

Santiago, June 9, 2016

Mr. Carlos Pavez Tolosa
Superintendent
Superintendence of Securities and Insurance

Ref: Material Fact – Cancellation of BDR Program in Brazil

Dear Superintendent:

In accordance with articles 9° and 10° of Securities Market Law No. 18.045 of the Mercado de Valores, established by General Regulation No. 30, and being duly authorized thereto, I hereby inform you of a material fact from LATAM Airlines Group S.A. (hereafter, “LATAM” or the “Company”), Securities register No. 306, the following:

a) On April 5th, 2016, LATAM issued a Material Fact to inform of the cancellation of the Brazilian Depository Receipts (“BDRs”) program of LATAM Airlines Group S.A., which must be performed in accordance with the approved procedure described in this communication (hereafter, the “Cancellation Procedure”).

b) According to the Cancellation Procedure, the terms of which were published by LATAM on the 7th of April, 2016 in the “*Diario Oficial do Estado de São Paulo*”, “*Valor Econômico*”, and on the website of LATAM <http://www.latamairlinesgroup.net> (hereafter, the “Notice”), on May 9th, 2016, the deadline passed for the bondholders of BDRs to exercise their option to keep the underlying common shares of the BDRs (the “Shares”); and BM&FBOVESPA blocked, on May 23rd, 2016, the respective balances of the holders of BDRs who chose to adhere to the procedure for sale of the shares on the Santiago Stock Exchange – Santiago Exchange, through the procedure called *Sale Facility*.



c) On May 24th 2016, LATAM issued a Material Fact to inform that May 23 was the maturity deadline for BDR holders to express their option to keep their shares while the blockade by BM&FBOVERSPA occurred on the same date of the respective balances of the holders of BDRs who chose to adhere to the procedure for sale of the shares on the Santiago Stock Exchange - Santiago Exchange, through the procedure called Sale Facility, assigning for this purpose a theoretical value of sales in the Santiago Stock Exchange.

d) On this date, Chile informed that BTG Pactual S.A. *Corredores de Bolsa* ("BTG Pactual Chile"), a Chilean institution contracted by the Company for this purpose, made the sale on the Santiago Stock Exchange Shares of the respective holders who adhered to the Sale Facility procedure.

e) In this respect, on June 2, 2016, by conducting 1 (one) auction on the Santiago Stock Exchange, 672,500 shares were sold by an average price of \$4,150.038 *Pesos Chilenos* per Share, an equivalent in Brazilian Reais of R\$20,528003378, converted based on the tax buying currency in the foreign exchange market on June 8, 2016, which is the amount to be paid for BDRs to their respective owners. The payment should take place on June 16, 2016 and *Itaú Corretora de Valores S.A.* ("*Itaú Corretora*") should transfer it to BM&FBOVERSPA, which will be responsible on transferring the amount to their respective owners, through their custody agents. The BDR holders who maintained their position directly from *Itaú Corretora* will receive the amount directly from itself.

f) More information and instructions relative to the Cancellation Procedure can be attained in the Material Fact published on April 5th, May 23^h and the Notice.

Cordially,

Cristián Toro Cañas
Vice-president Legal
LATAM Airlines Group S.A.