

LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

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US\$ - AMERICAN DOLLARS

KUS\$ - THOUSANDS OF AMERICAN DOLLARS

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LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION

	Note	At March 31, 2010 KUS\$	At December 31, 2009 KUS\$
ASSETS			
Current assets			
Cash and cash equivalent	6	601,044	731,497
Other current financial assets	11	103,741	99,055
Other non-financial assets, current	12	52,236	28,740
Trade receivables and other current accounts receivable	8	373,369	423,739
Intercompany current accounts receivable	9	50	38
Inventories	10	50,551	46,563
Assets for current taxes		78,913	68,420
		<hr/>	<hr/>
Total current assets other than assets or group of assets for disposal classified as held for sale or held for distribution to owners		1,259,904	1,398,052
Non-current assets or group of assets for disposal classified as held for sale	13	8,439	10,919
		<hr/>	<hr/>
Total current assets		1,268,343	1,408,971
		<hr/>	<hr/>
Non-current assets			
Other non-current financial assets	11	2,329	4,917
Other non-current non-financial assets	12	40,489	43,843
Non-current rights receivable	8	6,949	7,190
Investments accounted for by the equity method	15	1,245	1,236
Intangible assets other than goodwill	16	33,686	34,814
Goodwill	17	63,781	63,793
Property, plant and equipment	18	4,287,142	4,196,556
Deferred taxes assets	19	7,480	10,652
		<hr/>	<hr/>
Total non-current assets		4,443,101	4,363,001
		<hr/>	<hr/>
Total assets		5,711,444	5,771,972
		<hr/> <hr/>	<hr/> <hr/>

The attached notes 1 to 39 form an integral part of these interim consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED CLASSIFIED STATEMENT OF FINANCIAL POSITION

	Note	At March 31, 2010	At December 31, 2009
		KUS\$	KUS\$
EQUITY AND LIABILITIES			
LIABILITIES			
Current liabilities			
Other current financial liabilities	20	426,596	417,932
Trade payables and other accounts payable	21	474,368	476,597
Intercompany accounts payable, current	9	29	297
Other short-term provisions	22	855	970
Liabilities for current taxes		13,036	11,287
Other current non-financial liabilities	23	491,759	616,256
Total current liabilities		<u>1,406,643</u>	<u>1,523,339</u>
Non-current liabilities			
Other non-current financial liabilities	20	2,432,221	2,437,374
Non-current liabilities	25	424,715	432,325
Other long-term provisions	22	26,589	26,834
Deferred tax liabilities	19	252,802	240,619
Non-current provisions for employee benefits	24	5,517	5,555
Total non-current liabilities		<u>3,141,844</u>	<u>3,142,707</u>
Total liabilities		<u>4,548,487</u>	<u>4,666,046</u>
EQUITY			
Issued capital	26	453,444	453,444
Retained earnings	26	804,434	742,704
Other interest in equity	26	2,653	2,490
Other reserves	26	(104,632)	(99,811)
Equity attributable to controller owners		1,155,899	1,098,827
Non-controlling interest		7,058	7,099
Total equity		<u>1,162,957</u>	<u>1,105,926</u>
Total equity and liabilities		<u>5,711,444</u>	<u>5,771,972</u>

The attached notes 1 to 39 form an integral part of these interim consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

For the periods ending as of March 31			
	Note	2010	2009
		KUS\$	KUS\$
Income from ordinary activities	27	1,006,900	848,275
Cost of sales		<u>(694,412)</u>	<u>(597,911)</u>
Gross earnings		<u>312,488</u>	<u>250,364</u>
Other income by function	30	27,998	33,899
Distribution costs		(87,961)	(75,071)
Administration expenses		(68,809)	(59,506)
Other expenses by function		(40,832)	(31,626)
Other losses		(397)	(10,382)
Interest income		3,310	2,466
Finance costs	28	(37,763)	(37,741)
Share in earnings of associates and joint businesses accounted for using the equity method	15	9	61
Translation differences	31	(1,684)	9,589
Profit (loss) because of units of adjustment		<u>(3)</u>	<u>(49)</u>
Gain before gains tax		106,356	82,004
Gains tax	19	<u>(18,090)</u>	<u>(13,044)</u>
EARNINGS IN THE PERIOD		88,266	68,960
		=====	=====
Earnings attributable to equity holders in the controller		88,299	65,014
Earnings (loss) attributable to minority interest		(33)	3,946
		<u>88,266</u>	<u>68,960</u>
		=====	=====
EARNINGS PER SHARE			
Basic and diluted earnings per share (US\$)	32	0.26	0.19

The attached notes 1 to 39 form an integral part of these interim consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME BY
FUNCTION**

		For the periods ending on March 31	
	Note	2010	2009
		KUS\$	KUS\$
EARNINGS IN THE PERIOD		88,266	68,960
Exchange differential			
Loss on exchange differential before taxes	31	(1,367)	(2,224)
Other integral profit (loss) before taxes, exchange differential		(1,367)	(2,224)
Cash flow hedging			
Earnings (losses) for cash flow hedging before taxes	26	(4,450)	67,950
Other integral profit (loss) before taxes, cash flow hedging		(4,450)	67,950
Other components of other integral profit (loss) before taxes		(5,817)	65,726
Gains tax related to components of other integral profit (loss)			
Gains tax related to exchange differential of other integral profit (loss)	19	232	-
Gains tax related to cash flow hedging of other integral profit (loss)	19	756	(11,551)
Addition of gains tax related to components of other integral profit (loss)		988	(11,551)
Other integral profit (loss)		(4,829)	54,175
Total integral profit (loss)		83,437	123,135
Integral profit (loss) attributable to:			
Majority shareholders		83,478	119,655
Minority interests		(41)	3,480
INTEGRAL PROFIT (LOSS)		83,437	123,135

The attached notes 1 to 39 form an integral part of these interim consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM STATEMENT OF CHANGES IN NET EQUITY

Note	Changes in other reserves								Total equity KUS\$	
	Issued capital	Other interest in equity	Reserves for exchange differential	Reserves for cash flow hedging	Other miscellaneous reserves	Retained earnings	Equity attributable to majority shareholders	Minority interest		
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$		
Initial balance at January 1, 2010 (current period)	453,444	2,490	(4,924)	(92,230)	(2,657)	742,704	1,098,827	7,099	1,105,926	
Changes in equity										
Integral profit (loss)										
Earnings	26	-	-	-	-	88,299	88,299	(33)	88,266	
Other integral profit (loss)		-	(1,127)	(3,694)	-	-	(4,821)	(8)	(4,829)	
Dividends	26	-	-	-	-	(26,490)	(26,490)	-	(26,490)	
Issuance of stock option certificates	26-36	163	-	-	-	(79)	84	-	84	
Final balance at March 31, 2010 (current period)		453,444	2,653	(6,051)	(95,924)	(2,657)	804,4347	1,155,899	7,058	1,162,957

The attached notes 1 to 39 form an integral part of these interim consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM STATEMENT OF CHANGES IN NET EQUITY

	Note	Changes in other reserves							Total equity KUS\$
		Issued capital	Other interest in equity	Reserves for exchange differential	Reserves for cash flow hedging	Retained earnings	Equity attributable to controller	Non-controlling interest	
		KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	
Initial balance at January 1, 2009 (previous period)		453,444	1,749	(6,193)	(301,813)	614,588	761,775	6,829	768,604
Changes in equity									
Integral profit (loss)									
Earnings	26	-	-	-	-	65,014	65,014	3,946	68,960
Other integral profit (loss)		-	-	(1,758)	56,399	-	54,641	(466)	54,175
Dividends	26	-	-	-	-	(21,739)	(21,739)	-	(21,739)
Issuance of stock option certificates	26-39	-	213	-	-	-	213	-	213
Final balance at March 31, 2009 (previous period)		453,444	1,962	(7,951)	(245,414)	657,863	859,904	10,309	870,213

The attached notes 1 to 39 form an integral part of these interim consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS – DIRECT METHOD

	Note	For the periods ended on March 31	
		2010	2009
		KUS\$	KUS\$
Cash flow from operations			
Type of charge for operations			
Charges from the sale of goods and services		991,323	847,427
Other charges for operations		10,253	9,890
Type of payments			
Payments to suppliers for goods and services		(697,806)	(544,966)
Payments to and on account of employees		(152,134)	(129,546)
Other payments for operations		(18,000)	(19,000)
Interest paid		(387)	-
Interest received		1,885	2,326
Earnings tax payments		(899)	(4,008)
Other receipts (outlays) of cash		(9,076)	40,545
Net cash flows from operations		125,159	202,668
Cash flow used in investment activities			
Cash flows from loss of control in subsidiaries or other businesses		1,424	4,118
Other charges for the sale of equity or debt instruments of other entities		3,968	43
Income from the sale of property, plant and equipment		38	-
Purchase of property, plant and equipment		(162,084)	(190,080)
Purchase of intangible assets		(1,921)	(2,063)
Dividends received		-	117
Interest received		1,495	191
Net cash flows used in investment activities		(157,080)	(187,674)
Net cash flows from (used in) financing activities			
Long-term loans		70,371	198,385
Loan payments		(54,103)	(31,749)
Payment of liabilities for financing lease		(15,864)	(14,328)
Dividends paid		(70,001)	(105,001)
Interest paid		(29,528)	(30,143)
Other cash income		640	32,074
Net cash flows from (used in) financing activities		(98,485)	49,238
Net increase (decrease) in cash and cash equivalent before effect of changes in the exchange rate		(130,406)	64,232
Effects of variations in exchange rates on cash and cash equivalent		(47)	(11)
Effects of variations in exchange rates on cash and cash equivalent		(130,453)	64,221
Net increase (decrease) in cash and cash equivalent			
CASH AND CASH EQUIVALENT, SHOWN IN THE CASH FLOW STATEMENT, INITIAL BALANCE	6	731,497	400,972
CASH AND CASH EQUIVALENT, SHOWN IN THE CASH FLOW STATEMENT, FINAL BALANCE	6	601,044	465,193

The attached notes 1 to 39 form an integral part of these interim consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2010

NOTE 1 – GENERAL INFORMATION

Lan Airlines S.A. (“LAN”) is an open stock corporation registered under No. 306 with the Securities and Insurance Commission. Its shares are traded on the Valparaíso Stock Exchange, the Electronic Exchange of Chile and the Santiago Stock Exchange in Chile as well as on the New York Stock Exchange (NYSE) in the form of American Depositary Receipts (ADRs). It engages mainly in passenger and cargo air transport on the domestic markets in Chile, Peru, Argentina and Ecuador and by several regional and international routes in America, Europe and Oceania. It conducts its business either directly or through its subsidiaries in different countries. Moreover, the Company has subsidiaries that operate in the cargo business in Mexico, Brazil and Colombia.

The Company is located at Avda. Américo Vespucio Sur 901, Borough of Renca, city of Santiago, Chile.

The Corporate Governance Practices of the Company are governed by Securities Market Law 18,045, Companies Law 18,046 and the Regulations thereto and the Regulations of the Securities and Insurance Commission and laws and regulations of the United States of America and of the U.S. Securities and Exchange Commission (SEC) in regard to the ADR issues.

The Board of Directors of the Company is comprised of 9 regular members elected every 2 years by the Regular Shareholders Meeting. The Board of Directors holds regular meetings monthly and special meetings whenever corporate needs require. Three of the 9 members of the Board are on its Audit Committee, which plays the role stipulated in the Companies Law and performs the duties of the Audit Committee required by the U.S. Sarbanes-Oxley Act and SEC regulations.

The corporate ownership of the Company and its majority shareholders have been significantly modified due to a sequence of stock transfers and stock transfer promises in the first quarter of 2010. Such circumstances have been duly and timely reported by the pertinent shareholders and the Company to the Securities and Insurance Commission and to the public in general.

Currently, the majority shareholder of the Company is the Cueto Group, owner of 33.84% of the shares issued by the Company through Costa Verde Aeronautica S.A. and Inversiones Mineras del Cantábrico S.A. The previous Shareholders Agreement between the Cueto Group and the Piñera Group through Axxion S.A. and Inversiones Santa Cecilia S.A. was terminated by the parties on March 24, 2010. Accordingly, at March 31, 2010, the Cueto Group is the controller of the Company, according to letter b) of articles 97 and 99 of the Securities Market Law, since this Group have significant influence on the management of the Company despite it cannot have a voting majority in the shareholders meetings or choose the majority of directors in the Company.

As of March 31, 2010, the Company had a total of 1,189 shareholders in its registry. As of such date, 8.69% of the ownership of the Company was in the form of ADRs.

For the first quarter of 2010, the Company employed an average of 17,132 people, ending this period with a total of 17,320, 3,203 employed in Management, 2,281 in Maintenance, 4,924 in Operations, 3,049 as Cabin Crew, 1,445 as Cockpit Crew and 2,418 in Sales.

Below are the subsidiaries included in these consolidated financial statements:

Taxpayer Id. No.	Company	Country of origin	Functional currency	At March 31, 2010			At December 31, 2009		
				Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
96.518.860-6	Comercial Masterhouse S.A.	Chile	US\$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
96.763.900-1	Inmobiliaria Aeronautica S.A.	Chile	US\$	99.0100	0.9900	100.0000	99.0100	0.9900	100.0000
96.969.680-0	Lan Pax Group S.A. and subsidiaries	Chile	US\$	99.8361	0.1639	100.0000	99.8361	0.1639	100.0000
	Foreign Lan Peru S.A.	Peru	US\$	49.0000	21.0000	70.0000	49.0000	21.0000	70.0000
		Cayman Islands							
	Foreign Lan Chile Investments Limited and subsidiaries	Chile	US\$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
93.383.000-4	Lan Cargo S.A. and subsidiaries	Chile	US\$	99.8939	0.0041	99.8980	99.8939	0.0041	99.8980
	Foreign Connecta Corporation	USA	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
	Foreign Prime Airport Services Inc. and Subsidiary	USA	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.951.280-7	Transporte Aereo S.A.	Chile	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.634.020-7	Ediciones Ladeco America S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
	Foreign Aircraft International Leasing Limited	USA	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
	Foreign Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
		USA	US\$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.969.690-8	Laser Cargo Overseas Limited and subsidiaries	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.801.150-2	Blue Express INTL S.A. and subsidiary	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.575.810-0	Inversiones Lan S.A. and subsidiaries	Chile	CLP	99.7100	0.0000	99.7100	99.7100	0.0000	99.7100

Moreover, the Company has consolidated certain special-purpose entities according to the Standard issued by the International Financial Reporting Interpretations Committee: Consolidation – Special-Purpose Entities (“SIC 12”).

All entities controlled have been included in the consolidation.

Changes in the perimeter of consolidation between January 1, 2009 and March 31, 2010 are as follows:

1. Companies dissolved:
 - Nigsy S.A., an indirect subsidiary of Lan Chile Investments Limited
2. Addition or acquisition of companies:
 - Florida West Technical Services LLC, a direct subsidiary of Prime Airport Services Inc.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Below is a description of the main accounting policies adopted in preparing these consolidated financial statements. As required by International Financial Reporting Standard 1: First Adoption (“IFRS 1”), these policies have been designed according to the IFRS in effect at March 31, 2010 and applied uniformly to all periods shown in these consolidated financial statements.

2.1 Basis of Accounting

The consolidated interim financial statements of Lan Airlines S.A. correspond to the period ending March 31, 2010 and have been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that have been adopted in Chile under the name of Financial Reporting Standards of Chile (NIFCH). Such international standards were fully, explicitly and unreservedly adopted.

The consolidated financial statements have been prepared using the historic cost, albeit modified by the appraisal of certain property, plant and equipment.

Preparing the consolidated financial statements according to IFRS requires using certain critical accounting estimations. It also requires Management to exercise judgment in applying the accounting policies of the Company. Note 4 discusses the areas that entail a greater degree of judgment or complexity or the areas where the assumptions and estimations are significant to the consolidated financial statements. These interim consolidated financial statements have been prepared according to NIC 34/NICCH 34.

On the date of these consolidated financial statements, the following accounting rulings were issued by the IASB but were not mandatory:

Standards and Amendments	Mandatory: Fiscal years starting:
Amendment to IAS 24: Related party disclosures	1/1/2011
IFRS 9: Financial instruments, classification and measurement	1/1/2013

Interpretations	Mandatory: Fiscal years starting:
IFRIC 19: Extinguishing financial liabilities with equity instruments	7/1/2010
Amendment to IFRIC 14: Prepayments of a minimum funding requirement	1/1/2011

The Company's management considers that adopting the standards, amendments and interpretations described above will have no material impact on the consolidated financial statements of the Company in the period when first applied.

2.2 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities (including special-purpose entities) in which the Company has the power to direct the financial and operating policies, which generally is accompanied by an interest above one-half of the voting rights. When evaluating whether the Company controls another entity, the existence and effect of potential voting rights that can currently be exercised or converted is taken into account as at the date of the consolidated financial statements. Subsidiaries are consolidated as of the date when control is transferred to the Company and they are excluded from the consolidation on the date when such control ceases.

The acquisition cost or purchase cost is used to record the acquisition of subsidiaries by the Company. The acquisition cost is the fair value of assets, of equity securities and of liabilities on the transaction date, plus costs forming a direct part of the acquisition. Identifiable assets and identifiable contingent assets and liabilities assumed in a business

combination are appraised initially at the fair value on the date of acquisition, regardless of the scope of minority interest. The cost above the fair value of the company's interest in identifiable net assets is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary, the difference is recognized directly in the consolidated income statement (Note 2.5(a)).

Intercompany transactions, balances and unrealized earnings in intercompany transactions are eliminated. Unrealized losses are also eliminated unless there is evidence of an impairment loss on the asset in the transaction. Whenever necessary, the accounting policies of subsidiaries are modified to assure uniformity with the policies adopted by the Company.

(b) Minority Transactions and Interests

The Group applies the policy of considering transactions with minority shareholders to be transactions with third parties external to Lan Airlines S.A. and Subsidiaries. The sale of minority interests entails gains or losses for Lan Airlines S.A. and Subsidiaries that are recognized in the consolidated income statement. The purchase of minority interests results in goodwill, which is the difference between the price paid and the proportional carrying amount of the subsidiary's net assets.

(c) Associates

Associates are entities in which Lan Airlines S.A. and Subsidiaries exercise a material influence but do not have control. The interest held is generally 20% to 50% of the voting rights in associates. The investments in associates are accounted for using the equity method and are initially recognized at the cost.

The share of Lan Airlines S.A. and Subsidiaries in losses or gains subsequent to the acquisition of associates is recognized in income and their share in activity subsequent to acquisition in reserves is recognized in reserves of the associates. The carrying amount of investments is adjusted by the cumulative movements subsequent to acquisition. When the share of Lan Airlines S.A. and Subsidiaries in the losses of an associate is greater than or equal to their share in that associate, including any other unsecured receivables, Lan Airlines S.A. and Subsidiaries do not recognize additional losses unless they have assumed debt or made payments in the name of the associate.

The dilution losses or gains in associates are recognized in the consolidated income statement.

2.3 Foreign Currency Translation

(a) Currency of Presentation and Functional Currency

The items included in the financial statements of each of the entities of Lan Airlines S.A. and Subsidiaries are appraised using the currency of the main economic environment in which the entity does business (functional currency). The functional currency of Lan Airlines S.A. is the American dollar, which is also the currency in which the consolidated financial statements of Lan Airlines S.A. and Subsidiaries are presented.

(b) Transactions and Balances

Foreign currency transactions are converted to the functional currency using the exchange rates prevailing on the dates of the transactions. Translation losses and gains in the settlement of these transactions and in the conversion of the foreign currency–denominated cash assets and liabilities at the closing exchange rates are recognized in the consolidated income statement.

(c) Entities in the Group

The income and financial situation of all entities in the Group (none of which uses the currency of a hyperinflationary economy) that use a functional currency other than the currency of presentation are converted to the currency of presentation in the following way:

- (i) Assets and liabilities in each statement of financial position are converted at the closing exchange rate on the date of the consolidated statement of financial position;
- (ii) Income and expenses of each income account are converted at the exchange rate existing on the transaction date; and
- (iii) All resulting translation differences are recognized as a component separate from net equity.

In the consolidation, the translation differences in the conversion of a net investment in foreign entities (or national entities using a functional currency different from the parent)

and of loans and other instruments hedging those investments are carried in net equity. When the investment is sold, those translation differences are recognized in the consolidated statement of income as part of the loss or gain on the sale.

Adjustments to goodwill and to the fair value because of the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are converted at the closing exchange rate for the period.

2.4 Property, Plant and Equipment

The land of Lan Airlines S.A. and Subsidiaries is recognized at cost, less any loss due to cumulative impairment. The remaining property, plant and equipment are shown at the historic cost in the initial recognition and in subsequent measurements, less corresponding depreciation.

The amounts for prepayments to aircraft manufacturers are capitalized by the Company under Constructions under way until their delivery, at which time they are settled.

Subsequent costs (component replacement, improvements, enlargements, etc.) are included in the value of the original asset or recognized as a separate asset only when it is likely that the future economic benefit associated with the elements of property, plant and equipment will flow to the company and the cost of the element can be determined reliably. The value of the component that is substituted is retired on the books. The remaining repairs and maintenance are debited against income in the fiscal year in which they are performed.

The depreciation of fixed assets is calculated using the straight-line method in respect of their estimated technical useful lives, except for certain technical components, which are depreciated according to cycles and hours flown.

The residual value and useful life of assets are revised and adjusted, if necessary, once a year.

When the value of an asset is higher than its estimated recovery, the value is reduced immediately to the recoverable amount (Note 2.7).

Losses and gains on the sale of property, plant and equipment are calculated comparing the income earned to the carrying value and they are included in the consolidated income statement.

2.5 Intangible Assets

(a) Goodwill

Goodwill is the excess above the acquisition cost as compared to the fair value of the company's share in identifiable net assets of the subsidiary or associate on the date of acquisition. Goodwill in the acquisition of subsidiaries is included in intangible assets and tested for impairment in value annually. Gains and losses on the sale of an entity include the carrying amount of the goodwill related to that entity.

(b) Data Processing Software

The licenses for data processing software are capitalized at the cost of acquiring and preparing them for specific use. These costs are amortized during their estimated useful lives.

The expenses of data processing software development or maintenance are recognized as an expense when disbursed. The costs directly related to production of unique and identifiable data processing software controlled by the Company are recognized as intangible assets when they meet all capitalization requirements. The direct costs include the expenses of staff that develop the data processing software and other directly related expenses.

The software development expenses recognized as assets are amortized over their estimated useful lives.

2.6 Interest Costs

Interest costs incurred in building any qualified asset are capitalized over the period of time required to complete and prepare the asset for the intended use. Other interest costs are recorded in income.

2.7 Impairment Losses on Non-Financial Assets

Assets that have an indefinite useful life and processing software under development are not amortizable and are tested annually for impairment losses. Amortizable assets are tested for impairment losses whenever there is an event or change in circumstances that indicate that the carrying amount might not be recoverable. An excess carrying value of the asset above its recoverable amount is recognized as an impairment loss. The recoverable

amount is the fair value of an asset, less the cost of sale or of use, whichever of the two is higher. Assets are grouped together to evaluate impairment losses at the lowest level for which there are cash flows identifiable separately (CGU). Non-financial assets other than goodwill that have suffered an impairment loss are reviewed once a year to check whether there were any reversals of the loss.

2.8 Financial Assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and financial assets kept through maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at the time of the initial recognition.

(a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets kept for trading. A financial asset is classified in this category if it is acquired mainly for the purpose of being sold in the short term. Derivatives are also classified for trading unless they are designated hedges. Assets in this category are classified as current assets.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are recorded in current assets, except when they expire more than 12 months from the date of the consolidated statement of financial position, in which case they are classified as non-current assets. Loans and receivables are included in trade receivables and other receivables in the consolidated statement of financial position (Note 2.11).

(c) Financial Assets kept through maturity

Financial assets kept through maturity are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company's management has the positive intention and capacity to keep through maturity. If the Company sells a material amount of the financial assets kept through maturity, the entire category will be reclassified as available for sale. These financial assets kept through maturity are included in non-

current assets unless they expire less than 12 months from the date of the consolidated statement of financial position, in which case they are classified as current assets.

The Company evaluates whether there is objective evidence that a financial asset or group of financial assets may have suffered impairment losses on the date of each consolidated statement of financial position. If there is any objective evidence on financial assets kept through maturity, the amount of the provision is the difference between the amount for the asset on the books and the present value of estimated future cash flows, less the original effective interest rate.

2.9 Derivatives and Hedging

Derivatives are initially recognized at the fair value on the date when the derivatives contract is made and are then reappraised at their fair value thereafter. The method for recognizing the resulting loss or gain depends on whether the derivative has been designated a hedge and, if so, the nature of the item it is hedging. The Company designates certain derivatives as:

- (a) Hedging of the fair value of recognized assets (fair value hedge);
- (b) Hedging of a concrete risk associated with a known liability or a highly likely transaction (cash flow hedge); or
- (c) Derivatives that do not qualify for hedge accounting.

The Company documents the relationship between the hedging instruments and the items hedged at the beginning of the transaction and the objectives in managing the risk and strategy to implement diverse hedging transactions. The Company also documents its evaluation, at the start and on a continuing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting the changes in the fair value or in the cash flow of the hedged items.

The total fair value of hedging derivatives is classified as a non-current asset or liability if the period remaining to the maturity of the hedged item is greater than 12 months; and as a current asset or liability if the period remaining to maturity of the hedged item is less than 12 months. Non-hedging derivatives are classified as a current asset or liability.

(a) **Fair Value Hedge**

The changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated statement of income together with any change in the fair value of the hedged asset or liability allocable to the risk hedged.

(b) **Cash Flow Hedge**

The effective part of changes in the fair value of derivatives designated and qualified as cash flow hedges is recognized in net equity. The loss or gain on the non-cash portion is immediately recognized in the consolidated statement of income in “other net gains/(losses).”

This means, in the case of variable interest rate hedges, that the amounts recognized in equity are reclassified to financial expenses as the interest accrues on the associated debt.

Fuel hedges recognized in equity are reclassified to cost-of-sales as the fuel being hedged is used.

Any cumulative gain or loss in net equity when a hedge expires or is sold or does not meet the requirements for hedge accounting remains in the equity through that moment and is recognized when the forecasted transaction is finally recognized in the consolidated statement of income. When the forecasted transaction is not expected to take place, the cumulative gain or loss in net equity is immediately carried to “other net gains/(losses)” in the consolidated statement of income.

(c) **Non-Hedge Derivatives**

Certain derivatives do not qualify for hedge accounting. The changes in fair value of any derivative not qualifying for hedge accounting are immediately recognized in “other net gains/(losses)” in the consolidated statement of income.

2.10 Inventories

Inventories, described in Note 10, are accounted for at their cost or at their net realizable value, whichever is lower. Cost is determined by the average weighted price (AWP)

method. The net realizable value is the estimated sale price in the normal course of business, less any variable cost of sale.

2.11 Trade Receivables and Other Receivables

Trade receivables are recognized initially at their fair value and subsequently at their amortized cost using the effective interest rate method, less the impairment loss reserve. A provision is made for impairment losses on trade receivables when there is objective evidence that the company will be incapable of collecting all sums owed according to the original terms of the receivable. Material financial difficulties of the debtor, the probability that the debtor will go bankrupt or undergo a financial reorganization and the failure to pay or late payment are indicators that the receivable has become impaired. The provision is made for the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced as the provision is used and the loss is recognized in “cost of sale” in the consolidated statement of income. When a receivable is written off, it is regularized against the receivables provision account.

2.12 Cash and Cash Equivalent

Cash and cash equivalent include cash on hand, time deposits in banks and other short-term, and highly liquid investments.

2.13 Issued Capital

Common stock is classified in net equity.

The incremental costs directly attributable to issuing new stock or options are presented in net equity as a deduction from income earned.

2.14 Trade Payables and Other Accounts Payable

Trade Payables and Other Accounts Payable are recognized initially at the fair value and later at the amortized value using the effective interest rate method.

2.15 Interest-bearing Loans

Financial liabilities are initially recognized at the fair value, net of the costs incurred in the transaction. Financial liabilities are later appraised at the amortized cost. Any difference

between the funding obtained (net of the costs required to obtain it) and the reimbursement amount is recognized in the consolidated statement of income during the life of the debt using the effective interest rate method.

Financial liabilities are classified in current liabilities and non-current liabilities based on the maturity of the nominal principal by contract.

2.16 Deferred Taxes

Deferred taxes are calculated using the balance sheet method on the temporary differences between the fiscal basis of assets and liabilities and the carrying amounts. However, deferred taxes are not accounted for when they come from the initial recognition of a liability or asset in a transaction other than a business combination that does not affect either the book profit or loss or the fiscal gain or loss at the time of the transaction. The deferred tax is determined using the tax rates (and laws) approved or about to be approved on the closing date of the consolidated statement of financial position that are expected to apply when the corresponding deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized when it is likely that future fiscal benefits will be available against which temporary differences can be offset.

The Company does not record deferred taxes for temporary differences stemming from investments in subsidiaries and associates since it controls the date when the temporary differences will be reversed and it is likely that they will not be reversed in the foreseeable future.

2.17 Employee Benefits

(a) Employee vacations

The Company recognizes employee vacation expenses on an accrual basis.

(b) Stock-based compensation

The compensation plans implemented through stock options are recognized in the consolidated financial statements according to IFRS 2: Stock-based payments, and the

effect of the fair value on the options are debited against salary in a straight line between the date when the options are granted and the date when they become irrevocable.

(c) **Post-employment benefits and other long-term benefits**

Liabilities that are provisioned using the actuarial value of the accrued cost of the benefit take into account estimations such as future permanency, mortality rates and future salary increases determined on the basis of actuarial calculations. Discount rates are set by reference to market interest rate curves. The actuarial gains and losses are recognized in income in the period in which they occur.

(d) **Incentives**

The Company has an employee annual incentive plan in place for meeting goals and making individual contributions to results. Potential incentives consist of a certain number or portion of monthly salaries and are provisioned on the basis of the estimated payment.

2.18 Provisions

Provisions are recognized when:

- (i) the Company has a present legal or implicit liability as a result of past occurrences;
- (ii) it is likely that disbursements will be required to settle the liability; and
- (iii) the amount has been reliably estimated.

Provisions are valued by the present value of disbursements that are expected to be required to settle the liability, according to the Company's best estimate. The discount rate used to determine the present value is a reflection of the actual market assessments of temporary value of money on the date of the consolidated statement of financial position as well as the specific risk related to that particular liability.

2.19 Recognition of Income

Ordinary income includes the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's business. Ordinary income is shown net of returns, rebates and discounts.

(a) **Sale of services**

a.1 **Passenger and cargo transport**

The Company recognizes passenger and cargo transport income when the service has been rendered.

a.2 **Frequent flyer program**

The Company has a frequent flyer program in place called Lan Pass. It fosters customer loyalty by awarding kilometers each time the members of the program take certain flights, use services of affiliated entities or make purchases with an affiliated credit card. The kilometers can be exchanged for free tickets or other services of affiliated entities. The consolidated financial statements include liabilities for this reason (deferred income), estimated at the redemption value of the accumulated kilometers pending use on that date, in line with IFRIC 13: Accounting for Customer Loyalty Programs.

a.3 **Other income**

The Company recognizes income from other services when the services have been rendered.

(b) **Interest income**

Interest income is recognized using the effective interest rate method.

(c) **Dividend income**

Income from dividends is recognized when the right to receive the payment is established.

2.20 Leases

(a) When the Company is lessee - lease-purchases

The Company leases certain properties, plants and equipment where it assumes substantially all risks and advantages of the property. For that reason, it classifies them as lease-purchases. Lease-purchases are capitalized at the start of the lease, at the fair value of the leased property or at the present value of the minimum lease payments, whichever is lower.

Each lease payment is distributed between liabilities and financial charges to obtain a constant interest rate for the balance pending payment. The corresponding lease liabilities, net of financial charges, are included in “interest-bearing loans.” The interest component of the financial cost is debited in the consolidated statement of income during the term of the lease so as to obtain a constant periodic interest rate on the remaining balance of the liability in each fiscal year. The good acquired under a lease-purchase is depreciated over its useful life and is included in property, plant and equipment.

(b) When the Company is lessee – operating lease

Leases in which the lessor retains an important part of the risks and advantages of ownership are classified as operating leases. Payments under an operating lease (net of any incentive received from the Lessor) are debited on a linear basis in the consolidated statement of income during the period of the lease.

2.21 Non-Current Assets (or Disposal Groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and are recognized at the lower of the carrying value and the fair value, less the cost of sale.

2.22 Maintenance

Costs incurred in major scheduled maintenance of aircraft fuselage and engines are capitalized and depreciated until the next maintenance. The depreciation rate is determined on a technical basis according to utilization based on cycles and flight hours.

Non-scheduled maintenance of aircraft and engines and minor maintenance are debited against income in the fiscal year when performed.

2.23 Environment

Disbursements for environmental protection are imputed to income as they are made.

NOTE 3 – MANAGEMENT OF FINANCIAL RISK

3.1 Financial Risk Factors

The business of the Company is exposed to diverse financial risks: (a) market risk; (b) credit risk; and (c) liquidity risk. The company's global risk management program concentrates on the uncertainty of financial markets and tries to minimize the potential adverse effects in the net margin. The Company uses derivatives to hedge against part of those risks.

(a) Market risks

Due to the nature of its operations, the Company is exposed to market risks such as (i) the price of fuel; (ii) interest rates; and (iii) local exchange rates. The company uses derivatives to set or limit the rises in underlying assets in order to hedge against all or part of those risks.

(i) Price of fuel

The variation in fuel prices depends significantly on the supply and demand of oil in the world, on the decisions adopted by the OPEC, on the worldwide refining capacity, on levels of inventories, on weather phenomena and geopolitical factors.

The Company purchases Grade 54 Jet Fuel for aircraft. There is a benchmark index on the international market for this underlying asset, namely the US Gulf Coast Jet 54. However, the forward market for this index is not very liquid, so the Company hedged in WTI crude oil, which has a high correlation to Jet Fuel and is a highly liquid asset. As a result, there are greater advantages in hedging against the variations in WTI Crude than against the variations in US Gulf Coast Jet 54.

During the first quarter of 2010, the Company recognized losses totaling US\$2.6 million for fuel hedging. In the same period of 2009, it had losses of US\$58 million for fuel hedging.

As of March 31, 2010, the market price of fuel positions totaled US\$29.5 million (positive). At the close of December 2009, that market price was US\$13.6 million (positive). The tables below show the notional value of the purchase positions and derivatives contracted for the different periods:

Positions at March 31, 2010

	Maturities				Total
	Q210	Q310	Q410	Q111	
Volume (000's of WTI barrels)	1,745	1,326	1,206	294	4,571
Agreed future price (US\$ per barrel)*	78	79	81	79	79
Total (KUS\$)	136,110	104,754	97,686	23,226	361,109
Approximate hedging percentage (on volume expected to be consumed)	62%	42%	37%	10%	46%

*Weighted average between active collars and options

Positions at December 31, 2009

	Maturities				Total
	Q110	Q210	Q310	Q410	
Volume (000's of WTI barrels)	1,404	1,371	876	738	4,389
Agreed future price (US\$ per barrel)*	84	80	79	82	81
Total (KUS\$)	117,936	109,680	69,204	60,516	355,509
Approximate hedging percentage (on volume expected to be consumed)	48%	49%	29%	24%	37%

*Weighted average between active collars and options

Sensitization

A drop in fuel prices has a positive impact on the Company because it reduces costs. Yet this drop has an adverse impact on positions since they aim at protecting the Company from the risk of a price rise. For the same reason, the policy is to have a percentage unhedged in order to be competitive when there is a drop in prices.

Since the outstanding positions do not involve changes in cash flow but rather a variation in market price exposure, the outstanding hedging positions have no impact on income (and are accounted for as cash flow hedges, so a variation in the fuel price has an impact on the Company's net equity).

The next table sensitizes the financial instruments taking into account reasonable changes in the fuel price and their impact on equity. The projection is through the expiration of the last outstanding fuel hedge, which is the last business day of 2010. The calculations were

made using a parallel movement of 5 dollars per barrel on the future reference price curve of WTI crude oil at the close of March 2010 and the close of December 2009.

WTI reference price (US\$ per barrel)	Position at March 31, 2010 Effect on equity (US\$ millions)	Position at December 31, 2009 Effect on equity (US\$ millions)
+5	+20.8	+14.6
-5	-19.9	-13.6

The Company tries to reduce the risk posed by rising fuel prices by assuring that it will not be at a disadvantage in comparison to its competitors should there be an abrupt drop in price. To that end, the Company uses hedging such as swaps, options and collars that partially hedge the volumes of fuel consumed.

As required by IAS 39, the Company has not accounted for inefficacy in the consolidated statement of income during the periods presented.

The fuel hedge structure for the first quarter of 2010 takes into account a hedge-free portion, so a vertical drop of 5 dollars in the WTI reference price (which is the monthly daily average) would have meant savings of approximately US\$5.8 million in the cost of fuel in the first quarter of 2010.

(ii) **Risk of interest rates in cash flows**

A variation in interest rates depends strongly on the state of the world economy. An improvement in the long-term economic outlook moves long-term interest rates upwards while a drop causes a reduction because of the market effects. However, if we take into account government invention, benchmark rates are usually reduced during contractions in order to push up aggregate demand by making credit more accessible and increasing production (in the same way that there are rises in benchmark rates during expansions). The uncertainty of how the market and governments will behave and, therefore, how the interest rate will vary entails a risk to the company's variable-rate debt and to the investments that it holds.

The interest rate risk in debt is equal to the risk of future cash flows of the financial instruments given the fluctuation in interest rates on the market. The Company's exposure to market interest rate changes relates mainly to long-term variable-rate liabilities.

In order to reduce the risk of an eventual rise in interest rates, the Company signed interest rate swaps and call options that eliminate more than 95% of exposure to interest rate fluctuations. A small portion the Company's debt is thus exposed to variations in the 90-day LIBOR and the 180-day nominal bank rate.

The next table shows the sensitivity of changes in financial liabilities not hedged against interest rate variations. These changes are considered reasonably possible based on actual market conditions.

Increase (decrease) in three-month Libor	Position as of March 31, 2010, effect on pre-tax gains (KUS\$)	Position as of December 31, 2009, effect on pre-tax gains (KUS\$)
+100 base points	-0.90	-0.87
-100 base points	+0.90	+0.87

Changes in market conditions cause the value of outstanding interest hedges to vary and an effect on the Company's equity (because they are accounted for as cash flow hedges). These changes are considered reasonably possible based on actual market conditions. The calculations were made by vertically increasing (decreasing) 100 base points on the futures curve of the 3-month libor.

Increase (decrease) in futures curve of three-month Libor	Position as of March 31, 2010, effect on equity (KUS\$)	Position as of December 31, 2009, effect on equity (KUS\$)
+100 base points	43.90	49.64
-100 base points	(46.19)	(53.23)

There are market-imposed limitations on the method used in the sensitivity analysis. The levels indicating future curves will not necessarily occur and will vary in each period.

As required by IAS 39, the Company has not accounted for inefficacy in the consolidated statement of income for the periods presented.

(iii) Local exchange rate risk

The functional currency of the Parent Company is the American Dollar. It uses that currency to set its sales prices, comprise its consolidated statement of financial position and measure effects on revenues. It sells most of its services in American Dollars or in prices

equivalent to the American Dollar and a large part of its expenses are expressed in American Dollars or the equivalent, in particular fuel, aviation fees, aircraft leases, insurance and aircraft components and accessories. Payroll is expressed in local currency.

The Company accounts for the rates of international cargo and passenger business in American dollars. There is a mix of rates for the domestic business since sales are made in Peru in local currency, but the prices are indexed to the American dollar. In Chile and Argentina, the rates are in local currency and there is no indexation of any kind. The rates and sales for domestic business in Ecuador are in dollars. As a result, the company is exposed to the fluctuations of diverse currencies, mainly: the Chilean peso, Argentina peso, Uruguayan peso, Euro, new Peruvian sol, Brazilian real, Australian dollar and New Zealand dollar. The greatest exposure occurs in Chilean pesos.

During the first half of 2009, the Company received loans from local banks equivalent in Chilean pesos at that time to US\$202 million, payable in 3 years with one year of grace. In order to reduce the risk of a rise in the exchange rate, the Company signed cross-currency swaps that set payment of a part of these loans in dollars.

(b) Credit risk

Credit risk arises when the counterparty breaches his obligations to the Company under a certain financial contract or instruments and that breach causes a loss in the market value of a financial instrument (only financial assets, not liabilities).

The Company is exposed to credit risk in its operating and financing activities, including deposits with banks and financial institutions, investments and other types of instruments, exchange rate transactions and derivatives or options contracts.

(i) Financing activities

Cash surpluses remaining after financing assets required for operation are invested according to the credit limits approved by the Board of Directors of the Company, mainly in time deposits with different banks, short-term mutual funds, short-term corporate and sovereign bonds that have short remaining lives and are easily convertible. These investments are accounted for as cash and cash equivalent and investments held through maturity.

In order to reduce the counterparty risk and to ensure that the company knows and manages the risk, investments are diversified with different banks (local and international). The Company evaluates the credit rating of each counterparty and levels of investments based on (i) risk rating, (ii) equity of the counterparty; and (iii) investment limits according to level of liquidity of the Company. Based on these three rules, the Company chooses the most restrictive of the above three rules and then sets limits on transactions with each counterparty.

Given the delicate national and international financial situation, the Company made its credit risk policy stricter starting in 2008. It began to invest only in banks that had a high market equity and a local credit rating above AA. This limited investments to certain local banks that signified increasing the investment limits for banks that qualified under this policy.

The Company maintains no collateral to mitigate this exposure.

(ii) **Operating activities**

The Company has four large sales “clusters”: travel agencies, cargo agents, airlines and credit card administrators. The first three are governed by IATA (International Air Transport Association), an international agency comprised of the majority of airlines representing more than 90% of the scheduled commercial traffic and one of its main goals is to regulate the financial operations between airlines, travel agencies and cargo agencies. Any agency or airline that does not pay its debt cannot operate with the group of IATA airlines. Credit card administrators are fully secured by card issuers.

The exposure comes from the periods of payment that fluctuate from 1 to 45 days.

One of the tools used by the Company in reducing credit risk is to participate in world industry organizations such as IATA, Business Sales Processing (“BSP”), Cargo Account Settlement Systems (“CASS”), IATA Clearing House (“ICH”) and banks (credit cards). These entities play the role of collectors and distributors among airlines and travel and cargo agencies. The Clearing House acts as a clearing agent among airlines for the services they render to each other. A reduction in periods and the implementation of collateral have been arranged through these organizations.

(c) **Liquidity risk**

Liquidity risk is the risk that the Company has no money to pay its liabilities.

Given the cyclical nature of its business, the operation and the investment and financing needs because of the addition of new aircraft and renovation of its fleet as well as the financing required to hedge market risks, the Company needs cash to pay its debt.

Therefore, the Company manages its cash and cash equivalent and financial assets to match the periods of its investments to its liabilities. The policy is that the average term of investments cannot exceed the average term of liabilities. This cash and cash-equivalent position is invested in highly liquid short-term instruments through prime financial entities.

The Company maintains a liquid policy that results in a significant volume of cash availability. The Company began a financial reinforcement plan to handle greater liquidity than in previous fiscal years in order to be prepared for eventual drops in passenger and cargo traffic. The Company therefore replaced approximately US\$100 million it had in cash collateral delivered to financial counterparties by stand-by letters of credit. The Company's Board of Directors also authorized contracting loans or issuing debt securities (in the form of bonds) on the local market for close to US\$250 million. At the end of June 2009, the Company secured the equivalent in pesos, on the date received, to US\$252 million, from a local bank payable over a three-year period that included one year of grace.

The Company has future liabilities under lease-purchases, operating leases, the maturities of other bank debt, derivatives and aircraft purchase agreements.

Type of liability for analysis of liquidity risk, grouped by maturity as of March 31, 2010

Type of liability	Debtor I.D. No.	Name of Debtor	Country of debtor	Creditor I.D. No.	Creditor name	Country of debtor	Description of currency	Up to 90 days KUS\$	More than 90 days up to one year KUS\$	More than 1 up to 3 years KUS\$	More than 3 up to 5 years KUS\$	5 years or more KUS\$	Total KUS\$	Type of amortization	Effective Rate %	Nominal value KUS\$	Nominal rate %
Secured debt	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	USA	US\$	7,373	22,187	58,128	47,122	110,995	245,805	3 months	5.21%	196,414	4.64%
		Lan Airlines S.A.	Chile	0-E	CALYON	France	US\$	20,913	62,982	158,969	59,254	35,979	338,097	3 months	4.95%	309,022	4.95%
		Lan Airlines S.A.	Chile	0-E	PEFCO	USA	US\$	19,852	59,499	158,701	156,425	262,049	656,526	3 months	5.14%	539,128	4.59%
		Lan Airlines S.A.	Chile	0-E	BNP PARIBAS	USA	US\$	25,544	76,946	207,308	210,578	553,420	1,073,796	3 months	3.93%	897,051	3.58%
		Lan Airlines S.A.	Chile	0-E	RES	USA	US\$	6,083	18,250	48,667	48,667	129,846	251,513	3 months	6.40%	188,518	5.67%
		Lan Airlines S.A.	Chile	0-E	WELLS FARGO	USA	US\$	1,880	5,636	15,005	14,970	50,230	87,721	3 months	3.61%	71,694	3.50%
Lease-purchase	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	USA	US\$	3,929	11,736	31,009	27,000	21,545	95,219	3 months	4.37%	86,389	3.90%
		Lan Airlines S.A.	Chile	0-E	CALYON	France	US\$	2,220	6,722	18,204	23,739	49,215	100,100	3 months	1.26%	93,129	1.24%
		Lan Airlines S.A.	Chile	0-E	CITIBANK	USA	US\$	1,631	4,984	31,989	-	-	38,604	3 months	1.12%	37,536	1.07%
		Lan Airlines S.A.	Chile	0-E	S. CHARTERED	USA	US\$	9,841	13,075	20,930	5,652	-	49,498	3 months	0.96%	48,649	0.79%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	930	13,435	38,899	-	-	53,264	6 months	3.77%	50,000	3.68%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	97.023.000-9	CORPBANCA	Chile	CLP	-	23,072	22,423	-	-	45,495	6 months	3.04%	43,855	2.94%
		Lan Airlines S.A.	Chile	76.645.000-K	ITAU	Chile	CLP	546	9,459	27,560	-	-	37,565	6 months	3.14%	35,655	3.06%
		Lan Airlines S.A.	Chile	97.006.000-6	BCI	Chile	CLP	1,047	16,735	48,823	-	-	66,405	6 months	3.39%	62,731	3.30%
		Lan Airlines S.A.	Chile	97.030.000-7	ESTADO	Chile	CLP	1,209	20,760	60,451	-	-	82,420	6 months	3.12%	78,176	3.06%
Derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHER	-	US\$	5,711	16,633	45,062	14,628	(262)	81,772	-	-	81,771	-
Non-hedging derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHER	-	US\$	510	2,931	6,777	5,201	541	15,960	-	-	14,390	-
Trade receivables and other accounts payable		Lan Airlines S.A. and Subsidiaries	MISCELLANEOUS	-	MISCELLANEOUS	-	-	405,441	68,927	-	-	-	474,368	-	-	474,368	-
Non-current liabilities		Lan Airlines S.A. and Subsidiaries	MISCELLANEOUS	-	MISCELLANEOUS	-	-	-	-	59,933	-	-	59,933	-	-	59,933	-
Intercompany accounts payable		Lan Airlines S.A. and Subsidiaries	MISCELLANEOUS	-	MISCELLANEOUS	-	-	29	-	-	-	-	29	-	-	29	-

Type of liability for analysis of liquidity risk, grouped by maturity as of December 31, 2009

Type of liability	Debtor I.D. No.	Name of Debtor	Country of debtor	Creditor I.D. No.	Creditor name	Country of debtor	Description of currency	Up to 90 days KUS\$	More than 90 days up to one year KUS\$	More than 1 up to 3 years KUS\$	More than 3 up to 5 years KUS\$	5 years or more KUS\$	Total KUS\$	Type of amortization	Effective Rate %	Nominal value KUS\$	Nominal rate %
Secured debt	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	USA	US\$	7,355	22,153	59,137	47,630	116,885	253,160	3 months	5.19%	201,409	4.63%
		Lan Airlines S.A.	Chile	0-E	CALYON	France	US\$	20,878	62,824	166,879	67,336	40,878	358,795	3 months	5.01%	325,998	5.01%
		Lan Airlines S.A.	Chile	0-E	PEFCO	USA	US\$	19,830	59,513	158,706	158,703	279,604	678,356	3 months	5.14%	552,605	4.58%
		Lan Airlines S.A.	Chile	0-E	BNP PARIBAS	USA	US\$	24,127	72,581	195,244	197,936	529,928	1,019,816	3 months	3.86%	840,814	3.72%
		Lan Airlines S.A.	Chile	0-E	RBS	USA	US\$	6,083	18,250	48,667	48,667	135,929	257,596	3 months	6.40%	191,879	5.67%
		Lan Airlines S.A.	Chile	0-E	WELLS FARGO	USA	US\$	1,551	5,637	15,009	14,975	52,100	89,272	3 months	3.61%	72,770	3.50%
Lease-purchase	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	USA	US\$	3,940	11,790	31,105	51,561	-	98,396	3 months	4.45%	89,389	3.98%
		Lan Airlines S.A.	Chile	0-E	CALYON	France	US\$	2,215	6,659	18,054	31,643	41,394	99,965	3 months	1.26%	95,036	1.24%
		Lan Airlines S.A.	Chile	0-E	CITIBANK	USA	US\$	1,585	4,920	33,656	-	-	40,161	3 months	1.10%	39,018	1.03%
		Lan Airlines S.A.	Chile	0-E	S. CHARTERED	USA	US\$	9,709	19,053	29,958	-	-	58,720	3 months	0.89%	58,247	0.73%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	97.036.000-K	SANTANDER	Chile	US\$	930	13,435	52,335	-	-	66,700	6 months	3.77%	50,000	3.68%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	97.023.000-9	CORPBANCA	Chile	CLP	643	11,993	34,991	-	-	47,627	6 months	2.92%	45,356	2.82%
		Lan Airlines S.A.	Chile	76.645.030-K	ITAU	Chile	CLP	-	10,348	28,504	-	-	38,852	6 months	3.14%	36,876	3.06%
		Lan Airlines S.A.	Chile	97.006.000-6	BCI	Chile	CLP	-	18,390	50,287	-	-	68,677	6 months	3.38%	64,979	3.30%
		Lan Airlines S.A.	Chile	97.030.000-7	ESTADO	Chile	CLP	-	22,721	62,520	-	-	85,241	6 months	3.12%	80,852	3.06%
Derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHER	-	US\$	5,118	16,647	39,874	11,326	(2,279)	70,686	-	-	69,433	-
Non-hedging derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHER	-	US\$	511	1,484	3,364	2,557	263	8,179	-	-	7,839	-
Trade receivables and other accounts payable		Lan Airlines S.A. and Subsidiaries	MISCELLANEOUS	-	MISCELLANEOUS	-	-	392,294	84,303	-	-	-	476,597	-	-	476,597	-
Non-current liabilities		Lan Airlines S.A. and Subsidiaries	MISCELLANEOUS	-	MISCELLANEOUS	-	-	-	-	54,000	18,000	-	72,000	-	-	72,000	-
Intercompany accounts payable		Lan Airlines S.A. and Subsidiaries	MISCELLANEOUS	-	MISCELLANEOUS	-	-	297	-	-	-	-	297	-	-	297	-

The Company has defined fuel hedging and interest rate strategies that consist of contracting derivatives with certain financial institutions. The Company has margin lines with each bank in order to regulate reciprocal exposure caused by changes in the market appraisal of derivatives.

At the close of 2009, the Company had delivered US\$40.4 million in collateral for derivative margins, corresponding to cash and stand-by letter of credits. At the close of March 31, 2010, US\$10.4 million had been delivered additionally as collateral corresponding to cash due to maturity and the acquisition of fuel and rate agreements, the rise in the price of fuel, and the decrease in the interest rates.

3.2 Capital Risk Management

The objectives of the Company in managing capital are (i) to safeguard the capital to continue as an ongoing concern; (ii) to earn a return for shareholders; and (iii) to maintain an optimal capital structure by reducing capital costs.

The Company could adjust the amount of dividends payable to shareholders, reimburse capital to shareholders, issue new shares or sell assets to reduce debt in order to maintain or adjust the capital structure.

The Company tracks capital according to a leverage indicator in line with the sector practice. This indicator is calculated as adjusted net debt divided by capital. The adjusted net debt is calculated as the total financial debt 8 times revenues from operating leases in the last 12 months, less total cash (measured as cash and cash equivalent plus marketable securities). Capital is calculated as net equity without the impact of the market price of derivatives, plus net adjusted debt.

The Company's strategy has not changed since 2007, consisting of maintaining a leverage indicator from 70% to 80% and an international credit rating above BB- (the minimum required to be considered investment grade). Leverage indicators at March 31, 2010 and December 31, 2009 were:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Total loans	<u>3,071,746</u>	<u>3,074,425</u>
Revenues in the last twelve months x 8	731,768	669,696
Less:		
Cash and marketable securities	<u>(657,194)</u>	<u>(791,912)</u>
Total net adjusted debt	3,146,320	2,952,209
Net equity	1,155,899	1,098,827
Net hedging reserves	<u>95,924</u>	<u>92,230</u>
Total capital	<u>4,398,143</u>	<u>4,143,266</u>
Leverage indicator	<u>71.5%</u>	<u>71.3%</u>

3.3 Estimation of Fair Value

As of March 31, 2010, the Company held financial instruments that must be recorded at their fair value. These are:

- (i) Investments in short-term mutual funds (cash equivalent),
- (ii) Interest rate derivatives,
- (iii) Fuel derivatives; and
- (iv) Currency derivatives.

The Company has classified the measurement of the fair value using a hierarchy that reflects the level of information used in the appraisal. This hierarchy is comprised of 3 levels: (I) fair value based on the quotation in active markets for a similar class of asset or liability, (II) fair value based on valuation techniques using information on market prices or derivatives of the market prices for similar financial instruments, (III) fair value based on valuation models that do not use market information.

The fair value of financial instruments quoted on active markets, such as investments acquired for trading, is based on market quotes at the close of the fiscal year using the current buying price. The fair value of financial assets not quoted on active markets (derivatives) is determined using the valuation techniques that maximize the use of market information available. The valuation

techniques generally used by the Company are: market quotations for similar instruments and/or estimates of the present value of future cash flows using the curves of future market prices at the close of the period.

The following table shows the classification of financial instruments according to fair value as of March 31, 2010, by the level of information used in the valuation:

	Fair value at March 31	Measurement of fair value using		
	2010	Level I	Level II	Level III
	KUS\$	KUS\$	KUS\$	KUS\$
Assets				
Short-term mutual funds	132,998	132,998	-	-
Fair value of interest rate	2,208	-	2,208	-
Fair value of fuel derivatives	29,519	-	29,519	-
Fair value of foreign currency derivatives	17,686	-	17,686	-
Liabilities				
Fair value of interest rate derivatives	81,771	-	81,771	-
Fair value of fuel derivatives	2,459	-	2,459	-
Interest rate derivatives	14,390	-	14,390	-

In addition, as of March 31, 2010, the Company held financial instruments that are not recorded at their fair value. In order to meet the fair value disclosure requirements, the Company has valued these instruments as shown in the next table:

	At March 31, 2010		At December 31, 2009	
	Book value	Fair value	Book value	Fair value
	KUS\$	KUS\$	KUS\$	KUS\$
Cash	3,605	3,605	2,707	2,707
Bank balances	27,727	27,727	31,176	31,176
Time deposits	436,714	436,714	522,077	522,077
Other current financial assets	56,150	56,696	60,415	63,341
Trade receivables, other accounts receivable and non-current rights receivable	380,318	380,318	430,929	430,929
Intercompany accounts receivable	50	50	38	38

Other current financial liabilities	2,768,599	2,923,228	2,774,942	2,900,232
Non-current liabilities	53,933	53,933	72,000	72,000
Trade receivables and other accounts payable	474,368	474,368	476,597	476,597
Intercompany accounts payable	29	29	297	297

The book amount of accounts receivable and payable is near their fair values because of their short-term nature. The fair value of cash, bank balances, time deposits and other financial liabilities is rounded to their book value.

The fair value of financial liabilities is calculated by discounting the future cash flows under contracts at the interest rate on the market available for similar financial instruments. For other financial liabilities, the valuation was made according to the market quotation at the close of the period.

NOTE 4 – ESTIMATES AND ACCOUNTING JUDGMENTS

The Company has used estimates in appraising and accounting for some assets, liabilities, income, expenses and commitments. These estimates basically refer to:

1. The evaluation of potential impairment losses in certain assets.
2. The useful life and residual value of material and intangible assets.
3. The criteria used in appraising certain assets.
4. The amount of plane tickets sold that will ultimately not be used.
5. The calculation of deferred revenues at the close of the fiscal year corresponding to Lan Pass customer kilometers pending use.
6. The need to establish provisions and the amount of those provisions, if pertinent.
7. The recoverability of deferred tax assets.

These estimates are made on the basis of the best information available on these matters.

In any case, these estimates and judgments may have to be changed in future fiscal years because of events that may take place in the future. Any such changes will be made on a predictive basis.

NOTE 5 – REPORTING BY SEGMENT

The Company provides information by segment according to IFRS 8 “Operating segments.” That rule establishes standards for reporting by segment in the financial statements and disclosures on products and services, geographic areas and main customers. An operating segment is defined as a component of an entity on which there is separate financial information that is evaluated regularly by the senior management in making decisions on the allocation of resources and the evaluation of results. The Company considers that it has only one operating segment (air transport).

	For the periods ending on	
	March 31	
	2010	2009
	KUS\$	KUS\$
Income from ordinary activities with external customers	1,034,898	882,174
Interest income	3,310	2,466
Interest expense	(37,763)	(37,741)
Total net interest expense	(34,453)	(35,275)
Depreciation and amortization	(81,641)	(73,400)
Gain of the segment reported	88,299	65,014
Share of the entity in income of associates	9	61
Expense on income tax	(18,090)	(13,044)
Segment assets	5,711,444	5,282,580
Amount in investments in associates	1,245	1,278
Disbursements of non-monetary assets in the segment	164,005	192,143

The Company's revenues by geographic area are:

	For the periods ending March 31	
	<u>2010</u>	<u>2009</u>
	KUS\$	KUS\$
Peru	123,471	100,515
Argentina	95,762	108,707
USA	202,185	171,404
Europe	117,943	82,317
Chile	286,712	242,452
Other (*)	<u>208,825</u>	<u>176,779</u>
Total (**)	<u>1,034,898</u>	<u>882,174</u>

The Company allocates revenues to the geographic area on the basis of the ticket or cargo point of sale. Tangible assets are comprised mainly of aircraft and aviation equipment, which are used throughout the different countries and therefore are not allocable to a geographic area.

(*) Includes the rest of Latin America and Asia-Pacific.

(**) Includes ordinary revenues, other operating income, net of interest income shown in Note 27.

NOTE 6 – CASH AND CASH EQUIVALENT

	<u>At March 31, 2010</u>	<u>At December 31, 2009</u>
	KUS\$	KUS\$
Cash flow	3,605	2,707
Balances in banks	27,727	31,176
Time deposits	436,714	522,077
Other	<u>132,998</u>	<u>175,537</u>
Total	<u>601,044</u>	<u>731,497</u>

The balances comprising cash and cash equivalent by currency are shown below as of March 31, 2010 and December 31, 2009:

	At March 31, 2010	At December 31, 2009
Type of currency	KUS\$	KUS\$
U.S. Dollar	211,904	228,879
Chilean peso (*)	320,465	435,514
Euro	14,703	13,255
Argentine peso	5,339	6,105
Brazilian real	1,658	3,041
Other currencies	<u>46,975</u>	<u>44,703</u>
Total	<u>601,044</u>	<u>731,497</u>

(*) The Company signed forwards amounting to KUS\$301,188 as of March 31, 2010 (KUS\$367,412 as of December 31, 2009) for the translation of investments in Chilean pesos into U.S. dollars.

Starting in 2003 in Venezuela, the authority decided that all remittances to abroad must be approved by the Foreign Currency Board (CADIVI). Despite bolivars being freely available inside Venezuela, the Company must abide by certain restrictions in remitting that money outside of Venezuela. As of March 31, 2010, the amount subject to these restrictions in U.S. dollars was KUS\$30,306 (KUS\$26,196 as of December 31, 2009).

The Company does not engage in significant non-cash transactions that must be disclosed, nor has it acquired companies in either period.

NOTE 7 – FINANCIAL INSTRUMENTS

7.1 Financial Instruments by Category

At March 31, 2010

<u>Assets</u>	<u>Held until maturity</u>	<u>Loans and receivables</u>	<u>Hedging derivatives</u>	<u>Held for trading</u>	<u>Total</u>
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Cash and cash equivalent	-	468,046	-	132,998	601,044
Other financial assets (*)	56,657	-	49,413	-	106,070

Trade receivables and other current accounts receivable	-	373,369	-	-	373,369
Non-current rights receivable	-	6,949	-	-	6,949
Intercompany receivables	-	50	-	-	50
Other non-financial assets	-	37,109	-	-	37,109
Total	<u>56,657</u>	<u>885,523</u>	<u>49,413</u>	<u>132,998</u>	<u>1,124,591</u>

<u>Liabilities</u>	<u>Other financial liabilities</u>	<u>Hedging derivatives</u>	<u>Kept for trading</u>	<u>Total</u>
	KUS\$	KUS\$	KUS\$	KUS\$
Other financial liabilities	2,768,599	86,994	3,224	2,858,817
Non-current liabilities	53,933	-	11,166	65,099
Trade payables and other accounts payable	474,368	-	-	474,368
Intercompany accounts payable	29	-	-	29
Total	<u>3,296,929</u>	<u>86,994</u>	<u>14,390</u>	<u>3,398,313</u>

(*) The value kept until maturity corresponds mainly to domestic and foreign bonds.

December 31, 2009

<u>Assets</u>	<u>Held until maturity</u>	<u>Loans and receivables</u>	<u>Hedging derivatives</u>	<u>Held for trading</u>	<u>Total</u>
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Cash and cash equivalent	-	555,960	-	175,537	731,497
Other financial assets (*)	60,923	-	43,049	-	103,972
Trade receivables and other accounts receivable	-	423,739	-	-	423,739
Non-current rights receivable	-	7,190	-	-	7,190
Intercompany receivables	-	38	-	-	38
Other non-financial assets	-	26,719	-	-	26,719
Total	<u>60,923</u>	<u>1,013,646</u>	<u>43,049</u>	<u>175,537</u>	<u>1,293,155</u>

<u>Liabilities</u>	<u>Other financial liabilities</u>	<u>Hedging derivatives</u>	<u>Held for trading</u>	<u>Total</u>
	KUS\$	KUS\$	KUS\$	KUS\$

Other financial liabilities	2,774,942	78,333	2,031	2,855,306
Non-current liabilities	72,000	-	5,804	77,804
Trade payables and other accounts payable	476,597	-	-	476,597
Intercompany accounts payable	297	-	-	297
Total	<u>3,323,836</u>	<u>78,333</u>	<u>7,835</u>	<u>3,410,004</u>

(*) The value kept until maturity corresponds mainly to domestic and foreign bonds.

7.2 Financial instruments per currency:

	As of March 31, 2010 MUS\$	As of December 31, 2009 MUS\$
a) Assets		
Cash and cash equivalent	601,044	731,497
U.S. dollar	211,904	228,879
Chilean peso	320,465	435,514
Euro	14,703	13,255
Argentine peso	5,339	6,105
Brazilian real	1,658	3,041
Other currencies	46,975	44,703
Other financial assets	106,070	103,972
U.S. dollar	106,070	103,972
Trade receivables and other current accounts receivable	373,369	423,739
U.S. dollar	284,427	319,980
Chilean peso	39,869	52,073
Euro	5,333	5,192
Argentine peso	13,044	15,158
Brazilian real	14,619	11,190
Australian dollar	3,921	7,595
Other currencies	12,156	12,551
Non-current rights receivable	6,949	7,190
U.S. dollar	9	9
Chilean peso	6,925	7,179
Other currencies	15	2
Intercompany accounts receivable	50	38
U.S. dollar	36	29
Chilean peso	14	9

Other non-financial assets	37,109	26,719
U.S. dollar	28,332	18,151
Brazilian real	5,358	5,334
Colombian peso	2,011	1,855
Other currencies	1,408	1,379
Total assets	1,124,591	1,293,155
U.S. dollar	630,778	671,020
Chilean peso	367,273	494,775
Euro	20,036	18,447
Argentine peso	18,383	21,263
Brazilian peso	21,635	19,565
Colombian peso	2,011	1,855
Australian dollar	3,921	7,595
Other currencies	60,554	58,635

b) Liabilities

The information on liabilities is in Note 3: Management of Financial Risk.

7.3 Credit Quality of Financial Assets

The Company uses the external credit evaluation system provided by IATA. Internal systems are also used to evaluate individuals or specific markets based on credit histories available on the local market. The internal rating is supplemental to the external rating, i.e. if agencies or airlines are not members of IATA, the internal requirements are greater. The uncollectibles rate is insignificant in the main countries where the Company does business.

NOTE 8 – TRADE RECEIVABLES, OTHER ACCOUNTS RECEIVABLE AND NON-CURRENT RIGHTS RECEIVABLE

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Trade receivables	351,112	407,320
Other accounts receivable and rights receivable	52,757	47,426
Total trade receivables and other accounts receivable	<u>403,869</u>	<u>454,746</u>
Less: Provision for impairment loss	(23,551)	(23,817)
Total trade receivables and other accounts receivable - net	380,318	430,929
Less: Non-current portion – rights receivable	<u>(6,949)</u>	<u>(7,190)</u>
Trade receivables and other accounts receivable - current	<u>373,369</u>	<u>423,739</u>

The fair value of trade receivables and other accounts receivables does not differ significantly from the carrying value.

There are receivables that are past due, but not impaired. The age of these receivables is as follows:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
3 months or less	10,287	10,094
Between 3 and 6 months	14,311	8,718
	<hr/>	<hr/>
Total	<u>24,598</u>	<u>18,812</u>

The trade receivables and other accounts receivable that are individually impaired are:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Judicial and preliminary collection	11,772	10,383
Receivables in preliminary collection	<u>5,572</u>	<u>5,031</u>
Total	<u>17,344</u>	<u>15,414</u>

The balances per currency forming Trade receivables, Other Accounts Receivable and Non-current Rights Receivable as of March 31, 2010 and December 31, 2009 are as follows:

	At March 31, 2010	At December 31, 2009
Type of currency	KUS\$	KUS\$
U.S. dollar	284,436	319,989
Chilean peso	46,794	59,252
Euro	5,333	5,192
Argentine peso	13,044	15,158
Brazilian real	14,619	11,190
Australian dollar	3,921	7,595
Other currencies	<u>12,171</u>	<u>12,553</u>
Total	<u>380,318</u>	<u>430,929</u>

The Company establishes provisions when there is evidence of impairment to trade receivables. Impairment applies to the customer in particular or is based on market signs.

<u>Maturity</u>	<u>Impairment</u>
Beyond 1 year	100%
From 6 to 12 months	50%
Sensitivities	Market Cases
Assets in judicial and preliminary collection	100%

The criteria used to determine whether there is objective evidence of an impairment loss are:

- Maturity of the portfolio
- Concrete signs from the market; and
- Concrete events of impairment (default).

The activity of impairment loss provisions for trade receivables and accounts receivable between January 1, 2009 and March 31, 2010 was as follows:

	KUS\$
At January 1, 2009	(22,790)
Write-offs	960
Provision increases	<u>(1,715)</u>
Balance at March 31, 2010	<u>(23,545)</u>
At April 1, 2009	(23,545)
Write-offs	5,150
Provision increases	<u>(5,422)</u>
Balance at December 31, 2009	<u>(23,817)</u>
At January 1, 2010	(23,817)
Write-offs	1,387
Provision increases	<u>(1,121)</u>
Balance at March 31, 2010	<u>(23,551)</u>

Once preliminary and judicial collection actions have been exhausted, the assets are retired against the provision. The Company uses a provision, instead of a direct write-off, to keep a better control.

Historic and outstanding rescheduling of debt is irrelevant and the policy is to analyze case by case in order to classify them according to the risk and determine whether they must be reclassified to preliminary collection accounts. If a reclassification is warranted, a provision is established for what is past due and coming due.

The maximum credit risk exposure on the reporting date is the fair value of each of the categories of accounts receivable indicated above.

	As of March 31, 2010			As of December 31, 2009		
	Gross exposure according to balance sheet	Gross impairment exposure	Net exposure in concentrated risk	Gross exposure according to balance sheet	Gross impairment exposure	Net exposure in concentrated risk
Trade receivables	351,112	(23,551)	327,561	407,320	(23,817)	3843,503
Other accounts receivable	52,757	-	52,757	47,426	-	47,426

Collateral is irrelevant in the credit risk and is appraised when enforced. There are no materially important direct guarantees. All guarantees are established through IATA.

NOTE 9 – INTERCOMPANY ACCOUNTS RECEIVABLE AND PAYABLE

Intercompany accounts receivable and payable are described below as of March 31, 2010 and December 31, 2009:

a) Accounts receivable

Related Party Id. No.	Related party	Nature of the relationship	Country of origin	As of March 31, 2010 KUS\$	As of December 31, 2009 KUS\$	Type of currency or adjustment unit KUS\$	Transaction term	How transaction will be settled
96.810.370-9	Inversiones Costa Verde Ltda. y CPA	Controller	Chile	5	-	CLP	30 to 45 days	Monetary
96.778.310-2	Concesionaria Chucumata S.A.	Associate	Chile	5	6	CLP	30 to 45 days	Monetary
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	2	-	CLP	30 to 45 days	Monetary
96.669.520-K	Red de Television Chilevision S.A.	Other related parties	Chile	-	3	CLP	30 to 45 days	Monetary
96.812.280-0	San Alberto S.A. and subsidiaries	Other related parties	Chile	29	29	US\$	30 to 45 days	Monetary
96.894.180-1	Bancard Inversiones Ltda.	Other related parties	Chile	2	-	CLP	30 to 45 days	Monetary
Foreign	Inversora Aeronautica Argentina	Other related parties	Argentina	7	-	US\$	30 to 45 days	Monetary
Total current assets				50	38			

There are no provisions for uncollectibles for the balances corresponding to March 31, 2010 and December 31, 2009.

b) Accounts payable

Related Party Id. No.	Related party	Nature of the relationship	Country of origin	As of March 31, 2010 KUS\$	As of December 31, 2009 KUS\$	Type of currency or adjustment unit KUS\$	Transaction term	How transaction will be settled
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	16	246	US\$	30 to 45 days	Monetary
96.921.070-3	Austral Sociedad Concesionaria S.A.	Associate	Chile	13	6	CLP	30 to 45 days	Monetary
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	-	10	CLP	30 to 45 days	Monetary
Foreign	Inversora Aeronautica Argentina	Other related parties	Argentina	-	35	US\$	30 to 45 days	Monetary
Total current liabilities				29	197			

Intercompany transactions have been performed as they would be performed by knowledgeable willing parties.

NOTE 10 – INVENTORIES

Inventories as of March 31, 2010 and December 31, 2009 were as follows:

	<u>At March 31, 2010</u>	<u>At December 31, 2009</u>
	KUS\$	KUS\$
Technical inventories	38,495	35,684
Non-technical inventories	12,056	10,879
Total	<u>50,551</u>	<u>46,563</u>

The items included here are spare parts and materials that will be used mainly in on-board service and in own maintenance and third-party maintenance. They are appraised at the average acquisition cost, net of the obsolescence provision that amounted to KUS\$615 as of March 31, 2010 (KUS\$808 as of December 31, 2009). The resulting amounts do not exceed the realization values.

At March 31, 2010, the Company recorded KUS\$7,754 in income, mainly because of on-board service consumption and maintenance. That amount was KUS\$7,956 at March 31, 2009.

NOTE 11 – OTHER FINANCIAL ASSETS

The composition of Other Financial Assets is as follows:

	<u>As of March 31, 2010</u>	<u>As of December 31, 2009</u>
	MUS\$	MUS\$
Current		
a) Other financial assets	56,150	60,415
b) Hedging assets	47,591	38,640
Total current	103,741	99,055
Non-current		
a) Other financial assets	507	508
b) Hedging assets	1,822	4,409
Total current	2,329	4,917
a) Other financial assets	<u>As of March 31, 2010</u>	<u>As of December 31, 2009</u>
	MUS\$	MUS\$

Current		
Local and foreign bonds	56,150	60,415
Total current	56,150	60,415
Non-current		
Other investments	507	508
Total non-current	507	508
Total other financial assets	56,657	60,923
Hedging assets		

Hedging assets are described below as of March 31, 2010 and December 31, 2009:

	<u>At March 31, 2010</u>	<u>At December 31, 2009</u>
	KUS\$	KUS\$
Current		
Fair value of interest rate derivatives	478	501
Fair value of foreign currency derivatives	17,594	23,691
Fair value of fuel price derivatives	29,519	14,448
Total current	47,591	38,640
Non-current		
Fair value of interest rate derivatives	1,730	2,628
Fair value of foreign currency derivatives	92	1,781
Total non-current	1,822	4,409
Total hedging assets	49,413	43,049

Foreign currency derivatives correspond to Cross-Currency Swaps taken to hedge the cash flow in liabilities expressed in Chilean pesos and Forwards to hedge the fair value of investments in Chilean pesos.

Note 20 shows the type of derivative for hedging contracts of the Company at the close of each period.

NOTE 12 – OTHER NON-FINANCIAL ASSETS

The composition of Other Non-financial Assets is as follows:

	At March 31, 2010 MUS\$	At December 31, 2009 MUS\$
Current		
a) Prepaid payments	28,298	15,258
b) Other assets	23,938	13,482
Total current	52,236	28,740
Non-current		
a) Prepaid payments	-	-
b) Other assets	40,489	43,843
Total non-current	40,489	43,843
a) Prepayments		

Prepayments are described below as of March 31, 2010 and December 31, 2009:

	At March 31, 2010 KUS\$	At December 31, 2009 KUS\$
Aviation insurance and other	18,507	5,978
Aircraft lease	6,204	6,204
Other	<u>3,587</u>	<u>3,076</u>
Total	<u>28,298</u>	<u>15,258</u>

b) Other assets

Other assets are described below as of March 31, 2010 and December 31, 2009:

	At March 31, 2010 KUS\$	At December 31, 2009 KUS\$
Current		
Derivative margin collateral	12,760	2,400
Deposits in guarantee (aircraft)	308	308
Other guarantees granted	8,980	8,904
Other	<u>1,890</u>	<u>1,870</u>
Total current	<u>23,938</u>	<u>13,482</u>

Non-current		
Deposits in guarantee (aircraft)	13,780	13,780
Deferred expense in aircraft leases	6,742	7,328
Other guarantees granted	1,281	1,327
Other	<u>18,686</u>	<u>21,408</u>
Total non-current	<u>40,489</u>	<u>43,843</u>
Total Other Assets	<u>64,427</u>	<u>57,325</u>

NOTE 13 – NON-CURRENT ASSETS OR GROUPS OF ASSETS FOR DISPOSAL HELD FOR SALE

Non-current assets and disposal groups held for sale are described below as of March 31, 2010 and December 31, 2009:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Engines	3,633	5,603
Inventories in consignment	2,148	2,348
Aircraft	1,537	1,537
Dismantled aircraft	880	880
Rotables	<u>241</u>	<u>551</u>
Total	<u>8,439</u>	<u>10,919</u>

In the period between January 1 and March 31, 2010, rotables and inventories in consignment of the Boeing 737 fleet were sold.

Balances in this line are shown net of provisions amounting to KUS\$6,099 as of March 31, 2010 (KUS\$4,179 as of December 31, 2009).

The Company has no operations that were discontinued as of March 31, 2010.

NOTE 14 – INVESTMENTS IN SUBSIDIARIES

The Company holds investments in companies that have been recognized as investments in subsidiaries. All companies defined as subsidiaries have been consolidated in the financial statements of Lan Airlines S.A. and Subsidiaries. The consolidation also includes special-purpose companies.

Below is summary financial reporting providing the sum of financial statements of subsidiaries and special-purpose companies:

As of March 31, 2010

	<u>Assets</u>	<u>Liabilities</u>
	KUS\$	KUS\$
Current	284,745	371,188
Non-current	<u>1,229,446</u>	<u>720,297</u>
Total	<u>1,514,191</u>	<u>1,091,485</u>

As of December 31, 2009

	<u>Assets</u>	<u>Liabilities</u>
	KUS\$	KUS\$
Current	261,917	359,230
Non-current	<u>1,246,141</u>	<u>757,164</u>
Total	<u>1,508,058</u>	<u>1,116,394</u>

For the periods ending March 31
2010 2009

	KUS\$	KUS\$
Sum of ordinary income	441,568	495,687
Sum of expenses	<u>(424,562)</u>	<u>(458,347)</u>
Sum of net gain (loss)	<u>17,006</u>	<u>37,340</u>

Description of material subsidiaries at March 31, 2010

Name of material subsidiary	Country of incorporation	Functional currency	% Interest	Type and scope of significant restrictions to transfer funds to controller
Lan Peru S.A.	Peru	US\$	70.00000	No significant restrictions
Lan Cargo S.A.	Chile	US\$	99.89804	No significant restrictions
Lan Argentina S.A.	Argentina	ARS	99.00000	No significant restrictions
Transporte Aereo S.A.	Chile	US\$	100.00000	No significant restrictions
Aerolane Lineas Aereas Nacionales de Ecuador S.A.	Ecuador	US\$	71.91673	No significant restrictions

Summary of financial information of material subsidiaries at March 31, 2010

Name of the material subsidiary	Total assets	Current assets	Non-current assets	Total liabilities	Current liabilities	Non-current liabilities	Ordinary income	Net profit (loss)
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Lan Peru S.A.	107,857	97,825	10,032	97,759	97,091	668	180,311	(454)
Lan Cargo S.A.	720,801	151,332	569,469	346,594	84,064	262,530	40,257	4,408
Lan Argentina S.A.	89,413	62,695	26,718	60,512	59,811	701	93,345	6,119
Transporte Aereo S.A.	328,435	210,210	118,225	120,854	24,926	95,928	70,033	6,678
Aerolane Lineas Aereas Nacionales de Ecuador S.A.	45,766	21,593	24,173	50,044	36,943	13,101	56,751	39

Description of material subsidiaries at December 31, 2009

Name of material subsidiary	Country of incorporation	Functional currency	% Interest	Type and scope of significant restrictions to transfer funds to controller
Lan Peru S.A.	Peru	US\$	70.00000	No significant restrictions
Lan Cargo S.A.	Chile	US\$	99.89804	No significant restrictions
Lan Argentina S.A.	Argentina	ARS	99.00000	No significant restrictions
Transporte Aereo S.A.	Chile	US\$	100.00000	No significant restrictions
Aerolane Lineas Aereas Nacionales de Ecuador S.A.	Ecuador	US\$	71.91673	No significant restrictions

Summary of financial information of material subsidiaries at December 31, 2009

Name of the material subsidiary	Statement of Financial Situation as of December 31, 2009						Profit (loss) at March 31, 2009	
	Total assets	Current assets	Non-current assets	Total liabilities	Current liabilities	Non-current liabilities	Ordinary income	Net profit (loss)
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Lan Peru S.A.	85,773	75,886	9,887	75,221	74,607	614	161,936	10,819
Lan Cargo S.A.	744,176	174,147	570,029	374,378	87,213	287,165	33,611	(2,023)
Lan Argentina S.A.	96,720	66,020	30,700	73,194	72,521	673	89,286	9,629
Transporte Aereo S.A.	319,340	202,246	117,094	118,433	21,256	97,177	97,672	11,853
Aerolane Lineas Aereas Nacionales de Ecuador S.A.	43,638	19,137	24,501	47,955	34,953	13,002	46,115	3,743

NOTE 15 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Summary financial information is presented below on the sum of financial statements of affiliates corresponding to the statement of financial situation as of March 31, 2010 and December 31, 2009 and statements of income for the periods from January to March 2010 and January to March 2009.

	<u>Assets</u>	<u>Liabilities</u>
	KUS\$	KUS\$
As of March 31, 2010		
Current	5,200	673
Non-current	<u>400</u>	<u>-</u>
Total	<u>5,600</u>	<u>673</u>
As of December 31, 2009		
Current	5,338	736
Non-current	<u>356</u>	<u>-</u>
Total	<u>5,694</u>	<u>736</u>
	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Sum of ordinary income	763	1,802
Sum of ordinary expenses	<u>(568)</u>	<u>(1,217)</u>
Sum of net gain (loss)	<u>195</u>	<u>585</u>

The Company has recognized the shares it holds in the following companies as investments in associates: Austral Sociedad Concesionaria S.A., Lufthansa Lan Technical Training S.A. and Concesionaria Chucumata S.A. The Company has not made any investments in associates in the first quarter of 2010.

Company	Country of Incorporation	Functional currency	Percentage Interest		Cost of investment	
			As of March 31, 2010	As of December 31, 2009	As of March 31, 2010	As of December 31, 2009
			%	%	KUS\$	KUS\$
Austral Sociedad Concesionaria S.A.	Chile	CLP	20.00	20.00	661	661
Lufthansa Lan Technical Training S.A.	Chile	CLP	50.00	50.00	702	702
Concesionaria Chucumata S.A.	Chile	CLP	16.70	16.70	119	119

These companies mainly engage in the following businesses:

Austral Sociedad Concesionaria S.A.: It engages in the construction, conservation, rendering and exploitation of aviation services exclusively for the Passenger Terminal of the Carlos Ibañez del Campo Airport in Punta Arenas.

Lufthansa Lan Technical Training S.A.: It provides training services to the aviation and other industries.

Concesionaria Chucumata S.A.: It engages in the execution, construction, concession and rendering of services to air terminals.

These companies are not subject to significant restrictions on the transfer of funds.

The investment activity in associates between January 1, 2009 and March 31, 2010 was:

	KUS\$
Initial balance at January 1, 2009	<u>1,389</u>
Share in earnings	61
Share in items from previous periods	(52)
Dividends received	<u>(120)</u>
Total changes in investments in associates	<u>(111)</u>
Final balance at March 31, 2009	<u>1,278</u>

	KUS\$
Initial balance at April 1, 2009	<u>1,278</u>
Share in earnings	254
Share in items from previous periods	(2)
Dividends received	<u>(294)</u>
Total changes in investments in associates	<u>(42)</u>
Final balance at December 31, 2009	<u>1,236</u>

	KUS\$
Initial balance at January 1, 2010	<u>1,236</u>
Share in earnings	(4)
Share in items from previous periods	13
Total changes in investments in associates	<u>9</u>
Final balance at March 31, 2010	<u>1,245</u>

The Company recognizes the profit or loss on its investments in associates monthly in the consolidated statement of income, using the equity method. The Company does not have investments in associates accounted for in another way.

Associates have not recognized changes in net equity in the periods that must be recognized by the Company.

NOTE 16 – INTANGIBLE ASSETS OTHER THAN GOODWILL

Composition and activity of intangible assets

Intangible assets are described below:

Type of intangible assets (net)	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Software (net)	32,999	34,087
Other assets (net)	<u>687</u>	<u>727</u>
Total	<u>33,686</u>	<u>34,814</u>

Type of intangible assets (gross)	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Software (gross)	64,827	63,585
Other assets (gross)	<u>808</u>	<u>808</u>
Total	<u>65,635</u>	<u>64,393</u>

The movement of software and other assets between January 1, 2009 and March 31, 2010 was as follows:

	Data Processing Software (net)	Other assets (net)	Total (net)
	KUS\$	KUS\$	KUS\$
At January 1, 2009	27,447	-	27,447
Additions	1,951	-	1,951
Retirements	(54)	-	(54)
Amortization	<u>(2,131)</u>	-	<u>(2,131)</u>
Balances at March 31, 2009	<u>27,213</u>	<u>727</u>	<u>27,213</u>

	Data Processing Software (net)	Other assets (net)	Total (net)
	KUS\$	KUS\$	KUS\$
At April 1, 2009	27,213	-	27,213
Additions	12,849	808	13,657
Retirements	(19)	-	(19)
Amortization	<u>(5,956)</u>	<u>(81)</u>	<u>(6,037)</u>
Balances at December 31, 2009	<u>34,087</u>	<u>727</u>	<u>34,814</u>

	Data Processing Software (net)	Other assets (net)	Total (net)
	KUS\$	KUS\$	KUS\$
At January 1, 2010	34,087	727	34,814
Additions	1,797	-	1,797
Retirements	(776)	-	(776)
Carryovers	98	-	98
Amortization	<u>(2,207)</u>	<u>(40)</u>	<u>(2,247)</u>
Balances at March 31, 2010	<u>32,999</u>	<u>687</u>	<u>33,686</u>

Intangible assets with a defined useful life consist mainly of licenses and computer software that have been purchased entirely from third parties. The Company has defined a useful life of 4 to 7 years for these assets.

The Company appraises its intangibles at the acquisition cost and the amortization is made on a straight-line basis over the estimated useful lives. The amortization in each period is recognized in administrative expenses in the consolidated statement of income. The cumulative amortization of data processing software was KUS\$31,828 at March 31, 2010 (KUS\$29,498 at December 31, 2009). The cumulative amortization of other identifiable intangible assets was KUS\$121 at March 31, 2010 (KUS\$81 at December 31, 2009).

NOTE 17 - GOODWILL

Composition and movement of goodwill.

Goodwill was as follows:

	At March 31, 2010	At December 31, 2009
	MUS\$	MUS\$
Goodwill (net)	63,781	63,793
Total	63,781	63,793

	At March 31, 2010 MUS\$	At December 31, 2009 MUS\$
Goodwill (gross)	63,781	63,793
Total	63,781	63,793

Management did not detect signs of impairment in goodwill.

Movement of goodwill between January 1, 2009 and March 31, 2010 is as follows:

	KUS\$
Initial balance at January 1, 2009	62,927
Decrease in foreign currency conversion	(43)
Balances at March 31, 2009	<u>62,884</u>
Initial balance at April 1, 2009	62,884
Additions	920
Decrease in foreign currency conversion	<u>(11)</u>
Final balance at December 31, 2009	<u>63,793</u>
Initial balance at January 1, 2010	63,793
Decrease in foreign currency conversion	<u>(12)</u>
Final balance at March 31, 2010	<u>63,781</u>

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

The table below provides an itemization and activity of the different categories of property, plant and equipment:

	<u>Gross property, plant & equipment</u>		<u>Cumulative depreciation</u>		<u>Net property, plant & equipment</u>	
	At March 31, 2010	At December 31, 2009	At March 31, 2010	At December 31, 2009	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Constructions under way	319,951	264,259	--	--	319,951	264,259
Land	35,538	35,538	--	--	35,538	35,538
Buildings	100,700	100,662	(19,255)	(18,696)	81,445	81,966
Plant and equipment	4,155,005	4,051,718	(873,692)	(820,036)	3,281,313	3,231,682
IT equipment	75,497	75,185	(61,200)	(60,142)	14,297	15,043
Fixed installations and accessories	45,601	45,526	(22,891)	(21,867)	22,710	23,659
Motor vehicles	2,833	2,853	(1,926)	(1,902)	907	951
Improvement of leased assets	76,944	76,536	(30,207)	(26,250)	46,737	50,286
Other property, plant and equipment	<u>864,651</u>	<u>863,620</u>	<u>(380,407)</u>	<u>(370,448)</u>	<u>484,244</u>	<u>493,172</u>
TOTAL	<u>5,676,720</u>	<u>5,515,897</u>	<u>(1,389,578)</u>	<u>(1,319,341)</u>	<u>4,287,142</u>	<u>4,196,556</u>

Movement of the different categories of property, plant and equipment between January 1, 2009 and March 31, 2010 is as follows:

b) As of March 31, 2010

	Construction underway	Land	Buildings (net)	Plant and equipment (net)	IT Equipment (net)	Fixed installations and accessories (net)	Motor vehicles (net)	Improvement in leased assets (net)	Other property, plant and equipment (net)	Property, plant and equipment (net)
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Initial balance as of January 1, 2009	267,844	35,538	78,210	3,079,911	16,336	22,027	809	46,549	418,839	3,966,063
Additions	3,434	-	17	257,051	2,001	675	113	-	6,024	269,315
Disposals	-	-	-	-	-	-	-	-	-	-
Retirements	-	-	-	(91)	-	(5)	-	-	(210)	(306)
Depreciation expenses	-	-	(531)	(51,059)	(1,373)	(934)	(39)	(3,015)	(8,770)	(65,721)
Increases (decreases) in currency exchange	72	-	6	(1,990)	95	65	(5)	-	(31)	(1,788)
Other increases (decreases)	(64,237)	-	-	(120,619)	-	-	-	6,673	103,625	(74,558)
Total changes	(60,731)	-	(508)	83,292	723	(199)	89	3,658	100,638	126,942
Final balance at March 31, 2009	207,113	35,538	77,702	3,163,203	17,059	21,828	878	50,207	519,477	4,093,005

b) As of December 31, 2009

	Construction underway	Land	Buildings (net)	Plant and equipment (net)	IT Equipment (net)	Fixed installations and accessories (net)	Motor vehicles (net)	Improvement in leased assets (net)	Other property, plant and equipment (net)	Property, plant and equipment (net)
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Initial balance as of April 1, 2009	207,113	35,538	77,702	3,163,203	17,059	21,828	878	50,207	519,477	4,093,005
Additions	11,798	-	3	273,987	2,024	1,434	228	863	6,927	297,264
Disposals	(7)	-	-	(6,047)	-	(16)	(25)	-	(1)	(6,096)
Transfers to (from) non-current assets and groups	-	-	-	(4,029)	-	-	-	-	-	(4,029)
Retirements	-	-	-	(2,208)	(22)	-	(2)	-	(654)	(2,886)
Depreciation expenses	-	-	(1,583)	(148,614)	(4,299)	(2,843)	(140)	(10,356)	(33,299)	(201,134)
Increases (decreases) in currency exchange	(121)	-	(6)	(44)	183	219	3	-	36	270
Other increases (decreases)	45,476	-	5,850	(44,566)	98	3,037	9	9,572	686	20,162
Total changes	57,146	-	4,264	68,473	(2,016)	1,831	73	79	(26,305)	103,551
Final balance at December 31, 2009	264,259	35,538	81,966	3,231,682	15,043	23,659	951	50,286	493,172	4,196,556

c) As of March 31, 2010

	Construction underway	Land	Buildings (net)	Plant and equipment (net)	IT Equipment (net)	Fixed installations and accessories (net)	Motor vehicles (net)	Improvement in leased assets (net)	Other property, plant and equipment (net)	Property, plant and equipment (net)
	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$	KUS\$
Initial balance as of January 1, 2010	264,259	35,538	81,966	3,231,682	15,043	23,659	951	50,286	493,172	4,196,556
Additions	3,272	-	37	105,894	757	171	-	-	2,251	112,382
Disposals	-	-	-	(18)	-	-	-	-	-	(18)
Transfers to (from) non-current assets and groups	-	-	-	1,821	-	-	-	-	-	1,821
Retirements	-	-	-	(315)	(20)	-	-	-	(44)	(379)
Depreciation expenses	-	-	(558)	(54,172)	(1,326)	(981)	(45)	(3,954)	(10,965)	(72,001)
Increases (decreases) in currency exchange	(4)	-	-	(388)	(60)	(139)	-	-	(20)	(611)
Other increases (decreases)	52,424	-	-	(3,191)	(97)	-	1	450	(150)	49,392
Total changes	55,692	-	(521)	49,631	(746)	(949)	(44)	(3,549)	(8,928)	90,586
Final balance at March 31, 2010	319,951	35,538	81,445	3,281,313	14,297	22,710	907	46,737	484,244	4,287,142

d) Fleet Composition

Aircraft included in property, plant and equipment of the Company:

Aircraft	Model	At March 31, 2010	At December 31, 2009
Boeing 737	200ADV (*)	2	2
Boeing 767	300ER	18	17
Boeing 767	300F	8	8
Boeing 767	200ER (**)	1	1
Airbus A318	100	15	15
Airbus A319	100	20	20
Airbus A320	200	16	16
Airbus A340	300	<u>4</u>	<u>4</u>
Total		<u>84</u>	<u>83</u>

(*) Leased to Sky Service S.A.

(**) Leased to Aerovias de Mexico S.A.

Leased aircraft:

Aircraft	Model	At March 31, 2010	At December 31, 2009
Boeing 767	300ER	10	10
Boeing 767	300F	1	1
Boeing 777	Freighter	2	2
Airbus A320	200	2	2
Airbus A340	300	<u>1</u>	<u>1</u>
Total		<u>16</u>	<u>16</u>
Total fleet		<u>100</u>	<u>99</u>

(e) Method used to depreciate property, plant and equipment.

	Depreciation method	Useful life	
		Minimum	Maximum
Buildings	Straight-line method with no residual value	20	50
Plants and equipment	Straight-line method with 20% residual value in the Airbus fleet and 36% in the Boeing fleet	5	20
IT equipment	Straight-line method with no residual value	5	10
Fixed installations and accessories	Straight-line method with no residual value	10	10

Motor vehicles	Straight-line method with no residual value	10	10
Improvements of leased assets	Straight-line method with no residual value	5	5
Other property, plant and equipment	Straight-line method with 20% residual value in the Airbus fleet and 36% in the Boeing fleet	3	20

The debit against income for depreciation in the fiscal year shown in the consolidated statement of income totaled KUS\$72,001 (KUS\$65,721 at March 31, 2009). This debit is recorded in cost of sales and administrative expenses in the consolidated statement of income.

f) Additional information on property, plant and equipment

(i) Property, plant and equipment given in guarantee:

In the period ending on March 31, 2010, a direct guarantee was added for one Boeing 767-300 added to the fleet.

Description of property, plant and equipment given in guarantee:

Guarantee in favor of	Assets compromised	Fleet	At March 31, 2010		At December 31, 2009	
			Outstanding debt	Book value	Outstanding debt	Book value
			KUS\$	KUS\$	KUS\$	KUS\$
Wilmington Trust Company	Planes and engines	Boeing 767	1,107,664	1,357,592	1,069,077	1,289,471
BNP Paribas	Planes and engines	Airbus A319	317,869	384,881	324,584	389,071
		Airbus A318	317,900	375,569	323,947	380,928
		Airbus A320	117,342	138,566	119,567	140,501
Calyon	Planes and engines	Airbus A319	39,842	52,891	48,157	53,998
Total direct guarantees			1,900,617	2,309,499	1,885,332	2,253,696

The outstanding debt shown is nominal. The book value corresponds to the collateral.

Moreover, there are indirect guarantees associated with assets recorded in property, plant and equipment. They totaled KUS\$265,703 as of March 31, 2010 (KUS\$281,691 as of December 31, 2009).

(ii) Commitments and Other

Below are the assets that have been fully depreciated and future purchase commitments:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Gross value of any fully depreciated property, plant and equipment still in use (1)	56,227	53,417
Commitments in the acquisition of aircraft	8,900,000	8,880,000

(1) These amounts pertain mainly to ground support, computer equipment and tools.

In December 2009, a purchase promise was signed with Airbus for the acquisition of 30 more aircraft in the A320 family, to be delivered between 2011 and 2016. According to the manufacturer's price list, the amount is approximately KUS\$1,972,000.

Therefore, at March 31, 2010, 45 airbus aircraft in the A320 family were pending delivery between 2010 and 2016 under the different aircraft purchase agreements with Airbus S.A.S. According to the manufacturer's price list, the amount is approximately KUS\$3,100,000.

As of March 31, 2010, a total of 3 B767-300ER aircrafts were pending delivery before December 2011 under the Aircraft Purchase Agreements with the Boeing Company, 3 767-300 Freighter aircraft deliverable between 2013 and 2014, 1 B777-Freighter deliverable in 2012 and 26 787 Dreamliners aircraft deliverable between 2011 and 2018. The amount is approximately KUS\$5,800,000 according to the manufacturer's price list. The Company also holds purchase options for 2 777-Freighter aircraft and 15 B787 Dreamliner aircrafts.

(iii) Cost of compounded interest in property, plant and equipment

		For the periods ending on March 31	
		2010	2009
Compounding rate of compounded interest costs	%	4.57	5.30
Compounded interest costs	KUS\$	3,434	2,104

(iv) Lease-purchases

The main lease-purchases break down as follows:

Lessor	Aircraft	At March 31, 2010	At December 31, 2009
Condor Leasing LLC	Boeing 767	3	3
Bluebird Leasing LLC	Boeing 767	2	2

Eagle Leasing LLC	Boeing 767	2	2
Seagull Leasing LLC	Boeing 767	1	1
Linnet Leasing Limited	Airbus A320	4	4
		<hr/>	
Total		12	12
		<hr/>	

The lease-purchase contracts in which the parent company is the lessee of the aircraft sets down a duration of 12 years and quarterly payments. Moreover, the lessee is obligated to contract and carry aircraft insurance, to perform aircraft maintenance at its own expense, and to update the airworthiness certificates.

Property, plant and equipment acquired under lease-purchases are classified in other property, plant and equipment. At March 31, 2010, the Company accounted for 12 aircraft and 1 spare engine in this line (the same amount at December 31, 2009).

The net value of lease-purchase assets was KUS\$449,978 at March 31, 2010 (KUS\$458,417 at December 31, 2009).

The minimum payments under lease-purchases are:

As of March 31, 2010

	<u>Gross</u>	<u>Interest</u>	<u>Present value</u>
	KUS\$	KUS\$	KUS\$
Not exceeding one year	73,613	5,505	68,108
Exceeding one year but less than five years	206,384	9,477	196,907
Total	<u>279,997</u>	<u>14,982</u>	<u>265,015</u>

As of December 31, 2009

	<u>Gross</u>	<u>Interest</u>	<u>Present value</u>
	KUS\$	KUS\$	KUS\$
Not exceeding one year	59,871	4,846	55,025
Exceeding one year but less than five years	195,102	9,584	185,518
More than five years	<u>41,395</u>	<u>129</u>	<u>41,266</u>
Total	<u>296,368</u>	<u>14,559</u>	<u>281,809</u>

NOTE 19 – TAXES AND DEFERRED TAXES

Deferred tax assets and liabilities are offset when the right to offset the assets and liabilities for current taxes is legally recognized and the deferred taxes are owed to the same tax authority. Deferred tax balances break down as follows:

	Assets		Liabilities	
	At March 31, 2010	At December 31, 2009	At March 31, 2010	At December 31, 2009
Concepts	KUS\$	KUS\$	KUS\$	KUS\$
Depreciation	(453)	(476)	234,658	221,712
Amortization	1,602	2,103	24,009	24,556
Provisions	2,831	2,995	9,124	5,097
Post-employment benefits obligations	185	333	(838)	(850)
Revaluation of financial instruments	-	-	(19,647)	(18,891)
Fiscal losses	3,047	5,013	-	-
Other	268	684	5,496	8,995
Total	7,480	10,652	252,802	240,619

Unrecognized deferred tax assets were:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Temporary differences	2,152	2,152
Fiscal losses	<u>3,751</u>	<u>3,629</u>
Total unrecognized deferred tax assets	<u>5,903</u>	<u>5,781</u>

Deferred tax assets arising from negative tax bases pending set-off are recognized when it is likely that the corresponding fiscal benefit will be realized through future fiscal benefits. The company has unrecognized deferred tax assets totaling KUS\$3,751 offsettable against losses totaling around KUS\$12,291 that will be offset in future fiscal years against fiscal benefits.

Deferred tax expenses (income) and income tax for the years ending on March 31, 2010 and March 31, 2009 are allocable as follows:

	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Expenses for current taxes on gains		
Current tax expense	1,701	2,598
Adjustments to current taxes in the previous period	-	860
Other current tax expenses	<u>79</u>	<u>(39)</u>

Total net current tax expense	<u>1,780</u>	<u>3,419</u>
Expenses for deferred taxes on gains		
Deferred expense for taxes relating to the creation and reversal of temporary differences	16,432	9,171
Increase (reduction) in value of deferred tax assets during the evaluation of utility	(122)	454
Total net deferred tax expense	<u>16,310</u>	<u>9,625</u>
Gains tax expense	<u>18,090</u>	<u>13,044</u>

The composition of gains tax expenses (income) was:

	For the periods ending March 31,	
	2010 KUS\$	2009 KUS\$
Current tax expense, net, foreign	314	2,139
Current tax expense, net, local	<u>1,466</u>	<u>1,280</u>
Current tax expense, net, total	<u>1,780</u>	<u>3,419</u>
Deferred tax expense, net, foreign	3,179	5,448
Deferred tax expense, net, local	<u>13,131</u>	<u>4,177</u>
Deferred tax expense, net, total	<u>16,310</u>	<u>9,625</u>
Gains tax expense	<u>18,090</u>	<u>13,044</u>

The conciliation of tax expenses at the legal rate to tax expenses at the effective rate was:

	For the periods ending March 31	
	2010 KUS\$	2009 KUS\$
Taxable expense using the legal rate	<u>18,086</u>	<u>13,270</u>
Tax effect of rates in other jurisdictions	1,673	1,367
Tax effect of non-taxable ordinary income	(2,408)	(2,266)
Tax effect of expenses that are not tax deductions	803	195
Tax effect of using fiscal losses not previously recognized	(122)	454
Other increases (decreases) in debits for legal taxes	<u>58</u>	<u>24</u>
Total adjustments to tax expense using the legal rate	<u>4</u>	<u>(226)</u>
Tax expense using the effective rate	<u>18,090</u>	<u>13,044</u>

The conciliation of the legal tax rate to the effective tax rate was:

	For the periods ending March 31	
	2010 %	2009 %
Legal tax rate	<u>17.00</u>	<u>17.00</u>
Effect of rate in other jurisdictions on tax rate	1.57	1.75
Effect of non-taxable ordinary income on tax rate	(2.26)	(2.90)
Effect of non-deductible expenses on tax rate	0.75	0.25
Effect of using previously unrecognized fiscal losses on tax rate	(0.11)	0.58
Other increases (decreases) in legal tax rate	<u>0.05</u>	<u>0.03</u>
Total adjustment of legal tax rate	<u>(0.00)</u>	<u>(0.29)</u>
Total effective tax rate	<u>17.00</u>	<u>16.71</u>

Below are the deferred taxes relative to items debited against net equity:

	For the periods ending on March 31	
	2010 KUS\$	2009 KUS\$
Aggregate deferred taxation in items debited against net equity	<u>(954)</u>	<u>(11,551)</u>
Total deferred taxation in items debited against net equity	<u>(954)</u>	<u>(11,551)</u>

The effects of deferred taxes on the components of other integral income:

	At March 31, 2010		
	Income before taxes	Expense (income) for gains tax	Income after taxes
	KUS\$	KUS\$	KUS\$
Cash flow hedging	4,450	(756)	3,694
Translation adjustment	1,367	(232)	1,135
		(988)	

	At March 31, 2009		
	Income before taxes	Expense (income) for gains tax	Income after taxes
	KUS\$	KUS\$	KUS\$
Cash flow hedging	(67,950)	11,551	(56,399)

NOTE 20 – OTHER FINANCIAL LIABILITIES

Other financial liabilities are broken down below:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Current		
a) Interest-bearing loans	396,122	385,421
b) Other financial liabilities	3,224	2,031
c) Hedging liabilities	27,250	30,480
Total current	<u>426,596</u>	<u>417,932</u>
Non-current		
a) Interest-bearing loans	2,372,477	2,389,521
b) Other financial liabilities	-	-
c) Hedging liabilities	59,744	47,853
Total Non-current	<u>2,432,221</u>	<u>2,437,374</u>

a) Interest-bearing loans

Bank debt and debt securities:

	At March 31, 2010 KUS\$	At December 31, 2009 KUS\$
Current		
Bank loans	81,768	71,124
Secured obligations	253,553	245,717
Lease-purchases	60,402	68,076
Other loans	399	504
Total current	<u>396,122</u>	<u>385,421</u>
Non-current		
Bank loans	191,107	207,657
Secured obligations	1,940,741	1,933,607
Lease-purchases	205,465	213,733
Other loans	35,164	34,524
Total non-current	<u>2,372,477</u>	<u>2,389,521</u>
Total bank debt	<u>2,768,599</u>	<u>2,774,942</u>

All interest-bearing liabilities are recorded according to the effective rate method. Pursuant to IRFS regulations, the effective rate on fixed-rate loans does not change throughout the term, while the effective rate on variable interest rate loans changes on the date of each debt repricing. This means periodically recalculating the future cash flows so that they reflect the movement of interest rates on the market so as to obtain the new effective rate. The methodology used by the Company to calculate this effective rate is to determine the TIR of the loan assuming a constant principal payment and the payment of future interest using the Libor rate for 3 months, which reflects the future movement of the market. Moreover, the nominal rate is estimated as the spot Libor, plus the loan spread. This methodology may result in effective interest rates lower than the nominal interest rates since the interest accrual under both methodologies differs during the loan and will depend on the curve of the future Libo rates.

As of March 31, 2010 and December 31, 2009, the balances per currency in interest-bearing loans are expressed in the following currencies:

	At March 31, 2010 KUS\$	At December 31, 2009 KUS\$
U.S. dollars	2,546,459	2,546,411
Chilean peso (*)	222,140	228,531
Total	<u>2,768,599</u>	<u>2,774,942</u>

(*) The Company signed cross-currency swaps setting the payment of KUS\$170,741 of the debt in U.S. dollars.

b) Other financial liabilities

Other financial liabilities are broken down below as of March 31, 2010 and December 31, 2009:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Interest rate derivatives	3,224	2,031
Total other financial liabilities	<u>3,224</u>	<u>2,031</u>

c) Hedging liabilities

Hedge liabilities break down as follows as of March 31, 2010 and December 31, 2009:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Current		
Interest accrued from the last interest rate swap payment date	2,764	2,935
Fair value of interest rate derivatives	22,027	21,580
Fair value of foreign currency derivatives	2,459	5,089
Fair value of fuel price derivatives	-	<u>876</u>
Total current	<u>27,250</u>	<u>30,480</u>
Non-current		
Fair value of interest rate derivatives	59,744	47,853
Total non-current	<u>59,744</u>	<u>47,853</u>
Total Hedging Liabilities	<u>86,994</u>	<u>78,333</u>

The foreign currency hedges correspond to forwards to hedge the fair value of investments in Chilean pesos.

Hedging transactions

The fair value, by derivative, of contracts accounted for by hedging methodology, is as follows:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Forward starting swaps (FSS) (1)	(40,327)	(31,928)
Interest rate options (2)	2,208	3,129
Interest rate swaps (3)	(41,444)	(37,506)
Cross-currency swaps (CCIRS) (4)	11,743	19,706
Fuel collars (5)	9,747	5,329
Fuel swaps (6)	19,772	8,244
Currency forwards (7)	3,484	677

- (1) They hedge material variations in cash flows associated with the market risk implicit in changes in the 3-month Libor in long-term loans secured for the acquisition of aircraft, starting from the future date of the agreement. These agreements are recorded as cash flow hedges.
- (2) They hedge material variations in cash flows associated with the market risk implicit in increases in the 3-month Libor in long-term loans secured for the acquisition of aircraft. These agreements are recorded as cash flow hedges.
- (3) They hedge material variations in cash flows associated with the market risk implicit in increases in the 3-to-6-month Libor in long-term loans secured for the acquisition of aircraft and bank loans. These agreements are recorded as cash flow hedges.
- (4) They hedge material variations in cash flows associated with the market risk implicit in changes of the 180-day bank rate and the U.S. dollar/Chilean peso exchange rate in bank loans.
- (5) They hedge material variations in cash flows associated with the market risk implicit in changes in the fuel price in future purchases.
- (6) They hedge material variations in cash flows associated with the market risk implicit in increases in the fuel price in future purchases.
- (7) They hedge investments in Chilean pesos against changes in the U.S. dollar-Chilean peso exchange rate in order to secure the U.S. dollar investment.

In the periods presented, the Company has contracted only cash flow hedging. The cash flows in fuel hedging will occur and affect income between 1 and 12 months from the date of the consolidated statement of financial position. Interest rate hedging cash flow will occur and affect income throughout the life of the associated loans, which are in effect for 12 years. The impact on income from interest rate and currency hedging, will occur continuously during the term of the contract (3 years), while flows will occur quarterly. Lastly, investment hedging will affect income continuously during the term of the investment (up to 3 months) and the flow will occur at the expiration of the investment.

There has been no hedging in the periods presented for future transactions that are highly likely not to have been realized.

No hedging inefficacy has been accounted for in the consolidated statement of income in the periods presented.

No portion of the income from derivatives recognized in net equity was transferred to the initial value of this type of assets because no hedging resulted in non-financial assets.

Below are the amounts recognized in comprehensive income in the fiscal year and transferred from net equity to income in the period:

	For the periods ending on March 31	
	2010	2009
	KUS\$	KUS\$
Credit (debit) recognized in comprehensive income in the period	(4,450)	67,950
Credit (debit) transferred from net equity to income in the period	(10,134)	(63,054)

NOTE 21 – TRADE PAYABLES AND OTHER ACCOUNTS PAYABLE

Trade payables and other accounts payable are broken down below:

	At March 31, 2010 MUS\$	At December 31, 2009 MUS\$
Current		
a) Trade payables and other accounts payable	394,734	377,438
b) Liabilities accrued at the reporting date	79,634	99,159
Total trade payables and other accounts payable	474,368	476,597

Trade payables and other accounts payable are broken down below as of March 31, 2010 and December 31, 2009:

	At March 31, 2010 KUS\$	At December 31, 2009 KUS\$
Trade payables	310,477	311,441
Lease liabilities	8,161	9,441
Other accounts payable (*)	76,096	56,556
Total	394,734	377,438

(*) It includes the Plea Agreement signed with the U.S. Department of Justice. See Note 22.

Below is the opening statement of trade payables and other accounts payable:

At March 31, 2010 At December 31, 2009

	KUS\$	KUS\$
Boarding fees	66,419	72,291
Fuel	71,963	71,881
Airport and overflight fees	34,946	34,321
Handling and ground handling	28,355	25,885
Technical goods suppliers	23,546	24,784
Professional assistance and service	17,000	18,536
Other personnel expenses	22,289	16,938
Goal performance	13,191	13,228
Maintenance	20,596	15,821
Advertising	9,722	11,624
On-board services	9,630	10,253
Plane and engine leases	8,161	9,441
U.S. Department of Justice (*)	18,164	18,097
Other	50,752	34,338
Total trade receivables and other accounts payable	394,734	377,438

(*) It includes the Plea Agreement signed with the U.S. Department of Justice. See Note 22.

b) The liabilities accrued as of March 31, 2010 and December 31, 2009 are described below:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Aircraft and engine maintenance	29,770	29,055
Accounts payable to personnel	10,921	33,890
Accrued personnel expenses	32,161	24,576
Other accrued liabilities	6,782	11,638
Total	<u>79,634</u>	<u>99,159</u>

NOTE 22 – OTHER PROVISIONS

Provisions are itemized below as of March 31, 2010 and December 31, 2009:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Current provisions		
Provisions for legal claims (1)	<u>855</u>	<u>970</u>
Total other short-term provisions	<u>855</u>	<u>970</u>
Non-current provisions		
Provision for legal claims (1)	1,589	1,834
Provision for European Commission Investigation (2)	<u>25,000</u>	<u>25,000</u>
Total other long-term provisions	<u>26,589</u>	<u>26,834</u>
Total Provisions	<u>27,444</u>	<u>27,804</u>

(1) This represents a provision for certain claims filed against the Company by former employees, regulatory agencies and other persons. The charge for the provision is recognized in the consolidated statement of income within selling, general and administrative expenses. The balance current as of March 31, 2010 is expected to be applied during the course of the next 12 months.

(2) This provision was established because of proceedings under way by the European Commission for eventual antitrust infringements on the air cargo market.

Provisions are itemized below as of January 1, 2009 and March 31, 2010:

	Legal claims	European Commission Investigation	Total
	KUS\$	KUS\$	KUS\$
At January 1, 2009	3,561	25,000	28,561
Increase in provisions	188	-	188
Provision used	<u>(1,412)</u>	<u>-</u>	<u>(1,412)</u>
Balance at March 31, 2009	<u>2,337</u>	<u>25,000</u>	<u>27,337</u>
At April 1, 2009	2,337	25,000	27,337
Increase in provisions	1,419	-	1,419

Provision used	(1,267)	-	(1,267)
Exchange differential	315	-	315
Balance at December 31, 2009	2,804	25,000	27,804
At January 1, 2010	2,804	25,000	27,804
Increase in provisions	76	-	76
Provision used	(187)	-	(187)
Exchange differential	(249)	-	(249)
Balance at March 31, 2010	2,444	25,000	27,444

European Commission Provision: (a) This provision was established because of the investigation begun by the Directorate General for Competition of the European Commission of more than 25 cargo airlines, including Lan Cargo S.A., as part of a global investigation begun in 2006 regarding possible unfair competition on the air cargo market. This was a joint investigation by the European and U.S. authorities. The start of the investigation was disclosed through a material event notice given December 27, 2007. The U.S. portion of the global investigation concluded with respect to Lan Cargo S.A. and its subsidiary, Aerolíneas Brasileiras S.A. (“ABSA”) by the signature of a *Plea Agreement* with the U.S. Department of Justice, as disclosed in a material event notice on January 21, 2009.

(b) There is no specific information on the date when the Directorate General for Competition of the European Commission will render a decision on this investigation, but it is expected to be during 2010 at the latest. The decision by the Directorate General can be appealed to the Court of First Instance in Luxembourg and the decision on that appeal can be further appealed to the Court of Justice of the European Union.

(c) Although Lan Cargo is a participant in the European Commission’s Leniency Program because of its collaboration in that investigation, which will result in significant discounts on the fine set by that authority, there are different variables that make it impossible to predict the fine with any certainty. In the opinion of our outside attorneys in Brussels, Belgium, in view of the directives of the European Commission on the matter and taking into account the inherent uncertainties of the fine range, the Company decided to make a provision for KUS\$25,000 (twenty-five million dollars of the United States of America). The EC’s decision may stipulate that Lan Cargo S.A. and its parent company, Lan Airlines S.A., are both liable for the payment of any fine.

NOTE 23 – OTHER CURRENT NON-FINANCIAL LIABILITIES

Other current non-financial liabilities break down as follows as of March 31, 2010 and December 31, 2009:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Deferred income	461,241	542,832
Dividends payable	26,875	70,387
Other guarantees received	2,235	2,102
Other miscellaneous liabilities	<u>1,408</u>	<u>935</u>
 Total other current non-financial liabilities	 <u>491,759</u>	 <u>616,256</u>

NOTE 24 – NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS

Non-current provisions for Employee Benefits break down as follows as of March 31, 2010 and December 31, 2009:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Retirement benefits	2,477	2,588
Resignation benefits	1,265	1,053
Other benefits	1,775	1,914
 Total non-current provisions for employee benefits	 <u>5,517</u>	 <u>5,555</u>

(a) Between January 1, 2009 and March 31, 2010, retirement, resignation and other benefits break down as follows:

	KUS\$
At January 1, 2009	3,865
Increase (decrease) in provision for current services	562
 Balance at March 31, 2009	 <u>4,427</u>
 At April 1, 2009	 4,427
Increase (decrease) in provision for current services	3,143

Benefits paid	(2,015)
Balance at December 31, 2009	<u>5,555</u>
At January 1, 2010	5,555
Increase (decrease) in provision for current services	291
Benefits paid	(329)
Balance at March 31, 2010	<u>5,517</u>

(b) Short-term benefits break down as follows as of March 31, 2010 and December 31, 2009:

	<u>At March 31, 2010</u>	<u>At December 31, 2009</u>
	KUS\$	KUS\$
Share in profits and bonuses	10,921	29,596

Share in profits and bonds corresponds to an annual, goal-based incentive plan.

The types of expenses per employee were as follows:

	For the periods ending March 31	
	2010	2009
	<u>KUS\$</u>	<u>KUS\$</u>
Wages and salaries	134,310	109,131
Short-term benefits for employees	17,410	14,635
Severance benefits	2,267	4,949
Other personnel expenses	22,836	19,364
Total	<u>176,823</u>	<u>148,079</u>

NOTE 25 – NON-CURRENT LIABILITIES

At March 31, 2010 and December 31, 2009, non-current liabilities are as follows:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Fleet financing (JOL)	303,147	299,483
Other accounts payable (*)	53,933	72,000
Aircraft and engine maintenance	47,310	46,644
Interest rate derivatives	11,166	5,804
Vacation and bonuses provision	5,925	6,212
Other miscellaneous liabilities	<u>3,234</u>	<u>2,182</u>
Total non-current liabilities	<u>424,715</u>	<u>432,325</u>

(*) Plea Agreement signed with the U.S. Department of Justice. The short-term portion is in trade payables and other accounts payable. See Note 22.

NOTE 26 – EQUITY

(a) Capital

The capital of the Company is managed and comprised as follows:

The objective of the Company is to maintain an adequate level of capitalization to ensure access to financial markets to conduct its business in the medium and long term and optimize the return to shareholders while maintaining a sound financial position.

At the close of each period, the capital of the Company was KUS\$453,444, divided into 338,790,909 registered common shares in one same series with no par value. There were no special series of shares or preferences. The form of share certificates, issuance, exchange, ruin, misplacement, replacement and other circumstances as well as the transfer of shares will be governed by the Companies Law and the Companies Regulations.

(b) Subscribed and paid-in shares

A total of 341,000,000 common shares with no par value was authorized as of March 31, 2010 and December 31, 2009. 338,790,909 shares have been paid of the total subscribed and 2,209,091 shares have been reserved for issuance under option agreements.

(c) Other interest in equity

Other interest in equity between January 1, 2009 and March 31, 2010 were as follows:

	Stock option plans	Other reserves	Total
	KUS\$	KUS\$	KUS\$
At January 1, 2009	1,801	(52)	1,749
Stock option plans	148	-	148
Legal reserves	-	65	65
Balances at March 31, 2009	<u>1,949</u>	<u>13</u>	<u>1,962</u>
	Stock option plans	Other reserves	Total
	KUS\$	KUS\$	KUS\$
At April 1, 2009	1,949	13	1,962
Stock option plans	1,035	-	1,035
Deferred taxes	(507)	-	(507)
Balances at December 31, 2009	<u>2,477</u>	<u>13</u>	<u>2,490</u>
	Stock option plans	Other reserves	Total
	KUS\$	KUS\$	KUS\$
At January 1, 2010	2,477	13	2,490
Stock option plans	197	-	197
Deferred taxes	(34)	-	(34)
Balances at March 31, 2010	<u>2,640</u>	<u>13</u>	<u>2,653</u>

(c.1) Reserves for stock option plans

These reserves refer to “Share-based Payments,” explained in Note 36.

(c.2) Other Miscellaneous Reserves

The balance in Other Miscellaneous Reserves breaks down as follows:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
Reserve for adjustment to value of PPE (1)	2,620	2,620
Cost of issuing and placing shares (2)	(2,672)	(2,672)
Other	65	65
Total	<u>13</u>	<u>13</u>

(1) This corresponds to the technical reappraisal of property, plant and equipment authorized by the Securities and Insurance Commission in 1979, in Circular No. 1,529. The reappraisal was optional and it could be made only once. The resulting reserves are not distributable and they can only be capitalized.

(2) According to Circular 1736 of the Securities and Insurance Commission, the share issuance and placement cost account must be deducted from paid-in capital at the next Special Shareholders Meeting held by the parent company.

d) Other reserves

Other reserves between January 1, 2009 and March 31, 2010 were as follows:

	Translation reserve	Reserve for cash flow hedging	Other reserves	Total
	KUS\$	KUS\$	KUS\$	KUS\$
At January 1, 2009	(6,193)	(301,813)	-	(308,006)
Profit (loss) in derivative valuation	-	67,950	-	67,950
Deferred taxes	-	(11,551)	-	(11,551)
Subsidiaries' translation differences	(1,758)	-	-	(1,758)
Balances At March 31, 2009	<u>(7,951)</u>	<u>(245,414)</u>	=	<u>(253,365)</u>

	Translation reserve	Reserve for cash flow hedging	Other reserves	Total
	KUS\$	KUS\$	KUS\$	KUS\$
At April 1, 2009	(7,951)	(245,414)	-	(253,365)
Profit (loss) in derivative valuation	-	184,558	-	184,558
Deferred taxes	1,009	(31,374)	-	(30,365)
Subsidiaries' translation differences	2,018	-	-	2,018
Other	=	=	<u>(2,657)</u>	<u>(2,657)</u>
Balances At December 31, 2009	<u>(4,924)</u>	<u>(92,230)</u>	<u>(2,657)</u>	<u>(99,811)</u>

	Translation reserve	Reserve for cash flow hedging	Other reserves	Total
	KUS\$	KUS\$	KUS\$	KUS\$
At January 1, 2010	(4,924)	(92,230)	(2,657)	(99,811)
Profit (loss) in derivative valuation	-	(4,450)	-	(4,450)
Deferred taxes	230	756	-	986
Subsidiaries' translation differences	(1,357)	-	-	(1,357)
Balances at March 31, 2010	<u>(6,051)</u>	<u>(95,924)</u>	<u>(2,657)</u>	<u>(104,632)</u>

(d.1) Translation Reserves

Translation reserves are set up because of the translation differences occurring in the conversion of a net investment in foreign entities (or national entities using a different functional currency than that of the parent) and in loans and other instruments in a foreign currency designated as hedging for those investments. They are recorded in net equity. These reserves are recognized in the consolidated statement of income as part of the loss or gain on the sale or disposal of all or part of the investment at the time it is sold or disposed of.

(d.2) Hedge Reserves

They originate in the fair value appraisal of outstanding hedging derivative contracts at the close of each period. These reserves must be adjusted to recognize the corresponding results once the contracts expire.

(d.3) Other reserves

They come from the acquisition of investment interest from minority interest.

(e) Retained earnings

The activity in retained earning reserves was as follows between January 1, 2009 and March 31, 2010:

	KUS\$
At January 1, 2009	614,588
Profit (loss) in the period	65,014
Dividends	(21,739)
Balance at March 31, 2009	<u>657,863</u>

	KUS\$
At April 1, 2009	657,863
Profit (loss) in the period	166,112
Other increases	1,612
Dividends	(82,883)
	742,704
Balance at December 31, 2009	

	KUS\$
At January 1, 2010	742,704
Profit (loss) in the period	88,299
Other increases	(79)
Dividends	(26,490)
Balance at March 31, 2010	<u>804,434</u>

f) Dividends per share

At March 31, 2010

<u>Description of Dividend</u>	<u>Mandatory minimum dividend</u>
Dividend date	3-31-2010
Value of dividend (KUS\$)	26,490
Number of shares on which dividend is calculated	338,790,909
Dividend per share (US\$)	0.07819

At December 31, 2009

<u>Description of Dividend</u>	<u>Interim dividends in 2009</u>	<u>Interim dividends in 2009</u>
Dividend date	7-28-2009	12-29-2009
Value of dividend (KUS\$)	34,621	70,001
Number of shares on which dividend is calculated	338,790,909	338,790,909
Dividend per share (US\$)	0.10219	0.20662

The company has established a dividend policy where dividends must be equal to the minimum required by law, i.e. 30% of profits at this time. This does not mean that dividends above the obligatory minimum may eventually be distributed in view of the particularities and de facto circumstances that may be present during the course of the year.

At March 31, 2010, mandatory minimum dividends are provisioned representing 30% of the Company's profits. This amount is shown in Other Current Liabilities.

NOTE 27 – INCOME FROM ORDINARY ACTIVITIES

Income from Ordinary Activities is broken down below:

	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Passenger	740,789	651,594
Cargo	266,111	196,681
Total	<u>1,006,900</u>	<u>848,275</u>

NOTE 28 – COSTS AND EXPENSES BY TYPE

a) Operating costs and expenses

The main operating and administrative costs and expenses are as follows:

	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Other leases and aviation fees	131,210	118,335
Fuel	271,765	228,267
Fees	41,252	36,533
Other operating costs	110,423	90,829
Plane leases	23,480	15,721
Maintenance	28,947	30,111
Passenger services	26,473	22,839
Total	633,550	542,635

b) Depreciation and amortization

Depreciation and amortization are as follows:

	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Depreciation (*)	79,394	71,269

Amortization	2,247	2,131
Total	81,641	73,400

(*) This figure includes depreciation of property, plant and equipment and maintenance of planes under operating leases.

c) Personnel expenses

These expenses are reported in Non-current Provisions for Employee Benefits (Note 24).

d) Financial costs

Financial costs are described below:

	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Interest on bank loans	28,336	28,801
Lease-purchases	1,591	1,555
Other financial instruments	7,836	7,385
Total	<u>37,763</u>	<u>37,741</u>

The sum of costs and expenses by nature shown in this Note are equal to the sum of the cost of sale, marketing costs, distribution costs, administrative expenses, other operating expenses and finance costs, shown in the consolidated statement of income.

NOTE 29 – GAINS (LOSSES) ON THE SALE OF NON-CURRENT ASSETS NOT HELD FOR SALE

The gains (losses) on the sale of non-current assets not held for sale broke down as follows as of March 31, 2010 and 2009:

	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Property, plant and equipment	(352)	(149)
Total	<u>(352)</u>	<u>(149)</u>

Sales revenues in the period are shown in Other Operating Income.

NOTE 30 – OTHER INCOME BY FUNCTION

Other income by function breaks down as follows:

	For the periods ending March 31	
	2010	2009
	KUS\$	KUS\$
Duty free	2,763	2,480
Plane leases	2,839	6,381
Logistics and courier	9,741	8,303
Customs and storage	5,225	3,729
Tours	4,540	8,698
Other miscellaneous income	2,890	4,308
Total	<u>27,998</u>	<u>33,899</u>

NOTE 31 – FOREIGN CURRENCY AND TRANSLATION DIFFERENCES

a) Foreign currency

Current and non-current assets per foreign currency are as follows:

	As of March 31, 2010	As of December 31, 2009
	MUS\$	MUS\$
Current Assets		
Cash and cash equivalent	389,140	502,618
Chilean peso	320,465	435,514
Euro	14,703	13,225
Argentine peso	5,339	6,105
Brazilian real	1,658	3,041
Other currencies	46,975	44,703
Other non-financial assets, current	10,361	10,024
Chilean peso	600	784
Argentine peso	519	273
Brazilian real	5,296	5,288
Colombian peso	2,011	1,855
Other currencies	1,935	1,824
Trade receivables and other current accounts receivable	88,942	103,759
Chilean peso	39,869	52,073
Euro	5,333	5,192
Argentine peso	13,044	15,158

Brazilian real	14,619	11,190
Australian dollar	3,921	7,595
Other currencies	12,156	12,551
Intercompany accounts receivable, current	14	9
Chilean peso	14	9
Assets for current taxes	62,173	50,734
Chilean peso	18,441	11,420
Argentine peso	11,838	8,668
Brazilian real	5,804	5,575
Colombian peso	2,559	2,271
Mexican peso	18,912	16,554
Other currencies	4,619	6,246
Total current assets	550,630	667,144
Chilean peso	379,389	499,800
Euro	20,036	18,447
Argentine peso	30,740	30,204
Brazilian peso	27,377	25,094
Colombian peso	4,570	4,126
Mexican peso	18,912	16,554
Australian dollar	3,921	7,595
Other currencies	65,685	65,324

	As of March 31, 2010 MUS\$	As of December 31, 2009 MUS\$
Non-current Assets		
Other non-current non-financial assets	502	532
Chilean peso	272	304
Other currencies	230	228
Non-current rights receivable	6,940	7,181
Chilean peso	6,925	7,179
Other currencies	15	2
Investments accounted for using the equity method	1,245	1,236
Chilean peso	1,245	1,236
Total non-current assets	8,687	8,949
Chilean peso	8,442	8,719
Other currencies	245	230

Current and non-current liabilities per foreign currency are follows:

	Up to 90 days		91 days to 1 year	
	At March 31, 2010	At December 31, 2009	At March 31, 2010	At December 31, 2009
	MUS\$	MUS\$	MUS\$	MUS\$
Other current financial liabilities	2,313	1,231	66,068	56,991
Chilean peso	2,313	1,231	66,068	56,991
Trade receivables and other accounts payable	80,595	129,943	62,469	37,026
Chilean peso	20,321	30,602	11,776	12,933
Euro	2,864	5,294	4,406	2,730
Argentine peso	21,840	28,667	12,462	6,921
Brazilian real	8,752	11,510	5,151	1,824
Other currencies	26,818	53,870	28,674	12,618
Intercompany accounts payable, current	13	252	-	10
Chilean peso	13	252	-	10
Liabilities for current taxes	10,415	6,230	545	4,262
Chilean peso	6,202	2,920	-	945
Argentine peso	1,687	1,223	316	751
Brazilian real	1,364	1,487	22	-
Other currencies	1,162	600	207	2,566
Other current non-financial liabilities	321	375	1,050	934
Brazilian real	-	-	1,046	930
Other currencies	321	375	4	4
Total current liabilities	93,657	138,031	130,132	99,223
Chilean peso	28,849	35,005	77,844	70,879
Euro	2,864	5,294	4,406	2,730

Argentine peso	23,527	29,890	12,778	7,672
Brazilian real	10,116	12,997	6,219	2,754
Other currencies	28,301	54,845	28,885	15,188

Non-current liabilities

	More than 1 up to 3 years		More than 3 years up to 5 years		More than 5 years	
	At March 31, 2010	At December 31, 2009	At March 31, 2010	At December 31, 2009	At March 31, 2010	At December 31, 2009
	MUS\$	MUS\$	MUS\$	MUS\$	MUS\$	MUS\$
Other non-current financial liabilities	153,759	170,309	-	-	-	-
Chilean peso	153,759	170,309	-	-	-	-
Non-current liabilities	5,691	4,449	1,828	1,256	-	1,366
Chilean peso	4,972	3,787	34	195	-	1,366
Brazilian real	-	-	786	844	-	-
Other currencies	719	662	1,008	217	-	-
Other long-term provisions	310	-	-	-	-	-
Argentine peso	310	-	-	-	-	-
Non-current provisions for employee benefits	-	-	-	-	489	457
Argentine peso	-	-	-	-	489	457
Total non-current liabilities	159,760	174,758	1,828	1,256	489	1,823
Chilean peso	158,731	174,096	34	195	-	1,366
Argentine peso	310	-	-	-	489	457
Brazilian real	-	-	786	844	-	-
Other currencies	719	662	1,008	217	-	-

General summary of foreign currencies:

	At March 31, 2010	At December 31, 2009
	MUS\$	MUS\$
Total assets	559,317	676,093
Chilean peso	387,831	508,519
Euro	20,036	18,447
Argentine peso	30,740	30,204
Brazilian real	27,377	25,094
Colombian peso	4,570	4,126
Mexican peso	18,912	16,554
Australian dollar	3,921	7,595
Other currencies	65,930	65,554
Total liabilities	385,866	415,091
Chilean peso	265,458	281,541
Euro	7,270	8,024
Argentine peso	37,104	38,019
Brazilian real	17,121	16,595
Colombian peso	-	-
Mexican peso	-	-
Australian dollar	-	-
Other currencies	58,913	70,912
Net position	173,451	261,002
Chilean peso	122,373	226,978
Euro	12,766	10,423
Argentine peso	(6,364)	(7,815)
Brazilian real	10,256	8,499
Colombian peso	4,570	4,126
Mexican peso	18,912	16,554
Australian dollar	3,921	7,595
Other currencies	7,017	(5,358)

a) Exchange differential

Translation differences were recognized in income, except for financial instruments measured at fair value through profit or loss. On a cumulative basis as of March 31, 2010 and 2009, this represented a debit of KUS\$1,684 and a credit of KUS\$9,589, respectively.

Translation differences recognized in equity as translation reserves resulted in a debit of KUS\$1,367 and of KUS\$2,224 for the period ending March 31, 2010 and 2009.

Below are the exchange rates for the American dollar in the dates indicated:

	At March 31, 2010	At December 31, 2009
Chilean peso	524.46	507.10
Argentine peso	3.88	3.80
Brazilian real	1.78	1.74
New sol (Peru)	2.84	2.89
Australian dollar	1.09	1.12
Bolivar (strong)	4.30	2.14
Bolivian	6.97	7.00
Uruguayan peso	19.40	19.45
Mexican peso	12.35	13.06
Colombian peso	1,914.35	2,043.07
New Zealand dollar	1.41	1.39
Euro	0.74	0.70

NOTE 32 – EARNINGS PER SHARE

Basic earnings

	For the periods ending March 31	
	2010	2009
Profit attributable to equity holders of the controller (KUS\$)	88,299	65,014
Weighted average of number of shares, basic	338,790,909	338,790,909
Basic earnings per share (US\$)	0.26	0.19

Diluted earnings

	For the periods ending March 31	
	2010	2009
Profit attributable to equity holders of the controller (KUS\$)	88,299	65,014
Weighted average of number of shares, diluted	339,155,653	338,790,909
Diluted earnings per share (US\$)	0.26	0.19

NOTE 33 - CONTINGENCIES

- a) Lawsuits
- a.1) Lawsuits filed by Lan Airlines S.A. and Subsidiaries

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Reason</u>	<u>Procedure Stage and Instance</u>	<u>Committed Amounts</u> KUS\$
Atlantic Aviation Investments LLC (AAI)	Supreme Court of the State of New York, County of New York	07-6022920	AAI is an indirect subsidiary of Lan Airlines S.A., incorporated under the laws of the State of Delaware. It sued Varig Logistica S.A. ("Variglog") for failure to pay four loans set down in loan agreements governed by New York law. Those agreements stipulate acceleration of the loans if the original borrower, VRG Linhas Aereas S.A., is sold.	The ruling condemning Variglog to pay principal owed to AAI is in the enforcement stage in Switzerland. We are awaiting a final determination by the New York court as to interest and costs in order to proceed with enforcement in Switzerland. The AAI's lien on Variglog's Swiss bank account continues in place. Variglog is seeking recovery through the courts in Brazil.	17,100, plus interest and costs
Atlantic Aviation Investments LLC	Supreme Court of the State of New York, County of New York	602286-09	Atlantic Aviation Investments LLC sued Matlin Patterson Global Advisers LLC, Matlin Patterson Global Opportunities Partners II LP, Matlin Patterson Global Opportunities Partners (Cayman) II LP and Volo Logistics LLC (a) as alter egos of Variglog, for failure to pay the four loans indicated in the previous note; and (b) for a default on their obligation of guarantors and other obligations under the Memorandum of Understanding signed by the parties on September 29, 2006.	The respondents filed a motion to dismiss that is pending before the court. In the interim, the court authorized the commencement of the discovery stage that the parties are performing.	17,100, plus interest and damages
Aerolane, Lineas Aereas Nacionales del Ecuador S.A.	Fiscal Court of Guayaquil	6319-4064-05	Against the Regional Director of the Internal Revenue Service in Guayaquil for excess VAT payment.	A decision is pending.	4,210
Lan Airlines S.A.	Fiscal Court of Quito	23493-A	Against the Regional Director of the Internal Revenue Service in Quito for excess VAT payment.	A petition for a decision is forthcoming.	3,958
Lan Argentina S.A.	15 th national First Instance Commercial Court, Buenos Aires	10587/09	A petition for the bankruptcy of Southern Wings for diverse unpaid credits.	Direct negotiations with the debtor successfully ended and the bankruptcy request was waived. Two agreements were signed, one for Lan Argentina and the other one for LAN AIRLINES, where all debt was recognized. In the case of Lan Argentina, the agreement stipulated a payment of US\$66,428 in 30 installments. There is uncertainty on collection.	66

a.2) Lawsuits filed against Lain Airlines S.A. and Subsidiaries

<u>Company</u>	<u>Court</u>	<u>Case Number</u>	<u>Reason</u>	<u>Procedure Stage and Instance</u>	<u>Committed Amounts KUSS</u>
Aerolinhas Brasileiras S.A.	Department of the Treasury of the State of Rio de Janeiro	2003	The administrative authority of Rio de Janeiro, Brazil, notified an infringement or fine for alleged failure to pay VAT (ICMS) on the import of a Boeing 767, license PR-ABB.	Pending a resolution by the review board regarding revocation of the fine.	3,000
Lan Airlines S.A.	Labor Court, Buenos Aires, Argentina	34187/07	A labor claim filed by a former customs agent (Celotto) who claims he has a labor relationship with Lan Airlines S.A.	The first-instance decision was in favor of Lan. A final decision by the Chamber is pending.	567
Lan Airlines S.A.	2 nd Labor Court of Santiago, Chile	354-2008	A claim filed by the Aviation Workers Union of the company (Maintenance) seeking collection of salary differentials for alleged breach of the collective agreement regulating the income adjustment system.	Decision in favor of LAN. An appeal by the other party is pending.	Undetermined
Lan Airlines S.A. and Lan Cargo S.A.	European Commission, Canada and South Korea	-	An investigation of potential infringements of fair competition by cargo airlines, especially the fuel surcharge. On December 26, 2007, the Competition Directorate-General of the European Commission notified Lan Cargo S.A. and Lan Airlines S.A. of the process against 25 cargo airlines, including Lan Cargo S.A., for alleged antitrust breaches on the European aviation cargo market, especially supposedly fixing a fuel and freight surcharges. It is not possible to predict the outcome of this process based on the current status and information provided by outside counsel in Europe.	The notification by the European Commission was answered on April 14, 2008.	Undetermined
Lan Cargo S.A. and Lan Airlines S.A.	Court with jurisdiction in the U.S. and Canada to hear class actions	-	As a consequence of the investigation of eventual antitrust violations by cargo airlines, especially for the fuel surcharge.	Discovery process is underway.	Undetermined
Lan Logistics, Corp.	Federal Court, Florida, USA	-	A claim was filed in mid-June, 2008, for the right to a purchase option in the sale of LanBox.	This case is scheduled for ending in April 2010.	Undetermined
Aerolinhas Brasileiras S.A.	Court with jurisdiction in the U.S. to hear class actions	-	As a consequence of the investigation of eventual antitrust violations by cargo airlines, especially for the fuel surcharge.	The investigation is ongoing.	Undetermined
Aerolinhas Brasileiras S.A.	Administrative Economic Defense Counsel, Brazil	-	An investigation of potential infringements of fair competition by cargo airlines, especially the fuel surcharge.	The investigation is ongoing.	Undetermined

As of March 31, 2010, the Company has considered that there is no need to establish provisions for these cases given the stage of the process and/or the unlikelihood of an adverse ruling. Nonetheless, a provision of US\$25 million was established for the case under investigation by the European Union regarding a possible infringement of the antitrust regulations in relation to a good number of international cargo airlines (including Lan Cargo S.A., a LAN subsidiary) charging fuel and other surcharges on the European air cargo markets.

NOTE 34 – COMMITMENTS

(a) Commitments under loans

Limits have been established on some financial indicators of the Parent Company on a consolidated basis under the different contracts made by Lan Airlines S.A. to finance the Boeing 767 Aircraft under the guarantee of the U.S. Export-Import Bank. Restrictions have been established on the Company's management under these same agreements in terms of share composition and disposal of assets. Furthermore, restrictions have also been established on the management of the parent company and its subsidiary, Lan Cargo S.A., in regard to share composition and asset disposal under the diverse contracts made by Lan Cargo S.A. to finance Boeing 767 Aircraft guaranteed by the U.S. Export-Import Bank. Limits have been established on some financial indicators of the Company under different agreements it has made to finance Airbus A320 Aircraft under the guarantee of European export credit agencies. These same agreements impose restrictions on the Company's management regarding share composition and asset disposal. In relation to the spare engine financing for the Boeing 767 and 777 fleets, with the guarantee of the U.S. Export-Import Bank, restrictions have been established on the share composition of the guarantors and their legal successor in event of a merger.

Limits have been established on some financial indicators of the parent company, on a consolidated basis, in the loan agreements the Company has made with banks from the same region in this period. The Company was in compliance with these covenants as of March 31, 2010.

(b) Lessee commitments under operating leases

The main operating leases are itemized below:

Lessor	Aircraft	At March 31, 2010	At December 31, 2009
International Lease Finance Corporation	Boeing 767	8	8
Orix Aviation Systems Limited	Airbus 320	2	2
Celestial Aviation Trading 35 Limited	Boeing 767	1	1
MSN 167 Leasing Limited	Airbus 340	1	1
Celestial Aviation Trading 16 Limited	Boeing 767	1	1
CIT Aerospace International	Boeing 767	1	1
Celestial Aviation Trading 39 Ltd. - GECAS (WFBN)	Boeing 777	1	1
Celestial Aviation Trading 23 Ltd. - GECAS (WFBN)	Boeing 777	1	1
Total		<u>16</u>	<u>16</u>

The portion of rent installments accrued is shown in income as they accrue.

Future non-cancellable minimum rent payments are:

	At March 31, 2010	At December 31, 2009
	KUS\$	KUS\$
One year or less	93,454	90,731
More than one year and less than five years	270,830	273,055
More than five years	70,278	80,165
Total	434,562	443,951

The minimum rent payments recognized in income are:

	For the periods ending on March 31	
	2010	2009
	KUS\$	KUS\$
Minimum payments under operating leases	22,121	15,207
Total	<u>22,121</u>	<u>15,207</u>

The first B777-Freighter aircraft was added in April 2009 and the second one arrived in May 2009. The lease of a Boeing 767-300, license CC-CGN, ended in September 2009 and was returned in October 2009.

As from October 2009, the periods of lease were modified for seven Boeing 767-300ER aircraft. The leases of five aircraft were extended between 3 and 7 years, while for two aircraft they were reduced by 2 and 3 years.

The operating leases made by the parent company and its subsidiaries stipulate that aircraft must be maintained according to the manufacturer's technical specifications at the margins agreed upon in the leases, which is a cost assumed by the lessee. The lessee must also carry insurance for each aircraft covering associated risks and the value of the assets involved. Rent payments are unrestricted and cannot be netted against other receivables or payables between the lessor and the lessee.

(c) Other commitments

As of March 31, 2010, the Company had letters of credit and bank bonds in effect as follows:

Collateral in favor of	Borrower's name	Type	Amount in KUS\$	Release Date
Deutsche Bank A.G.	Lan Airlines S.A.	Two letters of credit	20,000	30-Jan-11
The Royal Bank of	Lan Airlines S.A.	Two letters of credit	18,000	20-May-10

Scotland plc							
Chilean Civil Aviation Board	Lan Airlines S.A.	32 bank guarantee bonds	5,073	31-May-10			
Sectional Customs Bureau of Bogota	Linea Aerea Carguera de Colombia S.A.	Two bond insurance policies	2,430	7-April-14			
Washington International Insurance	Lan Airlines S.A.	Four letters of credit	2,200	9-June-10			
Metropolitan Dade County	Lan Airlines S.A.	Five letters of credit	1,675	31-May-11			

NOTE 35 - INTERCOMPANY TRANSACTIONS

a) Intercompany transactions in the period ending March 31, 2010

Taxpayer Id. No.	Company	Nature of the relationship	Country of origin	Other information on related parties	Nature of intercompany transactions	Type of currency or adjustment unit	Value of intercompany transaction
							KUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA	Controller	Chile	Investments	Building leased granted	CLP	17
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Building leased granted	US\$	4
					Training	US\$	26
					Debt assignment	US\$	4
					Other payments on account	US\$	95
96.921.070-3	Austral Sociedad Concesionaria S.A.	Associate	Chile	Concessionaire	Aviation fees	CLP	17
					Basic utilities	CLP	6
					Aviation concessions	CLP	107
87.752.000-5	Granja Marina Tomagaleones S.A.	Other related parties	Chile	Fish farming	Ticket service	CLP	15
96.669.520-K	Red de Televisión Chilevision S.A.	Other related parties	Chile	Television	Ticket service	CLP	65
					Advertising	CLP	100
96.894.180-1	Bancard Inversiones Ltda.	Other related parties	Chile	Professional assistance	Professional assistance	CLP	2
Foreign	Inversora Aeronautica Argentina	Other related parties	Argentina	Investments	Building leased received	US\$	102
					Other services rendered	US\$	2

b) Intercompany transactions in the period ending March 31, 2009

Taxpayer Id. No.	Company	Nature of the relationship	Country of origin	Other information on related parties	Nature of intercompany transactions	Type of currency or adjustment unit	Value of intercompany transaction KUS\$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA	Controller	Chile	Investments	Building leased granted	CLP	15
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Building leased granted	US\$	4
					Training	US\$	56
					Debt assignment	US\$	4
96.921.070-3	Austral Sociedad Concesionaria S.A.	Associate	Chile	Concessionaire	Aviation fees	CLP	29
					Basic utilities	CLP	5
					Aviation concessions	CLP	67
96.894.180-1	Bancard Inversiones Ltda.	Other related parties	Chile	Professional assistance	Professional assistance	CLP	35
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Fish farming	Ticket service	CLP	9
96.669.520-K	Red de Television Chilevision S.A.	Other related parties	Chile	Television	Ticket service	CLP	204
					Advertising	CLP	220
78.005.760-2	Sociedad de Seguridad Aérea S.A.	Other related parties	Chile	Security services	Security services	CLP	575
					Other payments on account	CLP	1,018

(c) Compensation to key managerial staff.

The Company has defined key staff as executives who define the macro-policies and goals of the company and directly affect the results of the business, considered to be the positions of Vice-President, CEO and Director.

	For the periods ending March 31	
	2010 KUS\$	2009 KUS\$
Compensation	1,703	1,592
Management fees	29	30
Adjustments in value and non-cash benefits	84	88
Short-term benefits	1,097	2,229
Share-based payments	197	148
Other	-	<u>780</u>
Total	<u>3,110</u>	<u>4,867</u>

NOTE 36 – SHARE-BASED PAYMENTS

Compensation plans implemented through stock options have been in place since the fourth quarter of 2007 and are recognized in financial statements according to IFRS 2, Share-Based Payments. The fair value of options is recorded on a straight-line basis against salaries between the date of such options and the date when they become irrevocable.

In the last quarter of 2009, the amendment was approved to the original terms and conditions of the plan, through which options for subscription and payment were granted. These amendments were performed in the first quarter of 2010 and they set a new term and fiscal year price.

The original granting and their subsequent amendments have been formalized in agreements in the proportion shown in the following accrual calendar. This calendar relates to the executive's time of employment on those dates in order to strike the options:

<u>Percentage</u>	<u>Period</u>
30%	From October 29, 2010 through December 31, 2011
70%	From October 30, 2011 through December 31, 2011

These options have been appraised and accounted for at the fair value on the date granted, determined using the Black-Scholes-Merton method.

All these options expire on December 31, 2011.

	<u>Number of Stock Options</u>
Stock option in a share-based payment agreement, balance as of January 1, 2010	1,311,000
Stock options granted	898,000
Stock options annulled	-
Stock options exercised	-
Stock options in share-based payment agreement balance as of March 31, 2010	2,209,000

Data input to the option appraisal model is provided below that is used in the stock options granted during the period.

Average Weighted Share Price	Strike Price	Expected Volatility	Option Period	Expected Dividends	Risk-Free Interest
US\$17.3	US\$14.5	33.2%	1.9 years	50%	3.48%

NOTE 37 – ENVIRONMENT

No rule in the General Environmental Framework Law in effect in Chile and supplemental regulations affects the air transport industry.

NOTE 38 – SANCTIONS

(a) By the Securities and Insurance Commission

On July 6, 2007, the Securities and Insurance Commission issued Exempt Resolution No. 306 fining Mr. Juan José Cueto Plaza, Director of Lan Airlines S.A., 1,620 Unidades de Fomento. It concluded that he had infringed the final part of the first subparagraph of Article 165 of Law 18,045 by having purchased shares in Lan Airlines S.A. knowing of the financial statements as of June 30, 2006, but prior to their publication. The Commission gave notice that it decided that there was no use of privileged information because it was proven that knowing that information was not the cause behind the purchase transactions. This resolution was appealed before the 27th Civil Court of Santiago and that appeal was dismissed by resolution of January 8, 2009, which was notified that same day. Mr. Cueto's attorneys filed a remedy of cassation in form and a remedy of appeal against the decision, both of which were rejected by majority votes on March 8, 2010. On March 25, 2010, Mr. Juan Jose Cueto's attorneys filed a remedy of cassation in form and another one in substance against the aforesaid decision. These remedies are pending.

No other sanctions have been applied against the Parent Company and its subsidiaries, directors or managers by the Securities and Insurance Commission during the quarter ending March 31, 2010.

(b) Other administrative authorities

No significant sanctions have been applied against the Parent Company and its subsidiaries, directors or administrators by other administrative authorities through March 31, 2010.

NOTE 39 – EVENTS SUBSEQUENT TO THE DATE OF THE BALANCE SHEET

The consolidated financial statements of Lan Airlines S.A. and Subsidiaries as of March 31, 2010 were approved by the Special Board Meeting held April 27, 2010 at which the following directors were present:

1. Jorge Awad Mehech
2. Dario Calderon Gonzalez
3. Jose Cox Donoso
4. Juan Jose Cueto Plaza
5. Juan Cueto Sierra
6. Ramon Eblen Kadis
7. Bernardo Fontaine Talavera
8. Ignacio Guerrero Gutierrez and
9. Andres Navarro Haeussler

There is no knowledge of other financial or other events that materially affect the balances or interpretation of these financial statements after March 31, 2010 through the date of issuance.

MATERIAL EVENTS

The following material events were reported to the Securities and Insurance Commission and to Stock Exchanges:

1. As provided in Articles 9 and 10 of Law 18,045 on the Securities Market and the General Rule No. 30, on March 11, 2010, it was reported that at the Special Board Meeting held March 11, 2010, the Board of Lan Airlines S.A. (hereinafter “the Company”) agreed to convene a Regular Shareholders Meeting to be held on April 29, 2010, at 11:00 a.m. in order to decide on the following matters:

- a) Approval of the Annual Report, General Balance Sheet and Financial Statements of the Company corresponding to the fiscal year ending December 31, 2009;
- b) Approval of the distribution of a final dividend on account of profits from the 2009 fiscal year, imputing toward such amount the interim dividends of US\$0.10219 per share, paid in August 2009, and US\$0.20662 per share, paid in January 2010;
- c) Election of the Company’s Board of Directors;
- d) The compensation of the Company’s Board for the fiscal year ending December 31, 2010;
- e) The compensation of the Board Committee and calculation of the budget for the fiscal year ending December 31, 2010;
- f) Appointment of External Auditors, of Risk Rating Agencies; a report on matters within the purview of Title XVI of Companies Law No. 18,046;
- g) Information on processing, printing and information dispatch costs as indicated in Circular No. 1816 of the Securities and Insurance Commission;
- h) Designation of the newspaper in which the Company’s information will be published; and
- i) Other matters of corporate interest inherent to the Regular Shareholders Meeting.

2. On March 10, 2010, by virtue of the provisions in Articles 9 and 10 of Law No. 18,045 on Securities Market, and the General Rule No. 30, yesterday’s acquisition by Costa Verde Aeronautica S.A. (“CVA”) of 29,000,000 shares from Axxion S.A. and Inversiones

Santa Cecilia S.A. in LAN Airlines S.A., representing approximately 8.56% of the Company's shares (the "Transaction") was reported as a material event.

This transaction was executed according to the Shareholders Agreement of LAN entered into on December 14, 2000 and its Supplement on July 5, 2004, signed between Axxion S.A., Inversiones Santa Cecilia S.A. and CVA. Additionally, we have become aware that the Joint Operation Agreement signed on July 5, 2004 was terminated by the same parties.

Pursuant to the foregoing, CVA has become the owner of 107,575,407 shares in LAN Airlines S.A., representing approximately 31.75% of the subscribed capital, thereby becoming the controller of this company according to the provisions in articles 97 and 99 of the Market Securities Law. This meant a big change in the Company's ownership and has been reported as a material event.

Additionally, Inversiones Mineras del Cantabrico S.A., a related company of CVA, is the owner of 7,824,095 shares of LAN Airlines S.A., representing approximately 2.31% of the subscribed capital.

Finally, all of the foregoing has been recorded as material events of Costa Verde Aeronáutica S.A. on February 22 and March 9, 2010.

3. On March 3, 2010, by virtue of the provisions in Articles 9 and 10 of Law No. 18,045 on Securities Market, and the provisions of Circular Letter No. 574 of 2010 from the Securities and Insurance Commission, the following was reported as a material event on occasion of the earthquake affecting central and south areas of the country on February 27, 2010:

1. Situation of Operations

1.1 Abroad

The operations of LAN Airlines and its subsidiaries abroad, including Lan Cargo, Lan Peru, Lan Ecuador and Lan Argentina, both passenger and cargo, are absolutely normal, excepting flights from and to Santiago, Chile.

1.2 Chile

1.2.1 Passengers

As it is of public knowledge, facilities in the Santiago airport were damaged as a result of the earthquake. As there is no alternative airport in the Metropolitan Region for our local and international operations, a situation that affects all airlines operating in the country, the passenger traffic operation was suspended until March 1, 2010. To that date, only the seventeen (17) international LAN flights with destination to Santiago arrived in this airport. They had been deviated to other airports abroad due to the earthquake.

After big efforts and coordination between the different authorities and entities involved in the Santiago airport operation, yesterday an emergency airport was installed which allowed

us to resume operations. Thus, today LAN expects to operate approximately 45% of its normal operations for purposes of local and international passenger transportation. Additionally, the local airport will begin international operations today, which means an increase in passenger transportation. Pursuant to the foregoing, at March 7, 2010, LAN is expected to operate in Chile at approximately 60% as compared to normal operations.

Itineraries of local and international flights are being informed in different means, specially our web site (www.lan.com), call centers (600 526 2000) and sale offices. Such itineraries will increase slowly until recovering normal operations. The Company cannot estimate when the Santiago operations will be normal, as such fact depends on the Santiago airport capacity to return to normal operations.

1.2.2 Cargo Transportation

Lan Cargo's operations in cargo transportation were not substantially affected by the earthquake and Lan Cargo is currently in full capacity to offer its services. Cargo transportation activities are operating normally in view of the (i) re-start of operations, even though with a limited passenger capacity, (ii) resumption yesterday of the customs and agriculture services for cargo and merchandise and (iii) flexibility in using the cargo fleet, including redesign of itineraries to compensate for the reduction of passenger fleet operations to and from Chile.

2. Impairment of Facilities, Plants and other Goods

The Company suffered damages in certain buildings, such as the old sector of the Maintenance Base and the Corporate Building located in front of the south side of the Santiago airport. The earthquake also caused minor damages in five (5) aircrafts and in some spare parts and equipment, which are being repaired. None of these damages has a significant or relevant effect on the Company's operations.

3. Insurance

All LAN's facilities, buildings, equipment and aircraft are duly insured against damage risk, including fire and earthquake coverage. The sum of deductibles for the affected goods amounted to US\$3,000,000 (three million U.S. dollar) approximately.

4. The following material event was reported on January 26, 2010, according to article 9 and subparagraph 2 of article 10 of Securities Market Law No. 18,045 and General Rule No. 30 of the Securities and Insurance Commission:

Starting in the first quarter of 2009, according to regulations of the Securities and Insurance Commission, Lan Airlines S.A. is reporting its results according to IFRS. Therefore, even though the FECU will be sent in the established periods, the Audit Committee and the Board of Lan Airlines S.A. approved, on this date, disclosure of the enclosed financial information as a material event. This information summarizes the Statement of Income and

Consolidated Balance Sheet of the company and provides a qualitative explanation of the operating performance in the year and in the fourth quarter ending December 31, 2009.

Lan Airlines S.A. will provide this financial information to its shareholders, investors and the market at large in order to (i) provide truthful, sufficient and timely information in advance of the disclosure of the FECU in the established deadlines; (ii) deliver financial information to the market, investors and analysts on due dates, like it has in past years; and (iii) keep our shareholders, investors and the market at large adequately informed in view of the financial reporting by Lan Airlines S.A. according to IFRS starting this year.

Finally, this financial information does not supersede or modify the FECU according to IFRS, which will be submitted for 2009 in the deadlines established by the Securities and Insurance Commission.

5. The following material event was reported on December 29, 2009, according to article 9 and subparagraph 2 of article 10 of Securities Market Law No. 18,045 and General Rule No. 30 of the Securities and Insurance Commission:

The Board of Lan Airlines S.A. determined that the following transactions are ordinary and, therefore, they can be performed with related parties without the requirements and procedures set down in numbers 1 to 7 of article 147 of the Companies Law (Law 18,046), which were to take effect January 1, 2010. These transactions are part of the ordinary corporate business or are closely related thereto pursuant to the general policies on habituality defined by the Company Board:

1. Contracting cargo, merchandise and passenger transportation services.
2. Entering into aircraft exploitation or operation agreements for air transportation, whether passenger or merchandise or cargo in general, under any denomination or modality, including, but not limited to, wet leases, leases, subleases, freight, interchange and charters.
3. Leases for cargo space and bellies.
4. Major and line maintenance contracts, sale, lease and supply of engines, aircraft and engine spare parts and components, handling, fuel supply and ground and airport maintenance services of any kind or nature.
5. Association, shared code and alliance agreements, in any form or modality, interline and pro rata agreements, frequent flyer and customer loyalty programs in general, and single-code ticket issuance and sale agreements.
6. Contracts for the sale, marketing and distribution of passenger, cargo or merchandise transportation services.

7. Contracts for the lease of real estate and any kind of chattel, such as equipment, vehicles, lifts and machinery in general as well as contracts for construction, maintenance, repair and remodeling.
8. Advertising agreements and marketing agreements in general, trademark and domain licenses, on-board supply services and ground services agreements, such as hotel, car rental and travel agencies, in general.
9. Data processing, infrastructure, maintenance and data archive, software, hardware and, in general, services relating to information technology.
10. Financial transactions among companies in the Lan Airlines Group, such as funding through trade accounts, direct financing, collateral and security of any kind and nature, the assignment of credits, debt and obligations, the contracting of forwards and derivatives on underlying assets relating to the business of the company or its subsidiaries, such as fuel, currency and interest rate hedges.
11. Transactions relating to management, administration and commercial, financial or managerial planning, back-office support in general, such as accounting services, human resources, tax planning, treasury and banks, insurance, security, comptrollership, income management, procurement and suppliers, legal and regulatory compliance and internal auditing.

6. On December 29, 2009, the material event was reported that according to governing regulations, in particular Circular 660 of the Securities and Insurance Commission, the Board of Directors of Lan Airlines S.A. approved payment of an interim dividend of US\$0.20662 per share on account of 2009 fiscal year profits at its regular meeting held December 29, 2009. This dividend will be paid starting January 21, 2010 and all shareholders who are shareholders on the fifth business day prior to that date are entitled to this dividend.

7. The following material event was reported on December 23, 2009, according to article 9 and subparagraph 2 of article 10 of Securities Market Law No. 18,045:

On this date, Lan Airlines S.A. signed a purchase agreement with Airbus S.A. for the purchase of thirty (30) new aircraft in the A320 family for a price of US\$1,972 million, according to the list price, which will be delivered in 2011 and 2016.

The acquisition of these aircraft forms part of the revised strategic fleet plan of Lan Airlines S.A. for the long-term. This plan also includes the sale of 5 A318 aircraft in 2011.

8. On September 21, 2009, the material event was disclosed that at the Special Board Meeting held September 21, 2009, the Board of Lan Airlines S.A. agreed to convene a Special Shareholders Meeting to be held on October 29, 2009, at 11:00 a.m., in order to decide on the following matters:

- (a) To set the placement price of the shares for compensation plans under the terms of article 24 of Companies Law No. 18,046, as decided by the Special Shareholders Meeting held April 5, 2007, or to empower the Board to such purpose; and
- (b) To adopt all other resolutions necessary to implement and enforce the aforesaid resolution, including amply authorizing the Company's Board to determine, modify, set and freely agree to the terms of the aforesaid compensation plans.

9. The following material event was reported on July 28, 2009, according to article 9 and subparagraph 2 of article 10 of Securities Market Law No. 18,045 and General Rule No. 30 of the Securities and Insurance Commission:

Starting in the first quarter of 2009, according to regulations of the Securities and Insurance Commission, Lan Airlines S.A. is reporting its results according to IFRS. Therefore, even though the FECU will be sent in the established periods, the Audit Committee and the Board of Lan Airlines S.A. approved, on this date, disclosure of the enclosed financial information as a material event. This information summarizes the Statement of Income and Consolidated Balance Sheet of the company and provides a qualitative explanation of the operating performance in the second quarter ending June 30, 2009.

Lan Airlines S.A. will provide this financial information to its shareholders, investors and the market at large in order to (i) provide truthful, sufficient and timely information in advance of the disclosure of the FECU in the established deadlines; (ii) deliver financial information to the market, investors and analysts on due dates, like it has in past years; and (iii) keep our shareholders, investors and the market at large adequately informed in view of the financial reporting by Lan Airlines S.A. according to IFRS starting this year.

Finally, this financial information does not supersede or modify the FECU according to IFRS, which will be submitted for the second quarter of 2009 in the deadlines established by the Securities and Insurance Commission.

10. On July 28, 2009, the material event was reported that according to governing regulations, in particular Circular 660 of the Securities and Insurance Commission, the Board of Directors of Lan Airlines S.A. approved payment of an interim dividend of US\$0.10219 per share on account of 2009 fiscal year profits at its regular meeting held July 28, 2009. This dividend will be paid starting August 20, 2009 and all shareholders who are shareholders on the fifth business day prior to that date are entitled to this dividend.

11. The following material event was reported on April 28, 2009, according to article 9 and subparagraph 2 of article 10 of Securities Market Law No. 18,045 and General Rule No. 30 of the Securities and Insurance Commission:

Starting in the first quarter of 2009, according to regulations of the Securities and Insurance Commission, Lan Airlines S.A. will be reporting its results according to IFRS. Lan Airlines S.A. will be one of the first companies in the nation to report its results according to IFRS. The results for the first quarter of 2008 will also be reported under IFRS in order to be comparable.

Therefore, even though the FECU will be sent in the established periods, the Audit Committee and the Board of Lan Airlines S.A. approved, on this date, disclosure of the enclosed financial information as a material event. This information summarizes the Statement of Income and Consolidated Balance Sheet of the company and provides a qualitative explanation of the operating performance in the quarter ending March 31, 2009. Lan has also published an explanation of the main impacts of this transition to IFRS on its 2008 fiscal year results.

Lan Airlines S.A. will provide this financial information to its shareholders, investors and the market at large in order to (i) provide truthful, sufficient and timely information in advance of the disclosure of the FECU in the established deadlines; (ii) deliver financial information to the market, investors and analysts on due dates, like it has in past years; and (iii) keep our shareholders, investors and the market at large adequately informed in view of the reporting by Lan Airlines S.A. according to IFRS starting this year.

Finally, this financial information does not supersede or modify the FECU according to IFRS, which will be submitted for the 2009 quarter in the deadline established by the Securities and Insurance Commission.

EXPLANATORY ANALYSIS

A comparative analysis and explanation of the principal trends:

1. Consolidated Financial Situation

At March 31, 2010, the Company's total assets had dropped KUS\$60,528 compared to the 2009 fiscal year, which in percentage terms is equal to 1.0%.

The current assets of the Company decreased by KUS\$140,628 (10.0%) compared to the 2009 fiscal year. The main downward variations were in Cash and Cash Equivalent (17.8%), Trade Receivables and Other Accounts Receivable (11.9%), which was mainly offset by an increase in Other Non-financial Assets (81.8%), Tax Liabilities (15.3%) and Other Financial Assets (4.7%).

The liquidity ratio of the Company decreased 2.4%, going from 0.92 in the 2009 fiscal year to 0.90 in the 2010 period. Current assets decreased 10.0%, as well as Current Liabilities by 7.7%. The acid-test ratio also varied downwards (11%) from 0.48 in the 2009 fiscal year to 0.43 in the 2010 period.

Non-Current Assets of the Company increased KUS\$80,100 (1.8%) as compared to the 2009 fiscal year. The main positive variation was in Property, Plant and Equipment, which totaled KUS\$4,287,142 as of March 31, 2010, increasing by net 2.2% compared to the 2009 fiscal year when it was KUS\$4,196,556. This change is due mainly to the net effect from Plant and Equipment sub-lines as a result of the addition of one Boeing 767 aircraft for passenger transport; rotatable units to support fleet operation; the acquisition of computer equipment, ground support equipment, tools and the like; and to the decrease in the on-going Construction sub-line, mainly as a result of the recovery of advances on the purchase of the aforesaid aircraft, and to the increase in the Cumulative Depreciation resulting from the depreciation in the period.

The current liabilities of the Company decreased KUS\$116,696 (7.7%), thus the 2010 period is closed at KUS\$1,406,643. The variation is due mainly to the decrease in Other Non-financial Liabilities (20.2%), which was slightly offset by Other Financial Liabilities (2.1%).

The debt ratio of the Company's Current Liabilities decreased 12.2% from 1.39 in the 2009 fiscal year to 1.22 in the 2010 period. Its share as compared to total debt decreased by 5.3%, going from 32.6% in the 2009 fiscal year to 30.9% in the 2010 period.

Non-current liabilities decreased KUS\$863 and closed at KUS\$3,141,844 in the 2010 period. This variation mainly comes from the decrease in Other Financial Liabilities (0.2%), which was offset by the increase in Deferred Taxes Liabilities (5.1%).

At March 31, 2010, approximately 95% of the debt is in fixed instruments with an average nominal rate of 5.0%.

The Non-current Liabilities debt ratio of the Company decreased 5.0% from 2.86 in the 2009 fiscal year to 2.72 in the 2010 period. Its share of the total debt increased 2.6%, from 67.3% in the 2009 fiscal year to 69.1% in the 2010 period.

The total debt-net equity ratio of the Company decreased 7.3% from 4.25 in the 2009 fiscal year to 3.94 in the 2010 period.

The variation in Net Equity is due mainly to the results obtained in the 2010 period, the recognition of 30% of the minimum dividend as stipulated in the governing laws and the decrease in Reserves for Hedging Operations.

2. Consolidated Income Statement

The net profit of the controlling company totaled KUS\$88,299 at March 31, 2010, which meant an increase of KUS\$23,285, equal to a positive variation of 35.8% as compared to the first quarter in 2009. Operating profit was KUS\$142,906, an increase of 21.0% as compared to the same period in the previous year, equal to KUS\$24,847. Operating income in the first quarter of 2009 included a loss on fuel hedging of KUS\$57,932, while the loss on fuel hedging in the first quarter of 2010 was KUS\$2,633.

Operating income amounted to KUS\$1,034,898, which means an increase of 17.3% compared to the same period in 2009. This reflects an increase of 13.7% in passenger revenues; 35.3% in cargo revenues, which were partially offset by a decrease of 17.4% in other revenues.

Passenger revenues amounted to KUS\$740,789, or an increase of 13.7% when compared to the KUS\$651,594 earned in the same period of the previous year. This increase was due to a 6.6% increase in yields in addition to an increase of 6.7% in traffic. The cabin factor grew from 78.0% to 79.3% as the growth in traffic was higher than the 4.9% increase in capacity. This traffic growth came from a 54.8% increase in domestic traffic and 7.1% increase in international traffic. International traffic accounted for 69.7% of all traffic during the period. The 6.6% increase in yields was mainly due to the increase in the fuel charge and higher nominal rates due to a stronger demand.

Cargo revenues totaled KUS\$266,111, increasing 35.3% with respect to the same period in 2009. This increase is due to the 4.9% increase in yields and 29.0% in traffic, which reflect a strong recovery in LAN CARGO's traffic. Capacity grew 22.2% in the quarter, causing the cabin factor to increase from 65.1% to 68.7%. Revenues measured by ATK increased 10.8% with regard to the same period in 2009.

Moreover, Other Income decreased by KUS\$5,901, equal to a variation of 17.4%, due mainly to the drop in less income from aircraft leases to third parties, which was

partially offset by higher revenues from logistic, courier, customs and warehouse services.

Operating costs amounted to KUS\$891,992, representing an increase of KUS\$127,877 (variation of 16.7%) compared to the same period in the previous year. The variation in each item stems from the following:

- a) Payroll and Benefit Expenses increased KUS\$28,540 as compared to the same period in 2009, representing a variation of 19.2%, caused by an increase in the average staff and an appreciation of local currencies.
- b) Fuel expenses increased 19.1% as compared to the same period in the previous year, equal to an additional cost of KUS\$43,498. This is mainly due to the increase of 45.9% in prices, together with an increase of 8.3% in consumption. Moreover, the company registered a loss of KUS\$2,633 in fuel hedging as compared to the loss of KUS\$57,932 in the first quarter of 2009.
- c) Fees increased KUS\$4,719, equal to 12.9%, as compared to the same period in the previous year. This was due mainly to the increase of 18.7% in traffic revenues from both businesses (passenger and cargo) and was partially offset by a decrease of 0.2 percentage points in average fees, mainly caused by lower fees in the cargo business.
- d) Depreciation and Amortization expenses increased 11.1%, totaling KUS\$8,277, due mainly to the addition of three new Boeing 767 aircraft.
- e) Other leases and landing expenses increased KUS\$12,875, representing a variation of 10.9%, as compared to the same period in the previous year. It was mainly caused by the increase in aviation fees, which was offset by a decrease in the use of aircraft leased under the ACMI modality in the company's cargo business.
- f) The passenger service expenses rose 15.9% as compared to the same period in 2009. The main cause was the 7.9% increase in the number of passengers carried in the period and indemnities paid to passengers in the quarter.
- g) Aircraft lease expenses increased 49.4%, equal to KUS\$7,759, due to the increase in the average number of leased planes, resulting from the delivery of 2 Boeing 777 F during the second quarter of 2009.
- h) Maintenance costs dropped KUS\$1,164, equal to a 3.9% decrease, as compared to the same period in the previous year, due mainly to the decrease in outsourcing maintenance services and an increase in new aircraft.

- i) Other operating expenses increased by 22.1%, as compared to the same period in 2009, equal to KUS\$19,739. This increase was due to higher costs in advertising and marketing and of sales and reserves.

The financial income amounted to KUS\$3,310, equal to a 34.2% increase as compared to the same period in the previous year, resulting from higher cash levels, partially offset by lower interest rates.

Finance Costs increased 0.1%, equal to KUS\$22, as a result of the average increase in long-term debt related to the fleet financing, which was offset by lower interest rates.

Other Income/Costs showed a loss of KUS\$2,097, as compared to the loss of MUS\$779 in the first quarter of 2009, related to higher losses in exchange differential.

3. Analysis and Explanation of the Consolidated Net Flow from Operation, Investment and Finance Activities

The operating flow of the Company decreased KUS\$77,509 versus the same period in the previous year, mainly due to the decrease in Other Cash Income (disbursements) for MUS\$49,621, as a result of the payment of guarantees for derivatives and the net effect of collection from the sale of goods and services, Payments to Suppliers for goods and services and Payments for and on account of employees (18.2%).

The investment flow rose by KUS\$30,594 as compared to the same period in the previous year, mainly because of Purchases of Property, Plant and Equipment (14.7%), which was due to the decrease in new fleet as compared to the same period in the previous year.

The finance flow varied negatively by KUS\$147,723 as compared to the same period in 2009, primarily due to the increase in Loans Paid (70.4%), the decrease in Income from Long-term Loans (64.5%) and a decrease in Other Cash for MUS\$31,434. This negative variation was partially offset by the decrease in Dividends Paid (33.3%).

Finally, the net flow of the Company during the 2010 period dropped by KUS\$194,638, compared to the same period in the previous year. The negative balance of the operation and finance flow has been totally covered by the Investment Flow and the balance of the previous year.

4. Market Risk Analysis

Credit risk concentration

The Company's Accounts Receivable are comprised of a high percentage of airplane ticket sales and cargo services to individuals and several companies that are economically and geographically dispersed. They are generally short term.

Therefore, the Company does not consider itself exposed to a significant credit risk concentration.

Hedging Instruments: Administration of fuel price risk

The variation in fuel prices depends significantly on the world's oil supply and demand, the decisions adopted by the OPEC, the world's refining capacity, inventory levels and factors, such as weather and politics. In order to reduce the risk of price variations to which the Company might be exposed, the Company signed several fuel hedging agreements with different financial institutions for a part of the total estimated fuel consumption of the Company for 2010 and the first quarter of 2011. The agreements were (a) swaps, which allow setting a price, (b) call options, which allow limiting a price increase, and (c) price collars, which allow setting a maximum and a minimum price. In swaps, when the market price goes above the set level, the Company receives the difference between both prices by the number of gallons of fuel stipulated in each agreement. Inversely, if the market price is below the set price, the Company must pay the price differential. There are no costs associated with a swap. In a call option, when the market price exceeds the set level, the Company receives the difference between both prices by the number of gallons of fuel stipulated in the agreement. If the market price is below the set price, the Company does not exercise the option. The price collar stipulates that if the market price is higher than the maximum price, the Company receives the difference between the market price and the maximum price, multiplied by the amount of gallons of fuel stipulated in each agreement. If the market price is lower than the minimum price, the Company must pay the price differential established. If the market price is between the maximum and minimum set prices, the Company neither receives nor pays any price.

The Company made a net set-off payment of KUS\$2,633 under these agreements as of March 2010. The losses or earnings on these agreements are recognized as a component of Hedging Reserves in the Company's net equity. As of March 31, 2010, the market value of the existing fuel hedges was KUS\$29,519.

Hedging Instruments: Administration of interest rate risk

The Company signed interest rate swaps for the purpose of decreasing the risk of a rise in interest rates during the first half of 2001, the second half of 2005, and the first half of 2006. In the second half of 2003, all of 2004 and 2005, the Company also signed call options. Together with the foregoing, the debt for 2006, 2007 and 2008 was assumed at a fixed rate directly with the lending bank and, additionally, interest rate hedge agreements were signed in advance in order to finance 15 Airbus planes to be delivered between 2010 and 2011, five Boeing 767-300 planes that will be delivered between 2009 and 2011, and one Boeing 777-F aircraft that will be delivered in 2012.

In 2009, the Company signed a cross-currency swap to hedge the debt cash flow in Chilean pesos accruing interest at the nominal 180-day bank rate (TAB) rate; and interest rate swaps to reduce the risk of an eventual rise in rates on a dollar liability accruing interest at 6-month LIBOR. The purpose is to have a percentage of the debt at (i) a fixed rate (such as swaps and fixed-rate debt) and (ii) another percentage of the debt at a floating rate, but limited to a maximum (such as calls), together with (iii) limiting the interest rate exposure in future financing. This way, the Company significantly decreases the risk of an increase in interest rates. In relation to such agreements, the Company (i) pays, receives or, as the case may be, (ii) only receives, the difference between the agreed fixed rate and the floating rate calculated on the unpaid principal of each agreement. The Company recognized a cumulative loss of KUS\$6,853 on these agreements in the period. The losses and earnings on interest rate swaps together with the premiums and interest rate call earnings are recognized as a component of Financial Expenses, based on the amortization of the hedged loan. As of March 31, 2010, the market value of the outstanding swaps, calls and pre-set interest rate agreements was KUS\$(79,563).

As of March 31, 2010, approximately 95% of the debt was fixed under one of the aforesaid instruments at an average nominal rate of 5.0%.

5. **Chilean Economic Environment**

In order to analyze the economic environment where the Company operates, below is a brief discussion of the situation and evolution of the leading economies affecting it, both national and regional and global.

The world economy is recovering faster than foreseen. Despite the turbulences in the financial markets, there are several countries that have shown quarterly positive growths in production and trade since the last quarter of 2009. The world economy is predicted to grow near 4.0% in 2010 (-0.8% in 2009).

In Europe, the economic scenario has very different characteristics along the different countries. On the one hand, there are economies with severe deficits and debt levels, as Greece and Portugal; and on the other hand, Germany and England showed significantly better indicators, as compared to the last 2009 quarters. A growth of 1.0% is expected for 2010 (-3.9% in 2009).

The U.S. economy continued with high consumption dynamism and a strong increase in local demand. However, there are still risks that may affect growth in this year, such as the recession in employment rates and the debt level in households. Under this context, a growth near to 2.0% is expected in 2010 (-2.4% in 2009).

In Latin America, the last indicators continued to show positive signals with levels near the ones registered before the beginning of the world crisis in 2008. Exports grew, inflation forecasts are under control and the unemployment rate has dropped as compared to the last quarter of 2009. The countries with better dynamism are Brazil,

Chile and Peru. On the contrary, Argentina, Colombia and Venezuela showed lower growth rates. The growth is predicted to be near 4.0% in 2010 (-2.3% in 2009).

The Chilean economy has been significantly affected by the earthquake and the tsunami on February 27, 2010, which caused significant losses for companies and productive sectors. However, positive signs are given by the increase in exports and the decrease in unemployment. An approximate 5.0% growth of the GDP is expected this year (-1.5% in 2009).

In this economic setting, the international airline industry has experienced a positive evolution despite the high price in fuel. In the local scenario, the industry was affected by the closing of the airport for a few days due to the earthquake. However, the flexible business model implemented by the company has worked consistently well over time.

EXPLANATORY ANALYSIS

a) Below are the principal financial ratios of the Consolidated Financial Situation Statement:

	03/31/2010	12/31/2009	03/31/2009
LIQUIDITY INDICATORS			
Current ratio (current assets/current liabilities)	0.90	0.92	0.74
Acid-test ratio (cash/current liabilities)	0.43	0.48	0.33
DEBT INDICATORS			
Debt ratio (current liabilities + non-current liabilities/net equity)	3.94	4.25	5.13
Current debt/total debt (%)	30.93	32.65	31.74
Non-current debt/total debt (%)	69.07	67.35	68.26
Financial expense ratio (RAII/financial expenses)	4.09	3.06	2.82
ACTIVITY INDICATORS			
Total Assets	5,711,444	5,771,972	5,282,580
Investments	82,809	838,535	182,444
Sales	1,467	21,088	1,466

PROFIT INDICATORS

The profit indicators have been calculated on the basis of equity and income corresponding to majority shareholders.

	03/31/2010	12/31/2009	03/31/2009
Return on equity (net profit/average net equity)	0.09	0.25	0.07
Return on assets (net profit/average assets)	0.02	0.04	0.01
Return on operating assets (operating income/average operating assets) (**)	0.03	0.08	0.02

(**) Total assets less deferred taxes, employee current accounts, standing and temporary investments and goodwill.

	03/31/2010	12/31/2009	03/31/2009
Per-Share Profit (fiscal year profit/number of subscribed and paid-in shares)	0.26	0.68	0.19
Return on dividends (dividends paid/market price)	0.02	0.02	0.04

b) Below are the principal financial ratios of the Consolidated Statement of Income:

	03/31/2010	12/31/2009	03/31/2009
INCOME INDICATORS			
Revenues	1,034,898	3,655,513	882,174
Passenger	740,789	2,623,608	651,594
Cargo	266,111	895,554	196,681
Other	27,998	136,351	33,899
Operating Costs	891,992	3,219,822	764,115
Other leases and landing fees	131,210	490,921	118,335
Fuel	271,765	959,608	228,267
Commissions	41,252	143,900	36,533
Salaries	176,952	636,657	148,412
Other operating costs	109,086	387,303	89,347
Plane leases	23,480	83,712	15,721
Maintenance	28,947	121,037	30,111
Depreciation and amortization	82,827	303,888	74,550
Passenger service	26,473	92,796	22,839
Operating income	142,906	435,691	118,059
Operating margin	13.8%	11.9%	13.4%
Financial income	3,310	18,183	2,466
Financial expense	-37,763	-153,109	-37,741
Other income / costs	-2,097	-23,246	-779
Profit before taxes and minority interest	106,356	277,519	82,005
Taxes	-18,090	-44,487	-13,044
Profit before Minority Interest	88,266	233,032	68,961
Attributable to:			
Investors in parent company	88,299	231,126	65,014
Minority interest	-33	1,906	3,947
Net profit	88,299	231,126	65,014
Net margin	8.5%	6.3%	7.4%
Real tax rate	-17%	-16.1%	-16.7%
Total number of shares	338,790,909	338,790,909	338,790,909
Net profit per share (US\$)	0.26	0.68	0.19
RAIIDAIE	223,669	714,427	187,883

DECLARATION OF LIABILITY

TAXPAYER NUMBER: 89.862.200-2
Corporate Name: LAN AIRLINES S.A.

The undersigned declare their liability for the veracity of the following information forming part of this quarterly report as of March 31, 2010:

	<u>INDIVIDUAL</u>	<u>CONSOLIDATED</u>
Financial Statements		X
Explanatory notes to the Financial Statements		X
Explanatory Analysis		X
Summary of Material Events in the period		X

Note: Place an "X" where pertinent.

<u>Name</u>	<u>Title</u>	<u>Taxpayer Number</u>	<u>Signature</u>
JORGE AWAD MEHECH	CHAIRMAN	4.756.185-K	
DARIO CALDERON GONZALEZ	DIRECTOR	5.078.327-8	
JOSE COX DONOSO	DIRECTOR	6.065.868-4	
JUAN JOSE CUETO PLAZA	DIRECTOR	6.694.240-6	
JUAN CUETO SIERRA	DIRECTOR	3.246.727-K	
RAMON EBLEN KADIS	DIRECTOR	4.346.062-5	
BERNARDO FONTAINE TALAVERA	DIRECTOR	6.371.763-0	
IGNACIO GUERRERO GUTIERREZ	DIRECTOR	5.546.791-9	
ANDRES NAVARRO HAEUSSLER	DIRECTOR	5.078.702-8	
IGNACIO CUETO PLAZA	GENERAL MANAGER	7.040.324-2	
ALEJANDRO DE LA FUENTE G.	VICE-PRESIDENT, FINANCE	6.947.715-1	

Date: April 27, 2010