LAN AIRLINES S.A. AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011

CONTENTS

CLP - CHILEAN PESO
ARS - ARGENTINE PESO
US$ - UNITED STATES DOLLAR
THUS$ - THOUSANDS OF UNITED STATES DOLLARS

REPORT OF INDEPENDENT AUDITORS

Santiago, August 8, 2011

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

1 We have reviewed the accompanying interim consolidated statement of financial position of Lan Airlines S.A. and its subsidiaries as of June 30, 2011, and the related interim consolidated statements of income by function and comprehensive income for the six and three-month periods ended June 30, 2011 and 2010, and the changes in equity and cash flows for the six-month periods ended on those dates. Management of Lan Airlines S.A. is responsible for the preparation and fair presentation of these interim consolidated financial statements and related notes in accordance with IAS 34 "Interim Financial Reporting" incorporated in the International Financial Reporting Standards (IFRS). Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

2 We conducted our review in accordance with audit standards established in Chile for a review of interim financial statements. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, for which the objective is to express an opinion on the consolidated financial statements. Accordingly, we do not express an audit opinion.

3 Based on our review, we have no knowledge of any significant modification that should be made to the interim consolidated financial statements referred to above for them to be in accordance with IAS 34 incorporated in the International Financial Reporting Standards.

4 On March 1, 2011, we issued an unqualified opinion on the consolidated financial statements as of December 31, 2010 and 2009 of Lan Airlines S.A. and its subsidiaries, which includes the statement of financial position as of December 31, 2010 presented in the accompanying consolidated financial statements, in addition to the corresponding notes.

Renzo Corona Spedaliere
RUT: 6.373.028-9

Contents of the notes to the consolidated financial statements of Lan Airlines S.A. and Subsidiaries.

Notes Page

Notes Page

LAN AIRLINES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current Assets			
Cash and cash equivalents	6 - 7	275,124	631,052
Other financial assets	7 - 11	238,155	245,451
Other non-financial assets	12	41,874	18,820
Trade and other accounts receivable	7 - 8	529,628	481,350
Accounts receivable from related entities	7 - 9	5,093	50
Inventories	10	67,817	53,193
Tax assets		114,060	97,656
Total current assets other than non-current assets (or disposal groups) classified as held for sale		1,271,751	1,527,572
Non-current assets (or disposal groups) classified as held for sale	13	4,920	5,497
Total current assets		1,276,671	1,533,069
Non-current Assets			
Other financial assets	7 - 11	22,897	21,587
Other non-financial assets	12	28,238	32,508
Rights receivable	7 - 8	8,319	7,883
Equity accounted investments	15	556	593
Intangible assets other than goodwill	16	53,223	45,749
Goodwill	17	164,717	157,994
Property, plant and equipment	18	5,438,671	4,948,430
Deferred tax assets	19	60,376	38,084
Total non-current assets		5,776,997	5,252,828
Total assets		7,053,668	6,785,897

The accompanying Notes 1 to 39 form an integral part of these consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES AND EQUITY	Note	As of June 30, 2011	As of December 31, 2010
LIABILITIES		ThUS$	ThUS$
Current liabilities			
Other financial liabilities	7 - 20	611,447	542,624
Trade and other accounts payable	7 - 21	589,552	645,571
Accounts payable to related entities	7 - 9	469	184
Other provisions	22	806	753
Tax liabilities		15,844	15,736
Other non-financial liabilities	23	920,495	939,151
Total current liabilities other than liabilities included in groups for disposal of assets classified as held for sale		2,138,613	2,144,019
Liabilities included in groups for disposal of assets classified as held for sale	13	-	-
Total current liabilities		2,138,613	2,144,019
Non-current liabilities			
Other financial liabilities	7 - 20	2,776,993	2,562,348
Other accounts payable	7 - 25	413,021	425,681
Other provisions	22	35,974	32,120
Deferred tax liabilities	19	340,816	312,012
Employee benefits	24	12,903	9,657
Total non-current liabilities		3,579,707	3,341,818
Total liabilities		5,718,320	5,485,837
EQUITY			
Share capital	26	461,390	453,444
Retained earnings	26	1,017,748	949,214
Other equity interests	26	6,929	5,463
Other reserves	26	(147,536)	(111,307)
Equity attributable to owners of the parent		1,338,531	1,296,814
Non-controlling interests		(3,183)	3,246
Total equity		1,335,348	1,300,060
Total liabilities and equity		7,053,668	6,785,897

The accompanying Notes 1 to 39 form an integral part of these consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME BY FUNCTION

	Note	For the six months ended June 30, 2011 ThUS$	For the six months ended June 30, 2010 ThUS$	For the three months ended June 30, 2011 ThUS$	For the three months ended June 30, 2010 ThUS$
Revenue	27	2,628,019	2,009,632	1,303,761	1,002,732
Cost of sales		(1,973,640)	(1,405,237)	(1,021,936)	(710,825)
Gross margin		654,379	604,395	281,825	291,907
Other income	30	68,396	58,888	27,780	30,890
Distribution costs		(226,101)	(178,809)	(110,323)	(90,848)
Administrative expenses		(189,376)	(146,147)	(99,858)	(77,338)
Other expenses		(98,253)	(82,820)	(43,667)	(41,988)
Other gains/(losses)		(25,384)	(2,384)	(22,160)	(1,987)
Financial income		8,624	5,106	3,017	1,796
Financial costs	28	(70,212)	(78,500)	(34,299)	(40,737)
Equity accounted earnings	15	(37)	119	16	110
Foreign exchange gains/(losses)	31	8,111	(2,386)	10,239	(702)
Result of indexation units		50	(14)	35	(11)
Income before taxes		130,197	177,448	12,605	71,092
Income tax expense	19	(23,280)	(30,070)	(3,049)	(11,980)
NET INCOME FOR THE PERIOD		106,917	147,378	9,556	59,112
Income attributable to owners of the parent		113,184	148,929	15,949	60,630
Income attributable to non-controlling interests		(6,267)	(1,551)	(6,393)	(1,518)
Net income for the period		106,917	147,378	9,556	59,112
EARNINGS PER SHARE					
Basic earnings per share (US$)	32	0.33364	0.43959	0.04700	0.17896
Diluted earnings per share (US$)	32	0.33286	0.43910	0.04689	0.17872

The accompanying Notes 1 to 39 form an integral part of these consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended June 30, 2011 ThUS$	For the six months ended June 30, 2010 ThUS$	For the three months ended June 30, 2011 ThUS$	For the three months ended June 30, 2010 ThUS$
NET INCOME		106,917	147,378	9,556	59,112
Components of other comprehensive income, before taxes					
Currency translation differences					
Gains (losses) on currency translation, before tax	31	(8,897)	(2,769)	(9,143)	(1,402)
Other comprehensive income, before taxes, currency translation differences		(8,897)	(2,769)	(9,143)	(1,402)
Cash flow hedges					
Gains (losses) on cash flow hedges before tax	20	(34,965)	(79,800)	(61,814)	(75,350)
Other comprehensive income, before taxes, cash flow hedges		(34,965)	(79,800)	(61,814)	(75,350)
Other components of other comprehensive income, before taxes		(43,862)	(82,569)	(70,957)	(76,752)
Income tax relating to components of other comprehensive income					
Income tax related to currency translation differences in other comprehensive income	19	1,512	471	1,554	239
Income tax related to cash flow hedges in other comprehensive income	19	5,944	13,566	10,508	12,810
Amount of income taxes related to components of other comprehensive income		7,456	14,037	12,062	13,049
Other comprehensive income		(36,406)	(68,532)	(58,895)	(63,703)
Total comprehensive income		70,511	78,846	(49,339)	(4,591)
Comprehensive income attributable to owners of the parent		76,955	80,425	(42,603)	(3,053)
Comprehensive income attributable to non-controlling interests		(6,444)	(1,579)	(6,736)	(1,538)
TOTAL COMPREHENSIVE INCOME		70,511	78,846	(49,339)	(4,591)

The accompanying Notes 1 to 39 form an integral part of these consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent							
				Other reserves					
	Note	Share capital ThUS$	Other equity interests ThUS$	Currency translation reserve ThUS$	Cash flow hedging reserve ThUS$	Retained earnings ThUS$	Equity attributable to owners of the parent ThUS$	Non-controlling interests ThUS$	Total equity ThUS$
Opening balance as of January 01, 2011		453,444	5,463	(4,257)	(107,050)	949,214	1,296,814	3,246	1,300,060
Changes in equity									
Comprehensive income									
Net income	26	-	-	-	-	113,184	113,184	(6,267)	106,917
Other comprehensive income		-	-	(7,208)	(29,021)	-	(36,229)	(177)	(36,406)
Total comprehensive income		-	-	(7,208)	(29,021)	113,184	76,955	(6,444)	70,511
Transactions with shareholders									
Equity issuance	26-36	7,946	-	-	-	-	7,946	-	7,946
Dividends	26	-	-	-	-	(44,340)	(44,340)	-	(44,340)
Increase (decrease) for transfers and other changes	26-36	-	1,466	-	-	(310)	1,156	15	1,171
Total transactions with shareholders		7,946	1,466	-	-	(44,650)	(35,238)	15	(35,223)
Closing balance as of June 30, 2011		461,390	6,929	(11,465)	(136,071)	1,017,748	1,338,531	(3,183)	1,335,348

The accompanying Notes 1 to 39 form an integral part of these consolidated financial statements.

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LAN AIRLINES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the parent						Non-controlling interests	Total equity
				Other reserves					
		Share capital	Other equity interests	Currency translation reserve	Cash flow hedging reserve	Retained earnings	Equity attributable to owners of the parent		
		ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Opening balance as of January 01, 2010		453,444	2,490	(4,924)	(92,230)	740,047	1,098,827	7,099	1,105,926
Changes in equity									
Comprehensive income									
Net income	26	-	-	-	-	148,929	148,929	(1,551)	147,378
Other comprehensive income		-	-	(2,270)	(66,234)	-	(68,504)	(28)	(68,532)
Total comprehensive income		-	-	(2,270)	(66,234)	148,929	80,425	(1,579)	78,846
Transactions with shareholders									
Dividends	26	-	-	-	-	(55,349)	(55,349)	-	(55,349)
Increase (decrease) for transfers and other changes	26-36	-	1,254	-	-	(129)	1,125	(32)	1,093
Total transactions with shareholders		-	1,254	-	-	(55,478)	(54,224)	(32)	(54,256)
Closing balance as of June 30, 2010		453,444	3,744	(7,194)	(158,464)	833,498	1,125,028	5,488	1,130,516

The accompanying Notes 1 to 39 form an integral part of these consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS DIRECT – METHOD

	Note	For the periods ended June 30, 2011 ThUS$	2010 ThUS$
Cash flows from operating activities			
Cash collection from operating activities			
Proceeds from sales of goods and services		2,810,303	2,119,525
Other cash receipts from operating activities		31,006	22,148
Payments for operating activities			
Payments to suppliers for goods and services		(2,158,853)	(1,483,097)
Payments to and on behalf of employees		(459,837)	(303,600)
Other payments for operating activities		(84,000)	(18,000)
Interest paid		(560)	(387)
Interest received		4,262	2,427
Income taxes refunded (paid)		1,363	(3,602)
Other cash inflows (outflows)		20,283	(56,542)
Net cash flows from operating activities		163,967	278,872
Cash flows used in investing activities			
Cash flows from disposal of subsidiaries		47,337	1,458
Cash flows used for acquisition of subsidiaries		(3,541)	-
Other cash receipts from sales of equity or debt instruments of other entities		8,159	4,968
Amounts raised from sale of property, plant and equipment		64,163	43
Purchases of property, plant and equipment		(693,901)	(332,184)
Amounts raised from sale of intangible assets		6,189	-
Purchases of intangible assets		(9,984)	(4,826)
Dividends received		-	110
Interest received		1,403	2,437
Other cash inflows (outflows)		(26,820)	(33,499)
Net cash flow used in investing activities		(606,995)	(361,493)
Cash flows from (used in) financing activities			
Amounts raised from issuance of shares		7,946	-
Amounts raised from long-term loans		480,986	344,123
Amounts raised from short-term loans		86,107	-
Loan Payments		(355,290)	(250,211)
Payments of finance lease liabilities		(26,730)	(32,008)
Dividends paid		(135,522)	(80,941)
Interest paid		(61,652)	(64,032)
Other cash inflows		91,243	26,757
Net cash flows from (used in) financing activities		87,088	(56,312)
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		(355,940)	(138,933)
Effects of variation in the exchange rate on cash and cash equivalents		12	(101)
Net increase (decrease) in cash and cash equivalents		(355,928)	(139,034)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	631,052	731,497
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	275,124	592,463

The accompanying Notes 1 to 39 form an integral part of these consolidated financial statements.

LAN AIRLINES S.A. AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2011

NOTE 1 - GENERAL INFORMATION

Lan Airlines S.A. (the “Company” or “LAN”) is a public company registered with the Chilean Superintendency of Securities and Insurance (SVS), under No.306, whose shares are quoted in Chile on the Valparaíso Stock Exchange, the Chilean Electronic Exchange and the Santiago Stock Exchange; it is also quoted on the New York Stock Exchange (NYSE) in the form of American Depositary Receipts (ADRs). Its principal business is passenger and cargo air transportation, both in the domestic markets of Chile, Peru, Argentina, Colombia and Ecuador and a series of regional and international routes in America, Europe and Oceania. These businesses are performed directly or through its subsidiaries in different countries. In addition, the company has subsidiaries operating in the freight business in Mexico, Brazil and Colombia.

On August 13, 2010, LAN Airlines S.A. and TAM S.A. (TAM) announced they have signed a non-binding Memorandum of Understanding (MOU) in which the companies agree to proceed with their intention of carrying out their operations jointly under one parent company, to be named LATAM Airlines Group. The proposed partnership of LAN with TAM would be within the world’s 10 largest airline groups. LATAM will provide transport services for passengers and cargo to more than 115 destinations in 23 countries, operating with a fleet of over 280 aircraft, with over 40,000 employees. Both airlines will continue operating independently with their current operating licenses and brands. Within the group, TAM will continue operating as a Brazilian company with its own structure. The current holding of LAN Airlines S.A. will operate as an independent business unit within the group. On October 20, 2010, LAN Airlines and TAM announced that the operating subsidiaries of TAM had presented the structure of the transaction to the Brazilian Civil Aviation Agency (ANAC), which was approved by this agency on March 01, 2011.

On January 18, 2011 the parties of the MOU (1) and Mrs. Maria Cláudia Oliveira Amaro, Maurício Rolim Amaro, Noemy Almeida Olivera Amaro and Joao Francisco Amaro (“Amaro Family”), as the only shareholders of TEP, signed (a) an *Implementation Agreement* and (b) a binding *Exchange Offer Agreement* ("Contracts Signed") containing the final terms and conditions of the proposed partnership between LAN and TAM.

(1) On August 13, 2010 LAN reported as a significant matter to the Superintendency of Securities and Insurance that LAN, Costa Verde Aeronáutica S.A. and Inversiones Mineras del Cantábrico S.A. (the last two, "Cueto subsidiaries”), TAM S.A. (“TAM”) and TAM Empreendimentos e Participacoes S.A. (“TEP”) signed a non-binding *Memorandum of Understanding* ("MOU") for which the primary terms were outlined.

The Company is located in Santiago, Chile, at Avenida Américo Vespucio Sur 901, Renca.

Corporate Governance practices of the Company are set in accordance with Securities Market Law 18,045 the Corporations Law 18,046 and its regulations, and the regulations of the SVS and the laws and regulations of the United States of America and the U.S. Securities and Exchange Commission (SEC) with respect to the issuance of ADRs.

The Board of the Company is composed of nine members who are elected every two years by the ordinary shareholders meeting. The Board meets in regular monthly sessions and in extraordinary sessions as the corporate needs demand. Of the nine board members, three form part of its Directors' Committee which fulfills both the role foreseen in the Corporations Law and the functions of the Audit Committee required by the Sarbanes Oxley Act of the United States of America and the respective regulations of the SEC.

The majority shareholder of the Company is the Cueto Group, which through Costa Verde Aeronáutica S.A. and Inversiones Mineras del Cantábrico S.A. owns 34.01% of the shares issued by the Company, as is the controller of the Company in accordance with the provisions of the letter b) of Article 97 and Article 99 of the Securities Market Law, attended that despite not meeting the majority of votes at shareholder meetings and to elect the majority of the directors of the Company, has a decisive influence in its administration.

As of June 30, 2011, the Company had a total of 1,621 registered shareholders, and 4.24% of the Company's share capital was in the form of ADRs.

For the period ended June 30, 2011 the Company had an average of 20,637 employees, ending the period with a total of 20,808 people, with 3,704 in administration, 2,739 in maintenance, 6,036 in operations, 3,703 flight personnel, 1,937 cabin crew, and 2,689 in sales.

The significant operating subsidiaries included in these consolidated financial statements are as follows:

				As of June 30, 2011			As of December 31, 2010		
Tax No.	Company	Country of origin	Functional Currency	Direct ownership interest	Indirect ownership interest	Total ownership interest	Direct ownership interest	Indirect ownership interest	Total ownership interest
				%	%	%	%	%	%
96.518.860-6	Lantours Division de Servicios Terrestres S.A. (*)	Chile	US$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
96.763.900-1	Inmobiliaria Aeronáutica S.A.	Chile	US$	99.0100	0.9900	100.0000	99.0100	0.9900	100.0000
96.969.680-0	Lan Pax Group S.A. and Subsidiaries	Chile	US$	99.8361	0.1639	100.0000	99.8361	0.1639	100.0000
Foreign	Lan Perú S.A.	Perú	US$	49.0000	21.0000	70.0000	49.0000	21.0000	70.0000
Foreign	Lan Chile Investments Limited and Subsidiaries	Caymán Island	US$	99.9900	0.0100	100.0000	99.9900	0.0100	100.0000
93.383.000-4	Lan Cargo S.A.	Chile	US$	99.8939	0.0041	99.8980	99.8939	0.0041	99.8980
Foreign	Connecta Corporation	U.S.A	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Prime Airport Services Inc. and Subsidiary	U.S.A	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.951.280-7	Transporte Aéreo S.A.	Chile	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.634.020-7	Ediciones Ladeco América S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Aircraft International Leasing Limited	U.S.A	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.520-2	Fast Air Almacenes de Carga S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.631.410-9	Ladeco Cargo S.A.	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Laser Cargo S.R.L.	Argentina	ARS	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
Foreign	Lan Cargo Overseas Limited and Subsidiaries	U.S.A	US$	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.969.690-8	Lan Cargo Inversiones S.A. and Subsidiary	Chile	CLP	0.0000	100.0000	100.0000	0.0000	100.0000	100.0000
96.575.810-0	Inversiones Lan S.A. and Subsidiaries	Chile	CLP	99.7100	0.0000	99.7100	99.7100	0.0000	99.7100

(*) Comercial Masterhouse S.A., in July 2010, changed name to Lantours División de Servicios Terrestres S.A.

Additionally, the Company has proceeded to consolidate certain special purpose entities according to standards issued by the Standing Interpretations Committee of the International Accounting Standards: Consolidation - Special Purpose Entities (“SIC 12”) and private investment funds in which the parent company and subsidiaries are contributors.

All the entities controlled have been included in the consolidation.

Changes in the scope of consolidation from January 01, 2010 and June 30, 2011, are detailed below:

(1) Incorporation or acquisition of companies

- Florida West Technical Services LLC., direct subsidiary of Prime Airport Services S.A., in April 2010, changed name to Lan Cargo Repair Station, LLC.

- Aerovías de Integración Regional, AIRES S.A., indirect subsidiary of Lan Pax Group S.A., in November 2010, acquired through the purchase of companies Akemi Holdings S.A. and Saipan Holdings S.A. (See Note 39)

- AEROASIS S.A., direct subsidiary of Lan Pax Group S.A, acquired in February 2011. (See Note 39)

(2) Disposal of companies

- Blue Express INTL Ltda. and subsidiary, direct subsidiary of Lan Pax Cargo S.A., were sold according to purchase agreement signed on April 6, 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following describes the principal accounting policies adopted in the preparation of these consolidated financial statements.

2.1. Preparation

The consolidated financial statements of Lan Airlines SA are for the period ended June 30, 2011 and have been prepared in accordance with International Financial Reporting Standards (IFRS), and IFRIC interpretations.

The consolidated financial statements have been prepared under the historic-cost criterion, although modified by the valuation at fair value of certain financial instruments.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to use its judgment in applying the Company's accounting policies. Note 4 shows the areas that imply a greater degree of judgment or complexity or the areas where the assumptions and estimates are significant to the consolidated financial statements. These consolidated interim financial statements have been prepared under IAS 34.

a) At the date of these consolidated financial statements, the following accounting pronouncements were adopted by the Company, with application effective as of January 1, 2011:

Standards and amendments	Mandatory application: annual periods beginning on or after
Amendment to IFRS 7: Financial Instruments: Disclosures	01/01/2011
Amendment to IAS 34: Interim financial reporting	01/01/2011
Amendment to IAS 1: Presentation of financial statements	01/01/2011
IAS 24 revised: Related party disclosures	01/01/2011

Interpretation	Mandatory application: annual periods beginning on or after
Amendment to IFRIC 14: Pre-payments of a minimum funding requirement	01/01/2011
Amendment to IFRIC 13: Customer loyalty programs	01/01/2011

The adoption of the standards, amendments and interpretations described above have not had a significant impact on the Company's consolidated financial statements

b) Accounting pronouncements with applications effective as of January 01, 2012 and following:

Standards and amendments	Mandatory application: annual periods beginning on or after
Amendment to IAS 1: Presentation of financial statements	01/07/2012
IFRS 9: Financial instruments	01/01/2013
IAS 28 revised: Investments in associates and joint ventures	01/01/2013
IAS 27 revised: Separate financial statements	01/01/2013
IFRS 10: Consolidated financial statements	01/01/2013
IFRS 11: Joint arrangements	01/01/2013
IFRS 12: Disclosures of interests in other entities	01/01/2013
IFRS 13: Fair value measurement	01/01/2013
Amendment to IAS 19: Employee benefits	01/01/2013

The Company's management believes that the adoption of the standards, amendments and interpretations described above would not have had a significant impact on the Company's consolidated financial statements in the period of their first application. The Company has not early adopted any of the above standards.

2.2. Consolidation

(a) Subsidiaries

Subsidiaries are all the entities (including special-purpose entities) over which the Company has the power to control the financial and operating policies, which are generally accompanied by a holding of more than half of the voting rights. In evaluating whether the Company controls another entity, the existence and effect of potential voting rights that are currently exercisable or convertible are considered. The subsidiaries are consolidated from the date on which control is passed to the Company and they are excluded from the consolidation on the date they cease to be so controlled.

The Company uses the acquisition-cost method or purchase accounting for the purchase of subsidiaries. The cost of acquisition is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed on the exchange date. The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination are initially valued at their fair value on the date of acquisition, regardless of the extent of the non-controlling interests. The excess of the acquisition cost over the fair value of the Company's holding in the net identifiable assets acquired is shown as goodwill. If the cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recorded directly in the consolidated statement of income (Note 2.6).

Inter-company transactions, balances and unrealized gains on transactions between the Company's entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred. When necessary in order to ensure uniformity with the policies adopted by the Company, the accounting policies of the subsidiaries are modified.

(b) Transactions with non-controlling interests

The Company applies the policy of considering transactions with non-controlling interests, when not related to loss of control, as equity transactions without an effect on income.

(c) Investees or associates

Investees or associates are all entities over which Lan Airlines S.A. and Subsidiaries have a significant influence but has no control, this usually arise by a holding of between 20% and 50% of the voting rights. Investments in associates are booked using the equity method and are initially recorded at their cost.

The participation of Lan Airlines S.A. and Subsidiaries in the losses or gains after the acquisition of its investees or associates is shown in results, and its participation in post acquisition movements in reserves of investees or associates are shown in reserves.

Post-acquisition movement is adjusted against the carrying amount of the investment. When the participation of Lan Airlines S.A. and Subsidiaries in the losses of an investee or associate is equal to or more than its holding in it, including any other non guaranteed account receivable, Lan Airlines S.A. and Subsidiaries will not show the additional losses unless it has incurred obligations or made payments on behalf of the investee or associate.

Gains or losses for dilution in investees or associates are shown in the consolidated statement of income.

2.3. Foreign currency transactions

(a) Presentation and functional currencies

The items included in the financial statements of each of the entities of Lan Airlines S.A. and Subsidiaries are valued using the currency of the main economic environment in which the entity operates (the functional currency). The functional currency of Lan Airlines S.A. is the United States dollar which is also the currency of presentation of the consolidated financial statements of Lan Airlines S.A. and Subsidiaries.

(b) Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rates on the transaction dates. Foreign currency gains and losses resulting from the liquidation of these transactions and from the translation at the closing exchange rates of the monetary assets and liabilities denominated in foreign currency are shown in the consolidated statement of income.

(c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency other than the currency of presentation are translated to the currency of presentation as follows:

(i) Assets and liabilities of each consolidated statement of financial position presented are translated at the closing exchange rate on the consolidated statement of financial position date;
(ii) The revenues and expenses of each results account are translated at the exchange rates prevailing on the transaction dates,
(iii) All the resultant exchange differences are shown as a separate component in net equity.

In the consolidation, exchange differences arising from the translation of a net investment in foreign entities (or local with a functional currency different to that of the parent), and of loans and other foreign currency instruments designated as hedges for these investments, are recorded within net equity. When the investment is sold, these exchange differences are shown in the consolidated statement of income as part of the loss or gain on the sale.

Adjustments to the goodwill and fair value arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the period-end exchange rate.

2.4. Property, plant and equipment

The land of Lan Airlines S.A. and Subsidiaries is recognized at cost less any accumulated impairment loss. The rest of the property, plant and equipment is shown, initially and subsequently, at historic cost less the corresponding depreciation and any impairment loss, except for certain land and minor equipment that are reassessed at first adoption, according to IFRS.

The amounts of advance payments to aircraft manufacturers are capitalized by the Company under Construction in progress until receipt of the aircraft.

Subsequent costs (replacement of components, improvements, extensions, etc.) are included in the value of the initial asset or shown as a separate asset only when it is probable that the future economic benefits associated with the elements of property, plant and equipment are going to flow to the Company and the cost of the element can be determined reliably. The value of the component replaced is written off in the books at the time of replacement. The rest of the repairs and maintenance are charged to the result of the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method over their estimated technical useful lives; except in the case of certain technical components which are depreciated on the basis of cycles and hours flown.
The residual value and useful life of assets is revised, and adjusted if necessary, once a year.

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is reduced immediately to its recoverable amount (Note 2.8).
Losses and gains on the sale of property, plant and equipment are calculated by comparing the proceeds obtained with the book value and are included in the consolidated statement of income.

2.5. Intangible assets

Computer software

Licenses for computer software acquired are capitalized on the basis of the costs incurred in acquiring them and preparing them for using the specific software. These costs are amortized over their estimated useful lives.

Expenses related to the development or maintenance of computer software which do not qualify for capitalization, are shown as an expense when incurred. Certain costs directly related to the production of unique and identifiable computer software controlled by the Company, are shown as intangible assets when met all the criteria for capitalization. The direct costs include the expenses of the personnel who develop the computer software and other costs directly associated.

Development costs of computer software shown as assets are amortized over their estimated useful lives.

2.6. Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Company's participation in the net identifiable assets of the subsidiary on the acquisition date. Goodwill related to acquisitions of subsidiaries is not amortized but tested for impairment annually and when there are indications that the carrying value may not be recoverable. Gains and losses on the sale of an entity include the book amount of the goodwill related to the entity sold.

2.7. Borrowing costs

Interest costs incurred for the construction of any qualified asset are capitalized over the time necessary for completing and preparing the asset for its intended use. Other interest costs are charged to income and expenses.

2.8. Losses for impairment of non-financial assets

Assets that have an indefinite useful life, and developing IT projects, are not subject to amortization and are subject to annual testing for impairment losses. Assets subject to amortization are subjected to impairment tests whenever any event or change in circumstances indicates that the book value of the assets may not be recoverable. An impairment loss is recorded when the book value is greater than the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In evaluating the impairment, the assets are grouped at the lowest level for which cash flows are separately identifiable (CGUs). Non-financial assets other than goodwill that have suffered an impairment loss are subjected to a test once a year to check that there has been no reversal of the loss.

2.9. Financial assets

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit and loss, loans and accounts receivable and financial assets held to maturity. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition, which occurs on the date of transition.

(a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial instruments held for trading and those in their initial classification has been designated as at fair value through profit or loss. A financial asset is classified in this category if acquired mainly for the purpose of being sold in the near future or when these assets are managed and measured using fair value. Derivatives are also classified as acquired for trading unless they are designated as hedges. Assets in this category are classified as cash and cash equivalents, held for trading, and other financial assets, designated on initial recognition.

(b) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial instruments with fixed or determinable payments not traded on an active market. These items are classified in current assets except for those with maturity over 12 months from the date of the consolidated statement of financial position, which are classified as non-current assets. Loans and accounts receivable are included in trade and other accounts receivable in the consolidated statement of financial position (Note 2.12).

(c) Financial assets held to maturity

Financial assets held to maturity are non-derivative financial instruments with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and capacity to hold until their maturity. Should the Company sell a not-insignificant amount of the financial assets held to their maturity, the whole category is reclassified as available for sale. These financial instruments held to maturity are included in non-current assets, except for those maturity equal to or less than 12 months from the consolidated statement of financial position, which are classified as other current financial assets.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Held to maturity investments are carried at amortized cost using the effective interest rate.

The company valued at the date of each consolidated statement of financial position if there is objective evidence that a financial asset or group of financial assets may have suffered an impairment loss. For the case of financial assets held to maturity, if any evidence of impairment, the amount of the provision is the difference between the book value of the assets and the present value of the estimated future cash flows, discounted at the original effective interest rate.

2.10. Derivative financial instruments and hedging activities

Derivatives are booked initially at fair value on the date the derivative contracts are signed and later they continue to be valued at their fair value. The method for booking the resultant loss or gain depends on whether the derivative has been designated as a hedging instrument and, if so, the nature of the item hedged. The Company designates certain derivatives as:

(a) Hedge of the fair value of recognized assets (fair value hedge);

(b) Hedge of an identified risk associated with a recognized liability or an expected highly-probable transaction (cash-flow hedge), or

(c) Derivatives that do not qualify for hedge accounting.

The Company documents, at the inception of each transaction, the relationship between the hedging instrument and the hedged item, as well as its objectives for managing risk and the strategy for carrying out various hedging transaction. The Company also documents its assessment, both at the beginning and on an ongoing basis, as to whether the derivatives used in the hedging transactions are highly effective in offsetting the changes in the fair value or cash flows of the items being hedged.

The total fair value of the hedging derivatives is booked as an other non-current financial asset or liability if the remaining maturity of the item hedged is over 12 months, and as an other current financial asset or liability if the remaining term of the item hedged is less than 12 months. Derivatives not booked as hedges are classified as other financial assets or liabilities, current in the case that their remaining maturity is less than 12 months and non-current in the case that it is more than 12 months.

(a) Fair value hedges

Changes in the fair value of derivatives designated and that qualify as fair value hedges are shown in the consolidated statement of income, together with any change in the fair value of the asset or liability hedged that is attributable to the risk being hedged.

(b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is shown in statement of other comprehensive income. The loss or gain relating to the ineffective portion is recognized immediately in the consolidated statement of income under “Other gains (losses)”.

In the case of variable interest-rate hedges, this means that the amounts recognized in statement of other comprehensive income are reclassified to results within financial cost at the same time the associated debts accrue interest.

For fuel price hedges, the amounts shown in statement of other comprehensive income are reclassified to income as Cost of sales to the extent that the fuel subject to the hedge is used.

When hedging instruments mature or are sold or when they do not meet the requirements to be accounted for as hedges, any gain or loss accumulated in statement of other comprehensive income until that moment remains in statement of other comprehensive income and is reclassified to the consolidated statement of income when the hedged transaction is finally recognized. When it is expected that the hedged transaction is no longer going to occur, the gain or loss accumulated in statement of other comprehensive income is taken immediately to the consolidated statement of income as “Other gains (losses)”.

(c) Derivatives not booked as a hedge

Certain derivatives are not booked as a hedge. The changes in fair value of any derivative instrument that is not booked as a hedge are shown immediately in the consolidated statement of income, in “Other gains (losses)”.

2.11. Inventories

Inventories, detailed in note 10, are shown at the lower of cost and their net realizable value. The cost is determined on the basis of the weighted average cost method. The net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12. Trade and other accounts receivable

Trade accounts receivable are shown initially at their fair value and later at their amortized cost in accordance with the effective interest rate method, less the allowance for impairment losses. An allowance for impairment losses of trade accounts receivable is made when there is objective evidence that the Company will not be able to recover all the amounts due according to the original terms of the accounts receivable. The existence of significant financial difficulties on the part of the debtor, the probability that the debtor is entering bankruptcy or financial reorganization and the default or delay in making payments are considered as indicators that the receivable has been impaired. The amount of the provision is the difference between the book value of the assets and the present value of the estimated future cash flows, discounted at the original effective interest rate. The book value of the asset is reduced by the amount of the allowance and the loss is shown in the consolidated statement of income in Cost of sales. When an account receivable is written off, it is charged to the allowance account for accounts receivable.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, time deposits in financial institutions, and other short-term and easily-liquidated investments.

2.14. Capital

The common shares are classified as net equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in net equity as a deduction from the proceeds obtained.

2.15. Trade and other accounts payable

Trade payables and other accounts payables are initially recognized at fair value and subsequently at amortized cost are valued according to the method of the effective interest rate

2.16. Interest-bearing loans

Financial liabilities are shown initially at their fair value, net of the costs incurred in the transaction. Later, these financial liabilities are valued at their amortized cost; any difference between the proceeds obtained (net of the necessary arrangement costs) and the repayment value, is shown in the consolidated statement of income during the term of the debt, according to the effective interest rate method.
Financial liabilities are classified in current and non-current liabilities according to the contractual payment dates of the nominal principal.

2.17. Deferred taxes

Deferred taxes are calculated, on the temporary differences arising between the tax bases of assets and liabilities and their book values. However, if the temporary differences arise from the initial recognition of a liability or an asset in a transaction different from a business combination that at the time of the transaction does not affect the accounting result or the tax gain or loss, they are not booked. The deferred tax is determined using the tax rates (and laws), that have been enacted or substantially enacted at the end of the reporting period, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability discharged.

Deferred tax assets are recognised when it is probable that there will be sufficient future tax earnings with which to compensate the temporary differences.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, as long as except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18. Employee benefits

(a) Personnel vacations

The Company recognizes the expense for personnel vacations on an accrual basis.

(b) Share-based compensation

The compensation plans implemented by the granting of options for the subscription and payment of shares are shown in the consolidated financial statements in accordance with IFRS 2: Share based payments, showing the effect of the fair value of the options granted as a charge to remuneration on a straight-line basis between the date of granting such options and the date on which these become vested.

(c) Post-employment and other long-term benefits

Provisions are made for these obligations by the application of the actuarial value of the accrued cost of the benefit method, and take into account estimates of future permanence, mortality rates and future wage increases determined on the basis of actuarial calculations. The discount rates are determined by reference to market interest-rate curves. Actuarial gains or losses are shown in results for the period when they occur.

(d) Incentives

The Company has an annual incentives plan for its personnel for compliance with objectives and individual contribution to the results. The incentives eventually granted consist of a given number or portion of monthly remuneration and the provision is made on the basis of the amount estimated for distribution.

2.19. Provisions

Provisions are recognised when:

(i) The Company has a present legal or implicit obligation as a result of past events.

(ii) It is probable that some payment is going to be necessary to settle an obligation, and

(iii) The amount has been reliably estimated.

Provisions are shown at the present value of the disbursements expected to be necessary for settling the obligation using the Company's best estimates. The pre-tax discount rate used for determining the present value reflects current market evaluations on the date of the financial statements of the time value of money, plus the specific risks related to the liability in question.

2.20. Revenue recognition

Revenues include the fair value of the proceeds received or to be received on sales of goods and rendering services in the ordinary course of the Company's business. Revenues are shown net of refunds, rebates and discounts.

(a) Rendering of services

a.1 Passenger and cargo transport

The Company shows revenue from the transportation of passengers and cargo once the service has been provided.

a.2 Frequent flyer program

The Company currently has a frequent flyer program called Lan Pass, whose objective is customer loyalty through the delivery of kilometers every time that members fly with the Company or its alliance partners, use the services of entities registered with the program or make purchases with an associated credit card. The kilometers earned can be exchanged for flights tickets or other services of associated entities. The consolidated financial statements include liabilities for this concept (deferred income), according to the estimate of the valuation established for the kilometers accumulated pending use at that date, in accordance with IFRIC 13: Customer loyalty programs.

a.3 Other revenues

The Company records revenues for other services when these have been provided.

(b) Interest income

Interest income is booked using the effective interest rate method.

(c) Dividend income

Dividend income is booked when the right to receive the payment is established.

2.21. Leases

(a) When the Company is the lessee – financial lease

The Company leases certain property, plant and equipment in which it has substantially all the risk and benefits deriving from the ownership; they are therefore classified as financial leases. Financial leases are capitalized at the start of the lease at the lower of the fair value of the asset leased and the present value of the minimum lease payments.

Every lease payment is separated between the liability component and the financial expenses so as to obtain a constant interest rate over the outstanding amount of the debt. The corresponding leasing obligations, net of financial charges, are included in Interest-bearing loans. The element of interest in the financial cost is charged in the consolidated statement of income over the lease period so that it produces a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under a financial lease is depreciated over the shorter of its useful life and the lease term and is included in Property, plant and equipment.

(b) When the Company is the lessee – operating lease

Leases, in which the lessor retains an important part of the risks and benefits deriving from ownership, are classified as operating leases. Payments with respect to operating leases (net of any incentive received from the lessor) are charged in the consolidated statement of income on a straight-line basis over the term of the lease.

2.22. Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and are shown at the lesser of their book value and the fair value less costs to sell.

2.23. Maintenance

The costs incurred for scheduled major maintenance of the aircraft's fuselage and engines are capitalized and depreciated until the next maintenance. The depreciation rate is determined on technical grounds, according to its use expressed based on cycles and flight hours.

The unscheduled maintenances of aircraft and engines, and minor maintenances, are charged to income as incurred.

2.24. Environmental costs

Disbursements related to environmental protection are charged to income when incurred.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Company's activities are exposed to different financial risks: (a) market risk, (b) credit risk, and (c) liquidity risk. The Company's global risk management program is focused on uncertainty in the financial markets and tries to minimize the potential adverse effects on the net margin. The Company uses derivatives to hedge part of these risks.

(a) Market risk

Due to the nature of its operations, the Company is exposed to market risks such as:

(i) fuel-price risk, (ii) interest-rate risk, and (iii) local exchange-rate risk. In order to fully or partially hedge all these risks, the Company operates with derivative instruments to fix or limit rises in the underlying assets.

(i) Fuel-price risk:

Fluctuations in fuel prices largely depend on the global supply and demand for oil, decisions taken by Organization of Petroleum Exporting Countries (OPEC), global refining capacity, stock levels maintained, and weather and geopolitical factors.

The Company purchases an aircraft fuel called Jet Fuel grade 54. There is a benchmark price in the international market for this underlying asset, which is US Gulf Coast Jet 54. However, the futures market for this asset has a low liquidity index and as a result the Company hedges its exposure using West Texas Intermediate (WTI) crude and distillate Heating Oil (HO), which has a high correlation with Jet Fuel and is a highly liquid asset and therefore has advantages in comparison to the use of the U.S. Gulf Coast Jet 54 index.

During the first semester 2011, the Company booked gains of US$ 42.7 million on fuel hedging. During the same period 2010, the Company recognized losses of US$ 1.3 million for the same reason.

As of June 30, 2011, the market value of its fuel positions amounted to US$ 15.7 million. At December 31, 2010, this market value was US$ 45.8 million. The following tables show the notional value of the purchase positions together with the derivatives contracted for the different periods:

Positions as of June 30, 2011 (*)	Maturities			
	Q311	Q411	Q112	Total
Volume (thousands of barrels WTI)	2,607	1,353	528	4,488
Contracted future price (US$ per barril)(**)	89	95	97	93
Total (ThUS$)	232,023	128,535	51,216	417,384
Approximate percentage of hedge (of expected consumption value)	74%	36%	15%	41%

(*)The volume shown in the table considers all the hedging instruments (swaps and options). The contracted future price considers the volume covered with swaps in addition to options that are expected to be exercised..
(**)Weighted average between collars and asset options

Positions as of December 31, 2010	Maturities				
	Q111	Q211	Q311	Q411	Total
Volume (thousands of barrels WTI)	1,848	918	687	324	3,777
Contracted future price (US$ per barril)(*)	82	81	84	90	83
Total (ThUS$)	151,536	74,358	57,708	29,160	313,491
Approximate percentage of hedge (of expected consumption value)	54%	27%	19%	8%	26%

(*)Weighted average between collars and asset options

Sensitivity analysis

A drop in fuel prices positively affects the Company through a reduction in costs. However, this drop negatively affects contracted positions as these are to protect the Company against the risk of a rise in prices. The policy therefore is to maintain a hedge-free percentage in order to be competitive in the event of a drop in prices.

As the current positions do not represent changes in cash flows, but a variation in the exposure to the market value, the current hedge positions have no impact on income (they are booked as cash flow hedge contracts, so a variation in the fuel price has an impact on the Company's net equity).

The following table shows the sensitivity analysis of the financial instruments according to reasonable changes in the fuel price and their effect on equity. The term of the projection was defined until the end of the last current fuel hedge contract, being the last business day of 2011. The calculations were made considering a parallel movement of US$ 5 per barrel in the curve of the WTI and HO crude futures benchmark price at June 30, 2011 and the end of December 2010.

Benchmarck price WTI (US$ per barrel)	Positions as of June 30, 2011 effect on equity (millions of US$)	Positions as of December 31, 2010 effect on equity (millions of US$)
+ 5	+15.1	+ 16.7
-5	-13.9	-15.7

The Company seeks to reduce the risk of fuel price rises to ensure it is not left at a disadvantage compared to its competitors in the event of a sharp price fall. The Company therefore uses hedge instruments like swaps, call options and collars to partially hedge the fuel volumes consumed.

According to that required by IAS 39, during the periods presented, the Company has not recorded amounts for ineffectiveness in the consolidated income statement.

Given the fuel hedge structure during the first semester 2011, which considers a hedge-free portion, a vertical fall by US$ 5 in the WTI benchmark price (the monthly daily average) for each month would have meant a decrease of approximately US$ 21.6 million in the cost of total fuel consumption. A vertical rise by US$ 5 in the WTI benchmark price (the monthly daily average) would have meant an impact of approximately US$ 11.3 million of increased fuel costs for the first semester 2011.

(ii) Cash flow interest-rate risk:

The fluctuation in interest rates depends heavily on the state of the global economy. An improvement in long-term economic prospects moves long-term rates upward while a drop causes a decline through market effects. However, if we consider government intervention in periods of economic recession, it is usual to reduce interest rates to stimulate aggregate demand by making credit more accessible and increasing production (in the same way interest rates are raised at times of economic expansion). The present uncertainty about how the market and governments will react, and thus how interest rates will change, creates a risk related to the Company's debt at floating interest rates and its investments.

Cash flow interest rate risk equates to the risk of future cash flows of the financial instruments due to the fluctuation in interest rates on the market. The Company's exposure to risks of changes in market interest rates is mainly related to long-term obligations which accrued interest at a floating rate.

In order to reduce the risk of an eventual rise in interest rates, the Company has signed interest-rate swap and call option contracts in order to eliminate more than 88% of its exposure to interest-rate fluctuations. The Company is therefore exposed to a small portion of the fluctuations in the 90 days London Inter Bank Offer Rate (LIBOR) and the nominal Chilean Active Banking Rate (TAB) 180-day rate.

The following table shows the sensitivity of changes in financial obligations that are not hedged against interest-rate variations. These changes are considered reasonably possible based on current market conditions.

Increase (decrease) in libor 3 months	Positions as of June 30, 2011 effect on pre-tax earnings (millions of US$)	Positions as of December 31, 2010 effect on pre-tax earnings (millions of US$)
+100 basis points	-1.90	-1.18
-100 basis points	+1.90	+1.18

Changes in market conditions produce a change in the valuation of current financial instruments hedging interest rates, causing an effect on the Company's equity (because they are booked as cash-flow hedges). These changes are considered reasonably possible based on current market conditions. The calculations were made increasing (decreasing) vertically 100 basis points of the three-month Libor futures curve.

Increase futures curve months	Positions as of June 30, 2011 effect on equity (millions of US$)	Positions as of December 31, 2010 effect on equity (millions of US$)
+100 basis points	41.12	42.39
-100 basis points	(43.75)	(45.35)

There are limitations in the method used for the sensitivity analysis and relate to those provided by the market. These are because the levels indicated by the futures curves are not necessarily met and will change in each period.

According to that required by IAS 39, during the periods presented, the Company has not recorded amounts for ineffectiveness in the consolidated income statement.

(iii) Local exchange-rate risk:

The functional currency used by the parent Company is the US dollar in terms of setting prices for its services, the composition of its classified statements of financial position and effects on its operating income. It sells most of its services in US dollars or prices equivalent to the US dollar, and a large part of its expenses are denominated in US dollars or equivalents to the US dollar, particularly fuel costs, aeronautic charges, aircraft leases, insurance and aircraft components and accessories. Remuneration expenses are denominated in local currencies.

The Company maintains its cargo and passenger business tariffs in US dollars. There is a mix in the domestic markets as sales in Peru are in local currency but the prices are indexed to the US dollar. In Chile and Argentina, tariffs are in local currency without any kind of indexation. In the case of the domestic business in Ecuador, both tariffs and sales are in dollars. The Company is therefore exposed to fluctuations in the different currencies, mainly: Chilean peso, Argentine peso, Uruguayan peso, Euro, Peruvian sol, Brazilian real, Colombian peso, Australian dollar and New Zealand dollar; of these, the largest exposure is in Chilean pesos.

The Company manages its exposure to foreign currency risk through hedging selected balances using forward exchange contracts and cross currency swaps.

(b) Credit risk

Credit risk occurs when the counterparty to a financial agreement or instrument fails to discharge an obligation due or financial instrument, leading to a loss in market value of a financial instrument (only financial assets, not liabilities).

The Company is exposed to credit risk due to its operative and financial activities, including deposits with banks and financial institutions, investments in other kinds of instruments, exchange-rate transactions and the contracting of derivative instruments or options.

(i) Financial activities

Cash surpluses that remain after the financing of assets necessary for the operation are invested according to credit limits approved by the Company's Board, mainly in time deposits with different financial institutions, short-term mutual funds, and easily-liquidated corporate and sovereign bonds with short remaining maturities. These investments are booked as cash and cash equivalents and as investments held to maturity.

In order to reduce counterparty risk and to ensure that the risk assumed is known and managed by the Company, investments are diversified among different banking institutions (both local and international). The Company evaluates the credit standing of each counterparty and the levels of investment, based on (i) their credit rating, (ii) the equity size of the counterparty, and (iii) investment limits according to the Company's level of liquidity. According to these three parameters, the Company chooses the most restrictive parameter of the previous three and based on this, establishes limits for operations with each counterparty.

The Company has no guarantees to mitigate this exposure.

(ii) Operational activities

The Company has four large sales “clusters”: travel agencies, cargo agents, airlines and credit-card administrators. The first three are governed by IATA (International Air Transport Association), international organization comprising most of the airlines that represent over 90% of scheduled commercial traffic and one of its main objectives is to regulate the financial transactions between airlines and travel agents and cargo. When an agency or airline does not pay their debt, they are excluded from operating with IATA’s member airlines. In the case of credit-card administrators, they are fully guaranteed by the issuing institutions.

The exposure consists of the term granted, and this fluctuates between 1 and 45 days.

One of the tools the Company uses for reducing credit risk is to participate in global entities related to the industry, such as IATA, Business Sales Processing (BSP), Cargo Account Settlement Systems (“CASS”), IATA Clearing House (“ICH”) and banks (credit cards). These institutions fulfill the role of collectors and distributors between airlines and travel and cargo agencies. In the case of the Clearing House, it acts as an offsetting entity between airlines for the services provided between them. A reduction in term and implementation of guarantees has been achieved through these entities.

Credit quality of financial assets

The external credit evaluation system used by the Company is provided by IATA. Internal systems are also used for particular evaluations or specific markets based on trade reports available on the local market. The internal classification system is complementary to the external one, i.e. for agencies or airlines not members of IATA, the internal demands are greater. The bad-debt rate in the principal countries where the Company has a presence is insignificant.

(c) Liquidity risk

Liquidity risk represents the risk that the Company has no funds to meet its obligations.

Because of the cyclical nature of the business, the operation, and its investment and financing needs related to the acquisition of new aircraft and renewal of its fleet, plus the financing needs related to market-risk hedges, the Company requires liquid funds to meet its payment obligations.

The Company therefore manages its cash and cash equivalents and its financial assets, matching the term of investments with those of its obligations. Its policy is that the average term of its investments may not exceed the average term of its obligations. This cash and cash equivalents position is invested in highly-liquid short-term instruments through first-class financial entities.

The Company has future obligations related to financial leases, operating leases, maturities of other bank borrowings, derivative contracts and aircraft purchase contracts.

Class of liability for the analysis of liquidity risk ordered by date of maturity as of June 30, 2011

Class of Liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Amortization	Effective rate %	Nominal value ThUS$	Nominal rate %
Guaranteed obligations	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	U.S.A.	US$	4,025	12,076	32,203	32,202	68,488	148,994	Quarterly	5.69%	118,241	5.01%
		Lan Airlines S.A.	Chile	0-E	CREDITE AGRICOLE	France	US$	21,103	63,563	97,764	37,220	13,332	232,982	Quarterly	4.24%	219,822	4.24%
		Lan Airlines S.A.	Chile	0-E	PEFCO	U.S.A.	US$	15,633	46,900	125,065	111,387	151,115	450,100	Quarterly	5.16%	377,034	4.60%
		Lan Airlines S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US$	20,856	62,705	168,750	171,072	311,025	734,408	Quarterly	4.34%	621,610	3.87%
		Lan Airlines S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US$	5,612	16,841	44,857	44,771	124,530	236,611	Quarterly	3.64%	196,729	3.53%
		Lan Airlines S.A.	Chile	0-E	CITIBANK	U.S.A.	US$	11,848	35,612	95,701	96,796	265,288	505,245	Quarterly	3.06%	442,062	2.69%
		Lan Airlines S.A.	Chile	97.036.000-K	SANTANDER	Spain	US$	5,289	15,904	43,085	44,094	153,336	261,708	Quarterly	0.94%	249,453	0.80%
Financial leases	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	U.S.A.	US$	7,310	21,961	47,041	40,940	18,084	135,336	Quarterly	4.00%	122,892	3.77%
		Lan Airlines S.A.	Chile	0-E	CREDITE AGRICOLE	France	US$	2,254	6,789	18,405	22,149	39,124	88,721	Quarterly	1.24%	83,404	1.24%
		Lan Airlines S.A.	Chile	0-E	CITIBANK	U.S.A.	US$	1,741	5,386	23,127	-	-	30,254	Quarterly	1.43%	29,715	1.39%
		Lan Airlines S.A.	Chile	0-E	S.CHARTERED	U.S.A.	US$	3,934	7,532	11,149	-	-	22,615	Quarterly	1.12%	22,290	1.10%
		Lan Airlines S.A.	Chile	0-E	PEFCO	U.S.A.	US$	4,198	12,613	33,634	33,637	23,145	107,227	Quarterly	5.22%	92,225	4.68%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	-	25,670	-	-	-	25,670	Semiannual	3.62%	25,000	3.53%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	97.023.000-9	CORPBANCA	Chile	CLP	13,232	12,788	-	-	-	26,020	Semiannual	7.57%	24,565	7.48%
		Lan Airlines S.A.	Chile	76.645.030-K	ITAU	Chile	CLP	-	21,155	-	-	-	21,155	Semiannual	7.86%	19,972	7.77%
		Lan Airlines S.A.	Chile	97.006.00-6	BCI	Chile	CLP	-	37,315	-	-	-	37,315	Semiannual	8.19%	35,138	8.11%
		Lan Airlines S.A.	Chile	97.030.000-7	ESTADO	Chile	CLP	-	46,453	-	-	-	46,453	Semiannual	7.95%	43,789	7.89%
		Aires S.A.	Colombia	97.032.000-8	BBVA CHILE	Chile	US$	60,059	-	-	-	-	60,059	60 days	1.17%	60,000	1.17%
Other loans	89.862.200-2	Lan Airlines S.A.	Chile	97.036.000-K	SANTANDER	Chile	US$	1,476	3,933	255,977	-	-	261,386	-	2.25%	252,062	2.25%
		Lan Airlines S.A.	Chile	0-E	BOEING	U.S.A.	US$	1,021	3,872	222,568	-	-	227,461	-	1.91%	219,844	1.91%
Derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHERS	-	US$	6,877	29,795	63,432	24,690	3,724	128,518	-	-	124,337	-
Non-hedging Derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHERS	-	US$	1,425	4,065	9,445	3,568	-	18,503	-	-	18,047	-
Accounts payable other accounts payable		Lan Airlines S.A. and subsidiaries	Several	-	sundry	-	US$	231,784	24,029	-	-	-	255,813	-	-	255,813	-
						-	CLP	30,062	-	-	-	-	30,062	-	-	30,062	-
						-	Others	202,587	-	-	-	-	202,587	-	-	202,587	-
Other accounts payable, non-currents		Lan Airlines S.A. and subsidiaries	Several	-	sundry	-	US$	-	-	36,000	-	-	36,000	-	-	36,000	-
Accounts payable related parties		Lan Airlines S.A. and subsidiaries	Several	96.847.880-K	Lufthansa Lan Technical Training S.A.	-	CLP	81	-	-	-	-	81	-	-	81	-
						-	US$	221	-	-	-	-	221	-	-	221	-
			Several	78.591.370-1	Bethia S.A. and subsidia	-	CLP	65	-	-	-	-	65	-	-	65	-
			Several	Foreing	Inversora Aeronaútica Argentina	-	US$	102	-	-	-	-	102	-	-	102	-
	Total							652,795	516,957	1,328,203	662,526	1,171,191	4,331,672			3,923,162	

Class of liability for the analysis of liquidity risk ordered by date of maturity as of December 31, 2010

Class of liability	Debtor Tax No.	Debtor	Debtor country	Creditor Tax No.	Creditor	Creditor country	Currency	Up to 90 days ThUS$	More than 90 days to one year ThUS$	More than one to three years ThUS$	More than three to five years ThUS$	More than five years ThUS$	Total ThUS$	Amortization	Effective rate %	Nominal value ThUS$	Nominal rate %
Guaranteed obligations	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	U.S.A.	US$	7,425	22,305	53,471	47,128	93,325	223,654	Quarterly	5.19%	181,029	4.69%
		Lan Airlines S.A.	Chile	0-E	CALYON	France	US$	21,045	63,352	130,785	39,186	20,916	275,284	Quarterly	4.47%	256,417	4.47%
		Lan Airlines S.A.	Chile	0-E	PEFCO	U.S.A.	US$	19,838	59,513	158,688	149,595	209,374	597,008	Quarterly	5.16%	497,692	4.60%
		Lan Airlines S.A.	Chile	0-E	BNP PARIBAS	U.S.A.	US$	22,831	68,726	184,673	186,931	385,438	848,599	Quarterly	4.49%	707,306	4.00%
		Lan Airlines S.A.	Chile	0-E	WELLS FARGO	U.S.A.	US$	5,626	16,842	44,872	44,796	135,714	247,850	Quarterly	3.64%	204,392	3.53%
		Lan Airlines S.A.	Chile	0-E	CITIBANK	U.S.A.	US$	8,984	27,039	72,767	73,806	206,771	389,367	Quarterly	3.93%	326,235	3.48%
		Lan Airlines S.A.	Chile	0-E	SANTANDER	Spain	US$	2,919	8,859	24,242	25,206	95,708	156,934	Quarterly	0.95%	148,741	0.83%
Financial leases	89.862.200-2	Lan Airlines S.A.	Chile	0-E	ING	U.S.A.	US$	3,899	11,685	30,440	25,695	11,675	83,394	Quarterly	4.08%	77,096	3.71%
		Lan Airlines S.A.	Chile	0-E	CALYON	France	US$	2,249	6,786	18,376	22,613	43,431	93,455	Quarterly	1.27%	87,337	1.27%
		Lan Airlines S.A.	Chile	0-E	CITIBANK	U.S.A.	US$	1,692	5,249	26,758	-	-	33,699	Quarterly	1.32%	32,921	1.27%
		Lan Airlines S.A.	Chile	0-E	S.CHARTERED	U.S.A.	US$	3,858	11,873	14,628	-	-	30,359	Quarterly	1.28%	29,864	1.25%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	0-E	SANTANDER MADRID	Spain	US$	-	26,125	12,726	-	-	38,851	Semiannual	3.64%	37,500	3.55%
Bank loans	89.862.200-2	Lan Airlines S.A.	Chile	97.023.000-9	CORPBANCA	Chile	CLP	13,479	13,158	12,713	-	-	39,350	Semiannual	6.53%	36,858	6.44%
		Lan Airlines S.A.	Chile	76.645.030-K	ITAU	Chile	CLP	-	21,653	10,332	-	-	31,985	Semiannual	6.67%	29,967	6.60%
		Lan Airlines S.A.	Chile	97.006.000-6	BCI	Chile	CLP	-	38,144	18,188	-	-	56,332	Semiannual	6.71%	52,723	6.63%
		Lan Airlines S.A.	Chile	97.030.000-7	ESTADO	Chile	CLP	-	47,521	22,666	-	-	70,187	Semiannual	6.65%	65,704	6.59%
		Aires S.A.	Colombia	0-E	HELM	Colombia	COP	3,944	-	-	-	-	3,944	30 days	3.37%	3,936	3.37%
Other loans	89.862.200-2	Lan Airlines S.A.	Chile	0-E	SANTANDER MADRID	Spain	US$	586	1,587	72,962	-	-	75,135	-	3.29%	72,962	3.29%
		Lan Airlines S.A.	Chile	0-E	BOEING	U.S.A.	US$	1,862	1,207	106,665	-	-	109,734	-	2.04%	106,209	2.04%
Derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHERS	-	US$	6,018	22,331	61,273	24,643	4,751	119,016	-	-	115,189	-
Non-hedging Derivatives	89.862.200-2	Lan Airlines S.A.	Chile	-	OTHERS	-	US$	1,461	4,239	9,891	5,608	-	21,199	-	-	20,703	-
Accounts payable other accounts payable		Lan Airlines S.A. and subsidiaries	Varios	-	Varios	-	US$	277,327	26,002	-	-	-	303,329	-	-	303,329	-
						-	CLP	28,058	-	-	-	-	28,058	-	-	28,058	-
						-	Others	169,307	-	-	-	-	169,307	-	-	169,307	-
Other accounts payable, non-currents		Lan Airlines S.A. and subsidiaries	Varios	-	Varios	-	US$	-	-	54,000	-	-	54,000	-	-	54,000	-
Accounts payable related parties		Lan Airlines S.A. and subsidiaries	Varios	96.847.880-k	Lufthansa Lan Technical training S.	-	US$	110	-	-	-	-	110	-	-	110	-
						-	CLP	74	-	-	-	-	74	-	-	74	-
Total								602,592	504,196	1,141,116	645,207	1,207,103	4,100,214			3,645,659	

The Company has fuel and interest rate hedging strategies involving derivatives contracts with different financial institutions. The Company has margin facilities with each financial institution in order to regulate the mutual exposure produced by changes in the market valuation of the derivatives.

At the end of 2010, the Company had provided US$ 78.5 million in derivative margin guarantees, for cash and stand-by letters of credit. At the end of June 30, 2011, the Company had provided US$ 96.4 million in guarantees for cash and stand-by letters of credit. The increase was due to maturity and acquisition of fuel contracts and rates, rising fuel prices and falling interest rates.

3.2. Capital risk management

The Company's objectives, with respect to the management of capital, are (i) to safeguard it in order to continue as an on-going business, (ii) to seek a return for its shareholders, and (iii) to maintain an optimum capital structure and reduce its costs.

In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors the adjusted leverage ratio, in line with industry practice. This index is calculated as net adjusted debt divided by the sum between adjusted equity and net adjusted debt. Net adjusted debt is total financial debt plus 8 times the operating lease payments of the last 12 months, less total cash (measured as the sum of cash and cash equivalents plus marketable securities). Capital is the amount of net equity without the impact of the market value of derivatives, plus net adjusted debt.

Currently the Company's strategy, which has not changed since 2007, has consisted of maintaining a leverage ratio of between 70% and 80% and an international credit rating of higher than BBB- (the minimum required for being considered investment grade). The leverage ratios as of June 30, 2011, and December 31, 2010, were as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Total financial loans	3,563,032	3,259,666
Last twelve months Operating lease payment x 8	1,101,640	788,704
Less:		
Cash and marketable securities	(375,270)	(737,093)
Total net adjusted debt	4,289,402	3,311,277
Net Equity	1,338,531	1,296,814
Net coverage reserves	136,071	107,050
Adjusted equity	1,474,602	1,403,864
Total adjusted debt and equity	5,764,004	4,715,141
Adjuste leverage	74.4%	70.2%

3.3. Estimates of fair value

At June 30, 2011, the Company maintained financial instruments that should be recorded at fair value. These include:

Investments in short-term Mutual Funds (cash equivalent),
Interest rate derivative contracts,
Fuel derivative contracts,
Currency derivative contracts, and
Investment funds.

The Company has classified the fair value measurement using a hierarchy that reflects the level of information used in the assessment. This hierarchy consists of 3 levels (I) fair value based on quoted prices in active markets for identical assets or liabilities, (II) fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) and (III) fair value based on inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments traded in active markets, such as investments acquired for trading, is based on quoted market prices at the close of the period using the current price of the buyer. The fair value of financial assets not traded in active markets (derivative contracts) is determined using valuation techniques that maximize use of available market information. Valuation techniques generally used by the Company are quoted market prices of similar instruments and / or estimating the present value of future cash flows using forward price curves of the market at the close of the period.

The following table shows the classification of financial instruments at fair value at June 30, 2011 depending on the level of information used in the assessment:

	Fair value At June 30, 2011	Fair value measurements using values considered as		
		Level I	Level II	Level III
	ThUS$	ThUS$	ThUS$	ThUS$
Assets				
Short-term mutual funds	111,271	111,271	-	-
Fair value of interest rate derivatives	269	-	269	-
Fair value of fuel derivatives	15,725	-	15,725	-
Fair value of foreign currency derivatives	18,402	-	18,402	
Fair value of investment funds	60,842	60,842	-	-
Liabilities				
Fair value of interest rate derivatives	128,518	-	128,518	-
Fair value of foreign currency derivatives	1,815	-	1,815	-
Interest rate derivatives not accounted for as hedging instruments	17,246	-	17,246	-

Additionally, at June 30, 2011, the Company has financial instruments which are not recorded at fair value. In order to meet the disclosure requirements of fair values the Company has valued these instruments as shown in the table below:

	As of June 30, 2011		As of December 31, 2010	
	Book value	Fair value	Book value	Fair value
	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents				
Cash and cash equivalents	5,643	5,643	3,857	3,857
Bank balance	18,789	18,789	24,432	24,432
Time Deposits	139,421	139,421	406,143	406,143
Other financial assets				
Domestic and foreign bonds	39,304	42,367	47,184	50,294
Other financial assets	126,510	126,510	80,836	80,836
Trade and other accounts receivables and right receivable, non-currents	537,947	537,947	489,233	489,233
Accounts receivable from related entities	5,093	5,093	50	50
Other financial liabilities	3,240,861	3,351,463	2,945,294	2,969,939
Trade and other accounts payable, currents	488,462	488,462	500,694	500,694
Accounts payable to related entities	469	469	184	184
Other accounts payable, non-currents	358,171	358,171	368,372	368,372

The book values of accounts receivable and payable are assumed to approximate their fair values, due to their short-term nature. In the case of cash on hand, bank balances, deposits and others accounts payables, non-currents, fair value approximates their carrying values.

The fair value of other financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for similar financial instruments. In the case of other financial assets, valuation was performed according to market prices at year end.

NOTE 4 - ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has used estimates to value and book some of the assets, liabilities, revenues, expenses and commitments; these relate principally to:

1. The evaluation of possible impairment losses for certain assets.
2. The useful lives and residual values of fixed and intangible assets.
3. The criteria employed in the valuation of certain assets.
4. Air tickets sold that are not actually used.
5. The calculation of deferred income at the period-end, corresponding to the valuation of kilometers credited to holders of the Lan Pass loyalty card which have not yet been used.
6. The need for provisions and where required, the determination of their values.
7. The recoverability of deferred tax assets.

These estimates are made on the basis of the best information available on the matters analyzed.

In any case, it is possible that events will require them to be modified in the future, in which case the effects would be accounted for prospectively.

NOTE 5 – SEGMENTAL INFORMATION

The Company reports information by segments as established in IFRS 8 "Operating segments". This standard sets rules for the reporting of information by segments in the financial statements, plus reporting about products and services, geographical areas and principal customers.

An operating segment is defined as a component of an entity on which financial information is held separately and which is evaluated regularly by the senior management in taking decisions with respect to the assignment of resources and evaluation of results. The Company believes that it has only one operating segment: air transportation.

	Air transport segment			
	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Income from ordinary activities	2,696,415	2,068,520	1,331,541	1,033,622
Interest income	8,624	5,106	3,017	1,796
Interest expense	(70,212)	(78,500)	(34,299)	(40,737)
Total net interest expense	(61,588)	(73,394)	(31,282)	(38,941)
Depreciation and amortization	(194,122)	(163,269)	(98,718)	(81,628)
Segment profit	113,184	148,929	15,949	60,630
Earnings on investments	(37)	119	16	110
Expenses for income tax	(23,280)	(30,070)	(3,049)	(11,980)
Assets of segment	7,053,668	5,907,519	7,053,668	5,907,519
Investments in associates	556	1,245	556	1,245
Purchase of non-monetary assets	703,885	337,010	281,176	173,005

The Company's revenues by geographic area are as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Peru	234,538	257,932	118,755	134,461
Argentina	270,584	218,607	130,623	122,845
USA	543,100	403,214	277,519	201,029
Europe	238,858	209,316	113,533	91,373
Chile	681,095	572,698	332,048	285,986
Others*	728,240	406,753	359,063	197,928
Total (**)	2,696,415	2,068,520	1,331,541	1,033,622

The Company allocates revenues by geographic area based on the point of sale of the passenger ticket or cargo. Assets are primarily composed of aircraft and aeronautical equipment, which are used throughout the different countries, so it is not possible to assign a geographic area.

(*) Includes the rest of Latin America and Asia Pacific.

(**) Includes operating revenues and other operating income.

NOTE 6 – CASH AND CASH EQUIVALENTS

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Cash	5,643	3,857
Bank balances	18,789	24,432
Time deposits	139,421	406,143
Others	111,271	196,620
Total	275,124	631,052

Cash and cash equivalents are denominated in the following currencies at June 30, 2011, and December 31, 2010, are as follows:

Currency	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
US Dollar	109,213	194,212
Chilean peso (*)	122,416	368,360
Euro	2,952	7,844
Argentine peso	9,813	11,230
Brazilian real	1,653	4,759
Other currencies	29,077	44,647
Total	275,124	631,052

(*) The Company entered into currency derivative contracts (forward exchange controls) for ThUS $ 100,217 at June 30, 2011 (ThUS $ 169,357 at December 31, 2010), for conversion into dollars of investments in Chilean pesos and currency derivative contracts (cross currency swaps) for ThUS $ 10,308 at June 30, 2011 (ThUS $ 30,258 at December 31, 2010), for conversion into dollars of investment in Unidades de Fomento (“UF”).

In Venezuela, effective 2003, the authorities decreed that all remittances abroad should be approved by the Currency Management Commission (CADIVI). Despite having free availability of bolivars in Venezuela, the Company has certain restrictions for freely remitting these funds outside Venezuela. At June 30, 2011 the amount subject to such restrictions in dollar terms is ThUS$ 18,570 (ThUS$ 26,738 at December 31, 2010).

The Company has no significant non-monetary transactions that should be reported.

NOTE 7 - FINANCIAL INSTRUMENTS

7.1. Financial instruments by category

As of June 30, 2011

Assets	Held to maturity	Loans and accounts receivable	Hedging derivatives	Held to trading	Designated as at fair value through profit and loss on initial recognition	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	-	163,853	-	111,271	-	275,124
Other financial assets (*)	39,811	126,003	34,396	-	60,842	261,052
Trade and other current accounts receivable	-	529,628	-	-	-	529,628
Current accounts receivable from related parties	-	5,093	-	-	-	5,093
Non-current rights receivable	-	8,319	-	-	-	8,319
Total	39,811	832,896	34,396	111,271	60,842	1,079,216

Liabilities	Other Financial liabilities	Hedging derivatives	Held to trading	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Other financial liabilities	3,240,861	130,333	17,246	3,388,440
Trade and other current accounts payable	488,462	-	-	488,462
Current accounts payable to related parties	469	-	-	469
Other non-current accounts payable	358,171	-	-	358,171
Total	4,087,963	130,333	17,246	4,235,542

(*)The value submitted in held to maturity corresponds, mainly, to domestic and foreign bonds; and designated as at fair value through profit and loss on initial recognition, to investment funds.

As of December 31, 2010

Assets

	Held to maturity	Loans and accounts receivable	Hedging derivatives	Held to trading	Designated as at fair value through profit and loss on initial recognition	Total
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Cash and cash equivalents	-	434,432	-	196,620	-	631,052
Other financial assets (*)	47,691	80,329	80,161	-	58,857	267,038
Trade and other current accounts receivable	-	481,350	-	-	-	481,350
Current accounts receivable from related parties	-	50	-	-	-	50
Non-current rights receivable	-	7,883	-	-	-	7,883
Total	47,691	1,004,044	80,161	196,620	58,857	1,387,373

Liabilities

	Other Financial liabilities	Hedging derivatives	Held to trading	Total
	ThUS$	ThUS$	ThUS$	ThUS$
Other financial liabilities	2,945,294	139,930	19,748	3,104,972
Trade and other current accounts payable	500,694	-	-	500,694
Current accounts payable to related parties	184	-	-	184
Other non-current accounts payable	368,372	-	-	368,372
Total	3,814,544	139,930	19,748	3,974,222

(*) The value submitted in held to maturity corresponds mainly to domestic and foreign bonds; and designated as at fair value through profit and loss on initial recognition, to investment funds.

7.2. Financial instruments by currency

a) **Assets**	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Cash and cash equivalents	**275,124**	**631,052**
US Dollar	109,213	194,212
Chilean Peso	122,416	368,360
Euro	2,952	7,844
Argentine Peso	9,813	11,230
Brazilian Real	1,653	4,759
Others	29,077	44,647
Other financial Assets	**261,052**	**267,038**
US Dollar	247,386	255,808
Brazilian Real	7,630	6,731
Others	6,036	4,499
Trade and other current accounts receivable	**529,628**	**481,350**
US Dollar	351,779	354,702
Chilean Peso	42,422	28,606
Euro	7,309	8,429
Argentine Peso	28,353	6,702
Brazilian Real	44,368	31,329
Australian Dollar	16,372	12,456
Others	39,025	39,126
Non-current rights receivable	**8,319**	**7,883**
US Dollar	9	9
Chilean Peso	8,116	7,864
Others	194	10
Current accounts receivable from related parties	**5,093**	**50**
US Dollar	29	29
Chilean Peso	5,064	21
Total financial assets	**1,079,216**	**1,387,373**
US Dollar	708,416	804,760
Chilean Peso	178,018	404,851
Euro	10,261	16,273
Argentine Peso	38,166	17,932
Brazilian Real	53,651	42,819
Australian Dollar	16,372	12,456
Others	74,332	88,282

b) **Liabilities**

Liabilities information is detailed in the table within Note 3 section (c) Liquidity risk.

NOTE 8 – TRADE, OTHER ACCOUNTS RECEIVABLE AND NON-CURRENT RIGHTS RECEIVABLE

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Trade accounts receivable	474,960	435,576
Other accounts receivable and rights receivable	84,497	75,734
Total trade and other accounts receivable	559,457	511,310
Less: Allowance for impairment loss	(21,510)	(22,077)
Total net trade and other accounts receivable	537,947	489,233
Less: non-currents portion – rights receivable	(8,319)	(7,883)
Trade and other accounts receivable, current	529,628	481,350

The fair value of trade and other accounts receivable does not differ significantly from the book value.

There are overdue accounts receivable which are not impaired. Maturity of these accounts is as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Up to 3 months	10,414	12,506
Between 3 and 6 months	8,809	11,114
Total	19,223	23,620

The amounts of impaired trade and other accounts receivable are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Judicial and extra-judicial collection	9,901	10,586
Debtors under extra-judicial collection process	3,618	5,259
Total	13,519	15,845

Currency balances that make up the trade receivables, other non-current accounts receivables and rights receivables at June 30, 2011 and December 31, 2010, are as follows:

Currency	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
US Dollar	351,788	354,711
Chilean Peso	50,538	36,470
Euro	7,309	8,429
Argentine Peso	28,353	6,702
Brazilian Real	44,368	31,329
Australian Dollar	16,372	12,456
Other	39,219	39,136
Total	537,947	489,233

The Company records allowances when there is evidence of impairment of trade receivables. The criteria used to determine that there is objective evidence of impairment losses are the maturity of the portfolio, specific acts of damage (default) and specific market signals.

Maturity	Impairment
Judicial and extra-judicial collection Assets	100%
Over 1 year	100%
Between 6 and 12 months	50%

The movement in the allowance for impairment loss of trade accounts and other accounts receivables from January 01, 2010 and June 30, 2011 is as follows:

	ThUS$
As of January 01, 2010	(23,817)
Write-offs	2,356
Increase in allowance	(2,178)
Balance as of June 30, 2010	(23,639)
As of July 01, 2010	(23,639)
Write-offs	2,683
Increase in allowance	(1,121)
Balance as of December 31, 2010	(22,077)
As of January 01, 2011	(22,077)
Write-offs	438
Decrease in allowance	129
Balance as of June 30, 2011	(21,510)

Once extra-judicial and judicial collection efforts are exhausted, the assets are written off against the allowance. The Company only uses the allowance method rather than direct write-off, to ensure control.

Historic and current re-negotiations are not relevant and the policy is to analyze case by case in order to classify them according to the existence of risk, determining whether it is appropriate to re-classify accounts as in pre-judicial recovery. If such re-classification is justified, an allowance is made for the account, whether overdue or falling due.

The maximum credit-risk exposure at the date of presentation of the information is the fair value of each one of the categories of accounts receivable indicated above.

	As of June 30, 2011			As of December 31, 2010		
	Gross exposure	Gross Impaired exposure	Exposure net of risk concentrations	Gross exposure	Gross Impaired exposure	Exposure net of risk concentrations
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Trade accounts receivable	474,960	(21,510)	453,450	435,576	(22,077)	413,499
Other accounts receivable	84,497	-	84,497	75,734	-	75,734

There are no relevant guarantees covering credit risk and these are valued when they are settled; no materially important direct guarantees exist. Existing guarantees, if appropriate, are made through IATA.

NOTE 9 - ACCOUNTS RECEIVABLE FROM/PAYABLE TO RELATED PARTIES

The accounts receivable from and payable to related entities as of June 30, 2011 and December 31, 2010, respectively, are as follows:

a) Accounts Receivable

Tax No.	Related party	Relationship	Country of origin	As of June 30, 2011	As of December 31, 2010	Currency	Transaction deadlines	Nature of transaction
				ThUS$	ThUS$			
96.810.370-9	Inversiones Costa Verde Ltda y CPA	Controlling shareholder	Chile	33	-	CLP	30 to 45 Days	Monetary
96.778.310-2	Concesionaria Chucumata S.A.	Associate	Chile	5	4	CLP	30 to 45 Days	Monetary
96.921.070-3	Austral Sociedad Concesionaria S.A.	Associate	Chile	2	2	CLP	30 to 45 Days	Monetary
78.591.370-1-:	Bethia S.A. y Filiales	Others related parties	Chile	4,997	-	CLP	30 to 45 Days	Monetary
87.752.000-5	Granja Marina Tornagaleones S.A.	Others related parties	Chile	27	15	CLP	30 to 45 Days	Monetary
96.812.280-0	San Alberto S.A. y Filiales	Others related parties	Chile	29	29	US$	30 to 45 Days	Monetary
	Total current assets			5,093	50			

At June 30, 2011 and December 31, 2010, there have been no loan loss provisions.

b) Accounts payable

Tax No.	Related party	Relationship	Country of origin	As of June 30, 2011	As of December 31, 2010	Currency	Transaction deadlines	Nature of transaction
				ThUS$	ThUS$			
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	81	74	CLP	30 to 45 Days	Monetary
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	221	110	US$	30 to 45 Days	Monetary
78.591.370-1	Bethia S.A. y Filiales	Other related parties	Chile	65	-	CLP	30 to 45 Days	Monetary
Foreign	Inversora Aeronaútica Argentina	Other related parties	Argentina	102	-	US$	30 to 45 Days	Monetary
	Total current liabilities			469	184			

Transactions between related parties have been carried out on free-trade conditions between interested and duly-informed parties.

NOTE 10 – INVENTORIES

The inventories at June 30, 2011 and December 31, 2010 respectively, are detailed below:

	As of June 30, 2011	As of December 31, 2010
	ThUS$	ThUS$
Technical stock	53,085	40,625
Non-technical stock	14,732	12,568
	67,817	53,193

The items included in this heading are spare parts and materials that will be used mainly in consumption in in-flight and maintenance services, which are valued at average cost, net of provision for obsolescence that as of June 30, 2011 amounts to ThUS$ 3,805 (ThUS$ 3,705 as of December 31, 2010). The resulting amounts do not exceed the respective net realizable values.

As of June 30, 2011, the Company recorded ThUS$ 19,281 (ThUS$ 15,433 as of June 30, 2010) within the income statement, mainly due to in-flight consumption and maintenance, which forms part of cost of sales.

NOTE 11 – OTHER FINANCIAL ASSETS

The composition of other financial assets is as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
a) Other financial assets	204,028	165,712
b) Hedging asset	34,127	79,739
Total Current	238,155	245,451
Non-current		
a) Other financial assets	22,628	21,165
b) Hedging assets	269	422
Total non-current	22,897	21,587

a) Other financial assets

Other financial assets as of June 30, 2011 and December 31, 2010, respectively, are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Investment Funds	60,842	58,857
Domestic and Foreign bonds	39,304	47,184
Guarantees for margins of derivatives	58,341	39,868
Financing guarantees	25,800	-
Deposits in guarantee (aircraft)	9,245	12,030
Other guarantees given	10,496	7,773
Total current	204,028	165,712
Non-current		
Deposits in guarantee (aircraft)	15,498	15,000
Other guarantees given	6,623	5,658
Other investments	507	507
Total non-current	22,628	21,165
Total other financial assets	226,656	186,877

b) Hedging assets

Hedging assets as of June 30, 2011 and December 31, 2010, are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Interest accrued since last payment date currency Swap	3,626	3,691
Cash-flow hedge of currency risk	14,776	30,234
Cash-flow hedge of fuel-price risk	15,725	45,814
Total current	34,127	79,739
Non-current		
Cash-flow hedge of interest-rate risk	269	422
Total non-current	269	422
Total hedging assets	34,396	80,161

Foreign currency derivatives include the fair value of Cross Currency Swap contracts.

The types of derivative hedging contracts maintained by the Company at the end of each period are presented in Note 20.

NOTE 12 – OTHER NON-FINANCIAL ASSETS

The composition of other non-financial assets is as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
a) Advance Payments	40,519	17,648
b) Other assets	1,355	1,172
Total current	41,874	18,820
Non-Current		
a) Advance Payments	-	3,768
b) Other assets	28,238	28,740
Total non-current	28,238	32,508

a) Advance payments

Advance payments as of June 30, 2011 as of December 31, 2010 are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Aircraft insurance and other	21,215	6,459
Aircraft leases	7,716	7,343
Handling and ground handling services	2,941	-
Others	8,647	3,846
Total current	40,519	17,648
Non-Current		
Handling and ground handling services	-	2,971
Others	-	797
Total non-current	-	3,768
Total advance payments	40,519	21,416

b) Other assets

Other assets as of June 30, 2011, and December 31, 2010 are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Others	1,355	1,172
Total current	1,355	1,172
Non-current		
Recoverable taxes	23,343	23,343
Deferred expense for aircraft rental	3,811	4,984
Others	1,084	413
Total non-current	28,238	28,740
Total other assets	29,593	29,912

NOTE 13 – NON-CURRENT ASSETS (OR DISPOSAL GROUPS) CLASSIFIED AS HELD FOR SALE

Non-current assets and disposal groups held for sale as of June 30, 2011, and December 31, 2010 are as follows:

	As of June 30, 2011	As of December 31, 2010
	ThUS$	ThUS$
Assets		
Engines	2,204	2,204
Inventories on consignment	171	748
Aircraft	1,537	1,537
Scrapped aircraft	970	970
Rotables	38	38
Total	4,920	5,497

During the 2011 period, sales were made of inventories held on consignment of the Boeing 737-200 fleet.

During the financial year 2010, sales were made of rotables, inventories held on consignment and three engines, all from the Boeing 737-200 fleet.

Item balances are shown net of provision, which as of June 30, 2011 amounted to ThUS$ 5,752 (ThUS$ 5,212 at December 31, 2010).

The Company has no discontinued operations as of June 30, 2011.

NOTE 14 - INVESTMENTS IN SUBSIDIARIES

The Company has investments in companies recognized as investments in subsidiaries. All the companies defined as subsidiaries have been consolidated within the financial statements of Lan Airlines S.A. and Subsidiaries. The consolidation also includes special-purpose entities and investment funds.

The following is a summary of financial information with respect to the sum of the financial statements of subsidiary companies, special-purpose entities and investment funds that have been consolidated:

As of June 30, 2011

	Assets	Liabilities
	ThUS$	ThUS$
Current	473,236	656,873
Non-current	1,574,051	1,059,730
Total	2,047,287	1,716,603

As of December 31, 2010

	Assets	Liabilities
	ThUS$	ThUS$
Current	442,743	565,606
Non-current	1,388,194	773,927
Total	1,830,937	1,339,533

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Total operating revenues	1,212,194	872,299	621,025	430,731
Total expenses	(1,214,675)	(849,307)	(616,662)	(424,745)
Total net income	(2,481)	22,992	4,363	5,986

Significant subsidiaries detailed as of June 30, 2011

Name of significant subsidiary	Country of incorporation	Functional currency	% Ownership	Nature and scope of significants restrictions on transferring funds to controller
Lan Perú S.A.	Perú	US$	70.00000	Without significant restrictions
Lan Cargo S.A.	Chile	US$	99.89804	Without significant restrictions
Lan Argentina S.A.	Argentina	ARS	99.00000	Without significant restrictions
Transporte Aéreo S.A.	Chile	US$	100.00000	Without significant restrictions
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US$	71.91673	Without significant restrictions

Summary financial information of significant subsidiaries

	Statement of financial position as of June 30, 2011						For the period ended June 30, 2011	
Name of significant subsidiary	Total Assets ThUS$	Current Assets ThUS$	Non-current Assets ThUS$	Total Liabilities ThUS$	Current Liabilities ThUS$	Non-current Liabilities ThUS$	Revenue ThUS$	Net Income ThUS$
Lan Perú S.A.	137,931	122,508	15,423	136,365	135,411	954	413,382	(8,423)
Lan Cargo S.A.	802,876	219,544	583,332	394,651	154,456	240,195	111,720	30,335
Lan Argentina S.A.	104,342	71,595	32,747	90,011	88,985	1,026	198,701	(11,596)
Transporte Aéreo S.A.	342,756	229,229	113,527	122,698	30,160	92,538	176,929	13,924
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	53,037	26,404	26,633	60,237	46,556	13,681	123,909	(3,893)

Significant subsidiaries detailed as of December 31, 2010

Name of significant subsidiary	Country of incorporation	Functional currency	% Ownership	Nature and scope of significants restrictions on transferring funds to controller
Lan Perú S.A.	Perú	US$	70.00000	Without significant restrictions
Lan Cargo S.A.	Chile	US$	99.89804	Without significant restrictions
Lan Argentina S.A.	Argentina	ARS	99.00000	Without significant restrictions
Transporte Aéreo S.A.	Chile	US$	100.00000	Without significant restrictions
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	Ecuador	US$	71.91673	Without significant restrictions

Summary financial information of significant subsidiaries

	Statement of financial position as of December 31, 2010						For the periods ended June 30, 2010	
Name of significant subsidiary	Total Assets	Current Assets	Non-current Assets	Total Liabilities	Current Liabilities	Non-current Liabilities	Revenue	Net Income
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Lan Perú S.A.	124,761	113,579	11,182	114,771	113,750	1,021	344,496	199
Lan Cargo S.A.	737,550	183,877	553,673	340,082	103,018	237,064	92,165	5,990
Lan Argentina S.A.	113,168	84,751	28,417	88,286	87,420	866	172,207	706
Transporte Aéreo S.A.	329,190	215,575	113,615	123,056	28,777	94,279	133,972	11,194
Aerolane Líneas Aéreas Nacionales del Ecuador S.A.	48,416	24,561	23,855	51,723	38,299	13,424	108,075	(4,528)

NOTE 15 - EQUITY ACCOUNTED INVESTMENTS

The following summarized financial information is the sum of the financial statements of the investees, corresponding to the statements of financial position as of June 30, 2011 and December 31, 2010, and the statements of income for the period ended June 30, 2011, and the period ended June 30, 2010:

As of June 30, 2011

	Assets	Liabilities
	ThUS$	ThUS$
Current	1,886	797
Non-current	358	123
Total	2,244	920

As of December 31, 2010

	Assets	Liabilities
	ThUS$	ThUS$
Current	1,865	301
Non-current	382	562
Total	2,247	863

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Total operating revenues	708	1,322	175	559
Total expenses	(804)	(965)	(214)	(397)
Sum of net income	(96)	357	(39)	162

The Company has shown, as an investment in associates, its holdings in the following companies: Austral Sociedad Concesionaria S.A., Lufthansa Lan Technical Training S.A. and Concesionaria Chucumata S.A. The Company made no investments in associates during the first semester 2011.

Company	Country of incorporation	Functional currency	Percentage of ownership As of June 30, 2011 %	Percentage of ownership As of December 31, 2010 %	Cost of investment As of June 30, 2011 ThUS$	Cost of investment As of December 31, 2010 ThUS$
Austral Sociedad Concesionaria S.A.	Chile	CLP	20.00	20.00	661	661
Lufthansa Lan Technical Training S.A.	Chile	CLP	50.00	50.00	702	702
Concesionaria Chucumata S.A.	Chile	CLP	16.70	16.70	119	119

These companies do not have significant restrictions on the ability to transfer funds.

The movement of investments in associates between January 01, 2010 and June 30, 2011 is as follows:

	ThUS$
Opening balance as of January 01, 2010	1,236
Equity accounted earnings	119
Dividends received	(110)
Total changes in investments in associated entities	9
Closing balance as of June 30, 2010	1,245
Opening balance as of July 01, 2010	1,245
Equity accounted earnings	13
Other reductions, investments in associated entities	(665)
Total changes in investments in associated entities	(652)
Closing balance as of December 31, 2010	593
Opening balance as of January 01, 2011	593
Participation on losses	(37)
Total changes in investments in associated entities	(37)
Closing balance as of June 30, 2011	556

The Company records the gain or loss on its investments in associates on a monthly basis in the consolidated statement of income, using the equity method. The Company has no investments in associates which are not accounted for using the equity method.

NOTE 16 - INTANGIBLE ASSETS OTHER THAN GOODWILL

The details of intangible assets are as follows:

Classes of intangible assets (net)	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Computer software	52,738	45,183
Other assets	485	566
Total	53,223	45,749

Classes of intangible assets (gross)	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Computer software	96,187	83,875
Other assets	808	808
Total	96,995	84,683

The movement in software and other assets between January 01, 2010 and June 30, 2011 is as follows:

	Software Net ThUS$	Other assets Net ThUS$	Total ThUS$
Opening balance as of January 01, 2010	34,087	727	34,814
Additions	4,955	-	4,955
Withdrawals	(776)	-	(776)
Amortization	(4,548)	(67)	(4,615)
Balance as of June 30, 2010	33,718	660	34,378
Opening balance as of July 01, 2010	33,718	660	34,378
Additions	15,960	-	15,960
Additions by business combination	154	-	154
Withdrawals	(3)	-	(3)
Amortization	(4,646)	(94)	(4,740)
Balance as of December 31, 2010	45,183	566	45,749
Opening balance as of January 01, 2011	45,183	566	45,749
Additions	12,355	-	12,355
Withdrawals	(43)	-	(43)
Amortization	(4,757)	(81)	(4,838)
Balance as of June 30, 2011	52,738	485	53,223

Intangible assets with defined useful lives consist primarily of licensing and computer software, for which the Company has established useful lives of between 4 and 7 years.

The Company shows its intangible assets at cost, except for acquisitions by business combination, which are at fair value; and amortization is made on a straight-line basis over their estimated useful lives.

The amortization of each period is shown in the consolidated statement of results in administrative expenses. The accumulated amortization of computer programs as of June 30, 2011amounts to ThUS$ 43,449 (ThUS$ 38,692 as of December 31, 2010). The accumulated amortization of other identifiable intangible assets as of June 30, 2011 amounts to ThUS$ 323 (ThUS$ 242 as of December 31, 2010).

NOTE 17 – GOODWILL

The goodwill represents the excess of cost of acquisition over the fair value of the participation of the Company in the identifiable net assets of the subsidiary at the acquisition date. Goodwill at June 30, 2011 amounted to ThUS$ 164,717 (ThUS$ 157,994 at December 31, 2010)

At December 31, 2010, the Company performed an impairment test based on the value in use and no impairment was identified. The testing is done at least once a year.

The value in use of those cash generating units to which goodwill has been assigned has been determined assuming that yields, occupation factors and fleet capacity are maintained at current obtainable levels. The Company projects cash flows for the initial periods based on internal budgets and extrapolates the final value of these periods based on a growth factor consistent with the long-term economic projections in the markets in which the units operate. The determined cash flows are discounted at a rate which takes into account the time value of money and risks related to those cash generating units which have not been taken into account in estimation of the units' future cash flows.

The movement of goodwill from January 01, 2010 to June 30, 2011, is as follows:

	ThUS$
Opening balance as of January 01, 2010	63,793
Decrease due to exchange rate differences	(20)
Closing balance as of June 30, 2010	63,773
Opening balance as of July 01, 2010	63,773
Additions (*)	94,224
Decrease due to exchange rate differences	(3)
Closing balance as of December 31, 2010	157,994
Opening balance as of January 01, 2011	157,994
Additions (**)	6,736
Decrease due to exchange rate differences	(13)
Closing balance as of June 30, 2011	164,717

(*) Corresponds to the goodwill generated by the purchase of Aerovías de Integración Regional, AIRES S.A. (see Note 39).

(**) Corresponds to the goodwill generated by the purchase of Aeroasis S.A. (see Note 39).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

The composition by category of property, plant and equipment is as follows:

	Gross Book Value		Acumulated depreciation		Net Book Value	
	As of June 30, 2011	As of December 31, 2010	As of June 30, 2011	As of December 31, 2010	As of June 30, 2011	As of December 31, 2010
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Construction in progress	1,049,060	715,603	-	-	1,049,060	715,603
Land	35,538	35,538	-	-	35,538	35,538
Buildings	103,912	101,181	(22,306)	(21,060)	81,606	80,121
Plant and equipment	4,827,193	4,816,723	(1,196,073)	(1,153,587)	3,631,120	3,663,136
Information technology equipment	88,580	83,711	(66,545)	(65,112)	22,035	18,599
Fixed installations and accessories	53,733	52,954	(27,670)	(25,951)	26,063	27,003
Motor vehicles	3,626	3,269	(2,040)	(1,979)	1,586	1,290
Leasehold improvements	93,278	87,168	(52,828)	(43,048)	40,450	44,120
Other property, plants and equipment	921,423	646,236	(370,210)	(283,216)	551,213	363,020
Total	7,176,343	6,542,383	(1,737,672)	(1,593,953)	5,438,671	4,948,430

The movement in the different categories of property, plant and equipment from January 01, 2010 to June 30, 2011 is shown below:

a) As of June 30, 2010

	Construction in progress ThUS$	Land ThUS$	Buildings Net ThUS$	Plant and equipment Net ThUS$	Information technology equipment Net ThUS$	Fixed installations & accessories Net ThUS$	Motor vehicles Net ThUS$	Leasehold improvements Net ThUS$	Other property, plant and equipment Net ThUS$	Property, Plant and equipment Net ThUS$
Opening balance as of January 01, 2010	264,259	35,538	81,966	3,231,682	15,043	23,659	951	50,286	493,172	4,196,556
Additions	7,967	-	37	141,700	2,139	378	55	1,160	3,810	157,246
Acquisitions through business combinations										
Disposals	-	-	-	(21)	-	-	(7)	-	-	(28)
Transfers to (from) non-current assets (or disposal groups) classified as Held for Sale	-	-	-	1,821	-	-	-	-	-	1,821
Retirements	-	-	-	(1,293)	(20)	-	(3)	-	(113)	(1,429)
Depreciation	-	-	(1,136)	(108,629)	(2,620)	(1,959)	(93)	(8,368)	(21,431)	(144,236)
Increases (decreases) due to exchanges differences	(9)	-	-	(651)	(149)	(246)	-	-	(33)	(1,088)
Other increases (decreases)	174,012	-	(653)	63,918	(319)	4,048	2	5,745	(69,428)	177,325
Changes, total	181,970	-	(1,752)	96,845	(969)	2,221	(46)	(1,463)	(87,195)	189,611
Closing balance as of June 30, 2010	446,229	35,538	80,214	3,328,527	14,074	25,880	905	48,823	405,977	4,386,167

b) As of December 31, 2010

	Construction in progress ThUS$	Land ThUS$	Buildings Net ThUS$	Plant and equipment Net ThUS$	Information technology equipment Net ThUS$	Fixed installations & accessories Net ThUS$	Motor vehicles Net ThUS$	Leasehold improvements Net ThUS$	Other property, plant and equipment Net ThUS$	Property, Plant and equipment Net ThUS$
Opening balance as of July 01, 2010	446,229	35,538	80,214	3,328,527	14,074	25,880	905	48,823	405,977	4,386,167
Additions	2,262	-	78	429,722	7,377	1,963	365	1,250	2,863	445,880
Acquisitions through business combination	-	-	1,006	490	137	335	107	-	480	2,555
Disposals	-	-	-	(169)	-	-		-	(2)	(171)
Transfers to (from) non-current assets (or disposal groups) classified as Held for Sale	-	-	-	731	-	-	-	-	-	731
Retirements	-	-	-	(5,340)	(516)	(2)	(9)	-	(2,437)	(8,304)
Depreciation	-	-	(1,179)	(127,171)	(2,597)	(2,038)	(79)	(8,429)	(10,884)	(152,377)
Increases (decreases) due to exchanges differences	(53)	-	-	(206)	165	233	(3)	-	6	142
Other increases (decreases)	267,165	-	2	36,552	(41)	632	4	2,476	(32,983)	273,807
Changes, total	269,374	-	(93)	334,609	4,525	1,123	385	(4,703)	(42,957)	562,263
Closing balance as of December 31, 2010	715,603	35,538	80,121	3,663,136	18,599	27,003	1,290	44,120	363,020	4,948,430

c) As of June 30, 2011

	Construction in progress ThUS$	Land ThUS$	Buildings Net ThUS$	Plant and equipment Net ThUS$	Information technology equipment Net ThUS$	Fixed installations & accessories Net ThUS$	Motor vehicles Net ThUS$	Leasehold improvements Net ThUS$	Other property, plant and equipment Net ThUS$	Property, Plant and equipment Net ThUS$
Opening balance as of January 01, 2011	715,603	35,538	80,121	3,663,136	18,599	27,003	1,290	44,120	363,020	4,948,430
Additions	10,942	-	1,037	361,643	7,690	849	354	6,111	2,772	391,398
Acquisitions through business combinatio	-	-	-	-	-	-	-	-	16	16
Disposals	-	-	-	(63,635)	-	-	-	-	-	(63,635)
Transfers to (from) non-current assets (or disposal groups) classified as Held for Sale	(127)	-	-	(112)	(1,195)	(588)	(1)	-	(115)	(2,138)
Retirements	-	-	(4)	(1,561)	(49)	(13)	-	-	(121)	(1,748)
Depreciation	-	-	(1,241)	(124,251)	(3,118)	(2,068)	(102)	(9,780)	(18,591)	(159,151)
Increases (decreases) due to exchanges differences	76	-	(5)	(144)	55	(418)	17	-	(29)	(448)
Other increases (decreases)	322,566	-	1,698	(203,956)	53	1,298	28	(1)	204,261	325,947
Changes, total	333,457	-	1,485	(32,016)	3,436	(940)	296	(3,670)	188,193	490,241
Closing balance as of June 30, 2011	1,049,060	35,538	81,606	3,631,120	22,035	26,063	1,586	40,450	551,213	5,438,671

d) Composition of the fleet

Aircraft included in the Company´s property, plant and equipment:

Aircraft	Model	As of June 30, 2011	As of December 31, 2010
Boeing 767	300ER	18	18
Boeing 767	300F	8	8
Boeing 767	200ER (1)	1	1
Airbus A318	100	12	15
Airbus A319	100	23	20
Airbus A320	200	28	24
Airbus A340	300	4	4
Total		94	90

(1) Leased to Aerovías de México S.A.

Operating leases:

Aircraft	Model	As of June 30, 2011	As of December 31, 2010
Boeing 767	300ER	10	10
Boeing 767	300F	4	3
Boeing 777	Freighter	2	2
Airbus A320	200	5	5
Airbus A340	300	1	1
Boeing 737	700	9	9
Bombardier	Dash 8-200	11	11
Bombardier	Dash 8-400	4	4
Total		46	45
Total fleet		140	135

e) Method used for the depreciation of property, plant and equipment:

	Method	Useful life minimum	Useful life maximum
Buildings	Straight line without residual value	20	50
Plant and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet (*)	5	20
Information technology equipment	Straight line without residual value	5	10
Fixed installations and accessories	Straight line without residual value	10	10
Motor vehicle	Straight line without residual value	10	10
Leasehold improvements	Straight line without residual value	5	5
Other property, plants and equipment	Straight line with residual value of 20% in the short-haul fleet and 36% in the long-haul fleet (*)	3	20

(*) Except for certain technical components, which are depreciated on the basis of cycles and flight hours.

Depreciation charged to income in the period, included in the consolidated statement of income, amounts to ThUS$ 159,151 (ThUS$ 144,236 for the period ended June 30, 2010). Depreciation charges for the year are recognized in Cost of Sales and Administrative Expenses in the consolidated statement of income.

f) Additional information regarding property, plant and equipment:

i) Property, plant and equipment pledged as guarantee:

In the period ended June 30, 2011 direct guarantees were added for seven aircraft, four of them corresponding to the Airbus A320-200 fleet, and three to the Airbus A319-100 fleet. Additionally, during the first quarter 2011, the Company sold its participation in the permanent establishments Cernicalo Leasing LLC and Petrel Leasing LLC. Therefore the Company eliminated direct guarantees associated with three aircraft Airbus A318-100 and three aircraft Boeing 767-300 (two freighter and one passenger aircrafts).

Description of property, plant and equipment pledged as guarantee:

Creditor of guarantee	Assets committed	Fleet	As of June 30, 2011 Existing Debt ThUS$	As of June 30, 2011 Book Value ThUS$	As of December 31,2010 Existing Debt ThUS$	As of December 31,2010 Book Value ThUS$
Wilmington Trust Company	Aircraft and engines	Boeing 767	847,229	1,066,268	1,043,290	1,304,699
		Boeing 777	15,934	25,557	18,088	25,915
BNP Paribas	Aircraft and engines	Airbus A318	232,572	287,881	299,422	359,944
		Airbus A319	376,226	488,315	297,320	370,476
		Airbus A320	533,168	646,821	407,275	478,082
Credite Agricole (*)	Aircraft and engines	Airbus A319	101,005	173,268	108,803	178,342
		Airbus A320	46,580	167,051	58,236	172,426
		Airbus A340	72,237	211,362	89,378	234,892
Total direct guarantee			2,224,951	3,066,523	2,321,812	3,124,776

(*) Calyon creditor of guarantee renamed Credite Agricole

The amounts of existing debt are presented at nominal value. Book value corresponds to the carrying value of the goods provided as guarantees.

Additionally, there are indirect guarantees related to assets recorded in property, plant and equipment whose total debt at June 30, 2011 amounted to ThUS $ 350,527 (ThUS $ 227,218 at December 31, 2010). The book value of assets with indirect guarantees as of June 30, 2011 amounts to ThUS$ 521,761 (ThUS $ 328,838 as of December 31, 2010).

ii) Commitments and others

Assets fully depreciated and commitments for future purchases are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Gross book value of property, plants and equipment fully depreciated still in use (1)	59,548	57,612
Commitments for the acquisition of aircraft	15,410,000	12,350,000

(1) The amounts shown relate primarily to land support equipment, computer equipment and tools.

In December 2009, the Company signed a purchase commitment with Airbus for the purchase of another 30 aircraft of the A320 family with deliveries between 2011 and 2014. Additionally, in December 2010 the Company made another commitment to the manufacturer for the purchase of 50 new A320 family aircraft with deliveries between 2012 and 2016. Additionally, in June 2011, the Company signed a contract for 20 additional aircraft of the A320 NEO family.

With the above, as of June 30, 2011, and as a result of different aircraft purchase contracts signed with Airbus S.A.S., there remain 100 Airbus aircraft of the A320 family to be delivered between 2011 and 2018. The approximate amount is ThUS$ 7,780,000, according to the manufacturer's price list.

Otherwise, purchase contracts were signed with The Boeing Company in February and May 2011 for another three and five B767-300 aircraft, respectively. As of June 30, 2011 and a result of different aircraft contracts signed with The Boeing Company, therefore there remain 14 B767-300 aircraft to be delivered between 2011 and 2013, 2 B77-Freighter aircraft for delivery in 2012 and 26 B787 Dreamliner aircraft with a delivery dates from 2012. The approximate amount is ThUS$ 7,630,000, according to the manufacturer's price list. In addition, the Company has purchase options over 1 B777-Freighter aircraft and 15 B787 Dreamliner aircraft.

The acquisition of the aircraft is part of the strategic plan for long haul fleet. This plan also means the sale of 15 aircraft model Airbus A318 between 2011 and 2013. It is estimated that this sale will have no significant impact on results. During the second quarter of 2011, the Company sold the first 3 aircrafts, and it is planned for the remainder of the year to materialize the sale of other 2 aircrafts.

iii) Capitalized interest costs with respect to property, plant and equipment.

		For the periods ended June 30,	
		2011	2010
Average rate of capitalization of capitalized interest cost	%	3.64	3.82
Costs of capitalized interest	ThUS$	17,839	7,177

iv) Financial leases

The detail of the main financial leases is as follows:

Lessor	Aircraft	As of June 30, 2011	As of December 31, 2010
Bluebird Leasing LLC	Boeing 767	2	2
Eagle Leasing LLC	Boeing 767	2	2
Seagull Leasing LLC	Boeing 767	1	1
Cernicalo Leasing LLC	Boeing 767	2	-
Petrel Leasing LLC	Boeing 767	1	-
Linnet Leasing Limited	Airbus A320	4	4
Total		12	9

Leasing contracts where the parent company acts as the lessee of aircrafts set a duration of 12 years and quarterly payments of obligations.

Additionally, the lessee will have the obligations to contract and maintain active the insurance coverage for the aircraft, perform maintenance on the aircraft and update the airworthiness certificates at their own cost.

Fixed assets acquired under financial leases are classified as Other fixed assets in Property, plant and equipment. As of June 30, 2011, the Company has twelve aircraft and one spare engine recorded as financial leases (9 aircraft and 1 spare engine as of December 31, 2010).

In the period ended June 30, 2011, due to the sale of its participation in the permanent establishments Cernicalo Leasing LLC and Petrel Leasing LLC, the Company increased its number of aircraft on lease by three Boeing 767-300 (two freighter and one aircrafts). Therefore, these aircraft were reclassified from the Plant and equipment category to the category Other property plant and equipment.

The book value of assets under financial leases as of June 30, 2011 amounts to ThUS$ 521,761 (ThUS$ 328,838 as of December 31, 2010).

The minimum payments under financial leases are as follows:

As of June 30, 2011

	Gross Value ThUS$	Interest ThUS$	Present Value ThUS$
No later than one year	84,749	(8,120)	76,629
Between one and five years	216,534	(20,703)	195,831
Over five years	80,350	(2,850)	77,500
Total	381,633	(31,673)	349,960

As of December 31, 2010

	Gross Value ThUS$	Interest ThUS$	Present Value ThUS$
No later than one year	57,976	(3,679)	54,297
Between one and five years	127,370	(7,421)	119,949
Over five years	55,106	(1,781)	53,325
Total	240,452	(12,881)	227,571

NOTE 19 – INCOME TAXES

Deferred tax assets and liabilities are offset if there is a legal right to offset assets and liabilities for income taxes relating to the same tax authority. The balances of deferred taxes are as follows:

Concept	Assets		Liabilities	
	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Depreciation	(454)	(415)	292,981	290,254
Amortization	15,234	12,286	34,965	29,606
Provisions	7,328	8,128	33,707	23,017
Post-employment benefit obligations	954	622	(1,065)	(982)
Revaluation of financial instruments	-	-	(27,869)	(21,926)
Tax losses	35,633	13,229	-	-
Others	1,681	4,234	8,097	(7,957)
Total	60,376	38,084	340,816	312,012

Movements of deferred tax assets and liabilities from January 01, 2010 to June 30, 2011 are as follows:

a) From January 01 to June 30, 2010

	Beginning balance asset (liability) ThUS$	Recognized in consolidated income ThUS$	Recognized in comprehensive income ThUS$	Incorporation by business combinations ThUS$	Others ThUS$	Assets for sale ThUS$	Ending balance asset (liability) ThUS$
Depreciation	(222,188)	(28,804)	-	-	-	-	(250,992)
Amortization	(22,453)	(1,529)	-	-	-	-	(23,982)
Provisions	(2,102)	(17,044)	-	-	-	-	(19,146)
Post-employment benefit obligations	1,183	(146)	-	-	-	-	1,037
Revaluation of financial	18,891	(1)	13,566	-	-	-	32,456
Tax losses	5,013	275		-	-	-	5,288
Others	(8,311)	16,610	471	-	(247)	-	8,523
Total	(229,967)	(30,639)	14,037	-	(247)	-	(246,816)

b) From July 01 to December 31, 2010

	Beginning balance asset (liability) ThUS$	Recognized in consolidated income ThUS$	Recognized in comprehensive income ThUS$	Incorporation by business combinations ThUS$	Others ThUS$	Assets for sale ThUS$	Ending balance asset (liability) ThUS$
Depreciation	(250,992)	(39,677)	-	-	-	-	(290,669)
Amortization	(23,982)	(4,419)	-	11,081	-	-	(17,320)
Provisions	(19,146)	(924)	-	5,181	-	-	(14,889)
Post-employment benefit obligations	1,037	(50)	-	617	-	-	1,604
Revaluation of financial	32,456	1	(10,531)	-	-	-	21,926
Tax losses	5,288	(1,578)	-	9,519	-	-	13,229
Others	8,523	35	(591)	2,545	1,679	-	12,191
Total	(246,816)	(46,612)	(11,122)	28,943	1,679	-	(273,928)

c) From January 01 to June 30, 2011

	Beginning balance asset (liability) ThUS$	Recognized in consolidated income ThUS$	Recognized in comprehensive income ThUS$	Incorporation by business combinations ThUS$	Reclassification ThUS$	Others	Assets for sale ThUS$	Ending balance asset (liability) ThUS$
Depreciation	(290,669)	(2,761)	-	-	-	-	(5)	(293,435)
Amortization	(17,320)	(6,035)	-	3,624	-	-	-	(19,731)
Provisions	(14,889)	(11,102)	-	-	-	-	(388)	(26,379)
Post-employment benefit obligations	1,604	415	-	-	-	-	-	2,019
Revaluation of financial	21,926	(1)	5,944	-	-	-	-	27,869
Tax losses	13,229	29,049	-	-	(6,645)	-	-	35,633
Others	12,191	(22,829)	1,512	-	-	2,777	(67)	(6,416)
Total	(273,928)	(13,264)	7,456	3,624	(6,645)	2,777	(460)	(280,440)

Deferred tax assets not recognized:	As of June 30, 2011	As of December 31, 2010
	ThUS$	ThUS$
Temporary differences	2,152	2,152
Tax losses	1,912	1,662
Total Deferred tax assets not recognized	4,064	3,814

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of ThUS$ 1,912 (ThUS$ 1,662 at December 31, 2010) in respect of losses amounting to ThUS$ 7,172 (ThUS$ 5,992 at December 31, 2010) that can be carried against future taxable income.

Expense (income) for deferred and current income taxes for the years ended at June 30, 2011 and June 30, 2010, respectively, are as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Expense for current income tax				
Current tax expense	7,835	2,641	7,342	940
Adjustment to previous year's current tax	2,181	(2,938)	(1,006)	(2,938)
Other current tax expense (income)	-	(272)	1,157	(351)
Current tax expense, net, total	10,016	(569)	7,493	(2,349)
Expense for deferred income taxes				
Deferred expense (income) for taxes related to the creation and reversal of temporary differences	13,014	32,957	(3,003)	16,525
Reduction (increase) in value of deferred tax assets	250	(2,318)	(1,441)	(2,196)
Deferred tax expense, net, total	13,264	30,639	(4,444)	14,329
Income tax expense	23,280	30,070	3,049	11,980

Composition of income tax expense (income):

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Current tax expense, net, foreign	718	274	1,054	(40)
Current tax expense, net, Chile	9,298	(843)	6,439	(2,309)
Current tax expense, net, total	10,016	(569)	7,493	(2,349)
Deferred tax expense, net, foreign	(16,098)	489	(11,378)	(2,690)
Deferred tax expense, net, Chile	29,362	30,150	6,934	17,019
Deferred tax expense, net, total	13,264	30,639	(4,444)	14,329
Income tax expense	23,280	30,070	3,049	11,980

Reconciliation of tax expense using the legal rate to the tax expense using the effective rate:

	For the periods ended June 30,	
	2011	2010
	ThUS$	ThUS$
Tax expense using the legal rate	27,293	30,430
Tax effect of legal rate change	(4,020)	-
Tax effect of rates in other jurisdictions	1,009	1,963
Tax effect of non-taxable operating revenues	(5,754)	(5,117)
Tax effect of disallowable expenses	4,712	769
Tax effect of current period tax losses not recognized	-	2,318
Other increases (decreases)	40	(293)
Total adjustments to tax expense using the legal rate	(4,013)	(360)
Tax expense using the effective rate	23,280	30,070

Reconciliation of legal tax rate to effective tax rate:

	For the periods ended June 30,	
	2011	2010
	%	%
Legal tax rate	20.00	17.00
Effect of tax rates for legal rate change	(2.95)	-
Effect of tax rates in other jurisdictions	0.74	1.10
Effect of tax rate on non-taxable operating revenues	(4.21)	(2.86)
Effect of tax rate on disallowable expenses	3.45	0.43
Effect of tax rate on use of not-previously recognized tax losses	-	1.29
Other increase (decrease)	0.03	(0.16)
Total adjustment to the legal tax rate	(2.94)	(0.20)
Total effective tax rate	17.06	16.80

Deferred taxes related to items charged to net equity:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Aggregate deferred taxation of the other comprehensive income	7,456	14,037	12,062	13,049
Aggregate deferred taxation related to items charged to net equity	(228)	(247)	(116)	(213)
Total deferred taxes related to items charged to net equity	7,228	13,790	11,946	12,836

Effects on deferred taxes of the components of other comprehensive income:

	As of June 30, 2011		
	Amount before Taxes	Income tax expense (income)	Amount after Taxes
	ThUS$	ThUS$	ThUS$
Cash-flow hedges	34,965	(5,944)	29,021
Translation adjustment	8,897	(1,512)	7,385
		(7,456)	

	As of June 30, 2010		
	Amount before Taxes	Income tax expense (income)	Amount after Taxes
	ThUS$	ThUS$	ThUS$
Cash-flow hedges	79,800	(13,566)	66,234
Translation adjustment	2,769	(471)	2,298
		(14,037)	

NOTE 20 – OTHER FINANCIAL LIABILITIES

The composition of other financial liabilities is as follows:

	As of June 30, 2011 MUS$	As of December 31, 2010 MUS$
Current		
a) Bank loans	567,832	495,261
b) Other financial liabilities	5,128	5,321
c) Hedge liabilities	38,487	42,042
Total Current	611,447	542,624
Non-current		
a) Bank loans	2,673,029	2,450,033
b) Other financial liabilities	12,118	14,427
c) Hedge liabilities	91,846	97,888
Total Non-current	2,776,993	2,562,348

a) Interest bearing loans

Obligations with credit institutions and debt instruments:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Bank loans	150,568	151,417
Guaranteed obligations	277,435	283,637
Financial leases	76,629	54,297
Other loans	63,200	5,910
Total current	567,832	495,261
Non-current		
Bank loans	251,908	146,884
Guaranteed obligations	1,927,946	2,023,666
Financial leases	273,331	173,274
Other loans	219,844	106,209
Total non-current	2,673,029	2,450,033
Total obligations with financial institutions	3,240,861	2,945,294

All interest-bearing liabilities are recorded using the effective interest rate method. Under IFRS, the effective interest rate for loans with a fixed interest rate does not vary throughout the loan, while in the case of loans with variable interest rates, the effective rate changes on each date of repricing of the loan.

Currency balances that make the interest bearing loans interest at June 30, 2011 and December 31, 2010, are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
US Dollar	3,115,735	2,753,788
Chilean Peso (*)	125,126	187,101
Other currency	-	4,405
Total	3,240,861	2,945,294

(*) The Company entered into cross currency swaps, fixing the payment of ThUS$ 85,371 of debt in dollars.

b) Other financial liabilities

The detail of other financial liabilities as of June 30, 2011 and December 31, 2010, respectively, is as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Interest rate derivative not recognized as a hedge	5,128	5,321
Total current	5,128	5,321
Non-current		
Interest rate derivative not recognized as a hedge	12,118	14,427
Total non-current	12,118	14,427
Total other financial liabilities	17,246	19,748

c) Hedging liabilities

Hedging liabilities as of June 30, 2011 and December 31, 2010 are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Interest accrued since last payment date swap rates	4,181	3,826
Fair value interest rate derivatives	32,491	24,522
Fair value of foreign currency derivatives	1,815	13,694
Total current	38,487	42,042
Non-current		
Fair value interest rate derivatives	91,846	90,666
Fair value of foreign currency derivatives	-	7,222
Total non-current	91,846	97,888
Total hedging liabilities	130,333	139,930

The foreign currency derivatives correspond to forward contracts and cross currency swaps.

Hedging operation

The fair values by type of derivative contracts held as hedging instruments are presented below:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Forward starting swaps (FSS) (1)	(53,293)	(54,670)
Interest rate options (2)	269	422
Interest rate Swaps (3)	(75,225)	(64,344)
Cross currency swaps (CCIRS) (4)	18,402	26,703
Fuel Collars (5)	7,737	17,782
Fuel Swap (6)	7,988	28,032
Currency forward (7)	(1,815)	(13,694)

(1) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month Libor interest rate for long-term loans incurred in the acquisition of aircraft to be produced from the future contract date. These contracts are recorded as cash flow hedges.
(2) Covers the significant variations in cash flows associated with market risk implicit in the changes in the 3-month Libor interest rate for long-term loans incurred in the acquisition of aircraft. These contracts are recorded as cash flow hedges.
(3) Covers the significant variations in cash flows associated with market risk implicit in the increases in the 3 and 6 months Libor interest rates for long-term loans incurred in the acquisition of aircraft and bank loans. These contracts are recorded as cash flow hedges.
(4) Covers the significant variations in cash flows associated with market risk implicit in the changes in the TAB 180 days interest rate and the dollar exchange rate. These contracts are recorded as cash flow hedges.
(5) Covers significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases.
(6) Covers the significant variations in cash flows associated with market risk implicit in the changes in the price of future fuel purchases.
(7) Covers investments denominated in Chilean pesos to changes in the US Dollar - Chilean Peso exchange rate, with the aim of ensuring investment in dollars.

During the periods presented, the Company only maintains cash flow hedges. In the case of fuel hedges, future fuel purchases will occur and impact results from 1 to 9 months from the consolidated statement of financial position date, whereas in the case of interest rate hedging, they will occur and will impact results over the life of the related loans, which are valid for 12 years. Regarding coverage rate and currency, the impact on outcomes will occur continuously throughout the life of the contract (3 years), while cash flows will occur quarterly. Finally, the results will impact investment hedges steadily over the life of the investment (up to 3 months), while the cash flows occur at the maturity of the investment.

During the periods presented, all hedged highly probable forecast transactions have occurred.

During the periods presented, there has been no hedge ineffectiveness recognized in the consolidated statement of income.

Since none of the coverage resulted in the recognition of a non-financial asset, no portion of the result of the derivatives recognized in equity was transferred to the initial value of such assets.

The amounts recognized in comprehensive income and transferred from net equity to income during the year, are as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Debit (credit) recognized in comprehensive income during the period	(34,965)	(79,800)	(61,814)	(75,350)
Debit (credit) transferred from net equity to income during the period	23,821	(19,503)	11,147	(9,369)

NOTE 21 - TRADE AND OTHER CURRENT ACCOUNTS PAYABLE

The composition of trade and other current accounts payables is as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
a) Trade and other accounts payable	488,462	500,694
b) Accrued liabilities at the reporting date	101,090	144,877
Total trade and other accounts payable	589,552	645,571

a) Trade and other current accounts payable as of June 30, 2011 and December 31, 2010 are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Trade creditors	392,377	389,568
Leasing obligations	17,843	26,474
Other accounts payable (*)	78,242	84,652
Total	488,462	500,694

(*) Includes agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 22.

Trade and other current payables by concept:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Aircraft fuel	107,246	104,404
Boarding Fee	72,212	72,864
Landing fees	53,233	43,941
Handling and ground handling	40,926	39,915
Providers technical buying	33,750	29,594
Other personal expenses	29,195	21,275
Professional service and advice	21,657	22,445
Aviation insurance	18,963	5,931
U.S.A Department of Justice (*)	18,194	18,387
Aircraft and engines lease	17,843	26,474
Marketing	14,928	21,041
Crew	11,524	8,188
In-flight services	9,407	11,761
Achievement of objectives	7,936	15,263
Maintenance	5,874	28,658
Others	25,574	30,553
Total trade and other accounts payable	488,462	500,694

(*) Includes agreement entitled "Plea Agreement" with the Department of Justice of the United States of America. See detail in Note 22.

b) The liabilities accrued at June 30, 2011 and December 31, 2010, are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Aircraft and engine maintenance	26,617	26,133
Accounts payable to personnel	16,410	52,441
Accrued personnel expenses	47,003	40,974
Others accrued liabilities	11,060	25,329
Total accrued liabilities	101,090	144,877

NOTE 22 - OTHER PROVISIONS

The detail of other provisions as of June 30, 2011 and December 31, 2010 is as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Current		
Provision legal claims (1)	806	753
Total other provisions, current	806	753
Non-current		
Provision legal claims (1)	25,058	21,204
Provision for European Commision investigation (2)	10,916	10,916
Total other provisions, non-current	35,974	32,120
Total other provisions	36,780	32,873

(1) The amount represents a provision for certain demands made against the Company by former employees, regulatory agencies and others. The charge for the provision is shown in the consolidated statement of income in Administrative expenses. It is expected that the current balance as of June 30, 2011 will be applied during the next 12 months.

(2) Provision made for proceedings brought by the European Commission for possible breaches of free competition in the freight market.

The movement of provisions between January 01, 2010 and June 30, 2011 is as follows:

	Legal claims ThUS$	European Commission Investigation ThUS$	Total ThUS$
Opening balance as of January 01, 2010	2,804	25,000	27,804
Increase in provisions	142	-	142
Provision used	(251)	-	(251)
Exchange difference	(257)	-	(257)
Balance as of June 30, 2010	2,438	25,000	27,438

	Legal claims ThUS$	European Commission Investigation ThUS$	Total ThUS$
Opening balance as of July 01, 2010	2,438	25,000	27,438
Increase in provisions	2,730	-	2,730
Acquisition through business combination	17,174	-	17,174
Provision used	(430)	-	(430)
Reversal of not used provision	-	(14,084)	(14,084)
Exchange difference	45	-	45
Balance as of December 31, 2010	21,957	10,916	32,873

	Legal claims ThUS$	European Commission Investigation ThUS$	Total ThUS$
Opening balance as of January 01, 2011	21,957	10,916	32,873
Increase in provisions	3,418	-	3,418
Provision used	(1,239)	-	(1,239)
Reversal of not used provision	(36)	-	(36)
Exchange difference	1,764	-	1,764
Balance as of June 30, 2011	25,864	10,916	36,780

European Commission Provision:

(a) This provision was established because of the investigation begun by the Directorate General for Competition of the European Commission against more than 25 cargo airlines, including Lan Cargo S.A., as part of a global investigation begun in 2006 regarding possible unfair competition on the air cargo market. This was a joint investigation by the European and U.S.A. authorities. The start of the investigation was disclosed through a material event notice dated December 27, 2007. The U.S.A. portion of the global investigation concluded with respect to Lan Cargo S.A. and its subsidiary, Aerolíneas Brasileiras S.A. ("ABSA") by the signature of a *Plea Agreement* with the U.S.A. Department of Justice, as disclosed in a material event notice on January 21, 2009.

(b) A significant matter report dated November 9, 2010, reported that the General Direction of Competition had issued its decision on this case (the "decision"), under which it imposed fines totaling € 799,445,000 (seven hundred and ninety nine million four hundred and forty-five thousand Euro) for infringement of European Union regulations on free competition against eleven (11) airlines, among which are Lan Airlines S.A. and Lan Cargo S.A., Air Canada, Air France, KLM, British Airways, Cargolux, Cathay Pacific, Japan Airlines, Qantas Airways, SAS and Singapore Airlines.

(c) Jointly, Lan Airlines S.A. and Lan Cargo S.A., have been fined in the amount of € 8,220,000 (eight million two hundred twenty thousand Euros) for said infractions, which was provisioned in the financial statements of LAN. This is a minor fine in comparison to the original decision, as there was a significant reduction in fine because LAN cooperated during the investigation.

(d) On January 24, 2011, Lan Airlines S.A. and Lan Cargo S.A. appealed the decision before the Court of Justice of the European Union. At December 31, 2010 and June 30, 2011, the provision reached the amount of ThUS$ 10,916.

NOTE 23 – OTHER CURRENT NON-FINANCIAL LIABILITIES

Other current non-financial liabilities as of June 30, 2011 and December 31, 2010 are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Deferred revenues	882,166	810,524
Dividends payable	34,235	125,435
Other sundry liabilities	4,094	3,192
Total other non-financial liabilities, current	920,495	939,151

NOTE 24 - EMPLOYEE BENEFITS

Provisions for employee benefit as of June 30, 2011 and December 31, 2010, respectively, are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Pension payments	3,599	3,164
Termination payments	1,127	1,161
Other obligations	8,177	5,332
Total provisions for employee benefits, non-current	12,903	9,657

(a) The movement in payments for termination indemnities and other obligations between January 01, 2010 and June 30, 2011 is as follows:

	ThUS$
Opening balance as of January 01, 2010	5,555
Increase (decrease) current service provision	199
Benefits paid	(514)
Balance as of June 30, 2010	5,240
Opening balance as of July 01, 2010	5,240
Increase (decrease) current service provision	4,626
Benefits paid	(209)
Balance as of December 31, 2010	9,657
Opening balance as of January 01, 2011	9,657
Increase (decrease) current service provision	3,246
Balance as of June 30, 2011	12,903

(b) The provision for short-term benefits as of June 30, 2011 and December 31, 2010 respectively, is detailed below:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Profit-sharing and bonuses	16,410	52,441

The participation in profits and bonuses corresponds to an annual incentives plan for achievement of objectives.

Employment expenses are detailed below:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Salaries and wages	373,195	276,556	194,682	142,246
Short-term employee benefits	41,855	29,720	19,075	12,310
Termination benefits	10,151	5,145	5,033	2,878
Other personnel expenses	68,087	50,226	36,405	27,390
Total	493,288	361,647	255,195	184,824

NOTE 25 – OTHER NON-CURRENT ACCOUNTS PAYABLE

Other non-current accounts payable as of June 30, 2011 and December 31, 2010 are as follows:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Fleet financing (JOL)	322,171	314,372
Other accounts payable (*)	36,000	54,000
Aircraft and engine maintenance	45,152	47,607
Provision for vacations and bonuses	8,037	7,949
Other sundry liabilities	1,661	1,753
Total non-current liabilities	413,021	425,681

(*) Agreement entitled "Plea Agreement" with the Department of Justice of United States of America, and its short-term part is in trade payables and other payables. See details in Note 22.

NOTE 26 - EQUITY

a) Capital

The capital of the Company is managed and composed of the following:

The Company's objective is to maintain an appropriate level of capitalization that enables it to ensure access to the financial markets for carrying out its medium and long-term objectives, optimizing the return for its shareholders and maintaining a solid financial position.

The capital of the Company at June 30, 2011 amounts to ThUS$ 461,390, divided into 339,334,209 common stock of a same series (ThUS$ 453,444 divided into 338,790,909 shares as of December 31, 2010), no par value. There are no special series of shares and no privileges. The form of its stock certificates and their issuance, exchange, disuse, loss, replacement and other circumstances, as well as the transfer of the shares, is governed by the provisions of Corporations Law and its regulations.

b) Subscribed and paid shares

As of June 30, 2011 the total number of authorized common shares is 341 million shares of no par value. At the end of this period, of the total shares subscribed, 339,334,209 shares have been fully paid, leaving 1,665,791 shares reserved for issuance under option contracts. During the first semester of 2011, options for 543,300 shares have been exercised.

At December 31, 2010, the total subscribed shares were fully paid 338,790,909 are reserved for issuance under the 2,209,091 stock option contracts.

c) Other equity interests

The movement of other equity interest between January 01, 2010 and June 30, 2011 is as follows:

	Stock options plans ThUS$	Other reserves ThUS$	Total ThUS$
Opening balance as of January 01, 2010	2,477	13	2,490
Stock option plans	1,452	-	1,452
Deferred tax	(247)	-	(247)
Legal reserves	-	49	49
Balance as of June 30, 2010	3,682	62	3,744

	Stock options plans ThUS$	Other reserves ThUS$	Total ThUS$
Opening balance as of July 01, 2010	3,682	62	3,744
Stock option plans	2,071	-	2,071
Deferred tax	(352)	-	(352)
Balance as of December 31, 2010	5,401	62	5,463

	Stock options plans ThUS$	Other reserves ThUS$	Total ThUS$
Opening balance as of January 01, 2011	5,401	62	5,463
Stock option plans	1,337	-	1,337
Deferred tax	(228)	-	(228)
Legal reserves	-	357	357
Balance as of June 30, 2011	6,510	419	6,929

(c.1) Reserves for stock option plans

These reserves are related to the share-based payments explained in Note 36.

(c.2) Other sundry reserves

The balance of other sundry reserves comprises the following:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Reserve for the adjustment of the value of fixed assets (1)	2,620	2,620
Share issuance and placement costs (2)	(2,672)	(2,672)
Others	471	114
Total	419	62

(1) Corresponds to the technical revaluation of fixed assets authorized by the Superintendence of Securities and Insurance in 1979, in Circular No. 1,529. The revaluation was optional and could be taken only once, the reserve is not distributable and can only be capitalized.

(2) As established in Circular 1,736 of the Superintendence of Securities and Insurance, the next extraordinary shareholders meeting to be held by the parent Company should approve the share issuance and placement costs account to be deducted from the capital paid.

d) Other reserves

The movement of other reserves between January 01, 2010 and June 30, 2011 is as follows:

	Currency translation reserve	Cash flow hedging reserve	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 01, 2010	(4,924)	(92,230)	(97,154)
Derivatives valuation gains	-	(79,800)	(79,800)
Deferred tax	465	13,566	14,031
Currency translation differences	(2,735)	-	(2,735)
Balance as of June 30, 2010	(7,194)	(158,464)	(165,658)

	Currency translation reserve	Cash flow hedging reserve	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of July 01, 2010	(7,194)	(158,464)	(165,658)
Derivatives valuation losses	-	61,945	61,945
Deferred tax	(602)	(10,531)	(11,133)
Currency translation differences	3,539	-	3,539
Balance as of December 31, 2010	(4,257)	(107,050)	(111,307)

	Currency translation reserve	Cash flow hedging reserve	Total
	ThUS$	ThUS$	ThUS$
Opening balance as of January 01, 2011	(4,257)	(107,050)	(111,307)
Derivatives valuation gains	-	(34,965)	(34,965)
Deferred tax	1,476	5,944	7,420
Currency translation differences	(8,684)	-	(8,684)
Balance as of June 30, 2011	(11,465)	(136,071)	(147,536)

(d.1) Currency translation reserve

These originate from exchange differences arising from the translation of any investment in foreign entities (or Chilean with a functional currency different to that of the parent), and from loans and other instruments in foreign currency designated as hedges for such investments. When the investment (all or part) is sold or disposed, and loss of control occurs, these reserves are shown in the consolidated statement of income as part of the loss or gain on the sale or disposal. If the sale does not involve loss of control, these reserves are transferred to non-controlling interests.

(d.2) Cash flow hedging reserve

These originate from the fair value valuation at the end of each period of the outstanding derivative contracts that have been defined as cash flow hedges. When these contracts expire, these reserves should be adjusted and the corresponding results recognized.

e) Retained earnings

The movement of retained earnings between January 01, 2010 and June 30, 2011 is as follows:

	ThUS$
Opening balance as of January 01, 2010	740,047
Result for the period	148,929
Other decreases	(129)
Dividends	(55,349)
Balance as of June 30, 2010	833,498

	ThUS$
Opening balance as of July 01, 2010	833,498
Result for the period	270,773
Dividends	(155,057)
Balance as of December 31, 2010	949,214

	ThUS$
Opening balance as of January 01, 2011	949,214
Result for the period	113,184
Other decreases	(310)
Dividends	(44,340)
Balance as of June 30, 2011	1,017,748

f) Dividends per share

As of June 30, 2011

Description	Final dividend 2010	Mandatory minimum dividend 2011
Date of dividend	4/29/2011	6/30/2011
Amount of the dividend (ThUS$)	10,386	33,954
Number of shares among which the dividend is distributed	339,310,509	339,334,209
Dividend per share (US$)	0.03061	0.10006

As of December 31, 2010

Description	Final dividend 2009	Interim dividend 2010	Interim dividend 2010
Date of dividend	4/29/2010	7/27/2010	12/23/2010
Amount of the dividend (ThUS$)	10,940	74,466	125,000
Number of shares among which the dividend is distributed	338,790,909	338,790,909	338,790,909
Dividend per share (US$)	0.03229	0.2198	0.36896

The Company's dividend policy is that these be equal to the minimum required by law, i.e. 30% of the net income according to current regulations. This policy does not preclude the Company from distributing dividends in excess of this obligatory minimum, based on the events and circumstances that may occur during the course of the year.

At June 30, 2011 the minimum mandatory dividend provision corresponds to 30% of the value of Company. This amount is in the category other current non-financial liabilities.

NOTE 27 - REVENUES

The detail of revenues is as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Passengers	1,875,136	1,421,669	897,313	680,880
Cargo	752,883	587,963	406,448	321,852
Total	2,628,019	2,009,632	1,303,761	1,002,732

NOTE 28 - COSTS AND EXPENSES BY NATURE

a) Costs and operating expenses

The main operating costs and administrative expenses are detailed below:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Other rentals and landing fees	329,882	266,432	168,919	135,222
Aircraft Fuel	820,781	549,118	430,877	277,353
Comissions	98,280	79,581	45,665	38,329
Other operating expenses	307,674	234,591	155,943	124,168
Aircraft rentals	86,597	47,480	44,112	24,000
Aircraft maintenance	88,805	59,518	45,373	30,571
Passenger service	67,941	51,377	30,982	24,904
Total	1,799,960	1,288,097	921,871	654,547

b) Depreciation and amortization

Depreciation and amortization are detailed below:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Depreciation (*)	189,284	158,653	96,347	79,259
Amortization	4,838	4,616	2,371	2,369
Total	194,122	163,269	98,718	81,628

(*) Includes the depreciation of property, plant and equipment and the maintenance cost of aircraft held under operating leases.

c) Personnel expenses

The costs for this item are disclosed in provisions for employee benefits (See Note 24).

d) Financial costs

The detail of financial costs is as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Bank loan interest	53,186	59,100	25,427	30,764
Financial leases	4,354	3,061	2,985	1,470
Other financial instruments	12,672	16,339	5,887	8,503
Total	70,212	78,500	34,299	40,737

Costs and expenses by nature presented in this note are equivalent to the sum of cost of sales, distribution costs, and administrative expenses, other expenses by function and financing costs presented in the consolidated statement of income by function.

NOTE 29 - GAINS (LOSSES) ON THE SALE OF NON-CURRENT ASSETS NOT CLASSIFIED AS HELD FOR SALE

The gains (losses) on sales of non-current assets not classified as Held for Sale as of June 30, 2011 and 2010 are as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Property, plant and equipment	(730)	(700)	(387)	(348)
Total	(730)	(700)	(387)	(348)

The gain (loss) on sales of the period is presented in other operating income by function and cost of sales.

NOTE 30 - OTHER INCOME, BY FUNCTION

Other income by function is as follows:

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Duty free	8,007	5,594	3,813	2,831
Aircraft leasing	7,442	5,821	2,246	2,982
Logistics and courier	10,958	18,217	-	8,476
Customs and warehousing	11,621	11,064	6,026	5,839
Tours	20,791	9,850	9,458	5,310
Other miscellaneous income	9,577	8,342	6,237	5,452
Total	68,396	58,888	27,780	30,890

NOTE 31 – FOREIGN CURRENCY AND EXHANGE RATE DIFFERENCES

a) Foreign currency

The foreign currency detail of current and non-current assets is as follows:

Current assets	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Cash and cash equivalents	**165,911**	**436,840**
Chilean peso	122,416	368,360
Euro	2,952	7,844
Argentine peso	9,813	11,230
Brazilian real	1,653	4,759
Other currency	29,077	44,647
Other current financial assets	**8,811**	**6,726**
Brazilian real	5,338	4,740
Other currency	3,473	1,986
Other current non-financial assets	**10,321**	**2,692**
Chilean peso	758	1,247
Argentine peso	2,046	419
Brazilian real	210	96
Other currency	7,307	930
Trade and other current accounts receivable	**177,849**	**126,648**
Chilean peso	42,422	28,606
Euro	7,309	8,429
Argentine peso	28,353	6,702
Brazilian real	44,368	31,329
Australian dollar	16,372	12,456
Other currency	39,025	39,126
Current accounts receivable from related entities	**5,064**	**21**
Chilean peso	5,064	21

Current assets	As of June 30, 2011	As of December 31, 2010
	ThUS$	ThUS$
Current tax assets	**70,243**	**62,455**
Chilean peso	15,383	16,805
Argentine peso	15,524	14,477
Brazilian real	8,137	6,735
Mexican peso	25,757	17,477
Other currency	5,442	6,961
Total current assets	**438,199**	**635,382**
Chilean peso	186,043	415,039
Euro	10,261	16,273
Argentine peso	55,736	32,828
Brazilian real	59,706	47,659
Mexican peso	25,757	17,477
Australian dollar	16,372	12,456
Other currency	84,324	93,650

Non-current assets	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Other non-current financial assets	**4,855**	**4,504**
Brazilian real	2,292	1,991
Other currency	2,563	2,513
Other non-current non-financial assets	**40**	**1,681**
Argentine peso	-	1,681
Other currency	40	0
Non-current rights receivable	**8,310**	**7,874**
Chilean peso	8,116	7,864
Other currency	194	10
Investment recorded using the method of participation	**556**	**593**
Chilean peso	556	593
Deferred tax assets	**41,756**	**28,493**
Other currency	41,756	28,943
Total non-current assets	**55,517**	**43,595**
Chilean peso	8,672	8,457
Argentine peso	-	1,681
Brazilian real	2,292	1,991
Other currency	44,553	31,466

The foreign currency detail of current and non-current liabilities is as follows:

Current liabilities	Up to 90 days		91 days to 1 year	
	As of June 30, 2011	As of December 31, 2010	As of June 30, 2011	As of December 31, 2010
	ThUS$	ThUS$	ThUS$	ThUS$
Other current financial liabilities	**45,216**	**46,043**	**112,331**	**112,672**
Chilean peso	45,216	41,638	112,331	112,672
Other currency	-	4,405	-	-
Trade and other current accounts payable	**256,782**	**240,419**	**20,120**	**14,012**
Chilean peso	37,026	52,779	10,128	9,559
Euro	9,798	9,438	1,164	14
Argentine peso	40,463	43,214	1,669	3,725
Brazilian real	30,030	22,633	1,905	-
Other currency	139,465	112,355	5,254	714
Current tax liabilities	**12,524**	**9,700**	**1,535**	**2,621**
Chilean peso	3,292	3,007	396	1,064
Argentine peso	1,418	240	821	1,202
Brazilian real	1,610	1,994	-	-
Other currency	6,204	4,459	318	355
Other current non-financial liabilities	**23,640**	**27,729**	**1,286**	**1,071**
Brazilian real	-	-	822	1,041
Other currency	23,640	27,729	464	30
Total current liabilities	**338,162**	**323,891**	**135,272**	**130,376**
Chilean peso	85,534	97,424	122,855	123,295
Euro	9,798	9,438	1,164	14
Argentine peso	41,881	43,454	2,490	4,927
Brazilian real	31,640	24,627	2,727	1,041
Other currency	169,309	148,948	6,036	1,099

Non-current liabilities	More than 1 to 3 years		More than 3 to 5 years		More than 5 years	
	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Other non-current financial liabilities	**-**	**61,477**	**-**	**-**	**-**	**-**
Chilean peso	-	61,477	-	-	-	-
Other non-current accounts payable	**7,787**	**7,696**	**71**	**71**	**7**	**5**
Chilean peso	6,779	6,721	71	71	7	5
Other currency	1,008	975	-	-	-	-
Other long-term provisions	**1,921**	**-**	**-**	**1,554**	**-**	**-**
Brazilian real	1,772	-	-	1,401	-	-
Other currency	149	-	-	153	-	-
Non-current provisions for employee benefits	**4,410**	**3,153**	**-**	**-**	**863**	**698**
Argentine peso	-	-	-	-	863	698
Other currency	4,410	3,153	-	-	-	-
Total Non-current liabilities	**14,118**	**72,326**	**71**	**1,625**	**870**	**703**
Chilean peso	6,779	68,198	71	71	7	5
Argentine peso	-	-	-	-	863	698
Brazilian real	1,772	-	-	1,401	-	-
Other currency	5,567	4,128	-	153	-	-

General summary of foreign currency:	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Total assets	**493,716**	**678,977**
Chilean peso	194,715	423,496
Euro	10,261	16,273
Argentine peso	55,736	34,509
Brazilian real	61,998	49,650
Mexican peso	25,757	17,477
Australian dollar	16,372	12,456
Other currency	128,877	125,116
Total liabilities	**488,493**	**528,921**
Chilean peso	215,246	288,993
Euro	10,962	9,452
Argentine peso	45,234	49,079
Brazilian real	36,139	27,069
Other currency	180,912	154,328
Net position	**5,223**	**150,056**
Chilean peso	(20,531)	134,503
Euro	(701)	6,821
Argentine peso	10,502	(14,570)
Brazilian real	25,859	22,581
Mexican peso	25,757	17,477
Australian dollar	16,372	12,456
Other currency	(52,035)	(29,212)

b) Exchange differences

Exchange rate differences recognized in income, other than those relating to financial instruments at fair value through profit and loss, accumulated at June 30, 2011 and 2010 generated a gain of ThUS$ 8,111 and a charge of ThUS$ 2,386, respectively. In the second quarter of 2011 and 2010 a gain of ThUS$ 10.239 and a charge of ThUS$ 702 were represented, respectively.

Exchange rate differences shown in equity as translation reserves for the period ended June 30, 2011 and 2010 represented a charge of ThUS$ 8,897 and ThUS$ 2,769, respectively. In the second quarter of 2011 and 2010 charges of ThUS$ 9,143 and ThUS$ 1,402 were represented, respectively.

The following shows the current exchange rates for the US dollar at the end of each period:

	As of June 30, 2011	As of December 31, 2010
Chilean peso	468.15	468.01
Argentine peso	4.11	3.97
Brazilian real	1.56	1.66
Peruvian Sol	2.75	2.81
Australian dollar	0.93	0.99
Strong Bolivar	4.30	4.30
Boliviano	6.88	6.94
Uruguayan peso	18.30	19.80
Mexican peso	11.71	12.38
Colombian peso	1,770.10	1,905.10
New Zealand dollar	1.21	1.30
Euro	0.69	0.75

NOTE 32 - EARNINGS PER SHARE

Basic earnings	For the six months ended June 30, 2011	2010	For the three months ended June 30, 2011	2010
Earnings attributable to controlling company's equity holders (ThUS$)	113,184	148,929	15,949	60,630
Weighted average number of shares, basic	339,237,459	338,790,909	339,334,209	338,790,909
Basic earnings per share (US$)	0.33364	0.43959	0.04700	0.17896

Diluted earnings	For the six months ended June 30, 2011	2010	For the three months ended June 30, 2011	2010
Earnings attributable to controlling company's equity holders (ThUS$)	113,184	148,929	15,949	60,630
Weighted average number of shares, basic	339,237,459	338,790,909	339,334,209	338,790,909
Adjustment diluted weighted average shares				
Stock options	800,893	377,671	809,754	461,943
Weighted average number of shares, diluted	340,038,352	339,168,580	340,143,963	339,252,852
Diluted earnings per share (US$)	0.33286	0.43910	0.04689	0.17872

NOTE 33 - CONTINGENCIES

a) Lawsuits

a1) Actions brought by Lan Airlines S.A. and Subsidiaries.

Company	Court	Case No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Atlantic Aviation Investments LLC (AAI)	Supreme Court of the State of New York County of New York	07-6022920	Atlantic Aviation Investments LLC., an indirect subsidiary of Lan Airlines S.A. constituted under the laws of the state of Delaware, sued Varig Logística S.A. ("Variglog") for the non-payment of four loans under loan agreements governed by the law of New York. These agreements provide for the acceleration of the loans in the event of sale of the original debtor, VRG Linhas Aéreas S.A.	Stage of execution in Switzerland of judgment condemning Variglog to repay the principal, interest and costs in favor of AAI. An embargo is held over the bank account of Variglog in Switzerland by AAI. Varilog is seeking recovery through the courts in Brazil.	17,100 plus interest and costs
Atlantic Aviation Investments LLC	Supreme Court of the State of New York, County of New York	602286-09	Atlantic Aviation Investments LLC. sued Matlin Patterson Global Advisers LLC, Matlin Patterson Global Opportunities Partners II LP, Matlin Patterson Global Opportunities Partners (Cayman) II LP and Volo Logistics LLC (a) as alter egos for Variglog, for failure to pay the four loans indicated in the previous note; and (b) for a default on their obligations of guarantors and other obligations under the Memorandum of Understanding signed by the parties on September 29, 2006.	The court dismissed in part and upheld in part the motion to dismiss counterclaims brought by defendants in the case. Both parties appealed this decision.The parties continue to conduct the test stage (discovery). AAI filed an application for summary judgement that the court ruled favorably. The defendants announced that they will appeal this decision.	17,100 plus interest costs and damages

Company	Court	Case No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	Tax Court of Guayaquil	6319-4064-05	Against the regional director of the Guayaquil Internal Revenue Service for overpayment of VAT.	Favorable sentence at first intance, appeal pending.	4,210
Lan Airlines S.A.	Tax Tribunal of Quito	23493-A	Against the regional director of the Quito Internal Revenue Service for overpayment of VAT.	Requested sentence.	3,958
Lan Perú S.A.	Administrative Tribunal of Perú	2011	Lan Peru is suing L.A.P. for wrong amounts charged by the use of hoses at the airport in Lima. These amounts are intended to supplement what has already been obtained in a ruling that ordered Ositran LAP wrong amounts charged back.	First intances.	740
Aerotransportes Mas de Carga S.A. de C.V.	Federal Court of Fiscal and Administrative Justice	24611/08	Judgement of invalidity against the tax authority's refusal to restore a balance in favor of VAT.	At the stage of offer of proof.	1,000

Company	Court	Case No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	Distric Tax Court No. 2 (Guayaquil)	09504-2010-0114	Against the regional director of the Guayaquil Internal Revenue Service to determine tax credit decreased for the year 2006.	Pending trial.	4,565
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	Distric Tax Court No. 2 (Guayaquil)	09503-2010-0172	Against the regional director of the Guayaquil Internal Revenue Service for non-payment of advance income tax, 2010.	Citations to the defendants.	696
Aerolane, Líneas Aéreas Nacionales del Ecuador S.A.	Distric Tax Court No. 2 (Guayaquil)	6886-4499-06	Against the regional director of the Guayaquil Internal Revenue Service for rectification of tax return for 2003.	Sentence pending.	Undetermined

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

Company	Court	Cause No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Aerolinhas Brasileiras S.A.	Secretary of Finance of State of Río de Janeiro	2003	The administrative authority of Río de Janeiro, Brazil, notified breach action or fine for alleged non-payment of ICMS (VAT) on import of Boeing-767 aircraft registered No. PR-ABB.	Pending resolution of the review group to annul the fine.	3,000
Lan Cargo S.A.	Civil Court of Asunción, Paraguay	78-362	Request of indemnification for damages fired by the general agent in Paraguay.	Pending appeal of the decision to reject one of the exceptions to lack of overt action, made by lawyers for the defendant.	437
Lan Airlines S.A. y Lan Cargo S.A.	European commission	-	Investigation of possible breaches of free competition of cargo airlines, especially the fuel surcharge.	On 14 April 2008, the Company answered the European Commission's notification.	10,916
			On December 26, 2007, the Director General for Competition of the European Commission notified Lan Cargo S.A.and Lan Airlines S.A. of the instruction of a process against twenty-five cargo airlines, including Lan Cargo S.A., for alleged breaches of free competition in the European air cargot market, especially the intended fixing of a surcharge for fuel and cargo. Dated November 09, 2010 the Direction General for Competition of the European Commission notified Lan Cargo S.A. and Lan Airlines S.A. the imposition of fines in the amount of ThUS$ 10,916. This fine is being appealed by Lan Cargo SA and Lan Airlines S.A. We can not predict the outcome of the appeal process.	The appeal was presented on January 24, 2011.	
Lan Airlines S.A. y Lan Cargo S.A.	Competition Bureau Canada	-	Investigation for possible infractions of competition from airlines cargo flights, especially fuel surcharges.	Investigation pending.	Undetermined

Company	Court	Case No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Lan Cargo S.A. and Lan Airlines S.A.	Canada- Superior Court of Quebec, Supreme Court of British Columbia, Superior Court of Ontario	-	For class actions, as a result of the investigation for possible breaches of competition from airlines cargo flights, especially fuel surcharges. They have filed three lawsuits in Canada (Quebec, British Columbia and Ontario).	Case is in the process of discovery and class certification tests.	Undetermined
Lan Cargo S.A. and Lan Airlines S.A.	In the High Court of Justice Chancery Division (England) and Directie Juridische Zaken Afdeling Ceveil Recht (Netherlands).	-	Lawsuit filed against European Airlines by users of freight services in private prosecutions as a consequence of the investigation into alleged breaches of free competition of cargo airlines, especially fuel surcharges. Lan Airlines S.A. and Lan Cargo S.A. have been third-party defendants in such prosecutions in England and the Netherlands.	Case is in the process of discovery tests.	Undetermined
Lan Logistics, Corp	Federal Court, Florida, United States	-	In mid June 2008 a demand was presented for purchase option right for sale of LanBox.	Failed against Lanlogistics, Corp. for $ 5 million plus interest, which is appealing to the court of appeals.	Undetermined

Company	Court	Case No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Aerolinhas Brasileiras S.A.	Conselho Administrativo de Defesa Econômica, Brasil	-	Investigation of alleged breaches of free competition of cargo airlines, especially fuel surcharges.	Investigation pending. CADE and Federal Attorney not yet issued final decisions.	Undetermined
Lan Airlines S.A. "Brazil"	Instituto de Defesa do Consumidor de Sao Paulo	-	The Department of Consumer Protection and Defense ("PROCON") has applied a fine to Lan Airlines S.A. in the amount of R$ 1,688,240.00 equivalent to approximately ThUS$ 970. This penalty relates to the cancellation of flights to Chile as a product of the 2010 earthquake, holding that Lan Airlines S.A. did not act in accordance with the rules applicable to the facilities and offered no compensation to passengers who could not travel as a result of this extraordinary circumstance.	Fine imposed by the consumer entity Sao Paulo.	970
Lan Perú S.A.	Administrative Tribunal of Peru	2011	LAP (Lima Airport concession) is questioning before an administrative tribunal's decision to the administrative authority Ositran, which in due course LAP stated that it had to give certain amounts uncollected by Lan Peru for the use of hoses in the Lima Airport .	First instance.	2,109
Lan Cargo S.A	Tribunal of Arbitration, Frankfurt/ Germany		Aerohandlin Airport Assistance GmbH (Handling company en Frankfurt/ Airport) is claiming additional payment for Lan Cargo services offered over the years 2007 to 2010.	Single instance.	820

Company	Court	Case No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Lan Airlines S.A.	1° Labour Court of Santiago	O-1367-2011	Demand for the trade union at Aviation Safety Society (SEGAER), against said company, for the payment of bonuses to a group of employees for the years 2008 and 2009.	Pending trial hearing, set for July 26, 2011 at 10.50 hours.	Undeterminate (depends on the liquidation resulting from bonuses).
Lan Airlines S.A.	2° Labour Court of Santiago	O-1717-2011	Demand for the trade union at Aviation Safety Society (SEGAER), against said company, for the payment of bonuses to a group of employees for the years 2009 and 2010.	Pending preliminary hearing, set for July 21, 2011 at 08.30 hours.	Undeterminate (depends on the liquidation resulting from bonuses).
Lan Airlines S.A.	2° Labour Court of Santiago	O-1716-2011	Demand for the trade union at Aviation Safety Society (SEGAER), against said company, for the payment of bonuses to a group of employees for the year 2010.	Pending preliminary hearing, set for July 13, 2011 at 09.20 hours.	Undeterminate (depends on the liquidation resulting from bonuses).

Company	Court	Case No.	Origin	Stage and level of proceeding	Amounts involved ThUS$
Lan Airlines S.A.	1° Labour Court of Santiago	O-1795-2011	Complaint filed by Manuel Herrera Arriagada and others against Air Safety Society (SEGAER), for the payment of bonuses to a group of employees for the years 2009 and 2010.	Pending preliminary hearing, set for July 20, 2011 at 08.30 hours	Undeterminate (depends on the liquidation resulting from bonuses).
Lan Airlines S.A.	2° Labour Court of Santiago	O-1923-2011	Complaint filed by Luis Guillermo Acevedo Acevedo and others against Air Safety Society (SEGAER), for the payment of bonuses to a group of employees for the years 2009 and 2010.	Pending preliminary hearing, set for July 29, 2011 at 09.20 hours	Undeterminate (depends on the liquidation resulting from bonuses).
Lan Airlines S.A.	1° Labour Court of Santiago	T-231-2011	Complaint filed on June 16, 2011 (and notified to the Company on 1 July) by Mrs. Alice Chau Poblete, against LAN, labor protection and collection of benefits, including moral damages, fees owed, term of contract awards legal surcharge, plus pension contributions during the time served.	Pending preliminary hearing, set for August 5, 2011 at 09.10 hours.	Undeterminate (as they must settle the dues, the rest amounts to ThUS$ 1,047).

Considering the stage of process for each of the cases mentioned above and/or the improbable event of obtaining an adverse sentence, as of June 30, 2011 the Company has estimated that is not necessary to make a provision for any case, with the exception of the significant matter relating to the European Commission which was reported to the SVS. A provision of US$ 11 million has been recorded for the decision issued by the European Commission on November 9, 2010.

On May 6 2011, the Directors of Lan Cargo S.A. and Aerolinhas Brasileiras S.A. approved a judicial agreement with the defenders of the civil class action case that was in process before the United States District Court for the Eastern District of New York. By agreement about Lan Cargo S.A. and Aerolinhas Brasileiras S.A. committed to pay the amount of US$ 59.7 million and US$ 6.3 million, respectively, payments that were already made. This agreement terminates the companies´ obligations with regards to all plaintiffs who will not choose to file a suit in an individual capacity against the companies. The terms of the judgment have not yet been set for the plaintiffs who are considering opting for a separate suit.

NOTE 34 - COMMITMENTS

(a) Loan covenants

With respect to various loans signed by the Company for the financing of Boeing 767 aircraft, which carry the guarantee of the United States Export–Import Bank, limits have been set on some of the parent company's financial indicators on a consolidated basis. Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership and disposal of assets.

Additionally, with respect to various loans signed by its subsidiary Lan Cargo S.A. for the financing of Boeing 767 aircraft, which carry the guarantee of the United States Export–Import Bank, restrictions have been established to the Company´s management and its subsidiary Lan Cargo S.A. in terms of shareholder composition and disposal of assets.

Regarding the various contracts of the Company for the financing of Airbus A320 aircraft, which are guaranteed by European export credit agencies, limits have been established on some of the Company's financial indicators. Moreover, and related to these same contracts, restrictions are also in place on the Company's management in terms of its ownership and disposal of assets.

In connection with the financing of spare engines for its fleet Boeing 767 and 777, which are guaranteed by the Export - Import Bank of the United States, restrictions have been placed on the shareholding of its guarantors and their legal successor in case of merger.

In relation to credit agreements entered into by the Company, for the present year local banks have set limits to some financial indicators of the parent company on a consolidated basis.

At June 30, 2011, the Company is in compliance with these covenants.

(b) Commitments under operating leases as lessee

Details of the main operating leases are as follows:

Lessor	Aircraft	As of June 30, 2011	As of December 31, 2010
Delaware Trust Company, National Association (CRAFT)	Bombardier Dhc8-200	9	9
International Lease Finance Corporation	Boeing 767	8	8
KN Operating Limited (NAC)	Bombardier Dhc8-400	4	4
Orix Aviation Systems Limited	Airbus A320	2	2
Pembroke B737-7006 Leasing Limited	Boeing 737	2	2
International Lease Finance Corp. (ILFC)	Boeing 737	2	2
Sunflower Aircraft Leasing Limited - AerCap	Airbus A320	2	2
Celestial Aviation Trading 35 Limited	Boeing 767	1	1
MSN 167 Leasing Limited	Airbus A340	1	1
Celestial Aviation Trading 16 Limited	Boeing 767	1	1
CIT Aerospace International	Boeing 767	1	1
Celestial Aviation Trading 39 Ltd. GECAS (WFBN)	Boeing 777	1	1
Celestial Aviation Trading 23 Ltd. GECAS (WFBN)	Boeing 777	1	1
Celestial Aviation Trading 47 Ltd. GECAS (WFBN)	Boeing 767	1	1
Celestial Aviation Trading 51 Ltd. GECAS (WFBN)	Boeing 767	1	1
Celestial Aviation Trading 48 Ltd. GECAS (WFBN)	Boeing 767	1	-
BOC Aviation Pte. Ltd.	Airbus A320	1	-
MSN 32415, LLC - AWAS	Boeing 737	1	1
JB 30244, Inc. - AWAS	Boeing 737	1	1
NorthStar AvLease Ltd.	Bombardier Dhc8-200	1	1
JB 30249, Inc. - AWAS	Boeing 737	1	1
TIC Trust (AVMAX)	Bombardier Dhc 8-200	1	1
ACS Aircraft Finance Bermuda Ltd. - Aircastle (WFBN)	Boeing 737	1	1
MCAP Europe Limited - Mitsubishi (WTC)	Boeing 737	1	1
Total		46	44

The rentals are shown in profit and loss for the period as they are incurred.

The minimum future lease payments not yet payable are the following:

	As of June 30, 2011 ThUS$	As of December 31, 2010 ThUS$
Up to a year	159,134	151,781
More than one year and five years	430,655	440,632
More than five years	83,500	107,593
Total	673,289	700,006

The minimum lease payments charged to income are the following:

	For the periods ended June 30,	
	2011	2010
	ThUS$	ThUS$
Minimum operating lease payments (*)	83,484	44,762
Total	83,484	44,762

In September 2010, the Company added two Airbus A320-200 aircraft for a period of six years, while in December 2010 the Company added an aircraft of the same fleet for a period of eight months, the latter finally returned in May 2011. Additionally, in November and December 2010, the Company added two Boeing 767-300F aircraft, with terms of contract for seven and six years respectively. In January 2011 the Company added to the fleet three aircraft, a Boeing 767-300F with a contract term of five years, one Airbus A320-200 for periods of seven years and one Airbus A319-100 for a period of four months which was returned in May 2011.

In June 2010, lease term was extended for another two years for a Boeing 767-300ER aircraft, ending in May 2013.

(*) At June 30, 2011, includes an amount of $ 24,210 as a result of the incorporation of AIRES S.A. as a subsidiary from December 2010.

The operating lease agreements signed by the Company and its subsidiaries state that maintenance of the aircraft should be done according to the manufacturer's technical instructions and within the margins agreed in the leasing agreements, a cost that must be assumed by the lessee. The lessee should also contract insurance for each aircraft to cover associated risks and the amounts of these assets. Regarding rental payments, these are unrestricted and may not be netted against other accounts receivable or payable between the lessor and lessee.

(c) Oher commitments

At June 30, 2011 the Company has existing letters of credit, guarantee ballots and guarantee insurance policies as follows:

Creditor Guarantee	Debtor	Type	Value ThUS$	Release date
Deutsche Bank A.G.	Lan Airlines S.A.	Two letters of credit	20,000	31/01/2012
The Royal Bank of Scotland plc	Lan Airlines S.A	Two letters of credit	18,000	08/01/2012
European Commission	Lan Airlines S.A	One letters of credit	11,672	18/02/2012
Dirección General de Aviación Civil de Chile	Lan Airlines S.A.	Fifty-one guarantee ballots	6,778	15/07/2011
Washington International Insurance	Lan Airlines S.A.	Seven letter of credit	3,040	09/06/2011
Dirección Seccional de Aduanas de Bogota	Línea Aérea Carguera de Colombia S.A.	Two guarantee insurance policies	2,430	07/04/2014
Metropolitan Dade County	Lan Airlines S.A.	Five letters of credit	1,675	31/05/2012

NOTE 35 – TRANSACTIONS WITH RELATED PARTIES

a) Transactions with related parties for the period ended June 30, 2011

Tax No.	Related parties	Relationship	Country of origin	Other information on related party	Transaction	Currency	Amount of transactions
							ThUS$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA	Controlling shareholder	Chile	Investments	Property rental granted	CLP	40
					Passenger services provided	CLP	5
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Building rental granted	CLP	8
					Assignment of debt granted	CLP	9
					Other prepayments received	CLP	(293)
					Other prepayments received	US$	(82)
					Training received	US$	(124)
78.591.370-1	Bethia S.A. y Filiales (1)	Other related parties	Chile	Investments	Cession of rights	CLP	4,461
					Property rental granted	CLP	187
					Professional advice granted	CLP	108
					Transport services provided	CLP	470
					Other prepayments received	CLP	(212)
					Sale of subsidiary	US$	53,386
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Fish farming	Passenger services provided	CLP	108
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Building rental received	US$	(209)

(1) On April 06, 2011 Lan Cargo S.A. e Inversiones Lan S.A., subsidiaries of Lan Airlines S.A. as sellers, and Servicios de Transporte Limitada and Inversiones Betmin SpA, subsidiaries of Bethia S.A. company, as purchasers, entered into a contract of sale compared to 100% the social capital of societies Blue Express Intl Ltda. and Blue Express S.A. The sale value of Blue Express Intl. Ltda and subsidiary was for ThUS $ 53,386.

b) Transactions with related parties for the period ended December 31, 2010

Tax No.	Related parties	Relationship	Country of origin	Other information on related party	Transaction	Currency	Amount of transactions ThUS$
96.810.370-9	Inversiones Costa Verde Ltda. y CPA	Controlling shareholder	Chile	Investments	Property rental granted	CLP	33
					Passenger services provided	CLP	5
96.847.880-K	Lufthansa Lan Technical Training S.A.	Associate	Chile	Training center	Building rental granted	CLP	8
					Assignment of debt granted	CLP	8
					Other prepayments received	CLP	(153)
					Other prepayments received	US$	(3)
					Training received	US$	(111)
96.921.070-3	Austral Sociedad Concesionaria S.A.	Associate	Chile	Concessionaire	Aviation rates received	CLP	(30)
					Basic consumptions received	CLP	(6)
					Aeronautical concession received	CLP	(136)
					Dividend distribution	CLP	73
87.752.000-5	Granja Marina Tornagaleones S.A.	Other related parties	Chile	Fish farming	Passenger services provided	CLP	20
96.669.520-K	Red de Televisión Chilevisión S.A.	Other related parties	Chile	Television	Passenger services provided	CLP	65
					Publicity services received	CLP	(100)
96.894.180-1	Bancard Inversiones Ltda.	Other related parties	Chile	Professional advice	Professional advice received	CLP	(7)
Foreign	Inversora Aeronáutica Argentina	Other related parties	Argentina	Investments	Building rental received	US$	(203)
					Other services provided	US$	8

c) Compensation of key management

The Company has defined for these purposes that key management personnel are the executives who define the Company's policies and major guidelines and who directly affect the results of the business, considering the levels of vice-presidents, chief executives and directors.

	For the six months ended June 30,		For the three months ended June 30,	
	2011	2010	2011	2010
	ThUS$	ThUS$	ThUS$	ThUS$
Remuneration	4,529	3,476	2,395	1,773
Management fees	94	60	48	31
Corrections of value and non-monetary benefits	194	168	99	84
Short-term benefits	4,854	3,419	3,482	2,322
Share-based payments	1,337	1,452	677	1,255
Total	11,008	8,575	6,701	5,465

NOTE 36 - SHARE-BASED PAYMENTS

The compensation plans implemented through the granting of options to subscribe and pay for shares, which have been granted since the last quarter of 2007, are shown in the consolidated statements of financial position in accordance with IFRS 2 “Share-based payments”, booking the effect of the fair value of the options granted as a charge to remuneration on a straight-line basis between the date of granting the options and the date on which these become vested.

During the last quarter of 2009, the original terms of the plan were amended regarding subscription and payment options. These modifications were carried out during the first quarter of 2010 and established a new term and exercise price.

The original grant and subsequent amendments have been formalized through the signing of option contracts for the subscription of shares according to the proportions shown in the accrual schedule and which are related to the permanence of the executive on those dates for exercising the options:

Percentage	Period
30%	From the October 29, 2010 and until December 31, 2011
70%	From the October 30, 2011 and until December 31, 2011

These options have been valued and booked at their fair value on the grant date, determined using the “Black-Scholes-Merton” method.

All options expire on December 31, 2011.

	Number of share options
Stock options under a share-based payment agreement balance as of January 1, 2011	2,209,091
Stock options granted	-
Stock options annulled	-
Stock options exercised	(543,300)
Stock options under a share-based payment agreement balance as of June 30, 2011	1,665,791

Entry data of valuation model of options used for stock options conceded during the period.

Weighted average share price	Exercise price	Expected volatility	Life of option	Dividends expected	Risk-free interest
US$ 17.3	US$ 14.5	33.20%	1.9 years	50%	0.0348

NOTE 37 - THE ENVIRONMENT

In accordance with the General Environment Bases Law issued in Chile and its complementary regulations, there are no provisions that affect the operation of air transport services.

NOTE 38 – SUBSEQUENT EVENTS

The consolidated financial statements of Lan Airlines S.A. and Subsidiaries as of June 30, 2011 have been approved in extraordinary session of the Board on August 08, 2011, which was attended by the following directors:

1. Jorge Awad Mehech,
2. Darío Calderón González,
3. José Cox Donoso,
4. Juan José Cueto Plaza,
5. Ramón Eblen Kadis,
6. Bernardo Fontaine Talavera, and
7. Juan Gerardo Jofré Miranda.

Except as mentioned above, subsequent to June 30, 2011 until the date of issuance of these financial statements, the Company has no knowledge of any other subsequent events that may significantly affect the balances or their interpretation.

NOTE 39 – BUSINESS COMBINATIONS

a) Aerovías de Integración Regional, AIRES S.A.

On November 26, 2010 Lan Pax Group S.A., a subsidiary of Lan Airlines S.A., acquired 98.942% of the Colombian company Aerovías de Integración Regional, AIRES S.A.

This acquisition was made through the purchase of 100% of the shares of the Panamanian corporations AKEMI Holdings S.A. and SAIPAN Holding S.A., which owned the aforementioned percentage of AIRES S.A. The purchase price was ThUS$ 12,000.

Aerovías de Integración Regional, AIRES S.A., founded in 1980, at the date of acquisition is the second largest operator within the Colombian domestic market with a market share of 22%. AIRES S.A. offers regular service to 27 domestic destinations within Colombia as well as 3 international destinations. Synergies are expected between the combination of AIRES S.A. in the Colombian market and efficiency of the business model of LAN Airlines S.A. Additionally, better performance is expected by the business of Lan Airlines S.A. (passengers and cargo) through an increase in coverage in Latin America.

The Company has measured the non-controlling interest in AIRES S.A. using the proportionate share of the non-controlling interest in net identifiable assets of the acquired.

The business combination is recognized in the statement of financial position of Lan Airlines S.A. and Subsidiaries as goodwill of ThUS$ 94,224.

Summary statement of financial position at acquisition date:

	ThUS$		ThUS$
Current assets	27,315	Current liabilities	125,193
Non-current assets	31,652	Non-current liabilities	20,327
		Equity	(86,553)
Total assets	58,967	Total liabilities	58,967
Controlling interest	(82,224)		

Goodwill determination

	ThUS$
Controlling interest	82,224
Purchase price	12,000
Goodwill	94,224

In accordance with IFRS 3, the determined value of goodwill is provisional.

b) AEROASIS S.A.

Dated February 15, 2011, Lan Pax Group S.A. subsidiary of Lan Airlines S.A. acquired 100% of Colombian society AEROASIS S.A. The purchase price was ThUS$ 3,541.

AEROASIS S.A. is a corporation incorporated under the laws of the Republic of Colombia through Public Deed No. 1206 dated May 02, 2006.

The business combination is recognized in the statement of financial position of Lan Airlines S.A. and Subsidiaries as goodwill of ThUS$ 6,736.

Summary statement of financial position at acquisition date:

	ThUS$		ThUS$
Current assets	1,802	Current liabilities	8,007
Non-current assets	3,010	Non-current liabilities	-
		Equity	(3,195)
Total assets	4,812	Total liabilities & equity	4,812

Controlling interest	(3,195)

Goodwill determination:

	ThUS$
Controlling interest	3,195
Purchase price	3,541
Goodwill	6,736

In accordance with IFRS 3, the determined value of goodwill is provisional.