingly, although you are entitled to withdraw the common shares underlying the ADSs from the depositary at any time, your ability to sell the common shares underlying ADSs in the amount and at the price and time of your choice may be substantially limited. This limited trading market may also increase the price volatility of the ADSs or the common shares underlying the ADSs.

Holders of ADRs may be adversely affected by currency devaluations and foreign exchange fluctuations.

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

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

Equity investments in Chile by non-Chilean residents have been subject in the past to various exchange control regulations that govern investment repatriation and earnings thereon. Although not currently in effect, regulations of the Central Bank of Chile have in the past imposed such exchange controls. Nevertheless, foreign investors still have to provide the Central Bank with information related to equity investments and must conduct such operations within the formal exchange market. Furthermore, any changes in withholding taxes could negatively affect non-Chilean residents that invest in our shares.

We cannot assure you that additional Chilean restrictions applicable to the holders of ADRs, the disposition of the common shares underlying ADSs or the repatriation of the proceeds from an acquisition, a disposition or a dividend payment, will not be imposed or required in the future, nor could we make an assessment as to the duration or impact, were any such restrictions to be imposed or required. For further information, see “Item 10. Additional Information–D. Exchange Controls–Foreign Investment and Exchange Controls in Chile.”

Our ADS holders may not be able to exercise preemptive rights in certain circumstances.

As described further in “Item 10. Additional Information–Preemptive Rights and Increases in Share Capital,” to the extent that a holder of our ADSs is unable to exercise its preemptive rights because a registration statement has not been filed, the depositary will attempt to sell the holder’s preemptive rights and distribute the net proceeds of the sale, net of the depositary’s fees and expenses, to the holder, provided that a secondary market for those rights exists and a premium can be recognized over the cost of the sale. A secondary market for the sale of preemptive rights can be expected to develop if the subscription price of the shares of our common stock upon exercise of the rights is below the prevailing market price of the shares of our common stock. However, we cannot assure you that a secondary market in preemptive rights will develop in connection with any future issuance of shares of our common stock or that if a market develops, a premium can be recognized on their sale. Amounts received in exchange for the sale or assignment of preemptive rights relating to shares of our common stock will be taxable in Chile and in the United States. See “Item 10. Additional Information–E. Taxation–Chilean Tax–Capital Gains.” As described further in “Item 10. Additional Information–Preemptive Rights and Increases in Share Capital,” the inability of holders of ADSs to exercise preemptive rights in respect of common shares underlying their ADSs could result in a change in their percentage ownership of common shares following a preemptive rights offering. If a secondary market for the sale of preemptive rights does not develop and such rights cannot be sold, they will expire and a holder of our ADSs will not realize any value from the grant of the preemptive rights. In either case, the equity interest of a holder of our ADSs in us will be diluted proportionately.

We are not required to disclose as much information to investors as a U.S. issuer is required to disclose and, as a result, you may receive less information about us than you would receive from a comparable U.S. company.

The corporate disclosure requirements that apply to us may not be equivalent to the disclosure requirements that apply to a U.S. company and, as a result, you may receive less information about us than you would receive from a comparable U.S. company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The disclosure requirements applicable to foreign issuers under the Exchange Act are more limited than the disclosure requirements applicable to U.S. issuers. Publicly available information about issuers of securities listed on Chilean stock exchanges also provides less detail in certain respects than the information regularly published by listed companies in the United States or in certain other countries. Furthermore, there is a lower level of regulation of the Chilean securities market and of the activities of investors in such markets as compared with the level of regulation of the securities markets in the United States and in certain other developed countries. For further information, see “Item 16. Reserved–G. Corporate Governance.”