80 YEARS FLYING TOGETHER

LAN Corporate Safety Management System (SMS)

"Safety in times of crisis, our permanent challenge"

Corporate Safety Direction
November,2009

This presentation may include forward-looking comments regarding the Company's business outlook and

anticipated financial and operating results. These expectations are highly dependent on the

economy, the airline industry, commodity prices, international markets and external events.

Therefore, they are subject to change and we undertake no obligation to publicly update or revise

any forward looking statements to reflect events or circumstances that may arise after the date of

this presentation. More information on the risk factors that could affect our results are contained on

our Form 20-F for the year ended December 31, 2008.

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"Safety in times of crisis, our permanent challenge"

➢ **Chilean Economic and Aviation Policy.**

➢ **LAN Business Strategy**

➢ **LAN SMS Principles**

➢ **Future challenges**

LAN

"Safety in times of crisis, our permanent challenge"
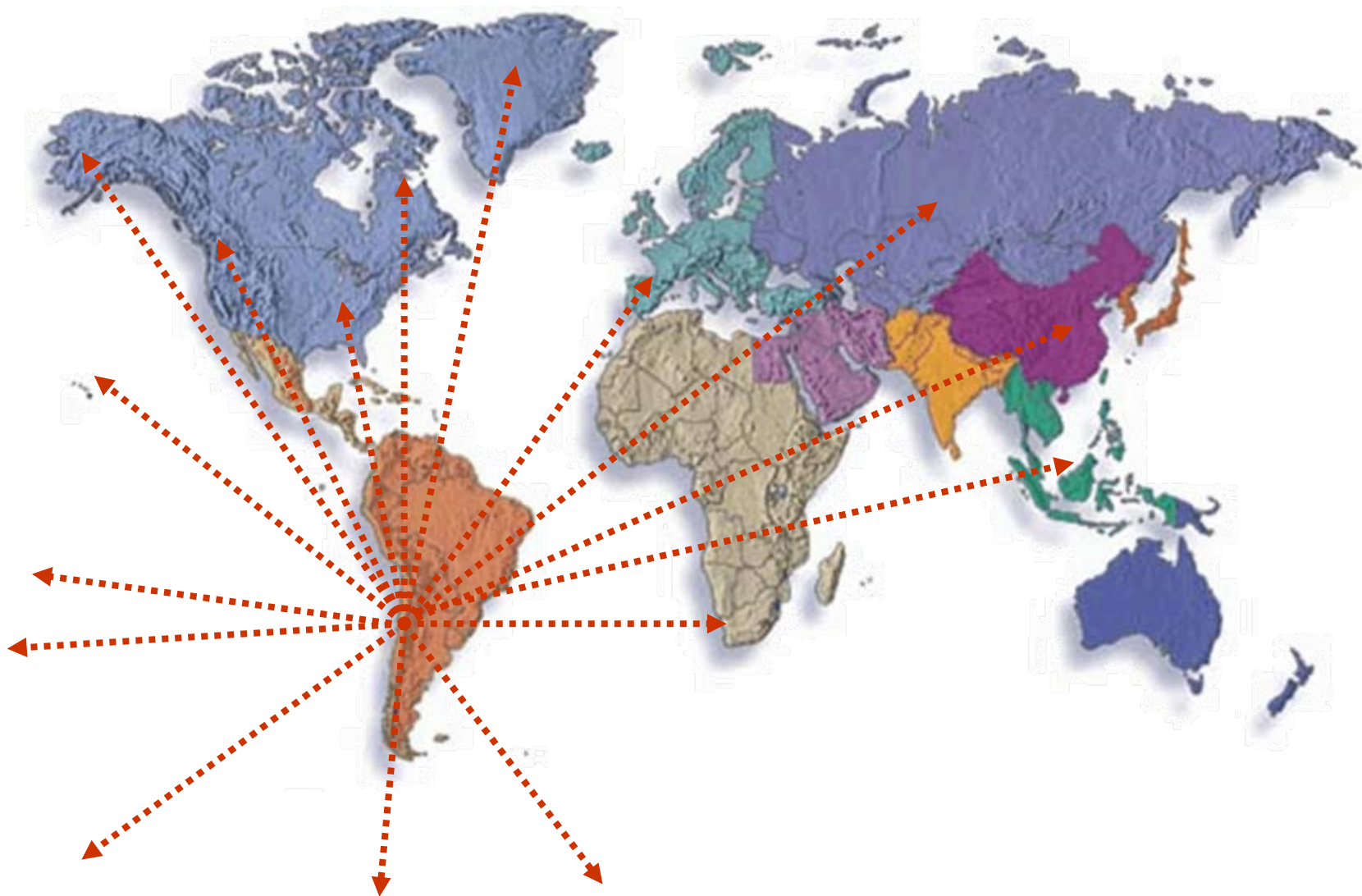
> ## Chilean Economic and Aviation Policy

> ## LAN Business Strategy

> ## LAN SMS Principles

> ## Future challenges

The pillars of Chilean economic policy:

I. Open Economy to international trade & commerce...
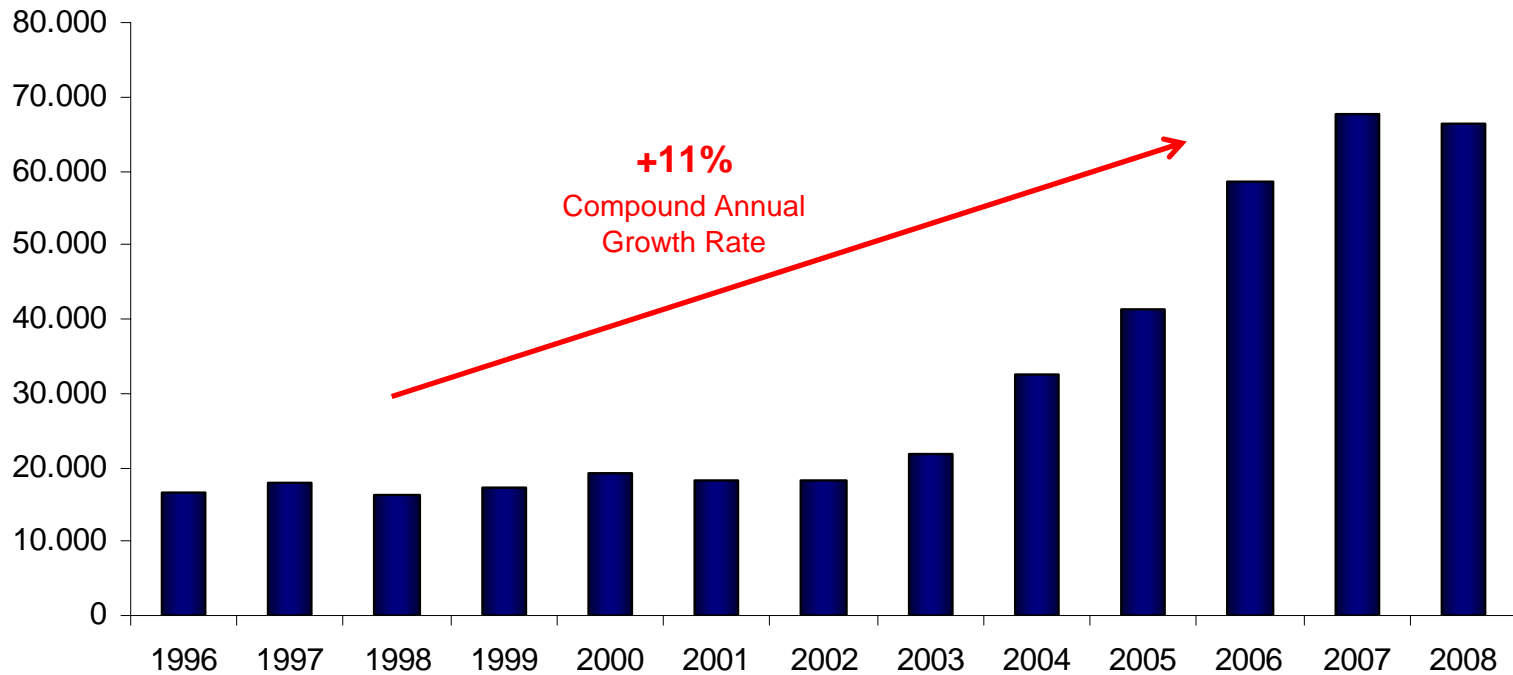
The pillars of Chilean economic policy:

...Focused on becoming a goods and services distribution center & gateway for Asian imports into the region

The pillars of Chilean economic policy:

III. Export oriented economy

Chilean Exports (US$ MM)

+11%
Compound Annual
Growth Rate

Source: Banco Central de Chile

Chilean Aviation Policy : Open Skies

OBJECTIVE:

To achieve the largest number of aviation services, with the best quality and efficiency, at the lowest cost

- No legal barriers for entry.
- No limits regarding property or control of the airline.
- No subsidies.

TWO CHILEAN AUTHORITIES: DGAC and JAC

"Safety in times of crisis, a permanent challenge"

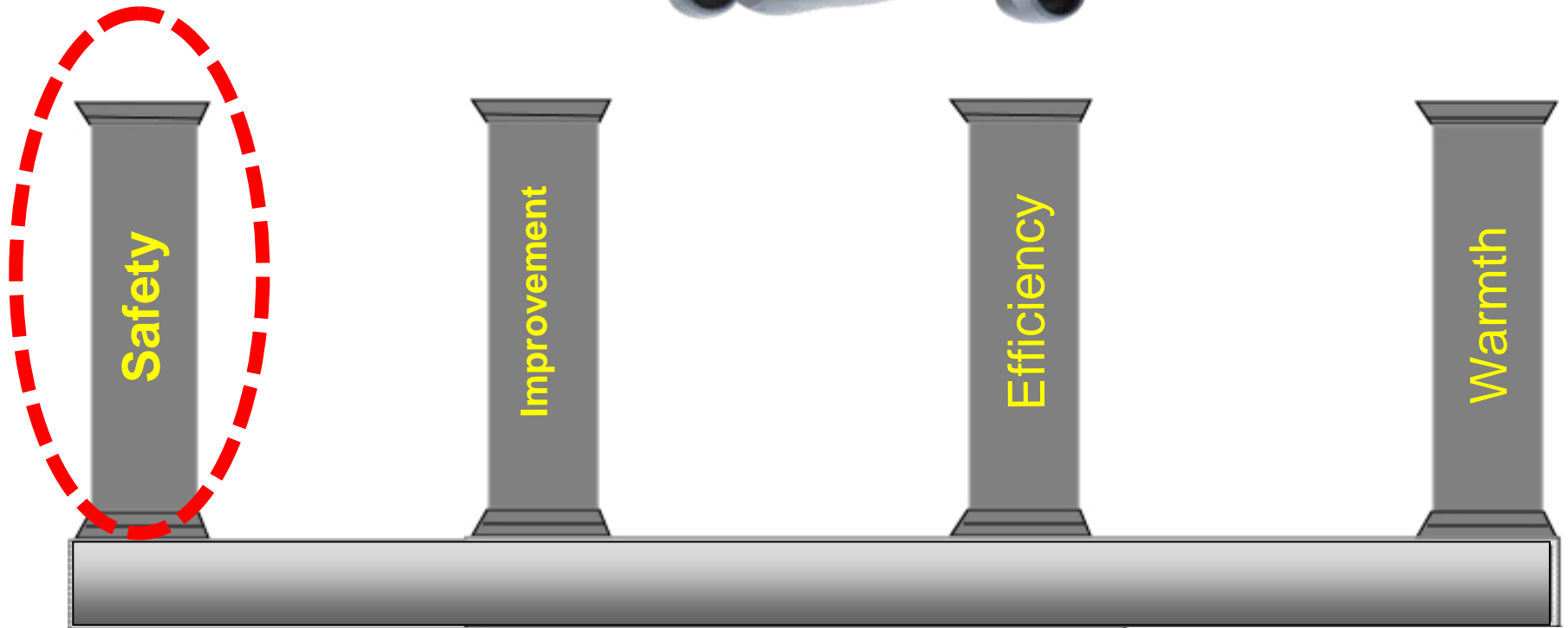- ➢ **Economic and Aviation Policy in Chile**

- ➢ **LAN Business Strategy**
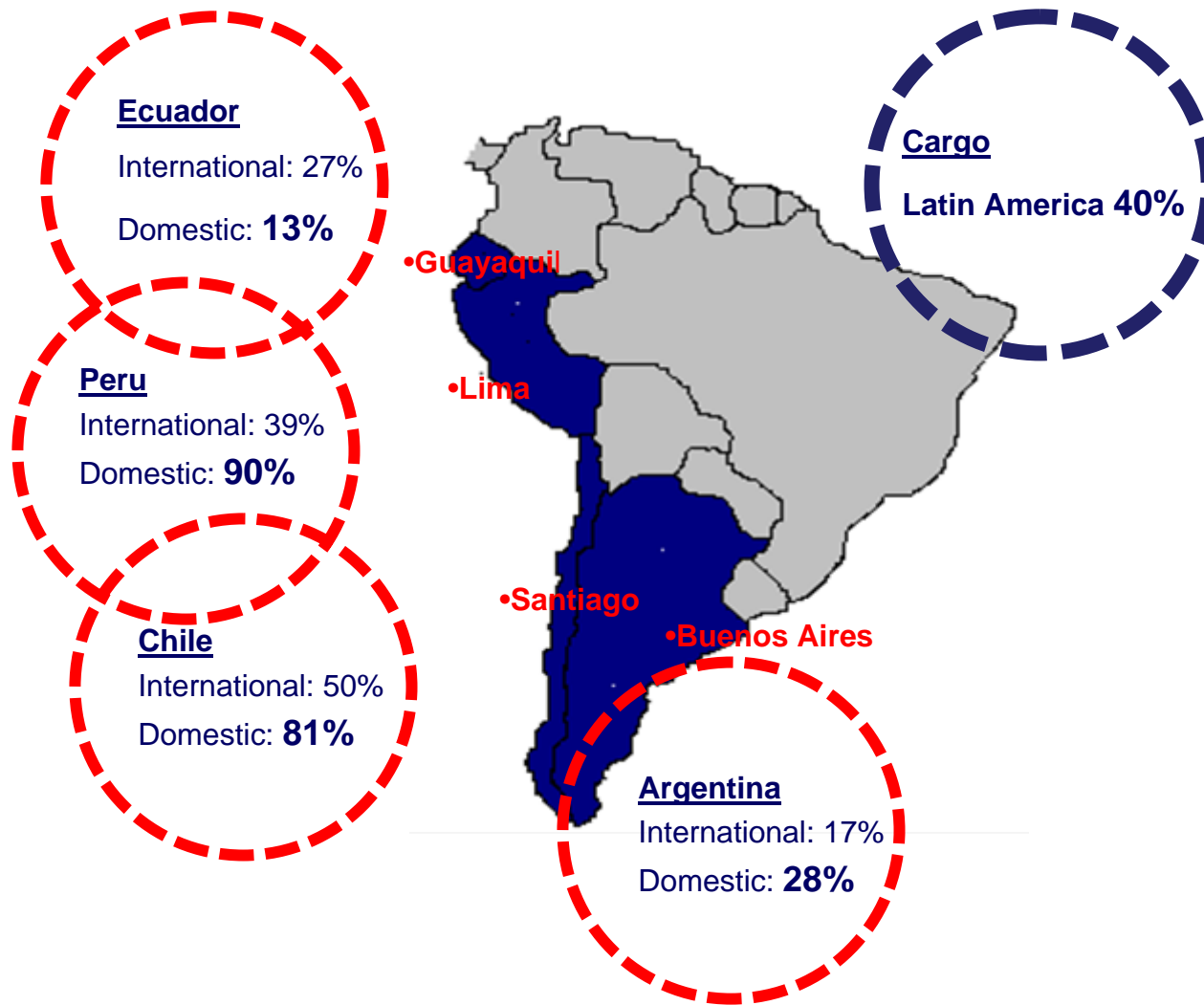
- ➢ **LAN SMS Principles**

- ➢ **Future challenges**

LAN ✈

LAN GROUP VALUES

Safety

Improvement

Efficiency

Warmth

SAFETY: AN ESSENTIAL AND NON NEGOTIABLE VALUE

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Leading Presence in South American Markets

Ecuador

International: 27%

Domestic: **13%**

Peru

International: 39%

Domestic: **90%**

Chile

International: 50%

Domestic: **81%**

Cargo

Latin America 40%

Argentina

International: 17%

Domestic: **28%**

•Guayaquil

•Lima

•Santiago

•Buenos Aires

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Differentiated Value Propositions in the Passenger Business

DOMESTIC OPERATIONS

➤ New A320 family aircraft

➤ Lower fares

➤ More direct flights

INTERNATIONAL OPERATIONS

➤ New Premium Business Class: first with full flat sleeper seats between Latin America and the United States

➤ State of the art on board entertainment system

➤ Complete retrofit of B767 fleet in 1H08 – US$80 million investment

➤ Begin retrofit of A340 fleet in 2H08

LAN's Regional Strategy – Cargo Hubs

LAN's Fleet – September 2009
Average fleet age of 5.4 years

Standardized fleet

PASSENGER

Type	Count
Airbus 318	15
Airbus 319	20
Airbus 320	18
Boeing 767	26
Airbus A340	5

CARGO

Type	Count
Boeing 767-F	9
Boeing 777-F	2

LAN
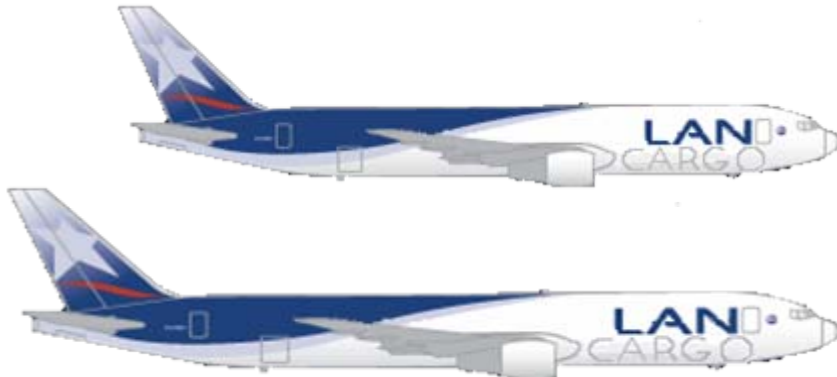
LAN Continues to Invest in Fleet Expansion and Renewal

CAPEX	2009	2010	2011	2012	2013-2019
(US$ millions)	351	408	705	433	3,380
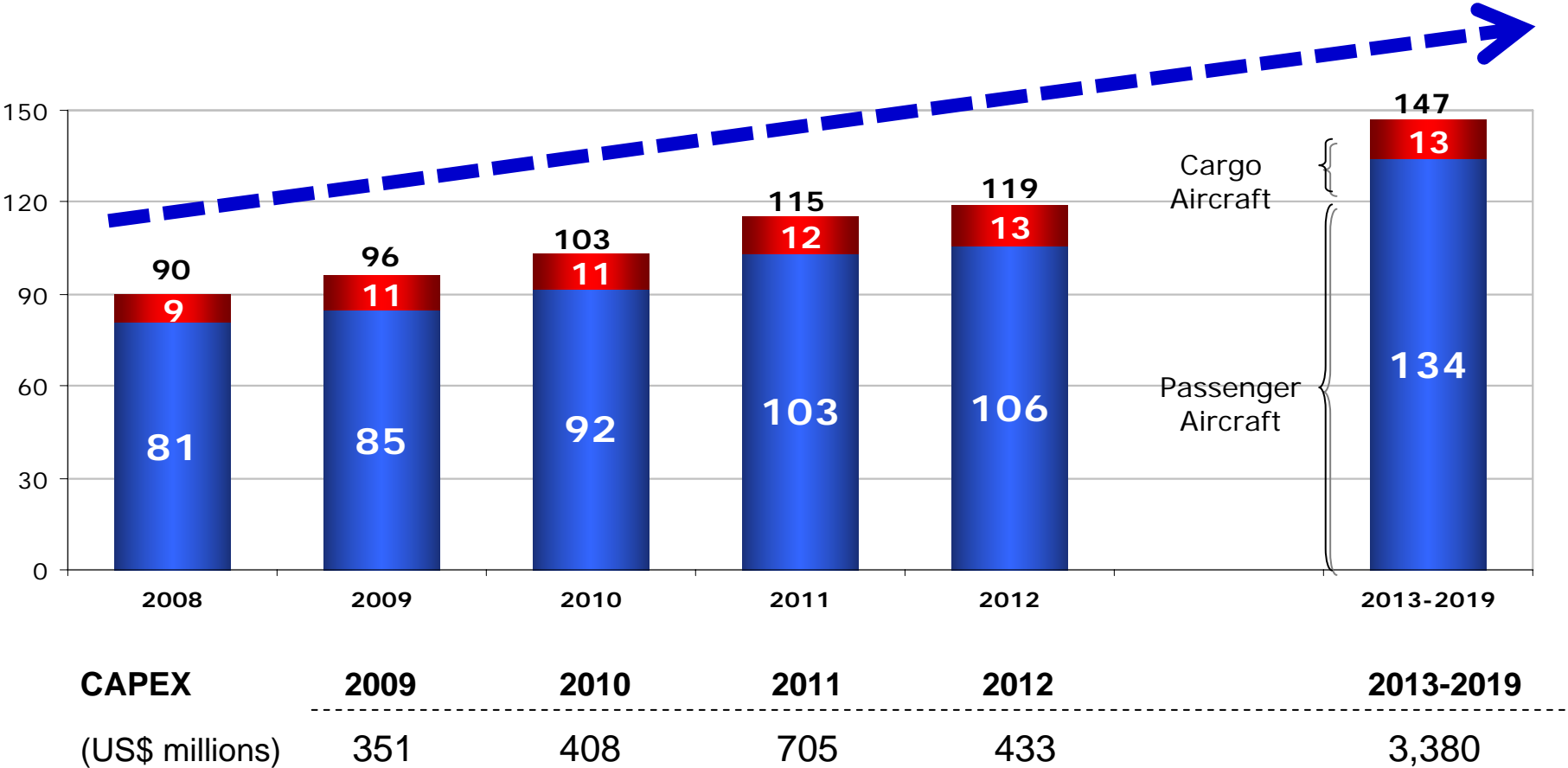
**Total Projected Investment of
US$5.3 Billion (2009-2019)**

Some International Recognitions

Airline Business Strategy Awards – Executive Leadership 2009

Best South American Airline - 2009

Best Latin American Airline - 2008

Best Airline in South America, Central America and Caribbean - 2006

Best South American Airline - 2005

Best Latin American Airline - 2004

"Safety in times of crisis, a permanent challenge"

- ➢ **Economic and Aviation Policy in Chile**

- ➢ **LAN Business Strategy**

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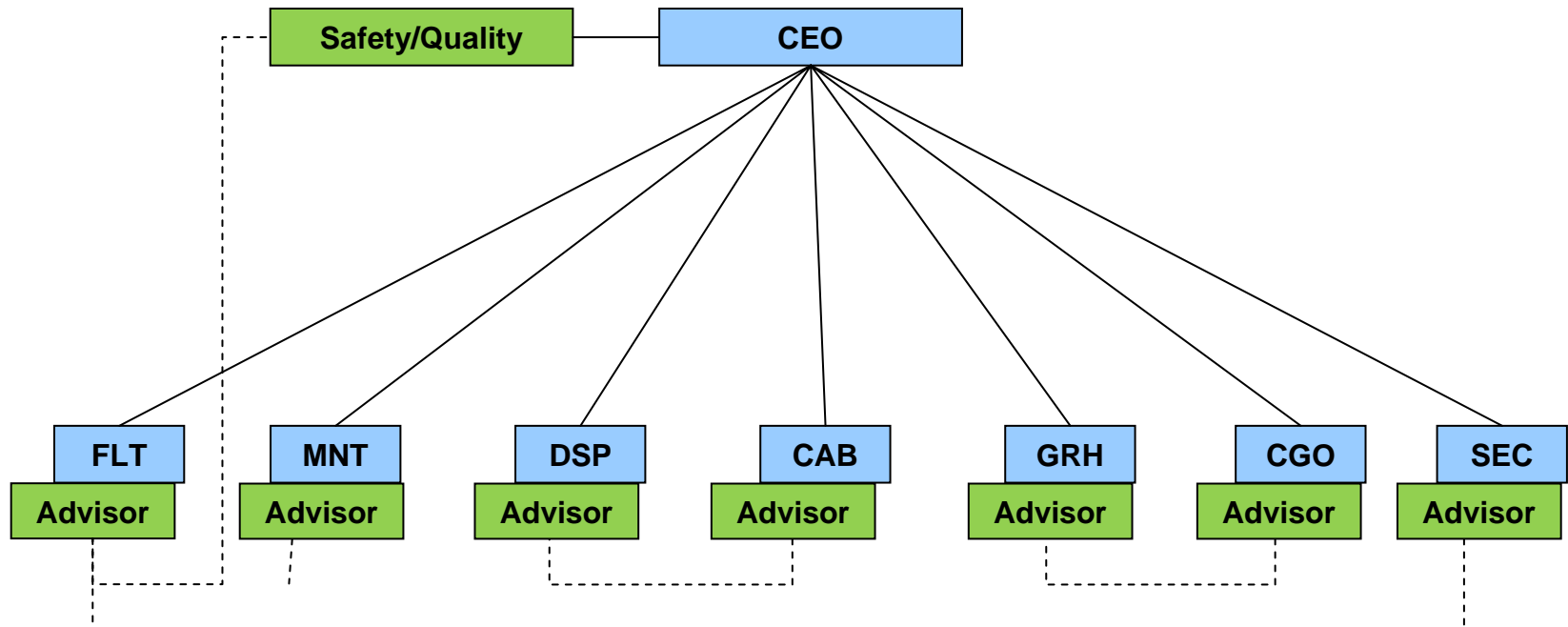
- ➢ **Future challenges**

Our Corporate Operational Safety, Quality and Environment Policy:

1. Motivates and requires compliance with safety standards.

2. Safety is everyone's responsibility, and starts with the CEO.

3. Encourages safety reports.

4. Mistakes are an opportunity for improvement.

5. Operational safety goals and objectives are well defined, measured and rewarded.

Our Safety Management System Organization:

```
  ┌──────────────┐   ┌──────────────┐
  │ Safety/Quality│───│     CEO      │
  └──────────────┘   └──────────────┘
```

FLT	MNT	DSP	CAB	GRH	CGO	SEC
Advisor	Advisor	Advisor	Advisor	Advisor	Advisor	Advisor

■ **Accountable Manager**

- Resources allocation and responds for safety results

■ **Safety Advisor**

- Support to Operational Manager and uses the tools of the SMS for risk management
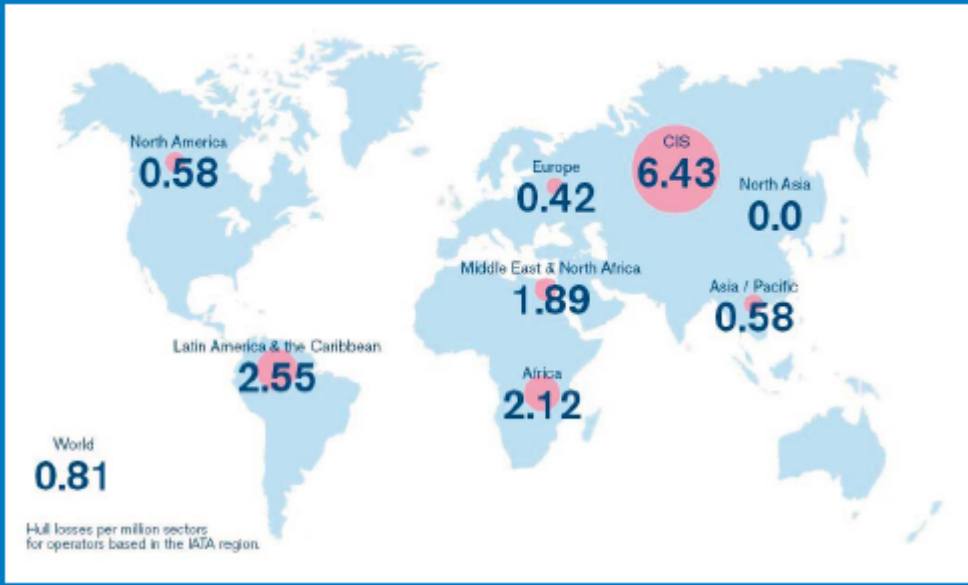
LAN

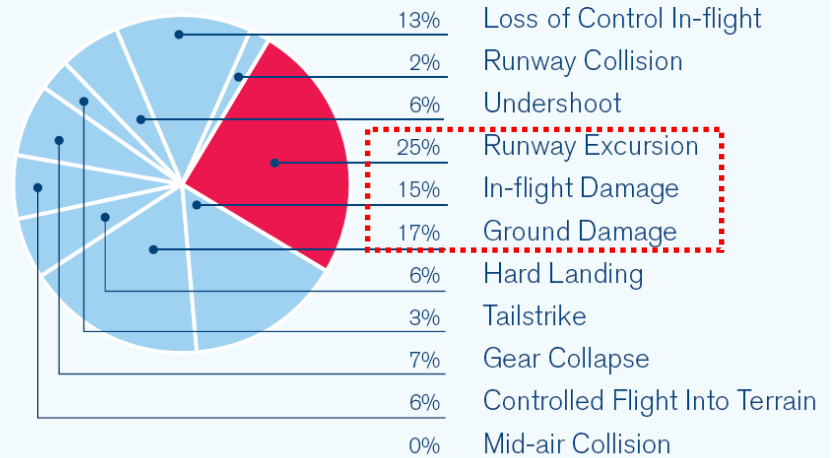# Our Corporate Safety Management System Tools:

Proactive

- Industry and Internal Analysis

- Risk Management System

- LOSA (Line Operations Safety Audit)

- Safety Audits (IOSA,ISAGO and Internal Audits)

- A & D Program
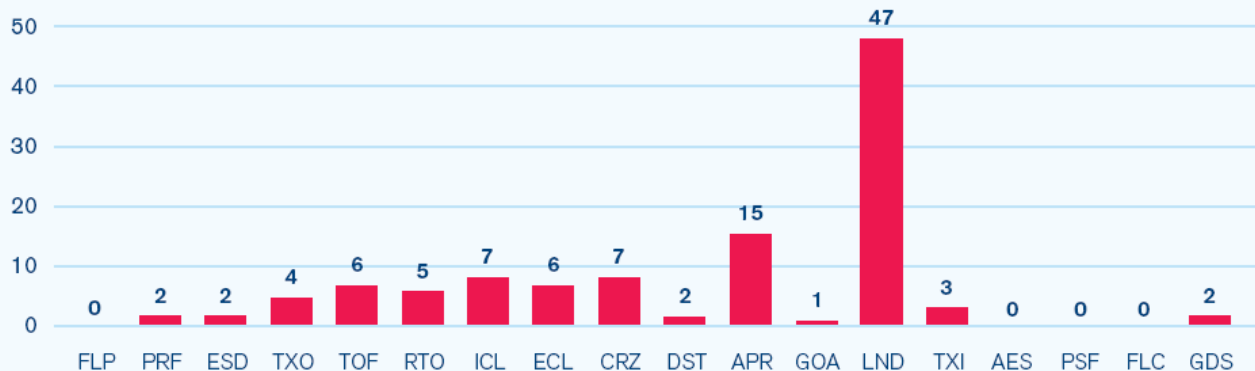
Industry and Self Analysis:

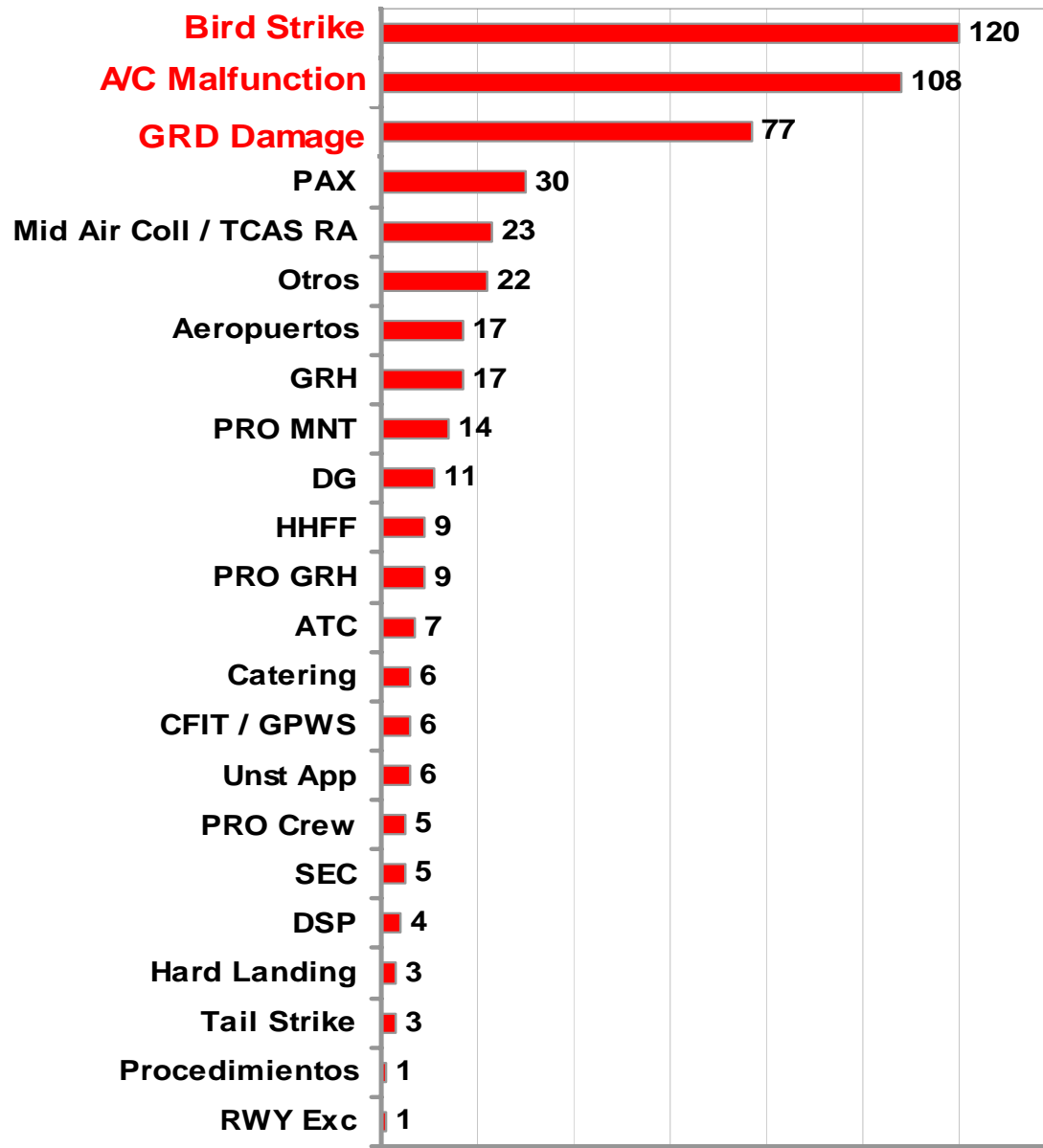## Western-built Jet Aircraft Hull Loss Rate per Operator Region (2008)

North America
0.58

Europe
0.42

CIS
6.43

North Asia
0.0

Middle East & North Africa
1.89

Asia / Pacific
0.58

Latin America & the Caribbean
2.55

Africa
2.12

World
0.81

Hull losses per million sectors for operators based in the IATA region.

Breakdown per Accident Category

13%	Loss of Control In-flight
2%	Runway Collision
6%	Undershoot
25%	Runway Excursion
15%	In-flight Damage
17%	Ground Damage
6%	Hard Landing
3%	Tailstrike
7%	Gear Collapse
6%	Controlled Flight Into Terrain
0%	Mid-air Collision

Accidents by Phase of Flight*

FLP	PRF	ESD	TXO	TOF	RTO	ICL	ECL	CRZ	DST	APR	GOA	LND	TXI	AES	PSF	FLC	GDS
0	2	2	4	6	5	7	6	7	2	15	1	47	3	0	0	0	2

Industry and Self Analysis:

Category	Value
Bird Strike	120
A/C Malfunction	108
GRD Damage	77
PAX	30
Mid Air Coll / TCAS RA	23
Otros	22
Aeropuertos	17
GRH	17
PRO MNT	14
DG	11
HHFF	9
PRO GRH	9
ATC	7
Catering	6
CFIT / GPWS	6
Unst App	6
PRO Crew	5
SEC	5
DSP	4
Hard Landing	3
Tail Strike	3
Procedimientos	1
RWY Exc	1

LAN

IOSA
IATA OPERATIONAL SAFETY AUDIT

Search

All IATA ∨ Go

Print this page

Home » Services & Solutions » Accreditation & Auditing » IOSA » Registry

IOSA Registry

3 3 2 > IOSA
REGISTERED OPERATORS

The IATA Operational Safety Audit (IOSA) is the benchmark for global safety management in airlines. By 2007, all IATA Members will need to have successfully undergone the IOSA audit in order to achieve or maintain IATA Membership. This demonstrates the commitment of IATA's Members to safety and makes IATA membership a mark of quality.

Current list of IOSA Registered airlines:

01 Region

02 Name

ABCDEFGHIJKLMNOPQ
RSTUVWXYZ

L.

↗ LAM - Linhas Aérea Moçambique
↗ LAN Airlines S.A.
↗ Lan Argentina S.A.
↗ Lan Ecuador ®
↗ LAN Express
↗ LAN Perú

LOSA (Line Operations Safety Audits)

- **AVSIS, FDM, Audits and Investigations** allow us to know **what** is happening in daily operations.

- LOSA allows us to know **why** it is happening.

- Through inflight cockpit monitoring.

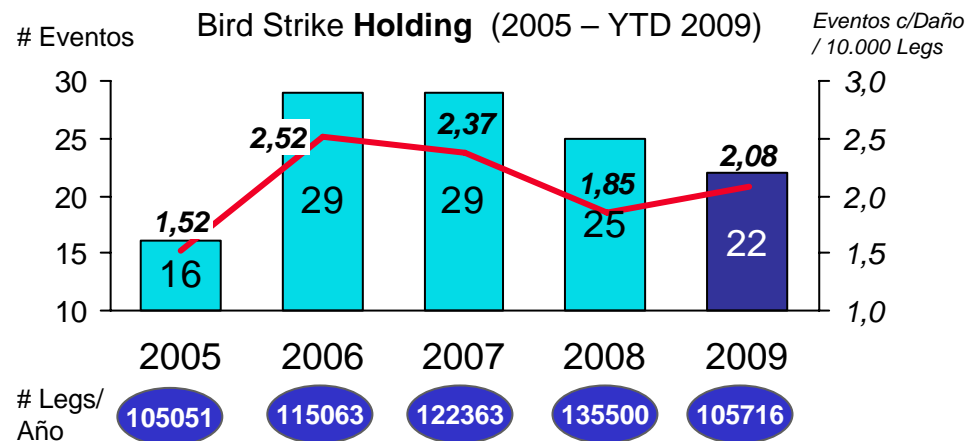- Supplies information to the Crew Training Program.
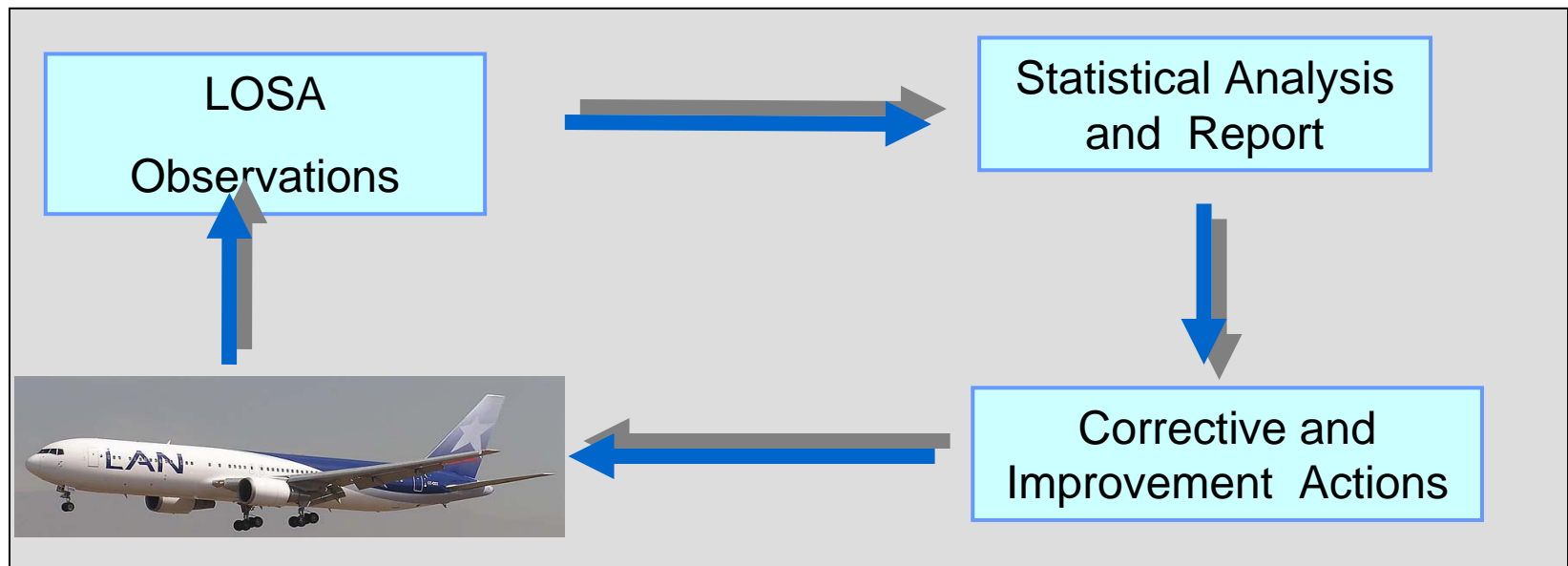
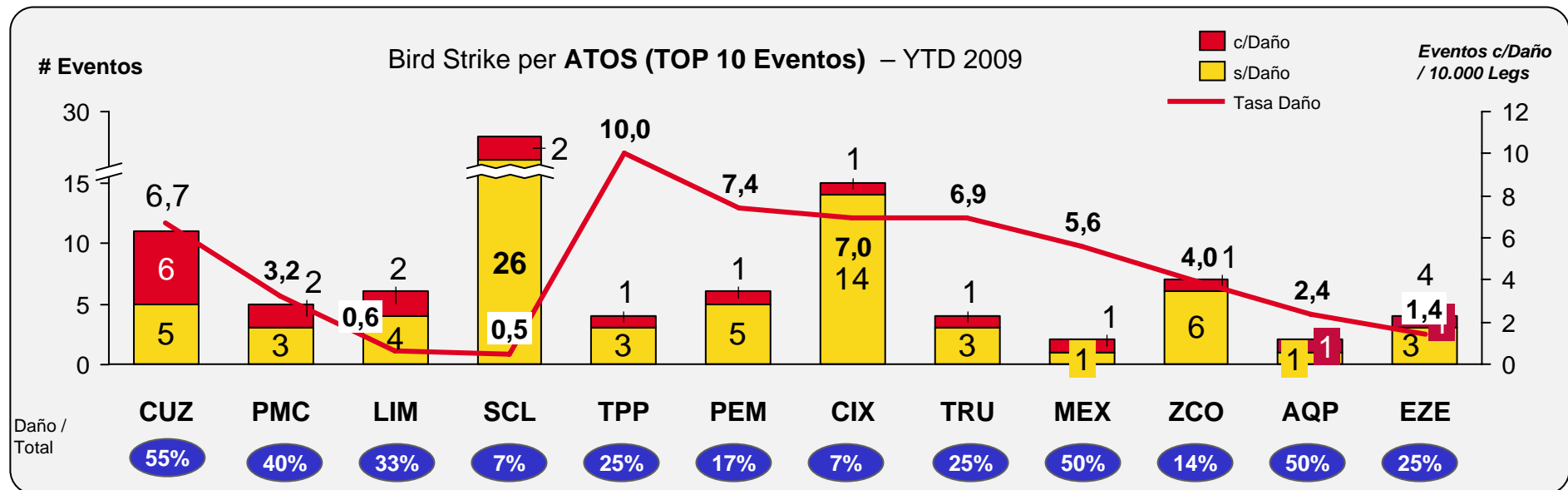# Our Corporate Safety Management System Tools:

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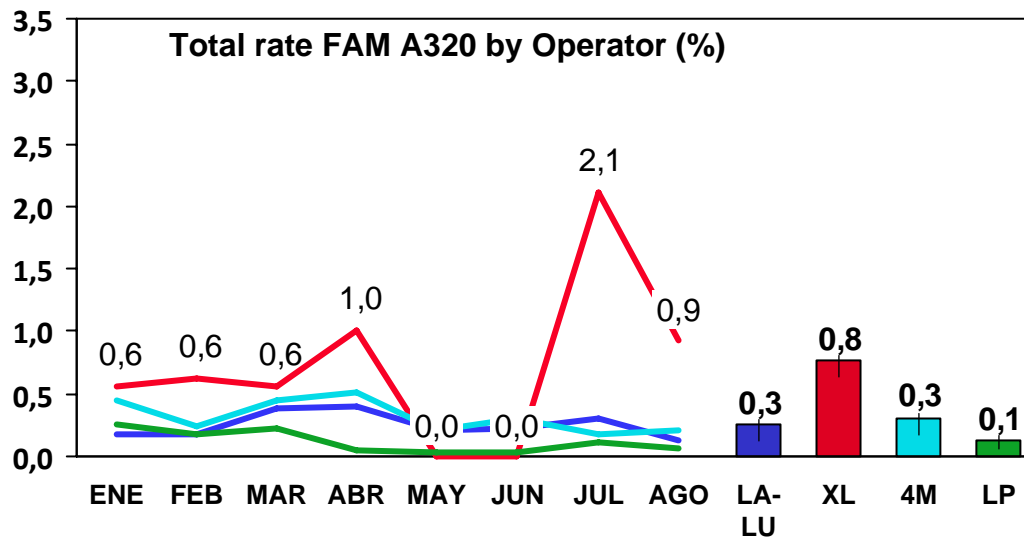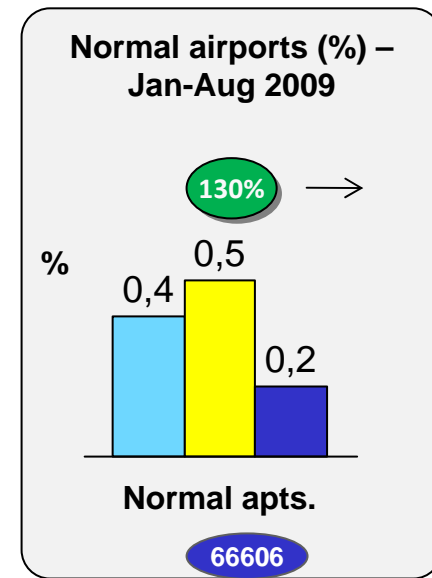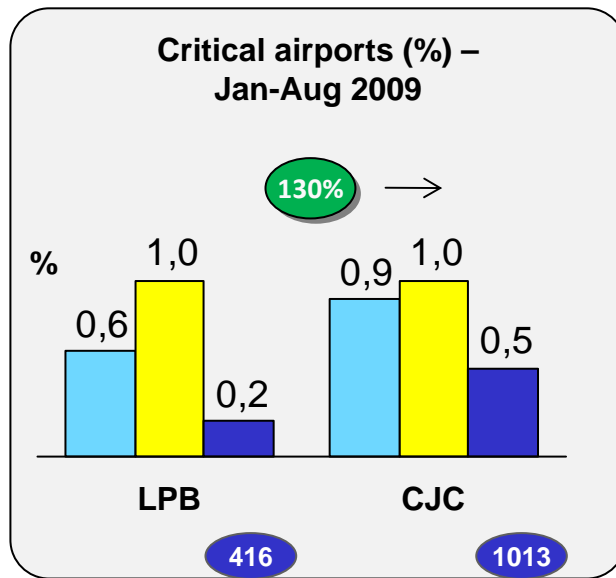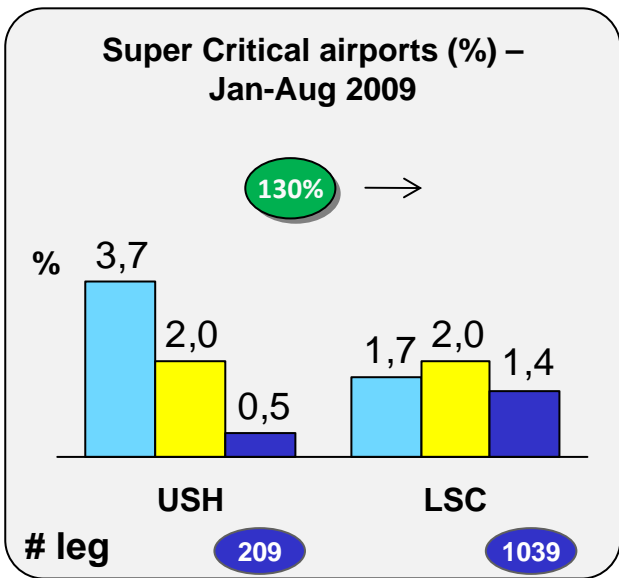- Safety Audits (IOSA,ISAGO and Internal Audits)
- A & D Program

Reactive

- AVSIS (Aviation Safety Information System)
- Safety Investigations

Bird Strike **Holding** (2005 – YTD 2009)

Eventos

Eventos c/Daño / 10.000 Legs

2005	2006	2007	2008	2009
16	29	29	25	22
1,52	2,52	2,37	1,85	2,08

Legs/Año

105051	115063	122363	135500	105716

ATO	C/Daño	S/Daño	Tasa	Razon
CUZ	6	5	6,71	55%
PMC	2	3	3,24	40%
LIM	2	4	0,61	33%
SCL	2	26	0,50	7%
TPP	1	3	10,00	25%
PEM	1	5	7,40	17%
CIX	1	14	6,96	7%
TRU	1	3	6,91	25%
MEX	1	1	5,61	50%
ZCO	1	6	3,98	14%
AQP	1	1	2,36	50%
EZE	1	3	1,40	25%

Bird Strike per **ATOS (TOP 10 Eventos)** – YTD 2009

Eventos

Eventos c/Daño / 10.000 Legs

- c/Daño
- s/Daño
- Tasa Daño

Daño / Total

CUZ	PMC	LIM	SCL	TPP	PEM	CIX	TRU	MEX	ZCO	AQP	EZE
55%	40%	33%	7%	25%	17%	7%	25%	50%	14%	50%	25%

Dirección de Seguridad Operacional

LAN

Super Critical airports (%) – Jan-Aug 2009

130% →

% 3,7 2,0 0,5 1,7 2,0 1,4

USH   LSC

leg   209   1039

Critical airports (%) – Jan-Aug 2009

130% →

% 0,6 1,0 0,2 0,9 1,0 0,5

LPB   CJC

416   1013

Normal airports (%) – Jan-Aug 2009

130% →

% 0,4 0,5 0,2

Normal apts.

66606

Total rate FAM A320 by Operator (%)

| ENE | FEB | MAR | ABR | MAY | JUN | JUL | AGO | LA-LU | XL | 4M | LP |

0,6 0,6 0,6 1,0 0,0 0,0 2,1 0,9 **0,3** **0,8** **0,3** **0,1**

Dirección de Seguridad Operacional

LAN

Safety Investigations

Based on HFACS

I.e.: MEDA

- A maintenance-related event can be caused by an error or an error/violation combination.

- Maintenance errors are not made on purpose and result from a series of contributing factors.

- Most of the contributing factors to errors and/or violations are under management control.

- Therefore, improvements can be made so that these factors do not contribute to future events.

Our Corporate Safety Management System Tools:

Proactive
- Industry and Internal Analysis
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- LOSA (Line Operations Safety Audit)
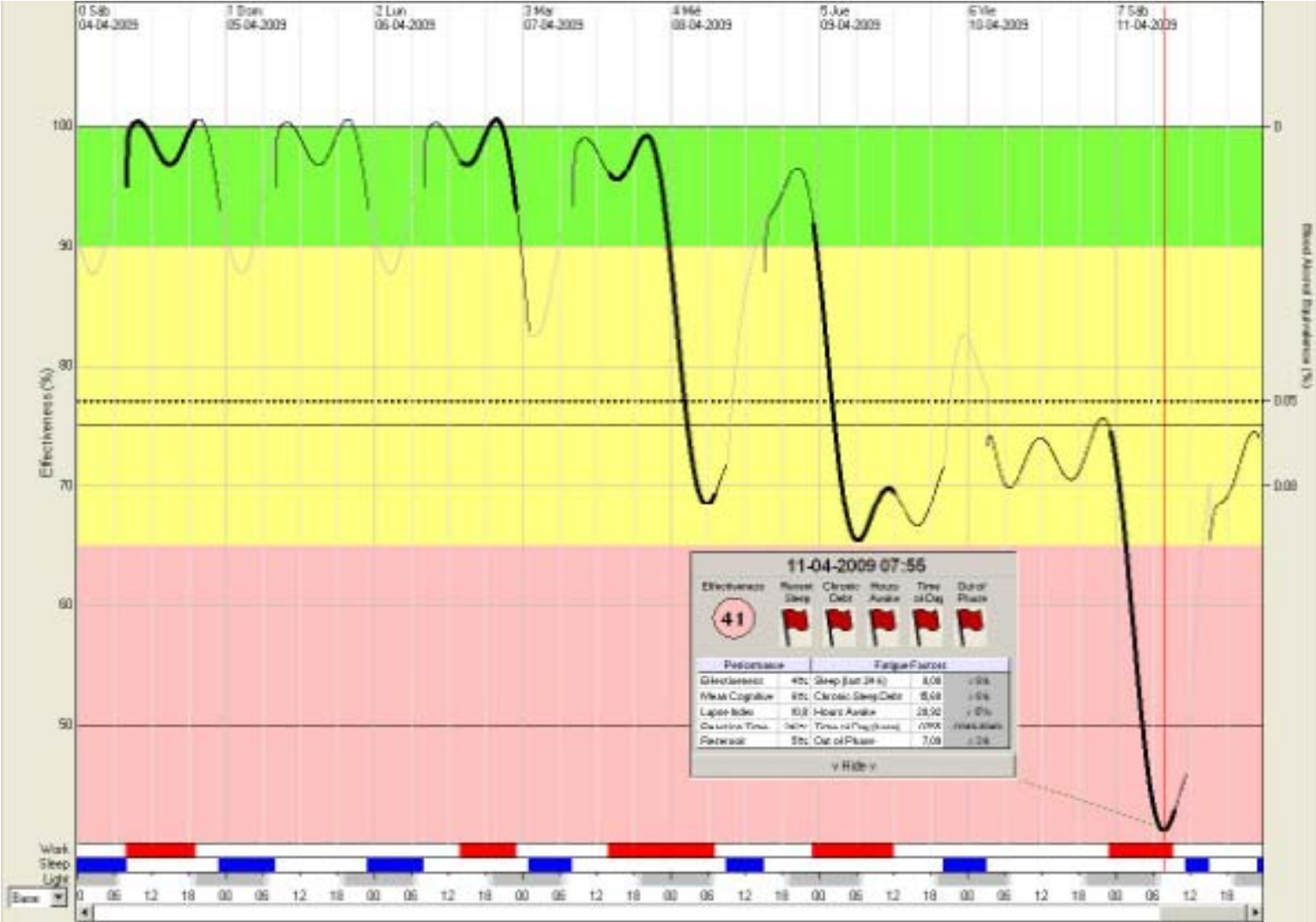- Safety Audits (IOSA,ISAGO and Internal Audits)
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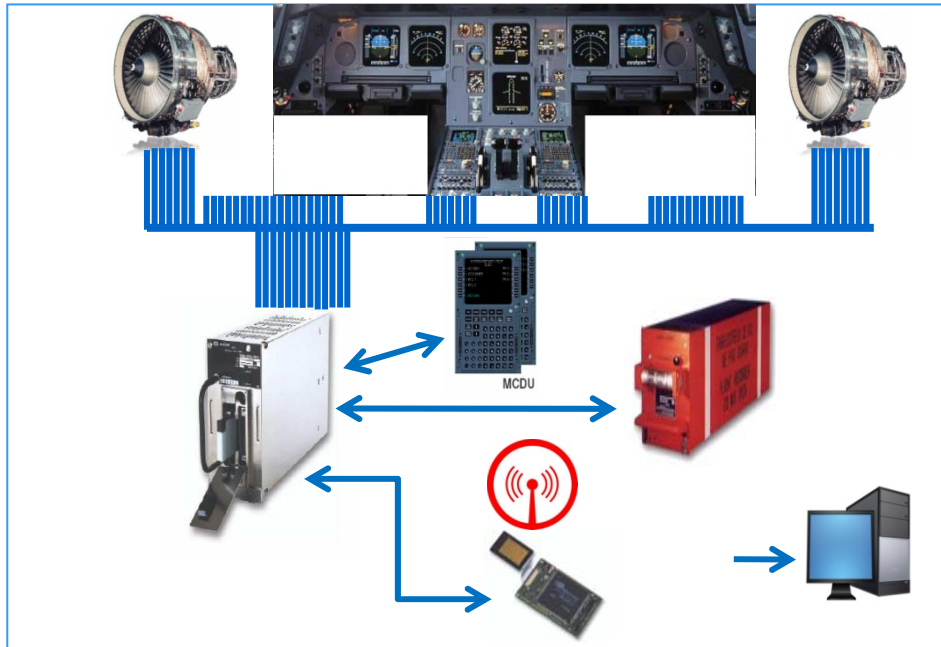- AVSIS (Aviation Safety Information System)
- Safety Investigations

Predictive
- FRMS (Fatigue Risk Management System)
- FDM (Flight Data Management)

LAN

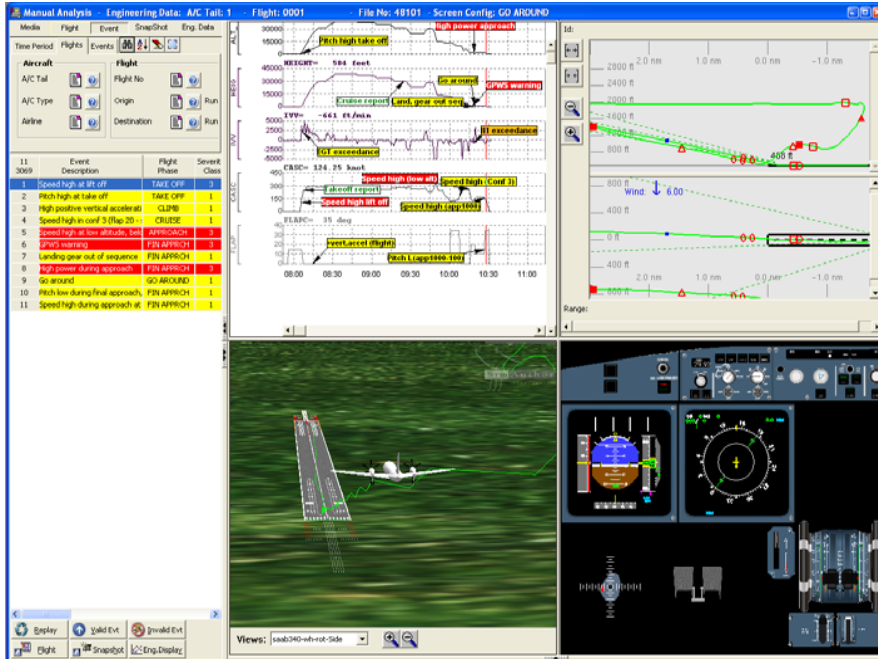# Fatigue Risk Management System

Our Flight Data Management:
Investment in Technology to monitor our flights since 2003

Flight Data Management: Statistics

- **Safety**

  Unstabilized Approach, GPWS , Tail Strike

- **Exceedance**

  EGT exceed TO – Speed high, etc.

- **Fuel**

  Fuel flow – Taxi In/out – Fuel TOC/TOD.

- **Aircraft Performance Monitoring (APM)**

Jumping in…

Difficulties

- Lack of standardized regulations

- Regulations don´t encourage reporting

- Poor Safety Culture in the region

- Lack of familiarization and standardization of the Quality Management

- Big effort to sensitize and train all levels in operational areas

- Investments in new technologies: FDM and LOSA

- Re-definition of the organization towards SMS functions

Contributors

- IOSA adoption

- Alliances/CodeShare requisites

- ICAO SMS Manual and Implementation Guide, IATA SMS, and other

- Prior training of SMS facilitators (DGAC/LAN)

- SMS concepts included in training program of operational areas

- Operational areas with certificated QA Systems

- Safety Audits Programme

- Alliances Benchmarking

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"Safety in times of crisis, our permanent challenge"

- ➢ **Economic and Aviation Policy in Chile**

- ➢ **LAN's Business Strategy**

- ➢ **LAN SMS Principles**

- ➢ **Future challenges**

Our Corporate future challenges

To continue growing as a Safe, Standardized, Creative and Innovator Operator

To work in cooperation with Industry, Manufacturers, other Operators and Authorities

Conclusion

- **Safety of our operations is a shared responsibility by everyone in LAN.**

- **Our Safety Culture is based on determined value. It is fair, well informed and encourages permanent improvement.**

- **We carry out OACI's Safety Standards and Recommended Practices (SARPs). We keep one of the best safety records and practices in the industry.**

- **Our SMS has the structure and technology to understand, manage and control the risks in our operations.**

THANK YOU

80 YEARS FLYING TOGETHER