

**FECU (Uniform Coded Statistical Record)**

1. IDENTIFICATION

1.01.05.00 Corporate Name

<b>LAN AIRLINES S.A.</b>
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1.01.04.00 Taxpayer Identification Number

89862200-2
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1.00.01.10 Start Date

Day	Month	Year
1	1	2008

1.00.01.20 Closing Date

Day	Month	Year
31	12	2008

1.00.01.30 Type of Currency

<b>Dollars</b>
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1.00.01.40 Type of Financial Statements

<b>Consolidated</b>
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**Opinion of the External Auditors  
of the Financial Statements as of December 31, 2008**

**External Auditors Corporate Name** : **PricewaterhouseCoopers**  
**Taxpayer I.D.** : **81513400-1**

Santiago, January 27, 2009

To the Shareholders and Directors of  
Lan Airlines S.A.

1. We have performed an audit of the general consolidated balance sheets of Lan Airlines S.A. and subsidiaries as of December 31, 2008 and 2007 and the corresponding consolidated statements of income and cash flow for the periods ending on those dates. These consolidated financial statements and the corresponding notes are the responsibility of the management of Lan Airlines S.A. Our responsibility is to issue an opinion on such financial statements based on our audits. The explanatory analysis and attached material events do not form an integral part of these financial statements so this opinion excludes them.
2. We have conducted our audit according to auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audits constitute a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements referred to above fairly present, in all material respects, the financial position of Lan Airlines S.A. and its subsidiaries as of December 31, 2008 and 2007, the results of its operations and its cash flows for the years ended on said dates, according to the generally accepted accounting principles of Chile.
4. As explained in Note 3 of the financial statements, as from January 1, 2008, the Company changed the accounting of finance costs in aircraft acquisition.
5. According to Note 37, in accordance with the convergence process defined for such purpose in Chile, starting in the 2009 fiscal year, the Company will adopt the International Financial Reporting Standards.

**Name of authorized signatory**  
**I.D. No. of authorized signatory**

**Renzo Corona S.**  
**6.373.028-9**

**ASSETS**

2.00 FINANCIAL STATEMENTS  
2.01 GENERAL BALANCE SHEET

1.00.01.30 Type of Currency Dollars 1.01.04.00 Taxpayer I.D.  
1.00.01.40 Type of Balance Sheet Consolidated 89862200-2

		M D Y			M D Y		
		as of	12	31	2008	as of	12
ASSETS	NOTE NUMBER	CURRENT			PREVIOUS		
5.11.00.00 TOTAL CURRENT ASSETS		<b>1,351,031</b>			<b>1,089,828</b>		
5.11.10.10 Cash		15,707			11,506		
5.11.10.20 Time Deposits		255,881			308,585		
5.11.10.30 Marketable securities (net)	Note 04	138,426			147,952		
5.11.10.40 Sales receivables (net)	Note 05	275,690			279,471		
5.11.10.50 Notes receivable (net)	Note 05	1,770			6,492		
5.11.10.60 Sundry receivables (net)	Note 05	161,109			182,338		
5.11.10.70 Intercompany notes and accounts receivables	Note 06	1,117			226		
5.11.10.80 Inventory (net)	Note 07	50,609			54,022		
5.11.10.90 Recoverable taxes		72,013			68,623		
5.11.20.10 Prepaid expenses	Note 35	13,346			12,949		
5.11.20.20 Deferred taxes	Note 08	6,545			4,624		
5.11.20.30 Other current assets	Note 09	358,818			13,040		
5.11.20.40 Leasing contracts (net)		0			0		
5.11.20.50 Leasing assets (net)		0			0		
5.12.00.00 TOTAL PROPERTY, PLANT & EQUIPMENT	Note 10	<b>3,093,368</b>			<b>2,351,605</b>		
5.12.10.10 Land		26,397			14,424		
5.12.20.00 Buildings and infrastructure		108,358			105,990		
5.12.30.00 Machinery and equipment		3,022,573			2,190,411		
5.12.40.00 Other property, plant & equipment		739,270			739,499		
5.12.50.00 Gain on the technical reappraisal of property, plant & equipment		0			0		
5.12.60.00 Depreciation (less)		-803,230			-698,719		
5.13.00.00 TOTAL OTHER ASSETS		<b>460,462</b>			<b>460,309</b>		
5.13.10.10 Investments in related companies	Note 12	1,187			1,482		
5.13.10.20 Investments in other companies		506			1,807		
5.13.10.30 Goodwill	Note 13	32,412			36,022		
5.13.10.40 Negative goodwill (less)		0			0		
5.13.10.50 Long-term receivables	Note 05	11,200			12,171		
5.13.10.60 Long-term intercompany notes and accounts receivable	Note 06	251			0		
5.13.10.65 Long-term deferred taxes		0			0		
5.13.10.70 Intangibles	Note 14	52,224			43,254		
5.13.10.80 Amortization (less)	Note 14	-23,660			-17,186		
5.13.10.90 Other	Note 15	386,342			382,759		
5.13.20.10 Long-term leasing contracts (net)		0			0		
5.10.00.00 TOTAL ASSETS		<b>4,904,861</b>			<b>3,901,742</b>		

**LIABILITIES**

1.00.01.30  
1.00.01.40

Type of Currency  
Type of Balance Sheet

Dollars
Consolidated

1.01.04.00  
89862200-2

Taxpayer I.D.

		M D Y			M D Y		
		as of	12	31	2008	as of	12
<b>LIABILITIES</b>	<b>NOTE NUMBER</b>	<b>CURRENT</b>			<b>PREVIOUS</b>		
5.21.00.00	TOTAL CURRENT LIABILITIES	<b>1,379,027</b>			<b>1,122,605</b>		
5.21.10.10	Short-term bank debt	0			0		
5.21.10.20	Short-term portion of long-term bank debt	151,247			102,153		
5.21.10.30	Notes (notes)	0			0		
5.21.10.40	Notes (bonds) – short-term portion	0			0		
5.21.10.50	Long-term debt expiring in one year	70,407			74,786		
5.21.10.60	Dividends payable	105,330			120,073		
5.21.10.70	Accounts payable	361,620			322,897		
5.21.10.80	Notes payable	0			0		
5.21.10.90	Sundry payables	19,033			0		
5.21.20.10	Intercompany notes and accounts payable	303			357		
5.21.20.20	Provisions	94,459			100,546		
5.21.20.30	Withholdings	64,859			62,384		
5.21.20.40	Income tax	1,537			8,101		
5.21.20.50	Prepaid revenue	329,742			325,669		
5.21.20.60	Deferred taxes	0			0		
5.21.20.70	Other current liabilities	180,490			5,639		
5.22.00.00	TOTAL LONG-TERM LIABILITIES	<b>2,402,135</b>			<b>1,785,896</b>		
5.22.10.00	Bank debt	1,654,947			1,228,650		
5.22.20.00	Long-term notes (bonds)	0			0		
5.22.30.00	Long-term notes payable	0			0		
5.22.40.00	Long-term sundry payables	96,182			0		
5.22.50.00	Long-term intercompany notes and accounts payable	0			0		
5.22.60.00	Long-term provisions	92,593			94,441		
5.22.70.00	Long-term deferred taxes	228,232			169,885		
5.22.80.00	Other long-term liabilities	330,181			292,920		
5.23.00.00	MINORITY INTEREST	5,721			5,189		
5.24.00.00	TOTAL EQUITY	<b>1,117,978</b>			<b>988,052</b>		
5.24.10.00	Paid-in capital	453,444			453,444		
5.24.20.00	Reserve for capital revaluation	0			0		
5.24.30.00	Premium on the sale of treasury stock	0			0		
5.24.40.00	Other reserves	1,749			-52		
5.24.50.00	Retained earnings (add codes 5.24.51.00 to 5.24.56.00)	662,785			534,660		
	5.24.51.00 Future dividend reserves	0			0		
	5.24.52.00 Retained earnings	528,833			436,337		
	5.24.53.00 Cumulative losses (less)	0			0		
	5.24.54.00 Fiscal year profit (loss)	335,739			308,323		
	5.24.55.00 Interim dividends (less)	-201,787			-210,000		
	5.24.56.00 Cumulative deficit in development period	0			0		
5.20.00.00	TOTAL LIABILITIES	4,904,861			3,901,742		

INCOME STATEMENT

2.02 INCOME STATEMENT

1.00.01.30 Type of Currency  
 1.00.01.40 Type of Balance Sheet

Dollars
Consolidated

1.01.04.00 89862200-2
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Taxpayer I.D.

INCOME STATEMENT	NOTE NUMBER	CURRENT			PREVIOUS		
		from to	M D Y	2008	from to	M D Y	2007
5.31.11.00 OPERATING INCOME				<b>536,184</b>			<b>413,371</b>
5.31.11.10 OPERATING MARGIN				1,675,514			1,364,472
5.31.11.11 Operating income				4,534,282			3,524,923
5.31.11.12 Operating costs (less)				-2,858,768			-2,160,451
5.31.11.20 Administration and selling expenses (less)				-1,139,330			-951,101
5.31.12.00 NON-OPERATING INCOME				<b>-134,567</b>			<b>-45,562</b>
5.31.12.10 Interest income				16,212			18,043
5.31.12.20 Profit on investment in related companies	Note 12			1,112			604
5.31.12.30 Other non-operating income	Note 23			55,995			31,802
5.31.12.40 Loss on investment in related companies (less)	Note 12			-164			-5,690
5.31.12.50 Amortization of goodwill (less)	Note 13			-3,018			-2,994
5.31.12.60 Interest expense (less)				-82,690			-76,224
5.31.12.70 Other non-operating disbursements (less)	Note 23			-115,026			-27,817
5.31.12.80 Price-level restatement	Note 24			878			1,014
5.31.12.90 Exchange differentials	Note 25			-7,866			15,700
5.31.10.00 PRE-INCOME TAX INCOME AND EXTRAORDINARY ITEMS				401,617			367,809
5.31.20.00 INCOME TAX	Note 08			-64,690			-59,775
5.31.30.00 EXTRAORDINARY ITEMS				0			0
5.31.40.00				336,927			308,034
PROFIT (LOSS) BEFORE MINORITY INTEREST							
5.31.50.00 MINORITY INTEREST	Note 21			-1,188			289
5.31.00.00 NET PROFIT (LOSS)				<b>335,739</b>			<b>308,323</b>
5.32.00.00 Amortization of negative goodwill				0			0
5.30.00.00 FISCAL YEAR PROFIT (LOSS)				<b>335,739</b>			<b>308,323</b>

STATEMENT OF CASH FLOW – DIRECT

2.03 **STATEMENT OF CASH FLOW**

1.00.01.30 Type of Currency  
 1.00.01.40 Type of Balance Sheet  
 5.03.01.00 Cash flow statement method

Dollars
Consolidated
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1.01.04.00  
 89862200-2

Taxpayer I.D.

		M D Y			M D Y		
		from	to	to	from	to	to
		01	01	2008	12	31	2007
		12	31	2008	12	31	2007
STATEMENT OF CASH FLOW – DIRECT		<b>CURRENT</b>			<b>PREVIOUS</b>		
	Note Number						
5.41.11.00	NET FLOW FROM OPERATING ACTIVITIES	<b>729,129</b>			<b>707,018</b>		
5.41.11.10	Collection of sales receivables	4,648,591			3,535,542		
5.41.11.20	Interest income received	10,969			15,150		
5.41.11.30	Dividends and other distributions received	813			962		
5.41.11.40	Other income received	100,573			36,736		
5.41.11.50	Payments to suppliers and employees (less)	-3,822,991			-2,743,171		
5.41.11.60	Interest paid (less)	-81,421			-73,633		
5.41.11.70	Income tax paid (less)	-26,994			-16,316		
5.41.11.80	Other expenses paid (less)	-26,113			-12,231		
5.41.11.90	Value-Added Tax and other similar taxes paid (less)	-74,298			-36,021		
5.41.12.00	NET FLOW FROM FINANCE ACTIVITIES	<b>58,760</b>			<b>383,419</b>		
5.41.12.05	Placement of cash shares	Note 22	0		319,141		
5.41.12.10	Loans obtained		574,874		495,324		
5.41.12.15	Notes		0		0		
5.41.12.20	Documented loans from related companies		0		0		
5.41.12.25	Other loans from related companies		0		0		
5.41.12.30	Other finance sources		0		0		
5.41.12.35	Dividend payments (less)		-222,803		-210,868		
5.41.12.40	Capital distributions (less)		0		0		
5.41.12.45	Loan payments (less)		-102,644		-205,536		
5.41.12.50	Note payments (less)		0		0		
5.41.12.55	Payment of documented loans from related companies (less)		0		0		
5.41.12.60	Payment of other loans from related companies (less)		0		0		
5.41.12.65	Payment of expenses for share issuance and placement (less)	Note 26	0		-2,672		
5.41.12.70	Payment of expenses for note issuance and placement (less)		0		0		
5.41.12.75	Other finance disbursements (less)	Note 27	-190,667		-11,970		
5.41.13.00	NET FLOW FROM INVESTMENT ACTIVITIES		<b>-830,545</b>		<b>-844,254</b>		
5.41.13.05	Sales of property, plant and equipment		6,625		219		
5.41.13.10	Sale of standing investments		6,708		0		
5.41.13.15	Sale of other investments		14,511		14,105		
5.41.13.20	Collection of documented loans to related companies		0		0		
5.41.13.25	Collection of other loans to related companies		0		0		
5.41.13.30	Other investment income		5		0		
5.41.13.35	Addition of property, plant and equipment (less)		-831,701		-839,851		
5.41.13.40	Payment of compounded interest (less)		-13,196		-2,290		
5.41.13.45	Standing investments (less)		-698		-94		
5.41.13.50	Investment in interest-bearing instruments (less)		-2,607		-16,343		
5.41.13.55	Documented loans to related companies (less)		0		0		
5.41.13.60	Other loans to related companies (less)		0		0		
5.41.13.65	Other investment disbursements (less)		-10,192		0		
5.41.10.00	TOTAL NET FLOW IN PERIOD		-42,656		246,183		
5.41.20.00	EFFECT OF INFLATION ON CASH AND CASH EQUIVALENT		-1,525		-64		
5.41.00.00	NET CHANGE IN CASH AND CASH EQUIVALENT		-44,181		246,119		
5.42.00.00	INITIAL CASH AND CASH EQUIVALENT		445,615		199,496		
5.40.00.00	ENDING CASH AND CASH EQUIVALENT		<b>401,434</b>		<b>445,615</b>		

FLOW-INCOME RECONCILIATION

**CONCILIATION OF NET FLOW FROM OPERATING ACTIVITIES  
AND FISCAL YEAR INCOME**

1.00.01.30 Type of Currency  
1.00.01.40 Type of Balance Sheet

Dollars
Consolidated

1.01.04.00 Taxpayer I.D.  
89862200-2

	M	D	Y		M	D	Y
from	01	01	2008	from	01	01	2007
to	12	31	2008	to	12	31	2007

FLOW-INCOME RECONCILIATION		Note Number	CURRENT	PREVIOUS
5.50.10.00	Fiscal year profit (loss)		<b>335,739</b>	<b>308,323</b>
5.50.20.00	Income from the sale of assets		<b>-5,268</b>	<b>-2,331</b>
5.50.20.10	(Profit) loss on the sale of property, plant and equipment	Note 23	-1,382	-1,203
5.50.20.20	Profit on the sale of investments (less)	Note 23	-3,886	-1,128
5.50.20.30	Loss on the sale of investments		0	0
5.50.20.40	(Profit) loss on the sale of other assets		0	0
5.50.30.00	Debits (credits) to income not representing cash flow		<b>346,817</b>	<b>143,971</b>
5.50.30.05	Fiscal year depreciation	Note 10	174,905	143,796
5.50.30.10	Amortization of intangibles	Note 14	7,822	6,384
5.50.30.15	Write-offs and provisions		21,451	7,689
5.50.30.20	Profit accrued on investment in related companies (less)	Note 12	-1,112	-604
5.50.30.25	Loss accrued on investment in related companies	Note 12	164	5,690
5.50.30.30	Amortization of goodwill	Note 13	3,018	2,994
5.50.30.35	Amortization of negative goodwill (less)		0	0
5.50.30.40	Net price-level restatement	Note 24	-878	-1,014
5.50.30.45	Net exchange differential	Note 25	7,866	-15,700
5.50.30.50	Other credits to income not representing cash flow (less)		-22,941	-30,068
5.50.30.55	Other debits to income not representing cash flow		156,522	24,804
5.50.40.00	Change in Assets affecting cash flow – (increase) decrease		<b>-14,610</b>	<b>101,053</b>
5.50.40.10	Sales receivables		4,231	8,770
5.50.40.20	Inventories		4,803	-9,345
5.50.40.30	Other assets		-23,644	101,628
5.50.50.00	Change in liabilities affecting cash flow – (increase) decrease		<b>65,263</b>	<b>156,291</b>
5.50.50.10	Accounts payable in relation to operating income		21,151	111,382
5.50.50.20	Interest payable		5,425	4,260
5.50.50.30	Income tax payable (net)	Note 08	31,040	43,832
5.50.50.40	Other accounts payable in relation to non-operating income		-341	-1,769
5.50.50.50	Value-added tax and other similar taxes payable (net)		7,988	-1,414
5.50.60.00	Profit (Loss) on minority interest	Note 21	<b>1,188</b>	<b>-289</b>
5.50.00.00	NET FLOW FROM OPERATING ACTIVITIES		<b>729,129</b>	<b>707,018</b>

## 01. Registration in the Securities Registry

LAN AIRLINES S.A. is an open corporation and has been registered under No. 0306 of the Securities Registry since January 22, 1987. According to Law No. 18,046, it is regulated by the Superintendency of Securities and Insurance.

On July 28, 2004, LAN CHILE S.A. changed its name to LAN AIRLINES S.A., which was registered in the 2004 Commercial Registry of the Real Estate Registrar under No. 18,764 on page 25,128.



02. Accounting Standards
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a) Accounting Period

These Consolidated Financial Statements encompass the period beginning January 1 and ending December 31, 2008, compared to the same fiscal year in the previous year.

b) Bases of preparation

These Consolidated Financial Statements have been prepared according to standards and instructions issued by the Superintendency of Securities and Insurance, which are in harmony with generally accepted accounting principles issued by the Chilean Accountants Association. It is important to note that the standards and instructions issued by the Superintendency of Securities and Insurance prevail over generally accepted accounting principles.

c) Bases of presentation

In order to facilitate comparisons, some minor reclassifications have been made in the previous fiscal year to the Consolidated Financial Statements.

d) Bases of consolidation

These Consolidated Financial Statements include the assets, liabilities, results and cash flows of the Parent Company and its subsidiaries at the close of each fiscal year, pursuant to the attached table.

The effects of transactions with subsidiaries have been eliminated upon consolidation and the interest of minority shareholders has been recognized in these Consolidated Financial Statements, shown as a minority interest in the Consolidated General Balance Sheet and the Consolidated Statement of Income.

e) Price-level restatement

The Financial Statements of domestic subsidiaries which do not keep accounting in U.S. dollars have been adjusted using the rules of price-level restatement according to generally accepted accounting principles in Chile in order to recognize the effects of the change in the buying power of the currency in both fiscal years, according to indices of the National Statistics Bureau, which showed a variation of 8.9% for 2008 with a gap of one month (7.4% variation in 2007).

f) Conversion Standards

The Parent Company and some of its subsidiaries domiciled in Chile are authorized to record their accounting in United States dollars. The U.S. dollar is used as a common unit of measure and, therefore, the balances of assets and liabilities corresponding to different currencies have been expressed in United States dollars at the exchange rates in effect on December 31<sup>st</sup> of each year. The income accounts have been converted to United States dollars at the exchange rates in effect on the date of each transaction.

Below are the exchange rates in effect for the U.S. dollar at the close of each period:

	12.31.08	12.31.07
	Per U.S Dollar	Per U.S Dollar
Chilean peso	636.45	496.89
Unidad de Fomento (Chile)	0.03	0.03
Argentine peso	3.45	3.15
Brazilian real	2.34	1.77
New sol (Peru)	3.14	2.99
Australian dollar	1.45	1.15
Polynesian franc	88.34	82.78
Bolivar	--	2,145.80
New Bolivar (Venezuela)	2.14	--
Bolivian	6.97	7.53
Uruguayan peso	24.25	21.45
Mexican peso	13.82	10.90
Canadian dollar	1.22	0.98
Danish crown	5.28	5.07
Guarani	4,880.00	4,720.00
Colombian peso	2,246.16	2,009.00
Japanese yen	90.27	112.77
New Zealand dollar	1.73	1.30
Euro (European Community)	0.71	0.68
Dominican peso	35.26	33.76

The adjustment for exchange fluctuations of different currencies meant a net credit against income of MUS\$7,866 of December 31, 2008 (a net credit of MUS\$15,700 in 2007), which is shown in the exchange differential account.

g) Time deposits and marketable securities

Time deposits include principal and interest accrued at the closing of each fiscal year.

Marketable securities correspond to investments in bonds valued at the lower of the investment value or the market value, and mutual funds at the share value at the closing of each fiscal year.

h) Stocks

Stocks include mainly spare parts and materials that will be used in own and third-party maintenance services within a period of one year, which are valued at their average acquisition cost. The resulting amounts do not exceed the respective replacement prices.

i) Estimated uncollectibles

The Parent Company and its subsidiaries establish provisions for uncollectibles based on the age of the balances and on other pertinent information.

j) Property, plant and equipment

Property, plant and equipment are valued at the acquisition cost, which includes the effective finance costs incurred by the Parent Company and its subsidiaries until these assets are put into operation. The inventories of materials and spare parts appearing in the line Other Fixed Assets are shown at their average acquisition cost and are presented net of any obsolescence provision.

k) Depreciation of property, plant and equipment

Property, plant and equipment, excluding spare parts, are being depreciated using the straight-line method, taking into account the estimated economic useful life or based on cycles and hours flown, as pertinent.

l) Leasing Assets

The Parent Company and some of its subsidiaries maintain financial leasing operations in effect in relation to property, plant and equipment. These assets are not legally their property, so until the corresponding purchase options are exercised, they may not dispose freely of them. These assets are recorded at the actual contract price, which is set after deducting the amount of the regular installments and the purchase option at the implicit or explicit contract interest rate. The respective obligation is shown under Long-Term Obligations To Expire In One Year in Current Liabilities and Other Long-Term Liabilities, net of the corresponding deferred interest.

m) Intangibles

This line records mainly software and computer-related licenses as well as trademark registrations, appraised at their acquisition cost. The Parent Company and its subsidiaries amortize their intangibles over a ten-year period on the basis of the straight-line method.

n) Investments in related companies

Investments in related companies are shown in Other Assets.

Investments made prior to January 1, 2004, are valued at the Proportional Equity Value (PEV) determined on the basis of the respective financial statements as of December 31<sup>st</sup> of each year.

Investments made after January 1, 2004, are valued at the Equity Value (EV) determined pursuant to Technical Bulletin No. 72 of the Chilean Accountants Association.

Investments abroad are adjusted according to generally accepted accounting principles of Chile and translated into and controlled in the functional currency used by the Parent Company.

o) Goodwill and Negative Goodwill

Goodwill and negative goodwill represent the difference between the acquisition price of the investment in related companies and the proportional equity value of such investment on the purchase date, which is amortized by a debit or credit against income over a period of 20 years, the expected period of return on the investment.

As from January 1, 2004, goodwill represents the difference between the acquisition value of the investment in the related company and the fair value thereof at the purchase date, which is amortized by a debit or credit against income in the expected period of return of the investment, which does not exceed 20 years.

p) Income tax and deferred taxes

The Parent Company and its subsidiaries recognize their tax obligations on the basis of governing rules of law.

The effects of deferred taxes resulting from the differences between the financial balance sheet and the tax balance sheet are recorded for all temporary differences at the tax rate in effect on the estimated reversal date, as established in Technical Bulletin No. 60 of the Chilean Accountants Association. The effects arising from deferred taxes prevailing on the date of the above-mentioned Bulletin and not previously recognized are shown in income only as the temporary differences are reversed.

q) Accounts payable

This line reflects the obligations of the Parent Company and its subsidiaries to suppliers stemming from commercial operations.

r) Provisions

This line principally reflects provisions for aircraft and engine maintenance, for contingencies, staff vacation provisions, which are recognized at the time of accrual, and provisions for the costs associated with rendering services regarding the Lan Pass frequent flyer program, taking into account the kilometers accrued at the close of each period and the conditions established in that program.

Maintenance provisions correspond to the scheduled maintenance of leased aircraft and engines, determined on a technical basis, according to utilization expressed basically in flight hours and cycles. Unscheduled maintenance of aircraft and engines is debited against income in the period incurred.

The costs incurred in own aircraft fuselage and engine maintenance will be capitalized and depreciated until the next maintenance.

s) Income received in advance

The amount indicated in this line corresponds principally to recognition of the obligation generated by the sale of tickets during each fiscal year for which flight service occurs after the closing of the financial statements. Moreover, commission expenses associated with these sales are shown after discounting the income received in advance.

t) Operating income

The Parent Company and its subsidiaries record their passenger and cargo income once the service has been rendered.

u) Derivative Agreements

These are fuel, interest rate and currency forward hedging agreements and they are shown at the market value at the close of each fiscal year. They are treated and classified in the accounting as follows:

u.1) Expected transaction hedging

The hedging instrument is shown at its fair value and changes to such value are recognized as unrealized income through maturity, at which time it is recognized as other non-operating income or expenses, as pertinent.

u.2) Existing item hedging

The derivative and the hedged item are valued at their fair value and the net effect of such valuation is recognized in non-operating income, in the event of a loss, or as a deferral, in the event of a profit.

v) Computer software development

The disbursements for computer system development using internal resources of the Parent Company and its subsidiaries are debited against income in the period they are made.

w) Lease-backs

The Parent Company has made lease-backs as seller-lessee. This transaction has the characteristics of an operating lease. Profits on the transaction have been deferred and are shown under Prepaid Income and Other Long-Term Liabilities at the close of each fiscal year. The profits are amortized over the term of the agreement.

x) Cash Flow Statement

The Company considers cash equivalent to be investments made as part of the usual management of the cash surpluses that may be rapidly converted to known cash amounts, with the intention of making such conversion in a period of no more than 90 days at a minimum risk of material loss in value.

Operating flows include all cash flows related to the company's business, as well as interest expense, interest income and, in general, all flows not defined as investment or financing. The operational concept used in this statement is more ample than the one used in the Consolidated Statement of Income.

y) Share issuance costs

These costs relate to cash share issuance and placement paid by the Parent Company for: placement fees, legal assistance, book audits, financial assistance, printing expenses and registration and filing fees. These costs have been recorded in the Share Issuance and Placement, Other Reserves, under Equity.

z) Compensation Plans

The compensation plans implemented through stock options for subscription and payment granted starting in the fourth quarter of 2007 are recognized in the financial statements according to International Financial Reporting Standard 2 on "stock-based payments." The fair value of the options is recorded on a straight-line basis between the date the options are granted and the date when they become irrevocable.

**02. ACCOUNTING STANDARDS**  
**COMPANIES INCLUDED IN THE CONSOLIDATION**

TAXPAYER ID	COMPANY	INTEREST PERCENTAGE			12-31-2007 TOTAL
		DIRECT	INDIRECT	TOTAL	
96.518.860-6	Comercial Masterhouse S.A.	99.9900	0.0100	100.0000	100.0000
96.763.900-1	Inmobiliaria Aeronáutica S.A.	99.0100	0.9900	100.0000	100.0000
96.967.400-9	Lan Card S.A.	0.0000	0.0000	0.0000	100.0000
96.969.680-0	Lan Pax Group S.A. and Subsidiaries	99.8361	0.1639	100.0000	100.0000
78.074.340-9	Sistemas de Distribución Amadeus Chile S.A.	0.0000	0.0000	0.0000	100.0000
O-E	Lan Peru S.A.	49.0000	21.0000	70.0000	70.0000
O-E	Lan Chile Investments Limited and Subsidiaries	99.9900	0.0100	100.0000	100.0000
93.383.000-4	Lan Cargo S.A.	99.8939	0.0041	99.8980	99.8980
O-E	South Florida Air Cargo Inc.	0.0000	0.0000	0.0000	100.0000
O-E	Prime Airport Services Inc.	0.0000	100.0000	100.0000	100.0000
96.951.280-7	Transporte Aéreo S.A.	0.0000	100.0000	100.0000	100.0000
96.634.020-7	Ediciones Ladeco America S.A.	0.0000	100.0000	100.0000	100.0000
O-E	Aircraft International Leasing Limited	0.0000	100.0000	100.0000	100.0000
96.631.520-2	Fast Air Almacenes de Carga S.A.	0.0000	100.0000	100.0000	100.0000
96.631.410-9	Ladeco Cargo S.A.	0.0000	100.0000	100.0000	100.0000
O-E	Laser Cargo S.R.L.	0.0000	100.0000	100.0000	100.0000
78.005.760-2	Sociedad de Seguridad Aérea S.A.	0.0000	0.0000	0.0000	100.0000
O-E	Lan Cargo Overseas Limited and Subsidiaries	0.0000	100.0000	100.0000	100.0000
96.969.690-8	Lan Cargo Inversiones S.A.	0.0000	100.0000	100.0000	100.0000
96.801.150-2	Blue Express Intl S.A. and Subsidiary	0.0000	100.0000	100.0000	100.0000
O-E	Connecta Corporation	0.0000	100.0000	100.0000	0.0000
96.854.560-4	Terminal de Exportación Inter. S.A.	0.0000	0.0000	0.0000	100.0000
96.575.810-0	Inversiones Lan S.A. and Subsidiaries	99.7100	0.0000	99.7100	99.7100

### 03. ACCOUNTING CHANGES

As from January 1, 2008, the policy was adopted of capitalizing the finance expense associated with advances for the acquisition of aircraft (interest during the manufacturing period). This accounting standard became mandatory starting in 2009. This accounting change generated a net positive effect of MUS\$26,539 on 2008 income. The cumulative effect of the change at the beginning of the fiscal year was MUS\$13,963 and it is shown under Non-Operating Income.



04. MARKETABLE SECURITIES  
BALANCE COMPOSITION

INSTRUMENTS	BOOK VALUE	
	12/31/2008	12/31/2007
Shares	0	0
Bonds	8,580	22,428
Mutual fund shares	129,846	125,524
Investment fund shares	0	0
Promissory notes	0	0
Mortgage bills	0	0
<b>Total Marketable Securities</b>	<b>138,426</b>	<b>147,952</b>

04. MARKETABLE SECURITIES  
FIXED-INCOME INSTRUMENTS

INSTRUMENT	DATE		PAR VALUE	BOOK VALUE		MARKET VALUE	PROVISION
	PURCHASE	EXPIRATION		AMOUNT	RATE		
LOCAL BONDS	06-08-2004	12-01-2009	322	283	4.66%	336	0
FOREIGN BONDS	01-05-2007	10-25-2009	9,925	8,297	7.95%	8,681	0

## 05. SHORT- AND LONG-TERM RECEIVABLES

The net provision entries are also shown in the spreadsheet Note\_05.200812C.89862200.xls, broken down according to the characteristics and percentages that best represent them.

**05. SHORT- AND LONG-TERM RECEIVABLES**  
**SHORT- AND LONG-TERM RECEIVABLES**

LINE	CURRENT							LONG-TERM	
	Out to 90 days		More than 90 days to 1 year		Subtotal	Total current (net)		12-31-2008	12-31-2007
	12-31-2008	12-31-2007	12-31-2008	12-31-2007		12-31-2008	12-31-2007		
Sales receivables	279,315	284,747	10,454	10,733	289,769	275,690	279,471	0	0
Estimated uncollectibles	-	-	-	-	14,079	-	-	-	-
Notes receivable	10,036	10,805	413	1,624	10,449	1,770	6,492	0	0
Estimated uncollectibles	-	-	-	-	8,679	-	-	-	-
Sundry receivables	51,647	51,313	109,462	131,025	161,109	161,109	182,338	11,200	12,171
Estimated uncollectibles	-	-	-	-	-	-	-	-	-
							Total long-term receivables	11,200	12,171

**05. SHORT- AND LONG-TERM RECEIVABLES**  
**SHORT- AND LONG-TERM RECEIVABLES**

	Short-term				Long-term			
	2008		2007		2008		2007	
	MUS\$	%	MUS\$	%	MUS\$	%	MUS\$	%
a) Sales receivables								
In Chile	75,284	27.31	98,828	35.36	--	--	--	--
Abroad	200,406	72.69	180,643	64.64	--	--	--	--
Total	275,690	100.00	279,471	100.00	--	--	--	--
b) Notes receivable								
In Chile	1,721	97.23	6,372	98.15	--	--	--	--
Abroad	49	2.77	120	1.85	--	--	--	--
Total	1,770	100.00	6,492	100.00	--	--	--	--
c) Sundry receivables								
Plane Advance (1)	93,399	57.97	120,906	66.31	--	--	--	--
VRG Linhas Aereas S.A. (2)	18,644	11.57	17,100	9.38	--	--	--	--
Supplier advances	17,782	11.04	10,850	5.95	--	--	--	--
Staff current accounts	7,312	4.54	5,745	3.15	3,327	29.71	3,243	26.64
Ultramar Agencia Maritima Ltda. (3)	2,821	1.75	--	--	--	--	--	--
Florida West International Airways Inc. (4)	1,803	1.12	7,500	4.11	--	--	1,129	9.28
Co-branding and Lan Pass receivables	1,100	0.68	990	0.54	--	--	--	--
Recoverable fuel insurance	--	--	7,534	4.13	--	--	--	--
Aircraft re-delivery receivables (5)	--	--	1,942	1.07	7,626	68.09	7,627	62.67
Other	18,248	11.33	9,771	5.36	247	2.20	172	1.41
Total	161,109	100.00	182,338	100.00	11,200	100.00	12,171	100.00

The balances of Sales Receivables (MUS\$14,079) and Notes Receivables (MUS\$8,679) are shown net of the uncollectibles provision (MUS\$16,009 and MUS\$5,937, respectively, in 2007).

(1) Advances paid to aircraft manufacturers are totally recovered at the time of the plane delivery. Moreover, the advances paid for Boeing 767 may be recovered before delivery at the mere request of Lan Airlines S.A. (up to 50% of the amount deposited for each plane).

(2) Accounts receivable because of the financing granted to VRG LINHAS AEREAS S.A.

(3) Account Receivable from Ultramar Agencia Maritima Ltda., amounting to MUS\$2,821, as a result of the sale of the investment in Terminal de Exportacion Internacional S.A., a subsidiary, as discussed in Note 12.

(4) Accounts receivable from Florida West International Airways Inc., amounting to MUS\$1,803 (MUS\$8,629 in 2007), reclassified to this line because of the sale of the interest in that company, as discussed in Note 12.

(5) It corresponds to costs associated with the maintenance related to flight hours incurred by the previous aircraft operator from the last repair until delivery. Such maintenance will be performed by the Parent Company and its subsidiaries. Those costs will be recovered from lessors upon termination of the lease.

## 06. INTERCOMPANY BALANCES AND TRANSACTIONS

### a) Short-Term and Long-Term Notes and Accounts Receivable and Payable

The short- and long-term balances receivable and the short-term balances payable mainly include transactions in the ordinary course of business that do not accrue interest.

### b) Other

It has been decided that all transactions made with affiliates and common shareholders are to be shown, without regard to amount.

**06. INTERCOMPANY BALANCES AND TRANSACTIONS**  
Notes and Accounts Receivable

Taxpayer I.D.	COMPANY	SHORT-TERM		LONG-TERM	
		12-31-2008	12-31-2007	12-31-2008	12-31-2007
56080790-2	Asamblea de Com. De Valle Escondido	0	55	0	0
9259640-0	Claudia Urrutia Urrutia	139	0	251	0
74501400-3	Club de Golf Valle Escondido	0	5	0	0
96778310-2	Concesionaria Chucumata S.A.	3	0	0	0
96810370-9	Inversiones Costa Verde Limitada	12	6	0	0
96669520-K	Red de Televisión Chilevisión S.A.	16	121	0	0
96812280-0	San Alberto S.A. and subsidiaries	29	29	0	0
78005760-2	Sociedad de Seguridad Aerea S.A.	905	0	0	0
96718470-5	Valle Escondido S.A.	0	10	0	0
87752000-5	Granja Marina Tornagaleones S.A.	13	0	0	0
	<b>Total</b>	<b>1,117</b>	<b>226</b>	<b>251</b>	<b>0</b>



**06. INTERCOMPANY BALANCES AND TRANSACTIONS**  
Notes and Accounts Payable

Taxpayer I.D.	COMPANY	SHORT-TERM		LONG-TERM	
		12-31-2008	12-31-2007	12-31-2008	12-31-2007
96921070-3	Austral Sociedad Concesionaria S.A.	2	33	0	0
96894180-1	Bancard Inversiones Limitada	19	10	0	0
96778310-2	Concesionaria Chucumata S.A.	0	4	0	0
96847880-K	Lufthansa Lan Technical Training S.A.	255	259	0	0
96888630-4	Sociedad Concesionaria Aerosur S.A.	0	51	0	0
O-E	Inversora Aeronautica Argentina	27	0	0	0
	<b>Total</b>	<b>303</b>	<b>357</b>	<b>0</b>	<b>0</b>

**06. INTERCOMPANY BALANCES AND TRANSACTIONS**  
Transactions

COMPANY	TAXPAYER ID.	TYPE OF RELATIONSHIP	DESCRIPTION OF TRANSACTION	12-31-2008		12-31-2007	
				AMOUNT	EFFECT ON INCOME (DEBIT/CREDIT)	AMOUNT	EFFECT ON INCOME (DEBIT/CREDIT)
AUSTRAL SOCIEDAD CONCESIONARIA S.A.	96921070-3	AFFILIATE	Aviation fees received	58	-58	77	-77
		AFFILIATE	Basic utilities received	15	-15	42	-42
		AFFILIATE	Aviation concessions received	250	-227	308	-308
		AFFILIATE	Dividends distributed	429	0	196	0
CONCESIONARIA CHUCUMATA S.A.	96778310-2	AFFILIATE	Aviation fees received	5	-5	91	-91
		AFFILIATE	Basic utilities received	90	-90	14	-14
		AFFILIATE	Aviation concessions received	18	-18	116	-116
		AFFILIATE	Dividends distributed	108	0	0	0
LUFTHANSA LAN TECHNICAL TRAINING S.A.	96847880-K	AFFILIATE	Training received	1,073	-1,073	999	-999
		AFFILIATE	Other payments on account	38	0	471	0
		AFFILIATE	Courier service rendered	0	0	5	5
		AFFILIATE	Building leased	17	14	17	14
		AFFILIATE	Right assignment made	14	0	25	0
		AFFILIATE	Dividends distributed	221	0	210	0
CHOICE AIR COURIER DEL PERU S.A.	0-E	INDIRECT AFFILIATE	Courier service rendered	0	0	8	8
		INDIRECT AFFILIATE	Other payments on account	0	0	65	0
		INDIRECT AFFILIATE	Interline collection	0	0	18	0
FLORIDA WEST INTERNATIONAL AIRWAYS INC.	0-E	INDIRECT AFFILIATE	Leased aircraft granted	0	0	32,882	32,882
		INDIRECT AFFILIATE	Leased aircraft received	0	0	30,267	-30,267
		INDIRECT AFFILIATE	Transportation service granted	0	0	682	682
		INDIRECT AFFILIATE	Transportation service received	0	0	2,517	-2,517
		INDIRECT	Maintenance service received	0	0	3,022	-3,022

		AFFILIATE					
		INDIRECT AFFILIATE	Handling agent fee	0	0	5,249	5,249
		INDIRECT AFFILIATE	Interline collection	0	0	4,509	0
		INDIRECT AFFILIATE	Payment of fuel bill	0	0	129	0
		INDIRECT AFFILIATE	Other payments on account	0	0	3,022	0
SOCIEDAD CONCESIONARIA AEROSUR S.A.	96888630-4	INDIRECT AFFILIATE	Aviation concessions received	258	-231	157	-152
		INDIRECT AFFILIATE	Aviation fees received	29	-29	105	-105
		INDIRECT AFFILIATE	Basic utilities received	8	-8	14	-14
COMUNIDAD MUJER	65216000-K	RELATED TO SHAREHOLDER	Advertising service received	0	0	10	-10
		RELATED TO SHAREHOLDER	Ticket service rendered	0	0	10	10
CLAUDIA URRUTIA URRUTIA	9259640-0	RELATED TO SHAREHOLDER	Sale of SEGAER	382	0	0	0
SOCIEDAD DE SEGURIDAD AEREA S.A.	78005760-2	RELATED TO SHAREHOLDER	Safety service received	1,842	-1,616	0	0
		RELATED TO SHAREHOLDER	Other payments on account	1,493	0	0	0
ASAMBLEA DE COMUNEROS DE VALLE ESCONDIDO S.A.	56080790-2	COMMON SHAREHOLDERS	Other services rendered	78	66	221	185
BANCARD INVERSIONES LIMITADA	96894180-1	COMMON SHAREHOLDERS	Professional assistance received	72	-72	127	-127
GRANJA MARINA TORNAGALEONES S.A.	87752000-5	COMMON SHAREHOLDERS	Ticket service rendered	43	43	18	18
INMOBILIARIA PARQUE SAN LUIS UNO S.A.	96787990-8	COMMON SHAREHOLDERS	Purchase of fixed assets	11,895	0	0	0
INVERSIONES COSTA VERDE LIMITADA	96810370-9	COMMON SHAREHOLDERS	Ticket service rendered	0	0	1	14
		COMMON SHAREHOLDERS	Propertye lease	68	68	51	51
		COMMON	Ticket service rendered	14	14	1	1

		SHAREHOLDERS					
INVERSORA AERONAUTICA ARGENTINA	0-E	COMMON SHAREHOLDERS	Property lease	294	-294	346	-346
RED DE TELEVISIÓN CHILEVISIÓN S.A.	96669520-K	COMMON SHAREHOLDERS	Advertising service received	650	-546	294	-245
		COMMON SHAREHOLDERS	Ticket service rendered	589	589	372	372

07. INVENTORIES
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The inventories as of December 31, 2008 and 2007, appraised as described in Note 2 h), include the following concepts:

	2008 MUS\$	2007 MUS\$
Spare parts and materials	50,542	49,612
Duty Free Stocks	67	4,410
	<hr/>	<hr/>
Total	50,609	54,022

## 08. DEFERRED TAXES AND INCOME TAXES

### a) General

As of December 31, 2008, the Parent Company recorded a tax loss of MUS\$8,704 (taxable profit of MUS\$49,548 in 2007) and of MUS\$40,300 (MUS\$80,728 in 2007) for some of its subsidiaries. However, some subsidiaries in the group recorded taxable profits in the amount of MUS\$46,470 (MUS\$56,395 in 2007) on the same date.

According to the foregoing and governing laws, an income tax provision has been set up in the amount of MUS\$10,239 (MUS\$18,106 in 2007) and a special tax provision for MUS\$70 (MUS\$87 in 2007), which are shown net of tax credits, under Income Tax.

### b) Deferred Taxes

Based on the standard described in Note 2 p), the balances of deferred taxes are shown in the table below.

### c) Income Tax

As of December 31, 2007, a credit was recorded in tax expense for first category tax absorbed in the dividend received from Transporte Aereo S.A. and other credits amounting to MUS\$4,198.

08. Deferred taxes and income taxes  
Deferred Taxes

CONCEPTS	12/31/2008				12/31/2007			
	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITY		DEFERRED TAX ASSETS		DEFERRED TAX LIABILITY	
	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM
<b>TEMPORARY DIFFERENCES</b>								
Uncollectibles Provision	5,213	236	0	0	4,444	141	0	0
Prepaid Income	0	0	0	0	0	0	0	0
Vacation Provision	2,509	1,109	0	0	2,511	1,402	0	0
Intangibles Amortization	109	0	0	0	57	263	0	0
Leasing Assets	0	0	0	57,645	0	0	0	55,465
Manufacturing Expenses	0	0	0	82	0	0	0	0
Depreciation of Property, Plant and Equipment	0	0	7	157,893	0	0	0	105,236
Severance Indemnities	0	0	0	0	0	0	0	0
Other Events	7,202	36,002	0	11	1,999	22,525	2,163	0
Obsolescence Provision	2,020	0	0	0	2,935	0	0	0
Accrued Tax Losses	3	14,374	0	0	34	23,320	0	0
Capitalized Commissions	0	0	2,247	0	0	0	1,742	0
Lapsed tickets	0	0	0	30,883	0	0	0	17,781
Capitalized expenses	0	0	6,610	735	0	0	1,805	1,264
Capitalized aircraft interest	0	0	0	20,456	0	0	0	13,410
Severance provision	1	194	0	0	2	139	0	0
Maintenance provision	0	0	0	18,135	0	0	0	14,790
<b>OTHER</b>								
Complementary accounts, net of amortization	0	0	0	8,169	0	0		8,407
Valuation Provision	1,648	2,476			1,648	18,136		
<b>Grand Total</b>	<b>15,409</b>	<b>49,439</b>	<b>8,864</b>	<b>277,671</b>	<b>10,334</b>	<b>29,654</b>	<b>5,710</b>	<b>199,539</b>

08. Deferred taxes and income taxes  
Income tax

ITEM	12/31/2008	12/31/2007
Current tax expense (tax provision)	-10,309	-13,995
Tax expense adjustment (previous fiscal year)	873	-1,177
Effect of deferred tax assets or liabilities for the fiscal year	-62,871	-38,462
Tax benefit from tax losses	-8,977	0
Effect of amortization of complementary deferred asset and liability accounts	-238	-238
Effect of deferred taxes on assets or liabilities because of changes in the valuation provision	15,660	-6,110
Other debits or credits to the account	1,172	207
<b>TOTALS</b>	<b>-64,690</b>	<b>-59,775</b>



09. Other current assets
--------------------------

This line breaks down as follows:

	2008	2007
	MUS\$	MUS\$
Unrealized income from forwards (1)	178,234	6,280
Derivative margin guarantees	177,840	-
Guarantees granted (planes)	208	3,634
Other guarantees	1,643	1,723
Other	893	1,403
<b>TOTAL</b>	<b>358,818</b>	<b>13,040</b>

(1) They correspond to fuel and interest rate hedging and currency forwards. The provisions associated with such agreements are shown in Other Current Liabilities.

10. Property, Plant & Equipment
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a) Property, plant and equipment

Property, plant and equipment are presented in attached electronic spreadsheet Note\_10.200812C.89862200.xls.

b) Leasing Assets

The property, plant and equipment acquired under the financial lease method are shown as Other Fixed Assets, and correspond to:

b.1) On September 30, 2004, the Parent Company sold its interest in the permanent establishments Condor Leasing LLC and Eagle Leasing LLC, both of them owners of a total of five Boeing 767-300 planes (three and two, respectively). The financial lease signed originally between both companies and Lan Airlines S.A. is still in effect for each of the aforesaid planes.

b.2) On June 30, 2006, Lan Cargo S.A., a subsidiary of Lan Airlines S.A., sold its interest in the permanent establishment Seagull Leasing LLC, owner of one Boeing 767-300F plane. The financial lease signed originally between the company and Lan Cargo S.A. is still in effect for the aforesaid plane.

b.3) On March 31, 2007, Lan Cargo S.A., a subsidiary of Lan Airlines S.A., sold its interest in the permanent establishment Bluebird Leasing LLC, owner of two Boeing 737-300F planes. The financial lease signed originally between the company and Lan Cargo S.A. is still in effect for the aforesaid planes.

c) Fleet Composition

The Parent Company and its subsidiaries own the following aircraft:

2008	2007	Aircraft	Model	Use
4	5	Boeing 737	200ADV	Passenger (*)
1	1	Boeing 737	200ADV	Cargo (*)
14	10	Boeing 767	300ER	Passenger
8	8	Boeing 767	300F	Cargo
1	1	Boeing 767	200ER	Passenger (**)
15	5	Airbus A318	100	Passenger
12	10	Airbus A319	100	Passenger
8	6	Airbus A320	200	Passenger
63	46	Total		

(\*) Leased to Sky Service S.A.

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

10. Property, Plant & Equipment
---------------------------------

Leased aircraft:

2008	2007	Aircraft	Model	Use
-	6	Boeing 737	200ADV	Passenger
12	12	Boeing 767	300ER	Passenger
1	1	Boeing 767	300F	Cargo
5	5	Airbus A319	100	Passenger
10	11	Airbus A320	200	Passenger
5	5	Airbus A340	300	Passenger
33	40	Total		
96	86	Total Fleet		

## 10. Property Plant and Equipment Property, Plant and Equipment

a) Property, plant and equipment

Property, plant and equipment are appraised as indicated in Notes 2 j), k) and l) and break down as follows:

	2008			2007		
	Asset Value	Cumulative Depreciation	Net Value	Asset Value	Cumulative Depreciation	Net Value
	MUS\$	MUS\$	MUS\$	MUS\$	MUS\$	MUS\$
Land	26,397	-	26,397	14,424	-	14,424
Buildings and infrastructure:						
Buildings	64,582	-15,885	48,697	64,313	-14,470	49,843
Other facilities	40,741	-18,391	22,350	40,164	-16,830	23,334
Constructions in progress	3,035	-	3,035	1,513	-	1,513
Total	108,358	-34,276	74,082	105,990	-31,300	74,690
Machinery and equipment:						
Boeing 767 Passenger Planes	1,053,999	-135,573	918,426	678,159	-88,863	589,296
Boeing 767 Cargo Planes	273,645	-39,316	234,329	273,343	-27,972	245,371
Boeing 737 Passenger Planes	3,157	-470	2,687	10,586	-8,099	2,487
Boeing 737 Cargo Planes	1,598	-336	1,262	3,250	-2,520	730
Airbus A320 Passenger Planes	312,504	-49,440	263,064	225,980	-37,138	188,842
Airbus A319 Passenger Planes	414,243	-45,071	369,172	342,147	-26,713	315,434
Airbus A318 Passenger Plane	441,917	-15,685	426,232	140,900	-1,785	139,115
Engines and rotables	387,030	-91,862	295,168	397,764	-110,988	286,776
Communication and computer equipment	73,135	-58,739	14,396	74,588	-56,498	18,090
Other machinery and equipment	61,345	-32,467	28,878	43,694	-29,278	14,416
Total	3,022,573	-463,959	2,553,614	2,190,411	-389,854	1,800,557
Other fixed assets:						
Leased Boeing 767 Plane (passenger)	229,923	-102,250	127,673	227,908	-98,481	129,427
Leased Boeing 767 Plane (cargo)	412,938	-153,574	259,364	410,626	-137,526	273,100
Spare parts warehouse	16,026	-	16,026	21,536	-	21,536
Office furniture and equipment	17,261	-12,053	5,208	16,270	-11,207	5,063
Other fixed assets	63,122	-32,118	31,004	63,159	-30,351	32,808
Total	739,270	-299,995	439,275	739,499	-277,565	461,934
Totals	3,896,598	-803,230	3,093,368	3,050,324	-698,719	2,351,605

The debit against income for depreciation in the fiscal year, classified under Operating Costs, amounted to MUS\$160,976 while it amounted to MUS\$13,929 for selling, general and administrative expenses (MUS\$129,289 and MUS\$14,507 respectively, in 2007).

Given their characteristics, rotables are shown as Engines and Rotables. Spare parts in stock that are consumed in more than one year are shown in Other Fixed Assets, without depreciation and net of the obsolescence provision, which amounted to MUS\$10,246 as of December 31, 2008 (MUS\$9,646 in 2007).

11. Lease-Backs
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These transactions are presented in attached electronic spreadsheet Note\_11.200812C.89862200.xls.

## 11. Lease-Backs

At the close of these Financial Statements, the Parent Company had made a lease-back as seller-lessee dated March 2002, as follows:

Description	Sale Price	Nominal Lease-Back Price	No. of installments	Term (years)	Profit on Sale	Amortization		Amount to be amortized	
	MUS\$	MUS\$			MUS\$	12/31/2008	12/31/2007	12/31/2008	12/31/2007
	MUS\$	MUS\$			MUS\$	MUS\$	MUS\$	MUS\$	MUS\$
Two Airbus A320 fleet engines	13,100	9,684	84	7	6,883	6,637	5,654	246	1,229

## 12. Investments in related companies

### a) Proportional equity value

The Parent Company has a significant influence in some of its affiliates where it holds less than 20%. Therefore, the Proportional Equity Value (PEV) has continued to be used as the valuation method.

### b) Investments abroad

The Parent Company and its subsidiaries maintain investments in foreign companies that have not made significant profit remittances at the close of both periods.

### c) Additional information

#### 1. Lan Pax Group S.A.

On December 16, 2008, a shareholders meeting of Lan Argentina S.A. decided to reduce the corporate capital in Argentine pesos by the amount of M\$47,069 (MUS\$15,562) thereby absorbing part of the cumulative income. This decision was made since the Company fell within the purview of article 206 of the Companies Law. Therefore, the new corporate capital as of December 31, 2008 amounts to M\$14,694 in Argentine pesos (MUS\$4,389).

On December 20, 2007, a special shareholders meeting decided to reduce the capital of Lan Argentina S.A., a subsidiary, in proportion to the shareholdings of each shareholder. The capital consisted of 11,068,484 nominal shares that was reduced to 6,176,253 nominal shares.

On August 28, 2007, Lan Pax Group S.A. made a capital increase in Inversora Cordillera S.A. for MUS\$18,526. Its equity interest rose from 80% to 90.52%. This transaction generated goodwill of MUS\$1,755.

#### 2. Lan Cargo S.A.

On December 31, 2008, the dissolution of South Florida Air Cargo Inc., a subsidiary of Lan Cargo S.A., was agreed. The dissolution caused the reversal of the negative equity provision for MUS\$3,802.

On December 22, 2008, Blue Express Intl S.A., a subsidiary of Lan Cargo S.A., made a distribution of final dividends amounting to MUS\$61 and a distribution of interim dividends in the amount of MUS\$1,045.

On August 7, 2008, Lan Cargo S.A. and Inversiones Lan S.A. sold all of the shares they held in Sociedad de Seguridad Aerea S.A. The gain on this sale was MUS\$133.

On July 24, 2008, Sociedad Linea Aerea Carguera de Colombia S.A. was incorporated in which Lan Cargo Inversiones S.A. has a 94.9% interest, equal to MUS\$664, Fast Air Almacenes de Carga S.A. has a 1.6% interest, equal to MUS\$11, and Transporte Aereo S.A. has an interest of 0.3%, equal to MUS\$2.

On July 2, 2008, the aviation authorities from Colombia authorized the creation of a new subsidiary of Lan Cargo S.A. in that country.

As from such date, the operating and technical certification of the company began. This process will last for a period of approximately six months. Therefore, the new subsidiary deems that operations will begin in the first quarter 2009.

On May 7, 2008, Lan Courier S.A., a subsidiary of Lan Cargo S.A., changed its name to Blue Express Intl S.A.

On April 11, 2008, Lan Cargo S.A. made a dividend distribution amounting to MUS\$42,146.

On April 10, 2008, Transporte Aereo S.A., a subsidiary of Lan Cargo S.A., decided that the payment of the interim dividends made on December 17, 2007, would be a final dividend.

On January 2, 2008, Lan Cargo S.A. and Inversiones Lan S.A. sold all of the shares they held in Terminal de Exportacion Internacional S.A. The gain on this sale was MUS\$1,636.

On December 20, 2007, Air Cargo Limited, a subsidiary of Lan Cargo Overseas Limited, sold the entire interest it held in Florida West International Airways, Inc., which generated a profit of MUS\$1,128 on the sale.

On December 20, 2007, the Corporations Division of the State of Delaware authorized the dissolution of LanLogistics, Corp., a subsidiary of Lan Cargo S.A.

On December 17, 2007, Transporte Aereo S.A., a subsidiary of Lan Cargo S.A., made an interim dividend distribution amounting to MUS\$41,000.

On May 16, 2007, LanLogistic, Corp., a subsidiary of Lan Cargo S.A., sold all of its interest in Skyworld International Couriers, Inc. and Lanbox, Inc. and on April 30, 2007, it sold its interest in All Cargo Net. These transactions generated a loss amounting to MUS\$4,252 on the sales.

On April 27, 2007, Lan Cargo S.A. made a dividend distribution in the amount of MUS\$30,866.

### 3. Lan Peru S.A.

In May 2008, Lan Peru S.A. made a dividend distribution in the amount of MUS\$681 to Lan Airlines S.A. and MUS\$292 to Inversiones Aereas S.A.

In May 2008, Lan Peru S.A. made a capital increase by capitalizing earnings for MUS\$611.

In May 2007, Lan Peru S.A. made a dividend distribution in the amount of MUS\$769 to Lan Airlines S.A. and MUS\$329 to Inversiones Aereas S.A.

### 4. Sistemas de Distribucion Amadeus Chile S.A.

On May 6, 2008, Lan Airlines S.A. and its indirect subsidiary, Transporte Aereo S.A., sold all of their shares in Sistemas de Distribucion Amadeus Chile S.A. 827 shares were sold to Amadeus IT Group S.A. and one share to Amadeus America S.A. A profit of MUS\$1,082 was earned on this sale. The sale price was MUS\$1,602.



5. Lan Cargo Inversiones S.A. (formerly Linea Aerea Nacional S.A.)

On April 22, 2008, the indirect subsidiary Linea Aerea Nacional S.A. changed its corporate name to Lan Cargo Inversiones S.A.

6. Lan Card S.A.

On December 30, 2008, Lan Airlines S.A. sold all of its shares in Lan Card S.A. to its subsidiary Inversiones Lan S.A. for the price of MUS\$99.

7. Inmobiliaria Aeronautica S.A.

On December 22, 2008, Inmobiliaria Aeronautica S.A. made a distribution of final dividend totalling MUS\$5,000.

8. Lan Chile Investments Limited

On December 31, 2008, the dissolution of Lineas Aereas de Navegacion Dominicana S.A. was agreed. The dissolution caused the reversal of the negative equity provision amounting to MUS\$3,805.

In October 2008, Trinery S.A. was wound up before the Intendency of Companies in Guayaquil.

## 12. Investments in related companies Investment Breakdown

Taxpayer ID. No.	Company	Country of Origin	Currency Controlling Investment	Number of Shares	Percentage Interest		Equity of Companies		Fiscal Year Income		Equity of Companies at Fair Value		Fiscal year Income at fair value		Accrual Income		EV/PEV		Unrealized Income		Book Value of Investment	
					12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
96921070-3	AUSTRAL SOCIEDAD CONCESIONARIA S.A.	CHILE	--	352	20.00000	20.00000	3,004	3,308	1,880	1,288	0	0	0	0	376	257	600	661	0	0	600	661
96847880-K	LUFTHANSA LAN TECHNICAL TRAINING S.A.	CHILE	--	50	50.00000	50.00000	1,160	1,405	353	448	0	0	0	0	176	224	580	702	0	0	580	702
96778310-2	CONCESIONARIA CHUCUMATA S.A.	CHILE	--	167	16.70000	16.70000	45	712	125	734	0	0	0	0	21	123	7	119	0	0	7	119
0-E	FLORIDA WEST INTERNATIONAL AIRWAYS INC.	USA	U.S. DOLLAR	0	0.00000	0.00000	0	0	0	0	0	0	0	0	-497	0	0	0	0	0	0	0
78074340-9	SISTEMA DE DISTRIBUCION AMADEUS CHILE S.A.	CHILE	U.S. DOLLAR	0	0.00000	0.00000	0	0	0	0	0	0	0	0	-162	0	0	0	0	0	0	0
78005760-2	SOIEDAD DE SEGURIDAD AEREA S.A.	CHILE	--	0	0.00000	0.00000	0	0	0	0	0	0	0	0	194	0	0	0	0	0	0	0
0-E	LANLOGISTICS CORP	USA	U.S. DOLLAR	0	0.00000	0.00000	0	0	0	0	0	0	0	0	-5,193	0	0	0	0	0	0	0
96967400-9	LANCARD S.A.	CHILE	U.S. DOLLAR	0	0.00000	0.00000	0	0	0	0	0	0	0	0	345	0	0	0	0	0	0	0
0-E	TRINERY S.A.	ECUADOR	U.S. DOLLAR	0	0.00000	0.00000	0	0	0	0	0	0	0	0	-2	0	0	0	0	0	0	0
	TOTAL																1,187	1,482	0	0	1,187	1,482

### 13. Goodwill and Negative Goodwill

1. On May 16, 2007, the subsidiary of Lan Cargo S.A., LanLogistics, Corp., sold all of its interest in Skyworld International Couriers, Inc. and Lan Box, Inc., thereby eliminating the goodwill on the investment that LanLogistics, Corp. had recorded in the purchase of these investments. Upon eliminating the consolidation of these companies, the negative goodwill on the investment is no longer shown that was recorded from the purchase of Choice Air Courier del Peru S.A. by Skyworld International Couriers, Inc.

2. On December 20, 2007, Air Cargo Limited, a subsidiary of Lan Cargo Overseas, sold all of its interest in Florida West International Airways S.A., thereby eliminating during 2008 the goodwill on the investment that Lan Cargo Overseas had recorded in the purchase of this investment in Air Cargo Limited.

**13. Goodwill and Negative Goodwill  
Goodwill**

TAXPAYER I.D. NUMBER	COMPANY	12/31/2008		12/31/2007	
		AMOUNT AMORTIZED IN PERIOD	GOODWILL BALANCE	AMOUNT AMORTIZED IN PERIOD	GOODWILL BALANCE
93383000-4	LAN CARGO S.A.	1,810	15,384	1,810	17,194
0-E	INVERSORA CORDILLERA S.A.	422	7,196	363	7,617
0-E	INVERSIONES AEREAS S.A.	294	3,708	294	4,002
0-E	MAS INVESTMENT LIMITED	171	2,046	171	2,217
0-E	AEROLINEAS BRASILEIRAS S.A.	143	1,870	143	2,014
0-E	PROMOTORA AEREA LATINOAMERICANA S.A.	84	1,126	84	1,211
0-E	AIR CARGO LIMITED	0	0	43	553
0-E	LAN ARGENTINA S.A.	45	551	37	634
0-E	PRIME AIRPORT SERVICES INC.	35	334	35	369
0-E	AEROTRANSPORTES MAS DE CARGA S.A.	10	136	10	146
0-E	H.G.A. RAMPAS Y SERVICIOS AEROPORTUARIOS DE GUAYAQUIL S.A.	2	30	2	33
0-E	H.G.A. RAMPAS DEL ECUADOR S.A.	2	31	2	32
	TOTAL	3,018	32,412	2,994	36,022

<b>14. Intangibles</b>
------------------------

As of December 31, 2008 and 2007, Intangibles, appraised according to Note 2 m), include the following concepts:

	<b>2008</b>			<b>2007</b>		
	Asset	Cumulative	Net	Asset	Cumulative	Net
	Value	Depreciation	Value	Value	Depreciation	Value
	MUS\$	MUS\$	MUS\$	MUS\$	MUS\$	MUS\$
Software	48,485	-21,502	26,983	38,428	-14,750	23,678
Other	3,739	-2,158	1,581	4,826	-2,436	2,390
Total	52,224	-23,660	28,564	43,254	-17,186	26,068

The debit to income for amortization in the period amounted to MUS\$7,822 (MUS\$6,384 in 2007).

15. Other (Assets)
--------------------

This line breaks down as follows:

	2008	2007
	MUS\$	MUS\$
a) Deposits in guarantee:		
Deposits in guarantee (planes)	13,681	13,781
Other	2,209	2,568
Subtotal	15,890	16,349
b) Other long-term assets:		
Plane advances (1)	193,325	300,094
Unrealized income from forward (2)	154,602	57,177
Spare parts for sale (3)	4,701	1,645
Aircraft for sale (3)	1,179	2,430
Other	16,645	5,064
Subtotal	370,452	366,410
Total	386,342	382,759

- (1) They correspond mainly to advances for aircraft purchased. These plane advances will be recovered when the plane is received, depending upon the agreed conditions. The short-term figures are included in Sundry Receivables, as indicated in Note 5 c).
- (2) They correspond to fuel and interest rate hedging agreements.
- (3) These amounts are shown net of the provision for adjustment to market value amounting to MUS\$13,007 (MUS\$2,186 in 2007).



17. Other Current Liabilities
-------------------------------

This line breaks down as follows:

	2008	2007
	MUS\$	MUS\$
Forwards (1)	178,145	4,722
Guarantee (planes)	620	-
Other	1,725	917
Total	180,490	5,639

(1) They correspond to fuel, interest rate and currency hedging agreements.





19. Provisions and Write-offs
-------------------------------

a) Provisions

This line is comprised as follows, and appraised according to Note 2 r):

	Short term		Long term	
	2008	2007	2008	2007
	MUS\$	MUS\$	MUS\$	MUS\$
Plane and engine maintenance	60,830	65,921	55,641	48,544
Vacations	16,612	16,684	6,204	7,934
Lan Pass Award	7,983	8,906	-	-
Bonuses	1,731	1,011	-	-
Provision for investigation by the European Commission (1)	-	-	25,000	25,000
Other	7,303	8,024	5,748	12,963
<b>TOTAL</b>	<b>94,459</b>	<b>100,546</b>	<b>92,593</b>	<b>94,441</b>

b) Write-offs

Write-offs made as of December 31, 2008 and 2007, are as follows:

	2008	2007
	MUS\$	MUS\$
Uncollectible receivables	2,905	7,862
Spare part and rotatable obsolescence	1,441	849
<b>Total</b>	<b>4,346</b>	<b>8,711</b>

Both write-offs were debited against provisions.

(1) A provision established based on the proceedings before the European Commission for eventual unfair commercial practices on the air cargo market.

20. Other Long-Term Liabilities
---------------------------------

Other long-term liabilities break down as follows:

	2008	2007
	MUS\$	MUS\$
Leasing debt (1)	178,894	233,768
Forward (2)	150,452	51,593
Early collection of U.S. sales (3)	-	6,753
Other	835	806
<b>TOTAL</b>	<b>330,181</b>	<b>292,920</b>

- (1) The short-term portion, amounting to MUS\$63,654 (MUS\$61,960 in 2007), is shown in the account Long-term Obligations to Expire within One Year.
- (2) Interest rate and fuel hedging contracts.
- (3) On August 22, 2002, Lan Airlines S.A. entered into a securitization agreement with Pelican Finance Ltd. for an initial sum of MUS\$40,000. Under this agreement, it agreed to assign and sell in the United States of America the rights corresponding to the company to collect and receive future credit card ticket sales made in that country using certain credit cards. The assignment of those rights authorizes the assignee to recover the investment between 2006 and 2009, at a financial cost of 6.96% annually.

Disbursements under the aforesaid agreement are shown in the line Other Financing Disbursements in the Consolidated Statement of Cash Flow (Note 27).

In relation to the Consolidated Statement of Income, interest accrued is shown under the line Interest Expense within Non-Operating Income.

The short-term portion amounting to MUS\$6,753 (MUS\$12,826 in 2007) is shown in the line Long-term Obligations to Expire within One Year.

21. Minority Interest
-----------------------

The minority interest recognized by the Parent Company with respect to liabilities and income is as follows:

TAX REGISTRATION NUMBER	Company	Minority Interest - Liability	
		2008 MUS\$	2007 MUS\$
0-E	Lan Cargo Overseas Limited	2,158	2,768
0-E	Lan Peru S.A.	2,093	2,161
96.969.680-0	Lan Pax Group S.A.	1,142	-121
93.383.000-4	Lan Cargo S.A.	307	372
96.575.810-0	Inversiones Lan S.A.	21	9
	Total	5,721	5,189

TAX REGISTRATION NUMBER	Company	Minority Interest - Income	
		2008 MUS\$	2007 MUS\$
0-E	Lan Cargo Overseas Limited	612	-752
93.383.000-4	Lan Cargo S.A.	22	-143
96.969.680-0	Lan Pax Group S.A.	-1,461	1,876
0-E	Lan Peru S.A.	-350	-692
96.575.810-0	Inversiones Lan S.A.	-11	-
	Total	-1,188	289

## 22 . Changes in Equity

### a) Capital increase

The Special Shareholders Meeting of the Parent Company, held April 5, 2007, approved a capital increase through the issuance of 22,090,910 cash shares, of the same characteristics as the existing ones, 19,881,819 of which have been subscribed and paid-in as of December 31, 2008, equal to MUS\$319,141.

### b) Employee stock options

A special shareholders meeting of the Parent Company held April 5, 2007 approved an executive compensation plan that entailed stock options. 10% of the shares in the capital increase approved on that same date were allocated to this plan.

On May 17, 2007, the Board of the Parent Company approved granting options for a total of 2,209,091 shares to a group of executives at the placement price set for that purpose, or US\$16.11208 per share. This was formalized through the execution of stock option agreements in the proportions provided in the accrual table below in relation to the time each executive has been in the employ of the Company when the options are exercised:

Percentage Period:	30% from July 1, 2009
	30% from July 1, 2010
	40% from July 1, 2011

According to Note 2.z), these options were appraised and recorded at the fair value on the date they were granted, which was calculated using the Black-Sholes-Merton method.

The fair value, amounting to MUS\$4,202, is recorded against salaries and credited to other reserves on a straight-line basis during the period from the grant of the option to the date when the option becomes irrevocable.

As of December 31, 2008, contracts had been signed for a total of 1,604,000 stock options.

### c) Dividends

At a Regular Board Meeting of the Parent Company held December 23, 2008, payment of an interim dividend of US\$0.30993 per share was approved on account of 2008 fiscal year profits. As of December 31, 2008, this amount is shown in the line Dividends Payable, and the dividends will be paid in January 2009.

At a Regular Board Meeting of the Parent Company held July 29, 2008, payment of an interim dividend of US\$0.28568 per share was approved on account of 2008 fiscal year profits, which was paid in August 2008.

At a Regular Shareholders Meeting of the Parent Company held April 10, 2008, payment of a final dividend of US\$0.63705 per share was approved on account of 2007 fiscal year profits. The interim dividends of US\$0.26596 (paid in August 2007) and US\$0.35389 (paid in January 2008) per share were

imputed toward this final dividend, leaving a balance of US\$0.01720 per share pending payment. That payment was made in May 2008.

At a Regular Board Meeting of the Parent Company held December 21, 2007, payment of an interim dividend of US\$0.35389 per share was approved on account of 2007 fiscal year profits. At December 31, 2007, this amount was shown in Dividends Payable and it was paid in January 2008.

At a Regular Board Meeting of the Parent Company held July 31, 2007, payment of an interim dividend of US\$0.26596 per share was approved on account of 2007 fiscal year profits. That dividend was paid in August 2007.

The Regular Shareholders Meeting of the Parent Company, held April 5, 2007, approved the distribution of final dividends on account of 2006 fiscal year profits in the amount of US\$0.52965 per share. The interim dividends of US\$0.15071 (paid in July 2006) and US\$0.21256 (paid in December 2006) per share were imputed toward such amount. An amount equal to US\$0.16638 per share was pending payment, which was paid in April 2007.

The book value of the share was US\$3.2999 at the close of the fiscal year (US\$2.9164 as of December 31, 2007).

d) Other Reserves

The balance in the Other Reserves line was as follows at the close of each period:

	2008	2007
	MUS\$	MUS\$
Reserve for fixed asset adjustment	2,620	2,620
Costs of share issuance and placement (1)	-2,672	-2,672
Options on cash shares	1,801	-
Total	1,749	-52

(1) See Note 26.

## 22 . Changes in Equity Changes in Equity

LINES	12/31/2008									12/31/2007								
	PAID-IN CAPITAL	CAPITAL REVALUATION RESERVE	PREMIUM ON SALE OF SHARES	OTHER RESERVES	FUTURE DIVIDEND RESERVES	RETAINED EARNINGS	INTERIM DIVIDENDS	DEFICIT IN PERIOD OF DEVELOPMENT	FISCAL YEAR PROFIT (LOSS)	PAID-IN CAPITAL	CAPITAL REVALUATION RESERVE	PREMIUM ON SALE OF SHARES	OTHER RESERVES	FUTURE DIVIDEND RESERVES	RETAINED EARNINGS	INTERIM DIVIDENDS	DEFICIT IN PERIOD OF DEVELOPMENT	FISCAL YEAR PROFIT (LOSS)
Initial Balance	453,444	0	0	-52	0	436,337	-210,000	0	308,323	134,303	0	0	2,620	0	363,947	-115,850	0	241,300
Distribution of previous fiscal year profits	0	0	0	0	0	308,323	0	0	-308,323	0	0	0	0	0	241,300	0	0	-241,300
Final dividend for previous fiscal year	0	0	0	0	0	-215,827	210,000	0	0	0	0	0	0	0	-168,910	115,850	0	0
Capital increase because of cash share issue	0	0	0	0	0	0	0	0	0	319,141	0	0	-2,672	0	0	0	0	0
Capitalization of reserves and/or profits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cumulative deficit in period of development	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends Distributed	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options on cash shares	0	0	0	1,801	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revaluation of equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fiscal year profit (loss)	0	0	0	0	0	0	0	0	335,739	0	0	0	0	0	0	0	0	308,323
Interim dividends	0	0	0	0	0	0	-201,787	0	0	0	0	0	0	0	0	-210,000	0	0
Final balance	453,444	0	0	1,749	0	528,833	-201,787	0	335,739	453,444	0	0	-52	0	436,337	-210,000	0	308,323
Adjusted Balances	--	--	--	--	--	--	--	--	--	453,444	0	0	-52	0	436,337	-210,000	0	308,323

22. Changes in equity  
Number of Shares

SERIES	NUMBER OF SUBSCRIBED SHARES	NUMBER OF PAID-IN SHARES	NUMBER OF VOTING SHARES
SINGLE	338,790,909	338,790,909	338,790,909



22. Changes in equity  
Capital (amount in M\$)

SERIES	SUBSCRIBED CAPITAL	PAID-IN CAPITAL
SINGLE	453,444	453,444

23. Other Non-Operating Income and Disbursements
--

Other non-operating income and disbursements break down as follows:

	2008	2007
	MUS\$	MUS\$
a) Other non-operating income:		
Fuel hedge	35,405	28,190
Effect at the beginning of accounting change (Note 3)	13,963	-
Profit on the sale of investments	3,886	1,128
Gain on the sale of property, plant and equipment	1,382	1,213
Other	1,359	1,271
<b>TOTAL</b>	<b>55,995</b>	<b>31,802</b>
b) Other non-operating disbursements:		
Agreement with the U.S. Department of Justice (1)	109,000	-
Provision for investigation by the European Commission (2)	-	25,000
Other	6,026	2,817
<b>TOTAL</b>	<b>115,026</b>	<b>27,817</b>

(1) Accounts payable as a result of the agreement reached with the U.S. Department of Justice in its investigation of a violation of fair commercial practices on the air cargo market.

(2) Provision set up for processes by the European Commission due to eventual unfair commercial practices on the air cargo market.

24. Price-level Restatement  
Price-Level Restatement

ASSETS (DEBITS) / CREDITS	ADJUSTMENT INDEX	12/31/2008	12/31/2007
INVENTORIES	0	0	2
PROPERTY, PLANT & EQUIPMENT	CPI	221	391
INVESTMENTS IN RELATED COMPANIES	CPI	71	83
OTHER NON-MONETARY ASSETS	CPI	1,190	923
EXPENSE AND COST ACCOUNTS	CPI	4,897	1,820
TOTAL (DEBITS) CREDITS	--	6,379	3,219
<b>LIABILITIES (DEBITS) / CREDITS</b>			
EQUITY	0	0	0
NON-MONETARY LIABILITIES	CPI	20	1
INCOME ACCOUNTS	0	-5,521	-2,206
TOTAL (DEBITS) CREDITS	--	-5,501	-2,205
<b>(LOSS) PROFIT FROM PRICE-LEVEL RESTATEMENT</b>		<b>878</b>	<b>1,014</b>

25. Exchange Differentials  
Exchange Differentials

LINE	CURRENCY	AMOUNT	
		12/31/2008	12/31/2007
ASSETS (DEBITS) CREDITS			
CASH	EURO	188	105
CASH	BRAZILIAN REAL	-971	-31
CASH	ARGENTINE PESO	-16	-135
CASH	MEXICAN PESO	-352	-36
CASH	NON-ADJUSTABLE PESO	3,000	-4,346
CASH	OTHER CURRENCIES	-77	-53
TIME DEPOSITS	ADJUSTABLE PESO	1,060	5,906
TIME DEPOSITS	OTHER CURRENCIES	-281	-14
MARKETABLE SECURITIES	EURO	0	9
MARKETABLE SECURITIES	ADJUSTABLE PESO	-2,616	57
MARKETABLE SECURITIES	OTHER CURRENCIES	-1,805	-31
SALES RECEIVABLES	COLOMBIAN PESO	1,372	-68
SALES RECEIVABLES	EURO	2,676	4,958
SALES RECEIVABLES	BRAZILIAN REAL	-1,298	1,456
SALES RECEIVABLES	ARGENTINE PESO	-686	-161
SALES RECEIVABLES	AUSTRALIAN DOLLAR	2,728	-554
SALES RECEIVABLES	NON-ADJUSTABLE PESO	-6,040	2,541
SALES RECEIVABLES	OTHER CURRENCIES	587	592
NOTES RECEIVABLE	COLOMBIAN PESO	-18	0
NOTES RECEIVABLE	NON-ADJUSTABLE PESO	-507	37
NOTES RECEIVABLE	OTHER CURRENCIES	-118	85
SUNDRY RECEIVABLES	NON-ADJUSTABLE PESO	-3,915	957
SUNDRY RECEIVABLES	ADJUSTABLE PESO	-177	659
SUNDRY RECEIVABLES	OTHER CURRENCIES	2,770	2,621
RECOVERABLE TAXES	BRAZILIAN REAL	-1,366	382
RECOVERABLE TAXES	ARGENTINE PESO	-646	-217
RECOVERABLE TAXES	MEXICAN PESO	-3,231	-129
RECOVERABLE TAXES	ADJUSTABLE PESO	-6,339	1,680
RECOVERABLE TAXES	OTHER CURRENCIES	-3,425	233
PREPAID EXPENSES	NON-ADJUSTABLE PESO	-32	3
PREPAID EXPENSES	OTHER CURRENCIES	-67	33
DEFERRED TAXES	MEXICAN PESO	-30	-10
DEFERRED TAXES	NEW SOL	-364	77
DEFERRED TAXES	OTHER CURRENCIES	1	0
OTHER CURRENT ASSETS	BRAZILIAN REAL	-143	0
OTHER CURRENT ASSETS	NON-ADJUSTABLE PESO	1,016	-455
OTHER CURRENT ASSETS	ADJUSTABLE PESO	-14	12
OTHER CURRENT ASSETS	OTHER CURRENCIES	-67	24
INVESTMENTS IN RELATED COMPANIES	NON-ADJUSTABLE PESO	-3,095	1,351
INVESTMENTS IN RELATED COMPANIES	OTHER CURRENCIES	298	278
INVESTMENTS IN OTHER COMPANIES	ADJUSTABLE PESO	-84	84
GOODWILL	ARGENTINE PESO	-39	-17
LONG-TERM RECEIVABLES	ADJUSTABLE PESO	-379	415
OTHER	NON-ADJUSTABLE PESO	-60	-16
OTHER	ADJUSTABLE PESO	-8	9
OTHER	OTHER CURRENCIES	-80	36

Total (Debits) Credits		-22,650	18,327
<b>LIABILITIES (DEBITS) / CREDITS</b>			
S/T BANK DEBT	ARGENTINE PESO	0	55
S/T PORTION OF L/T BANK DEBT	NON-ADJUSTABLE PESO	0	-1
DIVIDENDS PAYABLE	ADJUSTABLE PESO	12	-12
ACCOUNTS PAYABLE	EURO	-83	-98
ACCOUNTS PAYABLE	BRAZILIAN REAL	1,662	-241
ACCOUNTS PAYABLE	ARGENTINE PESO	-961	32
ACCOUNTS PAYABLE	MEXICAN PESO	395	29
ACCOUNTS PAYABLE	NEW SOL	424	-572
ACCOUNTS PAYABLE	NON-ADJUSTABLE PESO	11,674	-6,931
ACCOUNTS PAYABLE	OTHER CURRENCIES	-562	-1,205
NOTES PAYABLE	OTHER CURRENCIES	0	1
SUNDRY PAYABLES	NON-ADJUSTABLE PESO	1	-28
INTERCOMPANY NOTES AND ACCOUNTS PAYABLE	NON-ADJUSTABLE PESO	1,822	-464
INTERCOMPANY NOTES AND ACCOUNTS PAYABLE	OTHER CURRENCIES	758	-294
PROVISIONS	BRAZILIAN REAL	567	-302
PROVISIONS	ARGENTINE PESO	-216	0
PROVISIONS	NON-ADJUSTABLE PESO	1,284	-554
PROVISIONS	OTHER CURRENCIES	652	-4
WITHHOLDINGS	ARGENTINE PESO	-79	-13
WITHHOLDINGS	NON-ADJUSTABLE PESO	-1,188	-1,278
WITHHOLDINGS	ADJUSTABLE PESO	103	-316
WITHHOLDINGS	OTHER CURRENCIES	-418	-305
INCOME TAX	MEXICAN PESO	-4	4
INCOME TAX	NON-ADJUSTABLE PESO	-53	0
INCOME TAX	OTHER CURRENCIES	137	-73
PREPAID INCOME	NON-ADJUSTABLE PESO	-11,975	12,690
PREPAID INCOME	OTHER CURRENCIES	9,959	-1,722
OTHER CURRENT LIABILITIES	BRAZILIAN REAL	256	0
OTHER CURRENT LIABILITIES	NON-ADJUSTABLE PESO	59	-10
OTHER CURRENT LIABILITIES	OTHER CURRENCIES	2	-19
L/T PROVISIONS	BRAZILIAN REAL	177	-200
L/T PROVISIONS	NON-ADJUSTABLE PESO	1,449	-412
L/T PROVISIONS	OTHER CURRENCIES	119	-24
L/T DEFERRED TAXES	NEW SOL	-10	26
L/T DEFERRED TAXES	OTHER CURRENCIES	-1,212	-367
OTHER L/T LIABILITIES	OTHER CURRENCIES	33	-19
Total (Debits) Credits		14,784	-2,627
Profit (Loss) on Exchange Differential		-7,866	15,700

26. Expenses for share issuance and placement
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Expenses for share issuance and placement incurred by the Parent Company as of December 31, 2008 and recorded according to Note 2 y) are as follows:

	MUS\$	MUS\$
	2008	2007
Placement fees	1,671	1,671
Legal assistance	547	547
Book audits	176	176
Financial assistance	129	129
Printing and other expenses	100	100
Filing and registration fees	49	49
Total	2,672	2,672

These expenses are recorded in an equity account classified under Other Reserves, called Expenses of Share Issuance and Placement.

According to Circular Letter No. 1,736 of the Superintendency of Securities and Insurance, the account for Expenses of Share Issuance and Placement must be deducted from Equity at the next Special Shareholders Meeting to be held by the Parent Company.

27. Statements of Cash Flow
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Other Financing Disbursements are as follows:

	2008 MUS\$	2007 MUS\$
Derivative margin collateral (1)	177,841	-
Securitization (2)	12,826	11,970
Total	190,667	11,970

- (1) See Note 9.
- (2) See Note 20.

## 28. Derivative Agreements

The derivative agreements have been valued according to provisions in Technical Bulletin No. 57 of the Chilean Accountants Association, pursuant to Note 2 u).



**28. Derivative Agreements**  
**Derivative Agreements**

Type of Derivative	Type of contract	Contract Description						Value of the Protected Item	Accounts affected			
		Value of the contract	Term or Expiry Date	Specific Item	Purchase /Sale Position	Transaction or Item Protected			Assets/Liabilities		Effect on results	
						Name	Amount		Name	Amount	Realized	Unrealized
S	CCTE	52,664	II 2010	Interest rate	C	Loan	52,664	11,019	0	0	-350	-391
S	CCTE	48,431	II 2010	Interest rate	C	Loan	48,431	10,144	0	0	-318	-358
S	CCTE	50,934	III 2010	Interest rate	C	Loan	50,934	11,759	0	0	-404	-654
S	CCTE	51,462	IV 2010	Interest rate	C	Loan	51,462	13,018	0	0	-364	-526
S	CCTE	58,062	IV 2011	Interest rate	C	Loan	58,062	20,977	0	0	-681	-1,485
S	CCTE	69,055	III 2012	Interest rate	C	Loan	69,055	29,034	0	0	-923	-2,535
S	CCTE	32,874	IV 2017	Interest rate	C	Loan	32,874	26,451	0	0	-347	-3,134
S	CCTE	32,874	IV 2017	Interest rate	C	Loan	32,874	26,451	0	0	-409	-3,184
S	CCTE	33,098	IV 2019	Interest rate	C	Loan	33,098	31,055	0	0	-780	-5,743
S	CCTE	33,219	IV 2019	Interest rate	C	Loan	33,219	31,103	0	0	-855	-5,842
OE	CCTE	12,750	III 2012	Interest rate	C	Loan	12,750	7,154	0	0	-38	-83
OE	CCTE	12,825	IV 2012	Interest rate	C	Loan	12,825	7,674	0	0	-43	-97
OE	CCTE	11,604	I 2013	Interest rate	C	Loan	11,604	7,392	0	0	-31	-65
OE	CCTE	31,530	III 2014	Interest rate	C	Loan	31,530	17,306	0	0	-194	104
OE	CCTE	32,227	IV 2014	Interest	C	Loan	32,227	18,715	0	0	-184	-460

				rate								
OE	CCTE	32,182	IV 2014	Interest rate	C	Loan	32,182	18,754	0	0	-190	-457
OE	CCTE	31,814	IV 2014	Interest rate	C	Loan	31,814	18,763	0	0	-207	-618
OE	CCTE	30,257	IV 2015	Interest rate	C	Plane Lease	30,257	0	0	0	-211	188
OE	CCTE	30,257	IV 2015	Interest rate	C	Plane Lease	30,257	0	0	0	-231	186
OE	CCTE	24,500	III 2016	Interest rate	C	Plane Lease	24,500	0	0	0	-114	-474
OE	CCTE	24,500	IV 2016	Interest rate	C	Plane Lease	24,500	0	0	0	-115	-462
S	CCTE	4,693	II 2010	Interest rate	C	Loan	4,693	1,811	0	0	-39	-51
S	CCTE	4,698	II 2010	Interest rate	C	Loan	4,698	1,814	0	0	-39	-52
S	CCTE	5,317	IV 2010	Interest rate	C	Loan	5,317	2,327	0	0	-44	-96
S	CCTE	5,210	III 2010	Interest rate	C	Loan	5,210	2,115	0	0	-48	-78
S	CCTE	6,757	IV 2011	Interest rate	C	Loan	6,757	3,754	0	0	-79	-207
S	CCTE	5,607	III 2012	Interest rate	C	Loan	5,607	3,500	0	0	-70	-235
S	CCTE	7,489	III 2013	Interest rate	C	Loan	7,489	4,024	0	0	-78	-317
S	CCTE	7,772	IV 2013	Interest rate	C	Loan	7,772	4,112	0	0	-61	-334
S	CCTE	29,977	IV 2020	Interest rate	C	Loan	29,977	29,977	0	0	-100	-5,840
S	CCTE	29,982	IV 2020	Interest rate	C	Loan	29,982	29,982	0	0	-96	-5,841
S	CCTE	71,383	III 2020	Interest rate	C	Loan	71,383	0	0	0	0	-11,366
S	CCTE	74,590	I 2015	Interest rate	C	Loan	74,590	0	0	0	0	-8,564
S	CCTE	74,742	I 2015	Interest rate	C	Loan	74,742	0	0	0	0	-8,466

S	CCTE	74,948	I 2015	Interest rate	C	Loan	74,948	0	0	0	0	-8,539
S	CCTE	126,652	IV 2016	Interest rate	C	Loan	126,652	0	0	0	0	-10,231
S	CCTE	130,452	IV 2017	Interest rate	C	Loan	130,452	0	0	0	0	-9,564
S	CCTE	24,586	IV 2020	Interest rate	C	Loan	24,586	0	0	0	0	-4,955
S	CCTE	24,586	IV 2020	Interest rate	C	Loan	24,586	0	0	0	0	-4,955
S	CCTE	24,586	IV 2020	Interest rate	C	Loan	24,586	0	0	0	0	-4,955
S	CCTE	36,737	IV 2015	Interest rate	C	Loan	36,737	0	0	0	0	-3,543
S	CCTE	36,737	IV 2015	Interest rate	C	Loan	36,737	0	0	0	0	-3,543
S	CCTE	36,737	IV 2015	Interest rate	C	Loan	36,737	0	0	0	0	-3,543
S	CCTE	36,651	I 2016	Interest rate	C	Loan	36,651	0	0	0	0	-3,273
S	CCTE	36,651	I 2016	Interest rate	C	Loan	36,651	0	0	0	0	-3,273
S	CCTE	36,651	I 2016	Interest rate	C	Loan	36,651	0	0	0	0	-3,273
S	CCTE	37,197	III 2016	Interest rate	C	Loan	37,197	0	0	0	0	-3,203
S	CCTE	37,473	IV 2016	Interest rate	C	Loan	37,473	0	0	0	0	-3,137
S	CCTE	37,751	II 2017	Interest rate	C	Loan	37,751	0	0	0	0	-3,047
S	CCTE	32,909	II 2016	Interest rate	C	Loan	32,909	0	0	0	0	-2,820
S	CCTE	33,153	III 2016	Interest rate	C	Loan	33,153	0	0	0	0	-2,775
S	CCTE	33,399	IV 2016	Interest rate	C	Loan	33,399	0	0	0	0	-2,736
S	CCTE	33,399	IV 2017	Interest rate	C	Loan	33,399	0	0	0	0	-2,736
S	CCTE	33,647	I 2017	Interest	C	Loan	33,647	0	0	0	0	-2,676

				rate								
S	CCTE	33,647	I 2017	Interest rate	C	Loan	33,647	0	0	0	0	-2,676
OE	CCTE	18,990	I-II 2009	Fuel	C	Fuel Purchase	18,990	0	0	0	0	-18,965
OE	CCTE	18,432	I-II 2009	Fuel	C	Fuel Purchase	18,432	0	0	0	0	-18,408
OE	CCTE	9,216	I-II 2009	Fuel	C	Fuel Purchase	9,216	0	0	0	0	-9,204
OE	CCTE	9,216	I-II 2009	Fuel	C	Fuel Purchase	9,216	0	0	0	0	-9,204
OE	CCTE	8,779	I-II 2009	Fuel	C	Fuel Purchase	8,779	0	0	0	0	-8,767
OE	CCTE	8,779	I-II 2009	Fuel	C	Fuel Purchase	8,779	0	0	0	0	-8,767
OE	CCTE	16,154	I-II 2009	Fuel	C	Fuel Purchase	16,154	0	0	0	0	-16,130
OE	CCTE	4,846	I-II 2009	Fuel	C	Fuel Purchase	4,846	0	0	0	0	-4,839
OE	CCTE	3,231	I-II 2009	Fuel	C	Fuel Purchase	3,231	0	0	0	0	-3,226
OE	CCTE	4,846	I-II 2009	Fuel	C	Fuel Purchase	4,846	0	0	0	0	-4,839
OE	CCTE	3,231	I-II 2009	Fuel	C	Fuel Purchase	3,231	0	0	0	0	-3,226
OE	CCTE	10,255	II-III 2009	Fuel	C	Fuel Purchase	10,255	0	0	0	0	-10,181
OE	CCTE	6,409	II-III 2009	Fuel	C	Fuel Purchase	6,409	0	0	0	0	-6,364
OE	CCTE	6,324	II-III 2009	Fuel	C	Fuel Purchase	6,324	0	0	0	0	-6,278
OE	CCTE	9,454	III-IV 2009	Fuel	C	Fuel Purchase	9,454	0	0	0	0	-9,315
OE	CCTE	5,654	III-IV 2009	Fuel	C	Fuel Purchase	5,654	0	0	0	0	-5,567
OE	CCTE	5,909	III-IV 2009	Fuel	C	Fuel Purchase	5,909	0	0	0	0	-5,823
OE	CCTE	5,427	IV 2009 – I 2010	Fuel	C	Fuel Purchase	5,427	0	0	0	0	-5,290

OE	CCTE	5,427	IV 2009 – I 2010	Fuel	C	Fuel Purchase	5,427	0	0	0	0	-5,290
OE	CCTE	5,427	IV 2009 – I 2010	Fuel	C	Fuel Purchase	5,427	0	0	0	0	-5,290
OE	CCTE	5,427	IV 2009 – I 2010	Fuel	C	Fuel Purchase	5,427	0	0	0	0	-5,290
FR	CCPE	10,062	I 2009	Dollar	C	Time Deposits	10,062	10,062	0	0	-601	0
FR	CCPE	10,129	I 2009	Dollar	C	Time Deposits	10,129	10,129	0	0	-241	0
FR	CCPE	5,066	I 2009	Dollar	C	Time Deposits	5,066	5,066	0	0	-117	0
FR	CCPE	5,056	I 2009	Dollar	C	Time Deposits	5,056	5,056	0	0	-102	0
FR	CCPE	10,022	I 2009	Dollar	C	Time Deposits	10,022	10,022	0	0	-284	0

29. Contingencies and Restrictions
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a) Lawsuits

Lawsuits are presented in attached electronic datasheet Note\_29.200812C.89862200.xls.

b) Guarantees, Other Contingencies and Commitments

Other contingencies are presented in attached electronic datasheet Note\_29.200812C.89862200.xls.

b.1) Aircraft Leases:

Lessor	Type of Aircraft	Quantity
International Lease Finance Corporation	767	8
The Boeing Co.	767	1
CIT Aerospace International	767	1
Celestial Aviation Trading 35 Limited	767	1
Celestial Aviation Trading 16 Limited	767	1
Nordea Finance Sweden PLC	767	1
Celestial Aviation Trading 39 Limited (1)	777	2
International Lease Finance Corporation (2)	787	6
TAF Mercury Lease Limited	A319	1
TAF Venus Lease Limited	A319	1
M-One Wisteria Lease Co., Limited	A319	1
MLD T.I.S. Co., Limited	A319	1
C.B.L. Inc.	A319	1
Bi Opal Lease Co., Limited	A320	3
IA Crane Limited	A320	1
IA Hawk Limited	A320	1
IA Hummingbird Limited	A320	1
IA Lark Limited	A320	1
Intercontinental Commuter Lease Co., Limited	A320	1
Orix Aviation Systems Limited	A320	2
IA Cormorant Limited	A340	1
IA Sparrow Limited	A340	1
Bi Opal Lease Co., Limited	A340	1
IA Mariners Lease Co., Limited	A340	1
Air Canada	A340	1
Total		41

- (1) This refers to two Boeing 777 freighter under an agreement signed with Celestial Aviation Trading 39 Limited on April 30, 2007. They will be received in April and May 2009.
- (2) Six Boeing 787 Dreamliner aircraft, under a contract signed with International Lease Finance Corporation (ILFC) on August 16, 2007. They will be delivered: two in the first quarter of 2014, two in the third quarter of 2014, one in the first quarter of 2015 and one in the second quarter of 2016.

The annual rent committed under aircraft and engine leases amounts to:

MUS\$ 161,458	2009
MUS\$ 159,926	2010
MUS\$ 149,306	2011
MUS\$ 136,578	2012
MUS\$ 89,559	2013
MUS\$ 652,076	2014 and thereafter

b.2) Commitments

Airbus

On October 4, 2005, the Parent Company signed an amendment to the aircraft purchase agreement with Airbus S.A.S. dated March 20, 1998, in which new aircraft would be purchased in the A320 family, i.e., models A320, A319 and A318. By virtue of this new amendment, a total of 32 Airbus aircraft in the A320 family will be purchased in 2006, 2007, 2008 and 2009, with a purchase option for 15 more aircraft. The total value amounts to approximately MUS\$960,000.

On March 6, 2007, the Parent Company exercised the right to acquire 15 Airbus aircraft in the A320 family to be delivered between 2010 and 2011. The total value of such transaction amounted to approximately MUS\$600,000.

As of December 31, 2008, as a result of the different purchase agreements with Airbus S.A.S., 18 Airbus aircraft in the A320 family are pending delivery from January 2009 to December 2011.

Boeing

On March 31, 2006, the Parent Company signed an agreement with The Boeing Company for the purchase of three 767-300ER aircraft. The first two aircraft were received this year and the one remaining aircraft will be received during the first quarter of 2009.

On December 14, 2006, the Parent Company signed an agreement with The Boeing Company for the purchase of three 767-300ER aircraft. The deliveries are scheduled for 2009.

As of July 3, 2007, the Parent Company signed a purchase agreement with The Boeing Company for 2 777-Freighter aircraft. Delivery is scheduled for 2011 and 2012.

On October 29, 2007, the Parent Company signed a contract with The Boeing Company to purchase 26 787 passenger Dreamliners, including an option to purchase 15 additional aircraft. The delivery is scheduled for 2014 to 2019.

On November 10, 2008, the Parent Company signed an agreement with The Boeing Company for the purchase of four 767-300ER aircraft to be delivered during 2012, including a purchase option for 2 additional aircraft.

As of December 31, 2008, eight 767-300 aircraft, 2 777-Freighter aircraft and 26 787 Dreamliners are pending delivery under the different purchase agreements with The Boeing Company for a price of approximately MUS\$4,150,000.

### c) Restrictions

c.1) In relation to the diverse agreements entered into by Lan Airlines S.A. in order to finance Boeing 767 aircraft with the guarantee of Export-Import Bank of the United States of America, limitations have been established regarding some financial indicators of the Parent Company on a consolidated basis. Furthermore, and in relation to these agreements, restrictions have been established on the Company's management with respect to share composition and asset disposition. Moreover, in relation to the diverse agreements entered into by the subsidiary Lan Cargo S.A. in order to finance Boeing 767 aircraft with the guarantee of Export-Import Bank of the United States of America, limitations have been established on the Company's management and the management of its subsidiary Lan Cargo S.A. with respect to share composition and asset disposition.

c.2) In relation to the securitization agreement entered into with Pelican Finance Ltd. in August 2002, restrictions have been established on the Parent Company's management so as to have Accounts Receivable similar to those conveyed.

c.3) In relation to the diverse agreements entered into by Lan Airlines S.A. in order to finance Airbus A320 aircraft with the guarantee of Export Credit Agencias Europeas, limitations have been established regarding some financial indicators of the Company. Furthermore, and in relation to these agreements, restrictions have been established on the Company's management with respect to share composition and asset disposition.



## 29. Contingencies and Restrictions Lawsuits

### a) Lawsuits

#### a1) Lawsuits filed by Lan Airlines S.A. and Subsidiaries

Company	Court	Case Number	Origin	Stage of process and instance	Amounts Committed MUS\$
Atlantic Aviation Investments LLC	Supreme Court of the State of New York, County of New York	07-6022920	Atlantic Aviation Investments LLC, a subsidiary of Lan Airlines S.A. organized under the laws of the State of Delaware sued Varig Logistica, S.A. ("Varilog"), for failure to pay four loans set down in loans agreement governed by the law of New York. Such agreements stipulate the acceleration of the loans in case of sale of the original debtor, VRG Linhas Aereas S.A.	In the enforcement stage in Switzerland. The ruling condemned AAI to pay the loan principal. A final determination by the New York court of interest and costs is pending to proceed with enforcement in Switzerland. The garnishment of Variglog's bank account in Switzerland by AAI remains in place.	17,100

#### a2) Lawsuits against Lan Airlines S.A. and Subsidiaries

Aerolinhas Brasileiras S.A.	Ministry of Finance of the State of Rio de Janeiro	2003	The administrative authority of Rio de Janeiro, Brazil, notified a breach or fine for the alleged failure to pay VAT (ICMS) in relation to the import of the B-767 aircraft, license PR-ABB.	The resolution of the Review Board voiding the fine is pending.	3,000
Lan Airlines S.A.	Labor Court, Buenos Aires, Argentina	--	Labor claim filed by a former Customs Agent alleging a labor relationship with Lan Airlines S.A.	Evidentiary period.	624
Lan Cargo S.A.	Civil Court of Asuncion, Paraguay	78-362	Damage compensation claim filed by its former General Agent in Paraguay.	An appeal is pending against the resolution that dismissed one of the motions for obvious inaction, made by the respondent's attorneys.	437
Lan Airlines S.A.	10th Room of the Federal Court of Fiscal and Administrative Justice (TEJFA)	29950/07-17/10/2007	Invalidity suit filed against the SAT resolution, confirming the validity of fiscal loans since the seals of the bank were considered to be "false" where SENEAM (Mexican Air Space Navigation Service) presented payments.	The invalidity claim was filed and accepted for processing by the TFJFA. Currently, it is in the evidentiary period.	200
Lan Airlines S.A.	2nd Labor Court, Santiago, Chile	354-2008	Claim filed by the Workers Union (Maintenance) of Lan Airlines S.A. seeking payment of salary differentials, based on alleged default of the clause in the collective agreement regulating salary adjustments.	The claim was answered. Notification of the period to present evidence is pending.	Undetermined
Lan Airlines S.A. Lan Cargo S.A.	European Commission, Canada, New Zealand and South Korea	--	Investigation of alleged antitrust practice of cargo airlines, in particular regarding 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, specially alleged fuel and freight surcharge price-fixing. It is not possible to predict the outcome of this process based on the actual status of the proceedings and information provided by outside counsel in Europe.	Answer sent on April 14, 2008 to the EC notification.	Undetermined
Lan Cargo S.A. Lan Airlines S.A.	Court with class action jurisdiction in USA and Canada	--	As a result of the investigation of alleged antitrust practice of cargo airlines, in particular the fuel surcharge.	Class actions have been filed.	Undetermined
Aerolinhas Brasileiras S.A.	Court with class action jurisdiction in USA	--	As a result of the investigation of alleged antitrust practice of cargo airlines, in particular the fuel surcharge.	Investigation pending.	Undetermined
Aerolinhas Brasileiras S.A.	Administrative Council of Economic Defense	--	Investigation of alleged antitrust practice of cargo airlines, in particular the fuel surcharge.	Investigation pending.	Undetermined

As of December 31, 2008, 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 non-operating 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.

## 29. Contingencies and Restrictions Direct Guaranties

GUARANTY IN FAVOR OF	DEBTOR		TYPE OF GUARANTY	ASSETS COMPROMISED	BALANCES PENDING PAYMENT AT CLOSE OF FINANCIAL STATEMENTS			RELEASE OF GUARANTIES					
	NAME	RELATIONSHIP			TYPE	BOOK VALUE	12/31/2008	12/31/2007	12/31/2009	ASSETS		ASSETS	
										12/31/2010	ASSETS	12/31/2011	ASSETS
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Plane	85,416	70,903	0	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	83,732	49,814	0	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	81,309	69,168	0	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Plane	80,281	68,192	0	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	79,987	65,574	0	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	79,202	70,589	77,863	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Guarantee	Equities									
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Lease	Equities									
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Plane	78,432	41,549	75,033	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Guarantee	Equities									
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	77,001	48,491	49,544	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	76,094	43,765	48,684	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Plane	74,619	41,941	46,319	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	72,342	39,493	44,240	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	72,222	37,473	42,423	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Guarantee	Equities									
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	72,172	39,242	43,810	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Mortgage	Equities	71,189	43,853	70,127	0	0	0	0	0	0
WILMINGTON TRUST COMPANY	LAN ARLINES S.A	0	Guarantee	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	39,475	33,543	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	39,046	32,782	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	37,014	31,165	33,368	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	36,835	31,239	33,379	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	35,492	30,277	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	35,486	30,279	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	31,540	24,867	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	31,403	24,813	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	30,879	24,223	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	30,335	24,921	26,792	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	30,277	24,796	26,657	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	30,233	24,637	26,484	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	30,212	24,654	26,503	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	30,202	24,614	26,440	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	29,847	24,888	26,755	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	29,846	24,769	26,628	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	29,749	24,935	26,440	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	29,257	24,130	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	28,992	24,344	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	28,678	23,375	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	28,602	23,432	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	28,258	22,772	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
CALYON	LAN ARLINES S.A	0	Mortgage	Plane	28,027	26,731	29,059	0	0	0	0	0	0
CALYON	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	27,659	22,867	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	27,922	23,308	0	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
CALYON	LAN ARLINES S.A	0	Mortgage	Plane	27,820	26,676	29,028	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	27,101	22,420	23,841	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	27,099	22,404	23,800	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
CALYON	LAN ARLINES S.A	0	Mortgage	Plane	26,855	25,095	27,778	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	26,384	22,395	24,033	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
CALYON	LAN ARLINES S.A	0	Mortgage	Plane	26,129	25,854	27,639	0	0	0	0	0	0
CALYON	LAN ARLINES S.A	0	Mortgage	Equities									
CALYON	LAN ARLINES S.A	0	Mortgage	Plane	25,949	26,028	27,760	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	25,912	21,493	21,334	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Plane	25,466	21,492	22,951	0	0	0	0	0	0
BNP PARIBAS	LAN ARLINES S.A	0	Mortgage	Equities									
CALYON	LAN ARLINES S.A	0	Mortgage	Plane	25,425	25,247	23,074	0	0	0	0	0	0

## 29. Contingencies and Restrictions Indirect Guaranties

			TYPE OF GUARANTY			AT CLOSE OF FINANCIAL STATEMENTS							
	NAME	RELATIONSHIP		TYPE	BOOK VALUE	12-31-2008	12-31-2007	12-31-2009	ASSETS	12-31-2010	ASSETS	12-31-2011	ASSETS
WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION AND EXIMBANK	LAN CARGO S.A.	SUBSIDIARY	Surety and joint and several debt	0	0	51,655	57,918	0	0	0	0	0	0
WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION AND EXIMBANK	LAN CARGO S.A.	SUBSIDIARY	Surety and joint and several debt	0	0	50,477	56,578	0	0	0	0	0	0
CITIBANK N.A. BAHRAIN BRANCH WESTDEUTICHE LANDESBANK GIROZET	LAN CARGO S.A.	SUBSIDIARY	Surety and joint and several debt	0	0	44,872	50,401	0	0	0	0	0	0
WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION AND EXIMBANK	LAN AIRLINES S.A.	PARENT COMPANY	Surety and joint and several debt	0	0	31,889	36,914	0	0	0	0	0	0
WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION AND EXIMBANK	LAN AIRLINES S.A.	PARENT COMPANY	Surety and joint and several debt	0	0	24,822	32,185	0	0	0	0	0	0
WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION AND EXIMBANK	LAN AIRLINES S.A.	PARENT COMPANY	Surety and joint and several debt	0	0	13,879	21,213	0	0	0	0	0	0
WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION AND EXIMBANK	LAN AIRLINES S.A.	PARENT COMPANY	Surety and joint and several debt	0	0	12,917	20,975	0	0	0	0	0	0
WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION AND EXIMBANK	LAN AIRLINES S.A.	PARENT COMPANY	Surety and joint and several debt	0	0	12,038	19,544	0	0	0	0	0	0
CELESTIAL AVIATION TRADING 16 LIMITED	LAN CARGO S.A.	SUBSIDIARY	Surety and joint and several debt	0	0	0	3,500	0	0	0	0	0	0

29. Contingencies and Restrictions  
Other Contingencies

b) Other contingencies

Guaranty in favor of	GUARANTIES			
	Debtor Name	Type	Book Value	Release Date
			MUS\$	
Societe Generale, New York Branch	Lan Airlines S.A.	Letter of Credit	30,000	31-October-09
Government of Chile (Customs)	Lan Airlines S.A.	72 letters in guarantee	21,523	To the order
J. Aron & Company	Lan Airlines S.A.	Letter of Credit	10,000	31-October-09
Orix Aviation System Limited	Lan Airlines S.A.	Two letters of credit	6,520	05-May-09
GE Commercial Aviation Services Limited	Lan Cargo S.A.	Two letters of Credit	5,060	30-June-09
TAF Venus Lease Limited	Lan Airlines S.A.	Letter of Credit	4,000	11-December-09
TAF Mercury Lease Limited	Lan Airlines S.A.	Letter of Credit	4,000	11-December-09
International Lease Finance Corporation	Lan Airlines S.A.	Eight letters of Credit	3,880	24-February-09
Celestial Aviation Trading 16 Limited	Lan Cargo S.A.	Two letters of Credit	3,500	25-April-09
The Bank of New York	Lan Airlines S.A.	Letter of Credit	3,465	30-August-09
CIT Aerospace International	Lan Airlines S.A.	Two letters of Credit	3,240	10-May-09
GE Capital Aviation Services Limited	Lan Airlines S.A.	Two letters of Credit	3,005	27-July-09
United Technologies International Corporation, Pratt & Whitney Division	Lan Airlines S.A.	Letter of Credit	2,750	30-August-09
Celestial Aviation Trading 35 Limited	Lan Airlines S.A.	Letter of Credit	2,500	13-June-09
Washington International Insurance	Lan Airlines S.A.	Four letters of Credit	1,800	5-April-09
Air Canada	Lan Airlines S.A.	Letter of Credit	1,800	30-July-09
Metropolitan Dade County	Lan Airlines S.A.	Five letters of Credit	1,504	31-May-09
Atlas Air Inc.	Lan Airlines S.A.	Letter of Credit	1,500	20-October-09

### 30. Third-Party Security

Third-Party Security are presented in the attached electronic spreadsheet Note\_30.200812C.89862200.xls.

30. Third-Party Security
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Type of guarantee	Granted by	Type of transaction	Type of relationship	Amount	
				2008	2007
				MUS\$	MUS\$
Letter of credit	Aerovias de Mexico S.A.	Aircraft lease	Client	2,000	2,620
Cash Deposit (1)	Aerovias de Mexico S.A.	Aircraft lease	Client	620	--

(1) See Note 17.

31. Local and Foreign Currency  
Assets

LINE	CURRENCY	AMOUNT	
		12/31/2008	12/31/2007
Current Assets			
CASH	DOLLAR	4,693	5,625
CASH	NON-ADJUSTABLE PESOS	2,886	3,088
CASH	BRAZILIAN REAL	2,155	322
CASH	EURO	1,732	705
CASH	ARGENTINE PESO	1,110	602
CASH	OTHER CURRENCIES	3,131	1,164
TIME DEPOSITS	DOLLAR	106,995	150,518
TIME DEPOSITS	ADJUSTABLE PESOS	104,423	132,400
TIME DEPOSITS	ARGENTINE PESO	2,399	607
TIME DEPOSITS	OTHER CURRENCIES	42,064	25,065
MARKETABLE SECURITIES	DOLLAR	110,075	133,520
MARKETABLE SECURITIES	ADJUSTABLE PESOS	17,623	10,422
MARKETABLE SECURITIES	ARGENTINE PESO	4,726	2,416
MARKETABLE SECURITIES	EURO	4,321	1,594
MARKETABLE SECURITIES	OTHER CURRENCIES	1,681	0
SALES RECEIVABLES	DOLLAR	145,737	159,770
SALES RECEIVABLES	NON-ADJUSTABLE PESOS	54,690	49,850
SALES RECEIVABLES	EURO	33,226	16,613
SALES RECEIVABLES	ARGENTINE PESO	15,234	13,347
SALES RECEIVABLES	BRAZILIAN REAL	11,065	14,203
SALES RECEIVABLES	AUSTRALIAN DOLLAR	6,745	6,476
SALES RECEIVABLES	COLOMBIAN PESO	3,317	11,001
SALES RECEIVABLES	OTHER CURRENCIES	5,676	8,211
NOTES RECEIVABLE	NON-ADJUSTABLE PESOS	804	5,513
NOTES RECEIVABLE	EURO	518	408
NOTES RECEIVABLE	BRAZILIAN REAL	179	183
NOTES RECEIVABLE	ADJUSTABLE PESOS	54	64
NOTES RECEIVABLE	DOLLAR	11	1
NOTES RECEIVABLE	ARGENTINE PESO	0	51
NOTES RECEIVABLE	OTHER CURRENCIES	204	272
SUNDRY RECEIVABLES	DOLLAR	141,896	167,725
SUNDRY RECEIVABLES	NON-ADJUSTABLE PESOS	7,253	4,866
SUNDRY RECEIVABLES	ADJUSTABLE PESOS	3,603	3,446
SUNDRY RECEIVABLES	BRAZILIAN REAL	2,873	1,577
SUNDRY RECEIVABLES	EURO	1,311	1,424

SUNDRY RECEIVABLES	ARGENTINE PESO	1,211	1,066
SUNDRY RECEIVABLES	NEW SOL	1,043	533
SUNDRY RECEIVABLES	OTHER CURRENCIES	1,919	1,701
INTERCOMPANY NOTES AND ACCOUNTS RECEIVABLE	NON-ADJUSTABLE PESOS	949	197
INTERCOMPANY NOTES AND ACCOUNTS RECEIVABLE	DOLLAR	168	29
INVENTORIES	DOLLAR	50,440	53,712
INVENTORIES	ADJUSTABLE PESOS	86	66
INVENTORIES	OTHER CURRENCIES	83	244
RECOVERABLE TAXES	DOLLAR	26,469	29,095
RECOVERABLE TAXES	ARGENTINE PESO	15,790	13,969
RECOVERABLE TAXES	ADJUSTABLE PESOS	10,824	11,222
RECOVERABLE TAXES	MEXICAN PESO	9,343	9,107
RECOVERABLE TAXES	BRAZILIAN REAL	4,611	2,809
RECOVERABLE TAXES	OTHER CURRENCIES	4,976	2,421
PREPAID EXPENSES	DOLLAR	12,819	12,404
PREPAID EXPENSES	NON-ADJUSTABLE PESOS	55	114
PREPAID EXPENSES	OTHER CURRENCIES	472	431
DEFERRED TAXES	DOLLAR	4,609	3,959
DEFERRED TAXES	NEW SOL	1,329	0
DEFERRED TAXES	MEXICAN PESO	393	428
DEFERRED TAXES	ADJUSTABLE PESOS	214	237
OTHER CURRENT ASSETS	DOLLAR	357,730	11,605
OTHER CURRENT ASSETS	EURO	192	243
OTHER CURRENT ASSETS	NON-ADJUSTABLE PESOS	121	74
OTHER CURRENT ASSETS	ADJUSTABLE PESOS	79	93
OTHER CURRENT ASSETS	OTHER CURRENCIES	696	1,025
Property, plant and equipment			
LAND	DOLLAR	22,634	10,739
LAND	NEW SOL	3,763	3,685
BUILDINGS & INFRASTRUCTURE	DOLLAR	67,284	66,027
BUILDINGS & INFRASTRUCTURE	NEW SOL	2,348	1,804
BUILDINGS & INFRASTRUCTURE	ADJUSTABLE PESOS	1,900	4,172
BUILDINGS & INFRASTRUCTURE	ARGENTINE PESO	1,512	1,433
BUILDINGS & INFRASTRUCTURE	BRAZILIAN REAL	697	800
BUILDINGS & INFRASTRUCTURE	MEXICAN PESO	337	454
BUILDINGS & INFRASTRUCTURE	OTHER CURRENCIES	4	0
MACHINERY AND EQUIPMENT	DOLLAR	2,531,415	1,795,839
MACHINERY AND EQUIPMENT	ARGENTINE PESO	17,733	1,484
MACHINERY AND EQUIPMENT	NEW SOL	1,970	1,706



MACHINERY AND EQUIPMENT	ADJUSTABLE PESOS	1,382	750
MACHINERY AND EQUIPMENT	BRAZILIAN REAL	929	451
MACHINERY AND EQUIPMENT	MEXICAN PESO	165	287
MACHINERY AND EQUIPMENT	OTHER CURRENCIES	20	40
OTHER FIXED ASSETS	DOLLAR	437,903	460,623
OTHER FIXED ASSETS	ARGENTINE PESO	510	529
OTHER FIXED ASSETS	NEW SOL	479	485
OTHER FIXED ASSETS	ADJUSTABLE PESOS	140	181
OTHER FIXED ASSETS	MEXICAN PESO	123	0
OTHER FIXED ASSETS	BRAZILIAN REAL	116	110
OTHER FIXED ASSETS	OTHER CURRENCIES	4	6
Other assets			
INVESTMENTS IN RELATED COMPANIES	NON-ADJUSTABLE PESOS	1,187	1,482
INVESTMENTS IN OTHER COMPANIES	DOLLAR	506	506
INVESTMENTS IN OTHER COMPANIES	ADJUSTABLE PESOS	0	1,301
GOODWILL	DOLLAR	31,922	35,453
GOODWILL	ARGENTINE PESO	490	569
LONG-TERM RECEIVABLES	DOLLAR	7,635	8,799
LONG-TERM RECEIVABLES	ADJUSTABLE PESOS	3,326	3,243
LONG-TERM RECEIVABLES	MEXICAN PESO	239	129
L/T NOTES AND ACCOUNTS RECEIVABLE	DOLLAR	251	0
INTANGIBLES	DOLLAR	28,562	25,106
INTANGIBLES	NON-ADJUSTABLE PESOS	0	962
INTANGIBLES	OTHER CURRENCIES	2	0
OTHER	DOLLAR	385,331	381,824
OTHER	ARGENTINE PESO	559	412
OTHER	NON-ADJUSTABLE PESOS	306	26
OTHER	ADJUSTABLE PESOS	67	79
OTHER	OTHER CURRENCIES	79	418
Total Assets			
-	DOLLAR	4,475,085	3,512,879
-	NON-ADJUSTABLE PESOS	68,251	66,172
-	BRAZILIAN REAL	22,625	20,455
-	EURO	41,300	20,987
-	ARGENTINE PESO	61,274	36,480
-	OTHER CURRENCIES	61,011	40,998
-	ADJUSTABLE PESOS	143,721	167,676
-	AUSTRALIAN DOLLAR	6,745	6,476

-	COLOMBIAN PESO	3,317	11,001
-	NEW SOL	10,932	8,213
-	MEXICAN PESO	10,600	10,405

## 31. National and Foreign Currency Current Liabilities

LINE	CURRENCY	OUT TO 90 DAYS				90 DAYS TO ONE YEAR			
		12/31/2008		12/31/2007		12/31/2008		12/31/2007	
		AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE
S/T PORTION OF L/T BANK DEBT	DOLLAR	45,329	L+2.8848%	30,893	5,1989%	105,918	L+2.8848%	71,260	5,1989%
L/T DEBT TO EXPIRE IN ONE YEAR	DOLLAR	3,347	6.96%	3,124	6.96%	3,406	6.96%	9,702	6.96%
L/T DEBT TO EXPIRE IN ONE YEAR	DOLLAR	16,678	L+0.8004%	16,904	5,4530%	46,976	L+0.8004%	45,056	5,4530%
DIVIDENDS PAYABLE	DOLLAR	105,330	0	119,895	0	0	0	0	0
DIVIDENDS PAYABLE	ADJUSTABLE PESOS	0	0	178	0	0	0	0	0
ACCOUNTS PAYABLE	DOLLAR	192,458	0	149,695	0	77,475	0	59,535	0
ACCOUNTS PAYABLE	NON-ADJUSTABLE PESOS	31,942	0	47,344	0	2,272	0	3,571	0
ACCOUNTS PAYABLE	ARGENTINE PESO	17,198	0	15,570	0	323	0	1,914	0
ACCOUNTS PAYABLE	BRAZILIAN REAL	6,642	0	3,337	0	5,123	0	6,963	0
ACCOUNTS PAYABLE	EURO	6,542	0	5,950	0	1,909	0	2,069	0
ACCOUNTS PAYABLE	MEXICAN PESO	3,900	0	4,968	0	135	0	357	0
ACCOUNTS PAYABLE	NEW SOL	844	0	375	0	11,924	0	13,120	0
ACCOUNTS PAYABLE	ADJUSTABLE PESOS	0	0	596	0	47	0	809	0
ACCOUNTS PAYABLE	OTHER CURRENCIES	1,433	0	5,580	0	1,453	0	1,144	0
SUNDRY RECEIVABLES	DOLLAR	19,033	0	0	0	0	0	0	0
INTERCOMPANY NOTES AND ACCOUNTS PAYABLE	DOLLAR	27	0	122	0	0	0	0	0
INTERCOMPANY NOTES AND ACCOUNTS PAYABLE	NON-ADJUSTABLE PESOS	276	0	224	0	0	0	11	0
PROVISIONS	DOLLAR	45,679	0	40,144	0	35,215	0	44,275	0
PROVISIONS	NON-ADJUSTABLE PESOS	1,160	0	2,914	0	5,956	0	7,172	0
PROVISIONS	ARGENTINE PESO	992	0	6	0	0	0	1,019	0
PROVISIONS	BRAZILIAN REAL	0	0	0	0	1,277	0	1,519	0
PROVISIONS	NEW SOL	0	0	0	0	3,235	0	2,278	0
PROVISIONS	OTHER CURRENCIES	945	0	1,102	0	0	0	117	0
WITHHOLDINGS	DOLLAR	45,099	0	46,682	0	5,804	0	3,517	0
WITHHOLDINGS	NON-ADJUSTABLE PESOS	7,692	0	8,466	0	62	0	0	0
WITHHOLDINGS	ARGENTINE PESO	2,274	0	1,850	0	7	0	0	0
WITHHOLDINGS	NEW SOL	150	0	495	0	2,528	0	0	0
WITHHOLDINGS	BRAZILIAN REAL	0	0	0	0	752	0	807	0
WITHHOLDINGS	OTHER CURRENCIES	480	0	567	0	11	0	0	0
INCOME TAX	NON-ADJUSTABLE PESOS	267	0	224	0	12	0	6,632	0
INCOME TAX	NEW SOL	188	0	0	0	0	0	197	0
INCOME TAX	DOLLAR	128	0	591	0	832	0	457	0
INCOME TAX	MEXICAN PESO	106	0	0	0	0	0	0	0
INCOME TAX	ARGENTINE PESO	4	0	0	0	0	0	0	0
PREPAID INCOME	DOLLAR	287,319	0	270,938	0	42,423	0	52,896	0
PREPAID INCOME	OTHER CURRENCIES	0	0	1,835	0	0	0	0	0
OTHER CURRENT LIABILITIES	DOLLAR	61,414	0	2,283	0	118,041	0	3,198	0
OTHER CURRENT LIABILITIES	NON-ADJUSTABLE PESOS	92	0	117	0	4	0	2	0
OTHER CURRENT LIABILITIES	OTHER CURRENCIES	939	0	39	0	0	0	0	0
Total Current Liabilities									
--	DOLLAR	821,841	--	681,271	--	436,090	--	289,896	--
--	ADJUSTABLE PESOS	0	--	774	--	47	--	809	--
--	NON-ADJUSTABLE PESOS	41,429	--	59,289	--	8,306	--	17,388	--
--	ARGENTINE PESO	20,468	--	17,426	--	330	--	2,933	--
--	BRAZILIAN REAL	6,642	--	3,337	--	7,152	--	9,289	--
--	EURO	6,542	--	5,950	--	1,909	--	2,069	--
--	MEXICAN PESO	4,006	--	4,968	--	135	--	357	--
--	NEW SOL	1,182	--	870	--	17,687	--	15,595	--
--	OTHER CURRENCIES	3,797	--	9,123	--	1,464	--	1,261	--

**31. Local and Foreign Currency**  
**Long-term liabilities (current period) as of 12/31/2008**

LINE	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		MORE THAN 10 YEARS	
		AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE
BANK DEBT	DOLLAR	301,964	L+2.8848%	325,597	L+2.8848%	845,064	L+2.8848%	182,322	L+2.8848%
LONG-TERM SUNDRY RECEIVABLES	DOLLAR	36,000	0.4300%	36,000	0.4300%	18,000	0.4300%	0	0
LONG-TERM SUNDRY RECEIVABLES	DOLLAR	0	0	6,182	L+1.5000%	0	0	0	0
LONG-TERM PROVISIONS	DOLLAR	61,285	0	15,581	0	7,182	0	0	0
LONG-TERM PROVISIONS	NON-ADJUSTABLE PESOS	5,738	0	107	0	26	0	0	0
LONG-TERM PROVISIONS	BRAZILIAN REAL	1,087	0	0	0	0	0	0	0
LONG-TERM PROVISIONS	NEW SOL	322	0	0	0	0	0	0	0
LONG-TERM PROVISIONS	OTHER CURRENCIES	1,265	0	0	0	0	0	0	0
LONG-TERM DEFERRED TAXES	DOLLAR	1,365	0	0	0	0	0	226,867	0
OTHER LONG-TERM LIABILITIES	DOLLAR	106,101	L+0.8004%	40,983	L+0.8004%	31,810	L+0.8004%	0	0
OTHER LONG-TERM LIABILITIES	DOLLAR	56,486	0	50,311	0	43,115	0	907	0
OTHER LONG-TERM LIABILITIES	NON-ADJUSTABLE PESOS	468	0	0	0	0	0	0	0
Total long-term liabilities									
--	DOLLAR	563,201	--	474,654	--	945,171	--	410,096	--
--	NON-ADJUSTABLE PESOS	6,206	--	107	--	26	--	0	--
--	BRAZILIAN REAL	1,087	--	0	--	0	--	0	--
--	NEW SOL	322	--	0	--	0	--	0	--
--	OTHER CURRENCIES	1,265	--	0	--	0	--	0	--

31. Local and Foreign Currency  
Long-term liabilities (previous period) as of 12/31/2007

LINE	CURRENCY	1 TO 3 YEARS		3 TO 5 YEARS		5 TO 10 YEARS		MORE THAN 10 YEARS	
		AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE	AMOUNT	AVERAGE ANNUAL INTEREST RATE
BANK DEBT	DOLLAR	279,501	5.1989%	222,571	5.1989%	579,049	5.1989%	147,529	5.1989%
LONG-TERM PROVISIONS	DOLLAR	54,908	0	22,647	0	7,825	0	0	0
LONG-TERM PROVISIONS	NON-ADJUSTABLE PESOS	7,355	0	189	0	47	0	0	0
LONG-TERM PROVISIONS	BRAZILIAN REAL	1,032	0	0	0	0	0	0	0
LONG-TERM PROVISIONS	NEW SOL	343	0	0	0	0	0	0	0
LONG-TERM PROVISIONS	OTHER CURRENCIES	95	0	0	0	0	0	0	0
LONG-TERM DEFERRED TAXES	DOLLAR	31	0	0	0	0	0	169,531	0
LONG-TERM DEFERRED TAXES	NON-ADJUSTABLE PESOS	0	0	0	0	0	0	323	0
OTHER LONG-TERM LIABILITIES	DOLLAR	117,209	5.4530%	73,791	5.4530%	26,387	5.4530%	16,381	5.4530%
OTHER LONG-TERM LIABILITIES	DOLLAR	34,526	0	14,463	0	3,171	0	0	0
OTHER LONG-TERM LIABILITIES	DOLLAR	6,752	6.96%	0	0	0	0	0	0
OTHER LONG-TERM LIABILITIES	OTHER CURRENCIES	240	0	0	0	0	0	0	0
Total long-term liabilities									
--	DOLLAR	492,927	--	333,472	--	616,432	--	333,441	--
--	NON-ADJUSTABLE PESOS	7,355	--	189	--	47	--	323	--
--	BRAZILIAN REAL	1,032	--	0	--	0	--	0	--
--	NEW SOL	343	--	0	--	0	--	0	--
--	OTHER CURRENCIES	335	--	0	--	0	--	0	--

32. Sanctions
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a) By the Superintendency of Securities and Insurance

By Exempt Resolution No. 306, dated July 6, 2007, the Superintendency applied a fine of 1,620 Unidades de Fomento to Mr. Juan Jose Cueto Plaza, director of Lan Airlines S.A., since the Superintendency concluded that the purchase of shares in Lan Airlines S.A. knowing the Financial Statements as of June 30, 2006 and prior to publication of those Financial Statements is a breach of the final part of the first subparagraph of article 165 of Law 18,045. The Superintendency said that it considered that there was no use of privileged information since it was proven that knowing that information did not result in these transactions. An appeal was filed against this Resolution before the 27<sup>th</sup> Civil Court of Santiago, which was rejected by Resolution dated January 8, 2009, which was served on the same day. Mr. Cueto's attorney has already filed a remedy against such judgment.

No other sanctions have been applied to the Parent Company and its subsidiaries, or its directors or managers by the Superintendency of Securities and Insurance as of December 31, 2008.

b) By other administrative authorities

No other significant sanctions have been applied to the Parent Company and its subsidiaries, or to its Directors or Managers by other administrative authorities as of December 31, 2008.

### 33. Subsequent Events

a) On January 21, 2009, Lan Cargo S.A. (“Lan Cargo”) and Aerolinhas Brasileiras S.A. (“ABSA”), a company in which Lan Cargo has an interest, reached an agreement called “Plea Agreement” with the U.S. Department of Justice (the “Department of Justice”) in relation to its investigation of unfair commercial practices relating to price-fixing fuel charges and other charges, involving more than 30 international airlines engaged in air cargo transportation.

The agreement stipulated that Lan Cargo S.A. and ABSA agreed to pay a fine amounting to US\$88 and US\$21 million, respectively, which will be paid in a period of 5 years. A provision has been set up for this reason as of December 31, 2008 and it is shown under Short- and Long-Term Sundry Receivables, as pertinent.

b) From December 31, 2008 to the date of issuance of these Financial Statements, there is no knowledge of any other events of a financial or any other nature that could have a material effect on the balances or interpretation of these financial statements.

## 34. The Environment

There are no provisions affecting the air transportation industry in the Environmental Framework Law and complementary regulations.



35. Prepaid Expenses
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This line breaks down as follows:

	2008	2007
	MUS\$	MUS\$
Aviation insurance and other insurance	5,374	4,475
Plane lease (1)	4,079	5,059
Unused advertising	1,757	708
Plane re-delivery (2)	1,068	1,656
Offices abroad	263	609
Other	805	442
<b>Total</b>	<b>13,346</b>	<b>12,949</b>

(1) The plane lease corresponds to sums prepaid to lessors, which will be charged against operating income once they are accrued.

(2) Plane re-delivery includes all those costs incurred by the Parent Company and its subsidiaries upon delivery of an aircraft in order to put it into operating condition. Those costs are not recoverable and they are deferred against operating income in the terms established in the respective agreements.

36. ACCOUNTS PAYABLE
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This line breaks down as follows:

	2008 MUS\$	2007 MUS\$
Fuel	77,345	103,133
Technical purchases	50,675	39,300
Airport and overflight fees	31,344	26,687
Handling and ground handling	23,476	20,051
Crew	20,453	17,410
Goal performance of agencies	18,108	17,998
Professional assistance and services	17,126	10,263
Advertising	13,318	10,592
Plane and engine leases	12,711	10,366
Distribution systems	8,405	1,463
On-board services	7,694	12,314
Aviation insurance	3,551	2,648
General maintenance	1,123	2,423
Interline airlines	275	2,201
Materials and maintenance services	155	975
Other suppliers	75,861	45,073
<b>Total</b>	<b>361,620</b>	<b>322,897</b>

### 37. FUTURE ACCOUNTING CHANGES

It is public knowledge that the country is committed to developing a convergence plan for the integral adoption of the International Financial Reporting Standards (IFRS). Pursuant to instructions from the Chilean Accountants Association and the Superintendency of Securities and Insurance, the Parent Company and its subsidiaries must adopt such standards starting with the 2009 fiscal year. Therefore, there will be changes in the equity balances as of January 1, 2009 and an impact on the determination of income for future fiscal years. Moreover, for comparison purposes, the financial statements for the 2008 fiscal year may differ from those shown herein because they must be submitted according to the new standards.

The Company has developed a plan for integrally facing the effects of this change and, as of the issue date of these financial statements, it is in the process of reviewing and classifying the information on the estimation of the effects that will be reflected in the future financial statements.

## MATERIAL EVENTS

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

1. On December 23, 2008, the material event was reported that according to governing rules, especially Circular No. 660 of the Superintendency of Securities and Insurance, at its regular shareholders meeting held December 23, 2008, the Board of Lan Airlines S.A. approved payment of an interim dividend of 0.30993 per share on account of profits from the 2008 fiscal year, which will be paid starting January 15, 2009. All shareholders who are shareholders on the fifth business day prior to this date will be entitled to payment.

2. On November 10, 2008, by virtue of the provisions in Articles 9 and 10 of Law No. 18,045 on Securities Market, the material event was reported that Lan Airlines S.A. signed a purchase agreement with The Boeing Company in order to purchase four 767-316ER Boeing aircraft, with deliveries scheduled for February, March (2 aircraft) and April 2012. Moreover, Lan Airlines S.A. and The Boeing Company signed an agreement granting Lan Airlines S.A. a purchase option for two planes of the same model for 2013. The amount of the investment, excluding the aforesaid purchase options, is approximately MUS\$636,000 (list price).

The acquisition of these planes forms part of the revision of the strategic fleet plan of Lan Airlines S.A. for the long-term (year 2012), taking into account the estimates of the delay in the delivery of Boeing 787 aircraft (initially starting in 2011 for Lan Airlines S.A.). Such purchase was informed by Lan Airlines S.A. as a material event on July 12, 2007.

3. On July 29, 2008, the material event was reported that according to governing rules, especially Circular No. 660 of the Superintendency of Securities and Insurance, at its regular shareholders meeting held July 29, 2008, the Board of Lan Airlines S.A. approved payment of an interim dividend of 0.28568 per share on account of profits from the 2008 fiscal year, which will be paid starting August 21, 2008. All shareholders who are shareholders on the fifth business day prior to this date will be entitled to payment.

4. On April 10, 2008, by virtue of the provisions in article 9 and subparagraph 2 of article 10 of Law No. 18,045, the material event was reported that at the Regular Shareholders Meeting of Lan Airlines S.A., held on the same date, the new directors of the Company were elected.

The new Board of Directors of Lan Airlines S.A. is comprised as follows:

1. Andres Navarro Haeussler,
2. Bernardo Fontaine Talavera,
3. Dario Calderon Gonzalez,
4. Ignacio Guerrero Gutierrez,
5. Jorge Awad Mehech,
6. Jose Cox Donoso,
7. Juan Cueto Sierra,

8. Juan Jose Cueto Plaza and
9. Ramón Eblen Kadis.

5. On April 10, 2008, the material event was reported that according to governing rules, especially Circular No. 660 of the Superintendency of Securities and Insurance, at its regular shareholders meeting held April 10, 2008, the Board of Lan Airlines S.A. approved payment of a final dividend of 0.01720 per share on account of profits from the 2007 fiscal year, which will be paid starting May 8, 2008. All shareholders who are shareholders on the fifth business day prior to this date will be entitled to payment.

6. On February 27, 2008, it was reported that at the Regular Board Meeting held February 26, 2008, the Board of Lan Airlines S.A. agreed to convene a Regular Shareholders Meeting to be held on April 10, 2008, 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, 2007;

b) Approval of the distribution of a final dividend on account of profits from the 2007 fiscal year, imputing toward such amount the interim dividends of US\$0.26596, paid in August 2007, and US\$0.35389 per share, paid in January 2008;

c) The election of the Board of the Company;

d) The compensation of the Board for the 2008 fiscal year;

e) The compensation of the Audit Committee and calculation of the budget for the 2008 fiscal year;

f) Appointment of External Auditors, Appointment of Risk Rating Agencies; report on matters within the purview of article 44 of Companies Law No. 18,046;

g) Information on costs for processing, printing and sending the information indicated in Circular No. 1494 of the Superintendency of Securities and Insurance; and

h) Other matters of corporate interest inherent to the Regular Shareholders Meeting.

7. On December 27, 2007, the material event was reported, under article 9 and the second subparagraph of Article 10 of Law 18,045, that:

As the company reported in due course, the European Commission and the U.S. Department of Justice began a global investigation in February 2006 that involved a large number of international cargo airlines, including Lan Cargo S.A., because of a possible price-fixing in charging the fuel surcharge and other charges on the air cargo market in Europe and the United States.

On December 26, 2007, the General Office of Competition of the European Commission notified Lan Cargo S.A. and Lan Airlines S.A. that a process was begun against 25 cargo airlines, including Lan Cargo S.A., because of infringements of fair competition on the air cargo market.

The Department of Justice is continuing this investigation in the United States.

Lan Airlines S.A. is studying the terms of the notification in order to take actions. It will present its defenses and provide the evidence it deems relevant to this end. Given the stage of the proceedings, it is not yet possible to predict an outcome.

8. On December 21, 2007, the material event was reported that according to governing rules, especially Circular No. 660 of the Superintendency of Securities and Insurance, at its regular meeting held December 21, 2007, the Board of Lan Airlines S.A. approved payment of an interim dividend of 0.35389 per share on account of profits from the 2007 fiscal year, which will be paid starting January 17, 2008. All shareholders who are shareholders on the fifth business day prior to this date will be entitled to payment.

## EXPLANATORY ANALYSIS

A comparative analysis and explanation of the principal trends:

### 1. Consolidated General Balance Sheet

At the close of the 2008 fiscal year, total assets of the Company had risen MUS\$1,003,119 compared to the previous year, equal, percentage-wise, to 25.7%.

Current assets of the Company rose by MUS\$261,203 (24.0%) compared to the previous year. The principal upward variation was in Other Current Assets (MUS\$345,778), as a result of the fuel hedging agreements and the guarantees for derivative margins. The main decreases were in Cash, Time Deposits and Marketable Securities, which decreased 12.4% as a whole, and Sundry Receivables (11.6%).

The liquidity ratio of the Company increased 0.9%, going from 0.97 in 2007 to 0.98 in 2008. Current assets grew 24.0% while Current Liabilities grew only 22.8%. The acid-test ratio also varied downwards (28.7%), going from 0.42 in 2007 to 0.30 in 2008.

Property, plant and equipment, which totaled MUS\$3,093,368, increased a net 31.5% compared to the previous year when it was MUS\$2,351,605. This change is due mainly to the net effect of the increase in Machinery and Equipment as a result of the addition of ten Airbus A318 aircraft, two Airbus A319 aircraft, two Airbus A320 aircraft and four Boeing 767 aircraft for passenger transport, the incorporation of spare engines and rotables to support fleet operation; the acquisition of computer equipment, ground support equipment, tools and the like; and to the increase in the Cumulative Depreciation resulting from the depreciation in the fiscal year.

Other assets did not vary significantly when compared to the previous year.

The current liabilities of the Company rose MUS\$256,422 (22.8%), closing at MUS\$1,379,027 in the 2008 fiscal year. The variation is due mainly to the increase in Other Current Liabilities (MUS\$174,851), because of the rise in unrealized amounts under derivative agreements, in the Short-Term Portion of Long-Term Bank Debt (48.1%) and in Accounts Payable (12.0%). Negative variations occurred in Dividends Payable (12.3%), Income Tax (81.0%) and Provisions (6.1%).

The short-term debt ratio of the Company increased 8.6%, going from 1.14 times in 2007 to 1.23 times in 2008, while its share as compared to total debt decreased by 5.5%, going from 38.6% in 2007 to 36.5% in 2008.

Long-term liabilities increased MUS\$616,239 (34.5%), to close at MUS\$2,402,135 in the 2008 fiscal year. This variation mainly comes from the increase in Bank Debt (34.7%) to

finance the purchase of aircraft, Long-Term Sundry Receivables (MUS\$96,182) and Other Long-Term Liabilities (12.7%).

At the close of the 2008 fiscal year, 97.0% of Long-Term Bank Debt of the Company was accruing interest at a fixed rate, including forwards.

The long-term debt ratio of the Company increased 18.9%, going from 1.81 in 2007 to 2.15 in 2008, while its share compared to total debt increased 3.5%, going from 61.4% in 2007 to 63.5% in 2008.

The total debt-equity ratio of the Parent Company and its subsidiaries increased 14.9%, going from 2.94 in 2007 to 3.38 in 2008.

The variation in Equity is due mainly to the results obtained in the 2007 and 2008 fiscal years, and to the payment of final dividends against 2007 fiscal year profits and interim dividends in 2008.

## 2. Consolidated Income Statement

The net profit as of December 31, 2008 totaled MUS\$335,739, which meant a variation of MUS\$27,416, equal to 8.9% as compared to the previous fiscal year. Operating profit was MUS\$536,184, an increase of 29.7% as compared to the previous fiscal year, equal to MUS\$122,813. This increase was due mainly to the increase in passenger and cargo demand on the different markets in which the Company does business. Those operations were adversely affected by a dramatic increase in the fuel price affecting the industry in general. Moreover, non-operating income decreased MUS\$89,005 in the 2008 fiscal year as compared to the drop of MUS\$45,562 in the 2007 fiscal year.

Operating income rose 28.6% compared to the 2007 fiscal year, to MUS\$4,534,282. This variation is due to the 30.1% rise in passenger revenues and the 32.3% rise in cargo revenues, offset by a 14.5% decrease in other revenues.

The increase of MUS\$661,736 in passenger income, equal to a variation of 30.1%, was due to the growth in international traffic as well as in the different domestic businesses. International traffic increased 12.3%, equal to approximately 2,149,000 passengers, thanks to the expansion of long-range routes and to the development of regional operations, specially in Peru and Argentina.

Cargo revenues rose by 32.3% (MUS\$372,783), mainly because of the 7.6% rise in traffic (measured in RTK). The markets that are growing the most are the import markets, in particular the Brazilian and American markets.

Operating costs plus Selling, General and Administrative Expenses totaled MUS\$3,998,098, which represents a cost increase of 28.5%, equal to MUS\$886,546, compared to the previous fiscal year. This is due mainly to a 9.0% increase in the passenger and cargo operations (measured in ATKs). The variation in the main concepts stems from the following:



- a) The cost of fuel increased MUS\$493,714, equal to 53.1%, compared to the 2007 fiscal year. This cost increase is due mainly to the rise in the international price of fuel that led to additional operating costs of more than MUS\$404,502 and to the increase in consumption as a result of the growth in operations.
- b) Payroll Expenses rose 24.3%, equal to MUS\$119,103, in line with the growth in operations and the effect of the exchange rate and the CPI on payroll in local currency.
- c) Other Operating Expenses rose 20.8%, equal to MUS\$79,005. This rise corresponded to an increase in operations and associated costs, basically in reservations because of the increase in the number of passengers and in sales and marketing expenses.
- d) Fees increased MUS\$79,357, equal to 19.7%, mainly due to the increase in cargo and passenger fees, offset by a drop in commissions in both businesses.
- e) Plane landing costs and other expenses climbed 23.0%, equal to MUS\$84,180. This increase in costs was mainly due to the increase in operations, reflected principally by a rise in the variable costs of leasing planes and airport and overflight fees and handling costs.
- f) Depreciation and Amortization expenses increased 19.1%, totaling MUS\$29,355 in the 2008 fiscal year, due mainly to the addition to the fleet of ten A318 aircraft, four Boeing 767 aircraft, two Airbus A320 and two A-319 aircraft, partially offset by the retirement of one Boeing 737 aircraft.
- g) Maintenance costs dropped MUS\$3,454, equal to 2.2%, due mainly to the retirement of Boeing 737 planes.

Non-operating income dropped by MUS\$89,005 in comparison to the loss of MUS\$45,562 in the 2007 fiscal year, totaling a net loss of MUS\$134,567 in the 2008 fiscal year.

This effect can be explained mainly by increases in Other Non-Operating Expenses, which varied by MUS\$87,209 as compared to the 2007 fiscal year. It totals MUS\$115,026 in the 2008 fiscal year. This figure includes a provision for US\$109 million in relation to the agreement signed with the U.S. Department of Justice regarding the current global investigation underway in the air cargo business, involving more than 30 international airlines engaging in air cargo transportation. The agreement stipulates that Lan Cargo agreed to pay a fine of US\$88 million. Moreover, Aerolinhas Brasileiras S.A. (ABSA), in which Lan Cargo has an interest, has also reached an agreement totalling US\$21 million.

This was offset by an increase in Other Non-Operating Income amounting to MUS\$24,193, which included the accounting change relating to the financing of PDP (deposits prior to plane delivery).

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

The operating flow of the Company increased MUS\$22,111 compared to the previous fiscal year, mainly due to the increase in Collection of Sales Receivable (31.5%) and Other Income Received (173.8%), which was offset by the increase in Supplier Payments and Payroll (39.4%), Value-Added Tax and other similar taxes (106.3%), Other Expenses Paid (113.5%), Income Tax Paid (65.4%) and Interest Paid (10.6%).

The finance flow fell by MUS\$324,659 as compared to the previous year, due mainly to the cash share placement in the previous fiscal year amounting to MUS\$319,141, the increase in Other Finance Disbursements (MUS\$178,697), as a result of payments of Guarantees for Derivative Margins, and to the increase in Dividends Paid (5.7%). This was partially offset by the increase in Loans Obtained (16.1%).

The investment flow varied positively by MUS\$13,709 as compared to the previous year, due mainly to the decrease in Investments in Financial Securities (84%), Sales of Standing Investments amounting to MUS\$6,708 and the Sale of Fixed Assets (MUS\$6,406). The main negative variations were the increase in the Payment of Compounded Interest (476.2%) and in Other Investment Disbursements (MUS\$10,192).

Finally, the net flow of the Company during the 2008 fiscal year decreased by MUS\$288,839 compared to the previous fiscal year. The negative balance of the investment flow has been fully covered by the operating flow and the financing flow, and the remainder by the balance available as of December 31, 2007.

### 4. **Market Risk Analysis**

#### **Credit risk concentration**

The Accounts Receivable of the Parent Company and its subsidiaries are comprised of a high percentage of airplane ticket sales and cargo services to individuals and several companies that are economically and geographically disperse. They are generally short term. Therefore, the Parent Company and its subsidiaries do not consider themselves to be exposed to a significant credit risk concentration.

#### **Hedging instruments: Administration of fuel price risk**

The variation in fuel prices depends significantly on oil supply and demand in the world, on the decisions adopted by the OPEC, on the world's refining capacity, on the inventory levels and on factors such as weather and politics. In order to reduce the risk of price variations to which the Parent Company might be exposed, it signed several fuel hedging agreements with different financial institutions for a part of the total estimated fuel consumption of the Parent Company for 2008. The agreements were (a) swaps, which allow a price to be set, (b) call options, which allow the price increase to be limited, and (c) the price collars, which allow a maximum and a minimum price to be set. In the swap, when the market price goes above the set level, the Parent 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 Parent Company must pay the price differential. There are no costs associated with a swap. In a call option, when the market price exceeds the level set, the Parent 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 Parent Company does not exercise the option. The price collar stipulates that if the market price is higher than the maximum price, the Parent Company and its subsidiaries receive 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 Parent Company and its subsidiaries must pay the price differential established. If the market price is between the maximum and minimum prices set, the Parent Company and its subsidiaries do not receive or pay.

The Parent Company and its subsidiaries received a net MUS\$35,414 under these agreements as of December 31, 2008. The losses or earnings on these agreements are recognized as part of Non-operating income. As of December 31, 2008, the market value of the existing agreements was a loss of MUS\$170,262.

#### **Hedging instruments: Administration of interest rate risk**

The Parent 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 Parent 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, moreover, the interest rates were set in advance for the financing of 22 Airbus planes to be delivered between 2008 and 2011 and seven Boeing 767-300 planes that will be delivered between 2008 and 2012 (for further details on these aircraft purchase transactions, please refer to Note 29: Contingencies and Restrictions). The purpose is to have a percentage of the debt at (i) a fixed rate (like for swaps and fixed-rate debt), (ii) another percentage of the debt at a floating rate, but limited to a maximum (like the calls), together with (iii) limiting the interest rate exposure in future financing. Therefore, the Parent Company significantly decreases the risk of an increase in interest rates. In relation to such agreements, the Parent Company (i) pays, receives or (ii) only receives, as the case may be, the difference between the agreed fixed rate and the floating rate calculated on the unpaid principal of each agreement. The Parent Company recognized a cumulative profit of MUS\$7,643 on these agreements in the fiscal year. The losses and earnings on interest rate swaps together with the premiums and interest rate call earnings are recognized as a component of Interest Expense, based on the amortization of the hedged loan. As of December 31, 2008, the market value of the outstanding swaps, calls and pre-set interest rate agreements was MUS\$154,752. As of December 31, approximately 96% of the debt was fixed under one of the aforesaid instruments at an average rate of 5.236%.

#### **Effects of exchange rate fluctuations**

The functional currency of the Parent Company is the American dollar with respect to setting prices of its products, the composition of its balance sheet and effects on income

from operations. It sells most of its services in American dollars or the equivalent and most of its expenses are denominated in American dollars or the equivalent, in particular fuel costs, flight and landing fees, aircraft leases, insurance and aircraft parts and accessories. Approximately 93% of all liabilities, including bank debt, air traffic liabilities and some supplier accounts payable, are expressed in American dollars. Moreover, approximately 91% of its assets, particularly Cash and Cash Equivalent, Property, Plant and Equipment, Accounts Receivable and Investments, are also expressed in American dollars.

Although it generally keeps its rates and cargo prices in American dollars or the equivalent, the Parent Company is exposed to foreign currency losses and earnings because of exchange rate fluctuations.

Thus far in 2006, the Parent Company recorded a net exchange differential loss in the amount of MUS\$7,866, which is shown in the Income Statement under Non-operating Income.

## 5. **Chilean Economic Environment**

In order to analyze the economic environment where the Company does business, below is a brief discussion of the situation and evolution of the leading economies that affect it, both national as well as regional and the world.

As a result of the financial crisis affecting mainly USA and Europe, the world economy has weakened greatly in 2008, creating great uncertainty in all sectors. The growth outlook slowed down significantly this year, to then begin a gradual recovery in the next year. A world growth of close to 3.6% is predicted for 2008 and the estimates for 2009 are around 1.2%.

The European economy deteriorated and began an economic recession, which will be deep and prolonged. The European governments announced rescue plans and the adoption of extraordinary actions. A growth of close to 0.9% is expected for 2008 (approximately -1.9% in 2009).

In 2008, the U.S. economy was affected by the crisis in the domestic financial sector and caused a shock on world markets accompanied by instability, mistrust and great uncertainty. As a result of the recession in the country, pressure will continue in 2009. However, the ample measures taken by the economic authorities are expected to stabilize the financial situation, the crisis in the real estate sector, unemployment and other factors that have been strongly affected by this crisis. A growth of around 1.2% is expected in 2008, while for 2009 growth is predicted to be around -1.8%.

The region was impacted by the world economic outlook; however, thanks to a sustained period of growth, it is better prepared to face the current financial scenario. The region had a solid growth rate in 2008 of around 4.7% and for 2009 it will be around 1.2%.

The domestic economy has also been adversely affected by the world financial crisis, experiencing very tense moments in the year. Inflation has been moving downwards and was lower than expected in 2008 and improving the expectations for 2009 of around 4%. A growth of 3.5% is predicted for 2008, and from 2% to 3% for 2009.

The international airline industry was not immune to the impact of the world economic scenario. However, the business model implemented by the company has helped maintain a continuous growth in different markets that had significant positive results in the last quarter of 2008 and for the entire 2008 fiscal year.

## 6. Financial Ratios

The electronic datasheet Explanatory\_Rates.200812C.89862200.xls is attached.

## EXPLANATORY ANALYSIS

a) Below are the principal financial ratios of the Consolidated General Balance Sheet:

	12/31/2008	09/30/2008	12/31/2007	09/30/2007
<b>LIQUIDITY INDICATORS</b>				
Current ratio (current assets/current liabilities)	0.98	1.04	0.97	1.14
Acid-test ratio (cash/current liabilities)	0.3	0.38	0.42	0.44
<b>DEBT INDICATORS</b>				
Debt ratio (current liabilities + long-term liabilities/Equity)	3.38	2.98	2.94	2.37
Short-term debt/total debt (%)	36.47	34.95	38.60	36.64
Long-term debt/total debt (%)	63.53	65.05	61.40	63.36
Interest expense ratio (RAII/interest expense)	7.68	5.84	7.32	6.66
<b>ACTIVITY INDICATORS</b>				
Total Assets	4,904,861	4,403,015	3,901,742	3,399,294
Investments	838,535	570,467	0	395,535
Sales	13,333	6,526	0	3,646
Inventory turnover (cost of sales/average inventory)	54.64	34.88	42.85	29.18
Inventory permanence (average inventory/cost of sales * 360)	6.59	10.32	8.40	12.34
<b>PROFIT INDICATORS</b>				
Return on equito (net profit/average equity)	0.32	0.21	0.38	0.26
Return on assets (net profit/average assets)	0.08	0.06	0.09	0.07
Return on operating assets (operating income/average operating assets)	0.12	0.08	0.12	0.1
Operating assets include all assets less deferred taxes, employee current accounts, standing and temporary investments, negative goodwill and goodwill.				
Per-Share Profit (fiscal year profit/number of subscribed and paid-in shares)	0.99	0.65	0.91	0.61
Return on dividends (dividends paid/market price)	0.06	0.06	0.04	0.04

<b>EXPLANATORY ANALYSIS</b>
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b) Below are the principal financial ratios of the Consolidated Statement of Income:

INCOME INDICATORS	12/31/2008	09/30/2008	12/31/2007	09/30/2007
Net sales	4,534,282	3,354,935	3,524,923	2,478,830
Passenger	2,858,937	2,078,353	2,197,201	1,554,833
Cargo	1,527,106	1,163,464	1,154,323	804,911
Other	148,239	113,118	173,399	119,086
Operating Costs & Administration Expenses	3,998,098	3,051,090	3,111,552	2,197,343
Landing expenses and other fees	450,592	335,013	366,412	262,103
Fuel	1,423,922	1,145,552	930,208	635,887
Commissions	481,934	364,358	402,577	287,573
Salaries	608,510	462,645	489,407	349,408
Other operating expenses	458,262	318,318	379,257	263,789
Aircraft leases	150,891	114,042	158,917	116,204
Aircraft maintenance	155,612	116,985	159,066	118,110
Depreciation and amortization	183,207	130,717	153,852	111,543
Passenger service	85,168	63,460	71,856	52,726
Operating income	536,184	303,845	413,371	281,487
Interest expense	66,478	53,492	58,181	43,530
Non-operating profit (loss)	-134,567	-44,926	-45,562	-35,224
RAIIDAIE	653,840	446,553	579,164	401,979
After-tax profit (loss)	335,739	217,279	308,323	205,742

## DECLARATION OF LIABILITY

1.01.04.00	TAXPAYER NUMBER	89862200-2
1.01.05.00	Corporate Name	LAN AIRLINES S.A.

The undersigned declare their liability for the veracity of the information forming part of this **annual** report as of **December 31, 2008**, according to the following:

	<u>INDIVIDUAL</u>	<u>CONSOLIDATED</u>
Uniform Coded Statistical Report (FECU)		X
Explanatory notes to the financial statements		X
Explanatory Analysis		X
Summary of Material Events in the period		X
Properly identified magnetic media		

Note: Place an "X" where pertinent.

Name	Title	Taxpayer Number	Signature
JORGE AWAD MEHECH	CHAIRMAN	4756185-K	
DARIO CALDERON GONZALEZ	DIRECTOR	5078327-8	
JOSE COX DONOSO	DIRECTOR	6065868-4	
JUAN JOSE CUETO PLAZA	DIRECTOR	6694240-6	
BERNARDO FONTAINE TALAVERA	DIRECTOR	6371763-0	
ANDRES NAVARRO HAEUSSLER	DIRECTOR	5078702-8	
IGNACIO GUERRERO GUTIERREZ	DIRECTOR	5546791-9	

Date: January 27, 2009



## DECLARATION OF LIABILITY

1.01.04.00	TAXPAYER NUMBER	89862200-2
1.01.05.00	Corporate Name	LAN AIRLINES S.A.

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	<u>INDIVIDUAL</u>	<u>CONSOLIDATED</u>
Uniform Coded Statistical Report (FECU)		X
Explanatory notes to the financial statements		X
Explanatory Analysis		X
Summary of Material Events in the period		X
Properly identified magnetic media		

Note: Place an "X" where pertinent.

Name	Title	Taxpayer Number	Signature
RAMON EBLEN KADIS	DIRECTOR	4346062-5	
JUAN CUETO SIERRA	DIRECTOR	3246727-K	
IGNACIO CUETO PLAZA	GENERAL MANAGER	7040324-2	
ALEJANDRO DE LA FUENTE G.	VICE-PRESIDENT, FINANCE	6947715-1	

Date: January 27, 2009