WELLS FARGO & COMPANY/MN
Form 424B2
April 30, 2018

Filed Pursuant to Rule 424(b)(2)
File No. 333-221324

Title of Each Class of Securities Offered	**Maximum Aggregate Offering Price**	**Amount of Registration Fee**[(1)]
Medium-Term Notes, Series T, Notes due April 30, 2038	$5,000,000	$622.50

(1) The total filing fee of $622.50 is calculated in accordance with Rule 457(r) of the Securities Act of 1933 (the Securities Act) and will be paid by wire transfer within the time required by Rule 456(b) of the Securities Act.

PRICING SUPPLEMENT No. 9 dated April 26, 2018

(To Prospectus Supplement dated January 24, 2018

and Prospectus dated November 3, 2017)

Wells Fargo & Company

Medium-Term Notes, Series T

$5,000,000

Step-Up Callable Notes

Notes due April 30, 2038

The notes have a term of twenty years, subject to our right to redeem the notes on the optional redemption dates beginning five years after issuance. The notes pay interest semi-annually at a per annum rate that will increase at preset intervals over the term of the notes. However, you should not expect to earn the higher stated interest rates described below because, unless general interest rates rise significantly, the notes are likely to be redeemed. All payments on the notes are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The notes will not be listed on any exchange and are designed to be held to maturity.

Issuer:	Wells Fargo & Company (Wells Fargo)
Original Offering Price:	$1,000 per note. References in this pricing supplement to a note are to a note with a principal amount of $1,000.
Pricing Date:	April 26, 2018.
Issue Date:	April 30, 2018. (T+2)
Stated Maturity Date:	April 30, 2038. The notes are subject to redemption by Wells Fargo prior to the stated maturity date as set forth below under Optional Redemption. The notes are not subject to repayment at the option of any holder of the notes prior to the stated maturity date.
Payment at Maturity:	Unless redeemed prior to stated maturity by Wells Fargo, a holder will be entitled to receive on the stated maturity date a cash payment in U.S. dollars equal to $1,000 per note, plus any accrued and unpaid interest.
Interest Payment Dates:	Each April 30 and October 30, commencing October 30, 2018, and at stated maturity or earlier redemption. Except as described below for the first interest period, on each interest payment date, interest will be paid for the period commencing on and including the immediately preceding interest payment date and ending on and including the day immediately preceding that interest payment date. This period is referred to as an interest period. The first interest period will commence on and include the issue date and end on and include October 29, 2018. Interest payable with respect to an interest period will be computed on the basis of a 360-day year of twelve 30-day months. If a scheduled interest payment date is not a business day, interest will be paid on the next business day, and interest on that payment will not accrue during the period from and after the scheduled interest payment date.
Interest Rate:	The per annum interest rate that will apply during the interest periods are as follows:

	Commencing April 30, 2018 and ending April 29, 2028	4.00%
	Commencing April 30, 2028 and ending April 29, 2033	5.00%
	Commencing April 30, 2033 and ending April 29, 2038	6.00%
Optional Redemption:	The notes are redeemable by Wells Fargo, in whole but not in part, on the optional redemption dates, at 100% of their principal amount plus accrued and unpaid interest to, but excluding, the redemption date. Any redemption may be subject to prior regulatory approval. Wells Fargo will give notice to the holders of the notes at least 5 days and not more than 30 days prior to the date fixed for redemption in the manner described in the accompanying prospectus supplement under Description of Notes Redemption and Repayment.	
Optional Redemption Dates:	Quarterly on the 30th day of each January, April, July and October, beginning April 30, 2023 and ending January 30, 2038.	
Listing:	The notes will not be listed on any securities exchange or automated quotation system.	
Denominations:	$1,000 and any integral multiples of $1,000	
CUSIP Number:	95001D2J8	

Investing in the notes involves risks not associated with an investment in conventional debt securities. See Risk Factors on page PRS-3.

The notes are unsecured obligations of Wells Fargo & Company, and all payments on the notes are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The notes are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or determined if this pricing supplement or the accompanying prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Original Offering Price	Agent Discount(1)	Proceeds to Wells Fargo
Per Note	$1,000.00	$23.00	$977.00
Total	$5,000,000.00	$114,518.50	$4,885,481.50

(1) The per note agent discount in the table above represents the maximum agent discount payable per note. The total agent discount and total proceeds to Wells Fargo in the table above reflect the actual total agent discount payable in respect of the notes. See Plan of Distribution (Conflicts of Interest) in the prospectus supplement for further information including information regarding how we may hedge our obligations under the notes and offering expenses. Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the notes and is acting as principal.

Wells Fargo Securities

INVESTMENT DESCRIPTION

The Notes due April 30, 2038 are senior unsecured debt securities of Wells Fargo & Company and are part of a series entitled Medium-Term Notes, Series T.

All payments on the notes are subject to the credit risk of Wells Fargo.

You should read this pricing supplement together with the prospectus supplement dated January 24, 2018 and the prospectus dated November 3, 2017 for additional information about the notes. Information included in this pricing supplement supersedes information in the prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement.

You may access the prospectus supplement and prospectus on the SEC websiteiwww.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus Supplement dated January 24, 2018:
https://www.sec.gov/Archives/edgar/data/72971/000119312518018274/d428281d424b2.htm

Prospectus dated November 3, 2017:
https://www.sec.gov/Archives/edgar/data/72971/000119312518018238/d528188d424b2.htm

INVESTOR CONSIDERATIONS

We have designed the notes for investors who:

¾ seek a fixed income investment with an interest rate that increases to, but not above, the preset rates during the term of the investment;

¾ seek current income of at least 4.00% per annum (the interest rate applicable for the first ten years) and at an interest rate in excess of 4.00% after the first ten years through stated maturity, subject to our right to redeem the notes after five years;

¾ understand that the notes may be redeemed by Wells Fargo after five years; and

¾ are willing to hold the notes until maturity.

The notes are not designed for, and may not be a suitable investment for, investors who:

¾ seek a liquid investment or are unable or unwilling to hold the notes to maturity;

¾ expect interest rates to increase beyond the interest rates provided by the notes;

¾ prefer the certainty of investments without an optional redemption feature; or

¾ are unwilling to accept the credit risk of Wells Fargo.

RISK FACTORS

Your investment in the notes will involve risks not associated with an investment in conventional debt securities. You should carefully consider the risk factors set forth below as well as the other information contained in the prospectus supplement and prospectus, including the documents they incorporate by reference. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the notes in light of your particular circumstances.

The Amount Of Interest You Receive May Be Less Than The Return You Could Earn On Other Investments.

Interest rates may change significantly over the term of the notes, and it is impossible to predict what interest rates will be at any point in the future. Although the interest rate on the notes will increase to preset rates at scheduled intervals during the term of the notes, the interest rate that will apply at any time on the notes may be more or less than prevailing market interest rates at such time. As a result, the amount of interest you receive on the notes may be less than the return you could earn on other investments.

The Per Annum Interest Rate Applicable At A Particular Time Will Affect Our Decision To Redeem The Notes.

It is more likely that we will redeem the notes prior to the stated maturity date during periods when the remaining interest is to accrue on the notes at a rate that is greater than that which we would pay on a conventional fixed-rate non-redeemable note of comparable maturity. If we redeem the notes prior to the stated maturity date, you may not be able to invest in other notes that yield as much interest as the notes.

The Step-Up Feature Presents Different Investment Considerations Than Fixed Rate Notes.

The interest rate payable on the notes during their term will increase from the initial interest rate, subject to our right to redeem the notes. If we do not redeem the notes, the interest rate will step up as described herein. You should not expect to earn the higher stated interest rates which are applicable only after the first ten years of the term of the notes because, unless general interest rates rise significantly, the notes are likely to be redeemed prior to the stated maturity date. When determining whether to invest in the notes, you should consider, among other things, the overall annual percentage rate of interest to redemption as compared to other equivalent investment alternatives rather than the higher stated interest rates which are applicable only after the first ten years of the term of the notes.

An Investment In The Notes May Be More Risky Than An Investment In Notes With A Shorter Term.

The notes have a term of twenty years, subject to our right to redeem the notes starting on April 30, 2023. By purchasing notes with a longer term, you will bear greater exposure to fluctuations in interest rates than if you purchased a note with a shorter term. In particular, you may be negatively affected if interest rates begin to rise because the likelihood that we will redeem your notes will decrease and the interest rate applicable to your notes during a particular interest period may be less than the amount of interest you could earn on other investments available at such time. In addition, if you tried to sell your notes at such time, the value of your notes in any secondary market transaction would also be adversely affected.

The Notes Are Subject To The Credit Risk Of Wells Fargo.

The notes are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the notes are subject to our creditworthiness. As a result, our actual and perceived creditworthiness may affect the value of the notes and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the notes.

Holders Of The Notes Have Limited Rights Of Acceleration.

Payment of principal on the notes may be accelerated only in the case of payment defaults that continue for a period of 30 days or certain events of bankruptcy or insolvency, whether voluntary or involuntary. If you purchase the notes, you will have no right to accelerate the payment of principal on the notes if we fail in the performance of any of our obligations under the notes, other than the obligations to pay principal and interest on the notes. See Description of Notes Events of Default and Covenant Breaches in the accompanying prospectus supplement.

Holders Of The Notes Could Be At Greater Risk For Being Structurally Subordinated If We Convey, Transfer Or Lease All Or Substantially All Of Our Assets To One Or More Of Our Subsidiaries.

Under the indenture, we may convey, transfer or lease all or substantially all of our assets to one or more of our subsidiaries. In that event, third-party creditors of our subsidiaries would have additional assets from which to recover on their claims while holders of the notes would be structurally subordinated to creditors of our subsidiaries with respect to such assets. See Description of Notes Consolidation, Merger or Sale in the accompanying prospectus supplement.

The Agent Discount, Offering Expenses And Certain Hedging Costs Are Likely To Adversely Affect The Price At Which You Can Sell Your Notes.

Assuming no changes in market conditions or any other relevant factors, the price, if any, at which you may be able to sell the notes will likely be lower than the original offering price. The original offering price includes, and any price quoted to you is likely to exclude, the agent discount paid in connection with the initial distribution, offering expenses and the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize in consideration for assuming the risks inherent in hedging our obligations under the notes. In addition, any such price is also likely to reflect dealer discounts, mark-ups and other transaction costs, such as a discount to account for costs associated with establishing or unwinding any related hedge transaction. The price at which the agent or any other potential buyer may be willing to buy your notes will also be affected by the interest rates provided by the notes and by the market and other conditions discussed in the next risk factor.

The Value Of The Notes Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The value of the notes prior to stated maturity will be affected by interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, among others, are expected to affect the value of the notes. When we refer to the value of your note, we mean the value that you could receive for your note if you are able to sell it in the open market before the stated maturity date.

Interest Rates. The value of the notes may be affected by changes in the interest rates in the U.S. markets.

Our Creditworthiness. Actual or anticipated changes in our creditworthiness may affect the value of the notes. However, because the return on the notes is dependent upon factors in addition to our ability to pay our obligations under the notes, such as whether we exercise our option to redeem the notes, an improvement in our creditworthiness will not reduce the other investment risks related to the notes.

The Notes Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Notes To Develop.

The notes will not be listed or displayed on any securities exchange or any automated quotation system. Although the agent and/or its affiliates may purchase the notes from holders, they are not obligated to do so and are not required to make a market for the notes. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the notes, the price at which you may be able to sell your notes is likely to depend on the price, if any, at which the agent is willing to buy your notes.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your notes prior to stated maturity. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the notes to stated maturity.

A Dealer Participating In The Offering Of The Notes Or Its Affiliates May Realize Hedging Profits Projected By Its Proprietary Pricing Models In Addition To Any Selling Concession, Creating A Further Incentive For The Participating Dealer To Sell The Notes To You.

If any dealer participating in the offering of the notes, which we refer to as a participating dealer, or any of its affiliates conducts hedging activities for us in connection with the notes, that participating dealer or its affiliates will expect to realize a projected profit from such hedging activities, if any, and this projected hedging profit will be in addition to any concession that the participating dealer realizes for the sale of the notes to you. This additional projected profit may create a further incentive for the participating dealer to sell the notes to you.

The Resolution Of Wells Fargo Under The Orderly Liquidation Authority Could Result In Greater Losses For Holders Of The Notes, Particularly If A Single-Point-Of-Entry Strategy Is Used.

Your ability to recover the full amount that would otherwise be payable on the notes in a proceeding under the U.S. Bankruptcy Code may be impaired by the exercise by the Federal Deposit Insurance Corporation (the FDIC) of its powers under the orderly liquidation authority under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). In particular, the single point of entry strategy described below is intended to impose losses at the top-tier holding company level in the resolution of a Global Systemically Important Bank (G-SIB) such as Wells Fargo.

Title II of the Dodd-Frank Act created a new resolution regime known as the orderly liquidation authority to which financial companies, including bank holding companies such as Wells Fargo, can be subjected. Under the orderly liquidation authority, the FDIC may be appointed as receiver for a financial company for purposes of liquidating the entity if, upon the recommendation of applicable regulators, the United States Secretary of the Treasury determines, among other things, that the entity is in severe financial distress, that the entity s failure would have serious adverse effects on the U.S. financial system and that resolution under the orderly liquidation authority would avoid or mitigate those effects. Absent such determinations, Wells Fargo, as a bank holding company, would remain subject to the U.S. Bankruptcy Code.

If the FDIC is appointed as receiver under the orderly liquidation authority, then the orderly liquidation authority, rather than the U.S. Bankruptcy Code, would determine the powers of the receiver and the rights and obligations of creditors and other parties who have transacted with Wells Fargo. There are substantial differences between the rights available to creditors in the orderly liquidation authority and under the U.S. Bankruptcy Code, including the right of the FDIC under the orderly liquidation authority to disregard the strict priority of creditor claims in some circumstances (which would otherwise be respected by a bankruptcy court) and the use of an administrative claims procedure to determine creditors claims (as opposed to the judicial procedure utilized in bankruptcy proceedings). In certain circumstances under the orderly liquidation authority, the FDIC could elevate the priority of claims if it determines that doing so is necessary to facilitate a smooth and orderly liquidation without the need to obtain the consent of other creditors or prior court review. In addition, under the orderly liquidation authority, the FDIC has the right to transfer assets or liabilities of the failed company to a third party or bridge entity.

The FDIC has announced that a single point of entry strategy may be a desirable strategy to resolve a large financial institution such as Wells Fargo in a manner that would, among other things, impose losses on shareholders, unsecured debt holders (including, in our case, holders of the notes) and other creditors of the top-tier holding company (in our case, Wells Fargo), while permitting the holding company s subsidiaries to continue to operate. In addition, in December 2016, the Board of Governors of the Federal Reserve System (the FRB) finalized rules requiring U.S. G-SIBs, including Wells Fargo, to maintain minimum amounts of long-term debt and total loss-absorbing capacity (TLAC). It is possible that the application of the single point of entry strategy in which Wells Fargo would be the only legal entity to enter resolution proceedings could result in greater losses to holders of the notes than the losses that would result from the application of a bankruptcy proceeding or a different resolution strategy for Wells Fargo. Assuming Wells Fargo entered resolution proceedings and that support from Wells Fargo to its subsidiaries was sufficient to enable the subsidiaries to remain solvent, losses at the subsidiary level could be transferred to Wells Fargo and ultimately borne by Wells Fargo s security holders (including holders of the notes and our other unsecured debt securities), with the result that third-party creditors of Wells Fargo s subsidiaries would receive full recoveries on their claims, while Wells Fargo s security holders (including holders of the notes) and other unsecured creditors could face significant losses. In that case, Wells Fargo s security holders could face significant losses while the third-party creditors of Wells Fargo s subsidiaries would incur no losses because the subsidiaries would continue to operate and would not enter resolution or bankruptcy proceedings. In addition, holders of the notes and other debt securities of Wells Fargo could face losses ahead of our other similarly situated creditors in a resolution under the orderly liquidation authority if the FDIC exercised its right, described above, to disregard the strict priority of creditor claims.

The orderly liquidation authority also requires that creditors and shareholders of the financial company in receivership must bear all losses before taxpayers are exposed to any losses, and amounts owed by the financial company or the receivership to the U.S. government would generally receive a statutory payment priority over the claims of private creditors, including senior creditors such as claims in respect of the notes. In addition, under the orderly liquidation authority, claims of creditors (including holders of the notes) could be satisfied through the issuance of equity or other securities in a bridge entity to which Wells Fargo s assets are transferred. If securities were to be delivered in satisfaction of claims, there can be no assurance that the value of the securities of the bridge entity would be sufficient to repay all or any part of the creditor claims for which the securities were exchanged.

While the FDIC has issued regulations to implement the orderly liquidation authority, not all aspects of how the FDIC might exercise this authority are known and additional rulemaking is possible.

The Resolution Of Wells Fargo In A Bankruptcy Proceeding Could Also Result in Greater Losses For Holders Of Our Debt Securities, Including The Notes.

As required by the Dodd-Frank Act and regulations issued by the FRB and the FDIC, we are required to provide to the FRB and the FDIC a plan for our rapid and orderly resolution in the event of material financial distress affecting Wells Fargo or the failure of Wells Fargo. The strategy described in our most recently filed resolution plan is a multiple point of entry strategy, in which Wells Fargo, Wells Fargo Bank, National Association (WFBNA) and Wells Fargo Securities, LLC (WFS) would each undergo separate resolution proceedings under the U.S. Bankruptcy Code, the Federal Deposit Insurance Act, and the Securities Investor Protection Act, respectively. To further the orderly resolution of its businesses and those of its subsidiaries, Wells Fargo may provide capital and liquidity resources to certain of its major subsidiaries (such as WFBNA and WFS) during any period of distress, including through the forgiveness of intercompany indebtedness, the making of additional intercompany loans and by other means. These subsidiaries may enter into separate resolution proceedings even after receiving capital and liquidity resources from Wells Fargo. It is possible that creditors of some or all of Wells Fargo s major subsidiaries would receive significant, or even full, recoveries on their claims while holders of Wells Fargo s debt securities (including holders of the notes) could face significant or complete losses. It is also possible that holders of Wells Fargo s debt securities (including holders of the notes) could face greater losses than if the multiple point of entry strategy had not been implemented and Wells Fargo had not provided capital and liquidity resources to major subsidiaries that enter separate resolution proceedings because assets and other resources provided to those subsidiaries would not be available to pay Wells Fargo s creditors (including holders of the notes and Wells Fargo s other debt securities).

For our next resolution plan submission, we have made a decision to move to a single point of entry strategy, in which Wells Fargo would be resolved under the U.S. Bankruptcy Code using a strategy in which only Wells Fargo itself enters proceedings while some or all of its operating subsidiaries are maintained as going concerns. In this case, the effects on creditors of Wells Fargo would likely be similar to those arising under the orderly liquidation authority, as described above. We are not obligated to maintain either a single point of entry or multiple point of entry strategy, and the strategies reflected in our resolution plan submissions are not binding in the event of an actual resolution of Wells Fargo, whether conducted under the U.S. Bankruptcy Code or by the FDIC under the orderly liquidation authority. To carry out such a single point of entry strategy, Wells Fargo may seek to recapitalize its subsidiaries or provide them with liquidity in order to preserve them as going concerns prior to the commencement of Wells Fargo s bankruptcy proceeding. Moreover, Wells Fargo could seek to elevate the priority of its guarantee obligations relating to its major subsidiaries derivatives contracts over its other obligations, so that cross-default and early termination rights under derivatives contracts at its subsidiaries would be stayed under the ISDA Resolution Stay Protocol. This elevation would result in holders of our debt securities (including the notes) incurring losses ahead of the beneficiaries of those guarantee obligations. It is also possible that holders of our debt securities (including the notes) could incur losses ahead of other similarly situated creditors.

In response to the regulators guidance and to facilitate the orderly resolution of Wells Fargo using either a single point of entry or multiple point of entry resolution strategy, on June 28, 2017, Wells Fargo entered into a Support Agreement with WFC Holdings, LLC, an intermediate holding company and subsidiary of Wells Fargo (the IHC), and WFBNA, WFS, and Wells Fargo Clearing Services, LLC (WFCS), each an indirect subsidiary of Wells Fargo (the Support Agreement). Pursuant to the Support Agreement, Wells Fargo transferred a significant amount of its assets, including the majority of its cash, deposits, liquid securities and intercompany loans (but excluding its equity interests in its subsidiaries and certain other assets), to the IHC and will continue to transfer those types of assets to the IHC from time to time. In the event of Wells Fargo s material financial distress or failure, the IHC will be obligated to use the transferred assets to provide capital and/or liquidity to WFBNA pursuant to the Support Agreement and to WFS and WFCS through repurchase facilities entered into in connection with the Support Agreement. Under the Support Agreement, the IHC will also provide funding and liquidity to Wells Fargo through subordinated notes and a committed line of credit, which, together with the issuance of dividends, is expected to provide Wells Fargo, during business as usual operating conditions, with the same access to cash necessary to service its debts, pay dividends, repurchase its shares and perform its other obligations as it would have if it had not entered into these arrangements and transferred any assets. If certain liquidity and/or capital metrics fall below defined triggers, the subordinated notes would be forgiven and the committed line of credit would terminate, which could materially and adversely impact Wells Fargo s liquidity and its ability to satisfy its debts and other obligations, and could result in the commencement of bankruptcy proceedings by Wells Fargo at an earlier time than might have otherwise occurred if the Support Agreement were not implemented. Wells Fargo s and the IHC s respective obligations under the Support Agreement are secured pursuant to a related security agreement.

If either resolution strategy proved to be unsuccessful, holders of our debt securities (including the notes) may as a consequence be in a worse position than if the strategy had not been implemented. In all cases, any payments to holders of our debt securities are dependent on our ability to make such payments and are therefore subject to our credit risk.

UNITED STATES FEDERAL TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the notes. It applies to you only if you purchase a note for cash in the initial offering at the issue price, which is the first price at which a substantial amount of the notes is sold to the public, and hold the note as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code). It does not address all of the tax consequences that may be relevant to you in light of your particular circumstances or if you are an investor subject to special rules, such as:

- a financial institution;
- a regulated investment company ;
- a real estate investment trust ;
- a tax-exempt entity, including an individual retirement account or Roth IRA ;
- a dealer or trader subject to a mark-to-market method of tax accounting with respect to the notes;
- a person holding a note as part of a straddle or conversion transaction or who has entered into a constructive sale with respect to a note;
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar; or
- an entity classified as a partnership for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the notes or a partner in such a partnership, you should consult your tax adviser as to the particular U.S. federal tax consequences of holding and disposing of the notes to you.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date hereof may affect the tax consequences described herein, possibly with retroactive effect. This discussion does not address the effects of any applicable state, local or non-U.S. tax laws, any alternative minimum tax consequences, the potential application of the Medicare tax on net investment income or the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code. You should consult your tax adviser concerning the application of U.S. federal income and estate tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

General

In the opinion of our counsel, Davis Polk & Wardwell LLP, the notes will be treated as fixed rate debt instruments that are issued without original issue discount (OID) for U.S. federal income tax purposes.

Tax Consequences to U.S. Holders

This section applies only to U.S. holders. You are a U.S. holder if you are a beneficial owner of a note that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Interest on the Notes. Stated interest on the notes will generally be taxable to you as ordinary interest income at the time it accrues or is received in accordance with your method of accounting for U.S. federal income tax purposes.

Under applicable Treasury regulations, we will generally be presumed to exercise our option to redeem the notes if the exercise of the option would lower the yield on the notes. The yield on the notes would be lowered if we redeemed the notes before the initial increase in the interest rate, and therefore the notes will not be treated as issued with OID. If, contrary to the presumption in the applicable Treasury regulations, we do not redeem the notes before the initial increase in the interest rate, solely for purposes of calculating OID, the notes will be treated as if they were redeemed and new notes were issued on the presumed exercise date for the notes principal amount. The same analysis will generally apply to the subsequent increase in the interest rate, which means a note that is deemed reissued will generally be treated as redeemed prior to the subsequent increase in the interest rate, and therefore as issued without OID.

Sale, Exchange or Retirement of the Notes. You will recognize capital gain or loss on the sale, exchange or retirement of a note equal to the difference between the amount received (other than amounts received in respect of accrued interest, which will be treated as described under Interest on the Notes) and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will be equal to your original purchase price for the note. Your gain or loss generally will be long-term capital gain or loss if at the time of the sale, exchange or retirement you held the notes for more than one year, and short-term capital gain or loss otherwise. Long-term capital gains recognized by non-corporate U.S. holders are generally subject to taxation at reduced rates. Any capital loss you recognize may be subject to limitations.

Tax Consequences to Non-U.S. Holders

This section applies only to non-U.S. holders. You are a non-U.S. holder if you are a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is classified as a nonresident alien;
- a foreign corporation; or
- a foreign estate or trust.

You are not a non-U.S. holder for purposes of this discussion if you are (i) an individual who is present in the United States for 183 days or more in the taxable year of disposition, (ii) a former citizen or resident of the United States or (iii) a person for whom income or gain in respect of the notes is effectively connected with the conduct of a trade or business in the United States. If you are or may become such a person during the period in which you hold a note, you should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the notes.

Subject to the discussions below concerning backup withholding and FATCA, you will not be subject to U.S. federal income or withholding tax in respect of the notes, provided that:

- you do not own, directly or by attribution, ten percent or more of the total combined voting power of all classes of our stock entitled to vote;
- you are not a controlled foreign corporation related, directly or indirectly, to us through stock ownership;

- you are not a bank receiving interest under Section 881(c)(3)(A) of the Code; and

- you provide to the applicable withholding agent an appropriate Internal Revenue Service (IRS) Form W-8 on which you certify under penalties of perjury that you are not a U.S. person.

U.S. Federal Estate Tax

Individual non-U.S. holders and entities the property of which is potentially includible in such an individual s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers) should consider the U.S. federal estate tax implications of an investment in the notes. Absent an applicable treaty benefit, a note will be treated as U.S.-situs property subject to U.S. federal estate tax if payments on the note if received by the decedent at the time of death would have been subject to U.S. federal withholding tax (even if the IRS Form W-8 certification requirement described above were satisfied and not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty). You should consult your tax adviser regarding the U.S. federal estate tax consequences of an investment in the notes in your particular situation and the availability of benefits provided by an applicable estate tax treaty, if any.

Backup Withholding and Information Reporting

Information returns generally will be filed with the IRS with respect to payments of interest on the notes and may be filed with the IRS in connection with the payment of proceeds from a sale, exchange or other disposition of the notes. If you fail to provide certain identifying information (such as an accurate taxpayer identification number if you are a U.S. holder) or meet certain other conditions, you may also be subject to backup withholding at the rate specified in the Code. If you are a non-U.S. holder that provides an appropriate IRS Form W-8, you will generally establish an exemption from backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the relevant information is timely furnished to the IRS.

FATCA Legislation

Legislation commonly referred to as FATCA generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity s jurisdiction may modify these requirements. Withholding under these rules (if applicable) applies to payments of amounts treated as interest on the notes and, after 2018, to payments of gross proceeds of the disposition (including upon retirement) of the notes. If withholding applies to the notes, we will not be required to pay any additional amounts with respect to amounts withheld. Both U.S. and non-U.S. holders should consult their tax advisers regarding the potential application of FATCA to the notes.

The preceding discussion constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the notes.

SUPPLEMENTAL PLAN OF DISTRIBUTION

Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the notes. The agent may resell the notes to other securities dealers at the original offering price of the notes less a concession not in excess of $23.00 per note. Such securities dealers may include Wells Fargo Advisors (the trade name of the retail brokerage business of our affiliates, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC).

The agent or another affiliate of ours expects to realize hedging profits projected by its proprietary pricing models to the extent it assumes the risks inherent in hedging our obligations under the notes. If any dealer participating in the distribution of the notes or any of its affiliates conducts hedging activities for us in connection with the notes, that dealer or its affiliate will expect to realize a profit projected by its proprietary pricing models from such hedging activities. Any such projected profit will be in addition to any discount or concession received in connection with the sale of the notes to you.

ight>(220,862)Air traffic liability (38,792)Deferred revenue (375,497)Debentures (87,876)Deferred income taxes (110,939)Other liabilities (136,881) Total liabilities assumed (970,847) Net assets acquired 19,800 Purchase price, net of cash acquired 558,744 Goodwill 538,944

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3. Business Combination (Continued)

Goodwill represents the excess of the purchase price of the acquired business over the fair value of the net assets acquired and is tax-deductible in the amount of R$ 375,469. Intangible assets with indefinite lives consist of the fair value allocated to airport operating rights and tradenames, valued at R$ 560,842 and R$ 63,109, respectively.

VRG s airport operating rights in Brazil were determined to have an indefinite useful life due to several factors and considerations, including requirements for necessary permits to operate within Brazil and limited slot availability in the most important airports in terms of traffic volume. The VRG tradenames were determined to have indefinite useful lives due to several factors and considerations, including the brand awareness and market position, customer recognition and loyalty and the continued use of the VARIG tradenames. In the event the Company determines that the value of goodwill or intangible assets with indefinite lives has become impaired, the Company will recognize a charge for the amount of impairment during the period in which the determination is made.

4. Short-term Investments

	June 30, 2008	**December 31, 2007**
Investments		
Bank Deposit Certificates CDB	**R$ 103,938**	R$ 150,066
Public Securities	**214,949**	111,951
Fixed Income Securities	**119,094**	596,421
	R$ 437,981	R$ 858,438

The following is a summary of available-for-sale securities:

	June 30, 2008		
	Gross Unrealized Gains	**Gross Unrealized Losses**	**Estimated Fair Value (Net Carrying Amount)**
Public Securities and Fixed Income Securities	**R$ 61**	**R$ (89)**	**R$ 334,043**
Bank Deposit Certificates CDB	**-**	**(144)**	**103,938**
	R$ 61	**R$ (233)**	**R$ 437,981**

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4. Short-term Investments (Continued)

	December 31, 2007		
	Gross Unrealized Gains	**Gross Unrealized Losses**	**Estimated Fair Value (Net Carrying Amount)**
Public Securities and Fixed Income Securities	R$ 141	R$ (74)	R$ 708,372
Bank Deposit Certificates CDB	3	(309)	150,066
	R$ 144	R$ (383)	R$ 858,438

The gross realized gains on sales of available-for-sale securities totaled R$ 10,645 and R$ 14,040 (US$ 6,276 and US$ 7,084), in second quarter 2008 and 2007, respectively. The gross realized losses on sales of available-for-sale totaled R$ (159) (US$ 94) in second quarter 2008, and in the second quarter 2007 there were no losses.

The net carrying value and estimated fair value of debt and marketable equity securities available for sale at June 30, 2008, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

	Estimated Fair Value
Due in one year or less	338,024
Due after one year through three years	73,997
Due after three years	25,960
	437,981

5. Inventories of Parts and Supplies

	June 30, 2008	**December 31, 2007**
Consumable material	**18,729**	12,107
Parts and maintenance material	**92,686**	103,833
Advances to suppliers	**12,208**	27,348
Parts import assets in progress	**4,875**	44,528
Other	**5,327**	4,966
	133,825	192,782

6. Debt

At June 30, 2008 and December 31, 2007 debt consisted of the following:

	Effective rate	June 30, 2008	December 31, 2007
Local currency:			
Secured floating rate BNDES loan	**8.90%**	**R$ 58,755**	R$ 65,775
Secured floating rate BDMG loan	**10.66%**	**14,777**	14,315
		73,532	80,090
Foreign currency:			
Secured floating rate Bank loan	**3.75%**	**95,514**	106,278
Secured floating rate IFC loan	**5.96%**	**75,567**	91,604
Unsecured floating rate PDP loan facility	**3.92%**	**487,258**	343,612
Unsecured fixed rate Senior notes	**7.50%**	**358,178**	398,543
Unsecured fixed rate Perpetual notes	**8.75%**	**318,380**	354,260
		1,334,897	1,294,297
		1,408,429	1,374,387
Current portion		**(428,953)**	(308,285)
Long-term debt		**979,476**	1,066,102

The following table provides a summary of our principal payments of long-term debt obligations at June 30, excluding the perpetual notes:

(in R$ 000)	2009	2010	2011	2012	Beyond 2012	Total
Long-term debt obligations	201,185	30,455	30,456	24,547	374,453	661,096

On March 6, 2008, the Company submitted to BNDES a letter of credit, with maturity on March 4, 2009, in compliance with all contractual obligations assumed. At June 30, 2008, the Company was not in compliance with a financial covenant established in its loan contract with the BNDES totaling R$ 58,755. The Company obtained from lender the specific consent to maintain debt liquidity ratio higher than those established in the agreements that permit the maintenance of R$ 43,723 as long-term.

On May 20, 2008, the Company and the IFC (International Finance Corporation) signed a contract additive changing the conditions originally established relating to financial ratios. On June 30, 2008, the Company was in compliance with the new ratios settled with the IFC.

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7. Leases

The company leases its entire fleet under a combination of operating and capital leases. At June 30, 2008, the total fleet was 112 aircraft, of which 84 were operating leases and 28 were recorded as capital leases. During the second quarter 2008, we took delivery of three aircraft under capital leases. We returned three 737-300 and two 767-300 aircraft during the quarter and at June 30, 2008, seven 737-300 aircraft were in the process of being returned.

a) Capital leases

Future minimum lease payments under capital leases with initial or remaining terms in excess of one year at June 30, 2008 were as follows:

	Thousands of R$	**Thousands of US$**
2009	178,016	111,826
2010	178,016	111,826
2011	178,016	111,826
2012	178,016	111,826
2013	163,482	102,696
After 2013	662,549	416,200
Total minimum lease payments	**1,538,095**	**966,200**
Less: Amount representing interest	568,079	356,856
Present value of net minimum lease payments	**970,016**	**609,344**
Less current portion	**117,353**	**73,719**
Long-term portion	**852,663**	**535,625**

At June 30, 2008, the Company had twenty eight aircraft classified as capital leases. The capital lease agreements have terms ranging from six to twelve years. Sixteen of the Company s aircraft leases contain bargain purchase options.

The carrying values of aircraft leased under capital leases included in property and equipment were:

	June 30, 2008	**December 31, 2007**
Flight equipment	**1,268,984**	1,081,885
Less accumulated depreciation	**(79,929)**	(36,791)
	1,189,055	1,045,094

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7. Leases (Continued)

b) Operating leases

The Company leases aircraft in operation, airport terminal space, other airport facilities, office space and other equipment. At June 30, 2008, GTA leased 54 aircraft under operating leases (63 aircraft at December 31, 2007), with initial lease term expiration dates ranging from 2008 to 2017 and VRG leased 30 aircraft under operating leases (29 aircraft at December 31, 2007), with initial term expiration dates ranging from 2008 to 2015.

Future minimum lease payments under non-cancelable operating leases are denominated in US dollars. Payments under such leases with initial or remaining terms in excess of one year at June 30, 2008 were as follows:

	Thousands of R$			**Thousands of US$**		
	Aircraft	**Other**	**Total**	**Aircraft**	**Other**	**Total**
2009	187,761	12,392	200,153	117,948	7,785	125,733
2010	366,119	8,047	374,166	229,989	5,055	235,044
2011	311,540	5,113	316,653	195,703	3,212	198,915
2012	297,937	2,838	300,775	187,158	1,783	188,941
2013	253,152	1,401	254,553	159,025	880	159,905
After 2013	447,094	-	447,094	280,856	-	280,856
Total minimum Lease payments	**1,863,603**	**29,791**	**1,893,394**	**1,170,679**	**18,715**	**1,189,394**

8. Shareholders Equity

The Board of Directors at a meeting held on January 28, 2008, authorized a share repurchase program for the repurchase of up to a total of 5 million of the Company´s preferred shares. Repurchases were made in accordance with applicable securities laws in the open market from time to time, depending on market conditions. During the six-month period ended June 30, 2008, the Company repurchased 1,574,200 preferred shares.

9. Commitments

The following table provides a summary of our principal payments under aircraft purchase commitments and other obligations at June 30:

(in R$ 000)	2008	2009	2010	2011	2012	Beyond 2012	Total
Pre-delivery deposits for flight equipment	145,128	161,479	141,191	187,851	230,855	107,984	974,488
Aircraft purchase commitments	506,895	1,523,136	1,700,171	1,231,142	1,627,163	4,354,780	10,943,287
Total	**652,023**	**1,684,615**	**1,841,362**	**1,418,993**	**1,858,018**	**4,462,764**	**11,917,775**

The Company makes payments for aircraft acquisitions utilizing the proceeds from equity and debt financings, cash flow from operations, short and medium-term credit lines and supplier financing. Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of Boeing 737-800 Next Generation aircraft.

At June 30, 2008, the Company has a purchase contract with Boeing for acquisition of Boeing 737-800 Next Generation aircraft, under which the Company currently has 98 firm orders and 40 purchase options. The firm orders have an approximate value of R$10,943,287 (US$ 6.9 billion) based on the aircraft list price (which exclude contractual manufacturer discounts), including estimated amounts for contractual price escalations and pre-delivery deposits. Aircraft purchase commitments can be financed with long-term financing guaranteed by the U.S. Exim Bank (for approximately 85% of the total acquisition cost).

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10. Financial Instruments and Concentration of Risk

At June 30, 2008 and December 31, 2007, the Company s primary monetary assets were cash equivalents and long-term debt, short-term investments and assets related to aircraft leasing transactions. The Company s primary monetary liabilities are related to aircraft leases and long-term debt. All monetary assets other than those related to aircraft leases included in the balance sheet are stated at amounts that approximate their fair values.

Financial instruments that expose the Company to credit risk involve mainly cash equivalents, short-term investments and accounts receivable. Credit risk on cash equivalents and short term investments relate to amounts invested with major financial institutions. Credit risk on accounts receivable relates to amounts receivable from the major international credit card companies. These receivables are short-term and the majority of them settle within 30 days.

The Company s revenue is generated in Brazilian Reais (except for a small portion in Argentine Pesos, Bolivian Bolivianos, Chilean Pesos, Colombian Pesos, Euros, Paraguay Guaranis, Peru Nuevos Soles, Uruguayan Pesos and Venezuelan Bolivares from flights between Brazil, Argentina, Bolivia, Chile, Colombia, Germany, France, Italy, Paraguay, Peru, Uruguay and Venezuela). However, its liabilities, particularly those related to aircraft leasing and acquisition, are US dollar-denominated. The Company s currency exchange exposure at June 30, 2008 is as set forth below:

	June 30, 2008	**December 31, 2007**
Assets		
Cash, cash equivalents and short-term investments	**462,354**	1,170,526
Deposits with lessors	**114,103**	163,973
Aircraft and engine maintenance deposits	**93,197**	31,928
Other	**57,311**	55,032
Total assets	**726,965**	1,421,459
Liabilities		
Foreign suppliers	**53,014**	42,341
Leases payable	**9,964**	17,169
Insurance premium payable	**-**	44,150
Total liabilities	**62,978**	103,660
Exchange exposure	**663,987**	1,317,799
Off-balance sheet transactions exposure		
Operating leases	**1,893,394**	2,201,973
Aircraft commitments	**10,943,287**	8,155,237
Total exchange exposure	**13,500,668**	11,675,009

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10. Financial Instruments and Concentration of Risk (Continued)

The Company s off-balance sheet exposure represents the future obligations related to operating lease contracts and aircraft purchase contracts.

The Company utilizes derivative financial instruments with first-tier banks for cash management purposes. The Company currently has synthetic fixed income options and swap agreements to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments.

a) Fuel

Airline operations are exposed to the effects of changes in the price of aircraft fuel. Aircraft fuel consumed in the second quarter of 2008 and 2007 represented 41.2 % and 39.4% of the Company s operating expenses, respectively. To manage this risk, the Company periodically enters into crude oil option contracts and swap agreements. Because jet fuel is not traded on an organized futures exchange, liquidity for hedging is limited. However, the Company has found commodities for effective hedging of jet fuel costs. Historically, prices for crude oil are highly correlated to Brazilian jet fuel, making crude oil derivatives effective at offsetting jet fuel prices to provide short-term protection against a sharp increase in average fuel prices.

The following is a summary of the company s fuel derivative contracts (in thousands, except as otherwise indicated):

	June 30, 2008	**December 31, 2007**
Fair value of derivative instruments at period end	**R$ 25,060**	R$ 23,302
Average remaining term (months)	**3**	2
Hedged volume (barrels)	**2,562,000**	1,388,000

Quarter ended June 30:	**2008**	**2007**
Hedge effectiveness gain recognized in aircraft fuel	**R$ 35,787**	-
Hedge ineffectiveness gains (losses) recognized in other income (expense)	**R$ (908)**	R$ 2,428
Percentage of actual consumption hedged (during period)	**55%**	56%

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10. Financial Instruments and Concentration of Risk (Continued)

a) Fuel (Continued)

The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases for short-term time frames. The Company currently has a combination of purchased call options, collar structures, and fixed price swap agreements in place to hedge approximately 55% and 19% of its jet fuel requirements at average crude equivalent prices of approximately US$ 131.91 and US$ 132.72 per barrel for the second and third quarter of 2008, respectively.

The Company accounts for its fuel hedge derivative instruments as cash flow hedges under SFAS 133. Under SFAS 133, all derivatives designated as hedges that meet certain requirements are granted hedge accounting treatment. Generally, utilizing the hedge accounting, all periodic changes in fair value of the derivatives designated as hedges that are considered to be effective, as defined, are recorded in Accumulated other comprehensive income until the underlying jet fuel is consumed. When the aircraft fuel is consumed and the related derivative contract settles, any gains or losses previously deferred in other comprehensive income are recognized as aircraft fuel expense. The Company is exposed to the risk that periodic changes will not be effective, as defined, or that the derivatives will no longer qualify for hedge accounting. Ineffectiveness, as defined, results when the change in the total fair value of the derivative instrument does not equal 80-125% of the change in the value of the aircraft fuel being hedged or the change in value of the Company s expected future cash outlay to purchase and consume jet fuel. To the extent that the periodic changes in the fair value of the derivatives are not effective, that ineffectiveness is recorded to Other gains and losses in the income statement. Likewise, if a hedge ceases to qualify for hedge accounting, those periodic changes in the fair value of derivative instruments are recorded to Other gains and losses in the income statement in the period of the change.

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10. Financial Instruments and Concentration of Risk (Continued)

a) Fuel (Continued)

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in other crude oil related commodities, especially given the recent volatility in the prices of refined products. Due to the volatility in markets for crude oil and related products, the Company is unable to predict the amount of ineffectiveness each period, including the loss of hedge accounting, which could be determined on a derivative by derivative basis or in the aggregate. In specific instances, the Company has determined that specific hedges will not regain effectiveness in the time period remaining until settlement and therefore must discontinue hedge accounting, as defined by SFAS 133. When this happens, any changes in fair value of the derivative instruments are marked to market through earnings in the period of change.

The Company continually looks for better and more accurate methodologies in forecasting and estimating future cash flows relating to its jet fuel hedging program. These estimates are used in the measurement of effectiveness for the Company s fuel hedges, as required by SFAS 133. The Company s methodology utilizes a statistical-based regression equation with data from market forward prices of like commodities.

During the three month period ended June 30, 2008, the Company recognized a gain of R$ 35,787 as a reduction of aircraft fuel expense and R$ 908 (R$ 2,428 during the three months ended June 30, 2007) of additional net loss in Other expenses, net related to the ineffectiveness of its hedges and the loss of hedge accounting for certain hedges. The amount of R$ 4,214 (R$ 175 as of June 30, 2007) was ineffectiveness gain and mark-to-market gain related to contracts that will be settled in future periods. As of June 30, 2008 there was R$ 18,115 (R$ 17,357 as of June 30, 2007), net of taxes, of unrealized gains with jet fuel hedges recorded in comprehensive income . During the period, all derivative contracts were designated as hedges.

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10. Financial Instruments and Concentration of Risk (Continued)

a) Fuel (Continued)

Outstanding financial derivative instruments expose the Company to credit loss in the event of nonperformance by the counterparties to the agreements. However, the Company does not expect any of its eight counterparties to fail to meet their obligations. The amount of such credit exposure is generally the unrealized gain, if any, in such contracts. To manage credit risk, the Company selects counterparties based on credit assessments, limits overall exposure to any single counterparty and monitors the market position with each counterparty. The Company does not purchase or hold financial derivative instruments for trading purposes.

b) Exchange rates

The Company is exposed to the effects of changes in the US$ exchange rate. Exchange exposure relates to amounts payable arising from US$-denominated and US$-linked expenses and payments. To manage this risk, the Company uses US options and futures contracts.

The following is a summary of our foreign currency derivative contracts (in thousands, except as otherwise indicated):

	June 30, 2008	**December 31, 2007**
Fair value of derivative instruments	**R$ 1,853**	R$ 1,049
Longest remaining term (months)	**19**	3
Hedged volume	**273,000**	202,250
Quarter ended June 30:	**2008**	**2007**
Hedge effectiveness loss recognized in operating expenses	**R$ (7,510)**	R$ (8,305)
Hedge ineffectiveness losses recognized in other income	**R$ (1,550)**	R$ (1,219)
Percentage of expenses hedged (during period)	**51%**	50%

The Company utilizes financial derivative instruments as hedges to decrease its exposure to increases in the US$ exchange rate. The Company has utilized derivative financial instruments for short-term time frames. The Company accounts for its foreign currency futures derivative instruments as cash flow hedges under SFAS 133. As of June 30, 2008 the unrealized loss with exchange rates recorded in comprehensive income was R$ 6,547 (R$ (4,180) as of June 30, 2007), net of taxes.

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10. Financial Instruments and Concentration of Risk (Continued)

b) Exchange rates (Continued)

While outstanding, these contracts are recorded at fair value on the balance sheet with the effective portion of the change in their fair value being reflected in other comprehensive income. Ineffectiveness, the extent to which the change in fair value of the financial derivatives exceeds the change in the fair value of the operating expenses being hedged, is recognized in other income (expense) immediately. When operating expenses are incurred and the related derivative contract settles, any gain or loss previously deferred in other comprehensive income is recognized in operating expenses.

c) Interest rates

The Company s results are affected by fluctuations in international interest rates due to the impact of such changes on expenses of lease agreements. The Company uses financial derivative instruments to reduce its exposure to fluctuations in international interest rates and accounts for these instruments in accordance with SFAS 133. In general, when a derivative can be defined with the terms and cash flows of the leasing agreement, this may be designed as a Cash Flow Hedge and the effective portion of fair value variations are recorded in Shareholders Equity until the date when the cash flow of the hedged leasing agreement becomes due. The Company also has interest rate derivatives not designed for hedge accounting treatment and, in this case, the periodic variations in fair values are recognized as financial income or expenses.

In the second quarter of 2008, the Company settled interest swap-lock derivatives to protect itself from oscillations of international interest rates. On June 30 2008, for financial instruments designed as cash flow hedges, the Company had contracts in the nominal amount of R$ 96,429 (US$ 60,575) and recognized R$ 182 (US$ 114), net of taxes in comprehensive income

10. Financial Instruments and Concentration of Risk (Continued)

c) Interest rates (Continued)

For interest rate derivatives not designated as hedges, on June 30 2008, the Company had contracts in the nominal amount of R$ 309,625 (US$ 194,500) and recognized R$ 5,992 (US$ 3,816) of net gains resulting from market value fluctuations were recognized in financial income.

The Company s results are affected by changes in interest rates prevailing in Brazil, changes on financial investments, short-term investments, local currency liabilities, and assets and liabilities indexed to US dollars. Such variations affect the market value of fixed income securities denominated in Reais and the remuneration of cash and financial investment balances. The Company uses Interbank Deposit futures of the Brazilian Mercantile and Futures Exchange (BM&F) solely to protect itself against domestic interest rate impacts on the fixed income portion of its investments. On June 30, 2008, the nominal value of Interbank Deposit futures contracts with the Brazilian Mercantile and Futures Exchange (BM&F) totaled R$1,500 with periods of up to 16 months, with a fair market value of R$ 1, corresponding to the last owed or receivable adjustment not yet settled. The total variations in market value, payments and receivables related to the interest rate futures are recognized as an increase or decrease in financial income.

d) Cash management

The Company enters into synthetic fixed income option contracts with first-tier banks registered in the Brazilian CETIP clearing house. As of June 30, 2008, the total amount invested in synthetic fixed-income option contracts was R$ 5,673 with an average term of 461 days. The Company utilizes swap agreements to change the remuneration of a portion of its short term investments to the Brazilian overnight deposit rate (CDI). As of June 30, 2008, the notional amount of fixed-rate swaps to CDI was R$ 5,600 with a fair value of R$ 207. The change in fair value of these swaps is recognized in interest income in the period of change.

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11. Fair Value Measurements

As described in Note 2, the company adopted SFAS 157 as of January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;
Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost).
c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The adoption of this pronouncement did not have a material impact on the Company s financial position, except for certain required disclosures about fair value measurements on a recurring and nonrecurring basis.

11. Fair Value Measurements (Continued)

The Company s available-for-sale securities consist of government bonds, certificates of deposit, time-deposits and investment funds. The inputs utilized to determine the fair values of government bonds are obtained in quoted public markets. The inputs utilized to determine the fair value of certificates of deposit and time deposits are derived from information quoted in public markets.

The Company s fuel and interest rate derivative contracts consist of OTC contracts, which are not traded on a public exchange. These contracts include both swaps as well as other types of option contracts. See Note 11 for further information on the Company s derivative instruments and hedging activities. The fair values of swap contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized these swap contracts as Level 2. The Company determines the value of option contracts utilizing a standard option pricing model based on inputs that are either readily available in public markets, can be derived from information available in publicly quoted markets, or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, it verifies the reasonableness of these quotes via similar quotes from another counterparty as of each date for which financial statements are prepared.

The Company s foreign exchange derivatives consist of exchange-listed futures and options contracts. The inputs utilized to determine the fair value of these contracts are obtained from quoted public markets.

The following table presents the Company s assets measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 at June 30, 2008:

		Fair Value Measurements at Reporting Date		
	June 30, 2008	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Valuation Technique**
Available-for-sale securities	**437,981**	**66,764**	**371,217**	a, c
Interest rate derivatives	**4,038**	**-**	**4,038**	b
Fuel derivatives	**25,060**	**-**	**25,060**	b
Foreign exchange derivatives	**1,853**	**1,853**	**-**	b
Total assets measured at fair value	**468,932**	**68,617**	**400,315**	

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11. Fair Value Measurements (Continued)

The fair value of our Smiles frequent flyer award liability (recorded as deferred revenue on the accompanying condensed consolidated balance sheets) was determined based on the estimated price that third parties would require us to pay for them to assume the obligation for miles expected to be redeemed under the Smiles Program. This estimated price was determined based on our weighted average equivalent ticket value of a Smiles award which is redeemed for travel on VRG or a participating airline. The weighted average equivalent ticket value contemplates differing classes of service and the carrier providing the award travel.

We perform the impairment test for our indefinite-lived intangible assets by comparing the asset s fair value to its carrying value. Fair value is estimated based on recent market transactions, where available, or projected discounted future cash flows. For additional information regarding impairment, see Note 3.

In evaluating our goodwill for impairment, we first compare its fair value to its carrying value. We estimate the fair value by considering (1) projected discounted future cash flows, if reasonably estimable, (2) market multiple and recent transaction values of peer companies, (3) the potential value of synergies and other benefits, (4) our market capitalization and (5) any premium an investor would pay for a controlling interest.

The following table presents the Company s assets and liabilities measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3) as defined in SFAS 157:

	June 30, 2008	**Significant Unobservable Inputs (Level 3)**	**Valuation Technique**
Indefinite lived intangible assets	**623,951**	**623,951**	a, c
Goodwill	**538,944**	**538,944**	c
Deferred revenue	**(369,260)**	**(369,260)**	b
Total assets and liabilities measured at fair value	**793,635**	**793,635**	

12. Income Taxes

The reconciliation of the reported income and social contribution tax and the amount determined by applying the composite fiscal rate at June 30, 2008 and 2007, is as follows:

	Six-months periods ended June 30,	
	2008	**2007**
Income (loss) before income taxes	**(233,666)**	111,247
Nominal composite rate	**34%**	34%
Income tax expense by the nominal rate	**(79,446)**	37,823
Interest on shareholders equity	**-**	(23,256)
Other permanent differences	**21,028**	15,469
Income tax expense (benefit)	**(58,418)**	30,036
Effective rate	**25%**	27%

13. Earnings per Share

The Company s preferred shares are not entitled to receive any fixed dividends. Rather, the preferred shareholders are entitled to receive dividends per share in the same amount of the dividends per share paid to holders of the common shares. However, our preferred shares are entitled to receive distributions prior to holders of the common shares. Consequently, basic earnings per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the period. Preferred shares are excluded during any loss period. The diluted preferred shares are computed including the executive employee stock options calculated using the treasury-stock method as they were granted at an exercise price less that the market price of the shares.

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13. Earnings per Share (Continued)

	Three-months period ended June 30,		Six-months period ended June 30,	
	2008	**2007**	**2008**	**2007**
Numerator				
Net income (loss) applicable to common and preferred shareholders for basic and diluted earnings per share	**R$ (171,705)**	R$ (35,371)	**R$ (175,248)**	R$ 81,211
Denominator				
Weighted-average shares outstanding for basic earnings per share (in thousands)	**201,551**	197,306	**202,301**	196,755
Treasury shares	**(341)**	-	**(636)**	-
Adjusted weighted-average shares outstanding for basic earnings per share (in thousands)	**201,210**	-	**201,665**	-
Effect of dilutive securities:				
Executive stock options (in thousands)	**-**	-	**-**	59
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares (in thousands)	**201,381**	197,306	**201,665**	196,814
Basic earnings (loss) per share	**(0.85)**	(0.18)	**(0.87)**	0.41
Diluted earnings (loss) per share	**(0.85)**	(0.18)	**(0.87)**	0.41

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14. Revenue Information

The company operates domestic and international flights. Geographic information for net operating revenues by market, presented below, was compiled based on passenger and cargo transportation provided by origin to final destination for GTA and origin to first destination for VRG:

	Three-months period ended June 30,				Six-months period ended June 30,			
	2008	%	2007	%	2008	%	2007	%
Domestic	1,331,203	90.9	1,072,341	93.1	2,753,167	89.6	2,027,733	92.5
International	133,660	9.1	79,191	6.9	318,775	10.4	165,071	7.5
Total	1,464,863	100.0	1,151,532	100.0	3,071,942	100.0	2,192,804	100.0

15. Subsequent Event

On July 30, 2008, the Company, in compliance with Paragraph 4, Article 157, Law no. 6.404/76 and CVM Instruction no. 358/02, submitted to the National Civil Aviation Agency (Anac) a request for authorization for a corporate restructuring (the Reorganization) of its subsidiaries, Gol Transportes Aéreos S.A. (GTA) and VRG Linhas Aéreas S.A. (VRG), aiming to combine them into a single airline company which will respect VRG and GTA s current rights and obligations, maintaining the GOL and VARIG brands.

The acquisition of VRG by GTI S.A., a wholly-owned subsidiary of GTA, was approved by the Brazilian Antitrust Agency (Cade) on June 25, 2008. The effective consummation of the Reorganization is dependent upon Anac s approval, under the terms of Article 186 of the Brazilian Aeronautics Code and other preceding conditions.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 12, 2008

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: /S/ Anna Cecília Bettencourt Cochrane

Name: Anna Cecília Bettencourt Cochrane
Title: Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates offuture economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will a ctually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.