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## **LAN AND TAM ANNOUNCE NEW SYNERGY ESTIMATE FOR LATAM AIRLINES GROUP**

**January 12, 2012**– LAN Airlines S.A. (“LAN”) and TAM S.A. (“TAM”) today announced a revised estimate of the synergies expected to be achieved through the merger of the two airlines to create LATAM Airlines Group S.A. (“LATAM Group”). LAN and TAM estimate that the combined synergies arising from the proposed combination could increase LATAM Group’s annual operating income over time by between US\$600 million and US\$700 million, before depreciation and taxes, beginning four years after completion of the transaction. This represents a 50% to 75% increase over the initial synergy estimate of US\$400 million per year, which the companies announced in August 2010.

The new estimate, which is based on work performed by the companies together with consultants McKinsey & Company and Bain & Company over the past ten weeks, reflects further revisions and updates of the expected combined cost savings and revenue generating opportunities arising from the proposed combination and includes best practice sharing benefits that have been identified in certain areas. Of the total expected annual pre-tax synergies, between US\$170 million and US\$200 million may be achieved within the first year after completion of the transaction.

Approximately 40% of the total potential synergies will be generated from increased revenues from the passenger business, 20% will be generated from increased revenues from the cargo business and the remaining 40% of the potential synergies will be generated by cost savings. Beginning four years after the completion of the proposed combination, the breakdown of expected annual pre-tax synergies is estimated to be as follows:

- between US\$225 million and US\$260 million is expected to derive from increased revenues resulting from the combination of LAN’s and TAM’s passenger networks and the addition of new flights;
- between US\$120 million and US\$125 million is expected to derive from increased revenues attributable to new services and best practice sharing in the cargo business;
- between \$15 million and US\$25 million is expected to derive from the consolidation of, and best practice sharing in, the frequent flyer programs of both companies;
- between US\$100 million and US\$135 million is expected to derive from cost savings relating to the coordination of airport and procurement activities which should allow LATAM Group to leverage economies of scope and scale;
- between US\$20 million and US\$25 million is expected to derive from cost savings resulting from the coordination and improved efficiency of maintenance operations which should allow LATAM Group to leverage economies of scale; and

- between US\$120 million and US\$130 million is expected to derive from cost savings resulting from the convergence of LAN's and TAM's information technology systems, the increased efficiency of combined sales and distribution processes, and the increased efficiency in corporate overhead costs.

The estimated revenues and cost savings expected to result from the synergies and best practice sharing described above do not include any implementation costs. LAN and TAM expect that the one-time merger costs, including banking, consulting and legal advisory fees, to be incurred during 2012 and the investments required over the term of the synergy capture period to achieve the above-mentioned synergies will be between US\$170 million and US\$200 million in the aggregate. Finally, LAN and TAM expect reduced investments from avoided engine and spare part purchases of approximately US\$150 million, which are expected to occur over the synergy capture period.

Below please find a further breakdown of the total expected annual pre-tax synergies:

Synergy source	Value US\$ Millions	Rationale	Synergy source	Value US\$ Millions	Rationale		
Cargo	120	125	New service, sharing of best practices	Airports	30	35	Consolidation of functions in overlapping stations
Network relevance	75	85	Improved access to joint hubs and combined network appeal	Procurement	70	100	Leveraging economies of scale in contracts
New and increased connectivity	70	80	Combined network creates new city pairs and increased service	Corporate	20	20	Streamlining of corporate overhead and some functions
New flights	45	45	Combined network supports new flights and hubs	IT	65	70	Efficiencies of common IT platforms
Other passenger revenue	35	50	Includes consolidation of partner airline contracts and increased utilization	Maintenance	20	25	Leveraging economies and efficiencies of scale
Frequent flyer	15	25	Consolidation of the programs and sharing of best practices	Sales	35	40	Efficiency of combined sales efforts

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### About LAN

LAN Airlines is one of the leading passenger and cargo airlines in Latin America. The company and its affiliates serve over 100 destinations around the world through an extensive network that offers full connectivity within Latin America, while also linking the region with North America, Europe and the South Pacific, as well as 70 additional international destinations through its various code share agreements. LAN Airlines and its affiliates have a leading position in their respective domestic markets of Chile and Peru as well as an important presence in the Argentinean, Ecuadorian and Colombian domestic markets. Currently, LAN Airlines and its affiliates operate 135 passenger aircraft while LAN Cargo and its respective affiliates have a fleet of 14 dedicated freighters. The Company has one of the youngest fleets in the world which has meant greater efficiency and a significant reduction in CO2 emissions, reflecting its strong commitment to the protection of the environment. LAN is one of the few Investment Grade airlines in the world (BBB). The company's world class quality standards enabled its membership in oneworld™, an alliance of leading global airlines of which LAN has been a member for 10 years. For more information please visit [www.lan.com](http://www.lan.com) or [www.oneworldalliance.com](http://www.oneworldalliance.com)

### About TAM

TAM Airlines ([www.tamairlines.com](http://www.tamairlines.com)) operates direct flights to 43 destinations in Brazil and 19 cities in Latin America, the United States and Europe. Through agreements with companies in Brazil and abroad, TAM's network encompasses 92 airports in Brazil and a further 92 international destinations, including in Asia. The company was founded in 1976 with the promise to its passengers to offer a high quality service at competitive prices. TAM has established itself as Brazil's leading airline, with a domestic market share of 40,2% in November 2011. TAM is also the country's leading carrier among Brazilian airlines that operate international routes, with an 88,5% market share in November 2011. With the largest passenger aircraft fleet in Brazil (156 planes), TAM offers customer service manifested by its 'Spirit to Serve' initiative that seeks to make air travel more accessible to the general public. TAM was the first Brazilian airline to offer a loyalty program; TAM Fidelidade, which today has 8.9 million members, has already issued more than 18 million tickets in exchange for points and is part of the Multiplus network. Since May 2010, TAM has been a full member of the Star Alliance – the world's largest airline alliance – with its network of over 1,290 destinations across 189 countries.

#### **FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements, including with respect to the negotiation, implementation, effects, and estimated synergies of the proposed combination. Such statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "would" or other similar expressions. Forward-looking statements are statements that are not historical facts, including statements about our beliefs and expectations. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors and uncertainties include in particular those described in the documents we have filed with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them, whether in light of new information, future events or otherwise.

#### **ADDITIONAL INFORMATION ABOUT THE PROPOSED BUSINESS COMBINATION AND WHERE TO FIND IT**

This press release relates to a proposed business combination between Lan Airlines S.A. ("LAN") and TAM S.A. ("TAM"), which is the subject of a registration statement and prospectus that has been filed with the SEC by LAN and Holdco II S.A. ("Holdco II"), a new entity that was formed in connection with the combination. This press release is not a substitute for the registration statement, prospectus and offering materials that LAN and Holdco II have filed with the SEC or any other documents that they may file with the SEC or send to shareholders in connection with the proposed combination. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, PROSPECTUS, EXCHANGE OFFER DOCUMENTS AND ALL OTHER RELEVANT DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED BUSINESS COMBINATION. All such documents, if filed, would be available free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)) or by directing a request to LAN Investor Relations, at 56-2-565-8785 or by e-mail at [investor.relations@lan.com](mailto:investor.relations@lan.com), or to TAM Investor Relations, at 55-11-5582-9715 or by e-mail at [invest@tam.com.br](mailto:invest@tam.com.br).