

## FECU (Uniform Coded Statistical Record)

### 1. IDENTIFICATION

1.01.05.00 Corporate Name

|                          |
|--------------------------|
| <b>LAN AIRLINES S.A.</b> |
|--------------------------|

1.01.04.00 Taxpayer Identification Number

|            |
|------------|
| 89862200-2 |
|------------|

1.00.01.10 Start Date

| Day | Month | Year |
|-----|-------|------|
| 1   | 1     | 2008 |

1.00.01.20 Closing Date

| Day | Month | Year |
|-----|-------|------|
| 30  | 6     | 2008 |

1.00.01.30 Type of Currency

|                |
|----------------|
| <b>Dollars</b> |
|----------------|

1.00.01.40 Type of Financial Statements

|                     |
|---------------------|
| <b>Consolidated</b> |
|---------------------|

**Opinion of the External Auditors  
of the Interim Financial Statements as of June 30, 2008**

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

Santiago, July 29, 2008

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

We have performed an audit of the general interim consolidated balance sheets of Lan Airlines S.A. and subsidiaries as of June 30, 2008 and 2007 and the corresponding interim consolidated statements of income and cash flow for the periods of six months ending on those dates. These interim consolidated financial statements and the corresponding notes are the responsibility of the management of Lan Airlines S.A. The attached explanatory analysis and material events do not form an integral part of these financial statements so this opinion excludes them.

We have conducted our audit according to auditing standards established in Chile for an audit of interim financial information. An audit of interim financial information includes basically applying analytic review procedures to the financial statements and querying the personnel in charge of the financial and accounting issues. The scope of these reviews is substantially less than that of an audit performed according to auditing standards generally accepted in Chile that aims to express an opinion on the financial statements as a whole. Accordingly, the interim consolidated financial statements as of June 30, 2008 and 2007 have not been audited and, therefore, we cannot, nor do we, express such an opinion.

Based on our audits of the interim consolidated financial statements as of June 30, 2008 and 2007, we are not aware of significant adjustments that must be made thereto in order for them to be in accordance with generally accepted accounting principles of Chile.

PricewaterhouseCoopers, External Auditors  
RUT: 81.513.400-1

**Name of authorized signatory** : **Renzo Corona S.**  
**I.D. No. of authorized signatory** : **6.373.028-9**





**INCOME STATEMENT**

|                         |  |              |                |    |    |               |                 |    |    |      |  |  |
|-------------------------|--|--------------|----------------|----|----|---------------|-----------------|----|----|------|--|--|
| <b>INCOME STATEMENT</b> |  |              |                |    |    |               |                 |    |    |      |  |  |
| 2.02                    | INCOME STATEMENT                               |              |                |    |    |               |                 |    |    |      |  |  |
| 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    |  |  |
|                         |  |              | from           | 01 | 01 | 2008          | from            | 01 | 01 | 2007 |  |  |
|                         |  |              | to             | 06 | 30 | 2008          | to              | 06 | 30 | 2007 |  |  |
| INCOME STATEMENT        |  | NOTE NUMBER  | <b>CURRENT</b> |    |    |               | <b>PREVIOUS</b> |    |    |      |  |  |
| 5.31.11.00              | OPERATING INCOME                               |              | <b>168,020</b> |    |    |               | <b>182,807</b>  |    |    |      |  |  |
| 5.31.11.10              | OPERATING MARGIN                               |              | 733,889        |    |    |               | 620,491         |    |    |      |  |  |
| 5.31.11.11              | Operating income                               |              | 2,150,304      |    |    |               | 1,604,209       |    |    |      |  |  |
| 5.31.11.12              | Operating costs (less)                         |              | -1,416,415     |    |    |               | -983,718        |    |    |      |  |  |
| 5.31.11.20              | Administration and selling expenses (less)     |              | -565,869       |    |    |               | -437,684        |    |    |      |  |  |
| 5.31.12.00              | NON-OPERATING INCOME                           |              | <b>-4,385</b>  |    |    |               | <b>-30,707</b>  |    |    |      |  |  |
| 5.31.12.10              | Interest income                                |              | 5,274          |    |    |               | 6,408           |    |    |      |  |  |
| 5.31.12.20              | Profit on investment in related companies      | Note 12      | 366            |    |    |               | 759             |    |    |      |  |  |
| 5.31.12.30              | Other non-operating income                     | Note 22      | 35,021         |    |    |               | 1,404           |    |    |      |  |  |
| 5.31.12.40              | Loss on investment in related companies (less) | Note 12      | -162           |    |    |               | -465            |    |    |      |  |  |
| 5.31.12.50              | Amortization of goodwill (less)                | Note 13      | -1,506         |    |    |               | -1,604          |    |    |      |  |  |
| 5.31.12.60              | Interest expense (less)                        |              | -42,746        |    |    |               | -37,316         |    |    |      |  |  |
| 5.31.12.70              | Other non-operating disbursements (less)       | Note 22      | -1,844         |    |    |               | -5,347          |    |    |      |  |  |
| 5.31.12.80              | Price-level restatement                        | Note 23      | 308            |    |    |               | 227             |    |    |      |  |  |
| 5.31.12.90              | Exchange differentials                         | Note 24      | 904            |    |    |               | 5,227           |    |    |      |  |  |
| 5.31.10.00              | PRE-INCOME TAX INCOME AND EXTRAORDINARY ITEMS  |              | 163,635        |    |    |               | 152,100         |    |    |      |  |  |
| 5.31.20.00              | INCOME TAX                                     | Note 08      | -26,282        |    |    |               | -24,977         |    |    |      |  |  |
| 5.31.30.00              | EXTRAORDINARY ITEMS                            |              | 0              |    |    |               | 0               |    |    |      |  |  |
| 5.31.40.00              | PROFIT (LOSS) BEFORE MINORITY INTEREST         |              | 137,353        |    |    |               | 127,123         |    |    |      |  |  |
| 5.31.50.00              | MINORITY INTEREST                              | Note 20      | 911            |    |    |               | 1,598           |    |    |      |  |  |
| 5.31.00.00              | NET PROFIT (LOSS)                              |              | <b>138,264</b> |    |    |               | <b>128,721</b>  |    |    |      |  |  |
| 5.32.00.00              | Amortization of negative goodwill              | Note 13      | 0              |    |    |               | 0               |    |    |      |  |  |
| 5.30.00.00              | FISCAL YEAR PROFIT (LOSS)                      |              | <b>138,264</b> |    |    |               | <b>128,721</b>  |    |    |      |  |  |

**STATEMENT OF CASH FLOW – DIRECT**

| STATEMENT OF CASH FLOW – DIRECT |   |              |         |             |                 |    |               |                 |    |    |      |
|---------------------------------|---|--------------|---------|-------------|-----------------|----|---------------|-----------------|----|----|------|
| 2.03 STATEMENT OF CASH FLOW     |   |              |         |             |                 |    |               |                 |    |    |      |
| 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  |                 |    |               |                 |    |    |      |
| 5.03.01.00                      | Cash flow statement method                                  | D            |         |             |                 |    |               |                 |    |    |      |
|                                 |   |              |         |             | M               | D  | Y             |                 | M  | D  | Y    |
|                                 |   |              |         | from        | 01              | 01 | 2008          | from            | 01 | 01 | 2007 |
|                                 |   |              |         | to          | 06              | 30 | 2008          | to              | 06 | 30 | 2007 |
| STATEMENT OF CASH FLOW – DIRECT |   |              |         | Note Number | CURRENT         |    |               | PREVIOUS        |    |    |      |
| 5.41.11.00                      | NET FLOW FROM OPERATING ACTIVITIES                          |              |         |             | <b>268,634</b>  |    |               | <b>251,451</b>  |    |    |      |
| 5.41.11.10                      | Collection of sales receivables                             |              |         |             | 2,553,392       |    |               | 1,439,085       |    |    |      |
| 5.41.11.20                      | Interest income received                                    |              |         |             | 4,189           |    |               | 5,158           |    |    |      |
| 5.41.11.30                      | Dividends and other distributions received                  |              |         |             | 587             |    |               | 572             |    |    |      |
| 5.41.11.40                      | Other income received                                       |              |         |             | 42,573          |    |               | 6,918           |    |    |      |
| 5.41.11.50                      | Payments to suppliers and employees (less)                  |              |         |             | -2,226,748      |    |               | -1,129,811      |    |    |      |
| 5.41.11.60                      | Interest paid (less)  |              |         |             | -41,607         |    |               | -36,761         |    |    |      |
| 5.41.11.70                      | Income tax paid (less)                                      |              |         |             | -14,327         |    |               | -8,186          |    |    |      |
| 5.41.11.80                      | Other expenses paid (less)                                  |              |         |             | -11,958         |    |               | -6,076          |    |    |      |
| 5.41.11.90                      | Value-Added Tax and other similar taxes paid (less)         |              |         |             | -37,467         |    |               | -19,448         |    |    |      |
| 5.41.12.00                      | NET FLOW FROM FINANCE ACTIVITIES                            |              |         |             | <b>131,834</b>  |    |               | <b>268,714</b>  |    |    |      |
| 5.41.12.05                      | Placement of cash shares                                    |              |         |             | 0               |    |               | 319,141         |    |    |      |
| 5.41.12.10                      | Loans obtained  |              |         |             | 309,594         |    |               | 241,811         |    |    |      |
| 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)                                    |              |         |             | -126,090        |    |               | -120,810        |    |    |      |
| 5.41.12.40                      | Capital distributions (less)                                |              |         |             | 0               |    |               | 0               |    |    |      |
| 5.41.12.45                      | Loan payments (less)  |              |         |             | -45,368         |    |               | -163,156        |    |    |      |
| 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) |              |         |             | 0               |    |               | -2,390          |    |    |      |
| 5.41.12.70                      | Payment of expenses for note issuance and placement (less)  |              |         |             | 0               |    |               | 0               |    |    |      |
| 5.41.12.75                      | Other finance disbursements (less)                          |              | Note 26 |             | -6,302          |    |               | -5,882          |    |    |      |
| 5.41.13.00                      | NET FLOW FROM INVESTMENT ACTIVITIES                         |              |         |             | <b>-414,052</b> |    |               | <b>-301,772</b> |    |    |      |
| 5.41.13.05                      | Sales of property, plant and equipment                      |              |         |             | 5,194           |    |               | 119             |    |    |      |
| 5.41.13.10                      | Sale of standing investments                                |              |         |             | 4,278           |    |               | 620             |    |    |      |
| 5.41.13.15                      | Sale of other investments                                   |              |         |             | 5,501           |    |               | 4,806           |    |    |      |
| 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                                     |              |         |             | 0               |    |               | 0               |    |    |      |
| 5.41.13.35                      | Addition of property, plant and equipment (less)            |              |         |             | -424,098        |    |               | -305,026        |    |    |      |
| 5.41.13.40                      | Payment of compounded interest (less)                       |              |         |             | 0               |    |               | -2,291          |    |    |      |
| 5.41.13.45                      | Standing investments (less)                                 |              |         |             | 0               |    |               | 0               |    |    |      |
| 5.41.13.50                      | Investment in interest-bearing instruments (less)           |              |         |             | 0               |    |               | 0               |    |    |      |
| 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)                       |              |         |             | -4,927          |    |               | 0               |    |    |      |
| 5.41.10.00                      | TOTAL NET FLOW IN PERIOD                                    |              |         |             | -13,584         |    |               | 218,393         |    |    |      |
| 5.41.20.00                      | EFFECT OF INFLATION ON CASH AND CASH EQUIVALENT             |              |         |             | 163             |    |               | -87             |    |    |      |
| 5.41.00.00                      | NET CHANGE IN CASH AND CASH EQUIVALENT                      |              |         |             | -13,421         |    |               | 218,306         |    |    |      |
| 5.42.00.00                      | INITIAL CASH AND CASH EQUIVALENT                            |              |         |             | 445,615         |    |               | 199,496         |    |    |      |
| 5.40.00.00                      | ENDING CASH AND CASH EQUIVALENT                             |              |         |             | <b>432,194</b>  |    |               | <b>417,802</b>  |    |    |      |

**FLOW-INCOME RECONCILIATION**

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

|                                   |   |              |                |    |    |               |                 |    |    |      |
|-----------------------------------|---|--------------|----------------|----|----|---------------|-----------------|----|----|------|
| 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    |
|                                   |   |              | from           | 01 | 01 | 2008          | from            | 01 | 01 | 2007 |
|                                   |   |              | to             | 06 | 30 | 2008          | to              | 06 | 30 | 2007 |
| <b>FLOW-INCOME RECONCILIATION</b> |   | Note Number  | <b>CURRENT</b> |    |    |               | <b>PREVIOUS</b> |    |    |      |
| 5.50.10.00                        | Fiscal year profit (loss)                                       |              | <b>138,264</b> |    |    |               | <b>128,721</b>  |    |    |      |
| 5.50.20.00                        | Income from the sale of assets                                  |              | <b>-3,389</b>  |    |    |               | <b>3,542</b>    |    |    |      |
| 5.50.20.10                        | (Profit) loss on the sale of property, plant and equipment      | Note 22      | -671           |    |    |               | -710            |    |    |      |
| 5.50.20.20                        | Profit on the sale of investments (less)                        | Note 22      | -2,718         |    |    |               | 0               |    |    |      |
| 5.50.20.30                        | Loss on the sale of investments                                 |              | 0              |    |    |               | 4,252           |    |    |      |
| 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>58,467</b>  |    |    |               | <b>72,055</b>   |    |    |      |
| 5.50.30.05                        | Fiscal year depreciation  | Note 10      | 81,554         |    |    |               | 68,536          |    |    |      |
| 5.50.30.10                        | Amortization of intangibles                                     | Note 14      | 3,864          |    |    |               | 3,011           |    |    |      |
| 5.50.30.15                        | Write-offs and provisions                                       |              | 3,308          |    |    |               | 7,022           |    |    |      |
| 5.50.30.20                        | Profit accrued on investment in related companies (less)        | Note 12      | -366           |    |    |               | -759            |    |    |      |
| 5.50.30.25                        | Loss accrued on investment in related companies                 | Note 12      | 162            |    |    |               | 465             |    |    |      |
| 5.50.30.30                        | Amortization of goodwill  | Note 13      | 1,506          |    |    |               | 1,604           |    |    |      |
| 5.50.30.35                        | Amortization of negative goodwill (less)                        |              | 0              |    |    |               | 0               |    |    |      |
| 5.50.30.40                        | Net price-level restatement                                     | Note 23      | -308           |    |    |               | -227            |    |    |      |
| 5.50.30.45                        | Net exchange differential                                       | Note 24      | -904           |    |    |               | -5,227          |    |    |      |
| 5.50.30.50                        | Other credits to income not representing cash flow (less)       |              | -31,305        |    |    |               | -4,204          |    |    |      |
| 5.50.30.55                        | Other debits to income not representing cash flow               |              | 956            |    |    |               | 1,834           |    |    |      |
| 5.50.40.00                        | Change in Assets affecting cash flow – (increase) decrease      |              | <b>-25,731</b> |    |    |               | <b>4,280</b>    |    |    |      |
| 5.50.40.10                        | Sales receivables   |              | -78,952        |    |    |               | 3,584           |    |    |      |
| 5.50.40.20                        | Inventories   |              | 7,118          |    |    |               | -7,619          |    |    |      |
| 5.50.40.30                        | Other assets  |              | 46,103         |    |    |               | 8,315           |    |    |      |
| 5.50.50.00                        | Change in liabilities affecting cash flow – (increase) decrease |              | <b>101,934</b> |    |    |               | <b>44,451</b>   |    |    |      |
| 5.50.50.10                        | Accounts payable in relation to operating income                |              | 96,652         |    |    |               | 27,556          |    |    |      |
| 5.50.50.20                        | Interest payable  |              | 201            |    |    |               | 1,346           |    |    |      |
| 5.50.50.30                        | Income tax payable (net)  | Note 08      | 13,586         |    |    |               | 23,141          |    |    |      |
| 5.50.50.40                        | Other accounts payable in relation to non-operating income      |              | -5,502         |    |    |               | -1,729          |    |    |      |
| 5.50.50.50                        | Value-added tax and other similar taxes payable (net)           |              | -3,003         |    |    |               | -5,863          |    |    |      |
| 5.50.60.00                        | Profit (Loss) on minority interest                              | Note 20      | <b>-911</b>    |    |    |               | <b>-1,598</b>   |    |    |      |
| 5.50.00.00                        | NET FLOW FROM OPERATING ACTIVITIES                              |              | <b>268,634</b> |    |    |               | <b>251,451</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 |
|--------------------------|

a) Accounting Period

These Consolidated Financial Statements encompass the period beginning January 1 and ending June 30, 2008, compared to the same period 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 period 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 period, 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 periods, according to indices of the National Statistics Bureau, which showed a variation of 3.2% for 2008 with a gap of one month (1.9% 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 June 30<sup>th</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:

|                           | 06.30.08          | 06.30.07          |
|---------------------------|-------------------|-------------------|
|                           | Per<br>U.S Dollar | Per<br>U.S Dollar |
| Chilean peso              | 526.05            | 526.86            |
| Unidad de Fomento (Chile) | 0.03              | 0.03              |
| Argentine peso            | 3.03              | 3.09              |
| Brazilian real            | 1.60              | 1.93              |
| New sol (Peru)            | 2.96              | 3.17              |
| Australian dollar         | 1.04              | 1.18              |
| Polynesian franc          | 76.53             | 89.03             |
| Bolivar                   | --                | 2,144.60          |
| New Bolivar (Venezuela)   | 2.14              | --                |
| Bolivian                  | 7.18              | 7.82              |
| Uruguayan peso            | 19.40             | 23.92             |
| Mexican peso              | 10.31             | 10.81             |
| Canadian dollar           | 1.02              | 1.06              |
| Danish crown              | 4.74              | 5.50              |
| Guarani                   | 3,930.00          | 5,110.00          |
| Colombian peso            | 1,912.00          | 1,973.90          |
| Japanese yen              | 106.20            | 122.98            |
| New Zealand dollar        | 1.31              | 1.30              |
| Euro (European Community) | 0.64              | 0.74              |
| Dominican peso            | 34.22             | 33.15             |

The adjustment for exchange fluctuations of different currencies meant a net credit against income of MUS\$904 as of June 30, 2008 (MUS\$5,227 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 period.

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 period.

h) Stocks

Stocks include 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. Spare parts, aircraft and stocks for sale are also included, which are valued at their cost or market price, in the event this latter is lower.

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 June 30<sup>th</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 and negative goodwill represent 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.

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 the European Commission's investigation, for profit-share, 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 period 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 the period. 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.

These costs have been recorded pursuant to the provisions in Circulars Nos. 1,736 and 1,370, issued by the Superintendency of Securities and Insurance.

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<br>ID | COMPANY  | INTEREST<br>PERCENTAGE |          |          | 06-30-2007<br>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.                                  | 99.0000                | 1.0000   | 100.0000 | 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                 | 100.0000 | 100.0000 | 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            | Consorcio Fast Air Almacenes de Carga 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                 | 100.0000 | 100.0000 | 90.0000             |
| 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            |
| O-E            | LanLogistics, Corp.                            | 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

The Parent Company and its subsidiaries did not make any accounting change in comparison to the same period in the previous period that may materially affect the interpretation of these Consolidated Financial Statements as of June 30, 2008.

04. MARKETABLE SECURITIES  
BALANCE COMPOSITION

| INSTRUMENTS                 | BOOK VALUE |            |
|-----------------------------|------------|------------|
|                             | 06/30/2008 | 06/30/2007 |
| Shares                      | 0          | 0          |
| Bonds                       | 16,751     | 15,480     |
| Mutual fund shares          | 129,049    | 118,613    |
| Investment fund shares      | 0          | 0          |
| Promissory notes            | 0          | 0          |
| Mortgage bills              | 0          | 0          |
|                             |            |            |
| Total Marketable Securities | 145,800    | 134,093    |

04. MARKETABLE SECURITIES  
FIXED-INCOME INSTRUMENTS

| INSTRUMENT    | DATE       |            | PAR<br>VALUE | BOOK VALUE |       | MARKET<br>VALUE | PROVISION |
|---------------|------------|------------|--------------|------------|-------|-----------------|-----------|
|               | PURCHASE   | EXPIRATION |              | AMOUNT     | RATE  |                 |           |
| LOCAL BONDS   | 06-06-2004 | 06-16-2009 | 1,428        | 1,381      | 6.69% | 1,395           | 0         |
| FOREIGN BONDS | 04-03-2006 | 06-30-2009 | 15,421       | 15,370     | 9.20% | 15,571          | 0         |

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

The net provision entries are also shown in the spreadsheet Note\_05.200806C.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                     | Out to 90 days    |            | CURRENT    |            | Subtotal | Total current (net) |                             | LONG-TERM  |            |
|--------------------------|-------------------|------------|------------|------------|----------|---------------------|-----------------------------|------------|------------|
|                          | 06-30-2008        | 06-30-2007 | 06-30-2008 | 06-30-2007 |          | 06-30-2008          | 06-30-2007                  | 06-30-2008 | 06-30-2007 |
|                          | Sales receivables | 353,434    | 240,350    | 12,333     |          | 12,191              | 365,767                     | 350,385    | 234,509    |
| Estimated uncollectibles | -                 | -          | -          | -          | 15,382   | -                   | -                           | -          | -          |
| Notes receivable         | 7,900             | 10,359     | 607        | 1,298      | 8,507    | 2,407               | 4,760                       | 0          | 0          |
| Estimated uncollectibles | -                 | -          | -          | -          | 6,100    | -                   | -                           | -          | -          |
| Sundry receivables       | 77,715            | 46,904     | 99,349     | 124,865    | 177,064  | 177,064             | 171,769                     | 8,632      | 5,383      |
| Estimated uncollectibles | -                 | -          | -          | -          | -        | -                   | -                           | -          | -          |
|                          |                   |            |            |            |          |                     | Total long-term receivables | 8,632      | 5,383      |

**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                             | 118,475    | 33.81  | 80,387  | 34.28  | --        | --     | --    | --     |
| Abroad                               | 231,910    | 66.19  | 154,122 | 65.72  |           |        |       |        |
| Total                                | 350,385    | 100.00 | 234,509 | 100.00 | --        | --     | --    | --     |
| b) Notes receivable                  |            |        |         |        |           |        |       |        |
| In Chile                             | 2,271      | 94.35  | 4,664   | 97.98  | --        | --     | --    | --     |
| Abroad                               | 136        | 5.65   | 96      | 2.02   | --        | --     | --    | --     |
| Total                                | 2,407      | 100.00 | 4,760   | 100.00 | --        | --     | --    | --     |
| c) Sundry receivables                |            |        |         |        |           |        |       |        |
| Plane Advance (1)                    | 100,743    | 56.90  | 121,518 | 70.74  | --        | --     | --    | --     |
| Recoverable fuel insurance           | 13,856     | 7.82   | 1,806   | 1.05   | --        | --     | --    | --     |
| Supplier advances                    | 8,239      | 4.65   | 6,389   | 3.72   | --        | --     | --    | --     |
| Staff current accounts               | 7,117      | 4.02   | 6,116   | 3.56   | 2,445     | 28.33  | 2,904 | 53.95  |
| Aircraft re-delivery receivables (2) | 4,491      | 2.54   | 817     | 0.48   | 4,672     | 54.12  | 2,479 | 46.05  |
| Co-branding and Lan Pass receivables | 2,131      | 1.20   | 1,868   | 1.09   | --        | --     | --    | --     |
| Other (3)                            | 40,487     | 22.87  | 33,255  | 19.36  | 1,515     | 17.55  | --    | --     |
| Total                                | 177,064    | 100.00 | 171,769 | 100.00 | 8,632     | 100.00 | 5,383 | 100.00 |

The balances of Sales Receivables (MUS\$15,382) and Notes Receivables (MUS\$6,100) are shown net of the uncollectibles provision (MUS\$18,032 and MUS\$6,897, 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) 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.

(3) The balance as of June 2008 includes mainly the financing granted to VRG LINHAS AEREAS S.A. amounting to MUS\$17,100, accounts receivable from Florida West International Airways Inc. for MUS\$6,375, reclassified to this line because of the sale of the interest in that company, as discussed in Note 12 and Accounts Receivable from Ultramar Agencia Maritima Ltda. amounting to MUS\$2,766, the result of the sale of investment by Terminal de Exportacion Internacional S.A., as indicated in Note 12. MUS\$1,383 was classified in the short-term and the balance of MUS\$1,383 in the long-term.

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| 06. INTERCOMPANY BALANCES AND TRANSACTIONS |
|--|

a) Short-Term Notes and Accounts Receivable and Payable

The balances receivable and 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.

|   |
|---|
| <b>06. INTERCOMPANY BALANCES AND TRANSACTIONS</b><br><b>Notes and Accounts Receivable</b> |
|---|

| Taxpayer<br>I.D. | COMPANY                                 | SHORT-TERM |              | LONG-TERM  |            |
|------------------|---|------------|--------------|------------|------------|
|                  |   | 06-30-2008 | 06-30-2007   | 06-30-2008 | 06-30-2007 |
| 96839490-8       | Administradora Valle Escondido S.A.     | 0          | 38           | 0          | 0          |
| 56080790-2       | Asamblea de Com. De Valle Escondido     | 45         | 53           | 0          | 0          |
| 74501400-3       | Club de Golf Valle Escondido            | 0          | 4            | 0          | 0          |
| 96778310-2       | Concesionaria Chucumata S.A.            | 6          | 0            | 0          | 0          |
| 96810370-9       | Inversiones Costa Verde Limitada        | 5          | 1            | 0          | 0          |
| 96669520-K       | Red de Televisión Chilevisión S.A.      | 315        | 81           | 0          | 0          |
| 96812280-0       | San Alberto S.A. and subsidiaries       | 29         | 29           | 0          | 0          |
| 96718470-5       | Valle Escondido S.A.                    | 0          | 10           | 0          | 0          |
| O-E              | Choice Air Courier del Peru S.A.        | 0          | 109          | 0          | 0          |
| O-E              | Florida West International Airways Inc. | 0          | 6,685        | 0          | 0          |
|                  | <b>Total</b>                            | <b>400</b> | <b>7,010</b> | <b>0</b>   | <b>0</b>   |



|   |
|---|
| <p><b>06. INTERCOMPANY BALANCES AND TRANSACTIONS</b><br/> <b>Notes and Accounts Payable</b></p> |
|---|

| Taxpayer<br>I.D. | COMPANY                               | SHORT-TERM |            | LONG-TERM  |            |
|------------------|---------------------------------------|------------|------------|------------|------------|
|                  |                                       | 06-30-2008 | 06-30-2007 | 06-30-2008 | 06-30-2007 |
| 995301170-9      | Aguas del Sur S.A.                    | 0          | 7          | 0          | 0          |
| 96921070-3       | Austral Sociedad Concesionaria S.A.   | 4          | 29         | 0          | 0          |
| 96894180-1       | Bancard Inversiones Limitada          | 0          | 10         | 0          | 0          |
| 96778310-2       | Concesionaria Chucumata S.A.          | 0          | 24         | 0          | 0          |
| 96847880-K       | Lufthansa Lan Technical Training S.A. | 237        | 56         | 0          | 0          |
| 96888630-4       | Sociedad Concesionaria Aerosur S.A.   | 23         | 29         | 0          | 0          |
| O-E              | Inversora Aeronautica Argentina       | 53         | 0          | 0          | 0          |
|                  | <b>Total</b>                          | <b>317</b> | <b>155</b> | <b>0</b>   | <b>0</b>   |

**06. INTERCOMPANY BALANCES AND TRANSACTIONS**  
Transactions

| COMPANY                                 | TAXPAYER   | TYPE OF RELATIONSHIP | DESCRIPTION OF TRANSACTION     | 06-30-2008 |                                 | 06-30-2007 |                                 |
|---|------------|----------------------|--------------------------------|------------|---------------------------------|------------|---------------------------------|
|   | I.D.       |                      |                                | AMOUNT     | EFFECT ON INCOME (DEBIT/CREDIT) | AMOUNT     | EFFECT ON INCOME (DEBIT/CREDIT) |
| AUSTRAL SOCIEDAD CONCESIONARIA S.A.     | 96921070-3 | AFFILIATE            | Aviation fees received         | 45         | -45                             | 32         | -32                             |
|   |            | AFFILIATE            | Basic utilities received       | 14         | -14                             | 20         | -20                             |
|   |            | AFFILIATE            | Aviation concessions received  | 113        | -113                            | 158        | -158                            |
|   |            | AFFILIATE            | Dividends distributed          | 317        | 0                               | 76         | 0                               |
| CONCESIONARIA CHUCUMATA S.A.            | 96778310-2 | AFFILIATE            | Aviation fees received         | 16         | -16                             | 54         | -54                             |
|   |            | AFFILIATE            | Basic utilities received       | 1          | -1                              | 5          | -5                              |
|   |            | AFFILIATE            | Aviation concessions received  | 22         | -22                             | 64         | -64                             |
|   |            | AFFILIATE            | Dividends distributed          | 27         | 0                               | 0          | 0                               |
| LUFTHANSA LAN TECHNICAL TRAINING S.A.   | 96847880-K | AFFILIATE            | Training received              | 406        | -406                            | 270        | -270                            |
|   |            | AFFILIATE            | Other payments on account      | 0          | 0                               | 300        | 0                               |
|   |            | AFFILIATE            | Courier service rendered       | 0          | 0                               | 3          | 3                               |
|   |            | AFFILIATE            | Debt assignment made           | 7          | 0                               | 8          | 0                               |
|   |            | AFFILIATE            | Dividends distributed          | 221        | 0                               | 198        | 0                               |
| SOCIEDAD CONCESIONARIA AEROSUR S.A.     | 96888630-4 | INDIRECT AFFILIATE   | Aviation concessions received  | 93         | -93                             | 67         | -67                             |
|   |            | INDIRECT AFFILIATE   | Aviation fees received         | 25         | -25                             | 59         | -59                             |
|   |            | INDIRECT AFFILIATE   | Basic utilities received       | 4          | -4                              | 6          | -6                              |
| CHOICE AIR COURIER DEL PERU S.A.        | 0-E        | INDIRECT AFFILIATE   | Courier service rendered       | 0          | 0                               | 8          | 8                               |
|   |            | INDIRECT AFFILIATE   | Interline collection           | 0          | 0                               | 234        | 0                               |
| FLORIDA WEST INTERNATIONAL AIRWAYS INC. | 0-E        | INDIRECT AFFILIATE   | Leased aircraft granted        | 0          | 0                               | 15,707     | 15,707                          |
|   |            | INDIRECT AFFILIATE   | Leased aircraft received       | 0          | 0                               | 17,408     | -17,408                         |
|   |            | INDIRECT             | Transportation service granted | 0          | 0                               | 458        | 458                             |

|   |            |                        |                                  |     |      |       |        |
|---|------------|------------------------|----------------------------------|-----|------|-------|--------|
|   |            | AFFILIATE              |                                  |     |      |       |        |
|   |            | INDIRECT AFFILIATE     | Transportation service received  | 0   | 0    | 1,304 | -1,304 |
|   |            | INDIRECT AFFILIATE     | Maintenance service received     | 0   | 0    | 1,583 | -1,583 |
|   |            | INDIRECT AFFILIATE     | Handling agent fee               | 0   | 0    | 3,023 | 3,023  |
|   |            | INDIRECT AFFILIATE     | Interline collection             | 0   | 0    | 3,271 | 0      |
|   |            | INDIRECT AFFILIATE     | Payment of account of fuel       | 0   | 0    | 26    | 0      |
|   |            | INDIRECT AFFILIATE     | Other payments on account        | 0   | 0    | 405   | 0      |
| COMUNIDAD MUJER                               | 65216000-K | RELATED TO SHAREHOLDER | Advertising service received     | 10  | -10  | 10    | -10    |
|   |            | RELATED TO SHAREHOLDER | Ticket service rendered          | 0   | 0    | 10    | 10     |
| ASAMBLEA DE COMUNEROS DE VALLE ESCONDIDO S.A. | 56080790-2 | COMMON SHAREHOLDERS    | Other services rendered          | 67  | 56   | 90    | 76     |
| BANCARD INVERSIONES LIMITADA                  | 96894180-1 | COMMON SHAREHOLDERS    | Professional assistance received | 49  | -49  | 60    | -60    |
| INVERSIONES COSTA VERDE LIMITADA              | 96810370-9 | COMMON SHAREHOLDERS    | Real estate lease rendered       | 29  | 29   | 29    | 29     |
|   |            | COMMON SHAREHOLDERS    | Ticket service rendered          | 0   | 0    | 1     | 1      |
| RED DE TELEVISIÓN CHILEVISIÓN S.A.            | 96669520-K | COMMON SHAREHOLDERS    | Advertising service received     | 128 | -106 | 172   | -142   |
|   |            | COMMON SHAREHOLDERS    | Ticket service rendered          | 398 | 398  | 211   | 211    |
| GRANJA MARINA TORNAGALEONES S.A.              | 87752000-5 | COMMON SHAREHOLDERS    | Ticket service rendered          | 0   | 0    | 1     | 1      |
| INVERSORA AERONAUTICA ARGENTINA               | 0-E        | COMMON SHAREHOLDERS    | Real estate lease rendered       | 106 | 106  | 102   | 102    |

|                 |
|-----------------|
| 07. INVENTORIES |
|-----------------|

The inventories as of June 30, 2008 and 2007, appraised as described in Note 2 h), include the following concepts:

|                           | 2008<br>MUS\$ | 2007<br>MUS\$ |
|---------------------------|---------------|---------------|
| Spare parts and materials | 55,305        | 47,473        |
| Spares for sale (1)       | 11,436        | 1,738         |
| Aircraft for sale (2)     | 4,995         | 3,409         |
| Duty Free Stocks          | 1,431         | 4,228         |
|                           | <hr/>         |               |
| Total                     | 73,167        | 56,848        |

- (1) Stocks for sale are shown net of the market value adjustment provision in the amount of MUS\$8,303 as of June 30, 2008 (MUS\$3,264 in 2007).
- (2) This encompasses nine Boeing 737 aircraft whose value is shown net of the provision amounting to MUS\$3,926 as of June 30, 2008 (MUS\$987 in 2007).

|                                     |
|-------------------------------------|
| 08. DEFERRED TAXES AND INCOME TAXES |
|-------------------------------------|

a) General

As of June 30, 2008, the Parent Company recorded a taxable profit of MUS\$4,810 (MUS\$65,610 in 2007) and of MUS\$30,795 (MUS\$3,106 in 2007) for some of its subsidiaries. However, some subsidiaries in the group suffered tax losses in the amount of MUS\$56,922 (MUS\$143,362 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\$6,013 (MUS\$11,896 in 2007) and a special tax provision for MUS\$33 (MUS\$38 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.

08. Deferred taxes and income taxes  
Deferred Taxes

| CONCEPTS                                      | 06/30/2008          |               |                        |                | 06/30/2007          |               |                        |                |
|---|---------------------|---------------|------------------------|----------------|---------------------|---------------|------------------------|----------------|
|   | 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                      | 4,669               | 137           | 0                      | 0              | 4,666               | 108           | 0                      | 0              |
| Prepaid Income                                | 0                   | 0             | 0                      | 0              | 0                   | 0             | 0                      | 0              |
| Vacation Provision                            | 2,559               | 1,234         | 0                      | 0              | 2,098               | 1,177         | 0                      | 0              |
| Intangibles Amortization                      | 58                  | 205           | 0                      | 0              | 54                  | 306           | 0                      | 0              |
| Leasing Assets                                | 0                   | 0             | 0                      | 56,452         | 0                   | 0             | 0                      | 25,300         |
| Manufacturing Expenses                        | 0                   | 0             | 0                      | 0              | 0                   | 0             | 0                      | 0              |
| Depreciation of Property, Plant and Equipment | 0                   | 0             | 5                      | 126,864        | 0                   | 382           | 0                      | 116,534        |
| Severance Indemnities                         | 0                   | 0             | 0                      | 0              | 0                   | 0             | 0                      | 0              |
| Other Events                                  | 1,452               | 28,818        | 2,527                  | 5              | 3,998               | 14,332        | 183                    | 13             |
| Obsolescence Provision                        | 3,353               | 0             | 0                      | 0              | 3,138               | 0             | 0                      | 0              |
| Accrued Tax Losses                            | 3,905               | 24,492        | 0                      | 0              | 2,961               | 32,677        | 0                      | 0              |
| Capitalized Commissions                       | 0                   | 0             | 1,883                  | 0              | 0                   | 0             | 2,103                  | 0              |
| Lapsed tickets                                | 0                   | 0             | 0                      | 19,597         | 0                   | 0             | 0                      | 16,106         |
| Capitalized expenses                          | 0                   | 0             | 1,820                  | 817            | 0                   | 0             | 2,668                  | 1,523          |
| Capitalized aircraft interest                 | 0                   | 0             | 0                      | 15,764         | 0                   | 0             | 0                      | 11,310         |
| Severance provision                           | 0                   | 92            | 0                      | 0              | 0                   | 405           | 0                      | 0              |
| Maintenance provision                         | 0                   | 0             | 0                      | 16,324         | 0                   | 0             | 0                      | 13,348         |
| <b>OTHER</b>                                  |                     |               |                        |                |                     |               |                        |                |
| Complementary accounts, net of amortization   | 0                   | 0             | 0                      | 8,288          | 0                   | 0             |                        | 8,645          |
| Valuation Provision                           | 1,648               | 22,600        |                        |                | 1,648               | 16,711        |                        |                |
| <b>Grand Total</b>                            | <b>14,348</b>       | <b>32,378</b> | <b>6,235</b>           | <b>227,535</b> | <b>15,267</b>       | <b>32,676</b> | <b>4,954</b>           | <b>175,489</b> |

08. Deferred taxes and income taxes  
Income tax

| ITEM  | 06/30/2008     | 06/30/2007     |
|---|----------------|----------------|
| Current tax expense (tax provision)   | -6,046         | -11,934        |
| Tax expense adjustment (previous fiscal year)   | 1,644          | -1,137         |
| Effect of deferred tax assets or liabilities for the fiscal year                                | -22,243        | -11,662        |
| Tax benefit from tax losses   | 5,043          | 4,298          |
| Effect of amortization of complementary deferred asset and liability accounts                   | -119           | 0              |
| Effect of deferred taxes on assets or liabilities because of changes in the valuation provision | -4,464         | -4,685         |
| Other debits or credits to the account  | -97            | 143            |
| <b>TOTALS</b>   | <b>-26,282</b> | <b>-24,977</b> |

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

This line breaks down as follows:

|                             | 2008           | 2007          |
|-----------------------------|----------------|---------------|
|                             | MUS\$          | MUS\$         |
| Forwards (1)                | 132,194        | 14,474        |
| Guarantees granted (planes) | 1,067          | 6,223         |
| Other guarantees            | 1,835          | 1,129         |
| Other                       | 1,759          | 1,390         |
| <b>TOTAL</b>                | <b>136,855</b> | <b>23,216</b> |

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



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

a) Property, plant and equipment

Property, plant and equipment are presented in attached electronic spreadsheet Note\_10.200806C.89862200.xls.

b) Leasing Assets

The property, plant and equipment acquired under the financial lease method are shown as Other Fixed Assets, and correspond mainly 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            |
|------|------|-------------|--------|----------------|
| 3    | 5    | Boeing 737  | 200ADV | Passenger (*)  |
| 1    | 1    | Boeing 737  | 200ADV | Cargo (*)      |
| 12   | 8    | Boeing 767  | 300ER  | Passenger      |
| 8    | 8    | Boeing 767  | 300F   | Cargo          |
| 1    | 1    | Boeing 767  | 200ER  | Passenger (**) |
| 10   | 1    | Airbus A318 | 100    | Passenger      |
| 10   | 10   | Airbus A319 | 100    | Passenger      |
| 7    | 4    | Airbus A320 | 200    | Passenger      |
| 52   | 38   | Total       |        |                |

(\*) Four aircraft leased to Sky Service S.A.

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

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

Leased aircraft:

| 2008 | 2007 | Aircraft    | Model  | Use       |
|------|------|-------------|--------|-----------|
| -    | 10   | Boeing 737  | 200ADV | Passenger |
| 12   | 13   | Boeing 767  | 300ER  | Passenger |
| 1    | 1    | Boeing 767  | 300F   | Cargo     |
| 5    | 5    | Airbus A319 | 100    | Passenger |
| 11   | 11   | Airbus A320 | 200    | Passenger |
| 5    | 4    | Airbus A340 | 300    | Passenger |
| 34   | 44   | Total       |        |           |
| 86   | 82   | 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                                 | 14,462      | -                       | 14,462    | 10,739      | -                       | 10,739    |
| Buildings and infrastructure:        |             |                         |           |             |                         |           |
| Buildings                            | 64,503      | -15,178                 | 49,325    | 64,457      | -14,052                 | 50,405    |
| Other facilities                     | 37,304      | -16,745                 | 20,559    | 38,138      | -14,560                 | 23,578    |
| Constructions in progress            | 2,711       | -                       | 2,711     | 1,578       | -                       | 1,578     |
| Total                                | 104,518     | -31,923                 | 72,595    | 104,173     | -23,012                 | 75,561    |
| Machinery and equipment:             |             |                         |           |             |                         |           |
| Boeing 767 Passenger Planes          | 854,143     | -108,816                | 745,327   | 496,307     | -73,111                 | 423,196   |
| Boeing 767 Cargo Planes              | 273,515     | -34,473                 | 239,042   | 273,343     | -20,913                 | 252,425   |
| Boeing 737 Passenger Planes          | 1,723       | -198                    | 1,525     | 13,106      | -10,296                 | 2,810     |
| Boeing 737 Cargo Planes              | 3,555       | -48                     | 3,507     | 3,250       | -2,326                  | 924       |
| Airbus A 320 Passenger Planes        | 266,077     | -41,776                 | 224,301   | 145,755     | -33,683                 | 112,072   |
| Airbus A 319 Passenger Planes        | 342,264     | -35,463                 | 306,801   | 342,147     | -17,600                 | 324,547   |
| Airbus A 318 Passenger Plane         | 287,163     | -6,716                  | 280,447   | 27,894      | -120                    | 27,774    |
| Engines and rotables                 | 347,665     | -84,304                 | 263,271   | 314,435     | -101,911                | 212,524   |
| Communication and computer equipment | 73,144      | -57,024                 | 16,120    | 72,214      | -55,274                 | 16,940    |
| Other machinery and equipment        | 46,317      | -30,080                 | 16,237    | 43,207      | -27,709                 | 15,498    |
| Total                                | 2,495,566   | -398,988                | 2,096,578 | 1,731,658   | -342,948                | 1,388,710 |
| Other fixed assets:                  |             |                         |           |             |                         |           |
| Leased Boeing 767 Plane (passenger)  | 229,016     | -100,366                | 128,650   | 227,908     | -92,261                 | 135,647   |
| Leased Boeing 767 Plane (cargo)      | 410,998     | -145,937                | 265,061   | 410,407     | -126,739                | 283,668   |
| Spare parts warehouse                | 14,636      | -                       | 14,636    | 18,052      | -                       | 18,052    |
| Office furniture and equipment       | 16,866      | -11,701                 | 5,165     | 15,869      | -10,594                 | 5,275     |
| Other fixed assets                   | 62,977      | -31,084                 | 31,893    | 63,134      | -29,011                 | 34,123    |
| Total                                | 734,493     | -289,088                | 445,405   | 735,370     | -258,605                | 476,765   |
| Totals                               | 3,349,039   | -719,999                | 2,629,040 | 2,581,940   | -630,165                | 1,951,775 |

The debit against income for depreciation in the fiscal year, classified under Operating Costs, amounted to MUS\$74,436 while it amounted to MUS\$7,118 for selling, general and administrative expenses (MUS\$60,796 and MUS\$7,740 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\$9,846 as of June 30, 2008 (MUS\$13,131 in 2007).

As of June 30, 2008, Machinery and Equipment are shown net of a provision for MUS\$1,716 for the retirement of the Boeing 737 Fleet (MUS\$6,500 in 2007).

|                 |
|-----------------|
| 11. Lease-Backs |
|-----------------|

These transactions are presented in attached electronic spreadsheet Note\_11.200806C.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 |            |
|-------------------------------|------------|--------------------------|---------------------|--------------|----------------|--------------|------------|------------------------|------------|
|                               |            |                          |                     |              |                | 06/30/2008   | 06/30/2007 | 06/30/2008             | 06/30/2007 |
|                               | MUS\$      | MUS\$                    |                     |              | MUS\$          | MUS\$        | MUS\$      | MUS\$                  |            |
| Two Airbus A320 fleet engines | 13,100     | 9,684                    | 84                  | 7            | 6,883          | 6,146        | 5,162      | 737                    | 1,721      |

## 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 20, 2007, a special shareholders meeting decided to reduce the capital of Lan Argentina S.A. 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.

On August 28, 2007, Lan Pax Group S.A. made a capital increase in Lan Argentina S.A. for MUS\$904. Its equity interest remained 4%.

On August 28, 2007, Inversora Cordillera S.A. made a capital increase in Lan Argentina S.A. for MUS\$18,742. Its equity interest remained 95%.

On June 20, 2007, Lan Pax Group S.A. made a capital increase in Inversora Cordillera S.A. in the amount of MUS\$2,543, thereby maintaining its 80% interest.

On June 20, 2007, Inversora Cordillera S.A. made a capital increase in Lan Argentina S.A. in the amount of MUS\$2,503, thereby maintaining its 95% interest.

On December 22, 2006, Lan Pax Group S.A. and Inversora Cordillera S.A., both subsidiaries, made a capital increase in Lan Argentina S.A. in the amount of MUS\$296 and MUS\$7,026, maintaining their interests at 4% and 95%, respectively.

On October 10, 2006, Perdiz Leasing Limited was incorporated in which Lan Pax Group S.A. has an interest of 99% (99 shares), equal to US\$99.

On September 29, 2006, Atlantic Aviation Investments LLC was incorporated in which Lan Pax Group S.A. has an interest of 99% (990 shares), equal to US\$990.

On August 17, 2006, the subsidiary Lan Pax Group S.A. acquired a 31% interest in Inversora Cordillera S.A. at the price of MUS\$1,872, equal to 4,116,818 shares, thereby increasing its interest from 49% to

80%. It also made a capital contribution in the amount of MUS\$7,488. This transaction generated goodwill totaling MUS\$1,872.

On August 17, 2006, the subsidiary Lan Pax Group S.A. acquired a 1.55% interest in Lan Argentina S.A. at the price of MUS\$70, equal to 29,140 shares, thereby increasing its interest from 2.45% to 4%. It also made a capital contribution in the amount of MUS\$94. This transaction generated goodwill totaling MUS\$70.

2. Blue Express Intl S.A. (formerly Lan Courier S.A.)

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

On December 15, 2006, Lan Airlines S.A. sold 99.99% of its interest in Lan Courier S.A. to its subsidiaries Lan Cargo S.A. (99.98%) and Inversiones Lan S.A. (0.01%), for a total amount of MUS\$5,638, equal to 8,837,860 shares. This transaction generated goodwill on the investment for Lan Cargo S.A. in the amount of MUS\$2,620 and unrealized income in Lan Airlines S.A. for the same amount.

3. Lan Cargo S.A.

On April 11, 2008, Lan Cargo S.A. made a dividend distribution amounting to MUS\$42,146. Most was paid to Lan Airlines S.A. (MUS\$42,102).

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 February 29, 2008, Lan Cargo S.A. acquired 100% of Connecta Corporation. It purchased 100 shares for US\$10 each.

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. Lan Cargo S.A. received MUS\$40,999 and Inversiones Lan S.A. MUS\$1.

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, most of which was paid to Lan Airlines S.A. (MUS\$30,833).

4. Lan Peru S.A.

In May 2008, Lan Peru S.A. made a dividend distribution in the amount of MUS\$653 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\$737 to Lan Airlines S.A. and MUS\$329 to Inversiones Aereas S.A.

5. 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.

On April 8, 2008, Lan Airlines S.A. and its indirect subsidiary, Transporte Aereo S.A., made a capital decrease of MUS\$851 in the subsidiary, Sistemas de Distribucion Amadeus Chile S.A., equal to 1,010 shares. Their percentage interests remained the same.

6. 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.

On April 11, 2008, Lan Airlines S.A. sold 99% of Linea Aerea Nacional S.A. to its subsidiary Lan Cargo S.A. for the amount of MUS\$10, corresponding to 99 shares.

7. Atlantic Aviation Investments LLC

On September 29, 2006, Atlantic Aviation Investments LLC was incorporated in which Lan Airlines S.A. has a share of 1% (10 shares), equal to US\$10.

8. Perdiz Leasing Limited

On October 10, 2006, Perdiz Leasing Limited was incorporated in which Lan Airlines S.A. has a share of 1% (1 share), equal to US\$1.

The Parent Company and its subsidiaries have deemed that the book value of investments made as from January 1, 2004, is a good approximation of the fair value. Therefore, that value has been used in appraising investments.



## 12. Investments in related companies Investment Breakdown

| Taxpayer<br>I.D. No. | Company  | Country<br>of<br>Origin | Currency<br>Controlling<br>Investment | Number of<br>Shares | Percentage Interest |            | Equity of Companies |            | Fiscal Year Income |            | Equity of Companies at<br>Fair Value |            | Fiscal year Income<br>at fair value |            | Accrual Income |            | EV/PEV     |            | Unrealized Income |            | Book Value of Investment |            |
|----------------------|--|-------------------------|---------------------------------------|---------------------|---------------------|------------|---------------------|------------|--------------------|------------|--------------------------------------|------------|-------------------------------------|------------|----------------|------------|------------|------------|-------------------|------------|--------------------------|------------|
|                      |  |                         |                                       |                     | 06/30/2008          | 06/30/2007 | 06/30/2008          | 06/30/2007 | 06/30/2008         | 06/30/2007 | 06/30/2008                           | 06/30/2007 | 06/30/2008                          | 06/30/2007 | 06/30/2008     | 06/30/2007 | 06/30/2008 | 06/30/2007 | 06/30/2008        | 06/30/2007 | 06/30/2008               | 06/30/2007 |
| 96921070-3           | AUSTRAL<br>SOCIEDAD<br>CONCESIONARIA S.A.        | CHILE                   | --                                    | 352                 | 20.00000            | 20.00000   | 3,527               | 4,256      | 1,684              | 879        | 0                                    | 0          | 0                                   | 0          | 337            | 176        | 705        | 851        | 0                 | 0          | 705                      | 851        |
| 96847880-K           | LUFTHANSA<br>LAN TECHNICAL<br>TRAINING S.A.      | CHILE                   | --                                    | 50                  | 50.00000            | 50.00000   | 929                 | 1,307      | 4                  | 458        | 0                                    | 0          | 0                                   | 0          | 2              | 229        | 465        | 653        | 0                 | 0          | 465                      | 653        |
| 96778310-2           | CONCESIONARIA<br>CHUCUMATA S.A.                  | CHILE                   | --                                    | 167                 | 16.70000            | 16.70000   | 713                 | 643        | 162                | 358        | 0                                    | 0          | 0                                   | 0          | 27             | 60         | 119        | 107        | 0                 | 0          | 119                      | 107        |
| 0-E                  | FLORIDA WEST<br>INTERNATIONAL<br>AIRWAYS INC.    | USA                     | U.S.<br>DOLLAR                        | 0                   | 0.00000             | 25.00000   | 0                   | -857       | 0                  | -651       | 0                                    | 0          | 0                                   | 0          | 0              | -163       | 0          | 0          | 0                 | 0          | 0                        | 0          |
| 78074340-9           | SISTEMA DE<br>DISTRIBUCION<br>AMADEUS CHILE S.A. | CHILE                   | U.S.<br>DOLLAR                        | 0                   | 0.00000             | 0.00000    | 0                   | 0          | 0                  | 0          | 0                                    | 0          | 0                                   | 0          | -162           | 0          | 0          | 0          | 0                 | 0          | 0                        | 0          |
| 0-E                  | SKYWORLD<br>INTERNATIONAL<br>COURIERS, INC.      | USA                     | U.S.<br>DOLLAR                        | 0                   | 0.00000             | 0.00000    | 0                   | 0          | 0                  | 0          | 0                                    | 0          | 0                                   | 0          | 0              | -302       | 0          | 0          | 0                 | 0          | 0                        | 0          |
| 0-E                  | LAN BOX, INC.                                    | USA                     | U.S.<br>DOLLAR                        | 0                   | 0.00000             | 0.00000    | 0                   | 0          | 0                  | 0          | 0                                    | 0          | 0                                   | 0          | 294            | 0          | 0          | 0          | 0                 | 0          | 0                        | 0          |
|                      | TOTAL  |                         |                                       |                     |                     |            |                     |            |                    |            |                                      |            |                                     |            |                |            | 1,289      | 1,611      | 0                 | 0          | 1,289                    | 1,611      |

### 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   | 06/30/2008                    |                     | 06/30/2007                    |                     |
|----------------------|---|-------------------------------|---------------------|-------------------------------|---------------------|
|                      |   | AMOUNT AMORTIZED<br>IN PERIOD | GOODWILL<br>BALANCE | AMOUNT AMORTIZED<br>IN PERIOD | GOODWILL<br>BALANCE |
| 93383000-4           | LAN CARGO S.A.                                  | 905                           | 16,289              | 905                           | 18,099              |
| 0-E                  | INVERSORA CORDILLERA S.A.                       | 211                           | 7,406               | 167                           | 6,059               |
| 0-E                  | INVERSIONES AEREAS S.A.                         | 147                           | 3,855               | 147                           | 4,149               |
| 0-E                  | MAS INVESTMENT LIMITED                          | 85                            | 2,132               | 85                            | 2,304               |
| 0-E                  | AEROLINEAS BRASILEIRAS S.A.                     | 72                            | 1,941               | 73                            | 2,084               |
| 0-E                  | LAN BOX, INC.                                   | 0                             | 0                   | 58                            | 0                   |
| 0-E                  | SKYWORLD INTERNATIONAL COURIERS, INC.           | 0                             | 0                   | 48                            | 0                   |
| 0-E                  | PROMOTORA AEREA LATINOAMERICANA S.A.            | 42                            | 1,168               | 42                            | 1,252               |
| 0-E                  | AIR CARGO LIMITED                               | 0                             | 0                   | 21                            | 575                 |
| 0-E                  | LAN ARGENTINA S.A. (FORMERLY AERO 2000<br>S.A.) | 19                            | 639                 | 19                            | 664                 |
| 0-E                  | PRIME AIRPORT SERVICES INC.                     | 18                            | 351                 | 18                            | 387                 |
| 0-E                  | SKYBOX SERVICES CORP.                           | 0                             | 0                   | 14                            | 0                   |
| 0-E                  | AEROTRANSPORTES MAS DE CARGA S.A.               | 5                             | 141                 | 5                             | 151                 |
| 0-E                  | H.G.A. RAMPAS Y SERVICIOS                       | 1                             | 32                  | 1                             | 34                  |
| 0-E                  | AEROPORTUARIOS DE GUA YAQUIL S.A.               |                               |                     |                               |                     |
| 0-E                  | H.G.A. RAMPAS DEL ECUADOR S.A.                  | 1                             | 31                  | 1                             | 33                  |
|                      | TOTAL   | 1,506                         | 33,985              | 1,604                         | 35,791              |

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

As of June 30, 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 | 41,833      | -17,348      | 24,485 | 32,425      | -11,769      | 20,656 |
| Other    | 4,443       | -2,237       | 2,206  | 4,318       | 2,073        | 2,245  |
| Total    | 46,276      | -19,585      | 26,691 | 36,743      | -13,842      | 22,901 |

The debit to income for amortization in the period amounted to MUS\$3,864 (MUS\$3,011 in 2007).

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

This line breaks down as follows:

|                                    | 2008    | 2007    |
|------------------------------------|---------|---------|
|                                    | MUS\$   | MUS\$   |
| a) Deposits in guarantee:          |         |         |
| Deposits in guarantee (planes)     | 13,081  | 9,161   |
| Other                              | 2,666   | 3,850   |
| Subtotal                           | 15,747  | 13,011  |
| b) Other long-term assets:         |         |         |
| Plane advances (1)                 | 289,915 | 296,423 |
| Unrealized income from forward (2) | 35,497  | 15,238  |
| Other                              | 2,664   | 2,577   |
| Subtotal                           | 328,076 | 314,238 |
| Total                              | 343,823 | 327,249 |

- (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 interest rate hedging agreements.





|                               |
|-------------------------------|
| 18. 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          | 55,557        | 58,826        | 59,672        | 41,482        |
| Provision for E. C. Investigation (1) | -             | -             | 25,000        | -             |
| Vacations                             | 17,457        | 13,595        | 7,019         | 6,483         |
| Lan Pass Award                        | 7,473         | 7,983         | -             | -             |
| Bonuses                               | 6,139         | 4,005         | -             | -             |
| Other                                 | 7,360         | 4,042         | 5,064         | 9,644         |
| <b>TOTAL</b>                          | <b>93,986</b> | <b>88,451</b> | <b>96,755</b> | <b>57,609</b> |

b) Write-offs

Write-offs made as of June 30, 2008 and 2007, are as follows:

|                                       | 2008         | 2007         |
|---------------------------------------|--------------|--------------|
|                                       | MUS\$        | MUS\$        |
| Uncollectible receivables             | 2,007        | 2,788        |
| Spare part and rotatable obsolescence | 560          | 543          |
| <b>Total</b>                          | <b>2,567</b> | <b>3,331</b> |

Both write-offs were debited against provisions.

(1) A provision established based on the proceedings before the European Commission for eventual infringements of fair competition on the European air cargo market.



|                                 |
|---------------------------------|
| 19. Other Long-Term Liabilities |
|---------------------------------|

Other long-term liabilities break down as follows:

|                                    | 2008           | 2007           |
|------------------------------------|----------------|----------------|
|                                    | MUS\$          | MUS\$          |
| Leasing debt (1)                   | 206,699        | 260,458        |
| Forward (2)                        | 30,648         | 8,888          |
| Early collection of U.S. sales (3) |                | 13,276         |
| Other                              | 988            | 1,093          |
|                                    |                |                |
| <b>TOTAL</b>                       | <b>238,335</b> | <b>283,715</b> |

- (1) The short-term portion, amounting to MUS\$62,401 (MUS\$60,639 in 2007), is shown in the account Long-term Obligations to Expire within One Year.
- (2) Interest rate 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 26).

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\$13,276 (MUS\$12,391 in 2007) is shown in the line Long-term Obligations to Expire within One Year.

|                       |
|-----------------------|
| 20. Minority Interest |
|-----------------------|

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

| TAX REGISTRATION<br>NUMBER | Company                          | Minority Interest - Liability |               |
|----------------------------|----------------------------------|-------------------------------|---------------|
|                            |                                  | 2008<br>MUS\$                 | 2007<br>MUS\$ |
| 0-E                        | Lan Cargo Overseas Limited       | 3,790                         | 1,847         |
| 93.383.000-4               | Lan Cargo S.A.                   | 354                           | 252           |
| 96.575.810-0               | Inversiones Lan S.A.             | 14                            | 8             |
| 78.005.760-2               | Sociedad de Seguridad Aérea S.A. | -                             | 19            |
| 96.969.680-0               | Lan Pax Group S.A.               | -339                          | -             |
|                            |                                  |                               |               |
|                            | Total                            | 3,819                         | 2,126         |

| TAX REGISTRATION<br>NUMBER | Company                          | Minority Interest - Income |               |
|----------------------------|----------------------------------|----------------------------|---------------|
|                            |                                  | 2008<br>MUS\$              | 2007<br>MUS\$ |
| 0-E                        | Lan Peru S.A.                    | 1,744                      | 1,469         |
| 96.969.680-0               | Lan Pax Group S.A.               | 218                        | -             |
| 0-E                        | Lan Cargo Overseas Limited       | -1,021                     | 169           |
| 93.383.000-4               | Lan Cargo S.A.                   | -25                        | -23           |
| 96.575.810-0               | Inversiones Lan S.A.             | -5                         | 1             |
| 78.005.760-2               | Sociedad de Seguridad Aérea S.A. | -                          | -18           |
|                            |                                  |                            |               |
|                            | Total                            | 911                        | 1,598         |

## 21 . 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 June 30, 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\$4,082, 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 June 30, 2008, contracts had been signed for a total of 1,566,000 stock options.

### c) Dividends

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\$3.3085 at the close of the period (US\$3.0070 as of June 30, 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 (1)    | 2,620  | 2,620  |
| Costs of share issuance and placement (2) | -2,672 | -2,390 |
| Options on cash shares                    | 391    | -      |
| Total                                     | 339    | 230    |

(1) These reserves cannot be distributed but rather only allocated to capitalization.

(2) See Note 25.

**21 . Changes in Equity**  
**Changes in Equity**

| LINES  | 06/30/2008         |                                   |                                    |                   |                                |                      |                      |  |                                    | 06/30/2007         |                                   |                                    |                   |                                |                      |                      |  |                                    |
|--|--------------------|-----------------------------------|------------------------------------|-------------------|--------------------------------|----------------------|----------------------|--|------------------------------------|--------------------|-----------------------------------|------------------------------------|-------------------|--------------------------------|----------------------|----------------------|--|------------------------------------|
|  | PAID-IN<br>CAPITAL | CAPITAL<br>REVALUATION<br>RESERVE | PREMIUM<br>ON SALE<br>OF<br>SHARES | OTHER<br>RESERVES | FUTURE<br>DIVIDEND<br>RESERVES | RETAINED<br>EARNINGS | INTERIM<br>DIVIDENDS | DEFICIT IN<br>PERIOD OF<br>DEVELOPMENT | FISCAL<br>YEAR<br>PROFIT<br>(LOSS) | PAID-IN<br>CAPITAL | CAPITAL<br>REVALUATION<br>RESERVE | PREMIUM<br>ON SALE<br>OF<br>SHARES | OTHER<br>RESERVES | FUTURE<br>DIVIDEND<br>RESERVES | RETAINED<br>EARNINGS | INTERIM<br>DIVIDENDS | DEFICIT IN<br>PERIOD OF<br>DEVELOPMENT | FISCAL<br>YEAR<br>PROFIT<br>(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<br>previous fiscal<br>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<br>for previous<br>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<br>because of cash<br>share issue | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  | 319,141            | 0                                 | 0                                  | -2,390            | 0                              | 0                    | 0                    | 0                                      | 0                                  |
| Capitalization of<br>reserves and/or<br>profits    | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  |
| Cumulative<br>deficit in period<br>of development  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  |
| Dividends<br>Distributed                           | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  |
| Options on<br>cash shares                          | 0                  | 0                                 | 0                                  | 391               | 0                              | 0                    | 0                    | 0                                      | 0                                  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  |
| Revaluation of<br>equity                           | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  |
| Fiscal year profit<br>(loss)                       | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 138,264                            | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 128,721                            |
| Interim dividends                                  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  | 0                  | 0                                 | 0                                  | 0                 | 0                              | 0                    | 0                    | 0                                      | 0                                  |
| Final balance                                      | 453,444            | 0                                 | 0                                  | 339               | 0                              | 528,833              | 0                    | 0                                      | 138,264                            | 453,444            | 0                                 | 0                                  | 230               | 0                              | 436,337              | 0                    | 0                                      | 128,721                            |
| Adjusted Balances                                  | --                 | --                                | --                                 | --                | --                             | --                   | --                   | --                                     | --                                 | 453,444            | 0                                 | 0                                  | 230               | 0                              | 436,337              | 0                    | 0                                      | 128,721                            |

21. Changes in equity  
Number of Shares

| SERIES | NUMBER OF<br>SUBSCRIBED<br>SHARES | NUMBER OF<br>PAID-IN<br>SHARES | NUMBER OF<br>VOTING<br>SHARES |
|--------|-----------------------------------|--------------------------------|-------------------------------|
| SINGLE | 338,790,909                       | 338,790,909                    | 338,790,909                   |

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

| SERIES | SUBSCRIBED<br>CAPITAL | PAID-IN CAPITAL |
|--------|-----------------------|-----------------|
| SINGLE | 453,444               | 453,444         |

|  |
|--|
| 22. 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  | 30,716 | 117   |
| Profit on the sale of investments                                   | 2,718  | -     |
| Gain on the sale of property, plant and equipment                   | 671    | 710   |
| Other   | 916    | 577   |
|   |        |       |
| TOTAL   | 35,021 | 1,404 |
|   |        |       |
| b) Other non-operating disbursements:                               |        |       |
| Extraordinary indemnity to personnel                                | -      | 565   |
| Loss on the sale of investments in the<br>LanLogistics, Corp. Group | -      | 4,252 |
| Other   | 1,844  | 530   |
|   |        |       |
| TOTAL   | 1,844  | 5,347 |



23. Price-level Restatement  
Price-Level Restatement

| ASSETS (DEBITS) / CREDITS                         | ADJUSTMENT<br>INDEX | 06/30/2008 | 06/30/2007 |
|---|---------------------|------------|------------|
| INVENTORIES                                       | 0                   | 0          | 0          |
| PROPERTY, PLANT & EQUIPMENT                       | CPI                 | 91         | 116        |
| INVESTMENTS IN RELATED COMPANIES                  | CPI                 | 41         | 16         |
| OTHER NON-MONETARY ASSETS                         | CPI                 | 176        | 95         |
| EXPENSE AND COST ACCOUNTS                         | CPI                 | -1         | 0          |
| TOTAL (DEBITS) CREDITS                            | --                  | 307        | 227        |
| <b>LIABILITIES (DEBITS) / CREDITS</b>             |                     |            |            |
| EQUITY  | 0                   | 0          | 0          |
| NON-MONETARY LIABILITIES                          | CPI                 | 1          | 0          |
| INCOME ACCOUNTS                                   | 0                   | 0          | 0          |
| TOTAL (DEBITS) CREDITS                            | --                  | 1          | 0          |
| <b>(LOSS) PROFIT FROM PRICE-LEVEL RESTATEMENT</b> |                     | <b>308</b> | <b>227</b> |

24. Exchange Differentials  
Exchange Differentials

| LINE                             | CURRENCY            | AMOUNT     |            |
|----------------------------------|---------------------|------------|------------|
|                                  |                     | 06/30/2008 | 06/30/2007 |
| ASSETS (DEBITS) CREDITS          |                     |            |            |
| CASH                             | EURO                | 376        | -140       |
| CASH                             | BRAZILIAN REAL      | 87         | 78         |
| CASH                             | ARGENTINE PESO      | -65        | -68        |
| CASH                             | MEXICAN PESO        | 72         | 20         |
| CASH                             | NON-ADJUSTABLE PESO | 5,521      | 1,649      |
| CASH                             | OTHER CURRENCIES    | 131        | -145       |
| TIME DEPOSITS                    | EURO                | -20        | 0          |
| TIME DEPOSITS                    | NON-ADJUSTABLE PESO | 0          | -420       |
| TIME DEPOSITS                    | ADJUSTABLE PESO     | -7,015     | 0          |
| TIME DEPOSITS                    | OTHER CURRENCIES    | -75        | -1,600     |
| MARKETABLE SECURITIES            | EURO                | -23        | 2          |
| MARKETABLE SECURITIES            | ADJUSTABLE PESO     | -1,543     | -409       |
| MARKETABLE SECURITIES            | OTHER CURRENCIES    | 7          | -10        |
| SALES RECEIVABLES                | COLOMBIAN PESO      | 986        | 477        |
| SALES RECEIVABLES                | BRAZILIAN REAL      | 5,144      | 1,642      |
| SALES RECEIVABLES                | ARGENTINE PESO      | 206        | -3         |
| SALES RECEIVABLES                | AUSTRALIAN DOLLAR   | 114        | -121       |
| SALES RECEIVABLES                | NON-ADJUSTABLE PESO | -12,357    | 454        |
| SALES RECEIVABLES                | OTHER CURRENCIES    | 4,041      | 3,174      |
| NOTES RECEIVABLE                 | BRAZILIAN REAL      | 20         | 19         |
| NOTES RECEIVABLE                 | ARGENTINE PESO      | 4          | -2         |
| NOTES RECEIVABLE                 | NON-ADJUSTABLE PESO | 3          | -308       |
| NOTES RECEIVABLE                 | OTHER CURRENCIES    | 33         | 18         |
| SUNDRY RECEIVABLES               | COLOMBIAN PESO      | -43        | 0          |
| SUNDRY RECEIVABLES               | EURO                | 60         | -1         |
| SUNDRY RECEIVABLES               | BRAZILIAN REAL      | 114        | 123        |
| SUNDRY RECEIVABLES               | ARGENTINE PESO      | -42        | 0          |
| SUNDRY RECEIVABLES               | NEW SOL             | -126       | 0          |
| SUNDRY RECEIVABLES               | NON-ADJUSTABLE PESO | -2,614     | -162       |
| SUNDRY RECEIVABLES               | ADJUSTABLE PESO     | -49        | 376        |
| SUNDRY RECEIVABLES               | OTHER CURRENCIES    | -4         | 557        |
| RECOVERABLE TAXES                | EURO                | 25         | 0          |
| RECOVERABLE TAXES                | BRAZILIAN REAL      | 404        | 185        |
| RECOVERABLE TAXES                | ARGENTINE PESO      | 91         | -33        |
| RECOVERABLE TAXES                | MEXICAN PESO        | 657        | 31         |
| RECOVERABLE TAXES                | ADJUSTABLE PESO     | -1,497     | 536        |
| RECOVERABLE TAXES                | OTHER CURRENCIES    | -201       | -113       |
| PREPAID EXPENSES                 | OTHER CURRENCIES    | 12         | 41         |
| DEFERRED TAXES                   | MEXICAN PESO        | 0          | 4          |
| DEFERRED TAXES                   | NEW SOL             | -164       | 11         |
| DEFERRED TAXES                   | ADJUSTABLE PESO     | 62         | 0          |
| OTHER CURRENT ASSETS             | EURO                | 20         | 0          |
| OTHER CURRENT ASSETS             | NON-ADJUSTABLE PESO | 1,055      | -397       |
| OTHER CURRENT ASSETS             | OTHER CURRENCIES    | 34         | 7          |
| INVESTMENTS IN RELATED COMPANIES | NON-ADJUSTABLE PESO | -828       | 200        |
| INVESTMENTS IN RELATED COMPANIES | OTHER CURRENCIES    | 0          | -10        |

|   |                     |        |        |
|---|---------------------|--------|--------|
| INVESTMENTS IN OTHER COMPANIES          | NON-ADJUSTABLE PESO | -77    | 12     |
| GOODWILL                                | ARGENTINE PESO      | 0      | -6     |
| GOODWILL                                | NON-ADJUSTABLE PESO | 23     | 0      |
| LONG-TERM RECEIVABLES                   | ADJUSTABLE PESO     | -16    | 74     |
| OTHER                                   | NON-ADJUSTABLE PESO | -42    | -9     |
| OTHER                                   | ADJUSTABLE PESO     | 0      | 1      |
| OTHER                                   | OTHER CURRENCIES    | 43     | 9      |
| Total (Debits) Credits                  |                     | -7,456 | 5,743  |
| LIABILITIES (DEBITS) / CREDITS          |                     |        |        |
| S/T PORTION OF L/T BANK DEBT            | ARGENTINE PESO      | 0      | -42    |
| S/T PORTION OF L/T BANK DEBT            | NON-ADJUSTABLE PESO | 0      | 97     |
| DIVIDENDS PAYABLE                       | NON-ADJUSTABLE PESO | 12     | 0      |
| DIVIDENDS PAYABLE                       | ADJUSTABLE PESO     | 0      | -2     |
| ACCOUNTS PAYABLE                        | EURO                | 3,512  | -92    |
| ACCOUNTS PAYABLE                        | BRAZILIAN REAL      | -308   | 0      |
| ACCOUNTS PAYABLE                        | ARGENTINE PESO      | 101    | 23     |
| ACCOUNTS PAYABLE                        | MEXICAN PESO        | 3      | -76    |
| ACCOUNTS PAYABLE                        | NEW SOL             | 341    | -4     |
| ACCOUNTS PAYABLE                        | NON-ADJUSTABLE PESO | -2,393 | -2,026 |
| ACCOUNTS PAYABLE                        | OTHER CURRENCIES    | -11    | -338   |
| NOTES PAYABLE                           | NON-ADJUSTABLE PESO | 166    | 0      |
| SUNDRY PAYABLES                         | NON-ADJUSTABLE PESO | -34    | -2     |
| INTERCOMPANY NOTES AND ACCOUNTS PAYABLE | NON-ADJUSTABLE PESO | 1,140  | -150   |
| INTERCOMPANY NOTES AND ACCOUNTS PAYABLE | OTHER CURRENCIES    | -116   | 4      |
| PROVISIONS                              | ARGENTINE PESO      | 11     | 0      |
| PROVISIONS                              | NEW SOL             | 28     | -28    |
| PROVISIONS                              | NON-ADJUSTABLE PESO | -124   | -104   |
| PROVISIONS                              | OTHER CURRENCIES    | -203   | -119   |
| WITHHOLDINGS                            | ARGENTINE PESO      | 7      | -4     |
| WITHHOLDINGS                            | NON-ADJUSTABLE PESO | -2,780 | -186   |
| WITHHOLDINGS                            | ADJUSTABLE PESO     | 0      | -307   |
| WITHHOLDINGS                            | OTHER CURRENCIES    | -324   | -45    |
| INCOME TAX                              | ARGENTINE PESO      | -3     | 0      |
| INCOME TAX                              | NEW SOL             | -47    | 0      |
| INCOME TAX                              | NON-ADJUSTABLE PESO | -90    | -2     |
| INCOME TAX                              | OTHER CURRENCIES    | -40    | -38    |
| PREPAID INCOME                          | NON-ADJUSTABLE PESO | 10,474 | 4,359  |
| PREPAID INCOME                          | OTHER CURRENCIES    | -1,671 | -1,142 |
| DEFERRED TAXES                          | NON-ADJUSTABLE PESO | 4      | 0      |
| OTHER CURRENT LIABILITIES               | NON-ADJUSTABLE PESO | 18     | -4     |
| OTHER CURRENT LIABILITIES               | OTHER CURRENCIES    | -57    | -3     |
| L/T PROVISIONS                          | BRAZILIAN REAL      | -102   | -125   |
| L/T PROVISIONS                          | NON-ADJUSTABLE PESO | 289    | -43    |
| L/T PROVISIONS                          | OTHER CURRENCIES    | -38    | -8     |
| L/T DEFERRED TAXES                      | NON-ADJUSTABLE PESO | 591    | 0      |
| L/T DEFERRED TAXES                      | OTHER CURRENCIES    | 6      | -111   |
| OTHER L/T LIABILITIES                   | OTHER CURRENCIES    | -2     | 2      |
| Total (Debits) Credits                  |                     | 8,360  | -516   |
| Profit (Loss) on Exchange Differential  |                     | 904    | 5,227  |

|   |
|---|
| 25. Expenses for share issuance and placement |
|---|

Expenses for share issuance and placement incurred by the Parent Company as of June 30, 2008 and recorded according to Note 2 y) are as follows:

|                              | MUS\$ | MUS\$ |
|------------------------------|-------|-------|
|                              | 2008  | 2007  |
| Placement fees               | 1,671 | 1,671 |
| Legal assistance             | 547   | 297   |
| Accounting assistance        | 176   | 176   |
| Financial assistance         | 129   | 129   |
| Printing and other expenses  | 100   | 100   |
| Filing and registration fees | 49    | 17    |
|                              |       |       |
| Total                        | 2,672 | 2,390 |

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.

|                             |
|-----------------------------|
| 26. Statements of Cash Flow |
|-----------------------------|

Other Financing Disbursements are as follows:

|                    | 2008<br>MUS\$ | 2007<br>MUS\$ |
|--------------------|---------------|---------------|
|                    |               |               |
| Securitization (1) | 6,302         | 5,882         |
|                    |               |               |
| Total              | 6,302         | 5,882         |

(1) See Note 19.

## 27. 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).

27. 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 | 14,484                      | 0                  | 0      | -188              | -424       |
| S                  | CCTE             | 48,431                | II 2010             | Interest rate | C                       | Loan                          | 48,431 | 13,333                      | 0                  | 0      | -171              | -387       |
| S                  | CCTE             | 50,934                | III 2010            | Interest rate | C                       | Loan                          | 50,934 | 14,911                      | 0                  | 0      | -174              | -447       |
| S                  | CCTE             | 51,462                | IV 2010             | Interest rate | C                       | Loan                          | 51,462 | 16,068                      | 0                  | 0      | -185              | -518       |
| S                  | CCTE             | 58,062                | IV 2011             | Interest rate | C                       | Loan                          | 58,062 | 24,101                      | 0                  | 0      | -342              | -1,043     |
| S                  | CCTE             | 69,055                | III 2012            | Interest rate | C                       | Loan                          | 69,055 | 32,371                      | 0                  | 0      | -415              | -1,629     |
| S                  | CCTE             | 32,874                | IV 2017             | Interest rate | C                       | Loan                          | 32,874 | 27,590                      | 0                  | 0      | -160              | -629       |
| S                  | CCTE             | 32,874                | IV 2017             | Interest rate | C                       | Loan                          | 32,874 | 27,590                      | 0                  | 0      | -171              | -681       |
| S                  | CCTE             | 33,098                | IV 2019             | Interest rate | C                       | Loan                          | 33,098 | 32,090                      | 0                  | 0      | -432              | -2,102     |
| S                  | CCTE             | 33,219                | IV 2019             | Interest rate | C                       | Loan                          | 33,219 | 32,169                      | 0                  | 0      | -282              | -2,218     |
| OE                 | CCTE             | 12,750                | III 2012            | Interest rate | C                       | Loan                          | 12,750 | 8,050                       | 0                  | 0      | -19               | -176       |
| OE                 | CCTE             | 12,825                | IV 2012             | Interest rate | C                       | Loan                          | 12,825 | 8,567                       | 0                  | 0      | -21               | -189       |
| OE                 | CCTE             | 11,604                | I 2013              | Interest rate | C                       | Loan                          | 11,604 | 8,189                       | 0                  | 0      | -15               | -110       |
| OE                 | CCTE             | 31,530                | III 2014            | Interest rate | C                       | Loan                          | 31,530 | 18,754                      | 0                  | 0      | -99               | 267        |

|    |      |        |          |               |   |             |        |        |   |   |      |        |
|----|------|--------|----------|---------------|---|-------------|--------|--------|---|---|------|--------|
| OE | CCTE | 32,227 | IV 2014  | Interest rate | C | Loan        | 32,227 | 20,145 | 0 | 0 | -97  | -1,064 |
| OE | CCTE | 32,182 | IV 2014  | Interest rate | C | Loan        | 32,182 | 20,181 | 0 | 0 | -94  | -1,027 |
| OE | CCTE | 31,814 | IV 2014  | Interest rate | C | Loan        | 31,814 | 20,208 | 0 | 0 | -106 | -1,286 |
| OE | CCTE | 30,257 | IV 2015  | Interest rate | C | Plane Lease | 30,257 | 0      | 0 | 0 | -107 | 400    |
| OE | CCTE | 30,257 | IV 2015  | Interest rate | C | Plane Lease | 30,257 | 0      | 0 | 0 | -118 | 400    |
| OE | CCTE | 24,500 | III 2016 | Interest rate | C | Plane Lease | 24,500 | 0      | 0 | 0 | -57  | -774   |
| OE | CCTE | 24,500 | IV 2016  | Interest rate | C | Plane Lease | 24,500 | 0      | 0 | 0 | -58  | -770   |
| S  | CCTE | 4,693  | II 2010  | Interest rate | C | Loan        | 4,693  | 2,375  | 0 | 0 | -11  | -48    |
| S  | CCTE | 4,698  | II 2010  | Interest rate | C | Loan        | 4,698  | 2,379  | 0 | 0 | -9   | -48    |
| S  | CCTE | 5,317  | IV 2010  | Interest rate | C | Loan        | 5,317  | 2,861  | 0 | 0 | -12  | -61    |
| S  | CCTE | 5,210  | III 2010 | Interest rate | C | Loan        | 5,210  | 2,675  | 0 | 0 | -13  | -54    |
| S  | CCTE | 6,757  | IV 2011  | Interest rate | C | Loan        | 6,757  | 4,300  | 0 | 0 | -17  | -109   |
| S  | CCTE | 5,607  | III 2012 | Interest rate | C | Loan        | 5,607  | 3,888  | 0 | 0 | -15  | -107   |
| S  | CCTE | 7,489  | III 2013 | Interest rate | C | Loan        | 7,489  | 4,548  | 0 | 0 | -38  | -135   |
| S  | CCTE | 7,772  | IV 2013  | Interest rate | C | Loan        | 7,772  | 4,792  | 0 | 0 | -28  | -139   |
| S  | CCTE | 70,950 | III 2020 | Interest rate | C | Loan        | 70,950 | 0      | 0 | 0 | 0    | -4,505 |
| S  | CCTE | 71,383 | III 2020 | Interest rate | C | Loan        | 71,383 | 0      | 0 | 0 | 0    | -4,284 |
| S  | CCTE | 72,396 | IV 2020  | Interest rate | C | Loan        | 72,396 | 0      | 0 | 0 | 0    | -1,484 |
| S  | CCTE | 74,590 | I 2015   | Interest rate | C | Loan        | 74,590 | 0      | 0 | 0 | 0    | -1,036 |
| S  | CCTE | 74,742 | I 2015   | Interest      | C | Loan        | 74,742 | 0      | 0 | 0 | 0    | -965   |



|   |      |        |          |               |   |      |        |   |   |   |   |        |
|---|------|--------|----------|---------------|---|------|--------|---|---|---|---|--------|
|   |      |        |          | rate          |   |      |        |   |   |   |   |        |
| S | CCTE | 74,948 | I 2015   | Interest rate | C | Loan | 74,948 | 0 | 0 | 0 | 0 | -1,013 |
| S | CCTE | 24,410 | III 2020 | Interest rate | C | Loan | 24,410 | 0 | 0 | 0 | 0 | -1,514 |
| S | CCTE | 24,410 | III 2020 | Interest rate | C | Loan | 24,410 | 0 | 0 | 0 | 0 | -1,514 |
| S | CCTE | 24,410 | III 2020 | Interest rate | C | Loan | 24,410 | 0 | 0 | 0 | 0 | -1,514 |
| S | CCTE | 24,410 | III 2020 | Interest rate | C | Loan | 24,410 | 0 | 0 | 0 | 0 | -1,514 |
| S | CCTE | 24,410 | III 2020 | Interest rate | C | Loan | 24,410 | 0 | 0 | 0 | 0 | -1,514 |
| S | CCTE | 34,636 | III 2020 | Interest rate | C | Loan | 34,636 | 0 | 0 | 0 | 0 | -2,148 |
| S | CCTE | 24,586 | IV 2020  | Interest rate | C | Loan | 24,586 | 0 | 0 | 0 | 0 | -1,393 |
| S | CCTE | 24,586 | IV 2020  | Interest rate | C | Loan | 24,586 | 0 | 0 | 0 | 0 | -1,393 |
| S | CCTE | 24,586 | IV 2020  | Interest rate | C | Loan | 24,586 | 0 | 0 | 0 | 0 | -1,393 |
| S | CCTE | 24,586 | IV 2020  | Interest rate | C | Loan | 24,586 | 0 | 0 | 0 | 0 | -1,393 |
| S | CCTE | 24,586 | IV 2020  | Interest rate | C | Loan | 24,586 | 0 | 0 | 0 | 0 | -1,393 |
| S | CCTE | 36,737 | IV 2015  | Interest rate | C | Loan | 36,737 | 0 | 0 | 0 | 0 | -97    |
| S | CCTE | 36,737 | IV 2015  | Interest rate | C | Loan | 36,737 | 0 | 0 | 0 | 0 | -97    |
| S | CCTE | 36,737 | IV 2015  | Interest rate | C | Loan | 36,737 | 0 | 0 | 0 | 0 | -97    |
| S | CCTE | 36,651 | IV 2015  | Interest rate | C | Loan | 36,651 | 0 | 0 | 0 | 0 | 0      |
| S | CCTE | 36,651 | IV 2015  | Interest rate | C | Loan | 36,651 | 0 | 0 | 0 | 0 | 0      |
| S | CCTE | 36,651 | IV 2015  | Interest rate | C | Loan | 36,651 | 0 | 0 | 0 | 0 | 0      |
| S | CCTE | 37,197 | II 2016  | Interest rate | C | Loan | 37,197 | 0 | 0 | 0 | 0 | 0      |

|    |      |         |          |               |   |               |         |   |   |   |   |        |
|----|------|---------|----------|---------------|---|---------------|---------|---|---|---|---|--------|
| S  | CCTE | 37,473  | III 2016 | Interest rate | C | Loan          | 37,473  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 37,751  | IV 2016  | Interest rate | C | Loan          | 37,751  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 32,909  | I 2016   | Interest rate | C | Loan          | 32,909  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 33,153  | II 2016  | Interest rate | C | Loan          | 33,153  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 33,399  | III 2016 | Interest rate | C | Loan          | 33,399  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 33,399  | III 2016 | Interest rate | C | Loan          | 33,399  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 33,647  | IV 2016  | Interest rate | C | Loan          | 33,647  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 33,647  | IV 2016  | Interest rate | C | Loan          | 33,647  | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 126,652 | III 2016 | Interest rate | C | Loan          | 126,652 | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 130,452 | III 2017 | Interest rate | C | Loan          | 130,452 | 0 | 0 | 0 | 0 | 0      |
| S  | CCTE | 2,822   | III 2008 | Fuel          | C | Fuel Purchase | 2,822   | 0 | 0 | 0 | 0 | 2,715  |
| S  | CCTE | 2,504   | III 2008 | Fuel          | C | Fuel Purchase | 2,504   | 0 | 0 | 0 | 0 | 2,417  |
| OE | CCTE | 9,423   | IV 2008  | Fuel          | C | Fuel Purchase | 9,423   | 0 | 0 | 0 | 0 | 22,350 |
| OE | CCTE | 4,725   | IV 2008  | Fuel          | C | Fuel Purchase | 4,725   | 0 | 0 | 0 | 0 | 11,175 |
| OE | CCTE | 2,100   | IV 2008  | Fuel          | C | Fuel Purchase | 2,100   | 0 | 0 | 0 | 0 | 4,967  |
| OE | CCTE | 2,625   | IV 2008  | Fuel          | C | Fuel Purchase | 2,625   | 0 | 0 | 0 | 0 | 6,208  |
| OE | CCTE | 4,320   | IV 2008  | Fuel          | C | Fuel Purchase | 4,320   | 0 | 0 | 0 | 0 | 9,935  |
| OE | CCTE | 3,222   | IV 2008  | Fuel          | C | Fuel Purchase | 3,222   | 0 | 0 | 0 | 0 | 7,451  |
| OE | CCTE | 1,050   | IV 2008  | Fuel          | C | Fuel Purchase | 1,050   | 0 | 0 | 0 | 0 | 2,483  |
| OE | CCTE | 1,080   | IV 2008  | Fuel          | C | Fuel          | 1,080   | 0 | 0 | 0 | 0 | 2,484  |

|    |      |        |          |        |   |               |        |        |   |   |       |        |
|----|------|--------|----------|--------|---|---------------|--------|--------|---|---|-------|--------|
|    |      |        |          |        |   | Purchase      |        |        |   |   |       |        |
| OE | CCTE | 2,925  | IV 2008  | Fuel   | C | Fuel Purchase | 2,925  | 0      | 0 | 0 | 0     | 6,302  |
| OE | CCTE | 27,600 | IV 2008  | Fuel   | C | Fuel Purchase | 27,600 | 0      | 0 | 0 | 0     | 11,461 |
| OE | CCTE | 27,600 | IV 2008  | Fuel   | C | Fuel Purchase | 27,600 | 0      | 0 | 0 | 0     | 11,461 |
| OE | CCTE | 15,600 | IV 2008  | Fuel   | C | Fuel Purchase | 15,600 | 0      | 0 | 0 | 0     | 6,478  |
| OE | CCTE | 15,600 | IV 2008  | Fuel   | C | Fuel Purchase | 15,600 | 0      | 0 | 0 | 0     | 6,478  |
| OE | CCTE | 15,600 | IV 2008  | Fuel   | C | Fuel Purchase | 15,600 | 0      | 0 | 0 | 0     | 6,478  |
| OE | CCTE | 15,600 | IV 2008  | Fuel   | C | Fuel Purchase | 15,600 | 0      | 0 | 0 | 0     | 6,478  |
| OE | CCTE | 6,000  | IV 2008  | Fuel   | C | Fuel Purchase | 6,000  | 0      | 0 | 0 | 0     | 2,534  |
| OE | CCTE | 8,925  | I 2009   | Fuel   | C | Fuel Purchase | 8,925  | 0      | 0 | 0 | 0     | 1,805  |
| FR | CCPE | 5,073  | III 2008 | Dollar | C | Time Deposits | 5,073  | 5,073  | 0 | 0 | 860   | 0      |
| FR | CCPE | 5,053  | III 2008 | Dollar | C | Time Deposits | 5,053  | 5,053  | 0 | 0 | 617   | 0      |
| FR | CCPE | 10,115 | III 2008 | Dollar | C | Time Deposits | 10,115 | 10,115 | 0 | 0 | 1,279 | 0      |
| FR | CCPE | 10,107 | III 2008 | Dollar | C | Time Deposits | 10,107 | 10,107 | 0 | 0 | 1,056 | 0      |
| FR | CCPE | 10,105 | III 2008 | Dollar | C | Time Deposits | 10,105 | 10,105 | 0 | 0 | 819   | 0      |
| FR | CCPE | 5,056  | III 2008 | Dollar | C | Time Deposits | 5,056  | 5,056  | 0 | 0 | 338   | 0      |
| FR | CCPE | 5,052  | III 2008 | Dollar | C | Time Deposits | 5,052  | 5,052  | 0 | 0 | 521   | 0      |
| FR | CCPE | 5,050  | III 2008 | Dollar | C | Time Deposits | 5,050  | 5,050  | 0 | 0 | 375   | 0      |
| FR | CCPE | 5,070  | III 2008 | Dollar | C | Time Deposits | 5,070  | 5,070  | 0 | 0 | 399   | 0      |
| FR | CCPE | 10,142 | III 2008 | Dollar | C | Time Deposits | 10,142 | 10,142 | 0 | 0 | 676   | 0      |

|    |      |        |          |        |   |                  |        |        |   |   |     |   |
|----|------|--------|----------|--------|---|------------------|--------|--------|---|---|-----|---|
| FR | CCPE | 5,057  | III 2008 | Dollar | C | Time<br>Deposits | 5,057  | 5,057  | 0 | 0 | 359 | 0 |
| FR | CCPE | 10,122 | III 2008 | Dollar | C | Time<br>Deposits | 10,122 | 10,122 | 0 | 0 | 775 | 0 |
| FR | CCPE | 10,122 | III 2008 | Dollar | C | Time<br>Deposits | 10,122 | 10,122 | 0 | 0 | 740 | 0 |
| FR | CCPE | 5,062  | III 2008 | Dollar | C | Time<br>Deposits | 5,062  | 5,062  | 0 | 0 | 363 | 0 |
| FR | CCPE | 10,117 | III 2008 | Dollar | C | Time<br>Deposits | 10,117 | 10,117 | 0 | 0 | 530 | 0 |
| FR | CCPE | 5,061  | III 2008 | Dollar | C | Time<br>Deposits | 5,061  | 5,061  | 0 | 0 | 135 | 0 |
| FR | CCPE | 5,070  | III 2008 | Dollar | C | Time<br>Deposits | 5,070  | 5,070  | 0 | 0 | -17 | 0 |
| FR | CCPE | 5,072  | III 2008 | Dollar | C | Time<br>Deposits | 5,072  | 5,072  | 0 | 0 | -23 | 0 |

|                                    |
|------------------------------------|
| 28. Contingencies and Restrictions |
|------------------------------------|

a) Lawsuits

Lawsuits are presented in attached electronic datasheet Note\_28.200806C.89862200.xls.

b) Guarantees, Other Contingencies and Commitments

Other contingencies are presented in attached electronic datasheet Note\_28.200806C.89862200.xls.

b.1) Aircraft Leases:

| Lessor                                       | Type of Aircraft | Quantity |
|--|------------------|----------|
| International Lease Finance Corporation      | 767              | 8        |
| 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        |
| ACS 2007-1 Limited                           | 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        |
| Wells Fargo Bank Northwestern, N.A.          | A320             | 1        |
| 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  |                  | 42       |

- (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 January and February 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 in April, June, November and December 2011, May 2012 and September 2013.

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

|               |                     |
|---------------|---------------------|
| MUS\$ 71,811  | 2008                |
| MUS\$ 161,782 | 2009                |
| MUS\$ 149,366 | 2010                |
| MUS\$ 155,754 | 2011                |
| MUS\$ 179,471 | 2012                |
| MUS\$ 140,332 | 2013                |
| MUS\$ 500,515 | 2014 and thereafter |

b.2) Commitments

Airbus

On August 12, 1999, a long-range aircraft purchase agreement with Airbus Industrie (now Airbus S.A.S.) was signed. This agreement contemplates the acquisition of 7 A340-300 aircraft. As of this date, 4 aircraft have been received and the three remaining aircraft have been paid (2 aircraft in March 2007).

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 June 30, 2008, as a result of the different purchase agreements with Airbus S.A.S., 26 Airbus aircraft in the A320 family are pending delivery from July 2008 to December 2011.

Boeing

On April 20, 2004, Lan Airlines S.A. signed an agreement with The Boeing Company for the purchase of two 767-300F aircraft that were delivered in July and November 2005.

On November 11, 2004, the Parent Company signed an agreement with The Boeing Company for the purchase of four 767-300 aircraft, either cargo or passenger planes, indistinctively. These aircraft were received in 2006.

On April 28, 2005, the Parent Company signed an agreement with The Boeing Company for the purchase of three 767-300 aircraft, either cargo or passenger planes, indistinctively. The deliveries are scheduled for 2006 and 2007.

On July 20, 2005, the Parent Company signed an agreement with The Boeing Company for the purchase of three 767-300 aircraft; one of them to be for passenger carriage and the other two for passenger and cargo, indistinctively. One aircraft was delivered in 2007 and the two remaining aircraft have been received in the first semester of 2008.

On March 31, 2006, the Parent Company signed an agreement with The Boeing Company for the purchase of three 767-300 aircraft. The deliveries are scheduled for 2008.

On December 14, 2006, the Parent Company signed an agreement with The Boeing Company for the purchase of three 767-300 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 the period 2012 to 2016.

As of June 30, 2008, 6 767-300 aircraft, 2 777-Freighter aircraft and 26 787 Dreamliners are pending delivery under the different purchase agreements with The Boeing Company described above out of a total of 18 767-300 aircraft, 2 777-Freighter aircraft and 26 787 Dreamliners for a price of approximately MUS\$4,000,000.

#### 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 agreements 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.

## 28. Contingencies and Restrictions Lawsuits

### a) Lawsuits

| Company                             | Court  | Case Number | Origin  | Stage of process and instance   | Amounts Committed<br>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 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.   | Evidentiary period. The court rejected the motion filed by Varilog petitioning for dismissal of the claim filed by Atlantic Aviation Investments LLC. Moreover, Atlantic Investments LLC attached a bank account of Varilog in Switzerland.                           | 17,100                     |
| Aerolinhas Brasileira 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 Cargo S.A.<br>Lan Airlines S.A. | 4 <sup>th</sup> Civil Court of Santiago, Chile                     | 4831-97     | Damage compensation claim filed by Aerovias DAP/Alex and Andres Pivcevic R.   | The Appellate Court has not yet issued its decision on the appeal filed by the plaintiff against the decision sustaining the motion regarding incidental compliance filed by the respondent or the appeals filed by the parties against the settlement of the credit. | 1,004                      |
| Lan Airlines S.A.                   | Labor Court, Buenos Aires, Argentina                               | --          | Labor claim filed by a former Customs Agent alledging a labor relationship with Lan Airlines S.A.   | Evidentiary period.   | 712                        |
| 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.   | 543                        |
| Lan Airlines S.A.                   | 8 <sup>th</sup> Labor Court, Santiago, Chile                       | 332-2007    | Claim filed by the Workers Union of Segaer S.A. where Lan Airlines S.A. was sued for failure to pay the bonuses corresponding to 2003, 2004 and 2005.   | Ready for a decision  | Undetermined               |
| Lan Airlines S.A.                   | 8 <sup>th</sup> Labor Court, Santiago, Chile                       | 206-2008    | Claim filed by the Workers Union of Segaer S.A. where Lan Airlines S.A. was sued for failure to pay the bonuses corresponding to 2006.  | Claim answered. Pending the start of the evidentiary period.  | Undetermined               |
| Lan Airlines S.A.                   | 8 <sup>th</sup> Labor Court, Santiago, Chile                       | 472-2008    | Claim filed by the Workers Union of Segaer S.A. where Lan Airlines S.A. was sued for failure to pay the bonuses corresponding to 2007.  | Claim answered. Pending the start of the evidentiary period.  | Undetermined               |
| Lan Airlines S.A.<br>Lan Cargo S.A. | U.S Justice Department, European Commission, Canada and New Zeland | --          | Investigation of alleged antitrust practice of cargo airlines, in particular regarding the fuel surcharge.<br><br>On December 26, 2007, the General Antitrust Agency of the European Commission notified Lan Cargo 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 for the fuel and freight surcharges. It is not possible to predict the outcome of this process based on the current status and information provided by outside counsel. | Investigation pending. Answer sent on April 14, 2008 in time and form.  | Undetermined               |
| Lan Cargo S.A.<br>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 Brasileira S.A.          | U.S. Justice Department  | --          | Investigation of alleged antitrust practice of cargo airlines, in particular the fuel surcharge.  | Investigation pending.  | Undetermined               |
| Aerolinhas Brasileira S.A.          | Competent court of USA in order to hear class actions              | --          | As a result of the investigation of alleged antitrust practice of cargo airlines, in particular the fuel surcharge.   | Investigation pending.  | Undetermined               |
| Aerolinhas Brasileira S.A.          | Administrative Council of Antitrust Defense                        | --          | Investigation of alleged antitrust practice of cargo airlines, in particular the fuel surcharge.  | Investigation pending.  | Undetermined               |

As of June 30, 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 provision of MUS\$25,000 was established for the case before the European Commission, notified on December 26, 2007.







28. Contingencies and Restrictions  
Other Contingencies

b) Other contingencies

| -   | GUARANTIES                  |                            |             |                   |                     |
|---|-----------------------------|----------------------------|-------------|-------------------|---------------------|
|   | <u>Guaranty in favor of</u> | <u>Debtor Name</u>         | <u>Type</u> | <u>Book Value</u> | <u>Release Date</u> |
|   |                             |                            | MUS\$       |                   |                     |
| Government of Chile (Customs)   | Lan Airlines S.A.           | Seven letters in guarantee | 20,278      | To the order      |                     |
| United Technologies International Corporation, Pratt & Whitney Division | Lan Airlines S.A.           | Two letters of Credit      | 15,000      | 30-August-08      |                     |
| 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        |                     |
| Government of Chile   | Lan Airlines S.A.           | 43 bank bonds              | 4,362       | 1-December-08     |                     |
| TAF Venus Lease Limited   | Lan Airlines S.A.           | Letter of Credit           | 4,000       | 11-December-08    |                     |
| TAF Mercury Lease Limited   | Lan Airlines S.A.           | Letter of Credit           | 4,000       | 11-December-08    |                     |
| International Lease Finance Corporation                                 | Lan Airlines S.A.           | Eight letters of Credit    | 3,880       | 26-October-08     |                     |
| 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-08      |                     |
| 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-08        |                     |
| 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       | 10-December-08    |                     |
| 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       | 7-October-08      |                     |
| Wells Fargo Bank Northwestern N.A.                                      | Lan Airlines S.A.           | Three letters of Credit    | 1,060       | 8-August-08       |                     |

## 29. Third-Party Security

Third-Party Security are presented in the attached electronic spreadsheet Note\_29.200806C.89862200.xls.

29. Third-Party Security

| Type of guarantee     | Granted by              | Type of transaction | Type of relationship | Amount        |               |
|-----------------------|-------------------------|---------------------|----------------------|---------------|---------------|
|                       |                         |                     |                      | 2008<br>MUS\$ | 2007<br>MUS\$ |
| Two letters of credit | Aerovias de Mexico S.A. | Aircraft lease      | Client               | 2,620         | 2,620         |

30. Local and Foreign Currency  
Assets

| LINE                  | CURRENCY             | AMOUNT     |            |
|-----------------------|----------------------|------------|------------|
|                       |                      | 06/30/2008 | 06/30/2007 |
| Current Assets        |                      |            |            |
| CASH                  | EURO                 | 802        | 817        |
| CASH                  | BRAZILIAN REAL       | 879        | 792        |
| CASH                  | ARGENTINE PESO       | 3,145      | 1,061      |
| CASH                  | MEXICAN PESO         | 42         | 38         |
| CASH                  | DOLLAR               | 3,716      | 2,761      |
| CASH                  | NON-ADJUSTABLE PESOS | 3,687      | 3,734      |
| CASH                  | OTHER CURRENCIES     | 2,073      | 1,265      |
| TIME DEPOSITS         | EURO                 | 6,703      | 0          |
| TIME DEPOSITS         | DOLLAR               | 147,125    | 209,301    |
| TIME DEPOSITS         | ADJUSTABLE PESOS     | 115,445    | 65,556     |
| TIME DEPOSITS         | OTHER CURRENCIES     | 19,528     | 13,864     |
| MARKETABLE SECURITIES | EURO                 | 2,251      | 609        |
| MARKETABLE SECURITIES | ARGENTINE PESO       | 3,345      | 0          |
| MARKETABLE SECURITIES | DOLLAR               | 113,289    | 114,613    |
| MARKETABLE SECURITIES | ADJUSTABLE PESOS     | 24,097     | 17,235     |
| MARKETABLE SECURITIES | OTHER CURRENCIES     | 2,818      | 1,636      |
| SALES RECEIVABLES     | COLOMBIAN PESO       | 4,953      | 2,291      |
| SALES RECEIVABLES     | EURO                 | 27,832     | 9,924      |
| SALES RECEIVABLES     | BRAZILIAN REAL       | 14,746     | 14,155     |
| SALES RECEIVABLES     | ARGENTINE PESO       | 14,879     | 9,068      |
| SALES RECEIVABLES     | AUSTRALIAN DOLLAR    | 8,442      | 4,489      |
| SALES RECEIVABLES     | DOLLAR               | 217,273    | 141,284    |
| SALES RECEIVABLES     | NON-ADJUSTABLE PESOS | 53,806     | 43,829     |
| SALES RECEIVABLES     | OTHER CURRENCIES     | 8,454      | 9,469      |
| NOTES RECEIVABLE      | BRAZILIAN REAL       | 208        | 198        |
| NOTES RECEIVABLE      | ARGENTINE PESO       | 141        | 120        |
| NOTES RECEIVABLE      | DOLLAR               | 23         | 32         |
| NOTES RECEIVABLE      | NON-ADJUSTABLE PESOS | 1,328      | 3,675      |
| NOTES RECEIVABLE      | OTHER CURRENCIES     | 707        | 735        |
| SUNDRY RECEIVABLES    | COLOMBIAN PESO       | 1,323      | 0          |
| SUNDRY RECEIVABLES    | EURO                 | 529        | 1,061      |
| SUNDRY RECEIVABLES    | BRAZILIAN REAL       | 1,745      | 2,867      |
| SUNDRY RECEIVABLES    | ARGENTINE PESO       | 4,038      | 3,913      |
| SUNDRY RECEIVABLES    | NEW SOL              | 1,401      | 743        |
| SUNDRY RECEIVABLES    | DOLLAR               | 158,886    | 155,955    |

|  |                      |         |        |
|--|----------------------|---------|--------|
| SUNDRY RECEIVABLES                               | NON-ADJUSTABLE PESOS | 3,688   | 2,646  |
| SUNDRY RECEIVABLES                               | ADJUSTABLE PESOS     | 3,256   | 3,479  |
| SUNDRY RECEIVABLES                               | OTHER CURRENCIES     | 2,198   | 1,105  |
| INTERCOMPANY NOTES<br>AND<br>ACCOUNTS RECEIVABLE | DOLLAR               | 400     | 6,823  |
| INTERCOMPANY NOTES<br>AND<br>ACCOUNTS RECEIVABLE | NON-ADJUSTABLE PESOS | 0       | 187    |
| INVENTORIES                                      | EURO                 | 9,002   | 0      |
| INVENTORIES                                      | DOLLAR               | 62,855  | 56,507 |
| INVENTORIES                                      | OTHER CURRENCIES     | 1,310   | 341    |
| RECOVERABLE TAXES                                | BRAZILIAN REAL       | 5,048   | 2,660  |
| RECOVERABLE TAXES                                | ARGENTINE PESO       | 13,962  | 11,490 |
| RECOVERABLE TAXES                                | MEXICAN PESO         | 10,713  | 6,659  |
| RECOVERABLE TAXES                                | DOLLAR               | 23,965  | 7,225  |
| RECOVERABLE TAXES                                | ADJUSTABLE PESOS     | 13,600  | 13,539 |
| RECOVERABLE TAXES                                | OTHER CURRENCIES     | 5,789   | 2,644  |
| PREPAID EXPENSES                                 | DOLLAR               | 19,915  | 16,617 |
| PREPAID EXPENSES                                 | NON-ADJUSTABLE PESOS | 1,746   | 1,019  |
| PREPAID EXPENSES                                 | OTHER CURRENCIES     | 740     | 464    |
| DEFERRED TAXES                                   | MEXICAN PESO         | 359     | 1,053  |
| DEFERRED TAXES                                   | NEW SOL              | 4,635   | 3,556  |
| DEFERRED TAXES                                   | DOLLAR               | 2,829   | 5,399  |
| DEFERRED TAXES                                   | ADJUSTABLE PESOS     | 290     | 305    |
| OTHER CURRENT ASSETS                             | EURO                 | 212     | 222    |
| OTHER CURRENT ASSETS                             | DOLLAR               | 135,272 | 22,562 |
| OTHER CURRENT ASSETS                             | NON-ADJUSTABLE PESOS | 78      | 140    |
| OTHER CURRENT ASSETS                             | OTHER CURRENCIES     | 1,293   | 292    |
| Property, plant and equipment                    |                      |         |        |
| LAND   | NEW SOL              | 3,723   | 0      |
| LAND   | DOLLAR               | 10,739  | 10,739 |
| BUILDINGS &<br>INFRASTRUCTURE                    | BRAZILIAN REAL       | 1,183   | 844    |
| BUILDINGS &<br>INFRASTRUCTURE                    | ARGENTINE PESO       | 2,051   | 1,531  |
| BUILDINGS &<br>INFRASTRUCTURE                    | MEXICAN PESO         | 350     | 419    |
| BUILDINGS &<br>INFRASTRUCTURE                    | NEW SOL              | 2,772   | 1,569  |
| BUILDINGS &<br>INFRASTRUCTURE                    | DOLLAR               | 64,169  | 67,119 |
| BUILDINGS &<br>INFRASTRUCTURE                    | ADJUSTABLE PESOS     | 2,070   | 4,079  |

|                                  |                      |           |           |
|----------------------------------|----------------------|-----------|-----------|
| MACHINERY AND EQUIPMENT          | BRAZILIAN REAL       | 147       | 465       |
| MACHINERY AND EQUIPMENT          | MEXICAN PESO         | 180       | 668       |
| MACHINERY AND EQUIPMENT          | DOLLAR               | 2,089,302 | 1,383,836 |
| MACHINERY AND EQUIPMENT          | ADJUSTABLE PESOS     | 1,112     | 698       |
| MACHINERY AND EQUIPMENT          | OTHER CURRENCIES     | 5,837     | 3,043     |
| OTHER FIXED ASSETS               | BRAZILIAN REAL       | 146       | 84        |
| OTHER FIXED ASSETS               | NEW SOL              | 777       | 497       |
| OTHER FIXED ASSETS               | DOLLAR               | 443,372   | 475,448   |
| OTHER FIXED ASSETS               | ADJUSTABLE PESOS     | 220       | 194       |
| OTHER FIXED ASSETS               | OTHER CURRENCIES     | 890       | 542       |
| Other assets                     |                      |           |           |
| INVESTMENTS IN RELATED COMPANIES | NON-ADJUSTABLE PESOS | 1,289     | 1,611     |
| INVESTMENTS IN OTHER COMPANIES   | DOLLAR               | 506       | 1,649     |
| INVESTMENTS IN OTHER COMPANIES   | NON-ADJUSTABLE PESOS | 1,268     | 0         |
| GOODWILL                         | ARGENTINE PESO       | 576       | 597       |
| GOODWILL                         | DOLLAR               | 33,409    | 35,194    |
| LONG-TERM RECEIVABLES            | MEXICAN PESO         | 132       | 0         |
| LONG-TERM RECEIVABLES            | DOLLAR               | 6,055     | 2,479     |
| LONG-TERM RECEIVABLES            | ADJUSTABLE PESOS     | 2,445     | 2,904     |
| INTANGIBLES                      | DOLLAR               | 26,690    | 21,963    |
| INTANGIBLES                      | NON-ADJUSTABLE PESOS | 1         | 938       |
| OTHER                            | DOLLAR               | 342,644   | 326,138   |
| OTHER                            | NON-ADJUSTABLE PESOS | 302       | 240       |
| OTHER                            | ADJUSTABLE PESOS     | 77        | 71        |
| OTHER                            | OTHER CURRENCIES     | 800       | 800       |
| Total Assets                     |                      |           |           |
| –                                | EURO                 | 47,331    | 12,633    |
| –                                | BRAZILIAN REAL       | 24,102    | 22,065    |
| –                                | ARGENTINE PESO       | 42,137    | 27,780    |
| –                                | MEXICAN PESO         | 11,776    | 8,837     |
| –                                | DOLLAR               | 3,902,434 | 3,063,644 |
| –                                | NON-ADJUSTABLE PESOS | 67,193    | 58,019    |
| –                                | OTHER CURRENCIES     | 52,437    | 36,200    |
| –                                | ADJUSTABLE PESOS     | 162,612   | 108,060   |
| –                                | COLOMBIAN PESO       | 6,276     | 2,291     |



|   |                   |        |       |
|---|-------------------|--------|-------|
| - | AUSTRALIAN DOLLAR | 8,442  | 4,489 |
| - | NEW SOL           | 13,308 | 6,365 |

### 30. National and Foreign Currency Current Liabilities

| LINE                                     | CURRENCY             | OUT TO 90 DAYS |                              |            |                              | 90 DAYS TO ONE YEAR |                              |            |                              |
|--|----------------------|----------------|------------------------------|------------|------------------------------|---------------------|------------------------------|------------|------------------------------|
|  |                      | 06/30/2008     |                              | 06/30/2007 |                              | 06/30/2008          |                              | 06/30/2007 |                              |
|  |                      | 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               | 35,972         | L+1.8910%                    | 24,736     | 5,2790%                      | 86,913              | L+1.8910%                    | 56,353     | 5,2790%                      |
| L/T DEBT TO EXPIRE IN ONE YEAR           | ARGENTINE PESO       | 3,234          | 6.96%                        | 3,018      | 6.96%                        | 10,042              | 6.96%                        | 9,373      | 6.96%                        |
| L/T DEBT TO EXPIRE IN ONE YEAR           | DOLLAR               | 16,629         | L+1.0795%                    | 16,717     | 5,6433%                      | 45,772              | L+1.0795%                    | 43,922     | 5,6433%                      |
| DIVIDENDS PA YABLE                       | DOLLAR               | 245            | 0                            | 0          | 0                            | 0                   | 0                            | 0          | 0                            |
| DIVIDENDS PA YABLE                       | NON-ADJUSTABLE PESOS | 11             | 0                            | 11         | 0                            | 0                   | 0                            | 112        | 0                            |
| ACCOUNTS PA YABLE                        | COLOMBIAN PESO       | 0              | 0                            | 0          | 0                            | 223                 | 0                            | 0          | 0                            |
| ACCOUNTS PA YABLE                        | EURO                 | 0              | 0                            | 1,552      | 0                            | 1,184               | 0                            | 1,125      | 0                            |
| ACCOUNTS PA YABLE                        | BRAZILIAN REAL       | 3,871          | 0                            | 0          | 0                            | 9,863               | 0                            | 0          | 0                            |
| ACCOUNTS PA YABLE                        | ARGENTINE PESO       | 15,087         | 0                            | 1,778      | 0                            | 2,371               | 0                            | 10,158     | 0                            |
| ACCOUNTS PA YABLE                        | MEXICAN PESO         | 6,456          | 0                            | 5,931      | 0                            | 150                 | 0                            | 0          | 0                            |
| ACCOUNTS PA YABLE                        | NEW SOL              | 480            | 0                            | 0          | 0                            | 16,937              | 0                            | 7,161      | 0                            |
| ACCOUNTS PA YABLE                        | DOLLAR               | 94,516         | 0                            | 62,134     | 0                            | 152,474             | 0                            | 106,830    | 0                            |
| ACCOUNTS PA YABLE                        | NON-ADJUSTABLE PESOS | 14,441         | 0                            | 29,426     | 0                            | 24,180              | 0                            | 9,850      | 0                            |
| ACCOUNTS PA YABLE                        | OTHER CURRENCIES     | 4,005          | 0                            | 2,240      | 0                            | 2,361               | 0                            | 4,222      | 0                            |
| INTERCOMPANY NOTES AND ACCOUNTS PA YABLE | DOLLAR               | 317            | 0                            | 7          | 0                            | 0                   | 0                            | 4          | 0                            |
| INTERCOMPANY NOTES AND ACCOUNTS PA YABLE | NON-ADJUSTABLE PESOS | 0              | 0                            | 144        | 0                            | 0                   | 0                            | 0          | 0                            |
| PROVISIONS                               | ARGENTINE PESO       | 0              | 0                            | 683        | 0                            | 0                   | 0                            | 0          | 0                            |
| PROVISIONS                               | NEW SOL              | 0              | 0                            | 0          | 0                            | 0                   | 0                            | 3,752      | 0                            |
| PROVISIONS                               | DOLLAR               | 27,411         | 0                            | 41,379     | 0                            | 66,575              | 0                            | 31,599     | 0                            |
| PROVISIONS                               | NON-ADJUSTABLE PESOS | 0              | 0                            | 2,449      | 0                            | 0                   | 0                            | 6,000      | 0                            |
| PROVISIONS                               | OTHER CURRENCIES     | 0              | 0                            | 761        | 0                            | 0                   | 0                            | 1,828      | 0                            |
| WITHHOLDINGS                             | ARGENTINE PESO       | 1,275          | 0                            | 391        | 0                            | 0                   | 0                            | 0          | 0                            |
| WITHHOLDINGS                             | DOLLAR               | 37,316         | 0                            | 39,542     | 0                            | 10,054              | 0                            | 2,348      | 0                            |
| WITHHOLDINGS                             | NON-ADJUSTABLE PESOS | 8,102          | 0                            | 5,698      | 0                            | 36                  | 0                            | 322        | 0                            |
| WITHHOLDINGS                             | OTHER CURRENCIES     | 817            | 0                            | 812        | 0                            | 2,017               | 0                            | 495        | 0                            |
| INCOME TAX                               | ARGENTINE PESO       | 16             | 0                            | 0          | 0                            | 0                   | 0                            | 0          | 0                            |
| INCOME TAX                               | NEW SOL              | 199            | 0                            | 0          | 0                            | 0                   | 0                            | 0          | 0                            |
| INCOME TAX                               | DOLLAR               | 390            | 0                            | 4,143      | 0                            | 3,017               | 0                            | 77         | 0                            |
| INCOME TAX                               | NON-ADJUSTABLE PESOS | 38             | 0                            | 176        | 0                            | 40                  | 0                            | 85         | 0                            |
| INCOME TAX                               | OTHER CURRENCIES     | 0              | 0                            | 766        | 0                            | 0                   | 0                            | 80         | 0                            |
| PREPAID INCOME                           | DOLLAR               | 317,952        | 0                            | 209,374    | 0                            | 69,880              | 0                            | 77,085     | 0                            |
| OTHER CURRENT LIABILITIES                | DOLLAR               | 60,812         | 0                            | 6,227      | 0                            | 56,944              | 0                            | 7,707      | 0                            |
| OTHER CURRENT LIABILITIES                | NON-ADJUSTABLE PESOS | 158            | 0                            | 14         | 0                            | 92                  | 0                            | 92         | 0                            |
| OTHER CURRENT LIABILITIES                | OTHER CURRENCIES     | 0              | 0                            | 0          | 0                            | 46                  | 0                            | 43         | 0                            |
| <b>Total Current Liabilities</b>         |                      |                |                              |            |                              |                     |                              |            |                              |
| --                                       | DOLLAR               | 594,794        | --                           | 407,277    | --                           | 501,671             | --                           | 335,298    | --                           |
| --                                       | NON-ADJUSTABLE PESOS | 22,750         | --                           | 37,918     | --                           | 24,348              | --                           | 16,461     | --                           |
| --                                       | COLOMBIAN PESO       | 0              | --                           | 0          | --                           | 223                 | --                           | 0          | --                           |
| --                                       | EURO                 | 0              | --                           | 1,552      | --                           | 1,184               | --                           | 1,125      | --                           |
| --                                       | BRAZILIAN REAL       | 3,871          | --                           | 0          | --                           | 9,863               | --                           | 0          | --                           |
| --                                       | ARGENTINE PESO       | 16,378         | --                           | 2,852      | --                           | 2,371               | --                           | 10,158     | --                           |
| --                                       | MEXICAN PESO         | 6,456          | --                           | 5,931      | --                           | 150                 | --                           | 0          | --                           |
| --                                       | NEW SOL              | 679            | --                           | 0          | --                           | 16,937              | --                           | 10,913     | --                           |
| --                                       | OTHER CURRENCIES     | 4,822          | --                           | 4,579      | --                           | 4,424               | --                           | 6,668      | --                           |

**30. Local and Foreign Currency**  
**Long-term liabilities (current period) as of 06/30/2008**

| 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               | 339,236      | L+1.8910%                    | 268,972      | L+1.8910%                    | 702,855       | L+1.8910%                    | 161,118            | L+1.8910%                    |
| LONG-TERM PROVISIONS        | BRAZILIAN REAL       | 0            | 0                            | 930          | 0                            | 0             | 0                            | 0                  | 0                            |
| LONG-TERM PROVISIONS        | DOLLAR               | 66,668       | 0                            | 22,036       | 0                            | 0             | 0                            | 0                  | 0                            |
| LONG-TERM PROVISIONS        | NON-ADJUSTABLE PESOS | 6,603        | 0                            | 127          | 0                            | 42            | 0                            | 0                  | 0                            |
| LONG-TERM PROVISIONS        | OTHER CURRENCIES     | 349          | 0                            | 0            | 0                            | 0             | 0                            | 0                  | 0                            |
| LONG-TERM DEFERRED TAXES    | DOLLAR               | 1,261        | 0                            | 0            | 0                            | 0             | 0                            | 193,896            | 0                            |
| OTHER LONG-TERM LIABILITIES | DOLLAR               | 103,576      | L+1,0795%                    | 51,520       | L+1,0795%                    | 33,634        | L+1,0795%                    | 17,969             | L+1,0795%                    |
| OTHER LONG-TERM LIABILITIES | DOLLAR               | 20,095       | 0                            | 7,455        | 0                            | 3,359         | 0                            | 39                 | 0                            |
| OTHER LONG-TERM LIABILITIES | ADJUSTABLE PESOS     | 3            | 0                            | 0            | 0                            | 0             | 0                            | 0                  | 0                            |
| OTHER LONG-TERM LIABILITIES | OTHER CURRENCIES     | 685          | 0                            | 0            | 0                            | 0             | 0                            | 0                  | 0                            |
| Total long-term liabilities |                      |              |                              |              |                              |               |                              |                    |                              |
| --                          | DOLLAR               | 530,836      | --                           | 349,983      | --                           | 739,848       | --                           | 373,022            | --                           |
| --                          | BRAZILIAN REAL       | 0            | --                           | 930          | --                           | 0             | --                           | 0                  | --                           |
| --                          | NON-ADJUSTABLE PESOS | 6,603        | --                           | 127          | --                           | 42            | --                           | 0                  | --                           |
| --                          | OTHER CURRENCIES     | 1,034        | --                           | 0            | --                           | 0             | --                           | 0                  | --                           |
| --                          | ADJUSTABLE PESOS     | 3            | --                           | 0            | --                           | 0             | --                           | 0                  | --                           |

30. Local and Foreign Currency  
Long-term liabilities (previous period) as of 06/30/2007

| 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                | 256,940      | 5,2790%                      | 174,725      | 5,2790%                      | 446,227       | 5,2790%                      | 126,734            | 5,2790%                      |
| L/T SUNDRY PAYABLES         | DOLLAR                | 30           | 0                            | 0            | 0                            | 0             | 0                            | 0                  | 0                            |
| LONG-TERM PROVISIONS        | BRAZILIAN REAL        | 1,199        | 0                            | 0            | 0                            | 0             | 0                            | 0                  | 0                            |
| LONG-TERM PROVISIONS        | DOLLAR                | 29,352       | 0                            | 16,080       | 0                            | 5,529         | 0                            | 0                  | 0                            |
| LONG-TERM PROVISIONS        | NON-ADJUST ABLE PESOS | 4,889        | 0                            | 145          | 0                            | 40            | 0                            | 0                  | 0                            |
| LONG-TERM PROVISIONS        | OTHER CURRENCIES      | 245          | 0                            | 130          | 0                            | 0             | 0                            | 0                  | 0                            |
| LONG-TERM DEFERRED TAXES    | DOLLAR                | 19           | 0                            | 0            | 0                            | 0             | 0                            | 142,434            | 0                            |
| LONG-TERM DEFERRED TAXES    | NON-ADJUST ABLE PESOS | 0            | 0                            | 0            | 0                            | 0             | 0                            | 360                | 0                            |
| OTHER LONG-TERM LIABILITIES | DOLLAR                | 124,828      | 5,6433%                      | 70,468       | 5,6433%                      | 40,935        | 5,6433%                      | 24,277             | 5,6433%                      |
| OTHER LONG-TERM LIABILITIES | DOLLAR                | 13,276       | 6,96%                        | 0            | 0                            | 0             | 0                            | 0                  | 0                            |
| OTHER LONG-TERM LIABILITIES | DOLLAR                | 862          | 0                            | 1,387        | 0                            | 5,586         | 0                            | 2,121              |                              |
| OTHER LONG-TERM LIABILITIES | OTHER CURRENCIES      | 2            | 0                            | 0            | 0                            | 23            | 0                            | 0                  | 0                            |
| Total long-term liabilities |                       |              |                              |              |                              |               |                              |                    |                              |
| --                          | DOLLAR                | 425,307      | --                           | 262,660      | --                           | 498,277       | --                           | 295,516            | --                           |
| --                          | BRAZILIAN REAL        | 1,199        | --                           | 0            | --                           | 0             | --                           | 0                  | --                           |
| --                          | NON-ADJUST ABLE PESOS | 4,889        | --                           | 145          | --                           | 40            | --                           | 360                | --                           |
| --                          | OTHER CURRENCIES      | 247          | --                           | 130          | --                           | 23            | --                           | 0                  | --                           |

|               |
|---------------|
| 31. Sanctions |
|---------------|

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 and the parties will soon be convened to hear the decision on the appeal.

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 June 30, 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 June 30, 2008 and 2007.

|                       |
|-----------------------|
| 32. Subsequent Events |
|-----------------------|

a) We can mention the following event that occurred in the period from June 30, 2008 to the date of issuance of these Financial Statements:

On July 2, 2008, the aviation authorities of Colombia authorized the incorporation of a new subsidiary of Lan Cargo S.A. in that country. The process to certify the company both operationally and technically began on that date and is predicted to take approximately six months. Therefore, the new subsidiary should begin operations in the first quarter of 2009.

b) From June 30, 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.

### 33. The Environment

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

|                      |
|----------------------|
| 34. Prepaid Expenses |
|----------------------|

This line breaks down as follows:

|  | 2008          | 2007          |
|--|---------------|---------------|
|  | MUS\$         | MUS\$         |
| Aviation insurance and other insurance | 12,615        | 8,074         |
| Plane lease (1)                        | 4,625         | 5,556         |
| Plane re-delivery (2)                  | 2,309         | 2,399         |
| Unused advertising                     | 1,222         | 569           |
| Offices abroad                         | 788           | 454           |
| Other                                  | 842           | 1,048         |
| <b>Total</b>                           | <b>22,401</b> | <b>18,100</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.



|                      |
|----------------------|
| 35. ACCOUNTS PAYABLE |
|----------------------|

This line breaks down as follows:

|  | 2008<br>MUS\$  | 2007<br>MUS\$  |
|--|----------------|----------------|
| Fuel                                   | 130,475        | 67,223         |
| Airport and overflight fees            | 28,577         | 22,859         |
| Handling and ground handling           | 23,793         | 17,285         |
| Technical purchases                    | 19,105         | 20,749         |
| Goal performance of agencies           | 17,462         | 16,280         |
| Professional assistance and services   | 16,452         | 7,779          |
| Plane and engine leases                | 15,393         | 7,656          |
| Crew                                   | 13,096         | 11,377         |
| On-board services                      | 9,786          | 9,083          |
| Aviation insurance and other insurance | 9,738          | 7,240          |
| Advertising                            | 7,419          | 6,344          |
| Distribution systems                   | 7,152          | 3,582          |
| Communications                         | 3,728          | 4,104          |
| Materials and maintenance services     | 1,784          | 1,580          |
| General maintenance                    | 1,242          | 1,683          |
| Interline accounts                     | 370            | 4,151          |
| Other suppliers                        | 43,027         | 33,432         |
|  |                |                |
| <b>Total</b>                           | <b>348,599</b> | <b>242,407</b> |

## MATERIAL EVENTS

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

1. On April 10, 2008, 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. On August 3, 2007, pursuant to the provisions in article 9, in the second subparagraph of article 10 of Law 18,045 and in General Rule No. 30, a material event was reported that Lan Airlines S.A. ("Lan") had decided to make a change in its American Depositary Receipt ("ADR") program, specifically in the number of Lan shares represented by each American Depositary Share ("ADS"). Each ADS now represents 5 Lan shares. After the proposed change, each ADS would represent 1 Lan share.

Lan has given the corresponding instructions to The Bank of New York, as ADR depository bank. According to the calendar prepared by such bank, save special circumstances that may change it but which are not foreseen at this time, the proposed change should be completed by August 16, 2007.

7. On July 31, 2007, pursuant to the applicable laws, in particular to Circular Letter No. 660 of the Superintendency of Securities and Insurance, it was reported that the Board of Lan Airlines S.A. approved the payment of an interim dividend of US\$0.26596 per share against 2007 fiscal year profits at the Regular Meeting held July 31, 2007. It was payable starting August 23, 2007 and all shareholders existing on the fifth business day prior to that date have the right to this dividend.

8. On July 31, 2007, pursuant to the provisions in article 9 and in the second subparagraph of article 10 of Law 18,045, the material event was reported that on July 30, 2007, the Chairman of the Board was notified of the resignation of Sebastian Piñera Echenique from his Directorship.

9. On July 12, 2007, pursuant to the provisions in article 9 and in the second subparagraph of article 19 of Law 18,045, the material event was reported that on that same date, the Board of Lan Airlines S.A. authorized the addition of 32 Boeing 787 aircraft to its long-range fleet, deliverable between 2011 and 2016. Of these 32 aircraft, 26 will be purchased and 6 leased. The investment will totally approximately US\$3,200 million. 10 purchase options were also approved for this same type of aircraft for 2017 and 2018.

## EXPLANATORY ANALYSIS

A comparative analysis and explanation of the principal trends:

### 1. Consolidated General Balance Sheet

At the closing of the first semester of 2008, total assets of the Parent Company and its subsidiaries had risen MUS\$987,665 compared to the same period in the previous year, equal, percentage-wise, to 29.5%.

Current assets of the Parent Company and subsidiaries rose by MUS\$288,790 (28.8%) compared to the same period in the previous year. The principal upward variations were in Other Current Assets (489.5%), as a result of the fuel hedging agreements, Recoverable Taxes (65.3%), Sales Receivables (49.4%) and Inventories (28.7%).

The liquidity ratio of the Parent Company and its subsidiaries dropped 10.6%, going from 1.19 in 2007 to 1.07 in 2008. Current assets grew 28.8% while Current Liabilities grew 44.0%. The acid-test ratio also varied downwards (28.1%), going from 0.52 in 2007 to 0.37 in 2008.

Property, plant and equipment, which totaled MUS\$2,629,040, increased a net 34.7% compared to the same period in the previous year when it was MUS\$1,951,775. This change is due mainly to the increase in Machinery and Equipment as a result of the addition of nine Airbus A318 aircraft, four Boeing 767 aircraft for passenger transport and three Airbus A320 aircraft, 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 period.

Other assets increased from MUS\$394,584 in 2007 to MUS\$416,194 in 2008, equal to a rise of 5.5%. The main variations came from the increase in Long-Term Receivables (60.4%), Intangibles (16.5%) and Others (5.1%).

The current liabilities of the Parent Company and its subsidiaries rose MUS\$370,189 (44.0%), closing at MUS\$1,210,921 in this period of 2008. The variation is due mainly to the increase in Other Current Liabilities (738.3%), because of the rise in unrealized amounts under derivative agreements, in the Short-Term Portion of Long-Term Bank Debt (51.5%), Accounts Payable (43.8%) and Prepaid Income (35.4%).

The short-term debt ratio of the Parent Company and its subsidiaries increased 30.9%, going from 0.83 times in 2007 to 1.08 times in 2008, while its share as compared to total debt increased by 4.4%, going from 36.1% in 2007 to 37.7% in 2008.

Long-term liabilities increased MUS\$513,635 (34.5%), to close at MUS\$2,002,428 in the this period of 2008. This variation mainly comes from the increase in Provisions (68.0%) and Bank Debt (46.5%) to finance the purchase of aircraft.

At the close of this period in 2008, 96% of Long-Term Bank Debt of the Parent Company and its subsidiaries was accruing interest at a fixed rate, including forwards.

The long-term debt ratio of the Parent Company and its subsidiaries increased 22.2%, going from 1.46 in 2007 to 1.79 in 2008, while its share compared to total debt decreased 2.5%, going from 63.9% in 2007 to 62.3% in 2008.

The total debt-equity ratio of the Parent Company and its subsidiaries increased 25.4%, going from 2.29 in 2007 to 2.87 in 2008.

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

## 2. Consolidated Income Statement

The net profit as of June 30, 2008 totaled MUS\$138,264, which meant a variation of MUS\$9,543, equal to 7.4% as compared to the same period in the previous year. Operating profit was MUS\$168,020, a decrease of 8.1% as compared to the same period in the previous fiscal year, equal to MUS\$14,787. This increase was due mainly to the increase in demand on the different markets in which the Company does business and the high cabin factors on passenger and cargo flights, which were adversely affected by a dramatic increase in the fuel price affecting the industry in general. Moreover, non-operating income increased MUS\$26,322 in the second half of 2008 as compared to the drop of MUS\$30,707 in the same period in the previous year.

Operating income rose 34.0% compared to the same period in 2007, to MUS\$2,150,304. This variation is due to the 32.3% rise in passenger revenues, 41.0% rise in cargo revenues, and 8.0% rise in other revenues.

The increase of MUS\$321,500 in passenger income, equal to a variation of 32.3%, was due to the growth in international traffic as well as in the different domestic businesses. International traffic increased 15.8%, equal to approximately 597,000 passengers, thanks to the expansion of long-range routes and to the development of regional operations, specially in Peru, Argentina and Colombia.

Cargo revenues rose by 41.0% (MUS\$218,567), mainly because of the 11.2% rise in traffic (measured in RTK). The markets that are growing the most are the import markets, in particular the Brazilian market.

Operating costs plus Selling, General and Administrative Expenses totaled MUS\$1,982,284, which represents a cost increase of 39.5%, equal to MUS\$560,882, compared to the same period in the previous year. This is due mainly to an 8.8% 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\$314,272, equal to 77.8%, compared to the same period in 2007. 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\$271,495 and to the increase in consumption as a result of the growth in operations.
- b) Payroll Expenses rose 37.5%, equal to MUS\$83,902, in line with the growth in operations and the effect of the exchange rate and the CPI.
- c) Other Operating Expenses rose 29.6%, equal to MUS\$50,342. This rise mainly 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\$46,909, equal to 24.8%, mainly due to the increase in cargo and passenger fees because of the rise in operations.
- e) Plane landing costs and other expenses climbed 23.2%, equal to MUS\$40,476. This increase in costs was mainly due to the increase in operations, reflected mainly by a rise in the variable costs of leasing planes and airport and overflight fees and handling costs.
- f) Depreciation and Amortization expenses increased 20.5%, totaling MUS\$14,745 in 2008, due mainly to the addition to the fleet of nine A318, four Boeing 767 aircraft and three Airbus A320, partially offset by the retirement of two Boeing 737 aircraft.
- g) Maintenance costs rose MUS\$1,869, equal to 2.4%, due mainly to the increase in operations and partially offset by the retirement of Boeing 737 planes.

Non-operating income rose by MUS\$26,322 in comparison to the loss of MUS\$30,707 in the same period in 2007, totaling a net loss of MUS\$4,385 thus far in 2008.

This effect can be explained mainly by increases in Other Non-Operating Expenses, which varied by MUS\$33,617 as compared to the same period in the previous year. It totals MUS\$35,021 thus far in 2008 and comes mainly from the fuel hedge and Other Non-Operating Income, which fell by MUS\$3,503, equal to 65.5%. All of this was offset by an increase in Interest Expense totaling MUS\$5,430, or a variation of 14.6%, and a decrease of MUS\$4,323 in the Exchange Differential, equal to 82.7%.

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

The operating flow of the Parent Company and its subsidiaries increased MUS\$17,183 compared to the same period in the previous fiscal year, mainly due to Other Income

Received (515.4%) and Collection of Sales Receivable (77.4%). This was largely offset by the increase in disbursements on Supplier Payments and Payroll (97.1%) amounting to MUS\$1,096.

The finance flow fell by MUS\$136,880 as compared to the same period in the previous year, due mainly to the cash share placement in the previous period amounting to MUS\$319,141. This was partially offset by the increase in Loans Obtained (28.0%) and the drop in loan payments (72.2%).

The investment flow varied negatively by MUS\$112,280 as compared to the same period of the previous year, due to the increase in the Addition of Fixed Assets (two Boeing 767 aircraft, five Airbus A318 aircraft and one Airbus A320 aircraft), a variation of 39.0%, and Other Investment Disbursements amounting to MUS\$4,927. The main variations were in the Sale of Fixed Assets, amounting to MUS\$5,075, and the Sale of Permanent Investments (590.0%).

Finally, the net consolidated flow of the Parent Company and its subsidiaries during the first semester of 2008 decreased by MUS\$231,977 compared to the same period in 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 receives the difference between the market price and the maximum price, multiplied by the amount of gallons of fuel stipulated in each agreement. If the market price is lower than the minimum price, the Parent Company must pay the price differential established. If the market price is between the maximum and minimum prices set, the Parent Company does not receive or pay.

The Parent Company received a net MUS\$30,716 under these agreements as of June 30 2008. The losses or earnings on these agreements are recognized as part of Non-operating income. As of June 30, 2008, the market value of the existing agreements was MUS\$131,661.

### **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 26 Airbus planes to be delivered between the second half of 2008 and 2011 and 6 Boeing 767-300 planes that will be delivered between July 2008 and December 2009, in addition to the rates for the financing of two 777F aircraft that will be delivered between 2011 and 2012 (for further details on these aircraft purchase transactions, please refer to Note 27: 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\$3,454 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 June 30, 2008, the market value of the outstanding swaps, calls and pre-set interest rate agreements was MUS\$45,369. As of June 30, 2008, approximately 96% of the debt is fixed under one of the aforesaid instruments.

### **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 96% of all liabilities, including bank debt, air traffic liabilities and some supplier accounts payable, are expressed in American dollars. Moreover, approximately 90% 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.

As far 2008, the Parent Company recorded a net exchange differential profit in the amount of MUS\$904, which is shown in the Income Statement under Non-operating Income.

## 5. **Chilean Economic Environment**

In order to analyze the Chilean 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.

The world economy continued to be affected by the interaction of diverse negative factors, in particular the rise in energy prices and raw materials, which worsened inflationary pressures. These factors make a slowdown in its pace of growth predictable for the second semester of the year, followed by a gradual recovery in 2009. A growth of close to 3.7% is predicted for 2008 (4.9% in 2007).

The indicators for Europe show signs of a certain slowdown, largely caused by the weak growth in domestic demand and by the propagation of the crisis on foreign financial markets. A growth of close to 1.4% is expected for 2008 (2.6% in 2007).

The U.S. economy continues to weaken sustainedly, mainly the product of the recession occurring in the property sector, which has hit the financial sector, stock markets and consumption hard both in the U.S. and abroad. A growth of around 0.5% is expected in 2008 (2.2% for 2007).

The region was adversely impacted by the international outlook, specially by the evolution of the economies of the United States and Europe, which was partially offset by the increase in prices of raw materials, which are behaving more and more like financial assets. A growth of close to 4.4% (5.6% in 2007) is estimated for 2008, mainly because of the evolution of the growth in Peru and Argentina.

The domestic economy has also been adversely affected by the evolution of the world economy. Inflation has been rising since last year, the rise in the price of food and fuel playing a preponderant role. Moreover, the significant fiscal surplus, principally from the high price of copper, continues. A growth of 4.5% is predicted for 2008, almost one point below the 5.2% of the previous year.

Within this economic environment, the airline industry, both domestic and international, has been significantly affected by the high price of fuel. However, the business model implemented by the company has helped maintain a continuous growth that had significant positive results in the first semester of 2008.

6. Financial Ratios

The electronic datasheet Explanatory\_Rates.200806C.89862200.xls is attached.

## EXPLANATORY ANALYSIS

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

|   | 06/30/2008 | 03/31/2008 | 06/30/2007 | 03/31/2007 |
|---|------------|------------|------------|------------|
| <b>LIQUIDITY INDICATORS</b>   |            |            |            |            |
| Current ratio<br>(current assets/current liabilities)   | 1.07       | 1.05       | 1.19       | 0.87       |
| Acid-test ratio<br>(cash/current liabilities)   | 0.37       | 0.34       | 0.52       | 0.20       |
| <b>DEBT INDICATORS</b>  |            |            |            |            |
| Debt ratio<br>(current liabilities + long-term liabilities/Equity)  | 2.87       | 2.64       | 2.29       | 3.15       |
| Short-term debt/total debt (%)  | 37.68      | 34.85      | 36.09      | 36.30      |
| Long-term debt/total debt (%)   | 62.32      | 65.15      | 63.91      | 63.70      |
| Interest expense ratio<br>(RAII/interest expense)   | 5.37       | 6.73       | 5.92       | 7.78       |
| <b>ACTIVITY INDICATORS</b>  |            |            |            |            |
| Total Assets  | 4,338,048  | 3,940,955  | 3,350,383  | 2,960,231  |
| Investments   | 384,648    | 71,186     | 176,297    | 29,114     |
| Sales   | 9,472      | 134        | 619        | 1,415      |
| Inventory turnover<br>(cost of sales/average inventory)   | 21.79      | 12.10      | 19.86      | 10.28      |
| Inventory permanence<br>(average inventory/cost of sales * 360)   | 16.52      | 29.75      | 18.13      | 35.03      |
| <b>PROFIT INDICATORS</b>  |            |            |            |            |
| Return on equity<br>(net profit/average equity)   | 0.13       | 0.10       | 0.16       | 0.13       |
| Return on assets (net profit/average assets)  | 0.04       | 0.03       | 0.05       | 0.03       |
| Return on operating assets<br>(operating income/average operating assets)   | 0.04       | 0.04       | 0.07       | 0.05       |
| 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)   | 0.41       | 0.27       | 0.38       | 0.27       |
| Return on dividends (dividends paid/market price)   | 0.04       | 0.02       | 0.03       | 0.03       |

|                             |
|-----------------------------|
| <b>EXPLANATORY ANALYSIS</b> |
|-----------------------------|

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

| INCOME INDICATORS                         | 06/30/2008 | 03/31/2008 | 06/30/2007 | 03/31/2007 |
|---|------------|------------|------------|------------|
| Net sales                                 | 2,150,304  | 1,077,891  | 1,604,209  | 831,305    |
| Passenger                                 | 1,317,343  | 693,179    | 995,843    | 537,445    |
| Cargo                                     | 751,124    | 338,096    | 532,557    | 255,297    |
| Other                                     | 81,837     | 46,616     | 75,809     | 38,563     |
| Operating Costs & Administration Expenses | 1,982,284  | 953,672    | 1,421,402  | 707,834    |
| Landing expenses and other fees           | 214,712    | 102,401    | 174,236    | 86,696     |
| Fuel                                      | 718,064    | 328,168    | 403,792    | 191,620    |
| Commissions                               | 236,032    | 112,712    | 189,123    | 96,785     |
| Salaries                                  | 307,766    | 152,536    | 223,864    | 111,340    |
| Other operating expenses                  | 220,294    | 109,382    | 169,952    | 90,449     |
| Aircraft leases                           | 76,859     | 38,738     | 76,183     | 37,913     |
| Aircraft maintenance                      | 80,715     | 45,436     | 78,846     | 39,609     |
| Depreciation and amortization             | 86,658     | 43,790     | 71,913     | 36,734     |
| Passenger service                         | 41,184     | 20,509     | 33,493     | 16,688     |
| Operating income                          | 168,020    | 124,219    | 182,807    | 123,471    |
| Interest expense                          | 37,472     | 19,375     | 30,908     | 15,297     |
| Non-operating profit (loss)               | -4,385     | -13,137    | -30,707    | -19,727    |
| RAIIDAIE                                  | 288,031    | 173,705    | 256,159    | 155,273    |
| After-tax profit (loss)                   | 137,353    | 93,708     | 127,123    | 86,112     |

## 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 **quarterly** report as of **June 30, 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: July 29, 2008

## 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 **quarterly** report as of **June 30, 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 |
|---------------------------|----------------------------|-----------------|-----------|
| RAMON EBLÉN KADIS         | DIRECTOR                   | 4346062-5       |           |
| IGNACIO CUETO PLAZA       | GENERAL<br>MANAGER         | 7040324-2       |           |
| ALEJANDRO DE LA FUENTE G. | VICE-PRESIDENT,<br>FINANCE | 6947715-1       |           |

Date: July 29, 2008