

Risk Factors

Risks Related to our Operations and the Airline Industry

Our performance is heavily dependent on economic conditions in the countries in which we do business and negative economic conditions in those countries could have an adverse impact on our business. The success of our business depends upon key regulatory issues and these issues may adversely affect our business and results of operations. We depend on strategic alliances or commercial relationships in many of the countries in which we operate and our business may suffer if any of our strategic alliances or commercial relationships terminates. Our business and results of operation may suffer if we fail to obtain and maintain routes, suitable airport access, slots and other operating permits. A failure to successfully implement our growth strategy would harm our business and the market value of the ADSs and our common shares. Our business may be adversely affected by a downturn in the airline industry caused by exogenous events that affect travel behavior or increase costs, such as outbreak of disease, war or terrorist attacks. A significant portion of our cargo revenues comes from relatively few product types and may be impacted by events affecting their production or trade. Our operations are subject to fluctuations in the supply and cost of jet fuel, which could negatively impact our business. We rely on maintaining a high daily aircraft utilization rate to increase our revenues, which makes us especially vulnerable to delays. We fly and depend upon Airbus and Boeing aircraft, and our business is at risk if we do not receive timely deliveries of aircraft, if aircraft from these companies becomes unavailable or if the public negatively perceives our aircraft. We are often affected by certain factors beyond our control, including weather conditions, which can affect our operations. Losses and liabilities in the event of an accident involving one or more of our aircraft could materially affect our business. High levels of competition in the airline industry may adversely affect our level of operations. Some of our competitors may receive external support which could negatively impact our competitive position. We may face increasing competition from low-cost carriers offering discounted fares, which could negatively impact our results of operations. If we are unable to incorporate leased aircraft into our fleet at acceptable rates and terms in the future, our business could be adversely affected. We are incorporating various new technologies and equipment and their phase-in may have a negative impact on our service and operating standards. Our business may be adversely affected if we are unable to meet our significant future financing requirements. Our business may be adversely affected by our high degree of debt and aircraft lease obligations compared to our equity capital. Increases in insurance costs and/or significant reductions in coverage would harm our financial condition and results of operations. Problems with air traffic control systems or other technical failures could interrupt our operations and have a material adverse effect on our business. Our financial success depends on the availability and performance of key personnel, who are not subject to non-competition restrictions. Our business may experience adverse consequences if we are unable to reach satisfactory collective bargaining agreements with our unionized employees. Pressure by employees could cause operating disruptions and negatively impact our business. Increases in our labor costs, which constitute a substantial portion of our total operating costs, would directly impact our earnings. We may experience difficulty finding, training and retaining employees. Failure to comply with applicable environmental regulations could adversely affect our business and reputation.

Risks Related to Chile and Other Emerging Market Countries

Developments in Latin American countries and other emerging market countries may adversely affect the Chilean economy, negatively impact our business and results of operations and cause the market price of our common shares and ADSs to decrease. Fluctuations in the value of the Chilean peso and other currencies in the countries in which we operate may adversely affect our revenues and profitability. We are not required to disclose as much information to investors as a U.S. issuer is required to disclose and, as a result, you may receive less information about us than you would receive from a comparable U.S. company.

Risks Related to our Common Shares and ADSs

Our controlling shareholders may have interests that differ from those of our other shareholders. Trading of our ADSs and common shares in the securities markets is limited and could experience further illiquidity and price volatility. Holders of ADSs may be adversely affected by currency devaluations and foreign exchange fluctuations. Future changes in Chilean foreign investment controls and withholding taxes could negatively affect non-Chilean residents that invest in our shares. Our ADS holders may not be able to exercise preemptive rights in certain circumstances.