



LATAM Airlines Group postpones announcement of the city to host its Northeast hub in Brazil to the first half of 2016

- *The delay in announcing the decision is related to airport infrastructure conditions*
- *LATAM Airlines Group continues evaluating the conditions to select one of the three states competing in the process: Ceará, Pernambuco and Rio Grande do Norte*

São Paulo, November 6, 2015 - LATAM Airlines Group announces that it will have to delay the announcement of each city will host the first domestic and international hub (flight connection center) in Northeast Brazil, initially scheduled for the end of this year. The decision is due to the time of airport infrastructure development.

Airport infrastructure is one of the three deciding factors established by LATAM Airlines Group, which also include passenger experience and cost competitiveness, both of which are under analysis at this time.

The airports in all three state capitals participating in the process (Fortaleza, Natal and Recife) are discussing technical adjustments to host the hub. These discussions will depend on a series of evaluations that will involve several government levels and concessionaires in further analyzing the requirements that were presented in technical studies by the consulting firms Arup and Oxford Economics for the implementation of a hub in the Northeast region.

“Ensuring the efficiency of airport infrastructure, combined with passenger experience and cost competitiveness, is essential for the project. These criteria must be well defined and the current scenario does not offers the necessary conditions to make a decision at this moment. We will continue to evaluate all essential criteria in terms of airport infrastructure and cost competitiveness,” said Claudia Sender, CEO of TAM S/A. “We are still confident in the development of the project, which will benefit the entire Northeast region,” she added.

LATAM Group guarantees that it will continue evaluating all conditions to choose the state capital that will host the Northeast Hub. The decision could be announced in the first half of 2016. The hub initiative is still part of the Group’s investment plan.



Completed External Studies

In October, the consulting firm Arup presented the main conclusions of its airport infrastructure study

- The ARUP study initially shows that the current terminals were conceived for point-to-point transit and therefore lack the characteristics of a hub. As such, all will require adaptations to receive a flight connection center with the characteristics of a hub with international relevance.
- Based on data from the study, estimates call for the hub to handle 2 million additional passengers on 24 aircraft simultaneously in 2018 (between 2,500 and 3,000 passengers at peak hour).
- In 2038, passenger traffic is expected to reach 3.2 million on 36 aircraft simultaneously (more than 4,000 passengers at peak hour).
- Based on projections for demand, the technical evaluation demonstrates that the nominal capacity of current runways is sufficient to meet projected demand up to 2038. However, it is necessary to develop backup solutions such as auxiliary runways to ensure that hub operations are not compromised by a possible obstruction of the primary runway. These obstructions hamper the operations of any airport, but at a hub could cause a chain reaction through the airline's entire network.
- With the adaptations and investments recommended by the study, ARUP believes that the three airports would be capable of handling estimated flight and passenger traffic with satisfactory service and efficiency levels, reasonable timetable for execution and potential for long-term expansion.
- In addition to the usual operational parameters applicable to terminals, such as service level, airport subsystem processing time (x-ray machines, baggage handling system and others), minimum connection times, boarding area capable of handling peak passenger traffic, among others, ARUP used the following planning requirements to determine the size of the LATAM hub:
 - 1) **Connection bank:** Concurrent multiple arrivals followed by multiple departures that provide connectivity between destinations in a period of approximately 6 hours;
 - 2) **Apron capacity:** Maximum of 36 LATAM airliners of different sizes (Narrow-Body and Wide-Body) parked at one time, most of which connected to fingers;
 - 3) **Passenger Processing:** Hub with high percentage of passengers connecting during peak hour (up to 80% of estimated passenger volume).

In September, Oxford Economics presented the results of its assessment of the economic and social impacts of the Northeast hub.



- The Oxford study indicates that each dollar invested in the hub will generate between 5.2 and 5.8 dollars in new economic activities, considering the average over the first five years of operations. This projection includes the creation of value in the chosen city and others that participated in the study.
- The consulting firm also estimates additional GDP growth in the three cities involved in the hub of 5-7%, considering the average of five years of operations. In this period, the hub should generate between 34,000 and 42,000 new jobs in the Northeast region.

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 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 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