

Gol Intelligent Airlines Inc.
Form 6-K
August 12, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

For the month of August, 2008

(Commission File No. 001-32221) ,

GOL LINHAS AÉREAS INTELIGENTES S.A.
(Exact name of registrant as specified in its charter)

GOL INTELLIGENT AIRLINES INC.
(Translation of Registrant's name into English)

Rua Tamoios, 246
Jardim Aeroporto
04630-000 São Paulo, São Paulo
Federative Republic of Brazil
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

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***Unaudited Condensed Consolidated I
nterim Financial Statements under
US GAAP***

GOL Linhas Aéreas Inteligentes S.A.

***June 30, 2008 and December 31, 2007, with Report of
Independent Registered Public Accounting Firm***

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2008 and 2007 (In thousands of Brazilian Reais)

Contents

| | |
|--|--------------|
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>F - 1</u> |
| <u>Condensed Consolidated Balance Sheets</u> | <u>F - 2</u> |
| <u>Condensed Consolidated Statements of Operations</u> | <u>F - 4</u> |
| <u>Condensed Consolidated Statements of Cash Flows</u> | <u>F - 5</u> |
| <u>Condensed Consolidated Statements of Shareholders' Equity</u> | <u>F - 6</u> |
| <u>Notes to Condensed Consolidated Financial Statements</u> | <u>F - 7</u> |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Gol Linhas Aéreas Inteligentes S.A.

We have reviewed the condensed consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of June 30, 2008, the related condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2008 and 2007 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2008 and 2007 and the condensed consolidated statements of shareholders' equity and comprehensive income for the six-month period ended June 30, 2008. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of December 31, 2007, and the related consolidated statements of income, cash flows and shareholders' equity and comprehensive income for the year then ended (not presented herein) and in our report dated February 12, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG
Auditores Independentes S.S.

Maria Helena Pettersson
Partner

São Paulo, Brazil
August 6, 2008

GOL LINHAS AÉREAS INTELIGENTES S.A.**CONDENSED CONSOLIDATED BALANCE SHEETS**
(In thousands of Brazilian Reais)

| | June 30, 2008 | December 31, 2007 |
|---|----------------------|------------------------------|
| | (Unaudited) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | R\$ 299,758 | R\$ 574,363 |
| Short-term investments | 437,981 | 858,438 |
| Receivables, less allowance (2008 R\$34,827; 2007 R\$ 23,297) | 339,898 | 916,133 |
| Inventories of parts and supplies, net of allowance for obsolescence | 133,825 | 192,782 |
| Deposits | 206,495 | 192,357 |
| Recoverable and deferred taxes | 85,628 | 90,090 |
| Prepaid expenses | 108,349 | 143,756 |
| Other | 67,996 | 161,628 |
| Total current assets | 1,679,930 | 3,129,547 |
| Property and equipment | | |
| Pre-delivery deposits | 729,682 | 543,906 |
| Flight equipment | 2,008,174 | 1,690,903 |
| Other | 200,058 | 179,709 |
| | 2,937,914 | 2,414,518 |
| Accumulated depreciation | (379,981) | (269,633) |
| Property and equipment, net | 2,557,933 | 2,144,885 |
| Other assets | | |
| Deposits | 348,079 | 397,308 |
| Deferred income taxes | 280,403 | 47,121 |
| Goodwill | 538,944 | 272,975 |
| Tradenames | 63,109 | 124,883 |
| Airport operating rights | 560,842 | 746,734 |
| Other | 161,899 | 138,968 |
| Total other assets | 1,953,276 | 1,727,989 |
| Total assets | R\$ 6,191,139 | R\$ 7,002,421 |

| | June 30, 2008 | December 31, 2007 |
|---|---------------|----------------------|
| | (Unaudited) | |
| Liabilities and shareholders equity | | |
| Current liabilities | | |
| Short-term borrowings | R\$ - | R\$ 496,788 |
| Current portion of long-term debt | 428,953 | 308,285 |
| Current obligations under capital leases | 117,353 | 93,020 |
| Accounts payable | 249,896 | 326,364 |
| Salaries, wages and benefits | 154,378 | 163,437 |
| Sales tax and landing fees | 156,210 | 152,332 |
| Air traffic liability | 419,466 | 472,860 |
| Aircraft leasing payable | 23,563 | 35,982 |
| Insurance premium payable | 231 | 44,150 |
| Dividends payable | 36,708 | 75,610 |
| Deferred revenue | 94,729 | 90,843 |
| Other | 62,830 | 27,671 |
| Total current liabilities | 1,744,317 | 2,287,342 |
| Non-current liabilities | | |
| Long-term debt | 979,476 | 1,066,102 |
| Obligations under capital leases | 852,663 | 776,578 |
| Deferred revenue | 274,531 | 287,191 |
| Estimated civil and labor liabilities | 142,839 | 32,075 |
| Other | 104,724 | 177,870 |
| | 2,354,233 | 2,339,816 |
| Shareholders equity | | |
| Preferred shares, no par value; 94,073,518 and 94,709,463 issued and outstanding in 2008 and 2007, respectively | 1,205,801 | 1,205,801 |
| Common shares, no par value; 107,590,792 issued and outstanding in 2008 and 2007 | 41,500 | 41,500 |
| Additional paid-in capital | 40,186 | 39,132 |
| Treasury shares, at cost: 1,574,200 shares | (41,180) | - |
| Appropriated retained earnings | 87,227 | 87,227 |
| Unappropriated retained earnings | 751,299 | 998,936 |
| Accumulated other comprehensive income | 7,756 | 2,667 |
| Total shareholders equity | 2,092,589 | 2,375,263 |
| Total liabilities and shareholders equity | R\$ 6,191,139 | R\$ 7,002,421 |

See accompanying notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands of Brazilian Reais, except per share amounts)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|---------------|---------------------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net operating revenues | | | | |
| Passenger | R\$ 1,340,087 | R\$ 1,046,066 | R\$ 2,839,423 | R\$ 2,021,427 |
| Cargo and Other | 124,776 | 105,466 | 232,519 | 171,377 |
| Total net operating revenues | 1,464,863 | 1,151,532 | 3,071,942 | 2,192,804 |
| Operating expenses | | | | |
| Salaries, wages and benefits | 245,521 | 178,127 | 486,709 | 310,192 |
| Aircraft fuel | 733,642 | 496,193 | 1,397,774 | 857,491 |
| Aircraft rent | 153,397 | 136,056 | 303,057 | 231,387 |
| Sales and marketing | 122,378 | 85,809 | 262,585 | 162,364 |
| Landing fees | 94,112 | 70,289 | 180,412 | 125,261 |
| Aircraft and traffic servicing | 109,482 | 99,993 | 226,927 | 157,881 |
| Maintenance materials and repairs | 107,994 | 76,502 | 168,582 | 122,750 |
| Depreciation | 55,433 | 29,500 | 111,901 | 58,046 |
| Other | 142,132 | 72,477 | 254,610 | 135,786 |
| Total operating expenses | 1,764,091 | 1,244,946 | 3,392,557 | 2,161,158 |
| Operating income (loss) | (299,228) | (93,414) | (320,615) | 31,646 |
| Other income (expense) | | | | |
| Interest expense | (35,351) | (40,991) | (95,333) | (68,015) |
| Capitalized interest | 9,875 | 4,089 | 20,747 | 8,706 |
| Interest and investment income | 102,052 | 72,879 | 169,521 | 161,485 |
| Other, net | (6,290) | 8,983 | (7,986) | (22,575) |
| Total other income | 70,286 | 44,960 | 86,949 | 79,601 |
| Income (loss) before income taxes | (228,942) | (48,454) | (233,666) | 111,247 |
| Income taxes (expense) benefit | 57,237 | 13,083 | 58,418 | (30,036) |
| Net income (loss) | R\$ (171,705) | R\$ (35,371) | R\$ (175,248) | R\$ 81,211 |
| Earnings (loss) per common and preferred share: | | | | |

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| | | | | |
|---------|-------------------|------------|-------------------|----------|
| Basic | R\$ (0.85) | R\$ (0.18) | R\$ (0.87) | R\$ 0.41 |
| Diluted | R\$ (0.85) | R\$ (0.18) | R\$ (0.87) | R\$ 0.41 |

See accompanying notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands of Brazilian Reais)

| | Six months periods ended June 30, | |
|--|--------------------------------------|-------------|
| | 2008 | 2007 |
| Cash flows from operating activities | | |
| Net income (loss) | R\$ (175,248) | R\$ 81,211 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 111,901 | 58,046 |
| Deferred income taxes | (705) | 25,857 |
| Allowance for doubtful accounts receivable | 11,530 | 5,401 |
| Other, net | 9,771 | - |
| Changes in operating assets and liabilities: | | |
| Receivables | 551,633 | (59,738) |
| Inventories | 44,761 | (60,435) |
| Accounts payable and other accrued liabilities | (76,468) | 58,523 |
| Deposits with lessors | 26,544 | (93,270) |
| Air traffic liability | (53,394) | (4,891) |
| Dividends payable | (38,902) | 33,607 |
| Deferred income taxes | (148,622) | (43,783) |
| Deferred revenues | (14,358) | (566) |
| Other, net | 39,048 | (40,091) |
| Net cash provided by (used in) operating activities | 287,491 | (40,129) |
| Cash flows from investing activities | | |
| Deposits for aircraft leasing contracts | 8,547 | (13,646) |
| Acquisition of VRG, net of cash acquired | - | (194,087) |
| Acquisition of property and equipment | (238,757) | (209,262) |
| Pre-delivery deposits | (185,776) | (33,247) |
| Treasury shares | (41,180) | - |
| Purchase of available-for-sale securities | (437,981) | (1,088,673) |
| Sale of available-for-sale securities | 858,438 | 1,308,568 |
| Net cash used in investing activities | (36,709) | (230,347) |
| Cash flows from financing activities | | |
| Short-term borrowings, net | (496,788) | 213,124 |
| Proceeds from issuance of long-term debt | 34,042 | 461,525 |
| Dividends paid | (72,389) | (149,738) |
| Paid subscribed capital | 937 | 4,405 |
| Other, net | 8,811 | 13,852 |

| | | |
|---|--------------------|-------------|
| Net cash provided by (used in) financing activities | (525,387) | 543,168 |
| Net increase (decrease) in cash and cash equivalents | (274,605) | 272,692 |
| Cash and cash equivalents at beginning of the period | 574,363 | 280,977 |
| Cash and cash equivalents at end of the period | R\$ 299,758 | R\$ 553,669 |
| Supplemental disclosure of cash flow information | | |
| Interest paid | 95,333 | 66,910 |
| Income taxes paid | 43,656 | 22,811 |
| Non cash investing activities | | |
| Accrued capitalized interest | 15,292 | (8,706) |
| Shares issued as consideration for the acquisition of VRG | - | 359,244 |
| Capital leases | 100,417 | 76,897 |

See accompanying notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**
(In thousands of Brazilian Reais, except for share information)

| | Common Shares | | Preferred Shares | | Additional paid-in capital | Deferred compensation | Treasury shares | Appropriated Un | Retained Ea |
|---|--------------------|------------------|--------------------|---------------------|----------------------------------|--------------------------|--------------------|------------------|-------------|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance at December 31, 2007 | 107,590,792 | R\$ 41,500 | 94,709,463 | R\$ 1,205,801 | R\$ 40,565 | R\$ (1,433) | R\$ - | R\$ 87,227 | |
| Comprehensive income: | | | | | | | | | |
| Net loss for the period | - | - | - | - | - | - | - | - | - |
| Change in fair value of derivative instruments, net of taxes | - | - | - | - | - | - | - | - | - |
| Total Comprehensive loss | - | - | - | - | - | - | - | - | - |
| Paid-in subscribed capital | - | - | 336 | - | - | - | - | - | - |
| Deferred compensation | - | - | - | - | 937 | - | - | - | - |
| Amortization of deferred compensation | - | - | - | - | - | 117 | - | - | - |
| Treasury shares | - | - | (1,574,200) | - | - | - | (41,180) | - | - |
| Interim dividends payable | - | - | - | - | - | - | - | - | - |
| Balance at June 30, 2008 (Unaudited) | 107,590,792 | R\$41,500 | 93,135,599 | R\$1,205,801 | R\$41,502 | R\$(1,316) | R\$(41,180) | R\$87,227 | |

See
accompanying
notes.

F- 6

GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(In thousands of Brazilian Reais)

1. Business Overview

As of June 30, 2008, GTA had a 78 aircraft fleet (net of one in return), comprised of 39 Boeing 737-800, 28 Boeing 737-700 and 11 Boeing 737-300 aircraft; and VRG (see Note 3) had a 34-aircraft fleet (net of six in return), comprised of 7 Boeing 737-800, 4 Boeing 737-700, 13 Boeing 737-300 and 10 Boeing 767-300 aircraft. During the second quarter of 2008, GTA served 56 destinations (48 in Brazil, 3 in Argentina, and 1 each in Bolivia, Chile, Paraguay, Peru, and Uruguay), and VRG served 19 destinations (14 in Brazil, and 1 each in Argentina, Chile, Colombia, France and Venezuela).

2. Summary of Significant Accounting Policiesa) Basis of presentation

These condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States (US GAAP) for interim financial information, using Brazilian Reais as the functional and reporting currency. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's results for the periods presented. The exchange rates, per US Dollar at June 30, 2008 and December 31, 2007 were 1.5919 and R\$ 1.7713, respectively. The average exchange rates for the six-months ended June 30, 2008 and 2007 were 1.6961 and R\$ 1.9818, respectively, (these rates are provided for reference purposes). The accounting principles adopted under US GAAP differ in certain respects from accounting principles generally accepted in Brazil (Brazilian GAAP), which the Company uses to prepare its statutory financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates.

2. Summary of Significant Accounting Policies (Continued)a) Basis of presentation (Continued)

The condensed consolidated financial statements include accounts of Gol Linhas Aéreas Inteligentes S.A. (the Company) and of its wholly-owned subsidiaries Gol Transportes Aéreos S.A. (GTA), GTI S.A., GAC Inc., Gol Finance and indirect ownership of VRG Linhas Aéreas S.A (VRG) and SKY Finance. Results include those of VRG since April 9, 2007, the date the Company assumed operations of VRG. All significant intercompany balances have been eliminated.

The results of the six-month period ended June 30, 2008 are not necessarily indicative of the results that might be expected for the full year ending December 31, 2008. The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by US GAAP for complete financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2007.

b) New accounting pronouncements

In September 2006, the FASB issued statement No.157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. The purpose of SFAS 157 is to eliminate the diversity in practice associated with measuring fair value as caused by the application of existing accounting pronouncements. SFAS 157 emphasizes that fair value is a market-based measurement and thus, 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 has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (1) observable inputs such as quoted prices in active markets, (2) inputs other than the quoted prices noted above that are observable either directly or indirectly and (3) unobservable inputs in which there is little or no market data and requires the reporting entity to develop its own assumptions. The Company has adopted the provisions of SFAS 157 as of January 1, 2008. The adoption of such pronouncement did not generate a material impact on the Company's financial position, except for certain required disclosures about fair value measurements for interim periods and fiscal years. For additional information regarding recurring and nonrecurring fair value measurements, see Note 11.

2. Summary of Significant Accounting Policies (Continued)b) New accounting pronouncements (Continued)

On December 2007, the FASB issued SFAS 141(R), "Business Combinations" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer (a) recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination (including broadening and clarifying the definition of a business used for establishing the allocation to reporting units of an acquired entity) or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R applies prospectively to all business combination transactions for which the acquisition date is on or after January 1, 2009. In addition, SFAS 141R amends the guidance in FASB Statement No. 109, Accounting for Income Taxes (SFAS 109) and FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) on the accounting for changes in (1) a valuation allowance on an acquired entity's deferred income tax assets or (2) assumed liabilities for acquired income tax uncertainties.

Upon adoption of SFAS 141R, the Company will be required to reevaluate previously identified reporting units under the new definition of a business. Additionally, the amendments to SFAS 109 and FIN 48 will be applied prospectively as of the adoption date of SFAS 141R and will apply to business combinations with acquisition dates before the effective date of SFAS 141R; the impact of which could result in changes to deferred income tax assets or assumed income tax uncertainties to be recognized as adjustments to income tax expense or contributed capital, as appropriate, even if the deferred tax asset or income tax uncertainty was initially recognized as a result of a business combination with an acquisition date prior to January 1, 2009. Finally, the impact of the adoption of SFAS 141R will affect business combinations, if any, that are consummated on or after January 1, 2009.

2. Summary of Significant Accounting Policies (Continued)

b) New accounting pronouncements (Continued)

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities" - an amendment of FASB Statement 133, ("SFAS 161"), which requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format provides a more complete picture of the location in an entity's financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early adoption is permitted. Management is currently evaluating the effect of this pronouncement on the Company's financial statements.

3. Business Combination

On April 9, 2007, the Company acquired VRG. The total purchase price was R\$558,744 (US\$ 290,076) of which R\$ 194,087 (US\$ 100,762) was paid in cash, net of cash acquired, R\$ 357,235 (US\$ 185,461) was paid in non-voting preferred shares and R\$ 7,422 (US\$ 3,853) was acquisition cost. The value of Company's preferred shares issued as consideration to the shareholders of VRG was determined based on the average market price at the date the transaction was agreed to and announced. The purchase contract includes provisions for a post-closing purchase price adjustment based on an audit of specific assets and liabilities. Disputed items involved in the arbitration process pursuant to this contract provision could result in a reduction of the purchase price of up to R\$ 153,000. The results of VRG's operations have been consolidated since April 9, 2007, the acquisition date.

Under the purchase method of accounting, the total purchase price is allocated to the net tangible and intangible assets acquired and liabilities assumed based on their fair values as of the date of acquisition.

3. Business Combination (Continued)

The valuation of the assets acquired and liabilities assumed was based on management's best available estimate of fair value for the assets and liabilities of VRG considering the prevailing market conditions at the date of acquisition. The Company finalized the purchase price allocation during the quarter ended March 31, 2008. The final valuation of airport operating rights was R\$ 185,892 lower than estimated due to increased information available to management related to estimating the future cash flows for the routes associated with the airport operating rights acquired. The final valuation of tradenames was R\$ 61,774 lower than estimated due to additional information available to management leading to revised cash flow projections for the brand of VRG, which was acquired out of bankruptcy. Liabilities assumed increased by R\$83,602 primarily due to amounts owed to the companies in judicial recovery not recognized by sellers at the time of the acquisition, liabilities identified in jurisdictions where Brazilian law is not recognized and revised estimates of the probability of the seller honoring payment of liabilities.

The following table summarizes the final allocation of the fair value of assets acquired and liabilities assumed:

| | |
|--------------------------------------|------------|
| Assets acquired | |
| Accounts receivable | R\$ 24,153 |
| Inventories | 5,442 |
| Deferred income tax assets | 224,155 |
| Fixed assets | 11,740 |
| Intangible assets | 623,951 |
| Other assets | 101,206 |
| Total assets acquired | 990,647 |
| Liabilities assumed | |
| Accounts payable | (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 |

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 |

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.

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 |

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 | | | &nb | | | | |