

**FOR IMMEDIATE RELEASE**



## **LAN AIRLINES REPORTS NET INCOME OF US\$21.8 MILLION EXCLUDING EXTRAORDINARY ITEMS**

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Santiago, Chile, July 25, 2006 – LAN Airlines S.A. (NYSE: LFL), one of Latin America's leading passenger and cargo airlines, reported today its consolidated financial results for the second quarter and six-month period ended on June 30, 2006. "LAN" or "the Company" makes reference to the consolidated entity, which includes several passenger and cargo airlines in Latin America. All figures were prepared in accordance with generally accepted accounting principles in Chile and are expressed in U.S dollars.

### **HIGHLIGHTS**

- LAN reported net income of US\$16.5 million for the second quarter of 2006. Excluding a US\$6.4 million pre-tax one-time charge due to severance payments, net income for the quarter amounted to US\$21.8 million compared to US\$26.6 million in 2005.
- Operating income for the quarter increased 60.6% to US\$25.4 million despite US\$36.4 million in additional costs due to higher fuel prices.
- Operating margin improved 0.9 points to 3.7% as revenue growth of 21.0% outpaced a 19.8% growth in operating costs.
- Total revenues for the quarter reached US\$690.0 million due to a 23.1% increase in passenger revenues and a 19.7% rise in cargo revenues. Passenger and cargo revenues accounted for 56% and 39% of total revenues, respectively.
- In June, LAN incorporated a new Boeing 767-300ER passenger aircraft into its fleet. This aircraft, which features LAN's new premium business and economy classes, will be followed by two additional Boeing 767-300ER aircraft, eight new Airbus A319 aircraft and one Boeing 767-300F freighter.
- During the second quarter, the Company completed a comprehensive review of its personnel requirements based on the impact of process simplification initiatives, new technological platforms and fleet modernization plans. Based on this assessment, the Company implemented adjustments that generated a US\$6.4 million severance payment charge and that are estimated to result in US\$15 million in annual savings.
- In June, **oneworld** announced the future incorporation of three new partners: JAL, Malev and Royal Jordanian. The incorporation of these new airlines will significantly enhance the alliance's global coverage.
- In May, LAN was designated as the Best Airline in Central, South America and the Caribbean by the *Official Airline Guide*. In July, the Company was selected as Chile's Most Admired Company in a survey by *La Segunda/Adimark*.

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LAN reported net income of \$16.5 million in the second quarter of 2006. This result includes a US\$6.4 million one-time, non-operating charge for severance payments. As a consequence, net income excluding extraordinary items amounted to US\$21.8 million, compared to US\$26.6 million in 2005. The Company's profitability was impacted mainly by lower non-operating results, as operating profits rose 60.6% to US\$25.4 million. This underscores LAN's ability to adapt to challenging conditions by rapidly adjusting its operations and deploying cost containment measures. Furthermore, during the quarter LAN advanced on a number of initiatives aimed at reinforcing the Company's competitiveness, supporting future expansion plans and raising profitability.

LAN recorded a solid operating performance during the second quarter, which is usually the weakest due to seasonality in South America. Specifically, total revenues increased 21.0% while operating margin improved 0.9 points to 3.7%. This represents a major accomplishment for the Company as it faced US\$36.4 million in additional costs due high fuel prices and absorbed a US\$9.4 million loss in the Argentine domestic market in the same period. Operating performance was further impacted by the costs necessary to prepare the Company for an aggressive fleet expansion in the second half of the year. LAN mitigated these factors by continuing to apply fuel-pass through mechanisms, proactively managing capacity, and implementing efficiency enhancements.

Passenger revenues grew 23.1% due to a 6.8% expansion in capacity and a 15.3% improvement in revenues per ASK. The latter resulted from a 16.4% improvement in yield while load-factors decreased 0.7 points during the quarter. During the second quarter, the Company managed capacity to respond to demand growth and market opportunities. As a consequence, capacity grew on routes to Europe, the South Pacific and within South America, while it decreased on segments to the Caribbean. Capacity in the Chilean domestic market grew moderately, while it decreased slightly in the Peruvian domestic market. Capacity in the Argentine domestic market grew significantly given a low comparison base as these operations began only in June 2005. Load-factor was impacted mainly by higher yield, which rose principally due to improved segmentation and the usage of fuel cost pass-through mechanisms. Yield rose further due to the appreciation of the Chilean Peso.

Cargo revenues rose 19.7% as capacity rose 6.0% and unit cargo revenues increased 12.9%. Higher revenues per ATK resulted from an 11.4% improvement in yield, as well as a 0.9 points rise in load factors. Conditions in the cargo business remain challenging given the imbalance caused by weak exports and strong imports into Latin America. In response to these conditions, LAN has adjusted its aircraft rotations in order to support northbound flights with stop-overs in various export markets. Additionally, the Company is also using its fleet of Boeing 767 freighters to provide most of its dedicated cargo capacity, leveraging their low operating costs and their ability to adequately serve key destinations. Yield rose due to careful route selection, fuel-cost pass through mechanisms and fare increase.

Operating expenses rose 19.8% compared to second quarter of 2005 as capacity increased 6.7%. This led to a 14.0% rise in total cost per ATK (which include net financial expenses). Excluding the impact of higher fuel prices, which generated US\$36.4 million in additional costs for the quarter, unit costs rose 7.5%. Ex-fuel, unit costs rose due to increased headcount, a stronger Chilean Peso, the effect of higher unit revenues over commercial costs and the expansion of incentive programs on certain cargo markets. These factors were partially offset by efficiency gains on fleet related expenses, maintenance costs, and fuel consumption.

Weaker non-operating results had a dramatic impact on profitability. The Company recorded a US\$8.8 million loss in 2006 compared to a US\$16.4 million gain in 2005. In June 2006, LAN recorded a one-time US\$6.4 million charge due to severance payments. Additionally, fuel hedging gains decreased by US\$6.1 million to US\$10.4 million, while foreign exchange gains moved from a US\$3.5 million profit in 2005 to a negligible gain in 2006.

LAN continues to maintain a solid financial position, with ample liquidity and a sound financing structure. By the end of the quarter LAN had US\$185 million in cash, cash equivalents and committed credit lines. Additionally, the Company's long-term debt only finances aircraft, has 12 to 18-year repayment profiles and features very competitive interest rates.

Continued positive results and a solid balance sheet have enabled LAN to continue advancing on a number of long-term initiatives. These plans, which encompass all levels and business units, are aimed at improving LAN's long-term strategic position by enabling the Company to address opportunities, strengthen its market position and raise competitiveness.

As part of these plans, LAN continues to expand its fleet and improve its customers' travel experience. In June the Company incorporated a new Boeing 767-300ER featuring its recently-launched Premium Business Class and upgraded Economy Class. This was the second Boeing 767-300ER delivery of 2006 and will be followed by a third aircraft in late July and a fourth in November. The Company will also incorporate eight Airbus A319 aircraft between August and September and a Boeing 767-300F freighter in October.

Meanwhile, LAN Argentina has advanced on a number of key projects aimed at strengthening its operations. In June, the airline incorporated its first Airbus A320 aircraft as part of its plan to replace its Boeing 737-200s. Utilization of

A320s is expected to enable LAN Argentina to improve its customer appeal, raise reliability standards and enhance efficiency.

During the quarter, LAN completed a thorough analysis of all of its support areas. This evaluation aimed to identify potential efficiency gains arising from the utilization of new information technology platforms and systems, as well as from the implementation of process simplification and outsourcing initiatives. Based on the results of this process, the Company reduced staffing levels. This generated a US\$6.4 million one-time severance charge to results for the second quarter and the Company estimates it will generate approximately US\$15 million in annual savings.

LAN's alliance network received a boost in July after **oneworld** announced the upcoming incorporation of three new members: JAL from Japan, Malev from Hungary, and Royal Jordanian from Jordan. The incorporation of these new members, planned for 2007, will expand **oneworld's** passenger capacity by more than 20% and strengthens the alliance's position in Asia, Central Europe and the Middle East.

These actions mentioned above are part of a broad set of initiatives aimed at reinforcing LAN's future performance. The Company's strong second quarter operating performance, which was impacted by losses in new ventures, provides a solid base for long-term growth and profitability. As a consequence, LAN is in position to plan for capacity expansion in response to growth opportunities, while leveraging opportunities to improve its cost performance. Combined, these elements will enable LAN to consolidate its position as Latin America's leading international carrier.

### **Consolidated Second Quarter Results**

**Net income** for the second quarter of 2006 amounted to US\$16.5 million compared to US\$26.6 million for the same period of 2005. Net income excluding extraordinary items amounted to US\$21.8 million. **Net margin** decreased 2.3 points from 4.7% in 2005 to 2.4% in 2006. Excluding extraordinary items, net margin amounted to 3.2%.

**Operating income** amounted to US\$25.4 million compared to US\$15.8 million in 2005. **Operating margin** for the quarter increased 0.9 points to 3.7%.

**Total operating revenues** increased 21.0% year-on-year to US\$690.0 million. This reflected a:

- 23.1 increase in **passenger revenues** to US\$386.0 million,
- 19.7% increase in **cargo revenues** to US\$267.8 million, and a
- 9.5% increase in **other revenues** to US\$36.2 million.

Passenger and cargo revenues accounted for 56% and 39% of total revenues for the quarter, respectively.

**Passenger revenues** grew driven by a 5.7% increase in traffic and a 16.4% increase in yields. Load factor decreased 0.7 points to 67.8% as a 6.8% increase in capacity offset the traffic increase. Overall, revenues per ASK increased 15.3%. Traffic grew as a result of a 4.2% increase in Chilean domestic traffic and a 5.9% increase in international traffic (including domestic operations in Peru and Argentina). International traffic accounted for 88% of total passenger traffic during the quarter. Yields grew mainly due to cost pass-through initiatives and improved segmentation.

**Cargo revenues** grew due to a 7.5% increase in traffic and an 11.4% improvement in yield. Yield rose primarily due to higher southbound rates and cost-based rate increases. Traffic growth outpaced a 6.0% increase in capacity and led to a 0.9 point rise in load factors rose to 67.3%. As a consequence, revenues per ATK rose 12.9%.

**Other revenues** increased 9.5% as increased on-board sales, handling and courier revenues offset lower maintenance revenues.

**Total operating expenses** increased 19.8% during the quarter as capacity, measured in system ATKs, increased 6.7%. As a consequence, unit (ATK) costs increased 14.0%. Excluding the impact of higher fuel prices that led to US\$36.4 million in additional expenses, unit costs increased 7.5%. Changes in operating expenses were driven by:

- **Wages and benefits** increased 24.9% mainly due to the appreciation of the Chilean peso and increases in headcount.
- **Fuel costs** rose 30.8% due to a 23.7% increase in prices and a 5.8% increase in consumption.
- **Commissions to agents** rose 26.3% as a 20.6% increase in traffic (passenger and cargo) revenues was offset by a 0.6 point increase in average commissions due to higher average cargo commissions.
- **Depreciation and amortization** increased 49.8% mainly due to the incorporation of six new aircraft (two Boeing 767 passenger aircraft, two Boeing 767 freighters, and two new Airbus A319 passenger aircraft), and to the reclassification of certain expenses due to the change in maintenance accounting policies in January 2006.
- **Other rental and landing fees** increased 4.4% as the impact from increased operations was mitigated by a reduction in ACMI rental expenses.

- **Passenger service** expenses increased 16.3% mainly due to a 7.2% rise in the number of passengers transported.
- **Aircraft rentals** increased 6.6% mainly because of the incorporation of additional Boeing 737 aircraft.
- **Maintenance expenses** decreased 17.6% as increased costs due to capacity growth were compensated by efficiency gains related to fleet renewal programs, the renegotiation of maintenance contracts with third parties, and the reclassification of certain expenses due to the change in maintenance accounting policies in January 2006.
- **Other operating expenses** rose 15.8% mainly to due to growth in sales and operations, as well as increased outsourcing expenses.

**Non-operating results** for the second quarter of 2006 amounted to a US\$8.8 million loss compared to a US\$16.4 million gain in 2005. Interest income decreased 61.7% due to lower average cash balances. Interest expenses increased 56.3% due to increased average long-term debt. In the miscellaneous-net item, the Company recorded a US\$3.7 million gain compared to a US\$21.7 million gain in 2005. In 2006, this included a US\$10.4 million fuel hedging gain (compared to a US\$16.5 million gain in 2005) as well as a negligible foreign-exchange loss (compared to a US\$3.5 million gain in 2005).

### **Consolidated First Half Results**

**Net income** for the first half of 2006 amounted to US\$96.1 million compared to US\$72.9 million for 2005. **Net margin** increased 0.6 points from 6.2% in 2005 to 6.8% in 2006. Excluding extraordinary items, net income decreased 7.0% to US\$ 67.8 million and net margins amounted to 4.8%.

**Operating income** for the first half of 2006 was US\$94.1 million compared to US\$72.4 million in 2005. **Operating margin** for the first half increased 0.5 points to 6.6%.

**Total operating revenues** amounted to US\$1.4 billion in the first half of 2006, a 20.4% increase compared with the first half of 2005. This reflected a:

- 20.4% increase in **passenger revenues** to US\$823.0 million,
- 20.3% increase in **cargo revenues** to US\$522.7 million, and a
- 21.4% increase in **other revenues** to US\$72.4 million.

Passenger and cargo revenues accounted for 58% and 37% of total revenues for 2006, respectively.

**Passenger revenues** were driven by a 5.3% increase in traffic and an 14.3% increase in yields. Load factor decreased 1.1 points to 71.5%, as a 6.9% capacity increase outpaced traffic growth. Overall, revenues per ASK rose 12.6%. Traffic grew due to a 0.7% increase in Chilean domestic traffic and a 6.0% increase in international traffic (including domestic operations in Peru and Argentina). International traffic accounted for 86% of total passenger traffic during 2006. Yields grew mainly as a result of the implementation of cost pass-through initiatives, improved segmentation, and higher premium traffic.

**Cargo revenues** grew due to a 8.3% increase in traffic and a 11.0% improvement in yields, measured in RTKs. Yields rose primarily due to improvements in southbound rates and cost driven rates increases. A 8.6% increase in capacity outpaced the growth in cargo traffic, resulting in a 0.1-point decrease in cargo load factors to 65.8%. As a consequence, revenues per ATK rose 10.8%.

**Other revenues** grew 21.4% as higher revenues from on-board sales, handling activities and courier operations.

**Total operating expenses** increased 19.8% in 2006 compared to 2005, as capacity, measured in system ATKs, increased 7.2%. As a consequence, unit (ATK) costs increased 12.4%. Excluding the impact of higher fuel prices, which led to \$74.0 million in additional expenses, unit costs increased 5.9%. The changes in operating expenses were driven by:

- **Wages and benefits** increased 23.2% mainly due to increases in headcount and a stronger Chilean peso.
- **Fuel costs** increased 32.3% due to a 25.1% increase in prices and a 5.8% increase in consumption.
- **Commissions to agents** rose 23.8% driven primarily by a 19.3% increase in traffic (passenger and cargo) revenues. As a percentage of traffic revenues, commissions rose 0.4 points to 14.5% as lower average passenger commissions offset higher cargo commissions.
- **Depreciation and amortization** increased 51.2%, mainly due to the incorporation of new six aircraft (two Boeing 767 passenger aircraft, two Boeing 767 freighters and two new Airbus A319 aircraft) and the reclassification of certain expenses due to the change in maintenance accounting policies in January 2006.
- **Other rental and landing fees** increased 5.5% as the impact of increased operations on both landing fees and ground-handling expenses was partially offset by a reduction in ACMI leases.
- **Passenger service** expenses increased 7.2%, mainly due to a 7.0% increase in the number of passengers transported.

- **Aircraft rentals** increased 6.6% mainly due to the incorporation of additional Boeing 767, Airbus A320 and Boeing 737 aircraft.
- **Maintenance expenses** decreased 11.8% as the effect of increased operations was offset by efficiency gains arising from the renegotiation of third-party maintenance contracts, fleet renewal programs and the reclassification of certain expenses due to the change in maintenance accounting policies in January 2006.
- **Other operating expenses** grew 16.6% due to increases in booking expenses, cost of goods sold on-board, and sales related costs and taxes.

**Non-operating results** for the first half 2006 amounted to a US\$19.4 million gain compared to a US\$14.7 million gain in 2005. Interest income decreased 45.7% due to lower average cash balances. Interest expenses increased 44.7% due to an increase in average debt. In the miscellaneous-net item, the Company recorded a US\$41.9 million gain compared to a US\$25.9 million gain in the same period of 2005. In the first half 2006 this included a US\$7.5 million fuel hedging gain (compared to a US\$25.4 million gain in 2005) as well as a US\$0.9 million foreign-exchange loss (compared to a US\$0.2 million gain in 2005).

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#### About LAN

LAN Airlines is one of the leading airlines in Latin America. "LAN" makes reference to the consolidate entity that includes LAN Airlines, LAN Express, LAN Peru, LAN Ecuador, and LAN Argentina, as well as LAN Cargo and its affiliates. Through its own operations and code-share arrangements, the LAN Alliance serves 15 destinations in Chile, eleven destinations in Peru, nine destinations in Argentina, two in Ecuador, 20 destinations in other Latin American countries, 25 in North America, ten destinations in Europe and four in the South Pacific. Currently, the LAN Alliance operates 67 passenger aircraft and nine dedicated freighters.

LAN Airlines is a member of **oneworld** (TM), the world's leading quality alliance. It has bilateral commercial agreements with **oneworld** partners American Airlines, British Airways, Iberia and Qantas and also with Alaska Airlines, AeroMexico, Mexicana, and TAM. For more information visit [www.lan.com](http://www.lan.com) or [www.oneworldalliance.com](http://www.oneworldalliance.com).

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#### Note on Forwards Looking Statements

This report contains forward-looking statements. Such statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" or other similar expressions. Forward-looking statements are statements that are not historical facts, including statements about our beliefs and expectations. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. These factors include. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them, whether in light of new information, future events or otherwise.

**LAN Airlines S.A.**  
**Consolidated Income Statement (in thousands of U.S. Dollars)**

	For the Three-Month Period ended June 30			For the Six-Month Period ended June 30		
	2006	2005	% Change	2006	2005	% Change
<b>REVENUES</b>						
Passenger	386,045	313,639	23.1%	822,951	683,715	20.4%
Cargo	267,760	223,700	19.7%	522,746	434,648	20.3%
Other	36,163	33,017	9.5%	72,428	59,685	21.4%
<b>TOTAL OPERATING REVENUES</b>	<b>689,968</b>	<b>570,356</b>	<b>21.0%</b>	<b>1,418,125</b>	<b>1,178,048</b>	<b>20.4%</b>
<b>EXPENSES</b>						
Wages and Benefits	(106,581)	(85,311)	24.9%	(210,757)	(171,009)	23.2%
Aircraft Fuel	(190,429)	(145,581)	30.8%	(369,549)	(279,262)	32.3%
Commissions to Agents	(104,154)	(82,496)	26.3%	(205,878)	(166,283)	23.8%
Depreciation and Amortization	(28,986)	(19,355)	49.8%	(57,799)	(38,239)	51.2%
Other Rental and Landing Fees	(78,087)	(74,765)	4.4%	(160,589)	(152,203)	5.5%
Passenger Services	(13,667)	(11,752)	16.3%	(27,328)	(25,493)	7.2%
Aircraft Rentals	(39,356)	(36,910)	6.6%	(78,377)	(73,514)	6.6%
Aircraft Maintenance	(26,219)	(31,823)	-17.6%	(59,246)	(67,162)	-11.8%
Other Operating Expenses	(77,076)	(66,544)	15.8%	(154,513)	(132,491)	16.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>(664,555)</b>	<b>(554,537)</b>	<b>19.8%</b>	<b>(1,324,036)</b>	<b>(1,105,656)</b>	<b>19.8%</b>
<b>OPERATING INCOME (LOSS)</b>	<b>25,413</b>	<b>15,819</b>	<b>60.6%</b>	<b>94,089</b>	<b>72,392</b>	<b>30.0%</b>
<i>OPERATING MARGIN</i>	<i>3.7%</i>	<i>2.8%</i>	<i>0.9 pp.</i>	<i>6.6%</i>	<i>6.1%</i>	<i>0.5 pp.</i>
<b>OTHER INCOME ( EXPENSE )</b>						
Interest Income	1,356	3,536	-61.7%	3,757	6,925	-45.7%
Interest Expenses	(13,885)	(8,882)	56.3%	(26,208)	(18,107)	44.7%
Miscellaneous-Net	3,727	21,707	-82.8%	41,894	25,930	61.6%
<b>TOTAL</b>	<b>(8,802)</b>	<b>16,361</b>	<b>-153.8%</b>	<b>19,443</b>	<b>14,748</b>	<b>31.8%</b>
<b>INCOME BEFORE MINORITY INTEREST</b>	<b>16,611</b>	<b>32,180</b>	<b>-48.4%</b>	<b>113,532</b>	<b>87,140</b>	<b>30.3%</b>
Minority Interest	3,096	(314)	-1086.0%	1,571	478	228.7%
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>19,707</b>	<b>31,866</b>	<b>-38.2%</b>	<b>115,103</b>	<b>87,618</b>	<b>31.4%</b>
Income Taxes	(3,238)	(5,309)	-39.0%	(18,980)	(14,713)	29.0%
<b>NET INCOME (LOSS)</b>	<b>16,469</b>	<b>26,557</b>	<b>-38.0%</b>	<b>96,123</b>	<b>72,905</b>	<b>31.8%</b>
<i>NET MARGIN</i>	<i>2.4%</i>	<i>4.7%</i>	<i>- 2.3 pp.</i>	<i>6.8%</i>	<i>6.2%</i>	<i>0.6 pp.</i>
<b>NET INCOME (LOSS) EXCLUDING EXTRAORDINARY ITEMS</b>	<b>21,814</b>	<b>26,557</b>	<b>-17.9%</b>	<b>67,782</b>	<b>72,905</b>	<b>-7.0%</b>
<i>NET MARGIN EXCLUDING ITEMS</i>	<i>3.2%</i>	<i>4.7%</i>	<i>- 1.5 pp.</i>	<i>4.8%</i>	<i>6.2%</i>	<i>- 1.4 pp.</i>
Shares Outstanding	318,909,090	318,909,090		318,909,090	318,909,090	
Earnings per share	0.05	0.08	-38.0%	0.30	0.23	31.8%
Earnings per ADR	0.26	0.42	-38.0%	1.51	1.14	31.8%
Earnings per share excluding extraordinary items	0.07	0.08	-17.9%	0.21	0.23	-7.0%
Earnings per ADR excluding extraordinary items	0.34	0.42	-17.9%	1.06	1.14	-7.0%

**LAN Airlines S.A.  
Consolidated Operating Statistics**

	For the Three-Month Period ended June 30			For the Six-Month Period ended June 30		
	2006	2005	% Change	2006	2005	% Change
<b>Operating Statistics</b>						
<b>System</b>						
ATKs (millions)	1,513.4	1,418.1	6.7%	3,065.5	2,859.5	7.2%
ASKs (millions)	6,022.8	5,640.7	6.8%	12,425.7	11,624.5	6.9%
RTKs (millions)	1,001.1	938.5	6.7%	2,059.3	1,923.9	7.0%
RPKs (millions)	4,085.3	3,864.6	5.7%	8,880.1	8,435.9	5.3%
Overall Load Factor (based on ATKs)%	66.1%	66.2%	0.0 pp.	67.2%	67.3%	-0.1 pp.
Break-Even Load Factor (based on ATK)%	64.8%	64.9%	0.0 pp.	63.6%	63.6%	0.0 pp.
Yield based on RTKs (US Cents)	65.3	57.25	14.1%	65.35	58.13	12.4%
Operating Revenues per ATK (US Cents)	43.2	37.9	14.0%	43.90	39.11	12.2%
Operating Costs per ATK (US Cents)	42.3	37.2	14.0%	41.56	36.97	12.4%
Fuel Gallons Consumed (millions)	86.5	81.8	5.8%	176.7	167.0	5.8%
Average Trip Length (thousands km)	2.171	2.203	-1.4%	2.218	2.254	-1.6%
<b>Passenger</b>						
ASKs (millions)	6,022.8	5,640.7	6.8%	12,425.7	11,624.5	6.9%
RPKs (millions)	4,085.3	3,864.6	5.7%	8,880.1	8,435.9	5.3%
RTKs (millions)	367.7	347.8	5.7%	799.2	759.2	5.3%
Passengers Transported (thousands)	1,881.4	1,754.3	7.2%	4,003.4	3,742.1	7.0%
Load Factor (based on ASKs) %	67.8%	68.5%	-0.7 pp.	71.5%	72.6%	-1.1 pp.
Yield (based on RPKs, US Cents)	9.4	8.1	16.4%	9.3	8.1	14.3%
Yield (based on RTKs, US Cents)	105.0	90.2	16.4%	103.0	90.1	14.3%
Revenue/ASK (US cents)	6.4	5.6	15.3%	6.6	5.9	12.6%
<b>Cargo</b>						
ATKs (thousands)	941.3	888.1	6.0%	1,916.3	1,764.9	8.6%
RTKs (thousands)	633.4	589.3	7.5%	1,260.1	1,163.2	8.3%
Tons Transported (thousands)	136.4	129.3	5.4%	272.0	257.9	5.5%
Load Factor (based on ATKs) %	67.3%	66.3%	0.9 pp.	65.8%	65.9%	-0.1 pp.
Yield based on RTKs (US Cents)	42.27	37.96	11.4%	41.48	37.37	11.0%
Revenue/ATK (US Cents)	28.4	25.2	12.9%	27.3	24.6	10.8%

**LAN Airlines S.A.**  
**Consolidated Statements of Cash Flows**

	For the Three-Month Period ended		For the Six-Month period ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Collection of trade accounts receivable	881,259	606,876	1,370,265	1,082,792
Interest income	1,036	3,248	3,394	6,859
Income and other interest received	4,459	17,248	10,385	27,219
Payments to suppliers and personnel	(769,186)	(537,928)	(1,202,094)	(963,240)
Interest paid	(13,286)	(8,475)	(25,352)	(17,590)
Income tax paid	(3,947)	(482)	(4,369)	(505)
Other expenses paid	(904)	(625)	(6,812)	(888)
Value-added tax and similar payments	(9,952)	(9,197)	(18,938)	(17,932)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>89,479</b>	<b>70,665</b>	<b>126,479</b>	<b>116,715</b>
Proccds from share issuance	-	2,226	20	3,080
Loans obtained	128,961	-	236,588	-
Securitization proceeds	(2,769)	(3,199)	(6,135)	(6,345)
Other loans from related companies	-	-	-	-
Dividend payments	(1,843)	(6,993)	(36,843)	(6,993)
Loans repaid	(66,929)	(6,140)	(101,678)	(11,370)
Other	-	(92)	(6)	(1,799)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>57,420</b>	<b>(14,198)</b>	<b>91,946</b>	<b>(23,427)</b>
Acquisitions of property, plant and equipment	(178,731)	(73,627)	(286,988)	(111,152)
Proceeds from sales of property and equipment	54	356	5,905	469
Sale of financial instruments and other investments	5,235	28,126	22,301	34,148
Other investments	-	(807)	-	(807)
Investments in financial instruments	-	(25,020)	-	(35,115)
Other	-	(796)	-	(1,241)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(173,442)</b>	<b>(71,768)</b>	<b>(258,782)</b>	<b>(113,698)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(26,543)</b>	<b>(15,301)</b>	<b>(40,357)</b>	<b>(20,410)</b>
<b>Inflation Effect in Cash and Cash Equivalents</b>	<b>(95)</b>	<b>91</b>	<b>(105)</b>	<b>(6)</b>
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(26,638)</b>	<b>(15,210)</b>	<b>(40,462)</b>	<b>(20,416)</b>
<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>97,447</b>	<b>211,662</b>	<b>111,271</b>	<b>216,868</b>
<b>Cash and Cash Equivalents at End of the Period</b>	<b>70,809</b>	<b>196,452</b>	<b>70,809</b>	<b>196,452</b>

**Note:** The Company considers all short-term, highly-liquid investment securities with original maturities of three months or less to be cash equivalents for purposes of the Consolidated Statement of Cash Flows. Securities with original maturities of more than three months are not considered as cash equivalents, and amounted to US\$87,8 million as of January 1st 2005, US\$48,0 million as of January 1st 2006, US\$ 91,4 million as of April 1st 2005, US\$ 30,7 million as of April 1st 2006, US\$87.9 million as of July 1st 2005 and US\$26,0 million as of July 1st 2006

**LAN Airlines S.A.  
Fleet Data**

**Consolidated Fleet**

	As of June 30, 2006		
	Leased	Owned	Total
<i>Passenger Aircraft</i>			
Boeing 737-200	14	10	24
Airbus A319-100	5	2	7
Airbus A320-200	11	4	15
Boeing 767-300	13	5	18
Airbus A340-300	4	0	4
<b>TOTAL</b>	<b>47</b>	<b>21</b>	<b>68</b>
<i>Cargo Aircraft*</i>			
Boeing 737-200C	0	1	1
Boeing 767-300F	1	7	8
<b>TOTAL</b>	<b>1</b>	<b>8</b>	<b>9</b>
<b>Total Fleet</b>	<b>48</b>	<b>29</b>	<b>77</b>

\*During the second quarter LAN also operated between two and four Boeing 747 and DC-10 cargo aircraft under ACMI lease contracts.  
Note: table does not include one Boeing 767-200 leased to AeroMexico.

**Future Deliveries\***

	2006	2007	2008
<i>Passenger Aircraft</i>			
Boeing 737-200	-	-	-
Airbus A318-100	-	10	10
Airbus A319-100	8	-	-
Airbus A320-200	-	2	2
Boeing 767-300ER	3	3	5
Airbus A340-300	-	-	2
<b>TOTAL</b>	<b>11</b>	<b>15</b>	<b>19</b>
<i>Cargo Aircraft</i>			
Boeing 767-300F	1	-	-
<b>TOTAL</b>	<b>1</b>	<b>-</b>	<b>-</b>

\* Refers only to firm lease or purchase commitments

**LAN Airlines S.A.**  
**Consolidated Balance Sheet (in thousands of US\$)**

	<b>As of June 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	11,850	10,345
Time deposits	21,468	146,859
Marketable securities	63,533	127,161
Accounts and notes receivable -trade and other	380,635	314,625
Accounts and notes receivable from related companies	2,563	12,650
Inventories	42,213	38,218
Prepaid and recoverable taxes	29,979	16,134
Prepaid expenses	19,336	15,958
Deferred income tax assets	11,911	9,336
Other current assets	17,201	20,852
Total current assets	600,689	712,138
<b>PROPERTY AND EQUIPMENT (net)</b>		
Aircraft	1,127,139	750,243
Other	242,701	223,483
Total property and equipment	1,369,840	973,726
<b>OTHER ASSETS</b>		
Investments	3,554	2,776
Goodwill	43,101	41,677
Notes and accounts receivable from related companies	18	105
Long-term accounts receivable	10,747	9,319
Long-term deferred taxes	0	0
Deposits and others	270,492	192,216
Total other assets	327,912	246,093
Total assets	2,298,441	1,931,957
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Bank loans	18,704	0
Current portion of long-term loans from financial institutions	58,813	33,928
Current portion of long term leasing obligations	53,432	45,605
Dividends Payable	0	72
Accounts payable	215,105	196,529
Notes and accounts payable to related companies	33	179
Other creditors	406	1,450
Air traffic liability and others	205,690	156,093
Other current liabilities	119,524	139,064
Total current liabilities	671,707	572,920
<b>LONG-TERM LIABILITIES</b>		
Loans from financial institutions	587,035	306,188
Other creditors	4,385	118,379
Provisions	70,444	115,273
Notes and accounts payable to related companies	0	93
Air traffic liability	25,667	37,231
Deferred taxes	102,822	84,902
Obligations under capital leases	195,783	176,934
Other long-term liabilities	41,841	15,194
Total long-term liabilities	1,027,977	854,194
<b>MINORITY INTEREST</b>		
	1,764	4,375
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	134,303	134,303
Reserves	2,620	2,620
Interim dividends	0	0
Retained earnings	460,070	363,545
Total shareholders' equity	596,993	500,468
Total liabilities and shareholders' equity	2,298,441	1,931,957