



LATAM AIRLINES GROUP S.A. ANNOUNCES COMMENCEMENT OF CASH TENDER OFFER FOR 7.375% SENIOR GUARANTEED NOTES DUE 2017 OF TAM CAPITAL INC. AND 8.375% SENIOR GUARANTEED NOTES DUE 2021 OF TAM CAPITAL 3 INC.

Santiago, Chile, October 5, 2016 – LATAM Airlines Group S.A. (“LATAM Airlines Group” or the “Company”) (NYSE: LFL / IPSA: LAN / Bovespa: LATM33), its affiliates, TAM Capital Inc. (the “2017 Notes Issuer”), TAM Capital 3 Inc. (the “2021 Notes Issuer” and, together with the 2017 Notes Issuer, the “Issuers”) and Citigroup Global Markets Inc. (the “Offeror” or the “Dealer Manager”) today announced the commencement of an offer by the Offeror to purchase for cash (the “Tender Offer”) up to U.S.\$462,500,000 aggregate principal amount (subject to increase by the Offeror, the “Aggregate Maximum Tender Amount”) of the outstanding 7.375% Senior Guaranteed Notes due 2017 (the “2017 Notes”) of the 2017 Notes Issuer and 8.375% Senior Guaranteed Notes due 2021 (the “2021 Notes”) of the 2021 Notes Issuer, subject to purchase in accordance with the acceptance priority level for each series of Notes set forth in the table below (the “Acceptance Priority Level”) and possible proration as described in the Offer Documents (defined below). The 2017 Notes and the 2021 Notes are guaranteed by TAM S.A. and TAM Linhas Aéreas S.A. (the “Guarantors”). The Tender Offer is being made by the Offeror on behalf of the Issuers pursuant to the offer to purchase dated October 5, 2016 (the “Tender Offer”) and the related letter of transmittal (the “Letter of Transmittal” and, together with the Tender Offer, the “Offer Documents”). The principal purpose of the Tender Offer is to acquire up to the Aggregate Maximum Tender Amount of the outstanding Notes.

The table below summarizes certain payment terms for the Notes:

Title of Security	CUSIP / ISIN	Aggregate Principal Amount Outstanding	Base Consideration ⁽¹⁾⁽²⁾	Early Tender Premium ⁽¹⁾	Total Consideration ⁽¹⁾⁽²⁾	Acceptance Priority Level	Tender Cap Per Series
8.375% Senior Guaranteed Notes due 2021	87216VAA6 / US87216VAA61 / G86668AA1 / USG86668AA10	U.S.\$500,000,000	U.S.\$1,011.88	U.S.\$30.00	U.S.\$1,041.88	1	U.S.\$262,500,000
7.375% Senior Guaranteed Notes due 2017	87484EAB7 / US87484EAB74 / 87484EAA9 / US87484EAA91 / G86667AA3 / USG86667AA37	U.S.\$300,000,000	U.S.\$997.50	U.S.\$30.00	U.S.\$1,027.50	2	n/a

(1) Per U.S.\$1,000 principal amount of Notes.

(2) Excludes accrued interest, which will be paid in addition to the Base Consideration or the Total Consideration, as applicable.

The Notes will be purchased in accordance with the Acceptance Priority Level (in numerical priority order) as set forth in the table above (the “Acceptance Priority Level”), and proration of the Notes on any given Settlement Date (as defined below) will be determined in accordance with the terms of the Tender Offer. If the Offeror purchases any Notes in the Tender Offer, Notes tendered prior to the Early Tender Date will be accepted for purchase in priority to other Notes tendered after the Early Tender Date even if such Notes tendered after the Early Tender Date have a higher acceptance priority than Notes tendered prior to the Early Tender Date. The Offeror will first purchase not more than U.S.\$262,500,000 aggregate principal amount of the 2021 Notes (the “2021 Notes Tender Cap”) (the series of Notes with the highest Acceptance Priority Level) validly tendered at or prior to the Early Tender Date before we purchase any 2017 Notes validly tendered at or prior to the Early Tender Date, and then will purchase up to the Aggregate Maximum Tender Amount (minus any amount used to purchase 2021 Notes) of the 2017 Notes validly tendered at or prior to the Early Tender Date. If at the Early Tender Date the aggregate principal amount of Notes validly tendered exceeds the Aggregate

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Maximum Tender Amount, the Offeror reserves the right, at its option, not to accept any additional Notes tendered by holders of Notes after the Early Tender Date.

The Tender Offer will expire at 11:59 P.M., New York City time, on November 2, 2016, unless extended or earlier terminated (such date and time, including as extended or earlier terminated, the "Expiration Date"). Holders of Notes who validly tender (and do not validly withdraw) their Notes at or prior to 8:00 A.M., New York City time, on October 20, 2016, unless extended or earlier terminated (such date and time, including as extended or earlier terminated, the "Early Tender Date"), will be eligible to receive the Total Consideration (as defined below), which includes the Early Tender Premium (as defined below), plus accrued interest to the date of payment. Holders of Notes who validly tender Notes after the Early Tender Date but at or prior to the Expiration Date in the manner described herein will not be eligible to receive the Early Tender Premium and will therefore only be eligible to receive the Base Consideration (as defined below), plus accrued interest to the date of payment. Notes that have been validly tendered pursuant to the Tender Offer may be validly withdrawn prior to 8:00 A.M., New York City time, on October 20, 2016, unless extended or earlier terminated (such date and time, including as extended or earlier terminated, the "Withdrawal Deadline") but not thereafter except as may be required by applicable law.

The total consideration for the Notes of each series (the "Total Consideration") is U.S.\$1,027.50 for each U.S.\$1,000 principal amount of the 2017 Notes and U.S.\$1,041.88 for each U.S.\$1,000 principal amount of the 2021 Notes which includes, in each case, an early tender premium (the "Early Tender Premium") of U.S.\$30.00 per U.S.\$1,000 principal amount of the Notes, and in addition, in each case, the applicable Base Consideration (as defined below). Subject to purchase in accordance with the Acceptance Priority Level and possible proration, Holders that validly tender and do not withdraw Notes at or before the Early Tender Date will be eligible to receive the Total Consideration (including the Early Tender Premium) within three business days following the Early Tender Date (the "Early Settlement Date").

Subject to purchase in accordance with the Acceptance Priority Level and possible proration, Holders that validly tender their Notes after the Early Tender Date and prior to or at the Expiration Date will be eligible to receive (the "Base Consideration") of U.S.\$997.50 per U.S.\$1,000 principal amount of the 2017 Notes and U.S.\$1,011.88 per U.S.\$1,000 principal amount of the 2021 Notes, in each case, equal to the applicable Total Consideration less the Early Tender Premium, within four business days following the Expiration Date (the "Final Settlement Date").

The Issuers and the Guarantors have consented to the Offeror making the Tender Offer. It is intended that the Notes purchased by the Offeror in the Tender Offer will be exchanged by the Offeror with LATAM Finance Limited, for certain new notes (the "Exchange") issued in a new offering, exempt from the registration requirements of the U.S. Securities Act of 1933, as amended (the "Securities Act"), by LATAM Finance Limited (the "New Offering").

The obligation of the Offeror to accept for purchase, and to pay for, Notes validly tendered pursuant to the Tender Offer is subject to, and conditioned upon, the satisfaction or waiver of certain conditions as set forth in the Offer Documents, in the sole discretion of the Offeror, including consummation of the New Offering in terms satisfactory to LATAM.

The Information and Tender Agent for the Tender Offer is Global Bondholder Services Corporation. To contact the Information and Tender Agent, banks and brokers may call collect (212) 430-3774, and others may call U.S. tollfree: (866) 470-3700. The Information and Tender Agent's email is contact@gbsc-usa.com.

The sole Dealer Manager for the Tender Offer is Citigroup Global Markets Inc. Any questions or requests for assistance may be directed to the Dealer Manager at Collect: (212) 723-6106 or U.S. Toll-Free: (800) 558-3745. In addition, Holders may contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Tender Offer.

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This notice does not constitute or form part of any offer or invitation to purchase, or any solicitation of any offer to sell, the Notes or any other securities in the United States or any other country, nor shall it or any part of it, or the fact of its release, form the basis of, or be relied on or in connection with, any contract therefor. The Tender Offer is made only by and pursuant to the terms of the Tender Offer and the related Letter of Transmittal and the information in this notice is qualified by reference to the Tender Offer and the related Letter of Transmittal. None of the Offeror, the Issuers, the Guarantors, LATAM or the Information and Tender Agent makes any recommendations as to whether holders should tender their Notes pursuant to the Tender Offer.

This notice to the market does not represent an offer to sell securities or a solicitation to buy securities in the United States or in any other country. The New Offering was not and will not be registered under the Securities Act. Consequently, the notes issued in the New Offering are prohibited from being offered or sold in the United States or to U.S. citizens without the applicable registration or exemption from registration required under the Securities Act.

This notice to the market is released for disclosure purposes only, in accordance with applicable legislation. It does not constitute marketing material, and should not be interpreted as advertising an offer to sell or soliciting any offer to buy securities issued by the Issuers, the Guarantors and LATAM. This notice to the market is not for distribution in or into or to any person located or resident in the United States, its territories and possessions, any state of the United States or the District of Columbia or in any jurisdiction where it is unlawful to release, publish or distribute this announcement.

Forward-Looking Statements

This notice includes and references "forward-looking statements" within the meaning of the Private Securities U.S. federal securities laws. These statements may relate to, among other things, LATAM's business strategy, goals and expectations concerning its market position, future operations, margins and profitability.

Although the Issuers and LATAM believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect.

The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and trends to differ materially from those made, projected, or implied in or by the forward-looking statements depending on a variety of uncertainties or other factors.

The Issuers and LATAM undertake no obligation to update any of its forward-looking statements.

About LATAM Airlines Group S.A.

LATAM Airlines Group S.A. is the new name given to LAN Airlines S.A. as a result of its association with TAM S.A. LATAM Airlines Group S.A. now includes LAN Airlines and its affiliates in Argentina, Chile, Colombia, Ecuador and Peru, and LAN Cargo and its affiliates, as well as TAM S.A. and its subsidiaries TAM Linhas Aereas S.A., including its business units TAM Transportes Aereos del Mercosur S.A., (TAM Airlines (Paraguay)) and Multiplus S.A.

This association creates one of the largest airline groups in the world in terms of network connections, providing passenger transport services to about 135 destinations in 23 countries and cargo services to about 138 destinations in 31 countries, with a fleet of 330 aircraft as of June 30, 2016. In total, LATAM Airlines Group S.A. has approximately 48,000 employees and its shares are traded in Santiago, as well as on the New York Stock Exchange, in the form of ADRs.

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