



## **DOCUMENTS RELATED TO THE MATTERS OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS MEETING OF APRIL 27<sup>TH</sup>, 2017**

In relation to the matters that will be submitted to the knowledge and approval of the shareholders at the next Ordinary Shareholders Meeting of LATAM Airlines Group S.A. ("LATAM", the "Society" or the "Company"), to be held next Thursday, April 27<sup>th</sup>, 2017, at 10:00 am, and at the Extraordinary Shareholders Meeting of LATAM, to be held immediately following the Ordinary Shareholders Meeting, both at the Marriot Santiago Hotel, Torres del Paine D-E-F room, located at Av. Presidente Kennedy 5741, Las Condes, Santiago, in accordance with the agreement of the Board of LATAM at its meeting of April 4, 2017, the following is recorded:

### **ORDINARY SHAREHOLDERS MEETING**

#### **1. Annual report, Balance sheet and Financial statements for the year 2016; the Company situation; and respective report of the External Audit Company.**

The full documents of the Annual report, Balance Sheet and Financial Statements and the report of the External Audit Company for the year 2016 are published on the website [www.latamairlinesgroup.net](http://www.latamairlinesgroup.net), under the section "Earnings and releases"; and available to shareholders in LATAM offices located Av. Presidente Riesco 5711, floor 20th, Las Condes, Santiago, and at the offices of DCV Registros S.A. located in Huérfanos 770, floor 22<sup>nd</sup>, Santiago.

#### **2. Distribution of a final dividend charged to earnings for the year 2016**

The Board of Directors resolved to propose to the Ordinary Shareholders Meeting the distribution of a Dividend No. 48, definitive, up to complete 30% of net income for the year 2016, that is, the equivalent amount in Chilean pesos of US \$ 20,766,119.39, which means to distribute a dividend of US \$ 0.0342444854 per share, to be paid on Thursday, May 18, 2017, in Chilean pesos equivalent at the "observed" exchange rate published in the Official Gazette on the fifth business day prior to the day Of the distribution, that is to say, on May 12, 2017. In the event that the dividend is approved in the terms proposed by the Board of Directors, will be entitled to receive the dividend the shareholders registered in the Shareholders' Registry at midnight on May 12, 2017.

**Basis:** This proposal allows complying with the provisions of article 79 of the Law on Public Limited Companies and the Company's bylaws, according to which it is appropriate to distribute as a Final Dividend at least 30% of the net profits of each year

#### **3. Election of the Board of Directors**

The list of candidates for the position of Director of LATAM, who accept their nomination and declare that they have no inability to perform the same, will be published on the website [www.latamairlinesgroup.net](http://www.latamairlinesgroup.net) as soon as the Company receives the corresponding information and, at the latest, two days in advance of the Ordinary Shareholders' Meeting,



under the terms set forth in article 73 of the Regulations of Corporations. Together with this list, the Company will also publish the information regarding the experience and professional profile of each candidate who has so far provided such information to LATAM, which will be duly updated the day before the Meeting.

#### **4. Remuneration of the Board of Directors for the year 2017.**

It will be proposed, for the year 2017, to assign as compensation to each member of the Board of Directors an amount equivalent to 60 *Unidades de Fomento* per monthly diet for attending sessions, without considering the number of sessions, corresponding to the President a remuneration equal to twice that of any other Director. Likewise, it will be proposed to allocate to each Director the equivalent of 48 *Unidades de Fomento* per monthly diet for attendance at subcommittee sessions of the Board of Directors, regardless of the number of sessions.

**Basis:** This proposal considers a 20% increase over the remuneration that has been approved for previous years. It has been estimated that this proposal is reasonable, since the increase partially adjusts the remuneration of the Directors of the Company to those that normally prevail in the market of Directors' diets for open companies of the characteristics of LATAM.

#### **5. Remuneration and budget of the Board of Committees for the year 2017.**

It will be proposed, for the year 2017, to allocate as compensation for each member of the Board of Committees an amount equivalent to 80 *Unidades de Fomento* per monthly diet for attendance at sessions of the Committee, without considering the number of sessions.

**Basis:** This proposal considers an increase that is around 20% of the remuneration that has been approved for previous years. It has been estimated that this proposal is reasonable, since the increase partially adjusts the remuneration of Directors who are members of the Board of Committees to those that normally prevail in the diets market for members of board of committees for open companies of the characteristics of LATAM.

#### **6. Designation of the External Audit Company.**

The Board of Directors of LATAM, in accordance with the recommendation of the Board of Committees, in accordance with the provisions of the Circular Letters of the Securities and Insurance Commission, agreed to propose to the Ordinary Shareholders' Meeting, as the Society's Audit Company, the firms PriceWaterhouseCoopers Consultores, Auditores y Cía. ("PWC"), Ernst & Young Professional Audit and Advisory Services Limited ("EY") and KPMG Auditores Consultores Limitada ("KPMG"), in the same order of priority, but without prejudice to recommend the maintenance of PWC as the External Audit Company for the year 2017.

The recommendation of the LATAM's Board to maintain PWC, in accordance with the recommendation of the Board of Committees, is based on the following reasons:



(i) The quality of the service of PWC towards LATAM does not present any observation or repair on the part of the administration of the Company or its Board of Directors.

(ii) It has been estimated positive the interaction and coordination between the two external audit firms, PWC, as the external audit firm of LATAM for the year 2016, and EY, as the external audit firm of TAM S.A. for the same year.

(iii) Finally, although PWC has been the external auditor of LATAM for the last 25 years, the level of independence of this audit firm is guaranteed through the internal control systems that it has implemented and the policy that PWC observes at international level to rotate the partner in charge of the client every 5 years, which is in accordance with the provisions of letter f) of article 243 of the Securities Market Law. Precisely because the partner in charge of the audit of LATAM has been performing this function for 5 years, it corresponds to its change for the audit for the year 2017, having already been informed by PWC the appointment of the new partner in charge, Mr. Renzo Corona.

## **7. Designation of Risk Rating Agencies.**

In the case of risk rating agencies, the Board of Directors of LATAM, in accordance with the recommendation of the Board of Committees, agreed to propose to the Ordinary Shareholders' Meeting, regarding the local risk classification, the designation of the local risk agencies firms Fitch Chile Clasificadora de Riesgo Limitada, Feller-Rate Clasificadora de Riesgo Limitada and Standard and Poor's Ratings Chile Clasificadora de Riesgo Limitada; and in international risk classification, the designation of international firms Fitch Ratings Inc., Moody's Investors Service and Standard & Poor's Ratings Services.

**Basis:** This proposal aims to expand the list of risk rating agencies, with the purpose of including agencies not only in the local scope but also international, that allow to deliver more information to the market.

## **8. Determination of the newspaper for publications to be made by the Company.**

The Board of Directors of LATAM agreed to propose to the Shareholders Meeting the designation of "La Tercera" newspaper of Santiago as a newspaper in which, pursuant to Article 59 of the Law on Public Limited Companies, notice of citation to Shareholders' Meetings will be published.

This proposition basically maintains the newspaper that has been approved for previous years.

## **9. Transactions with related parties.**

At the Ordinary Shareholders' Meeting, the Company will report on the transactions carried out by the Company with related parties.

All these transactions, which are adjusted to equivalent conditions similar to those prevailing in the market, are contained in the Annual Report, which is available to shareholders as indicated in item 1 above.



## EXTRAORDINARY SHAREHOLDERS MEETING

**I. Recognize any change to the capital stock that was produced pursuant to the provisions of article 26 of the Law on Public Limited Companies, in connection with the capital increase approved at the Extraordinary Shareholders' Meeting held on August 18, 2016; and deduct from the paid-up capital any account of costs of issuance and placement of shares that has occurred.**

This proposal aims, first of all, to report at the Extraordinary Shareholders' Meeting the result of the placement of shares carried out with a charge to the capital increase approved at the Extraordinary Shareholders' Meeting held on August 18, 2016 for USD 613,164,240 represented by a total of 61,316,424 shares of payment. To date, 60,849,592 shares have been placed at a redemption value of USD 608,495,920. As the statutory value of such shares amounts to the same USD 608,495,920, their placement did not produce any higher or lower placement value.

This proposal seeks, secondly, to report the costs of issuing and placing the shares of said capital increase, in order to deduct them from paid-in capital, in accordance with the provisions of article 26 of the Law on Corporations And in Circular 1,370, of 1998, of the Securities and Insurance Commission. To date, there have been issuance and placement costs amounting to USD 8,801.25, which deduction of the paid-in capital of the Company will be proposed to the Extraordinary Shareholders' Meeting.

**II. Ratify the subscribed and paid-in capital of the Company and the shares into which it is divided; and, in general, to adopt and carry out all measures, approvals and ratifications that proceed to remedy any matter related to the capital and shares in which it is divided.**

The purpose of this proposal is to propose the ratification of the placement of 10,282 shares made in January 2014, which were originally assigned to the compensation plan for employees of the Company and its subsidiaries approved at the Extraordinary Shareholders' Meeting held on December 21, 2011, but which ended up being placed on the market before the expiration of said plan; all in the terms set forth in Notes 25 and 34 of the Company's Financial Statements as of December 31, 2016.

Likewise, it will be proposed to recognize the capitalization of the highest value obtained in the placement of the same 10,282 shares, amounting to USD 53,729.12. That higher value corresponds to the difference between the value of those 10,282 shares according to their implicit value approved at said Extraordinary Meeting of December 2011, amounting to USD 102,248.82, and the amount actually collected with the placement of the same shares, amounting to USD 155,977.94.

In addition, it will be proposed to reflect in the bylaws the reduction in share capital occurring in full force and effect as of December 22, 2016, for USD 47,631,103.67, representing 4,789,718 shares of the same compensation plan approved in December 2011, for not having been subscribed or paid within the maximum term established for this purpose, which expired on December 21, 2016, all in accordance with the provisions of article 24 of the Law on Public Limited Companies.



Based on what is stated in this item II and in item I above, will be proposed to the Extraordinary Shareholders' Meeting to ratify the subscribed and paid-in capital of the Company and the shares into which it is divided, in the terms of the citation.

**III. In general, to adopt the amendments to the by-laws and all other agreements, as may be necessary or convenient to carry out the decisions resolved by the Shareholders' Meeting.**

In case of approval of the aforementioned proposals and in order to allow their materialization, it will be submitted to the Extraordinary Shareholders' Meeting the amendment of the by-laws in its fifth permanent and transitory articles related to the share capital, for the sole purpose of maintaining them updated.

Shareholders are informed that none of the matters proposed for approval affects the number of shares authorized, issued, subscribed and / or paid by the Company.

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Santiago, April 12, 2017.