

Consulting Firm Oxford Economics releases study of the economic impact of implementation of a LATAM Airlines Group hub in Northeast Brazil

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Study commissioned by LATAM Airlines Group from the Consulting Firm Oxford Economics reveals the multiplying effect of the initiative on the economy in Northeast Brazil: each dollar invested in the hub by LATAM Airlines Group should generate between 5.2 and 5.8 dollars in new economic activities, considering the average over the first five years of operation.

This study was one of the factors considered in the LATAM Airlines Group's analysis of the hub implementation and highlighted the potential for expansion of development to the entire Northeast region of the country

São Paulo, September 17, 2015 – LATAM Airlines Group, the largest airline group in Latin America, hired Oxford Economics, one of the world's leading economic consulting firms, to conduct an analysis of the economic impact of the implementation of the first domestic and international hub in Northeast Brazil. The survey is part of the analysis that is being done by the Group which considers three cities: Fortaleza, Natal and Recife. This analysis provides a consistent vision of the participation of each city in the initiative, providing an understanding of the value generated for the entire northeast region.

"The evaluation of the economic impact created by the implementation of the Northeast hub demonstrates that we are on the right track by believing in Northeast Brazil's potential for development. The numbers presented are quite promising and serve to bolster our faith in the project. We will continue our evaluations, but it is quite clear that no matter which city is chosen, the project will not only benefit a single city and state, but rather the economy of the entire region," said Claudia Sender, CEO of TAM S.A.

The study, entitled "Stimulating new economic value," was presented to the Brazilian federal, state and city authorities of the three states involved (Ceará, Pernambuco and Rio Grande do Norte).

The report prepared by Oxford Economics reveals that the creation of a hub in Northeast Brazil, in one of the three cities under evaluation, will have economic benefits in various areas. These benefits include a multiplying effect on the economy: the study revealed that each dollar invested by LATAM Airlines Group in the hub will generate between 5.2 and 5.8 dollars in new economic activities, considering the average of the first five years of operation. This projection includes the generation of value in the chosen city and the others that participated in the study.

According to the Oxford Economics study, the hub can bring an additional growth of US\$ 374 million and US\$ 520 million to the GDP of the three participant cities, considering the average of the five first years of operations, the equivalent to a growth of 5% to 7%. In five years, this represents from US\$ 1,9 billion to US\$ 2,6 billion.

In the same period, the hub's potential for creating jobs is estimated between 34,000 and 42,000 in the entire northeast region.

During the construction phase, the project is estimated to create 3,000 to 5,000 jobs. Independently of the city chosen, all three states will benefit.

The study also points out that creation of a hub in Northeast Brazil has the potential to increase the region's economic competitiveness. This increase would result from accelerated economic development, greater access to foreign markets via exports and movement of workers, as well as attraction of foreign investment.

LATAM Airlines Group passengers growth

During the first phase of development, in the first two years, the northeast hub will move 1.1 million passengers on long-haul flights and between 1 and 1.2 million passengers domestically and between neighboring countries in South

America per year. LATAM Airlines Group currently transports 33.5 million passengers within Brazil and another 6 million passengers on international flights from and to the country.

Spending by new visitors to the northeast region should generate between US\$107 and US\$224 million in added value per year in several sectors directly connected to tourism, leisure and business chains – including hotels, restaurants, commerce and real estate and vehicle rentals – in addition to sectors that will benefit indirectly, such as industry and transportation. This represents that, in five years, the hub can generate approximately US\$ 535 million and US\$ 1,1 billion.

With the implementation of the hub in Northeast Brazil, LATAM Airlines Group will serve new destinations in Latin America and create new direct connections between the Northeast and major cities in Europe, in addition to the destinations currently served by the LATAM Airlines Group in South America. The new hub will also increase the number of domestic routes and facilitate access to other Brazilian regions and neighboring countries that are currently less accessible.

The study's conclusions were based on data provided by the Brazilian Geography and Statistics Institute (IBGE), to which the consulting firm applied its proprietary evaluation of regional economic models. This information was combined with projections prepared by LATAM Airlines Group for the hub's operations, information on tourist potential and economic development of each of the three cities provided by local authorities, as well as data collected on technical visits.

Dan Levine, the executive at Oxford Economics responsible for the study, commented that the study “indicates the economic contribution of the creation of a new hub in Northeast Brazil in terms of job creation, salaries and contribution to GDP of the states involved and the entire Northeast region.” Levine also explained that “the study analyzed the value of these impacts during construction, in the first year of operations and in the first five years of operation of the hub, considering two stages: direct contributions to the economy and the more extensive impact on the economic chain, known as the catalytic effect.”

The economic impact study presented by Oxford is only one of the factors under evaluation by LATAM Airlines Group to define where the new hub will be built. The final decision will depend on an overall analysis of a series of technical criteria, such as cost competitiveness, combined with adequate infrastructure required for the project and customer experience.

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 Peru, Argentina, Colombia and Ecuador, and LAN Cargo and its affiliates, as well as TAM S.A. and its subsidiaries TAM Linhas Aéreas S.A., including its business units TAM Transportes Aéreos 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 140 destinations in 24 countries and cargo services to about 144 destinations in 26 countries, with a fleet of 318 aircraft. In total, LATAM Airlines Group S.A. has approximately 53,000 employees and its shares are traded in Santiago, as well as on the New York Stock Exchange, in the form of ADRs, and Sao Paulo Stock Exchange, in the form of BDRs.

LATAM Airlines Group announced that LATAM is the new brand for LAN Airlines, TAM Airlines and Affiliates. LATAM Airlines Group is currently working on the gradual roll-out of the new corporate brand image. The first changes will be visible starting in the first half of 2016.

Each airline will continue to operate under their current brands and identities. For any inquiry of LAN or TAM, please visit www.lan.com or www.tam.com.br, respectively. Further information at www.latamairlinesgroup.net

About Oxford Economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have

become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC. We employ over 200 full-time people, including more than 130 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities, from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics. Underpinning our in-house expertise is a contributor network of over 500 economists, analysts and journalists around the world and our heritage with Oxford University and the academic community.

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