

Gol Intelligent Airlines Inc.
Form 20-F
May 08, 2009

As filed with the Securities and Exchange Commission on May 7, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 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)

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

**Praça Comte Linneu Gomes, S/N Portaria 3,
Jd. Aeroporto
04626-020 São Paulo, São Paulo
Federative Republic of Brazil
(+55 11 2128-4000)**

(Address, including zip code and telephone number, including area code, of registrant's principal executive

offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| <u>Title of each class:</u> | <u>Name of each exchange on which registered:</u> |
|--|--|
| Preferred Shares, without par value American Depository Shares (as evidenced by American Depository Receipts), each representing one share of Preferred Stock | New York Stock Exchange* New York Stock Exchange |

* Not for trading purposes, but only in connection with the trading on the New York Stock Exchange of American Depository Shares representing those preferred shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
7.50% Senior Notes Due 2017

The number of outstanding shares of each class of stock of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2008:

| | |
|--------------------|----------------------------------|
| 107,590,792 | Shares of Common Stock |
| 94,709,463 | Shares of Preferred Stock |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this is an annual or transition report, indicate by check mark if the registrant is not required to file pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 Item 18

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If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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PRESENTATION OF FINANCIAL AND OTHER DATA

We make statements in this annual report about our competitive position and market share in, and the market size of, the Brazilian and international airline industry. We have made these statements on the basis of statistics and other information from third-party sources, governmental agencies or industry or general publications that we believe are reliable. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect, we have not independently verified the competitive position, market share and market size or market growth data provided by third parties or by industry or general publications. All industry and market data contained in this annual report is based upon the latest publicly available information as of the date of this annual report.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

The consolidated financial statements included in this annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) in *reais*.

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate such amounts in respect of the year ended December 31, 2008 was R\$2.337 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2008, as reported by the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See *Exchange Rates* for more detailed information regarding the translation of *reais* into U.S. dollars.

In this annual report, we use the terms *the Registrant* to refer to Gol Linhas Aéreas Inteligentes S.A., and *Gol*, *Company*, *we*, *us* and *our* to refer to the Registrant and its consolidated subsidiaries together, except where the context requires otherwise. The term *VRG* refers to VRG Linhas Aéreas S.A., a wholly owned subsidiary of the Registrant. References to *preferred shares* and *ADSs* refer to non-voting preferred shares of the Registrant and American depositary shares representing those preferred shares, respectively, except where the context requires otherwise.

The phrase *Brazilian government* refers to the federal government of the Federative Republic of Brazil, and the term *Central Bank* refers to the Banco Central do Brasil, or the Central Bank of Brazil. The term *Brazil* refers to the Federative Republic of Brazil. The terms *U.S. dollar* and *U.S. dollars* and the symbol *US\$* refer to the legal currency of the United States. The terms *real* and *reais* and the symbol *R\$* refer to the legal currency of Brazil. *IFRS* refers to the international financial reporting standards issued by the International Accounting Standards Board (IASB). *U.S. GAAP* refers to generally accepted accounting principles in the United States, and *Brazilian GAAP* refers to generally accepted accounting principles in Brazil, which are accounting principles derived from Law No. 6,404 of December 15, 1976, as amended and supplemented, or the Brazilian corporation law and the rules of the CVM.

This annual report contains terms relating to operating performance within the airline industry that are defined as follows:

- *Revenue passengers* represents the total number of paying passengers flown on all flight segments.
- *Revenue passenger kilometers* represents the numbers of kilometers flown by revenue passengers.
- *Available seat kilometers* represents the aircraft seating capacity multiplied by the number of kilometers the seats are flown.

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- Load factor represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger kilometers by available seat kilometers).
- Breakeven load factor is the passenger load factor that will result in passenger revenues being equal to operating expenses.

- Aircraft utilization represents the average number of block hours operated per day per aircraft for the total aircraft fleet.
- Block hours refers to the elapsed time between an aircraft's leaving an airport gate and arriving at an airport gate.
- Yield per passenger kilometer represents the average amount one passenger pays to fly one kilometer.
- Passenger revenue per available seat kilometer represents passenger revenue divided by available seat kilometers.
- Operating revenue per available seat kilometer represents operating revenues divided by available seat kilometers.
- Average stage length represents the average number of kilometers flown per flight.
- Operating expense per available seat kilometer represents operating expenses divided by available seat kilometers.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements, principally under the captions Risk Factors, Operating and Financial Review and Prospects and Business Overview. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- general economic, political and business conditions in Brazil and in other South American markets we serve;
- the effects of the global financial markets and economic crisis;
- management's expectations and estimates concerning our future financial performance and financing plans and programs;
- our level of fixed obligations;
- our capital expenditure plans;
- our ability to obtain financing on acceptable terms;
- inflation and fluctuations in the exchange rate of the *real*;
- existing and future governmental regulations, including air traffic capacity controls;
- increases in fuel costs, maintenance costs and insurance premiums;
- changes in market prices, customer demand and preferences and competitive conditions;

- cyclical and seasonal fluctuations in our operating results;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our strategy;
- developments in the Brazilian civil aviation infrastructure, including air traffic control, airspace and airport infrastructure, and

- the risk factors discussed under Risk Factors.

The words believe, may, will, aim, estimate, continue, anticipate, intend, expect and similar words identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, and the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

We changed our financial reporting from U.S. GAAP to IFRS, beginning with the financial statements as of and for the year ended December 31, 2008. Therefore, we present in this section the following summary financial data:

- Summary financial and operating data derived from our audited financial statements as of and for the year ended December 31, 2008 and 2007, included herein and prepared in accordance with IFRS; and
- Summary financial data derived from our audited financial statements as of and for the years ended December 31, 2007, 2006, 2005 and 2004, not included herein and prepared in accordance with U.S. GAAP.

For a reconciliation of profit (loss) and shareholders' equity of our audited financial statements in U.S. GAAP to our audited financial statements in IFRS at January 1, 2007 and December 31, 2007 and for the year then ended, see note 23 under the caption "Reconciliation between USGAAP and IFRS as of and for the year ended December 31, 2007" to our financial statements included in this annual report. See also Item 5 for information on certain differences between U.S. GAAP and IFRS and related critical accounting policies.

The summary financial data prepared in accordance with IFRS and U.S. GAAP is not comparable.

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2008 have been translated into U.S. dollars at the commercial market rate in effect as of December 31, 2008 as reported by the Brazilian Central Bank of R\$2.337 to US\$1.00.

IFRS Summary Financial and Operating Data

| | Year Ended December 31, | | |
|-------------------------------|------------------------------------|--------------|---------------|
| | 2007 | 2008 | 2008 |
| | (in thousands) | | |
| Income Statement Data: | | | |
| Net operating revenues: | | | |
| Passenger | R\$4,566,691 | R\$5,890,104 | US\$2,520,370 |
| Cargo and other | 374,293 | 516,089 | 220,834 |
| Total net operating revenues | 4,940,984 | 6,406,193 | 2,741,204 |
| Operating expenses: | | | |
| Salaries | (799,344) | (983,783) | (420,960) |

Year Ended December 31,

| | 2007 | 2008 | 2008 |
|---|--|------------|--|
| | (in thousands of <i>reais</i> , except percentages) | | (in thousands of U.S. <i>dollars</i> , except percentages) |
| Other Financial Data: | | | |
| Operating margin(3) | 0.02% | (1.4)% | (1.4)% |
| Net cash provided by (used in) operating activities | R\$(141,488) | R\$166,860 | US\$71,399 |
| Net cash used in investing activities | (190,339) | 40,650 | 17,394 |
| Net cash provided by (used in) financing activities | 617,484 | (611,301) | (261,575) |

Year Ended December 31,

| | 2007 | 2008 |
|--|--------|--------|
| Operating Data (unaudited): | | |
| Revenue passengers (in thousands) | 23,689 | 25,664 |
| Revenue passenger kilometers (in millions) | 22,670 | 25,308 |
| Available seat kilometers (in millions) | 34,349 | 41,107 |
| Load-factor | 66.0% | 61.6% |
| Break-even load-factor | 65.9% | 62.5% |
| Aircraft utilization (block hours per day) | 13.8 | 12.1 |
| Average fare | 198 | 262 |

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| | | |
|--|-----------|-----------|
| Yield per passenger kilometer (cents) | 20.1 | 23.3 |
| Passenger revenue per available seat kilometer (cents) | 13.3 | 14.3 |
| Operating revenue per available seat kilometer (cents) | 14.4 | 15.6 |
| Operating expense per available seat kilometer (cents) | 14.4 | 15.8 |
| Operating expense less fuel expense per available seat kilometer (cents) | 8.9 | 9.4 |
| Departures | 237,287 | 268,540 |
| Departures per day | 650 | 736 |
| Destinations served | 66 | 59 |
| Average stage length (kilometers) | 960 | 933 |
| Average number of operating aircraft during period | 88.6 | 106.4 |
| Full-time equivalent employees at period end | 15,722 | 15,911 |
| Fuel liters consumed (in thousands) | 1,177,300 | 1,364,719 |
| Percentage of sales through website during period | 80% | 79% |
| Percentage of sales through website and call center during period | 90% | 86% |

-
- (1) Our preferred shares are not entitled to any fixed dividend preferences, but are instead entitled to receive dividends per share in the same amount of dividends per share paid to holders of our common shares. Consequently, our earnings (loss) per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the year.
- (2) Trade and other receivables related to receivables from credit card administrators, travel agencies, installment sales from the Voe Facil program, cargo agencies and others. These receivables are stated at cost less allowances for doubtful receivables, which approximates their fair value given their short term nature.
- (3) Operating margin represents operating income divided by net operating revenues.

U.S. GAAP Summary Financial Data

| | Year Ended December 31, | | | |
|---|--------------------------------|------------------|------------------|------------------|
| | 2004 | 2005 | 2006 | 2007(3) |
| | (in thousands) | | | |
| Income Statement Data: | | | | |
| Net operating revenues: | | | | |
| Passenger | R\$1,875,475 | R\$2,539,016 | R\$3,580,919 | R\$4,566,691 |
| Cargo and other | 85,411 | 130,074 | 221,098 | 371,640 |
| Total net operating revenues | 1,960,886 | 2,669,090 | 3,802,017 | 4,938,331 |
| Operating expenses: | | | | |
| Salaries, wages and benefits | 183,037 | 260,183 | 413,977 | 798,141 |
| Aircraft fuel | 459,192 | 808,268 | 1,227,001 | 1,898,840 |
| Aircraft rent | 195,504 | 240,876 | 292,548 | 515,897 |
| Sales and marketing | 261,756 | 335,722 | 414,597 | 367,866 |
| Landing fees | 57,393 | 92,404 | 157,695 | 273,655 |
| Aircraft and traffic servicing | 74,825 | 91,599 | 199,430 | 348,732 |
| Maintenance, materials and repairs | 51,796 | 55,373 | 146,505 | 318,917 |
| Depreciation | 21,242 | 35,014 | 69,313 | 121,570 |
| Other operating expenses | 79,840 | 128,300 | 179,494 | 317,686 |
| Total operating expenses | 1,384,585 | 2,047,739 | 3,100,560 | 4,961,304 |
| Operating income (loss) | 576,301 | 621,351 | 701,457 | (22,973) |
| Other income (expense): | | | | |
| Interest expense | (13,445) | (19,383) | (66,378) | (142,390) |
| Financial income (expense), net | 24,424 | 115,554 | 163,883 | 265,074 |
| Income (expense) benefits before income taxes | | | | |
| Income taxes | 587,280 | 717,522 | 798,962 | 99,711 |
| | (202,570) | (204,292) | (229,825) | 2,802 |
| Net income | R\$384,710 | R\$513,230 | R\$569,137 | R\$102,513 |
| Earnings per share, basic(1) | R\$2.14 | R\$2.66 | R\$2.90 | R\$0.52 |
| Earnings per share, diluted(1) | R\$2.13 | R\$2.65 | R\$2.90 | R\$0.52 |
| Weighted average shares used in computing earnings per share, basic (in thousands)(1) | 179,731 | 192,828 | 196,103 | 198,609 |
| Weighted average shares used in computing earnings per share, diluted (in thousands)(1) | 180,557 | 193,604 | 196,210 | 198,657 |
| Earnings per ADS, basic(1) | R\$2.14 | R\$2.66 | R\$2.90 | R\$0.52 |
| Earnings per ADS, diluted(1) | R\$2.13 | R\$2.65 | R\$2.90 | R\$0.52 |
| Dividends paid per share | R\$0.32 | R\$0.60 | R\$0.92 | R\$1.40 |
| Dividends paid per ADS(1) | R\$0.32 | R\$0.60 | R\$0.92 | R\$1.40 |

As of December 31,

| | 2004 | 2005 | 2006 | 2007 |
|--|------|------|------|------|
|--|------|------|------|------|

(in thousands)

Balance Sheet Data:

| | | | | |
|---------------------------|------------|------------|------------|------------|
| Cash and cash equivalents | R\$405,730 | R\$106,347 | R\$280,977 | R\$574,363 |
| Short-term investments | 443,361 | 762,688 | 1,425,369 | 858,438 |
| Accounts receivable(2) | 386,370 | 563,958 | 659,306 | 916,133 |
| Deposits with lessors | 289,416 | 408,776 | 537,835 | 589,665 |
| Total assets | 1,734,284 | 2,555,843 | 4,258,454 | 7,002,421 |
| Short-term borrowings | 118,349 | 54,016 | 128,304 | 496,788 |
| Long-term debt | | | 949,006 | 1,066,102 |
| Shareholders equity | 1,148,453 | 1,822,331 | 2,205,158 | 2,375,263 |

- (1) Our preferred shares are not entitled to any fixed dividend preferences, but are instead entitled to receive dividends per share in the same amount of dividends per share paid to holders of our common shares. Consequently, our earnings (loss) per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the year.
- (2) Trade and other receivables related to receivables from credit card administrators, travel agencies, installment sales from the Voe Facil program, cargo agencies and others. These receivables are stated at cost less allowances for doubtful receivables, which approximates their fair value given their short term nature
- (3) Includes the results of VRG since April 9, 2007.

Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R\$3.53 per US\$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macro-economic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R\$1.56 per US\$1.00 in August 2008. In the context of the crisis in the global financial markets since mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the year 2008, reaching R\$2.34 per US\$1.00 on December 31, 2008. On April 30, 2009, the exchange rate was R\$2.18 per US\$1.00. The Central Bank has intervened occasionally to control instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

The following tables present the selling rate, expressed in *reais* per U.S. dollar (R\$/US\$), for the periods indicated.

| Year | Period-End | Average | Low | High |
|--------------------------------|-------------------|------------------------------|------------|-------------|
| | | for | | |
| | | Period ⁽¹⁾ | | |
| (reais per U.S. dollar) | | | | |
| 2004 | | 2.654 | 2.926 | 3.205 |
| 2005 | | 2.341 | 2.435 | 2.762 |
| 2006 | | 2.138 | 2.177 | 2.371 |
| 2007 | | 1.771 | 1.948 | 2.156 |
| 2008 | | 2.337 | 1.836 | 2.500 |
| 2009 (through April 30) | | 2.178 | 2.285 | 2.289 |

| Month | Month-End | Average | Low | High |
|--------------------------------|------------------|-----------------------------|------------|-------------|
| | | for | | |
| | | Month ⁽²⁾ | | |
| (reais per U.S. dollar) | | | | |
| September 2008 | | 1.914 | 1.800 | 1.956 |
| October 2008 | | 2.115 | 2.157 | 2.392 |
| November 2008 | | 2.333 | 2.273 | 2.428 |
| December 2008 | | 2.337 | 2.266 | 2.500 |
| January 2009 | | 2.316 | 2.394 | 2.380 |
| February 2009 | | 2.378 | 2.307 | 2.392 |
| March 2009 | | 2.315 | 2.314 | 2.237 |
| April 2009 | | 2.178 | 2.205 | 2.289 |

Source: Central Bank

Notes:

(1) Represents the average of the exchange rates on the last day of each month during the period.

(2) Average of the lowest and highest rates in the month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in the ADSs or our preferred shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the ADSs could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazilian political and economic conditions, could adversely affect our business and the trading price of our ADSs and our preferred shares.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in policy or regulations at the federal, state or municipal levels involving or affecting factors such as:

- interest rates;
- currency fluctuations;
- inflation;
- liquidity of domestic capital and lending markets;
- tax policies;
- exchange rates and exchange controls and restrictions on remittances abroad, such as those that were briefly imposed in 1989 and early 1990; and
- other political, social and economic developments in or affecting Brazil.

Exchange rate instability may adversely affect our financial condition and results of operations and the market price of the ADSs and our preferred shares.

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R\$3.53 per US\$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macro-economic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R\$1.56 per US\$1.00 in August 2008. In the context of the crisis in the global financial markets since mid-2008, the *real* depreciated 31.9% against the U.S. dollar over the year 2008 and reached R\$2.337 per US\$1.00 at year end 2008. On April 30, 2009, the exchange rate was R\$2.18 per US\$1.00.

Depreciation of the *real* against the U.S. dollar could create inflationary pressures in Brazil and cause increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole and harm our financial condition and results of operations, may curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciation of the *real* against the U.S. dollar can also, as in the context of the current economic slowdown, lead to decreased consumer spending, deflationary pressures and reduced growth of the economy as a whole. On the other hand, appreciation of the *real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of the Brazilian foreign exchange current accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect the growth of the Brazilian economy and our business, financial condition and results of operations.

Substantially all of our passenger revenue and cargo revenue and temporary investments are denominated in *reais*, and a significant part of our operating expenses, such as fuel, aircraft and engine maintenance services, aircraft rent payments and aircraft insurance, are denominated in, or linked to, U.S. dollars. We maintain U.S. dollar-denominated deposits and maintenance reserve deposits under the terms of some of our aircraft operating leases. For the year ended December 31, 2008, 57% of our operating expenses were either denominated in or linked to the U.S. dollar. In addition, the purchase price of the 94 Boeing 737 Next Generation aircraft for which we had placed firm purchase orders as of December 31, 2008 and the 36 Boeing 737 Next Generation aircraft for which we currently have purchase options are denominated in U.S. dollars. At the end of 2008, 96.1% of our indebtedness was denominated in U.S. dollars. While in the past we have generally adjusted our fares in response to, and to alleviate the effect of, depreciation of the *real* and increases in the price of jet fuel (which is priced in U.S. dollars) and have entered into hedging arrangements to protect us against the effects of such developments, there can be no assurance we will be able to continue to do so. To the extent we are unable to adjust our fares or effectively hedge against any such developments, this may lead to a decrease in our profit margins or to operating losses caused by increases in U.S. dollar-denominated costs, increases in interest expense or exchange losses on unhedged fixed obligations and indebtedness denominated in foreign currency. We had total U.S. dollar-denominated future operating lease payment obligations of US\$4,675.4 million and R\$3,396.3 million other U.S. dollar-denominated indebtedness at December 31, 2008. We may incur substantial additional amounts of U.S. dollar-denominated operating lease or financial obligations and U.S. dollar-denominated indebtedness and be subject to fuel cost increases linked to the U.S. dollar. At December 31, 2008, we had a short-term hedging program in place to cover part of our U.S. dollar-denominated operating lease obligations, our U.S. dollar-linked jet fuel expenses and our interest rate exposure.

Depreciation of the *real* also reduces the U.S. dollar value of distributions and dividends on the ADSs and the U.S. dollar equivalent of the market price of our preferred shares and, as a result, the ADSs.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm our business.

Brazil has in the past experienced extremely high rates of inflation and has therefore followed monetary policies that have resulted in one of the highest real interest rates in the world. Between 2004 and 2008, the base interest rate (SELIC) in Brazil varied between 19.25% p.a. and 11.25% p.a. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect our business. In addition, we may not be able to adjust the fares we charge our customers to offset the effects of inflation on our cost structure.

Developments and the perception of risk in other countries, including the United States and emerging market countries, may adversely affect the market price of Brazilian securities, including the ADSs and our preferred shares.

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, the European Union and emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Brazil, investor's reactions to developments in other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in the United States, the European Union or emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours. This could adversely affect the trading price of the ADSs or our preferred shares, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

The global financial crisis has had significant consequences, including in Brazil, such as stock and credit market volatility, unavailability of credit, higher interest rates, a general economic slowdown, volatile exchange rates and inflationary pressure, among others, which may, directly or indirectly, adversely affect us and the market price of Brazilian securities, including the ADSs and our preferred shares.

Risks Relating to Us and the Brazilian Airline Industry

Changes to the Brazilian civil aviation regulatory framework may adversely affect our business and results of operations.

Brazilian aviation supervisory authorities monitor and influence the developments in Brazil's airline market. For example, the predecessor of the National Civil Aviation Agency (*Agência Nacional de Aviação Civil* or ANAC), the DAC (*Departamento de Aviação Civil*), had addressed overcapacity by establishing stricter criteria that must be met before new routes or additional flight frequencies were awarded. Conversely, the ANAC has more recently pursued policies to loosen the market structures and increase competition. The policies of the ANAC and other aviation supervisory authorities may negatively affect our operations. For example, in 2008, ANAC enacted a regulation providing that the minimal ground time for aircraft between landing and take-off must be 40 minutes at the International Airport of São Paulo in Guarulhos, the international airport of Rio de Janeiro Galeão and at the Brasília airports, and 30 minutes at all other Brazilian airports. This regulation negatively affected our ability to increase aircraft utilization by minimizing turnaround times between flights.

Several legislative initiatives have been taken by the National Congress, including the preparation of a draft bill of law that would replace the current Brazilian Aeronautical Code (*Código Brasileiro de Aeronáutica*). In general, this draft bill deals with matters related to civil aviation, including airport concessions, consumer protection, increased foreign shareholder participation in airlines, limitation of airlines' civil liability, compulsory insurance and fines. This draft bill is still under discussion in the House of Representatives and, if approved, must be submitted to the Federal Senate, for new approval, before being sent to the government for presidential approval. If the Brazilian civil aviation framework changes in the future, or ANAC implements increased restrictions, our growth plans and our business and results of operations could be adversely affected.

The airline industry is particularly sensitive to changes in economic conditions and continued negative economic conditions would likely continue to negatively impact our results of operations and our ability to obtain financing on acceptable terms.

Our operations and the airline industry in general are particularly sensitive to changes in economic conditions. Unfavorable general economic conditions, such as higher unemployment rates, a constrained credit market and increased business operating costs, can reduce spending for both leisure and business travel. Unfavorable economic conditions can also impact our ability to raise fares to counteract increased fuel, labor, and other costs. An increasingly unfavorable economic environment would likely negatively impact our results of operations. We continue to be cautious of current domestic economic conditions.

Factors such as continued unfavorable economic conditions, a significant decline in demand for air travel, or continued instability of the credit and capital markets could result in pressure on our borrowing costs, operating results and financial condition and would affect our growth and investment plans. These factors could also negatively impact our ability to obtain financing on acceptable terms and our liquidity generally.

Technical and operational problems in the Brazilian civil aviation infrastructure, including air traffic control systems, airspace and airport infrastructure may have a material adverse effect on our business, our results of operations and our strategy.

We are dependent on improvements in the coordination and development of Brazilian airspace control and airport infrastructure, which, mainly due to the large growth in civil aviation in Brazil in recent years, require substantial improvements and government investments. If the measures taken and investments made by the Brazilian government and regulatory authorities do not prove sufficient or effective, air traffic control, airspace management and sector

coordination-related difficulties might reoccur or worsen, which might have a material adverse effect on our business, our results of operations and our strategy.

We operate in a highly competitive industry.

We face intense competition on domestic routes in Brazil from existing scheduled airlines and charter airlines and new entrants in our market. In addition to competition among scheduled airline companies and charter operators, the Brazilian airline industry faces competition from ground transportation alternatives, such as interstate buses. We may also face competition from international airlines as they introduce and expand flights between Brazil and other South American destinations.

Our existing competitors or new entrants into the markets in which we operate may undercut our fares, increase capacity on their routes in an effort to increase their market share or attempt to conduct low-fare or low-cost airline operations of their own. In any such event, we cannot assure you that our level of fares or passenger traffic would not be adversely affected and would not have an adverse impact on our business and results of operations.

A failure to successfully implement our strategy would harm the market value of the ADSs and our preferred shares.

Our strategy involves capitalizing on our strong market position in Brazil and Latin America, with the highest number of routes at the most important airports in Brazil, our consolidated flight network and our *Smiles* mileage program, to increase our penetration of all traveler segments.

Slots at Congonhas Airport in São Paulo, the most important airport for our operations, are fully utilized. The Santos-Dumont airport in Rio de Janeiro, a highly utilized airport with half-hourly shuttle flights between São Paulo and Rio de Janeiro, has certain slot restrictions. Several other Brazilian airports, for example the Brasília International Airport and São Paulo International Airport in Guarulhos, have limited the number of slots per day due to infrastructural limitations at these airports. Any condition that would prevent or delay our access to airports or routes that are vital to our strategy, or our inability to maintain our existing slots, and obtain additional slots, at the Santos-Dumont and Congonhas airports, could materially adversely affect our operations. In addition, we cannot assure that any investments will be made by the Brazilian government in the Brazilian aviation infrastructure to permit a capacity increase at busy airports and consequently additional concessions for new slots to airlines.

We may be subject to increased litigation risks related to the operations of Varig S.A.

Even though the Brazilian bankruptcy laws protect us from any risks related to the legal succession of Varig S.A., the company from which, in the context of its bankruptcy proceeding, we bought certain assets for the creation of VRG, we cannot foresee the number and amount of contingencies relating to lawsuits making claims related to that succession. After our acquisition of VRG, we experienced a significant increase in legal proceedings, especially proceedings related to labor claims of Varig S.A. We cannot foresee the outcome of these proceedings and the amounts of any additional probable disbursements, which may adversely affect our consolidated operating margins and results of operations.

We have significant recurring aircraft lease costs, and we will incur significantly more fixed costs that could hinder our ability to meet our strategic goals.

We have significant costs, relating primarily to operating leases for our aircraft and engines, of which leases for 115 aircraft have floating-rate rent payments based on LIBOR or U.S. interest rates. As of December 31, 2008, we had commitments of R\$15.8 billion to purchase 94 additional Boeing 737-800 Next Generation aircraft, based on aircraft list prices, although the actual price payable by us for the aircraft will be lower due to supplier discounts. As of December 31, 2008, we had R\$2,024.4 million in long-term indebtedness, excluding our perpetual bonds in the amount of R\$414.4 million. We expect that we will incur additional fixed obligations and debt as we take delivery of the new aircraft and other equipment to implement our strategy.

Having significant fixed payment obligations could:

- limit our ability to obtain additional financing to support expansion plans and for working capital and other purposes;

- divert substantial cash flow from our operations to service our fixed obligations under aircraft operating leases and aircraft purchase commitments;
- if LIBOR or U.S. interest rates increase, require us to incur significantly more lease or interest expense than we currently do; and
- limit our ability to plan for or react to changes in our business and the airline industry and to general economic conditions.

Our ability to make scheduled payments on our fixed obligations, including indebtedness we will incur, will depend on our operating performance and cash flow, which will in turn depend on prevailing economic and political conditions and financial, competitive, regulatory, business and other factors, many of which are beyond our control. In addition, our ability to raise our fares to compensate for an increase in our fixed costs may be adversely affected by any imposition of fare control mechanisms by the Brazilian civil aviation authorities.

We may have to use our cash resources to finance a portion of our firm purchase order aircraft. We may not have sufficient cash resources available to do so.

We currently finance our aircraft principally through operating leases. As a result of our firm purchase orders to purchase 94 Boeing 737-800 Next Generation aircraft as of December 31, 2008, we expect to own a larger portion of our fleet as well as continue to lease aircraft through principally long-term operating leases. The firm purchase orders represent a significant financial commitment for us. We have in recent years financed and intend to continue financing our new Boeing 737-800 NG aircraft with a commitment we received from the U.S. Export-Import Bank providing guarantees covering 85% of the aggregate purchase price for the firm purchase order aircraft. While we expect that the guaranty from the U.S. Export-Import Bank will help us in obtaining low-cost financing for the purchase of the firm purchase order aircraft, we may be required to use our own cash resources for the remaining 15% of the aggregate purchase price for the firm purchase order aircraft. As of December 31, 2008, we had R\$591.6 million of cash, cash equivalents, short-term investments in overnight deposits and deposit certificates of highly-rated Brazilian banks and marketable securities, mainly highly-rated Brazilian government bonds, including R\$176.7 million in restricted cash. If the value or liquidity of these investments were to decrease, or we do not have sufficient cash resources, we may be required to modify our aircraft acquisition plans or to incur higher than anticipated financing costs, which would have an adverse impact on the execution of our strategy and business and could have an adverse impact on our results of operations.

Substantial fluctuations in fuel costs or the unavailability of sufficient quantities of fuel would harm our business.

Fuel costs, which at times in 2007 and 2008 were at historically high levels, constitute a significant portion of our total operating expenses, accounting for 40.5% of our operating expenses for the year ended December 31, 2008. Historically, international and local fuel prices have been subject to wide price fluctuations based on geopolitical issues and supply and demand. In 2008, WTI prices peaked at US\$145.3 per barrel in March 2008, but decreased to US\$44.6 per barrel at the end of 2008. Fuel availability is also subject to periods of market surplus and shortage and is affected by demand for both home heating oil and gasoline. In the event of an international or local fuel supply shortage, our fuel prices may increase. Although we enter into hedging arrangements to reduce our exposure to fuel price fluctuations and have historically passed on the majority of fuel price increases by adjusting our fare structure, the price and future availability of fuel cannot be predicted with any degree of certainty. Our hedging activities or the extent of our ability to adjust our fares may not be sufficient to protect us from fuel price increases.

In addition, substantially all of our fuel is supplied by one source, Petrobras Distribuidora S.A. If Petrobras Distribuidora is unable or unwilling to continue to supply fuel to us at the times and in the quantities that we require, or if Petrobras Distribuidora were to raise significantly the price it charges us for its fuel, our business and results of operations would be adversely affected.

We have only a limited number of suppliers for our aircraft and engines.

One of the key elements of our current business strategy is to save costs by operating a standardized aircraft fleet. After extensive research and analysis, we chose the Boeing 737-700/800 Next Generation aircraft and CFM 56-7B engines from CFM International. We expect to continue to rely on Boeing and CFM International into the foreseeable

future. If either Boeing or CFM International were unable to perform their contractual obligations, we would have to find another supplier for a similar type of aircraft or engines.

If we had to lease or purchase aircraft from another supplier, we could lose the benefits we derive from our current fleet composition. We cannot assure you that any replacement aircraft would have the same operating advantages as the Boeing 737-700/800 Next Generation aircraft or that we could lease or purchase engines that would be as reliable and efficient as the CFM engines. We may also incur substantial transition costs, including costs associated with retraining our employees, replacing our manuals and adapting our facilities, to the extent that such costs would not be covered by the alternate supplier. Our operations could also be disrupted by the failure or inability of Boeing or CFM International to provide sufficient parts or related support services on a timely basis.

Our business would also be significantly harmed if a design defect or mechanical problem with the Boeing 737-700/800 Next Generation aircraft or the CFM engines used on our aircraft were discovered, causing our aircraft to be grounded while any such defect or problem is being corrected, assuming it could be corrected at all. The use of our aircraft could be suspended or restricted by the ANAC in the event of any actual or perceived mechanical, design or other problems while the ANAC conducts an investigation. Our business would also be significantly harmed if the public avoids flying on our aircraft due to an adverse perception of the Boeing 737-700/800 Next Generation aircraft or the CFM engines because of safety concerns or other problems, whether real or perceived, or in the event of an accident involving Boeing 737-700/800 Next Generation aircraft or the CFM engines.

We may be unable to maintain our company culture as our business grows.

We believe that our growth potential and the maintenance of our results-oriented corporate culture are directly linked to our capacity to attract and maintain the best professionals available in the Brazilian airline industry. We are dedicated to providing professional, high-quality service in a positive work environment and finding innovative ways to improve our business. We place great emphasis on the selection and training of enthusiastic employees with potential to add value to our business and who we believe fit in with and contribute to our company culture. As we grow domestically and internationally, we may be unable to identify, hire or retain enough people who meet these criteria, or we may have trouble maintaining this company culture as we become larger. Our company culture is crucial to our business plan, and failure to maintain that culture could adversely affect our business and results of operations.

The loss of our senior management and key employees could disrupt our business.

Our business depends significantly upon the efforts of our chief executive officer, who has played an important role in shaping our company culture. If the services of our chief executive officer or a number of our key executives become unavailable to us, we may have difficulty finding suitable replacements, which could harm our business and results of operations.

We rely heavily on automated systems to operate our business, and any failure of these systems could harm our business.

We depend on automated systems to operate our business, including our computerized airline ticket sales system, our telecommunication systems and our website. Our website and ticket sales system must be able to accommodate a high volume of traffic and deliver important flight information. Substantial or repeated website, ticket sales system or telecommunication systems failures could reduce the attractiveness of our services and could cause our customers to purchase tickets from another airline. Any disruption in these systems could result in the loss of important data, increase our expenses and generally harm our business.

We rely on maintaining a high daily aircraft utilization rate to increase our revenues and reduce our costs. High aircraft utilization also makes us vulnerable to delays.

One of the key elements of our business strategy is to maintain a high daily aircraft utilization rate. High daily aircraft utilization allows us to generate more revenue from our aircraft and dilute our fixed costs, and is achieved in part by operating with quick turnaround times at airports so we can fly more hours on average in a day. Our rate of aircraft utilization could be adversely affected by a number of different factors that are beyond our control, including, among others, air traffic and airport congestion, adverse weather conditions and delays by third-party service providers relating to matters such as fueling and ground handling. In 2008, our aircraft utilization was negatively affected due to a new regulation effective as of March, 2008 that increased turnaround times of our aircraft, and our parallel operation of two airlines until our corporate restructuring in September 2008.

High aircraft utilization increases the risk that if an aircraft falls behind schedule during the day, it could remain behind schedule during the remainder of that day and potentially the next day, which can result in disruption in operating performance, leading to passenger dissatisfaction related to delayed or cancelled flights and missed connections.

Our reputation and financial results could be harmed in the event of an accident or incident involving our or other Brazilian airline s aircraft or our aircraft type.

Accidents or incidents involving our aircraft could involve significant claims by injured passengers and others, as well as significant costs related to the repair or replacement of a damaged aircraft and its temporary or permanent loss from service. We are required by ANAC and lessors of our aircraft under our operating lease agreements to carry liability insurance. Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate and we may be forced to bear substantial losses in the event of an accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident involving our aircraft, even if fully insured, or an accident or incident involving Boeing 737 Next Generation aircraft or the aircraft of any other Brazilian airline could cause negative public perceptions about us or the Brazilian air transport system as less safe or reliable than other airlines, which would harm our business and results of operations.

Our controlling shareholder has the ability to direct our business and affairs and its interests could conflict with yours.

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, dispositions, and the timing and payment of any future dividends, subject to minimum dividend payment requirements imposed under the Brazilian corporation law. Although you are entitled to tag-along rights in connection with a change of control of our company and you will have specific protections in connection with transactions between our controlling shareholder and related parties, our controlling shareholder may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of the ADSs or our preferred shares.

Risks Relating to the ADSs and Our Preferred Shares

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the preferred shares underlying the ADSs at the price and time you desire.

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. Accordingly, although you are entitled to withdraw the preferred shares underlying the ADSs from the depositary at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented 52.4% of the aggregate market capitalization of the BM&F BOVESPA S.A. Bolsa de Valores, Mercadorias & Futuros (BOVESPA) as of December 31, 2008. The top ten stocks in terms of trading volume accounted for 46.1%, 41.5% and 53.2% of all shares traded on the BOVESPA in 2006, 2007 and 2008, respectively.

Holders of the ADSs and our preferred shares may not receive any dividends.

According to our by-laws, we must generally pay our shareholders at least 25% of our annual net income as dividends, as determined and adjusted under Brazilian corporate law. This adjusted income may be capitalized, used to absorb losses or otherwise appropriated as allowed under the Brazilian corporation law and may not be available to be paid as dividends. We may not pay dividends to our shareholders in any particular fiscal year if our board of

directors determines that such distributions would be inadvisable in view of our financial condition.

If you surrender your ADSs and withdraw preferred shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages.

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our preferred shares underlying the ADSs in Brazil, which permits the custodian to convert dividends and other distributions with respect to the preferred shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw preferred shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the preferred shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our preferred shares.

If you attempt to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our preferred shares or the return of your capital in a timely manner. The depositary's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares.

We may not be able to offer our preferred shares to U.S. holders of ADSs pursuant to preemptive rights granted to holders of our preferred shares in connection with any future issuance of our preferred shares unless a registration statement under the Securities Act is effective with respect to such preferred shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement relating to preemptive rights with respect to our preferred shares, and we cannot assure you that we will file any such registration statement. If such a registration statement is not filed and an exemption from registration does not exist, The Bank of New York Mellon, as depositary, will attempt to sell the preemptive rights, and you will be entitled to receive the proceeds of such sale. However, these preemptive rights will expire if the depositary does not sell them, and U.S. holders of ADSs will not realize any value from the granting of such preemptive rights.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

General

The Registrant was formed on March 12, 2004 as a sociedade por ações, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. The Registrant's material assets consist of the shares of VRG, three offshore finance subsidiaries, cash and cash equivalents and short-term investments. The Registrant owns all of VRG's shares, except for shares held by members of VRG's boards of directors for eligibility purposes. Our principal executive offices are located at Praça Comte Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP: 04626-020, São Paulo, SP, Brazil, and our general telephone number is +55 11 2128-4000. The telephone number of our investor relations department is +55 11 2128-4700. Our website address is www.voegol.com.br. Investor information can be found on our website www.voegol.com.br/ir. Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this annual report.

Capital Expenditures

For a description of our capital expenditures, see below Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources.

B. Business Overview

We are one of the largest low-cost low fare airlines in the world in terms of passengers transported in 2008, and the only low-fare low-cost airline providing frequent service on routes connecting all of Brazil's major cities and to major cities in South America. With our young and standardized operating fleet of 106 Boeing 737 aircraft, we serve the largest number of destinations in the Brazilian air passenger transportation market.

Since the beginning of our operations in 2001, our affordable, reliable and simple service and our focus on markets that were either underserved or did not have a lower-fare alternative has led to a strong awareness of our brand and a rapid increase in our market share. We were the first company to successfully introduce low cost carrier industry practices and technologies in Latin America. We have a diversified revenue base, with customers ranging from business passengers to leisure passengers traveling to destinations throughout Brazil and to our South American destinations. Our strategy is to increase the size of the market by attracting new passengers through our consolidated flight network, a modern aircraft fleet, targeted marketing and our loyalty program (*Smiles*, the largest loyalty program in South America with more than six million members), a variety of attractive ancillary businesses such as our air cargo services (*Gollog*), and through a variety of payment mechanisms (including *Voe Fácil*) designed to make the purchase of our tickets easier for customers in lower income classes. Passenger transportation revenues represented 91.9% and ancillary revenues represented 8.1% of our consolidated revenues in 2008.

As of the end of 2008, we offered over 736 daily flights to 59 destinations connecting the most important cities in Brazil as well as the main destinations in Argentina, Bolivia, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela. We strategically focus on the Brazilian and South American markets, and will continue to carefully evaluate opportunities to continue the growth of our business through increasing the frequency of flights to our existing high-demand markets and adding new routes in these markets, all of which can be reached with our Boeing 737 Next Generation aircraft.

In April 2007, we acquired VRG in order to improve over the long term our position within the highly competitive Brazilian and Latin American passenger transportation industry. VRG is a company formed from assets of the former Varig group, which sought bankruptcy protection in June 2005. Varig's route and airport operating rights permitted us to expand our activities in Brazil and South America and increased our slots at the Congonhas airport in São Paulo, the most important airport for our operations, from 138 slots in 2006 to 232 slots at the end of 2008. The acquisition was approved by the ANAC in April 2007 and by the Brazilian antitrust authority CADE in June 2008. In the second half of 2008, we completed a corporate restructuring that resulted in the merger of our former operating subsidiary Gol Transportes Aéreos S.A. (GTA) into VRG and allowed the integration of our *Smiles* loyalty program into our consolidated flight network. The corporate restructuring became effective on September 30, 2008 and has since then simplified and improved our operational structure, enabling us to explore synergies and to provide more efficient air transportation service through an integrated network for Brazilian and South American destinations.

Our net passenger revenues in 2008 reached R\$5.9 billion, an increase of 29.0% when compared to net passenger revenues in 2007. Due to increased costs related to the integration and consolidation of our business after the VRG acquisition, high fuel prices in the first half of 2008 (which reached an all time high of US\$145.3 per barrel in March 2008), and a strong devaluation of the *real* against the U.S. dollar in the second half of 2008 (the *real* depreciated from an all time high of R\$1.56 per US\$1.00 in July, 2008 to R\$2.34 at year end 2008), we had net losses of R\$1.2 billion in 2008. After our corporate restructuring, we were able to improve our operating performance as compared to the first half of 2008. In the fourth quarter of 2008 we had operating income of R\$54 million, with an operating margin of 3.5% .

Our Competitive Strengths

Our principal competitive strengths are:

We Keep Our Operating Costs Low. Our operating cost per available seat kilometer for the year ended December 31, 2008 was R\$15.80 cents, or US\$6.76 cents. We believe that our cost per available seat kilometer for the year ended December 31, 2008, adjusted for the average number of kilometers flown per flight, was over the year the lowest in the domestic market and one of the lowest among international low-cost carriers, based upon our analysis of data collected from publicly available information. Our business model is based on innovation and best practices

adopted to improve our operating efficiency, including:

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Operation of a young and standardized fleet. At December 31, 2008, our operating fleet of 106 Boeing 737 aircraft was one of Latin America's largest and youngest fleets, with an average age of 6.8 years. We plan to return or sublease our remaining leased Boeing 737-300 and Boeing 767 aircraft in 2009, and exclusively use Boeing 737 NG aircraft. Having a fleet with one aircraft type reduces inventory costs, as fewer spare parts are required, and reduces the need to train our pilots to operate different types of aircraft. It also simplifies our maintenance and operations processes. With our 94 firm purchase orders as of December 31, 2008, and purchase options for 36 additional Boeing 737-800 NG aircraft, we expect to be able to further decrease the age of our fleet, and therefore increase efficiency and better control maintenance costs.

Maintenance efficiency. We internalized heavy maintenance on our Boeing 737 aircraft in our Aircraft Maintenance Center at the Tancredo Neves International Airport in Confins, in the State of Minas Gerais. We use this facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. With our system of phased maintenance for our Boeing Next Generation 737-700 and 737-800 aircraft fleet, we are able to perform maintenance work every day without sacrificing aircraft revenue time and to schedule preventive maintenance with more regularity and around the utilization of our aircraft, which reduces costs. We are one of the few airlines in the world that takes full advantage of the Boeing 737 Next Generation phased maintenance philosophy, supported by extensive investments we made in personnel, material, tools and equipment.

We are one of the largest e-commerce companies in Brazil. Our effective use of technology helps us to keep our costs low and our operations highly scaleable and efficient. We seek to keep our distribution channels streamlined and convenient so as to allow our customers to interact with us via the Internet. In 2008, we booked a significant majority of our ticket sales through a combination of our website (79%) and our call center (7%). In addition, our customers can check in for their flights online and by web-enabled cell phones. As a result of our emphasis on low-cost distribution channels, we were in 2008 one of the largest e-commerce companies in Brazil with R\$4.8 billion in net ticket sales on our website, more than any other airline company in Brazil. We enjoy significant cost savings associated with automated ticket sales, which makes the selection of travel options more convenient for our customers.

We Stimulate Demand for Our Service. We believe that through our differentiated services we create demand for air travel services. Our average fares are lower than the average fares of our domestic competitors. We identify and stimulate demand among both business and leisure passengers for air travel that is safe, convenient, simple and is a reasonably priced alternative to traditional air, bus and car travel. By combining low fares with simple and reliable service, we have successfully increased our market share, strengthened customer loyalty and are attracting new groups of air travelers in our markets. These new travelers did not previously consider air travel due to the higher prices and more complicated sales procedures that preceded our entry into the market. For example, our night flights, which we have offered since 2005 at highly competitive fares, have proven to be very successful, generating load factors higher than that of our other flights. In 2008, we commenced offering attractive fares on certain routes with minimum stay requirements. We estimate that on average, approximately 10% of the customers on our flights are either first-time flyers or have not flown for more than one year. We have developed and will further develop flexible payment mechanisms such as debit payments and long-term installment payments (*Voe Fácil*), with which we expect to increase our potential market and customer base to broader income classes and which enable us to further penetrate markets and customers.

We Have a Strong Market Position at the Most Important Airports in Brazil. Since the VRG acquisition, we have had the most flights at the busiest airports in Brazil: Congonhas (São Paulo), Santos Dumont (Rio de Janeiro), Juscelino Kubitschek (Brasilia) and Confins (Belo Horizonte). Routes between those airports are among the most profitable routes in our markets, with higher yields achieved mostly from travelers in the corporate segment. In

Congonhas, an airport with slot restrictions, we were the leader in terms of passengers transported in 2008.

We Have the Largest Loyalty Program in Latin America. We have a loyalty program (*Smiles*), which we consider as a strong relationship tool and which is available to all our passengers. The *Smiles* program serves as a source of revenue for us, since we can sell miles directly to corporations for marketing purposes or utilize them for co-branded credit cards. It supports partnerships with hotel chains, car rental companies, restaurants, insurance companies, publishers and schools and also forms the basis for partnerships with some of Brazil and South America's largest banks and credit card companies. In 2008, the program offered a number of marketing promotions aimed at re-engaging its existing members and expanding its client base. The *Smiles* program had over six million members at the end of 2008.

We Have Strong Brands that are Widely Recognized. We believe that the Gol brand has become synonymous with innovation and value in the airline industry. Our customers identify Gol as being safe, accessible, friendly, fair and reliable and distinguish Gol in Brazil's domestic airline industry on the basis of its modern and simplified approach to providing air travel services. Our *Smiles*, *Gollog* and *Voe Fácil* brands give us valuable customer recognition in various businesses and create a tool for brand diversification for us. Our *Varig* brand is widely known in the Brazilian and the South American markets in which we operate.

We Have a Proven Management Team and High Corporate Governance Standards. Our controlling shareholder has been operating in the Brazilian passenger transportation market for over 50 years, and our top managers have an average of approximately 25 years of experience in the Brazilian passenger transportation industries. This experience has helped us to develop the most effective elements of our low-cost model. Our corporate governance practices go beyond those of most issuers in the transportation industry and emerging markets issuers, with the efficient and active use of specialized committees with highly qualified professionals and senior managers that add value to decisions made in the day-to-day management of our business.

Our Strategies

Capitalize on Our Strong Market Position in Brazil and Latin America. We intend to capitalize on our strong market position, with the highest number of routes at the most important airports in Brazil, our consolidated flight network and our *Smiles* program, to increase penetration of all segments of travelers. We focus on Brazilian operations and selected South American destinations that are or we expect to become profitable and fit into our flight network.

Reduce Operating Costs and Improve Operating Efficiency. Continuing to reduce our operating costs per available seat kilometer is a key to increasing profitability. We aim to remain one of the lowest cost airlines in the world. We intend to further reduce the average age of our fuel-efficient fleet, while optimizing the size of our fleet to ensure high utilization rates. We expect to return or sublease all our Boeing 737-300 and 767 aircraft in 2009. We are also working to achieve this goal by using our aircraft efficiently, concentrating on minimizing our turnaround times at airports and maintaining a high number of daily flights per aircraft. Due to macro-economic developments, regulatory limitations and the effects of the VRG acquisition until our corporate restructuring in September 2008, our operating results in 2008 were atypical, driven by increased average fares (reflecting record-high fuel costs) and decreasing utilization, while our corporate strategy remains to operate as a low cost low fare airline with high aircraft utilization. We will continue to utilize technological innovations wherever possible to reduce our distribution costs and improve our operating efficiency. We expect to benefit from economies of scale and reduce our average cost per available seat kilometer as we add aircraft to an established and efficient operating infrastructure.

Stimulate Demand. Our widely available service is designed to popularize air travel and stimulate demand, particularly from fare-conscious leisure travelers and small to mid-size business travelers who might otherwise use alternative forms of transportation or not travel at all. We will continue to provide our customers with low fare alternatives and flexible payment mechanisms, such as debit payments, credit card installment payments and monthly installment payments in the form of direct credit. For example, our *Voe Fácil* (Fly Easy) Program, which allows qualifying customers to pay for airline tickets in up to 36 monthly installments as an innovative way to purchase airline tickets, is especially designed to make the purchase of our tickets easier for customers from lower income classes.

Expand Our Customer Base. In planning the growth of our business, we will continue to select our routes and build the frequency of our service based upon the extent and type of demand in the regions we serve in Brazil and South America. We are committed to provide air travel to a wide range of travelers. We will continue to popularize air travel, making low-fare flights more accessible to a larger portion of the population, including business travelers from

small and medium-sized companies, a growing customer base that tends to be price sensitive.

We will continue to carefully evaluate opportunities to meet demand for leisure travel by offering more seats at lower fares, expanding flight frequencies on existing routes and adding additional routes that contribute to our network and for which we perceive a market demand in Brazil. In addition, by offering flights to South American destinations with connections integrated in our network, we create opportunities for incremental traffic, feeding our network and increasing our overall load factor and supporting our strategy of expanding our network and stimulating demand for our services.

We believe we have the best platform in the market in which we operate to expand our customer base. Our standardized services and lower fares attract leisure travelers from all income levels, and with the integration of the *Smiles* loyalty program into our consolidated operations we intend to increase the penetration of the corporate segment. In addition, since April 2009 we have offered lower priced seats to price-sensitive leisure travelers and more flexible tickets with higher *Smiles* miles allocation to our corporate customers. We expect to receive our IOSA airline safety certification in 2009, which we believe will, combined with the integration of the *Smiles* loyalty program in our consolidated flight network, make us the preferred partner of major international airlines in Brazil, with which we do not compete on inter-continental routes. We expect that, under these partnerships, our customers could use their miles accumulated under the *Smiles* program to fly to international destinations in North America, Europe and Asia. For example, in April 2009, we entered into a commercial agreement with Air France-KLM, which will be implemented in two phases and will allow for the integration of our *Smiles* and Air France-KLM's Flying Blue programs and lays the groundwork for a future code-share agreement. We intend to strengthen our existing partnerships and build new ones with large international airlines in the form of code-share arrangements to further increase our international feeder network, load factors and profitability.

Further Establish and Increase Our Ancillary Revenue Businesses. Our ancillary revenues are derived from the *Gollog* and *Voe Fácil* businesses as well as ticket change fees, excess baggage charges and other incidental services. Ancillary revenue represents a significant, growing revenue stream and have grown from R\$374.3 million in 2007 to R\$516.1 million in 2008. We expect further growth in these businesses, which will provide us with additional revenue at low incremental cost.

Through *Gollog*, our cargo transportation service, we make efficient use of extra capacity in the stronghold of our aircraft by carrying cargo. The *Voe Fácil* (Fly Easy) program allows select customers to pay for airline tickets in up to 36 monthly installments, with interest. By increasing the *Voe Fácil* program penetration we believe that we will be able to stimulate demand for our tickets and increase our ancillary revenue business. We are constantly evaluating opportunities to generate additional ancillary revenues such as sales of travel insurance, marketing activities and other services which may help us to better capitalize on the large number of passengers on our flights on our aircraft and the high volumes of customers using our website.

Routes and Schedules

Our operating model is a highly integrated, multiple-hub route network that is different from the point-to-point model used by other successful low-cost carriers worldwide. The high level of integration of flights at selected airports permits us to offer frequent, non-stop flights at low fares between Brazil's most important economic centers and ample interconnections through our network linking city pairs through a combination of two or more flights with little connecting or stop-over time. Our network also allows us to increase our load factors on our strongest city pair routes by using the airports in those cities to connect our customers to their final destinations. This strategy increases our load factor by attracting customers traveling to secondary markets who prefer to pay lower fares even if this means making one or more stops before reaching their final destination. Over 40% of our passengers connect or path through one or more destinations before reaching their final travel destination. Our operating model allows us to build our flight routes to add destinations to cities that would not, individually, be feasible to serve in the traditional point-to-point model, but that are feasible to serve when simply added as additional points on our multiple-stop route network. We do this by offering low-fare, early-bird, minimum stay or night (red-eye) flights to lower-traffic destinations, which are usually the first or last stops on our routes, allowing us to increase our aircraft utilization and generate additional revenues. By offering international flights to South American destinations, and with stops integrated in our network, we create opportunities for incremental traffic, feeding our network and increasing our overall load factor and our competitive advantage and supporting our strategy of expanding our network and stimulating demand for our services.

We have been increasing the number of flights to and through Guarulhos and Galeão, two international airports located in São Paulo and Rio de Janeiro, respectively, which we expect gives us additional growth opportunities in the Brazilian and international markets and more code share and interline agreement opportunities with international airlines.

At December 31, 2008, we offered over 730 daily flights to 59 destinations connecting the most important cities in Brazil as well as the main destinations in Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay, Colombia and Venezuela. As part of our strategy to focus exclusively on the Brazilian and selected South American markets, we decided, in the first half of 2008, to discontinue our intercontinental flights to Frankfurt, London, Rome, Madrid, Mexico City and Paris.

Services

Passenger Transportation

We recognize that we must offer excellent services to our customers. Since April 2009, we offer lower priced seats to price sensitive leisure travelers and more flexible tickets with higher *Smiles* miles allocation to our corporate customers. We pay particular attention to the details that help to make for a pleasant, hassle-free flying experience, including:

- ticketless travel;
- convenient on-line sales, check-in, seat assignment and flight change and cancellation services;
- online flight status service;
- web-enabled cell phone ticket sales and check-in;
- self check-in at kiosks at designated airports;
- designated female lavatories;
- friendly and efficient in-flight service;
- modern aircraft interiors;
- quick turnaround times at airport gates; and
- free or discounted shuttle services between airports and drop-off zones on certain routes.

We seek to achieve punctual operations, which are of primary importance to our customers. According to our internal data, which is corrected for delays out of our control and pre-advised changes in flight schedules, our punctuality rate in 2008 was 97%. According to ANAC data, which is not corrected for delays out of our control and pre-advised changes in flight schedules, our domestic punctuality statistic in 2008 averaged 72%.

Smiles Loyalty Program.

We have a loyalty program (*Smiles*), which we consider as a strong relationship tool and which is available to all our passengers. We intend to increase the *Smiles* penetration through increasing and establishing partnerships with affiliated credit cards or using services and products at partner establishments. There are four tiers in our *Smiles* program (*Diamond, Gold, Silver and Blue*) and qualification for a particular tier is based on the miles flown. The *Smiles* program serves as a source of revenue for us, since we can sell miles directly to corporations for marketing purposes or utilize them for co-branded credit cards. It maintains partnerships with hotel chains, car rental companies, restaurants, insurance companies, publishers and schools and also maintains a partnership with some of Brazil and

South America's largest banks and credit card companies. In 2008, the program offered a number of marketing promotions aimed at re-engaging its existing members and expanding its client base. We expect to receive our IOSA airline safety certification in 2009, which we believe will make us, combined with the integration of the *Smiles* loyalty program in our consolidated flight network, the preferred partner of major international airlines in Brazil, with which we do not compete on inter-continental routes. We expect that, under these partnerships, our customers could use their miles accumulated under the *Smiles* program to fly to international destinations in North America, Europe and Asia. For example, in April 2009, we entered into a commercial cooperation agreement with Air France-KLM, which will be implemented in two phases and will allow for the integration of our *Smiles* and Air France-KLM's Flying Blue programs and lays the groundwork for a future code-share agreement. The *Smiles* program had over six million members at the end of 2008.

Ancillary revenues

Ancillary revenues such as revenues from our Gollog services, our *Voe Fácil* program, as well as baggage excess and ticket change fee revenues are an increasingly important part of our revenues. The further development and growth of our Gollog services and *Voe Fácil* program is part of our strategy, and they represented 8.1% of our consolidated revenues in 2008.

Gollog Cargo Transportation

In addition to our passenger service, we make efficient use of extra capacity in the stronghold of our aircraft by carrying cargo, through our cargo transport service Gollog. Gollog's success is the result of the unique service we offer to the market: the Electronic Air Waybill that can be completed via the Internet. The Gollog system provides online access to air waybills and allows customers to track their shipment from any computer with Internet access. Our 49 destinations throughout Brazil and South America provide access to multiple locations in the region. With our capacity of over 800 daily flights we can guarantee quick and reliable delivery. Packages are shipped in the freighthold of our passenger aircraft.

Voe Fácil Installment Program

We launched in 2005 the *Voe Fácil* (Fly Easy) program, an innovative new way to purchase airline tickets, which allows selected customers based on their credit history to pay for airline tickets in up to 36 monthly installments. The program is especially designed for highly price-sensitive customers, many of which do not hold credit cards. Installment payments are a typical sales strategy in the Brazilian retail market and we are applying this sales technique to passenger transportation to increase our market and stimulate demand for our tickets. In 2008, the *Voe Fácil* program increased its ticket sales by 14% compared to 2007.

Sales and Distribution

Our customers can purchase tickets directly from us through a number of different channels, such as our website including our Booking Web Services (BWS), GDS Global Distribution System, our call center and at airport ticket counters.

Our low cost low fare business model utilizes website ticket sales as its main distribution channel. For the year ended December 31, 2008, 79% of our passenger revenues, whether directly to the customer or through travel agents, were booked via the Internet, making us one of the worldwide industry leaders in this area. In the same period 7% of our passenger revenues were booked through call centers and airport sales counters, 13% through our BWS and 1% of our total sales were made through the GDS, respectively.

Our customers can purchase tickets indirectly through travel agents, who are a widely-used travel service resource in Brazil and South America, Europe, North America and other regions. Travel agents provide us with more than 20,000 distribution outlets throughout these regions. For the year ended December 31, 2008, 60% of our sales were to customers who purchased tickets indirectly from travel agents (74% of these sales were made on our website, 8% through call centers, 16% via BWS, and 2% by travel agents through a GDS system).

GDSs allows us access to a large number of tourism professionals who are able to sell our tickets to customers throughout the globe, and enables us to enter into interline agreements with other airlines to offer more flights and connection options to our passengers and add incremental passenger traffic to our network.

Partnerships and Alliances

Our market positioning enables us to successfully negotiate a number of arranged partnerships with supplementary major carriers worldwide, mostly in the form of code share agreements and interline agreements. Strategically, the additional passenger inflows generated from those partnerships aim to improve revenues at low incremental costs. At December 31, 2008, we had a code share agreement with COPA Airlines, and we had interline agreements with 53 airlines, including Air France KLM, Alitalia, Delta and TAP Air Portugal. An interline agreement is a commercial agreement between individual airlines to handle passengers traveling on itineraries that require multiple airlines and allow its customers to utilize a single ticket, and to check their baggage through to the customers final destination. Interline agreements differ from code sharing agreements in that code sharing agreements usually refer to numbering a flight with the airline s code (abbreviation) even though the flight is operated by another airline. This provides for better marketing and customer recognition of the links between the airlines.

Since early 2009, we have a code-share agreement with Air France and KLM, where their passengers will be able to connect with Gol operated flights within Brazil, marketed as Air France or KLM flights. Similar agreements are being negotiated with other international carriers. We are also launching a frequent flyer tie between our *Smiles* program and the Flying Blue program of Air France – KLM, enabling travelers of both airlines to accrue and redeem miles within Air France – KLM, and our networks. We intend to enter into similar agreements with other long haul airlines serving Brazil.

An important element of our business strategy is to cater to the corporate client. To further develop our business relationship with our corporate customers, we have also entered into partnerships with hotel chains and rental car service providers to offer our corporate customers the convenience of the combination of transportation and accommodation arrangements.

Pricing

Brazilian airlines are permitted to establish their own domestic fares without previous government approval. However, domestic fares are monitored on a regular basis by the ANAC in order to prevent airlines, which are public concessionaires, from engaging in predatory pricing. Airlines are free to offer price discounts or follow other promotion activities. Airlines must submit, with a minimum of five working days advance notice, fares that are set at greater than a 65% discount to the per kilometer reference fares index curve published by the ANAC. The reference fares index curves are based on industry average operating costs, according to ANAC calculations.

Airlines are permitted to establish fares for international tickets sold in Brazil without previous government approval, subject only to registration with the ANAC.

Yield Management

Yield management involves the use of historical data and statistical forecasting models to produce knowledge about our markets and guidance on how to compete to maximize our operating revenues. Yield management forms the backbone of our revenue generation strategy and is strongly linked to our route and schedule planning and our sales and distribution methods. Our yield management practices enable us to react quickly in response to market changes. For example, our yield management systems are instrumental in helping us to identify the flight times and routes for which we offer promotions. By offering lower fares for seats that our yield management indicates would otherwise remain unsold, we capture additional revenue and also stimulate customer demand.

The number of seats we offer at each fare level in each market results from a continual process of analysis and forecasting. Past sales history, seasonality, the effects of competition and current sales trends are used to forecast demand. Current fares and knowledge of upcoming events at destinations that will affect traffic volumes are included in our forecasting model to arrive at optimal seat allocations for our fares on specific routes. Also, our practice of restricting seat reservations but instead requiring customers to pay for tickets at the time their seat is secured helps to increase the accuracy of our yield management. We use a combination of approaches, taking into account yields and flight load factors, depending on the characteristics of the markets served, to arrive at a strategy for achieving the best possible revenue per available seat kilometer, balancing the average fare charged against the corresponding effect on our load factors. For this purpose, we use a sophisticated forecasting, optimization and competitive analysis technology that proposes the optimal fare mix for a given flight based on the historical purchasing behavior of our customers. Our revenue management system is a state of the art tool based on the Sabre Air Max RM platform, which is able to store, process and analyze data, and provides us information about the passenger true origin and destination details, giving us insights on our passenger flows, and allowing us to maximize revenue at the network level. This tool has a specific module for low cost carriers that is able to optimize revenue in a non-restricted fare environment, moving away from the traditional models of discrete demand among fare classes. We worked with Sabre to build this

version of their product, and were its launch customer.

Safety and Security

Our most important priority is the safety of our passengers and employees. We maintain our aircraft in strict accordance with manufacturer specifications and all applicable safety regulations, and perform routine line maintenance every day. Our pilots have extensive experience, with flight captains having more than 10,000 hours of career flight time, and we conduct ongoing courses, extensive flight simulation training and seminars addressing the latest developments in safety and security issues. We closely follow the standards established by the Air Accident Prevention Program of the ANAC and we have installed the Flight Operations Quality Assurance System, which maximizes proactive prevention of incidents through the systematic analysis of the flight data recorder system. All of our aircraft are also equipped with Maintenance Operations Quality Assurance, a troubleshooting program that monitors performance and aircraft engine trends. The Brazilian civil aviation market follows the highest recognized safety standards in the world. We are also an active member of the Flight Safety Foundation, a foundation for the exchange of information about flight safety.

Aircraft Fleet

A key element of our business model is to operate a young and standardized fleet. At the end of 2008, we had a total operating fleet of 106 Boeing 737 aircraft. We expect to return all our Boeing 737-300 aircraft during 2009 and intend to concentrate our fleet on Boeing 737 Next Generation aircraft. We intend to operate 127 aircraft by the end of 2012. At the end of 2008 we had 7 Boeing 767-300 under lease, which are not operating and which we expect to sublease or return in 2009/2010.

The average age of our operating aircraft at December 31, 2008 was 6.8 years. The average daily utilization rate of our operating fleet in 2008 was 12.1 block hours (13.8 block hours in 2007).

The composition of our operating fleet as of December 31, 2008 is more fully described below:

| | Number of Aircraft | | Average | Average | Seating |
|------------------------------------|--------------------|-----------------|---------------------------------|---------|---------|
| | Total | Operating Lease | Term of Lease Remaining (Years) | | |
| Operating Fleet Composition | | | | | |
| Boeing 737-800NG SFP* | 33 | 15 | 9.5 | 1.4 | 187 |
| Boeing 737-800NG | 22 | 18 | 4.6 | 6.6 | 177 |
| Boeing 737-700NG | 37 | 36 | 3.8 | 8.3 | 144 |
| Boeing 737-300 | 14 | 14 | 1.2 | 19.1 | 141 |

*SFP means short field performance

Each Boeing 737 aircraft in our fleet is powered by two CFM International Model CFM 56-7B22 engines or two CFM International Model CFM 56-7B24 engines.

The following table shows expected development of our operating fleet at December 31, 2009 and the expected development of our operating fleet until December 31, 2012:

| Fleet Plan | 2009 | 2010 | 2011 | 2012 |
|------------|------|------|------|------|
|------------|------|------|------|------|

| | | | | |
|-----------------|------------|------------|------------|------------|
| B737-800 NG SFP | 52 | 64 | 74 | 85 |
| B737-800 NG | 16 | 11 | 7 | 2 |
| B737-700 NG | 40 | 40 | 40 | 40 |
| Total | 108 | 115 | 121 | 127 |

We will revise this fleet plan according to our expectations for the growth potential in the markets in which we operate.

The Boeing 737-700 Next Generation and Boeing 737-800 Next Generation aircraft currently comprising our fleet are fuel-efficient and very reliable. They suit our cost efficient operations well for the following reasons:

- they have comparatively standardized maintenance routines;
- they require just one type of standardized training for our crews;
- they use an average of 7% less fuel than other aircraft of comparable size, according to Boeing; and
- they have one of the lowest operating costs in their class.

In addition to being cost-efficient, the Boeing 737-700/800 Next Generation aircraft are equipped with advanced technology that promotes flight stability, providing a more comfortable flying experience for our customers. We use one single type of aircraft to preserve the simplicity of our operations. As a result, the introduction of any new aircraft type to our fleet will only be done if, after careful consideration, we determine that such a step will reduce our operating costs. Most of our leased Boeing 737-800 Next Generation aircraft are equipped with blended winglets and all Boeing 737-800 Next Generation aircraft from our purchase order will be equipped with winglets, which reduce our fuel and maintenance costs. Our experience with the new winglets has shown operating fuel consumption reductions of approximately 3%. In addition, the winglets improve airplane performance during take-off and landing on short runways. The new Boeing 737-800NG aircraft will be delivered with short-field performance (SFP) with technical modifications that we expect to significantly improve flight performance, the ability to operate non-stop flights, reduce noise during take-off and to enable us to fly with our Boeing 737-800 Next Generation aircraft to the airport of Santos Dumont in Rio de Janeiro, an important link to the most important routes in Brazil.

At the end of 2008, we leased 90 of our 115 aircraft under operating lease agreements that have an average remaining term of 48 months. We believe that leasing our aircraft fleet under operating leases provides us with flexibility to adjust our fleet size if we consider it to be in our best interests to do so. We make monthly rental payments, some of which are based on floating rates, but are not required to make termination payments at the end of our leases. Under our operating lease agreements, we do not have purchase options and for some of our lease agreements we are required to maintain maintenance reserve deposits and to return the aircraft and engine in the agreed condition at the end of the lease term. Title to the aircraft remains with the lessor. We are responsible for the maintenance, servicing, insurance, repair and overhaul of the aircraft during the term of the lease. As of December 31, 2008, our operating leases had terms of up to 71 months from the date of delivery of the relevant aircraft. At the end of 2008, we had 18 aircraft acquired under our firm purchase order with Boeing under finance lease arrangements that had an average remaining term of 129 months.

Maintenance

According to ANAC regulation, we are directly responsible for the execution and control of all maintenance services performed on our aircraft. The maintenance performed on our aircraft can be divided into two general categories: line and heavy maintenance. Line maintenance consists of routine, scheduled maintenance checks on our aircraft, including pre-flight, daily and overnight checks and any diagnostics and routine repairs. All of our line maintenance is performed by our own highly experienced technicians at our line maintenance service bases throughout Brazil and South America. We believe that our practice of performing daily preventative maintenance helps to maintain a higher aircraft utilization rate and reduces maintenance costs. Heavy maintenance consists of more complex inspections and servicing of the aircraft that cannot be accomplished overnight. Heavy maintenance checks are performed following a pre-scheduled agenda of major overhauls defined by the aircraft's manufacturer, based on the number of hours and flights flown by the aircraft. Our continued high aircraft utilization rate will result in shorter periods of time between heavy maintenance checks for our aircraft in comparison to carriers with lower aircraft utilization rates. In addition, engine maintenance services are rendered in different MRO facilities. We do not believe that our high aircraft utilization rate will necessarily result in the need to make more frequent repairs to our aircraft, given the durability of the aircraft type in our fleet. Our aircraft are covered by warranties that have an average term of

three to five years. The warranties on the aircraft we received in 2008 under our firm purchase order with Boeing will start expiring in 2013.

We internalized heavy maintenance on our Boeing 737 aircraft in our Aircraft Maintenance Center at the Tancredo Neves International Airport in Confins, in the State of Minas Gerais. We use this facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. We are currently expanding our Aircraft Maintenance Center in order to ensure maintenance capacity while our fleet grows.

With our system of phased maintenance for our Boeing Next Generation 737-700 and 737-800 aircraft fleet, we are able to perform maintenance work every day without sacrificing aircraft revenue time and to schedule preventive maintenance with more regularity and around the utilization of our aircraft, which helps to maintain high levels of block hours per day and reduces costs. We are one of the few airlines in the world that takes full advantage of the Boeing 737 Next Generation phased maintenance philosophy, supported by extensive investments we made in personnel, material, tools and equipment.

We have also been certified by the ANAC under the Brazilian Aeronautical Certification Regulations to perform heavy maintenance services for third parties. We expect to utilize this certification, a potential source for ancillary revenues, only after the construction of an additional maintenance facility, currently contemplated to be finalized in 2009.

Fuel

Our fuel costs totaled R\$2,630.8 million in 2008, representing 40.5% of our operating expenses for the year. In 2008, we purchased substantially all of our fuel from Petrobras Distribuidora S.A., a retail subsidiary of Petrobras, principally under an into-plane contract under which the supplier supplies fuel and also fills our aircraft tanks. In 2008, fuel prices under our contracts were re-set every 30 days and were composed of a variable and a fixed component. The variable component is defined by the refinery and follows international crude oil price fluctuations and the *real*/U.S. dollar exchange rate. The fixed component is a spread charged by the supplier and is usually a fixed cost per liter during the term of the contract. We currently operate a tankering program under which we fill the fuel tanks of our aircraft in regions where fuel prices are lower. We also provide our pilots with training in fuel management techniques, such as carefully selecting flight altitudes to optimize fuel efficiency.

Fuel costs are extremely volatile, as they are subject to many global economic and geopolitical factors that we can neither control nor accurately predict. Because international prices for jet fuel are denominated in U.S. dollars, our fuel costs, though payable in *reais*, are subject not only to price fluctuations but also to exchange rate fluctuations. We maintain a fuel and foreign exchange hedging program, based upon policies which define volume, price targets and instruments for multi-year periods, under which we enter into fuel and currency hedging agreements with various counterparties providing for price protection in connection with the purchase of fuel. Our hedging positions cover short-term periods, and are adjusted weekly or more frequently as conditions require. Our hedging practices are executed by our internal risk management committee and overseen by the risk policies committee of our board of directors. The risk policies committee of our board of directors meets quarterly or more often, if called, and its main responsibilities are to assess the effectiveness of our hedging policies, recommend amendments when and where appropriate and establish its views regarding fuel price trends. We use risk management instruments that have a high correlation with the underlying assets so as to reduce our exposure. We require that all of our risk management instruments be liquid so as to allow us to make position adjustments and have prices that are widely disclosed. We also avoid concentration of credit and product risk. We have not otherwise entered into arrangements to guarantee our supply of fuel and we cannot provide assurance that our hedging program is sufficient to protect us against significant increases in the price of fuel. As of December 31, 2008, we had hedged 20% of our projected fuel requirements for 2009.

The following chart summarizes our fuel consumption and costs for the periods indicated:

| | Year Ended December 31, | |
|--------------------------------|--------------------------------|-------------|
| | 2007 | 2008 |
| Liters consumed (in thousands) | 1,177,300 | 1,364,719 |

| | | |
|-------------------------------|--------------|--------------|
| Total cost (in thousands) | R\$1,898,840 | R\$2,630,834 |
| Average price per liter | R\$1.61 | R\$1.93 |
| % change in price per liter | n/a | 17.6% |
| Percent of operating expenses | 38.5% | 40.5% |

Insurance

We maintain passenger liability insurance in an amount consistent with industry practice and we insure our aircraft against losses and damages on an all risks basis. We are required by the ANAC to maintain insurance coverage for general liability against terrorist acts or acts of war with a minimum amount of US\$1.0 billion. We have obtained all insurance coverage required by the terms of our leasing agreements. We believe our insurance coverage is consistent with airline industry standards in Brazil and is appropriate to protect us from material loss in light of the activities we conduct. No assurance can be given, however, that the amount of insurance we carry will be sufficient to protect us from material loss.

Competition

Domestic

Airlines in Brazil compete primarily on the basis of routes, fare levels, frequency of flights, capacity, airport operating rights and presence, reliability of services, brand recognition, frequent flyer programs and customer service.

Our main competitor in Brazil is TAM Linhas Aéreas S.A., or TAM, which is a full-service scheduled carrier offering flights on domestic routes and international routes. We also face domestic competition from other domestic scheduled carriers, regional airlines and charter airlines, which mainly have regional networks.

As the growth in the Brazilian airline sector evolves, we may face increased competition from our primary competitors and charter airlines as well as other entrants into the market that reduce their fares to attract new passengers in some of our markets.

The following table sets forth the historical market shares on domestic routes, based on revenue passenger kilometers, of the significant airlines in Brazil for each of the periods indicated:

| Domestic Market Share | Scheduled Airlines | 2005 | 2006 | 2007 | 2008 |
|------------------------------|---------------------------|-------------|-------------|-------------|-------------|
| Gol | | 25.9% | 34.0% | 43.0% | 42.5% |
| TAM | | 41.3% | 47.8% | 48.8% | 50.3% |
| Others | | 32.8% | 18.2% | 8.2% | 7.2% |

Source: Advanced Comparative Data (Dados Comparativos Avançados) 2005 - 2008

Domestically, we also face competition from ground transportation alternatives, primarily interstate bus companies. In 2007, interstate bus companies transported over 131 million passengers, according to preliminary data from the National Ground Transportation Agency (*Agência Nacional de Transportes Terrestres*), and given the absence of meaningful passenger rail services in Brazil, travel by bus has traditionally been the only low-cost option for long-distance travel for a significant portion of Brazil's population. We believe that our low-cost business model has given us flexibility in setting our fares to stimulate demand for air travel among passengers who in the past have traveled long distances primarily by bus. In particular, the highly competitive fares we have offered for travel on our night flights, which have often been comparable to bus fares for the same destinations, have had the effect of providing direct competition for interstate bus companies on these routes.

International

As we expand our international services in South America, our pool of competitors will increase and we will face competition from Brazilian and South American airlines that are already established in the international market and that participate in strategic alliances and code sharing arrangements. As part of our strategy to focus exclusively on the Brazilian and selected South American markets and to access inter-continental markets through code-share agreements with major international carriers, we decided, in the first half of 2008, to discontinue our intercontinental flights to Frankfurt, London, Rome, Madrid, Mexico City and Paris.

Industry Overview

Since air transportation has historically been affordable only to the higher income segment of Brazil's population, resulting in a comparatively low level of air travel, we believe that the low-cost, low-fare business model has the potential to significantly increase the use of air transportation in Brazil. Brazil is the fifth largest domestic aviation market in the world and according to the ANAC, there were 46.0 million domestic enplanements and 5.1 million international enplanements on Brazilian carriers in Brazil in 2007, out of a total population of approximately 184 million, according to the Brazilian Geographical and Statistical Institute (*Instituto Brasileiro de Geografia e Estatística IBGE*). In contrast, according to the U.S. Department of Transportation, the United States had 681 million domestic enplanements and 89 million international enplanements in 2007, out of a total population of approximately 304 million, based on the latest U.S. census figures.

The business travel segment is the largest component of Brazilian air transportation demand and the most profitable in the market. According to company data, business travel represented 65% of the total demand for domestic air travel in 2008, which we believe is significantly higher than the business travel portion of domestic air travel in the global aviation sector. According to data collected from the ANAC, flights between Rio de Janeiro and São Paulo accounted for 9.6% of all domestic passengers in 2007. The ten busiest routes accounted for 25.9% of all domestic air passengers in 2007, while the ten busiest airports accounted for 72.0% and 74% of all domestic passenger traffic through INFRAERO airports in terms of arrivals and departures in 2007 and 2008, respectively.

In light of economic growth, increased passenger volumes and the soccer world cup scheduled for 2014 in Brazil, the Brazilian airport infrastructure will need substantial improvements. In addition, in parts of 2006 and 2007, technical and operational problems in the Brazilian civil aviation system, including air traffic control, airspace coordination and airport administration adversely affected airline operations. Various measures, such as hiring and training of additional air-traffic control personnel, investments in new systems and additional terminal and runway capacity in congested airports, have been taken by the relevant governmental authorities and discussions are currently ongoing with a view to possible additional changes in the organizational structure of the aviation infrastructure system.

The table below sets forth information about the ten busiest routes for air travel in Brazil during 2007 and 2006.

| City Pair | Passengers | | Route Market Share | |
|--|------------|-----------|--------------------|------|
| | 2006 | 2007 | 2006 | 2007 |
| São Paulo Rio de Janeiro(1) | 4,596,903 | 4,423,798 | 10.9% | 9.6% |
| São Paulo (Congonhas) Rio de Janeiro (Santos Dumont) | 3,317,537 | 2,961,125 | 7.9% | 6.4% |
| Rio de Janeiro (Galeão) São Paulo (Guarulhos) | 678,378 | 820,298 | 1.6% | 1.8% |
| São Paulo (Congonhas) Brasília | 1,496,919 | 1,306,151 | 3.6% | 2.8% |
| São Paulo (Congonhas) Curitiba | 1,292,422 | 1,068,056 | 3.1% | 2.3% |
| São Paulo (Congonhas) Porto Alegre | 1,283,671 | 1,092,994 | 3.0% | 2.4% |
| São Paulo (Congonhas) Confins | 1,089,284 | 1,015,497 | 2.6% | 2.2% |
| São Paulo (Guarulhos) Salvador | 1,025,257 | 1,256,402 | 2.4% | 2.7% |
| Rio de Janeiro (Galeão) Salvador | 780,677 | 883,879 | 1.9% | 1.9% |
| São Paulo (Congonhas) Florianópolis | 770,707 | 662,087 | 1.8% | 1.4% |
| São Paulo (Guarulhos) Recife | 757,726 | 819,480 | 1.8% | 1.8% |

Source: ANAC, from *Anuário do Transporte Aéreo 2007*

(1) Includes flights between Congonhas and Guarulhos to either Santos Dumont or Galeão airports.

The table below sets forth the number of passengers at the ten busiest airports in Brazil during 2007 and 2008:

| Airport | Thousands of Passengers (Inbound and Outbound) | |
|---------|---|------|
| | 2007 | 2008 |

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| | | |
|------------------------------|--------|--------|
| São Paulo Guarulhos | 18,796 | 20,400 |
| São Paulo Congonhas | 15,265 | 13,672 |
| Brasília | 11,120 | 10,443 |
| Rio de Janeiro Galeão | 10,353 | 10,753 |
| Salvador | 5,932 | 6,042 |
| Recife | 4,188 | 4,679 |
| Porto Alegre | 4,444 | 4,931 |
| Belo Horizonte Confins | 4,340 | 5,189 |
| Rio de Janeiro Santos Dumont | 3,214 | 3,628 |
| Curitiba | 3,907 | 4,281 |

Source: INFRAERO

Brazilian Civil Aviation Market Evolution

Since 1970, Brazil has for the most part had stable growth in revenue passenger kilometers. From 1970 to 2008, domestic revenue passenger kilometers grew at a compound annual rate of 8.7%. In the past 8 years, the domestic market generally experienced year-over-year growth in revenue passenger kilometers except in times of significant economic or political distress, such as the petroleum crisis in the 1970s, the Brazilian sovereign debt crisis in the early 1980s and the economic and political distress in Brazil in the early 1990s.

From 2004 to 2008, the compound annual growth rate in industry passenger traffic, in terms of domestic revenue passenger kilometers, was 14.0%, versus a compound annual growth rate in available industry capacity, in terms of available seat kilometers, of 14.1%. Domestic industry load factors, calculated as revenue passenger kilometers divided by available seat kilometers, have averaged 68.8% over the same period. The table below shows the figures of domestic industry passenger traffic and available capacity for the periods indicated:

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------|-----------------------------------|--------|--------|--------|--------|
| | (in millions, except percentages) | | | | |
| Available Seat Kilometers | 43,034 | 50,182 | 55,608 | 64,597 | 72,841 |
| Available Seat Kilometers Growth | 2.6% | 11.5% | 10.8% | 16.2% | 12.8% |
| Revenue Passenger Kilometers | 28,214 | 35,429 | 39,802 | 44,446 | 47,838 |
| Revenue Passenger Kilometers Growth | 12.0% | 19.4% | 12.3% | 11.7% | 7.4% |
| Load Factor | 65.6% | 70.2% | 71.6% | 68.8% | 65.5% |

Source: DAC - ANAC, for 1999 to 2002 from *Anuário Estatístico*; and for 2004 through 2008 from *Dados Comparativos Avançados*.

Regulation of the Brazilian Civil Aviation Market*The Brazilian Aviation Authorities and Regulation Overview*

Air transportation services are considered a public service and are subject to extensive regulation and monitoring by the High Command of Aeronautics of the Ministry of Defense (*Comando da Aeronáutica*), the CONAC and the ANAC. Air transportation services are also regulated by the Brazilian Federal Constitution and the Brazilian Aeronautical Code. The Brazilian civil air transportation system is controlled by several authorities. The ANAC is responsible for the regulation of the airlines, the DECEA is responsible for airspace control and INFRAERO is responsible for airport administration.

The following chart illustrates the main regulatory bodies, their responsibilities and reporting lines within the Brazilian governmental structure.

The ANAC is currently responsible for guiding, planning, stimulating and supporting the activities of public and private civil aviation companies in Brazil, and also regulates flying operations generally and economic issues affecting air transportation, including matters relating to air safety, certification and fitness, insurance, consumer protection and competitive practices.

On October 5, 2001, the Department of Air Space Control (*Departamento de Controle do Espaço Aéreo*), or DECEA, was created. It reports indirectly to the Brazilian Minister of Defense. The DECEA is responsible for planning, administrating and controlling activities related to airspace, aeronautical telecommunications and technology. This includes approving and overseeing the implementation of equipment as well as of navigation, meteorologic and radar systems. The DECEA also controls and supervises the Brazilian Airspace Control System.

INFRAERO, a state-controlled corporation reporting to the High Command of Aeronautics, is in charge of managing, operating and controlling federal airports, including control towers and airport safety operations. See Airport Infrastructure below.

The CONAC is an advisory body of the President of Brazil and its upper level advisory board is composed of the Minister of Defense, the Minister of Foreign Affairs, the Minister of Treasury, the Minister of Development, Industry and International Trade, the Minister of Tourism, the Minister Chief of the Civil Cabinet, the Minister of Justice and the Commandant of the Air Force. The CONAC has the authority to establish national civil aviation policies that may be adopted and enforced by the High Command of Aeronautics and by the ANAC. The CONAC establishes guidelines relating to the proper representation of Brazil in conventions, treaties and other actions related to international air transportation, airport infrastructure, the granting of supplemental funds to be used for the benefit of airlines and airports based on strategic, economic or tourism-related aspects, the coordination of civil aviation, air safety, the granting of air routes and concessions, as well as permission for the provision of commercial air transportation services.

The Brazilian Aeronautical Code provides for the main rules and regulations relating to airport infrastructure and operation, flight safety and protection, airline certification, lease structuring, burdening, disposal, registration and licensing of aircraft; crew training; concessions, inspection and control of airlines; public and private air carrier services; civil liability of airlines; and penalties in case of infringements.

Recently, in February 2009, the Federal Government approved the new Civil Aviation National Policy (*Política Nacional de Aviação Civil* or PNAC). Although the PNAC does not establish any immediate measure, it contains the main guidelines for the national civil aviation system. It encourages the Ministry of Defense, CONAC and ANAC to issue regulations on strategic matters such as safety, competition, environmental, and consumers issues, as well as to inspect, review and value the activities of all operating companies.

The Brazilian government recognized and ratified, and must comply with, the Warsaw Convention of 1929, the Chicago Convention of 1944, and the Geneva Convention of 1948, the three leading international conventions relating to worldwide commercial air transportation activities.

Route Rights

Domestic routes. For the granting of new routes and changes to existing ones, the ANAC evaluates the actual capacity of the airport infrastructure where such route is or would be operated. In addition, route frequencies are granted subject to the condition that they are operated on a frequent basis. Any airline's route frequency rights may be terminated if the airline (a) fails to begin operation of a given route for a period exceeding 15 days, (b) fails to maintain at least 75% of flights provided for in its air transportation schedule (*Horário de Transporte Aéreo*, or HOTRAN) for any 90-day period or (c) suspends its operation for a period exceeding 30 days. The ANAC approval of new routes or changes to existing routes is given in the course of an administrative procedure and requires no changes to existing concession agreements.

Once routes are granted, they must be immediately reflected in the HOTRAN, which is the official schedule report of all routes that an airline can operate. The HOTRAN provides not only for the routes but also the times of arrival at and departure from certain airports, none of which may be changed without the prior consent of the ANAC. According to Brazilian laws and regulations, an airline cannot sell, assign or transfer its routes to another airline.

International routes. In general, requests for new international routes, or changes to existing routes, must be filed by each interested Brazilian airline that has been previously qualified by the ANAC to provide international services, with the SRI (Superintendency of International Relations of the ANAC), which, based on the provisions of the applicable bilateral agreement and general policies of the Brazilian aviation authorities, submits the request to the ANAC for approval. International route rights for all countries, as well as the corresponding transit rights, derive from bilateral air transport agreements negotiated between Brazil and foreign governments. Under such agreements, each government grants to the other the right to designate one or more of its domestic airlines to operate scheduled service between certain destinations in each country. Airlines are only entitled to apply for new international routes when they are made available under these agreements. For the granting of new routes and changes to existing ones, the ANAC has the authority to approve Brazilian airlines to operate new routes, subject to the airline having filed studies satisfactory to the ANAC demonstrating the technical and financial viability of such routes and fulfilling certain conditions in respect of the concession for such routes. Any airline's international route frequency rights may be terminated if the airline fails to maintain at least 80% of flights provided for in its air transportation schedule HOTRAN for any 180-day period or suspends its operation for a period exceeding 180 days.

Slots Policy

Domestic. Under Brazilian law, a domestic slot is a concession of the ANAC, which is reflected in the airline's HOTRAN. Each HOTRAN represents the authorization for an airline to depart from and arrive at specific airports within a predetermined timeframe. Such period of time is known as an airport slot and provides that an airline can operate at the specific airport at the times established in the HOTRAN. An airline must request an additional slot from the ANAC with a minimum of two months' prior notice.

Congonhas airport in the city of São Paulo is a coordinated airport, where slots must be allocated to an airline before it can operate there. Currently, there are no slots available at the downtown Congonhas airport. If capacity at the airport increases and slots become available, 20% of those slots must be distributed to new entrants. The Santos-Dumont airport in Rio de Janeiro, a highly utilized airport with half-hourly shuttle flights between São Paulo and Rio de Janeiro, is also a coordinated airport with certain slot restrictions. Several other Brazilian airports, for example the Brasília International Airport and São Paulo International Airport in Guarulhos have limited the number

of slots per day due to infrastructural limitations at these airports.

Recently, ANAC has imposed schedule restrictions to several Brazilian airports from which we operate. Operating restrictions, including the prohibition of international flights operations and the prohibition of civil aircraft s operation after 11:00 p.m. and before 6:00 a.m, were imposed for Congonhas Airport, one of the busiest Brazilian airports and the most important airport for our operations. No assurance can be given that these or other government measures will not have a material adverse effect on our business and results of operations.

CONAC has recently taken measures to minimize the recent technical and operational problems in the São Paulo airports, redistributing air traffic from the Congonhas airport to the airports of Guarulhos and has mentioned its intention to adjust tariffs for the use of busy airport hubs to encourage further redistribution of air traffic.

In the last quarter of 2008, the ANAC proposed a new regulation for the allocation of slots to domestic airlines. This regulation governs the manner of allocation of slots, by organizing rotations among the concessionaires, determining the procedures for registration, qualification, judgment and homologation of a request for slot concessions in coordinated airports. Additionally, such regulation also establishes the rules permitting transfers of slots between concessionaires. ANAC's resolution is expected to be released in the first half of 2009.

Also, in 2008, the ANAC enacted a regulation providing that the minimal ground time for aircraft between landing and take-off must be 40 minutes at the International Airport of Sao Paulo in Guarulhos, the international airport of Rio de Janeiro Galeão and at the Brasília airports, and 30 minutes at all other Brazilian airports. This regulation negatively affected our ability to increase aircraft utilization by minimizing turnaround times between flights.

Airport Infrastructure

INFRAERO, a state-controlled corporation reporting to the Ministry of Defense, is in charge of managing, operating and controlling federal airports, including control towers and airport safety operations.

Smaller, regional airports may belong to states or municipalities within Brazil and, in such cases, are often managed by local governmental entities. At most important Brazilian airports, INFRAERO performs safety and security activities, including passenger and baggage screening, cargo security measures and airport security.

The use of areas within federal airports, such as hangars and check-in counters, is subject to a concession by INFRAERO. If there is more than one applicant for the use of a specific airport area, INFRAERO may conduct a public bidding process for the granting of the concession.

We have renewable concessions with terms varying from one to five years from INFRAERO to use and operate all of our facilities at each of the major airports that we serve. Our concession agreements for our terminals' passenger service facilities, which include check-in counters and ticket offices, operations support area and baggage service offices, contain provisions for periodic adjustments of the lease rates and the extension of the concession term.

Of the 67 Brazilian airports managed by INFRAERO, approximately 20 airports are receiving infrastructure investments and upgrades. The airport upgrade plan does not require contributions or investments by the Brazilian airlines and is not expected to be accompanied by increases in landing fees or passenger taxes on air travel.

Concession for Air Transportation Services

According to the Brazilian Federal Constitution, the Brazilian government is responsible for public services related to airspace as well as airport infrastructure, and may provide these services directly or through third parties under concessions or authorizations. According to the Brazilian Aeronautical Code and regulations issued by the CONAC, the application for a concession to operate regular air transportation services is subject to a license granted by the ANAC to operate an airline and to explore regular air transportation services. The applicant is required by the ANAC to have met certain economic, financial, technical, operational and administrative requirements in order to be granted such license. Additionally, a concession applicant must be an entity incorporated in Brazil, duly registered with the Brazilian Aeronautical Registry (*Registro Aeronáutico Brasileiro*, or RAB), must have a valid airline operating certificate (*Certificado de Homologação de Empresa de Transporte Aéreo* or CHETA) and must also comply with certain ownership restrictions. See Restrictions to the Ownership of Shares Issued by Concessionaires of Air

Transportation Services. The ANAC has the authority to revoke a concession for failure by the airline to comply with the terms of the Brazilian Aeronautical Code, the complementary laws and regulations and the terms of the concession agreement.

Our concession was granted on January 2, 2001 by the High Command of Aeronautics of the Ministry of Defense. The concession agreement can be terminated if, among other things, we fail to meet specified service levels, cease operations or declare bankruptcy.

The Brazilian Aeronautical Code and the regulations issued by the CONAC and ANAC do not expressly provide for public bidding processes and currently it is not necessary to conduct public bidding processes prior to granting of concessions for the operation of air transportation services. Due to the intense growth of the civil aviation sector, this rule may be changed by the government, in order to allow more competition or to achieve other political purposes.

Import of Aircraft into Brazil

The import of civil or commercial aircraft into Brazil is subject to prior authorization by the COTAC, which is a sub-department of the ANAC. Such import authorizations usually follow the general procedures for import of goods into Brazil, after which the importer must request the registration of the aircraft with the RAB.

Registration of Aircraft

The registration of aircraft in Brazil is governed by the Brazilian Aeronautical Code, under which no aircraft is allowed to fly in Brazilian airspace, or land in or take off from Brazilian territory, without having been properly registered. In order to be registered and continue to be registered in Brazil, an aircraft must have a certificate of registration (*certificado de matrícula*) and a certificate of airworthiness (*certificado de aeronavegabilidade*), both of which are issued by the RAB after technical inspection of the aircraft by the ANAC. A certificate of registration attributes Brazilian nationality to the aircraft and is evidence of its enrollment with the competent aviation authority. A certificate of airworthiness is generally valid for six years from the date of the ANAC's inspection and authorizes the aircraft to fly in Brazilian airspace, subject to continuing compliance with certain technical requirements and conditions. The registration of any aircraft may be cancelled if it is found that the aircraft is not in compliance with the requirements for registration and, in particular, if the aircraft has failed to comply with any applicable safety requirements specified by the ANAC or the Brazilian Aeronautical Code.

All information relating to the contractual status of an aircraft, including purchase and sale agreements, operating leases and mortgages, must be filed with the RAB in order to provide the public with an updated record of any amendments made to the aircraft certificate of registration.

Restrictions on the Ownership of Shares Issued by Concessionaires of Air Transportation Services

According to the Brazilian Aeronautical Code, in order to be eligible for a concession for operation of regular services, the entity operating the concession must have at least 80% of its voting stock held directly or indirectly by Brazilian citizens and must have certain management positions entrusted to Brazilian citizens. The Brazilian Aeronautical Code also imposes certain restrictions on the transfer of capital stock of concessionaires of air transportation services, such as VRG, including the following:

- the voting shares have to be nominative and non-voting shares cannot be converted into voting shares;
- prior approval of the Brazilian aviation authorities is required for any transfer of shares, regardless of the nationality of the investor, which results in the change of the company's corporate control, causes the assignee to hold more than 10% of the company's capital stock or represents more than 2% of the company's capital stock;
- the airline must file with the ANAC, in the first month of each semester, a detailed shareholder chart including a list of shareholders, as well as a list of all share transfers effected in the preceding semester; and
- based on its review of the airline's shareholder chart, the ANAC has the authority to subject any further transfer of shares to its prior approval.

The Registrant holds substantially all of the shares of VRG, which are public concessionaires of air transportation services in Brazil. Under the Brazilian Aeronautical Code, the restrictions on the transfer of shares described above apply only to companies that hold concessions to provide regular air transportation services. Therefore, the restrictions do not apply to the Registrant.

Brazilian airlines are subject to various federal, state and municipal laws and regulations relating to the protection of the environment, including the disposal of materials and chemical substances and aircraft noise. These laws and regulations are enforced by various governmental authorities. The non-compliance with such laws and regulations may subject the violator to administrative and criminal sanctions, in addition to the obligation to repair or to pay damages caused to the environment and third parties. As far as civil liabilities are concerned, Brazilian environmental laws adopt the strict liability regime. Moreover, pursuant to Brazilian environmental laws and regulations, the piercing of the corporate veil of a company may occur in order to ensure enough financial resources to the recovery of damages caused against the environment. For example, according to an ANAC ordinance, the operation of scheduled commercial flights to and from the Congonhas airport is subject to a noise curfew from 11:00 p.m. to 6:00 a.m. because of its proximity to residential areas in São Paulo. Our scheduled flights to Congonhas airport are in full compliance with the noise curfew limits.

We adopted several Environmental Management System (EMS) procedures with our suppliers and use technical audits to enforce compliance. We exercise caution, and may reject goods and services from companies that do not meet our environmental protection parameters unless confirmation of compliance is received.

We are monitoring and analyzing the developments regarding amendments to Kyoto protocol and emissions regulations in the United States and Europe and may in the future be obliged to acquire carbon credits for the operation of our business. No legislation on this matter has yet been enacted in Brazil.

Brazilian Bankruptcy Law

In 2005, the Brazilian government enacted a new bankruptcy law, providing a new set of rules for bankruptcy in Brazil. The reform was motivated by the need to enhance the chances of restructuring distressed businesses and credit recovery.

The major changes introduced by the new bankruptcy law include the possibility of extra-judicial and judicial restructurings. In essence, debtors are able to negotiate with creditors the repayment of debts, including any necessary corporate restructurings under the protection of the law.

Using the extra-judicial recovery procedures, borrowers in distress will be allowed to negotiate restructuring directly with creditors without judicial interference. In case of an agreement, the restructuring plan is binding on all creditors (tax and labor claims are not subjected to extra-judicial reorganization), provided it is approved by the majority of a company's creditors and ratified by the competent bankruptcy court. In case the plan is rejected by creditors or not confirmed by the bankruptcy court, the debtor may submit a new out-of-court reorganization plan or may file for judicial reorganization.

Through judicial restructuring, the debtor may present a restructuring plan to the bankruptcy court, which, if opposed by its creditors, will be submitted to a General Meeting of Creditors. Judicial reorganization binds all pre-petition credits (even those not yet due), except for tax credits. The plan can be approved, amended or rejected. In case of rejection, the debtor shall be declared bankrupt.

Among the innovations of the new Brazilian bankruptcy law is the change in the ranking of claims, which should follow the following priority order: (i) labor-related claims, limited to an amount equivalent to 150 minimum salaries per creditor, and workplace accident claims; (ii) claims guaranteed by security interest, limited to the value of the encumbered asset; (iii) tax claims, except for tax fines; (iv) claims with special privileges; (v) claims with general privileges; (vi) unsecured claims; (vii) contractual penalties and fines for breach of criminal or administrative law, including tax fines; and (viii) subordinated claims.

Also, the new bankruptcy law facilitates the recovery of companies and provides a more favorable legal environment to financial institutions and to the capital markets participants providing credit and liquidity and, consequently, benefit the Brazilian economy as a whole by reducing lenders' risks in credit transactions.

The new legal regime reduces the creditors' risks by prioritizing, in case of a bankruptcy proceeding, the payment of secured claims (debts guaranteed by security interest over real estate or commodities) over tax claims. The limitation of the amount designated for the payment of labor claims (which ranks as the first claim in the priority order) also tends to favor financial institutions and investors providing credit and, accordingly, reducing the risk of credit operations and the cost of funds.

VRG is a company formed from assets and rights of the Isolated Productive Unit (UPI) of the former Varig group, which sought bankruptcy protection on June 17, 2005. Old Varig underwent a judicial restructuring, according to the new bankruptcy law. The UPI was created in the Bankruptcy Recovery Plan of the former Varig group (including the airlines Varig, Rio Sul and Nordeste, together, the Recovering Companies). Under the Brazilian Bankruptcy Law of 2005, the UPI was created and sold free of liabilities of any nature (civil, labor, tax, pension, etc.). With the acquisition, we fully assumed the obligation to assure that VRG completes, in the strictest terms, all of the terms of the above mentioned bidding rules for the judicial auction.

Due to the recency of the new bankruptcy law, there is no judicial or regulatory guidance or consolidated experience with regard to the application of this law. We believe that the law protects us from bankruptcy-related claims of creditors of the former Varig group in Brazil. Other countries, however, may or may not recognize the protection granted to us under this law. See Risk Factors We may be subject to increased litigation risks related to the operations of the former Varig group.

Pending Legislation

In March 2001, CONAC published for public consultation a draft of a bill to replace the Brazilian Aeronautical Code and modernize the basic laws and regulations relating to the industry. In general, this draft deals with matters related to civil aviation, including airport concessions, consumer protection, increased foreign shareholding participation in airlines, limitation of airlines civil liability, compulsory insurance and fines. This draft bill is still under discussion in the House of Representatives and, if approved, must be submitted to the Federal Senate, for new approval, before being sent to the government in order to receive the presidential approval.

Cape Town Convention

The Cape Town Convention aims at promoting investments in aircraft by facilitating the granting of guarantees on aircraft lease and purchase transactions. The Brazilian government has not yet ratified the Cape Town Convention.

The Export-Import Bank of the United States (Ex-Im) has extended its offer to reduce by one-third the premium it charges in connection with guarantees of large commercial aircraft financings for those countries that ratify the Cape Town Convention. If the Cape Town Convention is ratified by the government of Brazil, future guarantee premiums charged to Gol by Ex-Im (Exposure Fees) may be reduced by as much as one percent for aircraft that are scheduled for delivery prior to December 31, 2010; provided that the underlying purchase contract was a firm contract as of April 30, 2007.

Ex-Im has also agreed on a common approach with European export-credit agencies on offering export credits for commercial aircraft. Among other things, the new Sector Understanding on Export Credits for Civil Aircraft (the ASU) sets forth minimum guarantee premium rates applicable to aircraft delivered on or after January 1, 2011, or under a firm contract entered into after April 30, 2007. While subject to modification, the exposure fees paid by GOL on applicable aircraft are likely to increase, the amount of any such increase will depend upon the credit risk assigned to GOL by the participating export-agencies pursuant to the protocols of the ASU. In addition, GOL will no longer be able to finance the amortization payments of loans guaranteed by Ex-Im with SOAR loan facilities.

C. Organizational Structure

The Registrant is a holding company, which owns directly or indirectly shares of four subsidiaries: VRG and three offshore finance subsidiaries Gol Finance Cayman and GAC Inc., which owns Sky Finance. VRG is the Registrant's operating subsidiary, under which we conduct our business. Gol Finance, GAC Inc. and Sky Finance are off-shore companies established for the purpose of facilitating cross-border transactions.

D. Property, Plant and Equipment

Our primary corporate offices are located in two buildings in São Paulo. Our commercial, operations, technology, finance and administrative staff is based primarily at our headquarters. We have concessions to use other airport buildings and hangars throughout Brazil, including a part of a hangar at Congonhas airport where we perform aircraft maintenance. We own a state-of-the-art Aircraft Maintenance Center in Confins, in the State of Minas Gerais. The certification authorizes maintenance services for Boeing 737-300s and Boeing Next Generation 737-700 and 800s. We use the new facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. See also Item 4 Business Overview Aircraft and note 6 to our financial statements as of and for the year ended December 31, 2008.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read this discussion in conjunction with our consolidated financial statements and the related notes and the other financial information included elsewhere in this annual report.

A. Operating Results**Change in Accounting from U.S. GAAP to IFRS**

We adopted IFRS for the consolidated financial statements as of and for the year ended December 31, 2008. Our financial statements were previously prepared and presented in accordance with U.S. GAAP. Pursuant to IFRS 1

First-time Adoption of International Reporting Standards, we have used consistent accounting policies for both the current period and the comparative period, the year ended December 31, 2007. These accounting policies comply with each IFRS effective at December 31, 2008.

The following describes the most significant differences between our financial statements prepared in accordance with U.S. GAAP and IFRS:

Accounting for the return of aircraft Under our operating leases, we are obliged to return the aircraft in a specified condition at the end of the lease term. The stipulations require the aircraft to be returned with a minimum number of engine cycles and/or hours remaining until the next required maintenance. Under IFRS, a provision for the cost to restore aircraft leased under operating leases to these specified return conditions is recorded once the aircraft no longer meets these conditions. We therefore record expenses during the lease term for the estimated maintenance costs that would be needed in order to return the aircraft in the appropriate condition upon its return to the lessor. As the condition of aircraft is depleted through operation and then subsequently restored by performing maintenance several times during the lease term, we recognize lease return provisions during each maintenance cycle from the inception of the lease to its termination. Under U.S. GAAP, these maintenance costs were only recorded as incurred or provided for when the termination of the lease was probable and the costs estimable, usually in the last maintenance cycle of the aircraft prior to the end of the lease term.

Accounting for major maintenance activities Under IFRS, we capitalize the cost of major overhauls on our aircraft leased under finance leases. Such costs are depreciated over their estimated useful life, usually to the date of the next overhaul. Under U.S. GAAP, we expensed the costs of major maintenance activities when these costs were incurred. This difference in accounting policy results in the capitalization and depreciation of maintenance costs under IFRS whereas under U.S. GAAP, such costs were expensed as incurred.

Accounting for leases Our adoption of IFRS resulted in changes to the measurement of aircraft asset and finance lease obligations when compared to U.S. GAAP. To determine the lease classification under IFRS, we used lease implicit interest rates to quantify the capitalization of the lease (the finance-leased aircraft and obligation is recorded as the lower of the fair value of the aircraft or present value of the future minimal rental payments as of the inception date of the lease). Additionally, the adoption of IFRS resulted in a net decrease of leases classified as financing that would have been capitalized as such under U.S. GAAP. These differences result in lower expenses recognized for depreciation and interest cost when compared to U.S. GAAP.

For a reconciliation of profit (loss) and shareholders' equity of our audited financial statements in U.S. GAAP to our audited financial statements in IFRS at January 1, 2007 and December 31, 2007 and for the year then ended, see note 23 under the caption "Reconciliation between USGAAP and IFRS as of and for the year ended December 31, 2007" to our financial statements included in this annual report.

Revenues

We derive our revenues primarily from transporting passengers on our aircraft. In 2008, 91.9% of our revenues were derived from passenger fares, and the remaining 8.1% of our revenues were derived from ancillary revenues principally from our cargo business, which utilizes available cargo space on our passenger flights. Nearly all of our passenger revenue and cargo revenue is denominated in *reais*. Passenger revenue is recognized either when transportation is provided or when the ticket expires unused. Cargo revenue is recognized when transportation is provided. Other revenue consists primarily of our frequent flyer program (*Smiles*), charter services, ticket change fees, excess baggage charges, interest on installment sales and other incidental services. Passenger revenues are based upon our capacity, load factor and yield. Our capacity is measured in terms of available seat kilometers, which represents the number of seats we make available on our aircraft multiplied by the number of kilometers the seats are flown. Load factor, or the percentage of our capacity that is actually used by paying customers, is calculated by dividing revenue passenger kilometers by available seat kilometers. Yield is the average amount that one passenger pays to fly one kilometer.

The following table demonstrates our main financial and operating performance indicators in IFRS in 2008.

| | Year Ended December 31, | |
|--|------------------------------------|-------------|
| | 2007 | 2008 |
| Financial and Operating Data (unaudited): | | |
| Load-factor | 66.0% | 61.6% |
| Break-even load-factor | 65.9% | 62.5% |
| Aircraft utilization (block hours per day) | 13.8 | 12.1 |
| Yield per passenger kilometer (cents) | 20.1 | 23.3 |
| Passenger revenue per available seat kilometer (cents) | 13.3 | 14.3 |
| Operating revenue per available seat kilometer (cents) | 14.4 | 15.6 |
| Number of departures | 237,287 | 268,540 |
| Operating aircraft | 107 | 106 |

Our revenues are net of certain taxes, including state-value added taxes, *Imposto sobre Circulação de Mercadorias e Serviços*, or ICMS; federal social contribution taxes, including Programa de Integração Social, or PIS; and the *Contribuição Social para o Financiamento da Seguridade Social*, or COFINS. ICMS does not apply to passenger revenues. The average rate of ICMS on cargo revenues varies by state from 4% to 12%. As a general rule, PIS and COFINS are imposed at rates of 1.65% and 7.6%, respectively, of total revenues.

Generally, the revenues from and profitability of our flights reach their highest levels during the January (summer) and July (winter) vacation periods and in the final two weeks of December during the Christmas holiday season. The week during which the annual Carnival celebrations take place in Brazil is generally accompanied by a decrease in load factors. Given our high proportion of fixed costs, this seasonality is likely to cause our results of operations to

vary from quarter to quarter. We generate most of our revenue from ticket sales through our website, and we are one of the largest and leading e-commerce companies in Brazil in terms of net sales through the Internet.

The ANAC and the aviation authorities of the other countries in which we operate may influence our ability to generate revenues. In Brazil, the ANAC approves the concession of slots, entry of new companies, launch of new routes, increases in route frequencies and lease or acquisition of new aircraft. Our ability to grow and to increase our revenues is dependent on the receipt of approvals for new routes, increased frequencies and additional aircraft from the ANAC.

Operating Expenses

We seek to lower our operating expenses by operating a standardized fleet with a single-class of service, having one of the newest fleets in the industry, utilizing our aircraft efficiently, using and encouraging low-cost ticket sales and distribution processes.

The main components of operating expenses include those related to aircraft fuel, aircraft rent, aircraft maintenance, sales and marketing, and salaries, wages and benefits provided to employees, including provisions for our profit sharing plan.

Our aircraft fuel expenses are higher than those of low-cost airlines in the United States and Europe because the Brazilian infrastructure to produce, transport and store fuel is expensive and underdeveloped, especially in the north and northeast regions of the country. In addition, taxes applicable to the sale of jet fuel are high and are passed along to us. Our aircraft fuel expenses are variable and fluctuate based on global oil prices. Since global oil prices are U.S. dollar-based, our aircraft fuel costs are also linked to fluctuations in the exchange rate of the real versus the U.S. dollar. In 2008, fuel expenses represented 40.5% of our total operating expenses, as compared to 38.3% in 2007. In 2007 and 2008, the price of West Texas Intermediate crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, varied significantly, reaching an all-time high of US\$ 145 in March, 2008 and decreasing to US\$ 44.60 per barrel at the end of 2008. We currently enter into short-term arrangements to hedge against increases in oil prices and foreign exchange fluctuations. We believe that we have an advantage compared to industry peers in Brazil in aircraft fuel expenses because we mainly use Boeing 737 Next Generation aircraft that are more fuel efficient than other aircraft in the industry. We expect these advantages to improve in the future due to the increase of our fleet of fuel efficient new Boeing 737-800 Next Generation aircraft.

Our aircraft rent expenses are in U.S. dollars and have increased in line with the expansion of our operations. We also use short-term arrangements to hedge against exchange rate exposure related to our lease payment obligations. In addition, leases for 16 of our aircraft are subject to floating-rate payment obligations that are based on fluctuations in international interest rates. We currently have hedging policies in place to manage our interest rate exposure.

Our maintenance, material and repair expenses consist of light (line) and scheduled heavy (structural) maintenance of our aircraft. Line maintenance and repair expenses are charged to operating expenses as incurred. Structural maintenance for aircraft leased under finance leases is capitalized and amortized over the life of the maintenance cycle. Structural maintenance for aircraft leased under operating leases is accrued at such time as the status of the maintenance does not meet the return condition stipulated in the lease. Once the maintenance is performed, accrual does not commence again until the maintenance status is reduced below the return condition. Since the average age of our operating fleet was 6.8 years at December 31, 2008 and most of the parts on our aircraft are under multi-year warranties, our aircraft have required a low level of maintenance and therefore we have incurred low maintenance expenses. Our aircraft are covered by warranties that have an average term of three to five years. The warranties on the aircraft we received in 2008 under our firm purchase order with Boeing will start expiring in 2013. Based on scheduled maintenance events, we experienced an increase in maintenance expenses in 2008. We expect our maintenance expenses to further increase due to the expiration of certain of our multi-year warranties and an increase in scheduled maintenance events in the near future. Thus, with regard to the accounting for aircraft maintenance and repair costs, our current and past results of operations may not be indicative of future results. Our Aircraft Maintenance Center in Confins, in the State of Minas Gerais is certificated for the maintenance services for Boeing 737-300s and Boeing Next Generation 737-700 and 800s. We currently use the new facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. We believe that we have an advantage compared to industry peers in maintenance, materials and repairs expenses due to the use of Boeing 737 Next Generation aircraft that allows for phased maintenance as described in this annual report, and due to the internalization of our maintenance. We believe that this advantage will remain in the future.

Our sales and marketing expenses include commissions paid to travel agents, fees paid for our own and third-party reservation systems and agents, fees paid to credit card companies and advertising. Our distribution costs are lower than those of other airlines in Brazil on a per available seat kilometer basis because a higher proportion of our customers purchase tickets from us directly through our website instead of through traditional distribution channels, such as ticket offices, and we have comparatively fewer sales made through higher cost global distribution systems. We generated 80% and 79% of our consolidated passenger revenues through our website in the years ended December 31, 2007 and 2008, respectively, including Internet sales through travel agents. For these reasons, we believe that we have an advantage compared to industry peers in sales and marketing expenses and expect this advantage will remain in the future.

Salaries, wages and benefits paid to our employees include annual cost of living adjustments and provisions made for our profit sharing plan. We have no seniority-related increases in these costs due to our salary structure. We believe that we have an advantage compared to industry peers in salaries, wages and benefits expenses due to generally lower labor costs in Brazil as compared to other countries. We believe that these advantages will continue to exist in the future.

Aircraft and traffic servicing expenses include ground handling and the cost of airport facilities. Other operating expenses consist of general and administrative expenses, purchased services, equipment rentals, passenger refreshments, communication costs, supplies and professional fees.

Our break-even load factor, which is the passenger load factor that will result in operating revenues being equal to operating expenses, decreased from 66.0% to 62.5% between 2007 and 2008. This decrease has been primarily due to an increase in yield, which resulted in an increase in revenues per available seat kilometer, partially offset by the decrease in utilization, which increased our cost per available seat kilometer, and spreading of fixed costs over a greater number of available seat kilometers which benefited also our cost per available seat kilometer.

Brazilian Economic Environment

As a company with substantially all of its operations currently in Brazil, we are affected by general economic conditions in the country. While our growth since 2001 has been primarily driven by our expansion into new markets and increased flight frequencies, we have also been affected by macroeconomic conditions in Brazil. Our growth outpaced that of our primary competitors because of strong demand for our lower fare service. In 2008, we grew 11.6% in terms of revenue passenger kilometers. We believe the rate of growth in Brazil is important in determining our future growth capacity and our results of operations.

Our results of operations are affected by currency fluctuations. The vast majority of our revenues are denominated in *reais* (with a small portion of our revenues from our international flights being denominated in other currencies), but a significant part of our operating expenses are either payable in or affected by the U.S. dollar, such as our aircraft operating lease payments, related maintenance reserves and deposits, and jet fuel expenses. Based on a statistical analysis of our first seven years of operations, we believe that our revenues are highly correlated with the *real*/U.S. dollar exchange rate and jet fuel prices because *real* fluctuations and increases in jet fuel prices are generally incorporated into the fare structures of Brazilian airlines. In 2008, 57% of our operating expenses (including aircraft fuel) are denominated in, or linked to, U.S. dollars and therefore vary with the *real*/U.S. dollar exchange rate. We believe that our foreign exchange and fuel hedging programs protect us against short-term swings in the *real*/U.S. dollar exchange rate and jet fuel prices. Overall, we believe that the combination of our revenue stream, with its correlation to movements in the *real*/U.S. dollar exchange rate, and short-term hedges on the U.S. dollar-linked portion of our expenses, will mitigate the adverse effect on our operating expenses of abrupt movements in the *real*/U.S. dollar exchange rate.

Inflation has also had, and may continue to have, effects on our financial condition and results of operations. In 2008, 43% of our operating expenses (excluding aircraft fuel) were denominated in *reais*, and the suppliers and service providers of these expense items generally attempt to increase their prices to reflect Brazilian inflation.

In the second half of 2008, the Brazilian economy began to reflect the effects of the global financial markets and economic crisis, with slower GDP growth, a weakening *real*, increasing unemployment rates, decreasing liquidity and reduced consumer spending. This led to a slow down in the air transportation industry, which we expect to remain in the short term.

The following table shows data for real GDP growth, inflation, interest rates, the U.S. dollar exchange rate and crude oil prices for and as of the periods indicated.

| | December 31, | | |
|--|---------------------|-------------|-------------|
| | 2006 | 2007 | 2008 |
| Real growth in gross domestic product | 2.9% | 5.4% | 5.1% |
| Inflation (IGP-M)(1) | 3.8% | 7.7% | 9.8% |
| Inflation (IPCA)(2) | 3.1% | 4.5% | 5.9% |
| CDI rate(3) | 13.2% | 11.1% | 13.5% |
| LIBOR rate(4) | 5.4% | 4.7% | 1.4% |
| Depreciation (appreciation) of the <i>real</i> vs. U.S. dollar | (9.5)% | (20.7)% | 32.2% |
| Period-end exchange rate US\$1.00 | R\$2.1380 | R\$1.7713 | R\$ 2.337 |
| Average exchange rate US\$1.00(5) | R\$2.1499 | R\$1.9483 | R\$1.8364 |
| West Texas intermediate crude (per barrel) | US\$61.05 | US\$96.00 | US\$ 44.6 |
| Year end Increase (decrease) in West Texas intermediate crude (per barrel) | 0.02% | 57.2% | (53.5)% |
| West Texas Intermediate crude (average per barrel during period) | US\$66.09 | US\$72.23 | US\$99.92 |
| Average Increase (decrease) in West Texas Intermediate crude (per barrel) | 16.8% | 9.3% | (38.3)% |

Sources: Fundação Getúlio Vargas, the Central Bank and Bloomberg

(1) Inflation (IGP-M) is the general market price index measured by the Fundação Getúlio Vargas.

(2) Inflation (IPCA) is a broad consumer price index measured by the Instituto Brasileiro de Geografia e Estatística.

(3) The CDI rate is average of inter-bank overnight rates in Brazil (accumulated for period-end month, annualized).

(4) Three-month U.S. dollar LIBOR rate as of the last date of the period. The LIBOR rate is the London inter-bank offer rate, which is the rate applicable to the short-term international inter-bank market.

(5) Represents the average of the exchange rates on the last day of each month during the period.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires our management to adopt accounting policies and make estimates and judgments to develop amounts reported in our consolidated financial statements and related notes. We strive to maintain a process to review the application of our accounting policies and to evaluate the appropriateness of the estimates that are required to prepare our consolidated financial statements. We believe that our estimates and judgments are reasonable; however, actual results and the timing of recognition of such amounts could differ from those estimates. In addition, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Critical accounting policies and estimates are those that are reflective of significant judgments and uncertainties, and potentially result in materially different outcomes under different assumptions and conditions. The policies and

estimates discussed below have been reviewed with our independent auditors. For a discussion of these and other accounting policies, see Note 2 to our consolidated financial statements.

Accounting for Long-lived Assets. The following table shows a breakdown of Company's long-lived asset groups along with information about estimated useful lives and residual values of these groups:

| | Estimated Useful Life | Estimated Residual Value |
|-------------------------------|--------------------------|-----------------------------|
| Aircraft and engines | 20 years | 20% |
| Ground property and equipment | 5 to 10 years | 0% |

In estimating the lives and expected residual values of its aircraft, the Company primarily has relied upon actual experience with the same or similar aircraft types and recommendations from Boeing, the manufacturer of the Company's aircraft. Aircraft estimated useful lives are based on the number of cycles flown (one-take-off and landing). The Company has made a conversion of cycles into years based on both its historical and anticipated future utilization of the aircraft. Subsequent revisions to these estimates, which can be significant, could be caused by changes to the Company's maintenance program, changes in utilization of the aircraft (actual cycles during a given period of time), governmental regulations related to aging aircraft, and changing market prices of new and used aircraft of the same or similar types. The Company evaluates its estimates and assumptions each reporting period and, when warranted, adjusts these estimates and assumptions. These adjustments are accounted for on a prospective basis through depreciation and amortization expense, as required by IFRS.

When appropriate, the Company evaluates its long-lived assets for impairment. Factors that would indicate potential impairment may include, but are not limited to, significant decreases in the market value of the long-lived asset(s), a significant change in the long-lived asset's physical condition, and operating or cash flow losses associated with the use of the long-lived assets. The Company has not identified any impairments related to its existing aircraft fleet. The Company will continue to monitor its long-lived assets and the airline operating environment.

The Company believes it unlikely that materially different estimates for expected lives, expected residual values, and impairment evaluations would be made or reported based on other reasonable assumptions or conditions suggested by actual historical experience and other data available at the time estimates were made.

Goodwill and Intangible Assets. Goodwill is tested for impairment annually by comparing the carrying amount to the recoverable amount at the cash-generating unit level. Considerable judgment is necessary to evaluate the impact of operating and macroeconomic changes to estimate future cash flows and to measure the recoverable amount. Assumptions in the Company's impairment evaluations are consistent with internal projections and operating plans. Airport operating rights were acquired as part of the acquisition of VRG and were capitalized at fair value at that date and are not amortized. Those rights are considered to be indefinite 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. VRG tradenames were acquired as part of the VRG acquisition and were capitalized at fair value at that date. The tradenames are considered to have an indefinite useful life (and are not amortized) 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. The carrying values of the airport operating rights and tradenames are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that carrying values may not be recoverable. No impairment has been recorded to date. Costs related to the purchase or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period not exceeding five years on a straight-line basis. The carrying value of these intangibles is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The Company assesses at each balance sheet date whether a financial asset is impaired using discounted cash flow analyses, which considers the creditworthiness of the issuer of the security, as further described in Note 18 to our financial statements.

Derivative Financial Instruments. The Company accounts for derivative financial instruments in accordance with IAS 39. In executing the risk management program, management uses a variety of financial instruments, including petroleum call options, petroleum collar structures, petroleum fixed-price swap agreements, and foreign currency forward contracts. The Company does not hold or issue derivative financial instruments for trading purposes.

As there is not a futures market for jet fuel in Brazil, the Company uses international crude oil derivatives to hedge its exposure to increases in fuel price. Historically, there has been a high correlation between international crude oil prices and Brazilian jet fuel prices, making crude oil derivatives effective at offsetting jet fuel prices to provide some short-term protection against a sharp increase in average fuel prices.

The Company also uses derivative financial instruments such as forward currency contracts and interest swaps to hedge its foreign market risks and interest rate risks, respectively. Derivative financial instruments are remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Since the majority of the Company's derivative financial instruments for fuel are not traded on a market exchange, the Company estimates their fair values. The fair value of fuel derivative instruments, depending on the type of instrument, is determined by the use of present value methods or standard option value models with assumptions about commodity prices based on those observed in underlying markets. Also, since there is not a reliable forward market for jet fuel, the Company must estimate the future prices of jet fuel in order to measure the effectiveness of the hedging instruments in offsetting changes to those prices, as required by IAS 39.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The Company designates certain of its derivative financial instruments for hedge accounting. These instruments are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in profit or loss. Amounts classified in equity are transferred to profit or loss when the hedged transaction affects profit or loss. If the hedged item is the cost of a non-financial asset or non-financial liability, the amounts classified in equity are transferred to the initial carrying amount of the non-financial asset or liability. If the firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires, is terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the firm commitment occurs. The Company's outstanding derivative contracts are all designated as cash flow hedges for accounting purposes. 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 recorded in equity. All changes in fair value that are considered to be effective, as defined, are recorded in equity until the underlying exchange exposure is realized and fuel is consumed. Changes in fair value that are not considered to be effective are recorded in other income (expense), net in the statement of income. The Company measures the effectiveness of the hedging instruments in offsetting changes to the hedged item, as required by IAS 39. See Note 18 for further information on IAS 39 and derivative financial instruments.

Derivative instruments that are not designated for hedge accounting treatment are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances

(i.e., the underlying contracted cash flows). Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Aircraft maintenance and repair costs. Our aircraft lease agreements specifically provide that we, as lessee, are responsible for maintenance of the leased aircraft and engines, and we must meet specified airframe and engine return conditions upon lease expiration. Under certain of our existing lease agreements, we pay maintenance deposits to aircraft and engine lessors that are to be applied to future maintenance events. These deposits are calculated based on a performance measure, such as flight hours or cycles, and are available for reimbursement to us upon the completion of the maintenance of the leased aircraft. If there are sufficient funds on deposit to reimburse us for our maintenance costs, such funds are returned to us. The maintenance deposits paid under our lease agreements do not transfer either the obligation to maintain the aircraft or the cost risk associated with the maintenance activities to the aircraft lessor. In addition, we maintain the right to select any third-party maintenance provider or to perform such services in-house. Therefore, we record these amounts as a deposit on our balance sheet and recognize maintenance expense when the underlying maintenance is performed, in accordance with our maintenance accounting policy. The amount of aircraft and engine maintenance deposits expected to be utilized in the next twelve months is classified in Current Assets. Certain of our lease agreements provide that excess deposits at the end of the lease term are not refundable to us. Such excess could occur if the amounts ultimately expended for the maintenance events were less than the amounts on deposit. Any excess amounts held by the lessor or retained by the lessor upon the expiration of the lease, which are not expected to be significant, would be recognized as additional aircraft rental expense at the time it is no longer probable that such amounts will be used for maintenance for which they were deposited.

In determining whether it is probable maintenance deposits will be used to fund the cost of maintenance events, the Company conducts the following analysis at the inception of the lease, on an annual and quarterly basis and whenever events or changes in circumstances indicate that amounts may not be recoverable, to evaluate potential impairment of this balance:

- At the time of delivery of each aircraft under lease, the Company evaluates the aircraft's condition, including the airframe, the engines, the auxiliary power unit and the landing gear.
- The Company projects future usage of the aircraft during the term of the lease based on its business and fleet plan.
- The Company estimates the cost of performing all required maintenance during the lease term. These estimates are based on the extensive experience of its management and industry available data, including historical fleet operating statistic reports published by engine suppliers.

At the inception of the leases, our initial estimates of the maintenance expenses are equal to or in excess of the amounts required to be deposited. This demonstrates it is probable the amounts will be utilized for the maintenance for which they are to be deposited and the likelihood of an impairment of the balance is remote. Additionally, some of our lessors are agreeing that to replace the deposits with letters of credit and use the deposited funds to settle other amounts owed under the leases. Upon this amendment of the lease, we reevaluate the appropriateness of the lease accounting and reclassify the affected deposits as Other Deposits. We intend to pursue additional lease amendments. Many of our new aircraft leases do not require maintenance deposits.

Based on the foregoing analysis, management believes that the amounts reflected on the consolidated balance sheet as Aircraft and Engine Maintenance Deposits are probable of recovery. There has been no impairment of our maintenance deposits. A summary of activity in the Aircraft and Engine Maintenance Deposits is as follows:

| | 2007 | 2008 |
|-------------------|---------------------------------|-------------|
| | (in thousands of <i>reais</i>) | |
| Beginning of year | 263,647 | 322,354 |

| | | |
|-----------------------------------|----------|----------|
| Amounts paid in | 113,942 | 142,282 |
| Reimbursement of expense incurred | (47,437) | (71,141) |
| Reclassified to Other Deposits | (7,798) | (1,506) |
| End of year | 322,354 | 391,989 |

The estimated maintenance reserve deposits to be paid to the lessors and the estimated amounts to be charged to maintenance expense that will be reimbursed from the deposits, based on currently scheduled maintenance are set forth in the following table:

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| | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------------|-------------------------|--------|--------|--------|--------|
| | (in thousands of reais) | | | | |
| Estimated Reserve Deposits | 40,099 | 40,099 | 18,505 | 18,505 | 18,505 |
| Estimated Reserve Reimbursements | 50,773 | 37,399 | 26,159 | 26,654 | 26,654 |

These estimates are subject to significant variation, including, among others, the actual cost to complete the maintenance, timing of the maintenance, aircraft cycles impacting the timing, and the imposition of potential new maintenance requirements.

With respect to non-refundable aircraft and engine maintenance deposits, an alternative method of accounting exists, under which such deposit payments would be accounted for as additional rental and recorded as rental expense. The choice of our method of accounting for non-refundable maintenance deposit payments, as opposed to expensing the payments when made, results in recognizing less expenses in the earlier years of the leases than in the later years (potentially substantially so) even though the use of and benefit from the aircraft does not vary correspondingly over the term of the lease. We have chosen our current policy because under the terms of our leases the maintenance deposits are required to provide assurance to the lessors that the maintenance, which is our responsibility, will be performed, and are not additional rental. We have concluded our policy is preferable.

Revenue Recognition and Mileage Program. Passenger revenue is recognized either when transportation is provided or when the ticket expires unused. Tickets sold but not yet used are recorded as advance ticket sales. Advance ticket sales represents deferred revenue for tickets sold for future travel dates and estimated refunds and exchanges of tickets sold for past travel dates. A small percentage of tickets (or partial tickets) expire unused. The Company estimates the amount of future refunds and exchanges, net of forfeitures, for all unused tickets once the flight date has passed. These estimates are based on historical data and experience. Estimated future refunds and exchanges included in the air traffic liability account are compared with actual refund and exchange activities every month to monitor the reasonableness of the estimated refunds and exchanges.

Since the acquisition of VRG, the Company operates a frequent flyer program, Smiles (Mileage Program) that provides travel and other awards to members based on accumulated mileage credits. The obligations assumed under the Mileage Program were valued at the acquisition date at estimated fair value that represents the estimated price the Company would pay to a third party to assume the obligation for miles expected to be redeemed under the Mileage Program. Outstanding miles earned by flying VRG or distributed by its non-airline partners (such as banks, credit card issuers and e-commerce companies) were revalued using a weighted-average per-mile equivalent ticket value, taking into account such factors as differing classes of service and domestic and international ticket itineraries, which can be reflected in awards chosen by Mileage Program members. The probability of air miles being converted into award tickets is estimated using a statistical method.

The sale of passenger tickets by the Company includes air transportation and mileage credits. The Company's sales of miles to business partners include marketing and mileage credits. The Company uses the deferred revenue model to account for its obligation for miles to be redeemed based upon the equivalent ticket value of similar fares. The Company accounts for all miles earned and sold as separate deliverables. The Company defers the portion of the sales proceeds that represents the estimated fair value of the award and recognizes that amount in cargo and other revenue when the award is provided. The excess of sale proceeds over the fair value of the award (which is mileage program marketing revenue) is recognized in cargo and other revenue, as applicable.

Results of Operations

Year 2008 Compared to Year 2007

Our results of operations in 2008 were affected by the following key drivers:

Macro-economic conditions: Record-high fuel prices in the first half of 2008 and a strong devaluation of the *real* against the U.S. dollar in the second half of 2008 have negatively affected our results of operations in 2008. Average crude oil WTI was up 38.3% year-over-year, from US\$72.23 per barrel in 2007 against US\$99.92 per barrel in 2008. In March 2008, crude oil WTI peaked at a historical record of US\$145.29 per barrel. In the context of the global financial markets and credit crisis oil prices sharply decreased in the fourth quarter of 2008, with crude oil WTI closing in 2008 at US\$44.60 per barrel. While the average exchange rate of the *real* against the U.S. dollar year over year decreased 5.6% from R\$ 1.95 per US\$1.00 in 2007 to R\$1.84 per US\$1.00 in 2008, the real depreciated 31.9% in absolute terms in the second half of 2008, from an all time high of R\$1.56 per US\$1.00 in July, 2008 to R\$2.34 at year end 2008.

VRG acquisition: In April 2007, we acquired VRG as part of our strategy to strengthen our market position with VRG's route rights, airport operating rights and the largest passenger loyalty program in South America. The acquisition was approved by the ANAC on April 3, 2007 and by the Brazilian antitrust authority CADE on June 25, 2008. Until the CADE approval and the subsequent corporate restructuring, we had to operate two fully separate airlines until September 30, 2008, which resulted in lower overall load factors, an overlap in flight networks, increased operating and overhead costs and therefore lower efficiency for the year. In addition, the operational and technological integration of VRG caused substantial costs in 2008. The launch and cancellation of our long-haul operations to European destinations, a business we opportunistically entered into at the end of 2007, did not prove successful and resulted in lower than expected revenues and higher than expected operating and administrative costs. Meanwhile, we were not able to return or sublease all of the seven Boeing 767 wide-body aircraft, all of which we stopped operating during the second half of 2008. Our corporate restructuring took place in September 2008, which allowed us, commencing in the last quarter of 2008, to consolidate our flight network, standardize our aircraft maintenance and optimize employee allocation by standardizing job positions, responsibilities and salaries. We were, as a consequence, able to achieve operating income of R\$53.9 million for the last quarter of 2008.

Low fleet utilization and higher fares: Due to the above factors, our results of operations in 2008 were atypical, with a 32.2% increase in average fares and a reduction in block hours from 13.8 in 2007 to 12.1 in 2008. The cancellation of our long-haul operations and the increase in the minimum turnaround time for our aircraft led to the 1.7 block hours reduction in our aircraft utilization and a reduction from nine flight legs per day in 2007 to seven flight legs per day in 2008. On a cost per available seat kilometer basis, this effect was partially offset by our 19.7% increase in available seat kilometers in 2008. Increased fuel expenses led us to increase average fares by 32.3%, which increased our yields and revenues per available seat kilometers.

We present in the following table information regarding our results of operations in IFRS in 2008 and 2007.

| | Year Ended December 31, | |
|------------------------------------|---|-------------|
| | 2007 | 2008 |
| | (in R\$, except where indicated) | |
| | (in thousands) | |
| Income Statement Data: | | |
| Net operating revenues: | | |
| Passenger | 4,566,691 | 5,890,104 |
| Cargo and other | 374,293 | 516,089 |
| Total net operating revenues | 4,940,984 | 6,406,193 |
| Operating expenses: | | |
| Salaries, wages and benefits | (799,344) | (983,783) |
| Aircraft fuel | (1,898,840) | (2,630,834) |
| Aircraft rent | (525,785) | (645,089) |
| Sales and marketing | (367,866) | (588,735) |
| Landing fees | (273,655) | (338,370) |
| Aircraft and traffic servicing | (348,732) | (422,177) |
| Maintenance, materials and repairs | (339,281) | (388,030) |
| Depreciation | (62,548) | (125,127) |
| Other operating expenses | (315,068) | (372,696) |
| Total operating expenses | (4,931,119) | (6,494,841) |

| | | |
|-------------------------|-------|----------|
| Operating income (loss) | 9,865 | (88,648) |
|-------------------------|-------|----------|

We incurred operating losses of R\$88.6 million in 2008, compared to operating profit of R\$9.9 million in 2007. Our operating margin in 2008 was a negative 1.4%, and break-even in 2007. We reported a net loss for the year 2008 of R\$1,239.3 million compared to profit of R\$167.3 million for 2007. Losses before income tax were R\$1.195.0 million in 2008 compared to income before income tax of R\$200.9 million in 2007.

Net Operating Revenues. Net operating revenues increased 29.0% to R\$6,406.2 million in 2008, due primarily to a 15.5% increase in yield from R\$20.14 cents in 2007 to R\$23.27 cents in 2008. The increase in yield was mainly due to a 32.3% increase in average fares from R\$198 in 2007 to R\$262 in 2008, reflecting higher fuel prices during the first nine months of 2008. For the fourth quarter, yields remained at high levels due to better yield management under our new integrated route network that eliminated overlapping routes and schedules between the former Gol and Varig route networks. For the same reasons, our operating revenue per available seat kilometer increased by 8.3% from R\$14.38 cents in 2007 to R\$15.58 cents in 2008.

Revenue passenger kilometers increased 11.6% from 22,670 million in 2007 to 25,308 million in 2008, while the number of enplaned passengers increased 8.3% from 23,689 in 2007 to 25,664 in 2008. Our revenue passenger kilometers growth in 2008 was mainly driven by a 13.2% increase in the number of departures from 237,287 in 2007 to 268,540 in 2008.

A 20.1% increase in the average number of operating aircraft from 88.6 in 2007 to 106.4 in 2008 resulted in a 19.7% increase in operating capacity, or available seat kilometers, from 34,349 million in 2007 to 41,107 million in 2008 and a 13.2% growth in departures from 237,287 in 2007 to 268,540 in 2008.

Our load factor decreased 4.4 percentage points from 66.0 in 2007 to 61.6 in 2008, mainly due a 19.7% increase in available seat kilometers and the inefficiency resulting from our parallel operation of two airline companies with partly overlapping route networks until October 2008.

Our ancillary revenues are derived from the *Gollog* and *Voe FÁCil* businesses as well as ticket change fees, excess baggage charges, charter service revenues and other incidental services, and are an increasingly important part of our revenue composition. Our ancillary and other revenues increased 37.9% from R\$374.3 million in 2007 to R\$516.1 million in 2008 representing 8.1% of our total revenues, mainly due to higher revenues from cargo transportation.

Operating Expenses. Operating expenses per available seat kilometer increased 10.1% to R\$15.80 in 2008, primarily due to (i) the costs related to the integration of VRG in 2008, mostly related to non-recurring costs for closing of inter-continental long haul routes, aircraft return (Boeing 737-300 and Boeing 767 aircraft) and downtime (Boeing 767 aircraft) expenses and the implementation of a new integrated sales system and (ii) unfavorable macro-economic conditions. Operating expenses per available seat kilometer excluding fuel increased by 6.5% to R\$9.40 in 2008.

Our breakeven load factor decreased 3.4 percentage points to 62.5% in 2008 compared to 65.9% in 2007, primarily due to an increase in yield, which resulted in an increase in revenue per available seat kilometer, partially offset by the decrease in utilization, which increased our cost per available seat kilometer. Our breakeven load factor was also impacted by the spreading of fixed costs over a greater number of available seat kilometers which benefited our cost per available seat kilometer.

The breakdown of our operating expenses on a per available seat kilometer basis in IFRS for 2008 compared to 2007 is as follows.

| | Year Ended December 31, | |
|---------------------|---|------|
| | 2007 | 2008 |
| | (cost per available seat kilometer in R\$ cents) | |
| Operating expenses: | | |

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| | | |
|-----------------------------------|-------|-------|
| Salaries, wages and benefits | 2.33 | 2.39 |
| Aircraft fuel | 5.53 | 6.40 |
| Aircraft rent | 1.53 | 1.57 |
| Sales and marketing | 1.07 | 1.43 |
| Landing fees | 0.80 | 0.82 |
| Aircraft and traffic servicing | 1.02 | 1.03 |
| Maintenance materials and repairs | 0.99 | 0.94 |
| Depreciation and amortization | 0.18 | 0.30 |
| Other operating expenses | 0.92 | 0.91 |
| Total operating expenses | 14.36 | 15.80 |
| Cost per flight hour | 14.62 | 16.84 |

Salaries, wages and benefits increased 23.1%, or R\$184.4 million, due to a 5% cost of living increase on salaries effected in December 2007, the 20.1% increase in the average number of operating aircraft from 88.6 in 2007 to 106.4 in 2008, and the 1.2% increase in the number of employees in the year over year comparison. Salaries, wages and benefits per available seat kilometer increased 2.6% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

Aircraft fuel expense increased 38.5%, or R\$732.0 million, primarily due to a 38% increase in WTI fuel prices, a 16% increase in fuel consumption derived from the increase in departures and capacity, and the devaluation of the *real* against the U.S. dollar in the second half of 2008. Aircraft fuel expense per available seat kilometer increased 15.7% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

Aircraft rent, which we incur in U.S. dollars, increased 22.7%, or R\$119.3 million, due to a 20.1% increase in the average number operating aircraft from 88.6 in 2007 to 106.4 in 2008 and the devaluation of the *real* against the U.S. dollar in the second half of 2008. During the second half of 2008, we stopped operating our seven Boeing 767 aircraft, which we expect to return or sublease during 2009. Aircraft rent per available seat kilometer increased only 2.6% as the cost increase was offset by the 19.7% increase in available seat kilometers in 2008.

Sales and marketing expense increased 60.0%, or R\$220.9 million, resulting from (i) expenses incurred in operating both Gol and Varig as separate airlines until our corporate reorganization, (ii) the launch in 2008 of a new integrated sales system that improved the purchasing process, identifies operating and performance synergies and improves the performance and quality of the online sales service, and (iii) an increase in sales incentives mainly during the first nine months of 2008. Sales and marketing per available seat kilometer increased 34.0% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

Landing fees increased 23.6%, or R\$64.7 million, mainly due to the 13.2% increase in departures. Landing fees per available seat kilometer increased 2.5% due to the same reasons, although diluted by the increase in available seat kilometers in 2008. Aircraft and traffic servicing expense increased 21.0%, or R\$73.4 million, primarily due to an increase of 20.1% in the average operating fleet, from 88.6 in 2007 to 106.4 in 2008, higher departures and lower average stage length. Aircraft and traffic servicing expense per available seat kilometer remained flat reflecting the full dilution of these expenses by the increase in available seat kilometers.

Maintenance, materials and repairs increased 14.4%, or R\$48.7 million, due to an increase in scheduled aircraft maintenance events during the year, reflecting (i) the larger average operating fleet and lower average stage length, which reduced scheduled maintenance periods and (ii) extraordinary expenses related to returned aircrafts during the second half of 2008. Maintenance, materials and repairs per available seat kilometer decreased 5.1% primarily due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

Depreciation and amortization increased 100% or R\$62.6 million, due primarily to the increase in fixed assets resulting from the addition of 12 aircraft to our consolidated fleet during the last quarter of 2007, including four 767-300ERS operated under finance leases. This increased our total fixed assets to be depreciated during 2008, and also caused an increase in rotables and other parts and inventories for maintenance purposes. Depreciation and amortization per available seat kilometer increased 66.7% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

Other operating expenses increased 22.0%, or R\$59.5 million, due to costs related to closing of international bases in 2008, an increase in insurance expenses and expenses related to cancelled flights and crew lodging expenses, especially during the first nine months of 2008. Other operating expenses per available seat kilometer decreased 3.2% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

Financial expenses totaled R\$1,106.4 million, compared to a financial income of R\$191.0 million in 2007, mainly as a result of non-cash foreign exchange variation loss of R\$757.5 million due to the devaluation of the *real* against the U.S. dollar in the second half of 2008, and to fuel and currency hedge losses of R\$131.8 million in the year.

Income Taxes. Income tax expenses increased 31.9%, or R\$10.7 million in 2008, as compared to 2007, mainly due to the fact that, in 2008, our prior operating subsidiary GTA had taxable profits for the nine months ended September 30, 2008, which could not be offset against losses in the operations of VRG, a separate legal entity until the execution of our corporate restructuring in September 2008. For further detail on our income tax expenses, see note 5 to our financial statements as of and for the year ended December 31, 2008 included herein.

B. Liquidity and Capital Resources**Liquidity**

In managing our liquidity, we take into account our cash and cash equivalents and short-term investments as well as our accounts receivable balances. Our accounts receivable balance is affected by the payment terms of our credit card receivables. Our customers can purchase seats on our flights using a credit card and pay in installments, typically creating a one-or two-month lag between the time that we pay our suppliers and expenses and the time that we receive payment for our services. When necessary, we obtain working capital loans, which can be secured by our receivables, to finance the sale-to-cash collection cycle.

The following table sets forth certain key liquidity data in IFRS at the dates indicated:

| | At December 31, | | |
|--|-----------------------------------|----------------|-----------------|
| | 2007 | 2008 | % Change |
| | (in millions of reais) | | |
| <i>Real Denominated</i> | 2,296.6 | 936.5 | (59.2)% |
| Cash and Cash Equivalents, Short Term | 1,393.5 | 591.6 | (57.5)% |
| Investments and Restricted Cash | | | |
| Short-term Receivables | 903.1 | 344.9 | (61.8)% |
| <i>Foreign Exchange Denominated</i> | 695.5 | 957.2 | 37.6% |
| Pre-Delivery Deposit Advances | 695.5 | 957.2 | 37.6% |
| Total Liquidity | 2,292.1 | 1,893.7 | (17.4)% |

At December 31, 2008, cash and investments were R\$591.6 million, including R\$176.7 million in restricted deposits that guarantee a portion of BNDES, BDMG and hedge operations. The balance of R\$414.9 million is invested in immediate liquid assets. The decrease in total liquidity as compared to 2007 is mostly due to negative operating results in 2008 as discussed above under Results of Operations .

Short-term receivables include credit card sales, the Voe Fácil installment payment program, accounts receivables from travel agencies and cargo transportation. At the end of 2008, we prepaid a working capital loan in the amount of R\$467 million with short-term receivables discounted to their present value, which resulted in a 62.4% decrease in our short-term receivables on December 31, 2008 as compared to December 31, 2007.

At December 31, 2008, we had R\$957.2 million deposited with Boeing as advances for aircraft acquisitions, an increase of 37.6% as compared to December 31, 2007, mainly due to an increase in aircraft to be received from Boeing under our fleet plan.

As a result, our total liquidity was R\$1,893.7 million at December 31, 2008 as compared to R\$2,292.1 at December 31, 2007.

Cash Flow Analysis

Operating Activities. Our strategy is to rely primarily on cash flows from operations to provide working capital for current and future operations. In 2008, we generated R\$166.9 million cash from our operating activities. Excluding,

however, the prepayment of a R\$467 million working capital loan with short-term receivables, we would have a use of operating cash of R\$300.1 million in 2008 (instead of the operating cash provided of R\$166.9 million), mainly due to our operating losses in 2008. In 2007, the year in which we acquired VRG, we used cash of R\$141.5 million in our operating activities due to net operating losses in 2007. We expect to return to positive operating cash flow generation in 2009.

Our operating cash flows are affected by the requirement under the terms of certain of our aircraft operating lease agreements that we establish maintenance reserve deposit accounts for our aircraft that must be funded at specified levels. At December 31, 2008, we had R\$745.3 million of deposits under our aircraft operating leases for maintenance. Funds will be drawn from the maintenance reserve accounts to reimburse for certain structural maintenance expenditures incurred. We believe the amounts deposited and to be deposited plus our own cash resources will be sufficient to service our future aircraft and maintenance costs for the duration of the applicable operating leases

Investing Activities. During 2008, capital expenditures were R\$436.9 million, which included expenditures of R\$261.7 million of pre-delivery deposits (PDP) for aircraft acquisitions. Cash generated in our investing activities totaled R\$40.7 million, which included the PDP capital expenditures and R\$574.8 million of net investments in liquid financial assets. During 2007, capital expenditures were R\$742.7 million, which included expenditures of R\$201.5 million for the VRG acquisition (net of cash acquired), R\$541.2 million related to acquisitions of property and equipment which included R\$255.3 million of pre-delivery deposits for aircraft acquisitions. Cash used in our investing activities in 2007 was R\$190.3 million, which included the capital expenditures described above and R\$566.9 million of net investments in liquid financial assets.

Financing Activities. The following table sets forth our loans and financings in IFRS at December 31, 2008 and 2007:

| | At December 31 | | |
|----------------------------------|--------------------------------|----------------|-----------------|
| | 2007 | 2008 | % Change |
| | (in millions of <i>reais</i>) | | |
| Loans | 1,155.3 | 695.0 | (33.7)% |
| Aircraft Financing | 1,099.6 | 2,271.3 | 106.6% |
| Interest | 19.1 | 25.6 | 34.0% |
| Perpetual Bonds | 332.3 | 414.4 | 24.7% |
| Total Loans and Financing | 2,606.3 | 3,406.3 | 131.5% |

At the close of fiscal year 2008, our total debt was R\$3.4 billion, with an average term of 7.2 years and an average rate of 12.0% for obligations in local currency and of 6.0% for U.S. dollar denominated obligations. Excluding our perpetual bonds, which have no maturity date, total loans and financing totaled R\$3.0 billion at the end of 2008. The increase in total debt in 2008 was primarily due to the year-end over year-end devaluation of the *real* against the U.S. dollar, and, to a lesser extent, the addition of six aircraft to the portfolio of financial leasing agreements that changed from 19 to 25 aircraft in 2008.

Loans (excluding aircraft financings):*

At December 31

| | 2007 | 2008 | % Change |
|--|-------------|-------------|-----------------|
|--|-------------|-------------|-----------------|

(in millions of *reais*)**Short-term**

| | | | |
|---|--------------|-------------|----------------|
| Real Denominated Loans | 511.8 | 66.8 | (86.9)% |
| Working Capital | 496.8 | 50.0 | (89.9)% |
| BNDES(1) | 15.0 | 14.2 | (5.3)% |
| BDMG(2) | | 2.6 | NA |
| Foreign Currency Denominated Loans | 124.1 | 19.5 | NA |
| Security Floating Rate Bank Loans | 106.3 | | NA |
| IFC(3) | 17.8 | 19.5 | 9.6% |
| Total Short-term | 635.9 | 86.3 | NM |

Long-term

| | | | |
|---|----------------|----------------|----------------|
| Real Denominated Loans | 65.0 | 49.2 | (24.3)% |
| BNDES(1) | 50.8 | 36.6 | (28.0)% |
| BDMG(2) | 14.2 | 12.6 | (11.3)% |
| Foreign Currency Denominated Loans | 454.4 | 559.5 | 23.1% |
| IFC(3) | 73.8 | 77.9 | 5.6% |
| Senior Notes | 380.6 | 481.6 | 26.5% |
| Total Long-term | 519.4 | 608.7 | 17.2% |
| Total Loans ex-perpetual bonds | 1,155.3 | 695.0 | (38.9)% |
| <i>Perpetual Bonds**</i> | 332.3 | 414.4 | 24.7% |
| Loans - including perpetual bonds | 1,487.6 | 1,109.4 | (25.4)% |

* *Does not include interest*** *No maturity term bonds*

(1) Credit line with Banco Nacional de Desenvolvimento Economico e Social (the Brazilian Development Bank)

(2) Credit line with Banco de Desenvolvimento Minas Gerais (Minas Gerais State Development Bank)

(3) Credit line with International Finance Corporation)

Aircraft Financings:***At December 31,**

| | 2007 | 2008 | % Change |
|--|-------------|-------------|-----------------|
|--|-------------|-------------|-----------------|

(in millions of *reais*)**Short-term (Foreign Currency)**

| | | | |
|--|----------------|----------------|---------------|
| Pre Delivery Deposits (PDP) | 169.2 | 697.7 | 312.4% |
| Financial Leasings | 67.4 | 157.9 | 134.3% |
| Total Short-term (Foreign Currency) | 236.6 | 855.6 | 261.6% |
| Long-term (Foreign Currency) | | | |
| Pre Delivery Deposits (PDP) | 174.4 | | (100.0)% |
| Financial Leasings | 688.5 | 1,415.7 | NA |
| Total Long-term (Foreign Currency) | 863.0 | 1,415.7 | 64.0% |
| Total Aircraft Financings* | 1,099.6 | 2,271.3 | 106.6% |

* Does not include interest

On December 31, 2008, aircraft financing debt totaled R\$2.3 billion, including:

- Pre-delivery deposits (PDP) for aircraft acquisition prepayments totaling R\$697.7 million; 100% of these financings is refinanced in a combination of both sale and lease-back transactions and long-term debt with financial institutions, backed by the U.S. EX-IM Bank.

- Finance leases totaled R\$1,573.6 million and are paid in monthly installments with funds generated from our operations. Financial expenses related thereto are booked as financial expenses on the income statement.

Total short-term debt for 2008 (excluding the Pre-Delivery Deposit Facility) adding finance leases of R\$157.9 million, interest of R\$25.6 million and loans of R\$86.2 million, is R\$269.7 million.

Long term financings in the aggregate amount of R\$695 million at December 31, 2008 contain customary covenants and restrictions, including but not limited to those that require us to maintain defined debt liquidity and interest expense coverage ratios. At December 31, 2008, we were compliant with all restrictive covenants.

The following table sets forth the maturities and interest rates of our indebtedness in IFRS:

| Maturities and Interest | Maturity | Contractual Interest | Effective Interest p.a. | Currency |
|--------------------------------|-----------------|-----------------------------|--------------------------------|-----------------|
| Working Capital | Aug/09 | 15.0% | 15.0% | Real |
| BNDES | Jul/12 | TJLP +2.65% | 8.9% | Real |
| BDMG | Jan/14 | IPCA +6% | 12.79% | Real |
| Bank Loans | Dec/08 | - | - | Real |
| | | Libor | | |
| IFC Loan | Jul/13 | +1.875% | 5.50% | U.S. dollar |
| Senior Notes | Apr/17 | 7.50% | 7.50% | U.S. dollar |
| PDP Facility | Dec/09 | Libor + 0.5% | 3.51% | U.S. dollar |
| Perpetual Bonus | n/a | 8.75% | 8.75% | U.S. dollar |

The following table sets forth the loans and financings amortization schedule in IFRS:

Loans and Financing Amortization Schedule

| | 2009 | 2010 | 2011 | 2012 | 2013 | After 2013 | Total |
|-------------------------------------|--------------------------|-------------|-------------|-------------|-------------|-------------------|--------------|
| | <i>(in R\$ millions)</i> | | | | | | |
| Real Denominated | 66.7 | 17.7 | 17.7 | 10.4 | 3.1 | 0.2 | 116.0 |
| BDMG | 2.6 | 3.1 | 3.1 | 3.1 | 3.1 | 0.2 | 15.2 |
| BNDES | 14.2 | 14.7 | 14.7 | 7.3 | - | - | 50.8 |
| Working Capital | 50.0 | | | | | | 50.0 |
| Foreign Currency Denominated | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | 481.6 | 579.0 |
| IFC | 19.5 | 19.5 | 19.5 | 19.5 | 19.5 | - | 97.4 |
| Senior Notes | - | - | - | - | - | 481.6 | 481.6 |
| Total* | 86.2 | 37.2 | 37.2 | 29.9 | 22.6 | 481.8 | 695.0 |

**excluding interest expenses and aircraft financing*

For further information on our financing activities, see note 19 to our consolidated financial statements as of and for the year ended December 31, 2008.

We declared aggregate dividends of R\$36.4 million, net of taxes, for the fiscal year 2008. We declared dividends of R\$302.8 million (of which R\$144.6 were paid as interest on equity) for the fiscal year 2007.

On March 20, 2009, our board of directors approved a capital stock increase issuing 6,606,366 voting and 19,487,356 non-voting shares to improve the company's cash position and capital structure and to ensure the level of investments planned. The voting and non-voting shares will be issued at R\$7.80 per share. Our controlling shareholders have fully subscribed and paid for their portion of the capital increase in an amount of R\$150.0 million. If fully subscribed, the capital increase will total R\$203.5 million.

Capital Resources

We typically finance our leased aircraft through operating and finance lease financings. Although we believe that debt and/or operating lease financings should be available for our future aircraft deliveries, we cannot assure you that we will be able to secure financings on terms attractive to us, if at all. To the extent we cannot secure financing, we may be required to modify our aircraft acquisition plans or incur higher than anticipated financing costs. We expect to continue to require working capital investment due to the use of credit card installment payments by our customers. We expect to meet our operating obligations as they become due through available cash and internally generated funds, supplemented as necessary by short-term credit lines.

Our growth plans contemplate operating 127 aircraft by the end of 2012. As of December 31, 2008, we had firm purchase orders with The Boeing Company for 94 737-800 Next Generation aircraft as of December 31, 2008 and we have options to purchase an additional 36 737-800 Next Generation aircraft. Committed expenditures for these aircraft, based on aircraft list price and including estimated amounts for contractual price escalations and pre-delivery deposits, are US\$170.5 million in 2009, US\$139.1 million in 2010, US\$177.9 million in 2011, US\$235.0 million in 2012 and US\$722.5 million in 2013. We expect to meet our pre-delivery deposits by using long term loans from private financial institutions guaranteed by triple A rated institutions and capital markets financings such as long term and perpetual bonds.

The firm aircraft orders represent a significant financial commitment for us. Pending the application of the proceeds from financing activities, we have invested these proceeds in overnight deposits and deposit certificates with highly-rated Brazilian banks and short-term investments, mainly highly-rated Brazilian government bonds.

We expect that the continuance of the commitment to us from the Export-Import Bank of the United States to provide guarantees covering 85% of the aggregate purchase price for the firm order aircraft will assist us in obtaining low-cost financing for the purchase of the firm order aircraft. The remaining 15% of the aggregate purchase price for the firm order aircraft is expected to be funded by our cash or other financing alternatives. To the extent that we do not have sufficient cash resources to do so, we may be required to modify our aircraft acquisition plans or to incur higher than anticipated financing costs, which would have an adverse impact on the execution of our strategy and business. The Company believes that it has and will in the future have appropriate funding resources available with the combination of U.S. Eximbank supported financing, local development bank funding and sale and leaseback transactions. As a result, we believe that the subprime credit crisis in the United States will not affect our financial position and ability to finance our operations and the acquisition of aircraft.

Recent Accounting Pronouncements

The following new accounting standards or amendments to accounting standards, which are not yet effective and have not been adopted in the financial statements included in this annual report, will be adopted in future financial statements, if applicable.

- Amendment to IFRS 2 - Share-based payments: vesting conditions and cancellations (effective January 1, 2009). This amendment clarifies the accounting treatment of cancellations and vesting conditions. The introduction of this amendment will not impact the Company's financial statements.
- IFRS 3 (Revised) - Business Combinations (effective July 1, 2009). This standard deals with how an acquirer recognizes measures and discloses in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The objective is to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The impact on the Company will be dependent on the nature of any future acquisition.

- Amendment to IAS 1 - Presentation of Financial Statements, a revised presentation (effective January 1, 2009). This amendment sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. IAS 1 will impact the presentation of the financial statements of the Company. However, this impact is not expected to be significant.

- Amendment to IAS 27 - Consolidated and Separate Financial Statements (effective July 1, 2009). The objective of this amendment is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate and consolidated financial statements. The introduction of this amendment will impact the Company's reporting although this impact is not expected to be significant.
- On May 22, 2008 the IASB published the Improvements to International Financial Reporting Standards 2008, which contains 24 amendments to IFRS that result in accounting changes for presentation, recognition or measurement purposes and 11 terminologies or editorial amendments that will have only minimal or no effects on accounting. All amendments are effective January 1, 2009, except for the amendment to IFRS 5, Non-current assets held for sale and discontinued operations - plans to sell a controlling interest in a subsidiary, (effective July 1, 2009). None of these amendments are expected to have a significant impact on Company's financial statements.

In addition, the Company does not expect the following new accounting standards or amendments will impact the Company's financial reporting:

- IFRS 8 - Operating Segments was issued in November 2006 replacing IAS 14, Segmental Reporting (effective January 1, 2009).
- IFRIC 15 - Agreements for the Construction of Real Estate (effective January 1, 2009).
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective January 1, 2009).
- Amendment to IAS 32 and IAS 1 - Puttable Financial Instruments and Obligations arising on Liquidation (effective January 1, 2009).

C. Research and Development, Patents and Licenses, etc.

We believe that the Gol brand has become synonymous with innovation and value in the Brazilian airline industry. We have filed requests for registration of the trademarks GOL and GOL LINHAS AÉREAS INTELIGENTES with trademark offices in Brazil and in other countries, and have already been granted final registration of these trademarks in Argentina, Bolivia, Chile, Colombia, the European Union, the United States, Paraguay and Uruguay. VRG holds trademarks for its *Varig* and *Smiles* brands in various countries.

D. Trend Information

We continue to invest in our successful low-cost business model and will continue to evaluate opportunities to expand operations by adding new flights in Brazil, as well as expanding to other high traffic centers in South America. Although we have a flexible fleet plan that allow us to manage our capacity growth according to market growth, the company expects to benefit from economies of scale as we continue to renew and standardize our fleet and further improve and integrate its highly efficient operating network. We expect to reduce our non-fuel cost per available seat kilometer (CASK) over time as we continue to reduce the age of our fleet, increase the utilization of our aircraft, benefit from the cost savings through the aircraft maintenance center and improve upon our cost-efficient distribution channels. We also expect to grow revenues from the Gollog cargo transportation business, the *Smiles* loyalty program and other ancillary revenues, such as the Voe Fácil installment payment program. The air passenger transportation market in Brazil remains under-penetrated and increasing the number of available seats at low fares is important for the continued development of the sector and the economy.

E. Off-Balance Sheet Arrangements

None of our operating lease obligations are reflected on our balance sheet. At December 31, 2008, we had 90 aircraft recognized as finance leases on our balance sheet. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft; however, we have not made any residual value or other guarantees to our lessors.

F. Tabular Disclosure of Contractual Obligations

Our non-cancelable contractual obligations at December 31, 2008 included the following:

| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|--------------------------------------|-------------------|---------------------------------|------------------|------------------|----------------------------------|
| (in thousands of <i>reais</i>) | | | | | |
| Aircraft and engine operating leases | 4,675,420 | 916,298 | 1,638,827 | 1,442,091 | 678,204 |
| Aircraft capital leases | 2,075,726 | 222,222 | 442,811 | 438,375 | 972,318 |
| Short-term borrowings | 50,000 | 50,000 | - | - | - |
| Long-term borrowings(1) | 608,756 | - | 74,448 | 52,469 | 481,839 |
| Pre-delivery deposits | 842,667 | 170,530 | 316,953 | 348,441 | 6,743 |
| Aircraft purchase commitments | 15,820,109 | 1,958,781 | 5,135,243 | 5,615,345 | 3,110,740 |
| Total | 24,072,678 | 3,317,831 | 7,608,282 | 7,896,721 | 5,249,844 |

(1) Does not include issuance of US\$200 million (R\$414.4 million) perpetual notes on April 5, 2006.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management**

Under our by-laws, we are managed by our *Conselho de Administração*, or board of directors, which is composed of at least five members and at most eleven members, and a *Diretoria*, or board of executive officers, which is composed of at least two and at most seven members. According to the Differentiated Corporate Governance Practices Level 2 introduced by BOVESPA, at least 20% of the members of our board of directors shall be independent directors, as defined by the BOVESPA.

Our management and board of directors is supported and advised by a number of committees which comprise highly specialized and qualified individuals. These committees actively participate in the strategic and other decisions of our day to day management and we believe they add substantial value to our business. We currently have corporate governance and nomination, audit, people management policies, risk policies, financial policy, and accounting and financial statements committees comprised of members of our board of directors and non-board members.

We are committed to achieving and maintaining high standards of corporate governance. In working towards this goal, we have established a corporate governance and nomination committee to monitor and make recommendations with respect to corporate governance best practices to our board of directors. In addition, in connection with listing as a Level 2 company on the BOVESPA, we have entered into an agreement with the BOVESPA to grant certain additional rights not required of Level 2 companies to our shareholders, such as tag-along rights offering our preferred shareholders 100% of the price paid per common share of controlling block shareholders. We conduct our business with a view towards transparency and the equal treatment of all of our shareholders. We have implemented policies to help to ensure that all material information that our shareholders require to make informed investment decisions is made available to the public promptly and that we at all times accurately reflect the state of our operations and financial position through press releases, filings with the SEC and Brazilian Securities Commission (CVM), and by keeping the investor relations section of our website current and complete. We have also adopted formal policies that restrict trading in our preferred shares by company insiders.

In addition, according to the Level 2 practices, the company shall cause all new members of the board of directors, board of executive officers and fiscal committee must sign a statement of consent in which they undertake to comply with the regulations of the Differentiated Corporate Governance Practices Level 2. Their taking office is conditioned to signing of such document. Also the members of the board of directors, board of executive officers and fiscal committee must sign a statement of consent, in which they undertake to refer to arbitration under the auspices of the BOVESPA Arbitration Chamber any disputes and/or controversies arising out of the application of the listing rules of the Differentiated Corporate Governance Practices Level 2, the listing agreement with BOVESPA, the regulations of the BOVESPA, the provisions of the Brazilian corporation law, guidelines issued by the Brazilian authorities and the other rules applicable to the capital markets in general, involving the company, the shareholders, the managers and the members of the fiscal committee.

Board of Directors

Our board of directors is dedicated to providing our overall strategic guidelines and, among other things, is responsible for establishing our general business policies and for electing our executive officers and supervising their management. Currently, our board of directors is comprised of eight members. Three of the board members qualify as independent based upon New York Stock Exchange criteria. The board of directors meets an average of five times per year or whenever requested by the president or three members of our board of directors.

Under the Brazilian corporation law, each director must hold at least one of our common or preferred shares and be a Brazilian resident, and is elected by the holders of our common shares at the *Assembléia Geral*, or the annual general meeting of shareholders. There are no provisions in our by-laws restricting (i) a director's power to vote on a proposal, arrangement or contract in which such director is materially interested, or (ii) the borrowing powers exercisable by our directors from us. However, under the Brazilian corporation law, a director is prohibited from voting on any matter in which such director has a conflict of interest with our company.

Additionally, under the Brazilian corporation law, shareholders of publicly traded companies, such as we are, who together hold non-voting or voting-right restricted preferred shares representing at least 10% of our total share capital for at least three months are entitled to appoint one member of our board of directors.

Under our by-laws, the members of the board of directors are elected by the holders of our common shares at the annual general meeting of shareholders. Members of our board of directors serve simultaneous one-year terms and may be re-elected. The terms of our current directors expire in April 2010. Our by-laws do not provide for a mandatory retirement age for our directors.

The following table sets forth the name, age and position of each member of our board of directors. A brief biographical description of each member of our board of directors follows the table.

| Name | Age | Position |
|--------------------------------|------------|-----------------|
| Alvaro de Souza | 60 | Chairman |
| Constantino de Oliveira Junior | 40 | Director |
| Henrique Constantino | 37 | Director |
| Joaquim Constantino Neto | 44 | Director |
| Ricardo Constantino | 46 | Director |
| Antonio Kandir | 55 | Director |
| Luiz Kaufmann | 63 | Director |
| Richard F. Lark Jr. | 42 | Director |

Alvaro de Souza has been a member of our board of directors since August 2004 and became our chairman of the board in April 2009. Mr. Souza is an officer of AdS Gestão, Consultoria e Investimentos Ltda., chairman of the board of directors of Unidas S/A, chairman of the board of directors of World Wildlife Group (WWF), co-chairman of the board of directors of Quinsa (Argentina) and member of the audit committee of AMBEV. He was Chief Executive Officer of Citibank Brazil from 1991 to 1994 and an Executive Vice-President of Citigroup in New York from 1995 to 2003. Mr. Souza holds a bachelor's degree in Economics and Business Administration from Pontifícia Universidade Católica de São Paulo. Mr. Souza is an independent member of our board of directors under the requirement of the SEC and NYSE listing standards and is a member of our audit committee.

Constantino de Oliveira Junior has been a member of GOL's board of directors and its Chief Executive Officer since the Company was founded in 2001. Mr. de Oliveira introduced the low-cost, low-fare concept to the Brazilian airline industry and was named Most Valuable Executive by the Brazilian newspaper *Valor Econômico* in 2001 and 2002. He was also elected the Leading Executive in the logistics sector by the readers of *Gazeta Mercantil*, a Brazilian financial newspaper, in 2003, and in 2008, was named a Distinguished Executive in the Air Transportation category at the GALA (Latin American Aeronautics Gallery) awards, sponsored by IATA (International Air Transport Association). Prior to joining GOL, Mr. de Oliveira served as an officer of the *Áurea* group (1994-2000). Mr. de Oliveira studied Business Administration at the *Universidade do Distrito Federal* and attended the Executive Program on Corporate Management for Brazil conducted by the Association for Overseas Technical Scholarships.

Henrique Constantino has been a member of our board of directors since March 2004. Mr. Constantino has also been a member of the board of directors of Gol since 2003. He has been the chief financial officer of the Áurea group since 1994 and is an officer of Comporte S.A. He participated in the creation of Gol and served as its chief financial officer from January 2001 to March 2003, when he became a member of the board. Mr. Henrique Constantino is also a member of the board of directors of Providência S.A. and BR Vias S.A. Mr. Constantino has a law degree from *CEUB Centro de Ensino Unificado de Brasília* and has a post-graduate degree in Business Administration from *EAESP FGV (Fundação Getúlio Vargas São Paulo)*. Mr. Constantino is a member of our Risk Policies Committee, People Management Policies Committee and our Financial Policy Committee.

Joaquim Constantino Neto has been a member of our board of directors since March 2004. Mr. Constantino has been a member of the board of directors of Gol since 2001. He has been the chief operations officer of the Áurea group since 1994. From 1984 to 1990, he was in charge of operations of Reunidas Paulista. Since 1990 to the present, he has been the President of Breda Serviços, a bus transportation company. Mr. Joaquim Constantino Neto is also member of the board of directors of Providência S.A.

Ricardo Constantino has been a member of our board of directors since March 2004. Mr. Constantino has been a member of the board of directors of Gol since 2001. He has been the chief technical and maintenance officer of the Áurea group since 1994.

Antonio Kandir has been a member of our board of directors since August 2004. Mr. Kandir is an economic consultant Mr. Kandir is also partner of Governança e Gestão and is a member of the board of directors of Medial Saúde and Providência S.A. Mr. Kandir served in the Brazilian government as a Federal Lower House Representative for two terms of office, and served as Planning and Budget Minister and Secretary of Economic Policy and President of the Privatization Council. He has a bachelor degree in production engineering from the Escola Politécnica at USP and bachelors, masters and doctoral degrees in Economics from Unicamp. Mr. Kandir is an independent member of our board of directors under the requirement of the SEC and NYSE listing standards and is a member of our audit committee.

Luiz Kaufmann has been a member of our board of directors since December 2004. Mr. Kaufmann is the Managing Partner of L. Kaufmann Consultores Associados, and member of the board of directors of Providência S.A. Mr. Kaufmann has presided over several companies such as Aracruz Celulose S.A., Vésper, Petropar, Grupo Multiplic, Arthur D. Little, and was a partner at GP Investimentos. He was a member of several companies board of directors, including Pioneer Hi-Bred International, América Latina Logística and Lojas Americanas. He was a member of the Global Corporate Governance Advisory Board, which was comprised of 20 internationally renowned business leaders from 16 different countries, created to advance knowledge on the roles and responsibilities of boards of directors of international companies. Mr. Kaufmann is an independent member of our board of directors under the requirement of the SEC and NYSE listing standards. He is a member of our audit committee and our audit committee financial expert as defined by the current SEC rules.

Richard F. Lark, Jr. has been a member of our board of directors since June 2008. Mr. Lark served as our executive vice president, chief financial officer and investor relations officer from April 2003 to June 2008. He is also president of Endurance Capital Partners S.A and chairman of the board of directors of Bioclean Energy Brasil S.A. and Sequoia Desenvolvimento Imobiliária S.A. From 2000 to 2003, Mr. Lark served as chief financial officer of Americanas.com, one of the leading Brazilian e-commerce companies. Prior to joining Americanas.com, Mr. Lark was a vice president in the investment banking division of Morgan Stanley & Co. in New York and São Paulo from 1994 to 2000, an investment associate at Citicorp Chile in 1993 and a financial analyst at The First Boston Corporation in New York and London from 1988 to 1990. Mr. Lark was a member of the Board of Governors of the American Society of São Paulo from 2003 to 2008, having served as its president during 2005-2007. Mr. Lark holds a Master in Business Administration degree from the Anderson School at The University of California at Los Angeles

(UCLA), class of 1994, and bachelor degrees in philosophy and finance and business economics from The University of Notre Dame, class of 1988. Mr. Lark is a member of our Risk Policies Committee, Financial Policy Committee, and Accounting and Financial Statements Policies Committee.

Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino are brothers. Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino control our major shareholder Fundo de Investimento em Participações Asas on an equal basis.

Executive Officers

Our executive officers have significant experience in the domestic and international passenger transportation industries, and we have been able to draw upon this extensive experience to develop our low-cost operating structure. The executive officers are responsible for our day-to-day management. The executive officers have individual responsibilities established in our by-laws and by our board of directors. The business address of each of our executive officers is the address of our principal executive office.

Under our by-laws, we must have at least two and at most seven executive officers that are elected by the board of directors for a one-year term. Any executive officer may be removed by the board of directors before the expiration of his term. The current term of all our executive officers ends in March 2010.

The following table sets forth the name, age and position of each of our executive officers elected in March 2008. A brief biographical description of each of our executive officers follows the table.

| Name | Age | Position |
|--|------------|--|
| Constantino de Oliveira Junior Fernando Rockert de Magalhães | 40 | President and Chief Executive Officer |
| Leonardo Porciúncula Gomes Pereira | 58 | Executive Vice President-Technical Executive Vice President Chief Financial Officer and Investor Relations Officer |
| Tarcisio Geraldo Gargioni | 50 | Executive Vice President-Marketing and Services |
| Wilson Maciel Ramos | 62 | Executive Vice President-Planning and Information Technology |

Constantino de Oliveira Junior. See Board of Directors.

Fernando Rockert de Magalhães has been an officer since August 2007. Mr. Rockert joined Gol in January 2004 and assumed the role of Gol's Director of Flight Operations in March 2005. He is an experienced pilot with more than 16,000 flight hours. Mr. Rockert holds a law degree and a graduate degree in Administration. He also earned a Master in Business Administration degree from the Fundação Getúlio Vargas (FGV). Mr. Rockert is also a professor of Aeronautical Law. Mr. Rockert began his career in the 1970s as a pilot for Rio Sul, a regional airline in Brazil. He also worked as a VASP pilot for more than 18 years, his last position being MD-11 Captain and Instructor. During three years Capt Rockert was a simulator instructor based in Seoul, South Korea for Flight Safety Boeing (now Alteon), where he trained pilots for Korean Airlines.

Leonardo Pereira has been an officer since February 2009. Prior to joining Gol, Pereira served two years as the Director President of Companhia do Vale do Araguaia, a Brazilian commercial foresting company, and six years as the Executive Director Finance and Investor Relations of NET Serviços, a leading cable provider in Latin America listed on the Bovespa (Level II), NASDAQ and Latibex. He previously served five years as Planning Director at Globopar, a media industry holding company, and 13 years in a number of roles at Citibank Corporate Finance Bank in Brazil, Asia, Latin America and the United States, including leader of the Latin American Aviation team. He is member of the Corporate Governance Committee of the São Paulo chapter of the American Chamber of Commerce. Mr. Pereira holds degrees in Production Engineering from the Universidade Federal do Rio de Janeiro (UFRJ) and

Economics from the Universidade Candido Mendes; he received his MBA from Warwick University (England). Pereira has also studied Finance at IMD in Switzerland and General Management at Wharton Business School, attended The Association for Overseas Technical Scholarship (AOTS) in Japan, and completed Columbia University's Senior Executive Education Program.

Tarcisio Geraldo Gargioni has been an officer since May 2004. From 1990 to 2000, Mr. Gargioni served as Commercial Director of VASP. Mr. Gargioni received a degree in Business Administration by Fundação Getúlio Vargas and a post-graduate degree in transport engineering from COOPEAD/RJ, Brazil. Mr. Gargioni received a certificate in marketing from Fundação Getúlio Vargas São Paulo.

Wilson Maciel Ramos has been an officer since March 2004. From 1999 to 2000, Mr. Ramos was an independent consultant for urban transportation companies. From 1997 to 1999, Mr. Ramos was the President of Transurb, a syndicate of urban transportation companies in São Paulo. From 1993 to 1997, Mr. Ramos served as Chief Information Officer at VASP. Mr. Ramos received a degree in mechanical engineering from the *Universidade do Rio Grande do Sul* and a master's degree in production engineering from the *Universidade de Santa Catarina*.

B. Compensation

Under our by-laws, our shareholders are responsible for establishing the aggregate amount we pay to the members of our board of directors and our executive officers. Once our shareholders establish an aggregate amount of compensation for our board of directors and executive officers, the members of our board of directors are then responsible for setting individual compensation levels in compliance with our by-laws.

For the fiscal year ended December 31, 2008, the aggregate compensation, including cash and benefits-in-kind, that we paid to the members of our board of directors and executive officers was R\$6.6 million.

Executive Stock Options

At a shareholders' meeting held on May 25, 2004, our shareholders approved an executive stock option plan for key senior executive officers. Under this plan, we have issued to executive officers stock options to purchase up to 937,412 of our preferred shares at an exercise price of R\$3.04 per share. One half of the options vested on October 25, 2004, with the remaining 50% vesting at the end of each quarter subsequent to October 25, 2004. Each option will expire two years after its vesting date. The preferred shares reserved for issuance pursuant to these options are in addition to and separate from those shares that are reserved for issuance under the plan described under "Stock Option Plan" below. During 2007, our executive officers exercised all stock options for preferred shares that had not been exercised earlier under the plan. For further information regarding our stock option plans, see Note 4 of our notes to our consolidated financial statements as of and for the year ended December 31, 2008.

Stock Option Plan

Our stock option plan was approved at a special shareholders' meeting held on July 4, 2008. The stock option plan is aimed at promoting our interests by encouraging management employees to contribute substantially to our success, by motivating them with stock options. The plan is managed by both our people management policies committee and our board of directors.

Participants in the plan are selected by the people management policies committee, provided that they have been either president, vice-president, officer, advisor to the president or to the vice-president, or general manager. The stock options to be granted under the plan confer rights related only to our preferred shares, and over a number of preferred shares that does not, at any time, exceed 5% of our shares. The people management policies committee establishes the strike price of the options to be granted, which must be equal to the average price of the preferred shares recorded in the last 60 trading sessions prior to the granting date, adjusted pursuant to the IGP-M inflation index. The options that can be freely exercised may be exercised up to the tenth anniversary of the granting date.

The plan is valid for a ten-year term. In case of termination of our legal relationship with the option holder, with or without cause (except in the case of retirement, permanent disability or death) all options that have been granted to the participant, and which were not yet exercisable, automatically expire.

In 2007, we issued stock options of up to 113,379 of our preferred shares to our directors and certain employees, at a weighted average exercise price of R\$65.85 per share. In 2008, we issued stock options of up to 190,296 at a

weighted average exercise price of R\$45.46 per share. On February 4, 2009, the board of directors approved continuing the stock option plan through 2009 and the issuance of up to 925,800 options for our preferred shares, at a weighted average exercise price of R\$10.52 per share. The decision increases the number of options granted to 1.2 million in the last three years, or 0.6% of our total shares. The purpose of our stock option plan is to align shareholder and top management interests.

C. Board Practices

Currently, our board of directors is comprised of eight members. The terms of our current directors will expire in 2007. See Board of Directors.

Fiscal Committee

Under the Brazilian corporation law, the *Conselho Fiscal*, or fiscal committee, is a corporate body independent of management and a company's external auditors. The fiscal committee may be either permanent or non-permanent, in which case it is appointed by the shareholders to act during a specific fiscal year. A fiscal committee is not equivalent to, or comparable with, a U.S. audit committee. The primary responsibility of the fiscal committee is to review management's activities and a company's financial statements, and to report its findings to a company's shareholders. The Brazilian corporation law requires fiscal committee members to receive as remuneration at least 10% of the average annual amount paid to a company's executive officers. The Brazilian corporation law requires a fiscal committee to be composed of a minimum of three and a maximum of five members and their respective alternates.

Under the Brazilian corporation law, the fiscal committee may not contain members that (i) are on our board of directors, (ii) are on the board of executive officers, (iii) are employed by us or a controlled company, or (iv) are spouses or relatives of any member of our management, up to the third degree. Our by-laws provide for a non-permanent fiscal committee to be elected only by our shareholders' request at a general shareholders' meeting. The fiscal committee, when elected, will be comprised of a minimum of three and a maximum of five members and an equal number of alternate members. In 2008, our shareholders did not request the election of a fiscal committee.

Committees of the Board of Directors and Board of Executive Officers

Our board of directors also has corporate governance and nomination, audit, people management and risk policies committees, a financial policy committee and an accounting policy committee. Our board of executive officers has management, executive policy, budget, investment, corporate governance and risk policies committees. In most cases, members of the committees do not need to be members of our board of directors or board of executive officers. The responsibilities and composition of these committees are described below.

Corporate Governance and Nomination Committee. The corporate governance and nomination committee is responsible for the coordination, implementation and periodic review of best practices of corporate governance and for monitoring and keeping our board of directors informed about legislation and market recommendations addressing corporate governance. The committee also proposes individuals for consideration for election to our board of directors. The committee consists of up to five members elected by our board of directors for a one-year term. The corporate governance and nomination committee currently consists of Betania Tanure de Barros, Charles Barnsley Holland, Paulo César Aragão.

Audit Committee. Our audit committee, which is not equivalent to, or comparable with, a U.S. audit committee, provides assistance to our board of directors in matters involving our accounting, internal controls, financial reporting and compliance. The audit committee recommends the appointment of our independent auditors to our board of directors and reviews the compensation of and coordinates with our independent auditors. The audit committee also evaluates the effectiveness of our internal financial and legal compliance controls. The audit committee is comprised of up to three members elected by the board of directors for a one-year term. The current members of our audit committee are Álvaro Souza, Antonio Kandir and Luiz Kaufmann. All members of the audit committee satisfy the audit committee membership independence requirements of the SEC and the independence and other standards of the NYSE. Luiz Kaufmann is an audit committee financial expert within the meaning of the rules adopted by the SEC relating to the disclosure of financial experts on audit committees in periodic filings pursuant to the U.S. Securities

Exchange Act of 1934.

People Management Policies Committee. The people management policies committee, among other things, reviews and recommends to our board of directors the forms of compensation, including salary, bonus and stock options, to be paid to our employees. The people management policies committee also reviews and recommends revisions to the compensation policies applicable to our employees and reviews our management's career and succession plans. The people management policies committee is comprised of up to three members elected by our board of directors for a one-year term and can be reelected. The people management policies committee currently consists of Henrique Constantino, member of our board of directors, Marco Antonio Piller and Marcos Roberto Morales, a human resources consultant.

Risk Policies Committee. The risk policies committee conducts periodic reviews of the measures we take to protect the company against foreign exchange, jet fuel price and interest rate changes and analyzes the effect of such changes on our revenues and expenses, cash flow and balance sheet. The risk policies committee assesses the effectiveness of hedging measures taken during the previous quarter and approves recommendations for future changes and also conducts reviews of cash management activities. The risk policies committee meets on a quarterly basis and is comprised of our chief financial officer and two other members elected by our board of directors. The risk policies committee currently consists of Henrique Constantino and Richard F. Lark, Jr., both members of our board of directors, and Barry Siler, a fuel hedging specialist and the chief executive officer of Kodiak Fuels.

Financial Policy Committee. The financial policy committee prepares and approves our corporate finance policies, and examines their effectiveness and implementation; periodically examines our investment and financing plans, and makes recommendations to the Board of Directors; assesses the impact of the investment and financing plans on the capital structure of the company, and makes recommendations to the Board of Directors; and determines parameters for the maintenance of desired capital and liquidity structures, monitors their enforcement and approves the policies to be used in the subsequent quarter. The financial policy committee meets quarterly and is comprised of our chief financial officer and two other members elected by our board of directors, one of which must be an independent member. The financial policy committee currently consists of Leonardo Porciúncula Gomes Pereira, our chief financial officer, and Henrique Constantino and Richard F. Lark, Jr., both members of our board of directors.

Accounting Policies and Financial Statements Committee. The Accounting Policies and Financial Reports Committee conducts periodic reviews of the Company's accounting policies and financial reports, also evaluates and follows the accomplishment of these policies. The committee makes recommendations to the Board of Directors regarding GOL's accounting policies and financial reports. The Accounting Policies and Financial Reports Committee meets quarterly and is composed of our Leonardo Pereira, our chief financial officer, and two other members elected by the board of directors: Charles B. Holland and Richard F. Lark, Jr., a member of Board of Directors.

D. Employees

We believe that our growth potential and the achievement of our results-oriented corporate goals are directly linked to our ability to attract and maintain the best professionals available in the airline business. We place great emphasis on the selection and training of enthusiastic employees with potential to add value to our business and who we believe fit in with and contribute to our business culture.

As of December 31, 2008, we had 15,911 active employees.

We invest significant resources promoting the well being of our employees. In 2007, we spent R\$281.8 million on health and safety matters, training, social contributions, employee meals, transportation and profit sharing.

We train our own pilots. We also provide extensive ongoing training for our pilots, flight attendants and customer service representatives. In addition to the required technical training, which follows the strictest international standards, we also provide comprehensive managerial training to our pilots and flight attendants through Crew Resource Management and Line Oriented Flight Training programs, emphasizing the importance of resource management to provide the best service to our passengers.

In order to help retain our employees, we encourage open communication channels between our employees and management and offer career development opportunities in the company and periodic evaluations. We offer in-house post-graduate business school training in conjunction with the *Fundação Getúlio Vargas*, a leading Brazilian business school, to provide management training to selected employees. Our compensation strategy reinforces our determination to retain talented and highly motivated employees and is designed to align the interests of our

employees with our shareholders. Our compensation packages include competitive salaries and participation in our profit sharing program. We have agreements with medical and insurance companies to offer affordable health and pension plan options to our employees.

A national aviators union represents Brazil's pilots and flight attendants, and seven other regional aviation unions represent ground employees of air transportation companies. Approximately 6% of our employees are members of unions. Negotiations in respect of cost of living wage and salary increases are conducted annually between the workers unions and a national association of airline companies. There is no salary differential or seniority pay escalation among our pilots. Work conditions and maximum work hours are regulated by government legislation and are not the subject of labor negotiations. Since the commencement of our operations, we have not had a work stoppage by our employees and we believe that our relationship with our employees is good.

To motivate our employees and align their interests with our results of operations, we provide an annual profit sharing program to all of our employees. Under Brazilian law, companies may provide profit sharing programs that define mechanisms for distributing a portion of a company's profits based upon the achievement of pre-defined targets established by the company. Our annual profit sharing programs are negotiated with a commission formed by our employees and approved by labor unions for the benefit of all of our unionized and non-unionized employees. For the purposes of our profit sharing program, a portion of profit sharing distributions are based upon the achievement of corporate profit targets and a portion of the distributions are based on the achievement of operational targets set for each of our departments. We have established a stock option plan for our management and employees vesting over a 5 year period. As of February, 2009, a total of 52 our management and employees were granted stock options under this plan.

E. Share Ownership

The members of our board of directors and our executive officers, on an individual basis and as a group, directly own approximately 1.0% of our common stock. See Item 7A. Major Shareholdings and Related Party Transactions Major Shareholders. Fundo de Investimento em Participações Asas is a fund directly controlled by Messrs. Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino, respectively.

For a description of stock options granted to our board of directors and our executive officers, see Compensation Executive Stock Options and Compensation Stock Option Plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our common shares and preferred shares as of December 31, 2008, by each person known by us to beneficially own 5% or more of our common shares or preferred shares and all our directors and officers as a group.

Each shareholder's percentage ownership in the following table is based on the 107,590,792 common shares and 94,709,799 preferred shares outstanding as of December 31, 2008.

| | Common Shares | | Preferred Shares | | Common and Preferred | |
|---|---------------|------|--------------------|-----|----------------------|-----|
| | | | Beneficially Owned | | Shares Beneficially | |
| | Shares | (%) | Shares | (%) | Shares | (%) |
| Fundo de Investimento em Participações ASAS (1) | 107,590,772 | 100% | 40,342,238 | 43% | 147,933,010 | 73% |

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| | | | | | | |
|--|--------------------|-------------|-------------------|-------------|--------------------|-------------|
| Executive officers and directors (8 persons) | 20 | 0% | 2,066,787 | 2% | 2,066,807 | 1% |
| Stock Held in Treasury | - | - | 1,574,200 | 2% | 1,574,200 | 1% |
| Free Float | - | - | <u>50,726,574</u> | 53% | 50,726,574 | 25% |
| Total | 107,590,792 | 100% | 94,709,799 | 100% | 202,300,591 | 100% |

(1) Fundo de Investimento em Participações Asas is controlled equally by Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino.

According to our internal share record, which contains information regarding the ownership of our shares and the ADSs as filed by the holders of such shares and ADS, there were, at December 31, 2008, 30 record holders of ADSs in the United States.

In January 2008, our board of directors authorized a share buy-back program on the BOVESPA of up to 5,000,000 of our preferred shares, at market prices, representing 8.8% of the total number of preferred shares outstanding in the market. The purpose of the buyback is the purchase of preferred shares to be held in treasury and subsequently resold or cancelled, without reducing our capital. The period for these authorized transactions is 365 days from January 28, 2008. The program expired in January 2009, and a total of 1,574,200 preferred shares were bought back under the program.

On March 20, 2009, our board of directors approved a capital stock increase issuing 6,606,366 voting and 19,487,356 non-voting shares to improve the company's cash position and capital structure and to ensure the level of investments planned. The voting and non-voting shares will be issued at R\$7.80 per share. Our controlling shareholders have fully subscribed and paid for their portion of the capital increase in an amount of R\$150.0 million. If fully subscribed, the capital increase will total R\$203.5 million.

Shareholders Agreement

No shareholders agreements have been filed with us.

B. Related Party Transactions

According to the Level 2 regulations, the company shall forward and disclose to BOVESPA the information regarding every and any agreement entered by and between Gol and its affiliates and associate companies, its administrators, its controlling shareholder, as the case may be, as well as other corporations that make a group with any such persons, whether factual or by law, whenever they reach, with a single agreement or with successive agreements, with or without the same purpose, at any period of one year, an amount of R\$0.2 million or more, or a value of 1% or more over the net equity of the company, whichever is higher.

Such announced information shall describe the scope of the agreement, the term, the price, the termination or completion conditions and any possible influence of the agreement upon administration or company business conducting.

We have engaged in a number of transactions with related parties, none of which have involved the issuance of guarantees.

Assignment of Rights in the Context of the VRG Acquisition

The consideration paid by us for the acquisition of shares in VRG on April 9, 2007 consisted of a combination of cash and stock in the registrant. The payment in stock represented 3.1% of our total outstanding shares, or 6.1 million preferred shares that were created by way of a capital increase in our share capital. The issuance of preferred shares to Varig Logística S.A., the seller of VRG, triggered preemptive rights to our existing shareholders under Brazilian corporate law. In order for us to satisfy our obligation to deliver shares to Varig Logística S.A., our major shareholder Fundo de Investimento em Participações Asas assigned its preemptive rights on a cost-free basis back to GTI for transfer to Varig Logística S.A., thereby permitting the delivery of shares as a part of the purchase price.

Transportation Agreements with Áurea Administração e Participações S.A.

Gol has entered into exclusive bus transportation agreements with Expresso União Ltda. and Breda Serviços, which are companies controlled by Áurea Administração e Participações S.A. for the transportation of Gol's passengers, their baggage and Gol's employees. In 2007 and 2008, Gol made total payments of R\$6.9 million and R\$5.3 million, under these bus transportation agreement.

Commercial Agreement with Unidas Rent a Car

In May, 2009, Gol entered into a commercial agreement with Unidas Rent a Car, a Brazilian car rental company, which gives Unidas' customers a 50% discount on the daily car rental charges when these customers purchase their Gol tickets through Gol's website. Gol's chairman, Álvaro de Souza, is also the chairman of Unidas Rent a Car.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 3. Key Information Selected Financial Data and Item 18. Financial Statements.

Legal Proceedings

In the ordinary course of our business, we are party to various legal actions, which we believe are incidental to our operations, in large part linked to the routine demands related to the rights of consumers. At December 31, 2008, we were parties in judicial lawsuits and administrative proceedings, including 749 administrative proceedings, 9,013 civil proceedings and 4,188 labor claims. We believe that the outcome of the proceedings to which we are currently a party will not have a material adverse effect on our financial position, results of operations and cash flows. We have established provisions for all amounts in dispute that represent a probable loss in the view of our legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or court rulings that have proven to be unfavorable. The table below sets forth the total estimated value of amounts claimed, provisions for contingencies and court deposits at December 31, 2008:

We are party to approximately 9,000 civil proceedings arising from the normal course of our business. The vast majority of these proceedings involve minor cases relating to customer relations. At December 31, 2008, we had established provisions to address these contingencies in the total amount of R\$20.9 million.

We are party to approximately 4,180 labor proceedings arising from the normal course of our business. At December 31, 2008, we had established provisions to address these contingencies in the total amount of R\$13.4 million. We are subject to 21 labor proceedings related to employees' claims against Varig S.A. in Spain. We established provisions in the amount of R\$25.2 million for these proceedings, even though we consider the probability of the execution of any decision against us in Brazil as remote.

In 2001, we commenced proceedings against the Brazilian state revenue service, in which we claim an exemption from the payment of Brazilian value added tax (ICMS) due on imported aircraft, parts and engines. On May 30, 2007, the *Supremo Tribunal Federal* (Federal Supreme Court) ruled in our favor in respect of one of these cases. Various of the proceedings relating to this matter are still pending. We have not established any provisions for the amounts in question, which was, as of December 31, 2008, R\$201.8 million.

We are party in indemnification lawsuits regarding the collision of our new Boeing 737-800 NG aircraft on September 26, 2006. We believe that any potential liability arising out of such lawsuits will be covered by our insurance policies. We continue to cooperate fully with all regulatory and investigatory agencies to determine the cause of this accident and have reached agreements with 91 of the 148 passengers. The payments for the hull to the lessor were made by the insurance company. We have provisioned the amount insured as a liability on our balance sheet, and recorded a corresponding receivable for the insurance claim under Other assets.

We commenced an arbitration before the International Chamber of Commerce against the sellers of VRG and its controlling shareholders relating to the purchase price adjustments for our acquisition of VRG. In the arbitral proceeding, we are seeking a price adjustment of R\$164.0 million from the sellers of VRG. The amount owed by the sellers of VRG will be determined by an accounting firm to be selected by the arbitral tribunal. In conjunction with the

arbitral proceedings, we have brought legal action and joined certain lawsuits in Brazilian courts with a view to preserving the ability of the sellers to satisfy our claims. We have provisioned all amounts subject to these proceedings.

Dividends and Dividend Policy

Amounts Available for Distribution

At each annual general shareholders meeting, our board of directors is required to propose how our earnings for the preceding fiscal year are to be allocated. For purposes of Brazilian corporation law, a company's non-consolidated net income after federal income tax and social contribution on net income for such fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to employees' and management's participation in earnings, represents its income for such fiscal year. In accordance with the Brazilian corporation law, an amount equal to the company's income, as adjusted (the distributable amount), will be available for distribution to shareholders in any particular year. The distributable amount will be affected by the following:

- reduced by amounts allocated to the legal reserve;
- reduced by amounts allocated to the statutory reserve, if any;
- reduced by amounts allocated to the contingency reserve, if any; reduced by amounts allocated to the unrealized profits reserve established by the company in compliance with applicable law (as discussed below);
- reduced by amounts allocated to the reserve for investment projects (as discussed below); and
- increased by reversals of reserves recorded in prior years.

Our by-laws do not provide for statutory or contingency reserves. Under the Brazilian corporation law and according to our by-laws, we are required to maintain a legal reserve to which we must allocate 5% of our income for each fiscal year until the amount of the reserve equals 20% of paid-in capital. We are not required to make any allocations to our legal reserve in respect of any fiscal year in which such reserve, when added to our capital reserves, exceeds 30% of our capital. Accumulated losses, if any, may be charged against the legal reserve. Other than that, the legal reserve can only be used to increase our capital. The legal reserve is subject to approval by the shareholders voting at the annual shareholders meeting and may be transferred to capital but is not available for the payment of dividends in subsequent years. Our calculation of net income and allocations to reserves for any fiscal year are determined on the basis of our non-consolidated financial statements prepared in accordance with the Brazilian corporation law.

Under the Brazilian corporation law, a portion of a corporation's income may be allocated for discretionary appropriations for plant expansion and other fixed or working capital investment projects, the amount of which is based on a capital budget previously presented by management and approved by the shareholders in a general shareholders meeting. After completion of the relevant capital projects, the company may retain the appropriation until shareholders vote to transfer all or a portion of the reserve to capital or retained earnings. The Brazilian corporation law provides that, if a project to which the reserve for investment projects account is allocated has a term exceeding one year, the budget related to the project must be submitted to the shareholders meeting each fiscal year until the relevant investment is completed.

Under the Brazilian corporation law, the amount by which the mandatory distribution exceeds the realized portion of net income for any particular year may be allocated to the unrealized profits reserve and the mandatory distribution may be limited to the realized portion of net income. The realized portion of net income is the amount by which income exceeds the sum of (a) our net positive results, if any, from the equity method of accounting for earnings and losses of our subsidiaries and certain affiliates, and (b) the profits, gains or income obtained on transactions maturing after the end of the following fiscal year. As amounts allocated to the unrealized income reserve are realized in

subsequent years, such amounts must be added to the dividend payment relating to the year of realization.

Under Brazilian tax legislation, a portion of the income taxes payable may also be transferred to a general fiscal incentive reserve in amounts equivalent to the reduction in the company's income tax liability which results from the option to deposit part of that liability into investment in approved projects in investment incentive regions established by government.

Under the Brazilian corporation law, any company may create a statutory reserve, which reserve must be described in the company's by-laws. Those by-laws which authorize the allocation of a percentage of a company's net income to the statutory reserve must also indicate the purpose, the criteria for allocation and the maximum amount of the reserve. The Brazilian corporation law provides that all discretionary allocations of income, including the unrealized profits reserve and the reserve for investment projects, are subject to approval by the shareholders voting at the general shareholders' meeting and may be transferred to capital or used for the payment of dividends in subsequent years. The fiscal incentive reserve and the legal reserve are also subject to approval by the shareholders voting at the general shareholders' meeting and may be transferred to capital or used to absorb losses, but are not available for the payment of dividends in subsequent years.

The amounts available for distribution may be further increased by a reversion of the contingency reserve for anticipated losses constituted in prior years but not realized. Allocations to the contingency reserve are also subject to approval by the shareholders voting at the general shareholders' meeting. The amounts available for distribution are determined on the basis of our non-consolidated financial statements prepared in accordance with Brazilian GAAP.

The balance of the profit reserve accounts, except for the contingency reserve and unrealized profits reserve, may not exceed the share capital. If this happens, a shareholders' meeting must resolve whether the excess will be applied to pay in the subscribed and unpaid capital, to increase and pay in the subscribed stock capital or to distribute dividends.

Pursuant to Law No. 10,303, net income unallocated to the accounts mentioned above must be distributed as dividends.

Mandatory Distribution

The Brazilian corporation law generally requires that the by-laws of each Brazilian corporation specify a minimum percentage of the amounts available for distribution by such corporation for each fiscal year that must be distributed to shareholders as dividends, also known as the mandatory distribution.

The mandatory distribution is based on a percentage of adjusted non-consolidated net income, not lower than 25%, rather than a fixed monetary amount per share. If the by-laws of a corporation are silent in this regard, the percentage is deemed to be 50%. Under our by-laws, at least 25% of our adjusted non-consolidated net income, as calculated under Brazilian GAAP and adjusted under the Brazilian corporation law (which differs significantly from net income as calculated under IFRS), for the preceding fiscal year must be distributed as a mandatory annual dividend. Adjusted net income means the net income after any deductions for the legal reserve and contingency reserves and any reversals of the contingency reserves created in previous fiscal years. The Brazilian corporation law, however, permits a publicly held company, such as we are, to suspend the mandatory distribution of dividends in any fiscal year in which the board of directors reports to the shareholders' meeting that the distribution would be inadvisable in view of the company's financial condition. The suspension is subject to the approval at the shareholders' meeting and review by members of the fiscal committee. While the law does not establish the circumstances in which payment of the mandatory dividend would be inadvisable based on the company's financial condition, it is generally agreed that a company need not pay the mandatory dividend if such payment threatens the existence of the company as a going concern or harms its normal course of operations. In the case of publicly held corporations, the board of directors must file a justification for such suspension with the CVM within five days of the relevant general meeting. If the mandatory dividend is not paid and funds are available, those funds shall be attributed to a special reserve account. If not absorbed by subsequent losses, those funds shall be paid out as dividends as soon as the financial condition of the company permits.

The board of directors can also decide to make the mandatory dividend distribution in the form of interest attributable to shareholders' equity, which is deductible when calculating income and social contribution taxes.

Payment of Dividends

We are required by the Brazilian corporation law to hold an annual general shareholders meeting by no later than April 30 of each year, at which time, among other things, the shareholders have to decide on the payment of an annual dividend. Additionally, interim dividends may be declared by the board of directors. Any holder of record of shares at the time of a dividend declaration is entitled to receive dividends. Dividends on shares held through depositaries are paid to the depositary for further distribution to the shareholders.

Under the Brazilian corporation law, dividends are generally required to be paid to the holder of record on a dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which such dividend was declared. Pursuant to our by-laws, unclaimed dividends do not bear interest, are not monetarily adjusted and revert to us three years after dividends were declared. See Item 10.B. Memorandum of Articles of Association Description of Capital Stock.

Our board of directors may declare interim dividends or interest attributable to shareholders equity based on income verified in semi-annual financial statements. The board of directors may also declare dividends based on financial statements prepared for shorter periods, provided that the total dividends paid in each six-month period do not exceed the capital reserves amount required by Brazilian corporation law. The board of directors may also pay interim dividends or interest attributable to shareholders equity out of retained earnings or income reserves recorded in the last annual balance sheet. Any payment of interim dividends may be set off against the amount of mandatory dividends relating to the net income earned in the year in which the interim dividends were paid.

Our by-laws do not require that we adjust the amount of any dividend payment to inflation.

In general, shareholders who are not residents of Brazil must register their equity investment with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted outside Brazil. The preferred shares underlying the ADSs are held in Brazil by Banco Itaú S.A., also known as the custodian, as agent for the depositary, that is the registered owner on the records of the registrar for our shares. The current registrar is Banco Itaú. The depositary registers the preferred shares underlying the ADSs with the Central Bank and, therefore, is able to have dividends, sales proceeds or other amounts with respect to registered preferred shares remitted outside Brazil.

Payments of cash dividends and distributions, if any, are made in *reais* to the custodian on behalf of the depositary, which then converts such proceeds into U.S. dollars and causes such U.S. dollars to be delivered to the depositary for distribution to holders of ADSs. In the event that the custodian is unable to convert immediately the Brazilian currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by depreciation of the Brazilian currency that occur before the dividends are converted. Under the current Brazilian corporation law, dividends paid to persons who are not Brazilian residents, including holders of ADSs, will not be subject to Brazilian withholding tax, except for dividends declared based on profits generated prior to December 31, 1995, which will be subject to Brazilian withholding income tax at varying tax rates. See Item 10. Taxation Material Brazilian Tax Considerations.

Holders of ADSs have the benefit of the electronic registration obtained from the Central Bank, which permits the depositary and the custodian to convert dividends and other distributions or sales proceeds with respect to the preferred shares represented by ADSs into foreign currency and remits the proceeds outside Brazil. In the event the holder exchanges the ADSs for preferred shares, the holder will be entitled to continue to rely on the depositary's certificate of registration for five business days after the exchange. Thereafter, in order to convert foreign currency and remit outside Brazil the sales proceeds or distributions with respect to the preferred shares, the holder must obtain a new certificate of registration in its own name that will permit the conversion and remittance of such payments through the commercial rate exchange market. See Item 10.B. Memorandum of Articles of Association Description of Capital Stock Regulation of Foreign Investment and Exchange Controls.

If the holder is not a duly qualified investor and does not obtain an electronic certificate of foreign capital registration, a special authorization from the Central Bank must be obtained in order to remit from Brazil any payments with respect to the preferred shares through the commercial rate exchange market. Without this special authorization, the holder may currently remit payments with respect to the preferred shares through the floating rate

exchange market, although no assurance can be given that the floating rate exchange market will be accessible for these purposes in the future.

Under current Brazilian legislation, the federal government may impose temporary restrictions of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments.

Interest Attributable to Shareholders' Equity

Under Brazilian tax legislation effective January 1, 1996, Brazilian companies are permitted to pay interest to holders of equity securities and treat such payments as an expense for Brazilian income tax purposes and, beginning in 1998, for social contribution purposes. The purpose of the tax law change is to encourage the use of equity investment, as opposed to debt, to finance corporate activities. Payment of such interest may be made at the discretion of our board of directors, subject to the approval of the shareholders at a general shareholders' meeting. The amount of any such notional interest payment to holders of equity securities is limited in respect of any particular year to the daily pro rata variation of the TJLP, as determined by the Brazilian Central Bank from time to time, and may not exceed the greater of:

- 50% of net income (after the deduction of the provisions for social contribution on net profits but before taking into account the provision for income tax and the interest attributable to shareholders' equity) for the period in respect of which the payment is made; or
- 50% of the sum of retained earnings and profit reserves as of the beginning of the year in respect of which such payment is made.

Under current Brazilian legislation, the sum of the amount distributed as interest on shareholders' equity and as dividends must be at least equal to the mandatory dividend. For Brazilian GAAP accounting purposes, although the interest charge must be reflected in the statement of operations to be tax deductible, the charge is reversed before calculating net income in the statutory financial statements and deducted from shareholders' equity in a manner similar to a dividend. Any payment of interest in respect of preferred shares (including the ADSs) is subject to Brazilian withholding income tax at the rate of 15%, or 25% in the case of a shareholder domiciled in a tax haven jurisdiction (see Item 10. Taxation Material Brazilian Tax Considerations). If such payments are accounted for, at their net value, as part of any mandatory dividend, the tax is paid by the company on behalf of its shareholders, upon distribution of the interest. In case we distribute interest attributed to shareholders' equity in any year, and that distribution is not accounted for as part of mandatory distribution, Brazilian income tax would be borne by the shareholders. For IFRS accounting purposes, interest attributable to shareholders' equity is reflected as a dividend payment.

Under our by-laws, interest attributable to shareholders' equity may be treated as a dividend for purposes of the mandatory dividend.

The following table sets forth the distributions out of net income that we made or will make to our shareholders in respect of our 2006, 2007 and 2008 net income.

| Year Ended December 31, | Payment Dates | Payment per Share | Payment per ADS(1) | Aggregate Amount Distributed(2) | Gross Pay-out Ratio(3) | Net Pay-out Ratio(4) |
|-------------------------|---------------|-------------------|--------------------|---------------------------------|------------------------|----------------------|
| 2006: | | | | | | |
| First quarter | May 2006 | 0.22 | 0.22 | 43.5 | 28.5% | 25.0% |
| Second quarter | August 2006 | 0.16 | 0.16 | 32.1 | 34.4% | 29.2% |
| Third quarter | Nov/Dec 2006 | 0.32 | 0.32 | 62.1 | 28.1% | 26.1% |
| Fourth quarter | Feb/Mar 2007 | <u>0.22</u> | <u>0.22</u> | <u>43.5</u> | 23.7% | 21.5% |
| Total | | 0.90 | 0.90 | 181.2 | 27.9% | 25.0% |
| 2007: | | | | | | |
| First quarter | May 2007 | 0.35 | 0.35 | 73.7 | 84.7% | 78.9% |

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|----------------|---------------|-------------|-------------|-------------|--------|--------|
| Second quarter | August 2007 | 0.35 | 0.35 | 76.0 | 50.9% | 47.5% |
| Third quarter | November 2007 | 0.35 | 0.35 | 76.5 | 163.0% | 150.8% |
| Fourth quarter | February 2008 | <u>0.35</u> | <u>0.35</u> | <u>76.5</u> | NA | NA |
| Total | | 1.39 | 1.39 | 302.8 | 118.7% | 110.2% |
| 2008: | | | | | | |
| First quarter | June 2008 | 0.18 | 0.18 | 36.3 | NA | NA |
| Total | | 0.18 | 0.18 | 36.3 | NA | NA |

(1) Adjusted for the 2:1 ADS ratio change in December 2005.

(2) In millions of *reais*.

(3) Represents distribution divided by net income, as calculated under Brazilian GAAP and adjusted under the Brazilian corporation law.

(4) Net of withholding tax on interest on shareholders' equity.

Based on its dividend policy and the income accrued, the Company distributed interim dividends in the first quarter of 2008. On August 6, 2008 the Board of Directors decided to suspend the distribution of quarterly dividends for the remainder of 2008, owing to the fact that such distribution was no longer compatible with the results forecast for the year.

Dividend Policy

We intend to declare and pay dividends and/or interest attributed to shareholders' equity, as required by the Brazilian corporation law and our by-laws. Our board of directors has approved the distribution of dividends and/or interest attributed to shareholders' equity, calculated based on our non-consolidated semiannual or quarterly financial statements. The declaration of annual dividends, including dividends in excess of the mandatory distribution, requires approval by the vote of the majority of the holders of our common shares. The amount of any distributions will depend on many factors, such as our results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by our board of directors and shareholders. Within the context of our tax planning, we may in the future continue determining that it is to our benefit to distribute interest attributed to shareholders' equity.

On August 6, 2008, our Board of Directors decided to suspend quarterly dividend payments in order to allow GOL to employ cash to fund investments and improve credit ratios.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

In the United States, our preferred shares trade in the form of ADS. Since December 2005 each ADS represents one preferred share, issued by The Bank of New York, as Depositary pursuant to a Deposit Agreement. On December 13, 2005, we executed a 2:1 ADS split, changing to ratio of one ADS representing two preferred shares to one ADS representing one preferred share, as approved by a meeting of the Board of Directors of the Company on November 8, 2005. The ADSs commenced trading on the NYSE on June 24, 2004. As of December 31, 2008, the ADSs represented 24.1% of our preferred shares and 45.0% of our current global public float.

The following table sets forth the reported high and low closing sales prices for the ADSs on the NYSE for the periods indicated.

| | US\$ per ADS | | |
|------------------------|--------------|-------|------------|
| | Low | High | Average(1) |
| 2006 | | | |
| Annual | 25.16 | 40.09 | 31.42 |
| 2007 | | | |
| Annual | | | |
| First quarter | 25.78 | 32.03 | 28.89 |
| Second quarter | 27.20 | 34.30 | 30.44 |
| Third Quarter | 19.19 | 32.96 | 24.79 |
| Fourth Quarter | 23.07 | 27.62 | 25.48 |
| 2008 | | | |
| Annual | | | |
| First quarter | 14.76 | 23.99 | 18.40 |
| Second quarter | 11.26 | 17.83 | 14.83 |
| Third Quarter | 5.95 | 12.00 | 9.04 |
| Fourth Quarter | 2.93 | 6.97 | 4.14 |
| Last Six Months | | | |
| September 2008 | 5.95 | 9.35 | 7.93 |
| October 2008 | 2.93 | 6.97 | 4.43 |
| November 2008 | 3.20 | 4.70 | 3.76 |
| December 2008 | 3.63 | 4.63 | 4.18 |
| January 2009 | 4.27 | 5.26 | 4.71 |
| February 2009 | 3.75 | 4.55 | 4.17 |
| March 2009 | 2.83 | 4.16 | 3.46 |
| April 2009 | 2.86 | 3.57 | 3.31 |

Source: Bloomberg

(1) Calculated as average of closing prices for the period.

Our preferred shares began trading on the São Paulo Stock Exchange on June 24, 2004. The following table sets forth the reported high and low closing sale prices for our preferred shares on the BOVESPA, for the periods indicated.

| | <i>Reais per Preferred Share</i> | | |
|------------------------|----------------------------------|-------------|-------------------|
| | Low | High | Average(1) |
| 2006 | | | |
| Annual | 54.60 | 82.50 | 68.19 |
| 2007 | | | |
| Annual | | | |
| First quarter | 52.99 | 67.26 | 60.70 |
| Second quarter | 54.99 | 65.47 | 60.31 |
| Third Quarter | 36.61 | 63.00 | 47.36 |
| Fourth Quarter | 42.00 | 48.49 | 45.55 |
| 2008 | | | |
| Annual | | | |
| First quarter | 25.40 | 42.40 | 31.84 |
| Second quarter | 17.92 | 29.12 | 24.51 |
| Third Quarter | 11.51 | 19.10 | 14.96 |
| Fourth Quarter | 6.90 | 13.05 | 9.37 |
| Last Six Months | | | |
| September 2008 | 11.51 | 17.10 | 14.27 |
| October 2008 | 6.90 | 13.05 | 9.47 |
| November 2008 | 7.51 | 10.00 | 8.54 |
| December 2008 | 9.20 | 11.29 | 10.05 |
| January 2009 | 10.02 | 11.96 | 10.93 |
| February 2009 | 9.32 | 10.22 | 9.81 |
| March 2009 | 6.65 | 9.80 | 8.04 |
| April 2009 | 6.58 | 7.63 | 7.28 |

Source: Bloomberg

(1) Calculated as average of closing prices for the period.

B. Plan of Distribution

Not applicable.

C. Markets

Trading on the BOVESPA

In 2000, the São Paulo Stock Exchange was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Under the memoranda, all securities are now traded only on the São Paulo Stock Exchange, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

On May 8, 2008, the São Paulo Stock Exchange and the Brazilian Mercantile and Futures Exchange merged, creating the new BM&F BOVESPA. Together, the companies have formed the third largest exchange worldwide in terms of market value, the second largest in the Americas, and the leading exchange in Latin America

When shareholders trade in common and preferred shares on the BOVESPA, the trade is settled in three business days after the trade date without adjustment of the purchase price for inflation. The seller is ordinarily required to deliver the shares to the exchange on the second business day following the trade date. Delivery of and payment for shares are made through the facilities of the clearinghouse, *Companhia Brasileira de Liquidação e Custódia*, or CBLC.

The BOVESPA is a for-profit listed company that has regulatory authority over its trading markets. Trading on the BOVESPA is limited to member brokerage firms and a limited number of authorized nonmembers. The BOVESPA has two open outcry trading sessions each day from 10:00 a.m. to 5:00 p.m., São Paulo time, for all securities traded on all markets, except during daylight savings time in Brazil. During daylight savings time in Brazil, usually the sessions are from 11:00 a.m. to 6:00 p.m., São Paulo time, to closely mirror the NYSE trading hours. Trading is also conducted between 11:00 a.m. and 6:00 p.m., or between 10:00 a.m. and 5:00 p.m. during daylight savings time in the United States, on an automated system known as the Computer Assisted Trading System (*Sistema de Negociação Assistida por Computador*) on the BOVESPA and on the National Electronic Trading System (*Sistema Eletrônico de Negociação Nacional*). This system is a computerized system that links electronically with the seven smaller regional exchanges. The BOVESPA also permits trading from 5:45 p.m. to 7:00 p.m., São Paulo time, on an online system connected to traditional and Internet brokers called the after market. Trading on the after market is subject to regulatory limits on price volatility and on the volume of shares transacted through Internet brokers. There are no specialists or officially recognized market makers for our shares in Brazil.

In order to better control volatility, the BOVESPA adopted a circuit breaker system pursuant to which trading sessions may be suspended for a period of 30 minutes or one hour whenever the indices of the BOVESPA falls below the limits of 10% or 15%, respectively, in relation to the index registered in the previous trading session.

The BOVESPA is significantly less liquid than the NYSE or other major exchanges in the world. As of December 2008, the aggregate market capitalization of the BOVESPA was equivalent to R\$1.37 trillion and the 10 largest companies listed on the BOVESPA represented 53.1% of the total market capitalization of all listed companies. In contrast, as of December 2007, the aggregate market capitalization of the NYSE was US\$17 trillion. Although any of the outstanding shares of a listed company may trade on the BOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, by government entities or by one principal shareholder. See Item 3. Risk Factors Risks Relating to the ADSs and Our Preferred Shares The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the preferred shares underlying the ADSs at the time and price you desire.

Trading on the BOVESPA by a holder not deemed to be domiciled in Brazil for Brazilian tax and regulatory purposes, a non-Brazilian holder, is subject to certain limitations under Brazilian foreign investment legislation. With limited exceptions, non-Brazilian holders may only trade on Brazilian stock exchanges in accordance with the requirements of Resolution No. 2,689, of January 26, 2000, of the National Monetary Council (*Conselho Monetário Nacional*, or CMN), or Resolution No. 2,689. Resolution No. 2,689 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions and be registered with a clearinghouse. Such financial institutions and clearinghouses must be duly authorized to act as such by the Central Bank and the CVM. In addition, Resolution No. 2,689 requires non-Brazilian holders to restrict their securities trading to transactions on Brazilian stock exchanges or qualified over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments made under Resolution No. 2,689 to other non-Brazilian holders through a private transaction. See Item 10. Taxation Material Brazilian Tax Considerations Taxation on Gains for a description of certain tax benefits extended to non-Brazilian holders who qualify under Resolution No. 2,689.

Corporate Governance Practices

In 2000, the São Paulo Stock Exchange introduced three special listing segments, known as Level 1 and 2 of Differentiated Corporate Governance Practices and New Market (*Novo Mercado*), aiming at fostering a secondary market for securities issued by Brazilian companies with securities listed on the São Paulo, by prompting such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily undertaking to abide by corporate governance practices and disclosure

requirements in addition to those already imposed by Brazilian law. These rules generally increase shareholders' rights and enhance the quality of information provided to shareholders.

To become a Level 1 (*Nível 1*) company, in addition to the obligations imposed by current Brazilian law, an issuer must agree to (a) ensure that shares of the issuer representing 25% of its total capital are effectively available for trading, (b) adopt offering procedures that favor widespread ownership of shares whenever making a public offering, (c) comply with minimum quarterly disclosure standards including cash flow statements, (d) follow stricter disclosure policies with respect to transactions made by controlling shareholders, directors and officers involving securities issued by the issuers; (e) submit any existing shareholders' agreements and stock option plans to the BOVESPA and (f) make an annual calendar announcing scheduled corporate events, bringing information on the company, the event, date and time it is going to take place; any changes in the schedule shall be promptly forwarded to BOVESPA and published.

To become a Level 2 (*Nível 2*) company, in addition to the obligations imposed by current Brazilian law, an issuer must agree to (a) comply with all of the listing requirements for Level 1 companies, (b) grant tag-along rights for all shareholders in connection with a transfer of control of the company, offering the same price paid per share for controlling block common shares and 80% of the price paid per share for controlling block preferred shares, (c) grant voting rights to holders of preferred shares in connection with certain corporate restructurings and related party transactions, such as: (i) any transformation of the company into another corporate form, (ii) any merger, consolidation or spin-off of the company, (iii) approval of any transactions between the company and its controlling shareholder, including parties related to the controlling shareholder, (iv) approval of any valuation of assets to be delivered to the company in payment for shares issued in a capital increase, (v) appointment of an independent company, with renowned expertise, to ascertain the economic value of the company in connection with any deregistration and delisting tender offer, and (vi) any changes to these voting rights, (d) have a board of directors comprised of at least five members, of which at least 20% shall be independent, as defined by the BOVESPA, with a term limited to two years, (e) if it elects to delist from the Level 2 segment, hold a tender offer by the company's controlling shareholder (the minimum price of the shares to be offered will be the economic value determined by an appraisal process), and, for the same purposes, in the case of companies with diffuse control (controlling power exercised by the shareholder holding less than 50% of the voting capital and per group of shareholders who are not signatories of voting agreements and which is not under a common control and does not act as a representative of a common interest) to comply with complementary rules to be issued by BOVESPA, (f) disclose: (i) quarterly financial statements in English or prepared in accordance with U.S. GAAP or IFRS and (ii) annual financial statements in English, including cash flow statements, prepared in accordance with U.S. GAAP or IFRS, in U.S. dollars or *reais* and (g) adhere exclusively to the rules of the BOVESPA Arbitration Chamber for resolution of disputes involving the controlling shareholders, the managers and the members of the fiscal committee.

To be listed in the *Novo Mercado*, an issuer must meet all of the requirements described above, in addition to (a) issuing only voting shares and ensure that all the shares will be composed exclusively of common shares, (b) granting tag-along rights for all shareholders in connection with a transfer of control of the company, offering the same price paid per share for controlling block common shares.

In May 2004, we entered into an agreement with the BOVESPA to comply with the requirements to become a Level 2 company. In addition to complying with Level 2 requirements, we have granted tag-along rights that entitle our preferred shareholders to receive 100% of the price paid per common share of controlling block shareholders in connection with a transaction resulting in a transfer of control of our company. Furthermore, we prepare quarterly financial statements in accordance with IFRS. We were included in the following indexes (a) in 2005: IbrX-100 (*Índice Brasil, Index Brazil*), IGC (*Índice de Ações com Governança Corporativa Diferenciada, Special Corporate Governance Index*), ITAG (*Índice de Ações com Tag Along Diferenciado, Special Tag Along Stock Index*) and MSCI (*Morgan Stanley Capital International Index*), (b) in 2006: IbrX-50 (*Índice Brasil 50, Index Brazil 50*): and (c) in 2007: *Índice BOVESPA*, all of which reflect our increased market capitalization and liquidity of our preferred shares.

Regulation of the Brazilian Securities Market

The Brazilian securities markets are regulated by the CVM, which has regulatory authority over the stock exchanges and securities markets, as well as by the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions. The Brazilian securities markets are governed by Law No. 10,198 dated February 14, 2001, Law No. 10,303 dated October 31, 2001, known as Law No. 10,303 and Law No. 10,411 dated February 26, 2002, which introduced new concepts and several changes to Law No. 6,385 dated December 7, 1976, as amended and supplemented, the principal law governing the Brazilian securities markets, by Brazilian corporation law, and by regulations issued by the CVM, the CMN and the Central Bank. These laws and regulations, among others, provide for disclosure requirements applicable to issuers of traded securities, criminal sanctions for insider trading and price manipulation, and protection of minority shareholders. They

also provide for licensing and oversight of brokerage firms and governance of Brazilian stock exchanges. However, the Brazilian securities markets are not as highly regulated and supervised as U.S. securities markets.

Under the Brazilian corporation law, a company is either publicly held, a *companhia aberta*, or privately held, a *companhia fechada*. All listed companies are registered with the CVM and are subject to reporting and regulatory requirements. A company registered with the CVM may trade its securities either on the BOVESPA or in the Brazilian over-the-counter market. Shares of companies listed on the BOVESPA may not simultaneously trade on the Brazilian over-the-counter market. The shares of a listed company may also be traded privately, subject to several limitations. To be listed on the BOVESPA, a company must apply for registration with the BOVESPA and the CVM.

The trading of securities on the BOVESPA may be halted at the request of a company in anticipation of a material announcement. Trading may also be suspended on the initiative of the BOVESPA or the CVM, among other reasons, based on or due to a belief that a company has provided inadequate information regarding a significant event or has provided inadequate responses to inquiries by the CVM or the BOVESPA.

Trading on the BOVESPA by non-residents of Brazil is subject to limitations under Brazilian foreign investment and tax legislation. The Brazilian custodian for the preferred shares underlying the ADSs must, on behalf of the depositary for the ADSs, obtain registration from the Central Bank to remit U.S. dollars abroad for payments of dividends, any other cash distributions, or upon the disposition of the shares and sales proceeds thereof. If you exchange your ADSs for preferred shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for five business days after the exchange. Thereafter, you may not be able to obtain and remit abroad non-Brazilian currency upon the disposition of or distributions relating to the preferred shares, and will be subject to a less favorable tax treatment on gains with respect to the preferred shares, unless you obtain a new electronic certificate of foreign capital registration or qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on the BOVESPA without obtaining separate electronic certificates of foreign capital registration. See Item 10.B. Memorandum of Articles of Association Description of Capital Stock Regulation of Foreign Investment.

Disclosure Requirements

According to Law No 6,385, a publicly held company must submit to CVM and BOVESPA certain periodic information, including annual and quarterly reports prepared by management and independent auditors. This legislation also requires us to file with CVM our shareholders' agreements, notices of shareholders' meetings and copies of the related minutes.

Pursuant to CVM Rule No. 358, of January 3, 2002, the CVM revised and consolidated the requirements regarding the disclosure and use of information related to material facts and acts of publicly held companies, including the disclosure of information in the trading and acquisition of securities issued by publicly held companies.

Such requirements include provisions that:

- establish the concept of a material fact that gives rise to reporting requirements. Material facts include decisions made by the controlling shareholders, resolutions of the general meeting of shareholders and of management of the company, or any other facts related to the company's business (whether occurring within the company or otherwise somehow related thereto) that may influence the price of its publicly traded securities, or the decision of investors to trade such securities or to exercise any of such securities' underlying rights;
- specify examples of facts that are considered to be material, which include, among others, the execution of agreements providing for the transfer of control, the entry or withdrawal of shareholders that maintain any managing, financial, technological or administrative function with or contribution to the company, and any corporate restructuring undertaken among related companies;
- oblige the officer of investor relations, controlling shareholders, other officers, directors, members of the audit committee and other advisory boards to disclose material facts;
- require simultaneous disclosure of material facts to all markets in which the corporation's securities are admitted for trading;

- require the acquirer of a controlling stake in a corporation to publish material facts, including its intentions as to whether or not to de-list the corporation's shares, within one year;

- establish rules regarding disclosure requirements in the acquisition and disposal of a material stockholding stake; and
- forbid trading on the basis of insider information.

In addition to the disclosure requirements under the Brazilian corporate law and the CVM regulations, we must also observe the following disclosure requirements:

- no later than six months following the listing of our shares on the Level 2 segment, we must disclose our consolidated financial statements at the end of each quarter (except for the last one of each year) and at the end of each fiscal year, including a statement of cash flows, which must indicate, at least, the changes in cash and cash equivalents, separated into operating, financing and investing cash flows;
- after the disclosure of our financial statements for the second fiscal year after the approval for the listing of our shares on the Level 2 segment, we must, no later than four months after the end of the fiscal year: (i) disclose our financial statements and consolidated financial statements in accordance with U.S. GAAP or IFRS, in *reais* or U.S. dollars, which must be fully disclosed, in English, together with a management report, explanatory notes that shall include the net income and shareholders' equity calculated at the end of such fiscal year, prepared in accordance with Brazilian GAAP, as well as the proposal for distribution or other use of net income, and the independent auditors' report; or (ii) disclose, in English, the complete financial statements, management report and explanatory notes, prepared in accordance with the Brazilian GAAP, and an additional explanatory note regarding the reconciliation of the net income and shareholders' equity calculated in accordance with the Brazilian GAAP and U.S. GAAP or IFRS, as the case may be, which must include the main differences between these accounting principles, as well as the independent auditors' report; and
- within no longer than 15 days following the term established by the Brazilian corporation law for disclosure of our quarterly information, we must also: (i) disclose our quarterly information translated into English; or (ii) disclose our financial statements and consolidated financial statements in accordance with U.S. GAAP or IFRS, and the independent auditors' report.

Changes in the Brazilian Corporation Law

On October 31, 2001, Law No. 10,303, amending the Brazilian corporation law, was enacted. The main goal of Law No. 10,303 is to broaden the rights of minority shareholders. Law No. 10,303:

- obligates our controlling shareholders to make a tender offer for our shares if it increases its interest in our share capital to a level that materially and negatively affects the liquidity of our shares, as defined by the CVM;
- requires any acquirer of control to make a tender offer for our common shares at a price equal to 80% of the per share price paid for the controlling block of shares;
- authorizes us to redeem minority shareholders' shares if, after a tender offer, our controlling shareholders increase their participation in our total share capital to more than 95%;
- entitles dissenting or, in certain cases, non-voting shareholders to obtain redemption upon a decision to conduct a spin-off that results in (a) a change of our corporate purpose, (b) a reduction in the mandatory dividend or (c) any participation in a group of companies (as defined by the Brazilian corporation law);

- requires that the preferred shares have one of the following advantages in order to be listed and to trade on a stock exchange: (a) priority in receipt of dividends corresponding to at least 3% of the book value per share (after this priority condition is met, equal conditions apply to common shares), (b) dividends 10% higher than those paid for common shares or (c) a tag-along right at 80% of the price paid to the controlling shareholder in case of a transfer control;

- entitles shareholders that are not controlling shareholders but that together hold (a) preferred shares representing at least 10% of our total share capital or (b) common shares representing at least 15% of our voting capital the right to appoint one member and an alternate to our board of directors. If no group of common or preferred shareholders meets the thresholds described above, shareholders holding preferred or common shares representing at least 10% of our total share capital are entitled to combine their holdings to appoint one member and an alternate to our board of directors. Until 2005, the board members that may be elected pursuant to (a) above or by the combined holdings of holders of preferred and common shares are to be chosen from a list of three names drawn up by the controlling shareholder. Any such members elected by the minority shareholders will have veto powers on the selection of our independent auditors;
- requires members of our board of directors, board of executive officers or fiscal council to file immediately with the CVM and the stock exchanges (or the over-the-counter markets on which our securities are traded) a statement of any change in their shareholdings; and
- requires us to send copies of the documentation we submit to our shareholders in connection with shareholders meetings to the stock exchanges on which our shares are most actively traded.

On July 13, 2007, the CVM issued CVM Rule No. 457 to require listed companies to publish their consolidated financial statements according to IFRS starting with the year ending December 31, 2010.

On December 28, 2007, Law No. 11,638 was enacted and amended numerous provisions of the Brazilian corporate law relating to accounting principles and authority to issue accounting standards. Law No. 11,638 sought to enable greater convergence between Brazilian GAAP and IFRS. To promote convergence, Law No. 11,638 modified certain accounting principles of the Brazilian corporate law and mandated the CVM to issue accounting rules conforming to the accounting standards adopted in international markets. Additionally, the statute acknowledged a role in the setting of accounting standards for the Comitê de Pronunciamentos Contábeis (the Committee for Accounting Pronouncements or CPC), which is a committee of officials from the BOVESPA, industry representatives and academic bodies that has issued accounting guidance and pursued the improvement of accounting standards in Brazil. Law No. 11,638 permits the CVM and the Brazilian Central Bank to rely on the accounting standards issued by the CPC in establishing accounting principles for regulated entities.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION**A. Share Capital**

Not applicable.

B. Memorandum and Articles of Association

The Registrant was formed on March 12, 2004 as a *sociedade por ações*, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. The Registrant is registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under number NIRE 35.300.314.441.

Description of Capital Stock*General*

The Registrant became the parent company of Gol on March 29, 2004, when all of the common shares, Class A preferred shares and Class B preferred shares of Gol (except for five common shares of Gol that are held by members of Gol's board of directors for eligibility purposes) were contributed to the Registrant by the shareholders of Gol in exchange for the applicable number of either common shares or preferred shares of the Registrant. As a result of this reorganization, 41,499,995 common shares of Gol were exchanged for 109,448,497 common shares and 6,751,719 preferred shares of the Registrant, 10,375,000 Class A preferred shares of Gol were exchanged for 29,049,994 preferred shares and six common shares of the Registrant and 8,408,206 Class B preferred shares of Gol were exchanged for 23,542,977 preferred shares of the Registrant. The reorganization did not affect our operations in any respect. The aggregate number of our common and preferred shares outstanding was increased to 168,793,243 as the result of a 2.80 -for-one stock split on May 25, 2004 (which includes 224 common shares and 56 preferred shares of the Registrant that were issued in connection with its formation on March 12, 2004). On June 24, 2004, the Registrant completed its initial public offering through the issuance of 18,750,000 preferred shares in the form of ADSs in the United States and other countries outside Brazil and in the form of preferred shares in Brazil. On April 28, 2005, the Registrant completed a primary and secondary offering of 16,905,000 preferred shares in the form of ADSs in the United States and other countries outside Brazil and in the form of preferred shares in Brazil. In addition, during 2005, our executive officers exercised stock options for an aggregate of 703,579 preferred shares. During 2006, our executive officers exercised stock options for an aggregate of 233,833 preferred shares. In 2007, we increased our capital and, as a result of 6.1 million shares issued for the VRG acquisition and 11,569 shares issued related to our stock option program, as of December 31, 2007 our capital structure consisted of 107,590,792 common shares and 94,709,463 preferred shares, each with no par value. On March 20, 2009, our board of directors approved a capital stock increase issuing 6,606,366 voting and 19,487,356 non-voting shares to improve the company's cash position and capital structure and to ensure the level of investments planned. The voting and non-voting shares will be issued at R\$7.80 per share. Our controlling shareholders have fully subscribed and paid for their portion of the capital increase in an amount of R\$150.0 million. If fully subscribed, the capital increase will total R\$203.5 million. We are a stock corporation (*sociedade anônima*) incorporated under the laws of Brazil.

Issued Share Capital

Under our by-laws, our authorized capital as of December 31, 2008 was R\$2.0 billion, and can be increased by the issuance of preferred or common shares, after approval by our board of directors. Our shareholders must approve any capital increase that exceeds our authorized capital. Under our by-laws and the Brazilian corporation law, if we issue additional shares in a private transaction, the existing shareholders have preemptive rights to subscribe for shares on a pro rata basis according to their holdings. See Preemptive Rights.

Regulation of Foreign Investment

There are no general restrictions on ownership of our preferred shares or common shares by individuals or legal entities domiciled outside Brazil, except for those regarding airline companies (see Regulation of the Brazilian Civil Aviation Market). However, the right to convert dividend payments and proceeds from the sale of preferred shares or common shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, the registration of the relevant investment with the Central Bank.

Foreign investors may register their investment under Law No. 4,131 of September 3, 1962, or Law No. 4,131, or Resolution No. 2,689 of January 26, 2000 of the CMN, or Resolution No. 2,689. Registration under Law No. 4,131 or under Resolution No. 2,689 generally enables foreign investors to convert into foreign currency dividends, other distributions and sales proceeds received in connection with registered investments and to remit such amounts abroad. Resolution No. 2,689 affords favorable tax treatment to foreign investors who are not resident in a tax haven jurisdiction, which is defined under Brazilian tax laws as a country that does not impose taxes or where the maximum income tax rate is lower than 20% or that restricts the disclosure of shareholder composition or ownership of investments.

Under Resolution No. 2,689, foreign investors may invest in almost all financial assets and engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with Resolution No. 2,689, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities that are domiciled or headquartered abroad. Resolution No. 2,690 investors may not transfer the ownership of investments made under Resolution No. 2,689 to other non-Brazilian holders through private transactions.

Pursuant to Resolution No. 2,689, foreign investors must:

- appoint at least one representative in Brazil with powers to perform actions relating to the foreign investment;
- complete the appropriate foreign investor registration form;
- register as a foreign investor with the CVM;
- register the foreign investment with the Central Bank;
- appoint a tax representative in Brazil; and
- obtain a taxpayer identification number from the Brazilian federal tax authorities.

Amounts invested in our preferred shares by a non-Brazilian holder who qualifies under Resolution 2,689 and obtains registration with the CVM, or by the depositary representing an ADS holder, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our preferred shares. The registered capital per preferred share purchased in the form of an ADS, or purchased in Brazil and deposited with the depositary in exchange for an ADS, will be equal to its purchase price (stated in U.S. dollars). The registered capital per preferred share withdrawn upon cancellation of an ADS will be the U.S. dollar equivalent of (i) the average price of a preferred share on the Brazilian stock exchange on which the most preferred shares were traded on the day of withdrawal or (ii) if no preferred shares were traded on that day, the average price on the Brazilian stock exchange on which the most

preferred shares were traded in the fifteen trading sessions immediately preceding such withdrawal. The U.S. dollar equivalent will be determined on the basis of the average commercial market rates quoted by the Central Bank on these dates.

A non-Brazilian holder of preferred shares may experience delays in effecting Central Bank registration, which may delay remittances abroad. This delay may adversely affect the amount in U.S. dollars, received by the non-Brazilian holder.

A certificate of registration has been issued in the name of the depositary with respect to the ADSs and is maintained by the custodian on behalf of the depositary. Pursuant to the certificate of registration, the custodian and the depositary are able to convert dividends and other distributions with respect to the preferred shares represented by our ADSs into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADSs exchanges such ADSs for preferred shares, such holder will be entitled to continue to rely on the depositary's certificate of registration for five business days after such exchange, following which such holder must seek to obtain its own certificate of registration with the Central Bank.

Thereafter, any holder of preferred shares may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, such preferred shares, unless the holder is a duly qualified investor under Resolution 2,689 or obtains its own certificate of registration.

If the shareholder does not qualify under Resolution 2,689 by registering with the CVM and the Central Bank and appointing a representative in Brazil, the holder will be subject to less favorable Brazilian tax treatment than a holder of ADSs. Regardless of qualification under Resolution 2,689, residents in tax haven jurisdiction are subject to less favorable tax treatment than other foreign investors. See *Taxation* Brazilian Tax Considerations.

Under current Brazilian legislation, the federal government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately six months in 1989 and early 1990, the Brazilian government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors, in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with federal government directives. There can be no assurance that the Brazilian government will not impose similar restrictions on foreign repatriations in the future. See *Item 3. Risk Factors* Risks Relating to Brazil.

Description of Preferred Shares

According to our by-laws, our preferred shares are non-voting. However, under certain limited circumstances provided for in the Brazilian corporation law and as described in this section, holders of our preferred shares may be entitled to vote. Upon liquidation, holders of preferred shares are entitled to receive distributions prior to the holders of our common shares.

According to our by-laws, holders of our preferred shares are entitled to be included in a public tender offer in case our controlling shareholder sells its controlling stake in us, and the minimum price to be offered for each preferred share is 100% of the price paid per share of the controlling stake.

Under Brazilian law, the protections afforded to minority shareholders are different from those in the United States. In particular, judicial guidance with respect to shareholder disputes is less established under Brazilian law than U.S. law and there are different procedural requirements for bringing shareholder lawsuits, such as shareholder derivative suits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a U.S. company.

Redemption and Rights of Withdrawal

Under the Brazilian corporation law, a dissenting or non-voting shareholder has the right to withdraw from a company and be reimbursed for the value of the preferred or common shares held whenever a decision is taken at a general shareholders meeting by a vote of shareholders representing at least 50% of the total outstanding voting capital to:

- create a new class of preferred shares or increase disproportionately an existing class of preferred shares relative to the other classes of shares, unless such action is provided for or authorized by our by-laws (our by-laws allow us to do so);

- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares, or create a new class with greater privileges than the existing classes of preferred shares;
- reduce the mandatory distribution of dividends;
- merge or consolidate us with another company;
- participate in group of companies as defined in the Brazilian corporation law and subject to the conditions set forth therein;
- change our corporate purpose, including a sale of the voting control to a third party;
- transfer all of our shares to another company or receive shares of another company in order to make the company whose shares were transferred a wholly owned subsidiary of such company, known as *incorporação de ações*;
- conduct a spin-off that results in (a) a change of our corporate purposes, except if the assets and liabilities of the spin-off company are contributed to a company that is engaged in substantially the same activities, (b) a reduction in the mandatory dividend or (c) any participation in a centralized group of companies, as defined under the Brazilian corporation law; or
- dissolution of the company or terminating a state of liquidation.

In the event that the entity resulting from a merger, consolidation, or *incorporação de ações*, or spin-off of a listed company fails to become a listed company within 120 days of the shareholders meeting at which such decision was taken, the dissenting or non-voting shareholders may also exercise their withdrawal right.

If there is a resolution to (a) merge or consolidate us with another company; (b) conduct a *incorporação de ações*; (c) participate in a group of companies, as defined under the Brazilian corporation law or (d) acquire control of another company, the withdrawal rights are exercisable only if our shares do not satisfy certain tests of liquidity and dispersal of the type or class of shares in the market at the time of the general meeting.

Only holders of shares adversely affected by the changes mentioned in the first and second items above may withdraw their shares.

The right of withdrawal lapses 30 days after publication of the minutes of the relevant general shareholders meeting that approved the corporate actions described above. In the case of the changes mentioned in items (a) and (b) above, the resolution is subject to confirmation by the preferred shareholders, which must be obtained at a special meeting held within one year. In those cases, the 30-day term is counted from the date of publication of the minutes of the special meeting. We would be entitled to reconsider any action triggering appraisal rights within 10 days following the expiration of such rights if the redemption of shares of dissenting or non-voting shareholders would jeopardize our financial stability. Shares to be purchased by us from the dissenting or non-voting shareholders exercising appraisal rights will be valued at an amount equal to the lesser of the ratable portion attributable to such shares of our shareholders' equity as shown on the last balance sheet approved at a general shareholders' meeting (book value) and the ratable portion attributable to such shares of the economic value of the company, pursuant to an appraisal report produced in accordance with the provisions of the Brazilian corporation law. If more than 60 days have elapsed since the date of such balance sheet, dissenting shareholders may require that the book value of their shares be calculated on the basis of a new balance sheet. As a general rule, shareholders who acquire their shares after the first notice convening the general shareholders' meeting or after the relevant press release concerning the meeting is published will

not be entitled to appraisal rights.

For purposes of the right of withdrawal, the concept of dissenting shareholder, under the Brazilian corporation law, includes not only those shareholders who vote against a specific resolution, but also those who abstain from voting, who fail to attend the shareholders meeting or who do not have voting rights.

Preemptive Rights

Each of our shareholders generally has a preemptive right to subscribe for shares or convertible securities in any capital increases, in proportion to its shareholdings. A minimum period of 30 days, unless a shorter period is established by our board of directors, following the publication of notice of the capital increase is allowed for the exercise of the right and the right is negotiable. In the event of a capital increase which would maintain or increase the proportion of capital represented by preferred shares, holders of ADSs or preferred shares would have preemptive rights to subscribe only to newly issued preferred shares.

In the event of a capital increase which would reduce the proportion of capital represented by preferred shares, holders of ADSs or preferred shares would have preemptive rights to subscribe for preferred shares, in proportion to their shareholdings, and for common shares, only to the extent necessary to prevent dilution of their equity participation. (See *Risks Relating to the ADSs and Our Preferred Shares* Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares). Our by-laws provide that our board of directors may, within the limit of its authorized capital, withdraw preemptive rights to existing shareholders in connection with an increase in share capital through sale in stock exchanges, public offerings or public exchange offers. In addition, Brazilian corporation law provides that the granting or exercise of stock options pursuant to certain stock option plans is not subject to preemptive rights.

Voting Rights

Each common share entitles its holder to one vote at our shareholders' meetings. Preferred shares have no voting rights, except that each preferred share entitles its holder to one vote at our shareholders' meeting to decide on certain specific matters, such as:

- any transformation of the company into another corporate type; any merger, consolidation or spin-off of the company;
- approval of any transactions between the company and its controlling shareholder or parties related to the controlling shareholder;
- approval of any evaluation of assets to be delivered to the company in payment for shares issued in a capital increase;
- appointment of an expert to ascertain the fair value of the company in connection with any deregistration and delisting tender offer;
- any changes to these voting rights; and
- approval of a change of our corporate purpose.

Holders of preferred shares are entitled to attend shareholders' meetings and to participate in the discussions. The Brazilian corporation law provides that non-voting shares, such as preferred shares, may acquire voting rights if the company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends. (See *Risks Relating to the ADSs and Our Preferred Shares* Holders of the preferred shares may not receive any dividends).

According to the Brazilian corporation law, any change in the preferences or rights of our preferred shares, or the creation of a class of shares having priority over our preferred shares, unless such change is authorized by our by-laws, would require the approval of our preferred shareholders in a special shareholders' meeting in addition to approval by a majority of the holders of our outstanding voting shares. The holders of preferred shares would vote as a

class at the special meeting.

The Brazilian corporation law grants (i) holders of preferred shares without voting rights (or with restricted voting rights) representing 10% of the total issued capital stock and (ii) holders of our common shares that are not part of the controlling group, and represent at least 15% of the voting capital stock, the right to appoint a member to the board of directors, by voting during the annual shareholders meeting. If none of our non-controlling holders of common or preferred shares meets the respective thresholds described above, holders of preferred or common shares representing at least 10% of the share capital would be able to combine their holdings to appoint one member and an alternate to our board of directors. Such rights may only be exercised by those shareholders who prove that they have held the required stake with no interruption during at least the three months directly preceding our annual shareholders meeting.

Holders of common shares are entitled to certain rights that cannot be amended by changes in the by-laws or at a general shareholders meeting, which include (i) the right to vote at general shareholders meetings; (ii) the right to participate in distributions of dividends and interest on capital and to share in the remaining assets of the company in the event of liquidation; (iii) preemptive rights in certain circumstances and (iv) the right to withdraw from the company in certain cases. In addition to those rights, the by-laws or a majority of the voting shareholders may establish additional rights and, likewise, remove them. Currently, our by-laws do not establish any rights in addition to those already set forth by the Brazilian corporation law. The Level 2 of Differentiated Corporate Governance Practices, which we comply with, provides for the granting of voting rights to holders of preferred shares in connection with certain matters, including corporate restructurings, mergers and related party transactions.

Controlling shareholders may nominate and elect a majority of the members of the board of directors of Brazilian companies. In a Brazilian company, management is not entitled to nominate directors for election by the shareholders. Non-controlling shareholders and holders of non-voting shares are entitled to elect representatives to the board, as described above. Holders of a threshold percentage of the voting shares may also request, up to 48 hours prior to any general shareholders meeting, that the election of directors be subject to cumulative voting. The threshold percentage required for cumulative voting for a corporation such as ours is currently 5% of the outstanding shares. Shareholders who vote to elect a representative of the non-controlling shareholders may not cast cumulative votes to elect other members of the board.

Conversion Right

Our shareholders may, at any time, convert common shares into preferred shares, at the rate of one common share to one preferred share, to the extent such shares are duly paid and provided that the amount of preferred shares does not exceed 50% of the total amount of shares outstanding. Any request for conversion must be delivered to our board of executive officers and, once accepted by the board of executive officers, must be confirmed by our board of directors at the first meeting after the date of the request for conversion.

Special and General Meetings

Unlike the laws governing corporations incorporated under the laws of the State of Delaware, the Brazilian corporation law does not allow shareholders to approve matters by written consent obtained as a response to a consent solicitation procedure. All matters subject to approval by the shareholders must be approved in a general meeting, duly convened pursuant to the provisions of Brazilian corporation law. Shareholders may be represented at a shareholders meeting by attorneys-in-fact who are (i) shareholders of the corporation, (ii) a Brazilian attorney, (iii) a member of management or (iv) a financial institution.

General and special shareholders meetings may be called by publication of a notice in the *Diário Oficial do Estado de São Paulo* and in a newspaper of general circulation in our principal place of business at least 15 days prior to the meeting. Special meetings are convened in the same manner as general shareholders meetings and may occur immediately before or after a general meeting.

At duly called and convened meetings, our shareholders are empowered to take any action regarding our business. Shareholders have the exclusive right, during our annual shareholders meetings required to be held within 120 days of the end of our fiscal year, to approve our financial statements and to determine the allocation of our net income and the distribution of dividends related to the fiscal year immediately preceding the meeting. The members of our board of directors are generally elected at annual shareholders meetings. However, according to Brazilian corporation law, they can also be elected at extraordinary shareholders meetings. At the request of shareholders holding a sufficient number of shares, a fiscal council can be established and its members elected at any shareholders meeting.

An extraordinary shareholders meeting may be held concurrently with the annual shareholders meeting and at other times during the year. Our shareholders may take the following actions, among others, exclusively at shareholders meetings:

- election and dismissal of the members of our board of directors and our fiscal council, if the shareholders have requested the set up of the latter;
- approval of the aggregate compensation of the members of our board of directors and board of executive officers, as well as the compensation of the members of the fiscal council, if one has been established;
- amendment of our bylaws;
- approval of our merger, consolidation or spin-off;
- approval of our dissolution or liquidation, as well as the election and dismissal of liquidators and the approval of their accounts;
- granting stock awards and approval of stock splits or reverse stock splits;
- approval of stock option plans for our management and employees, as well as for the management and employees of other companies directly or indirectly controlled by us;
- approval, in accordance with the proposal submitted by our board of directors, of the distribution of our net income and payment of dividends;
- authorization to delist from the Level 2 of Differentiated Corporate Governance Practices and to become a private company, except if the cancellation is due to a breach of the Level 2 regulations by management, and to retain a specialized firm to prepare a valuation report with respect to the value of our shares, in any such events;
- approval of our management accounts and our financial statements;
- approval of any primary public offering of our shares or securities convertible into our shares; and
- deliberate upon any matter submitted by the board of directors.

Anti-Takeover Provisions

Our by-laws require any party that acquires our control to extend a tender offer for common and preferred shares held by non-controlling shareholders at the same purchase price paid to the controlling shareholder.

Arbitration

In connection with our listing with Level 2 of Differentiated Corporate Governance Practices, we and our controlling shareholders, directors, officers and members of our fiscal committee have undertaken to refer to arbitration any and all disputes arising out of the Level 2 rules or any other corporate matters. See Market Information. Under our bylaws, any disputes among us, our shareholders and our management with respect to the application of Level 2 rules, the Brazilian Corporate Law or the application of the rules and regulations regarding Brazilian capital markets, will be resolved by arbitration conducted pursuant to the BOVESPA Arbitration Chamber and rules. Any disputes among shareholders, including holders of ADSs, and disputes between us and shareholders, including holders of ADSs, will be submitted to arbitration in accordance with the BOVESPA Arbitration Chamber and rules.

Going Private Process

Pursuant to our bylaws, we may become a privately-held company only if we, our controlling shareholders or our group of controlling shareholders make a public tender offer for all outstanding shares.

According to the Level 2 regulations and our bylaws, the minimum price of the shares in the public tender offer required to be made in case we go private shall be equivalent to the economic value determined in the appraisal report prepared by a specialized and independent company, with renowned expertise, to be selected at the annual shareholders meeting from among the three companies suggested by the board of directors.

In addition to the requirements set out in the Level 2 regulations and our bylaws, according to the Brazilian corporation law, our registration as a publicly held company with shares traded on stock exchanges will be canceled only if we or our direct or indirect controlling shareholders make a public tender offer for the total outstanding shares in the market (which may be the same tender offer required by Level 2 regulations and our bylaws), at a fair value, for a price at least equal to our evaluation, determined based on the following criteria, separately or jointly adopted: stockholders' equity book value, stockholders' equity at market price, discounted cash flow, multiple comparisons, market price of our shares or any other criteria accepted by the CVM. Shareholders holding at least 10% of our outstanding shares may require our management to review the price offered for the shares, and in this event our management shall call a special shareholders' meeting to determine whether to perform another valuation using the same or a different valuation method. Such request must be made within 15 days following the disclosure of the price to be paid for the shares in the public tender offer, and shall be duly justified. The shareholders who make such request, as well as those who vote in its favor, shall reimburse us for any costs involved in preparing the new valuation if the valuation price is lower than or equal to the original valuation price. If the new valuation price is higher than the original valuation price, the public tender offer must be made at the new valuation price.

Delisting from Differentiated Corporate Governance Practices Level 2

We may, at any time, delist our shares from the Level 2 segment, provided that this is approved by shareholders representing the majority of our voting share capital at an annual shareholders' meeting and that we provide written notice to the BOVESPA at least 30 days in advance. If we decide to delist from the Level 2 segment, in order to make our shares available to be traded outside the Level 2 segment, our controlling shareholders must conduct a public tender offer for the acquisition of our shares within the legal timeframe, based on the economic value calculated in the appraisal report prepared by a specialized and independent company, to be selected at an annual shareholders' meeting from among three companies suggested by the board of directors. The public tender offer notice must be communicated to the BOVESPA and immediately disclosed to the market after the shareholders' meeting during which the delisting was approved. If the delisting from the Level 2 segment is a result of the cancellation of our registration as a publicly held company, our controlling shareholders must follow the other requirements applicable to going private.

The delisting from the Level 2 segment does not imply the cancellation of the trading of our shares on the BOVESPA.

If our share control is transferred within the 12 months subsequent to the delisting from the Level 2, the selling controlling shareholder and the buyer shall offer to our other shareholders the acquisition of their shares at the price and conditions provided to the controlling shareholder selling the shares, adjusted for inflation.

After delisting from the Level 2 segment, we may not request the listing of our shares in the Level 2 segment for two years subsequent to the cancellation, except if there is a change of our share control after delisting from the Level 2 segment.

Form and Transfer

Because our preferred shares are in registered book-entry form, Banco Itaú S.A., as registrar, must effect any transfer of shares by an entry made in its books, in which it debits the share account of the transferor and credits the share account of the transferee. When our shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the records of our registrar by a representative of a brokerage firm or the stock exchange's clearing system. Transfers of shares by a foreign investor are executed in the same way by that investor's local agent on the investor's behalf except that, if the original investment were registered with the Central Bank pursuant to Resolution No. 2,689, the foreign investor should also seek amendment through its local agent, if necessary, of the electronic registration to

reflect the new ownership. The BOVESPA operates a clearinghouse through CBLC. The fact that such shares are subject to custody with the relevant stock exchange will be reflected in our registry of shareholders. Each participating shareholder will, in turn, be registered in the register of our beneficial shareholders that is maintained by CBLC and will be treated in the same way as registered shareholders.

American Depositary Receipts

The Bank of New York, as depositary, has executed and delivered the ADRs representing our preferred shares. Each ADR is a certificate evidencing a specific number of American Depositary Shares, also referred to as ADSs. After our 2:1 ADS ratio change in December 2005, each ADS represents one preferred share (or a right to receive one preferred share) deposited with the principal São Paulo office of Banco Itaú S.A., as custodian for the depositary in Brazil. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADRs are administered is located at 101 Barclay Street, New York, New York 10286.

You may hold ADSs either directly (by having an ADR registered in your name) or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADR holder. We do not treat ADR holders as our shareholders and ADR holders have no shareholder rights. Brazilian law governs shareholder rights. The depositary is the holder of the preferred shares underlying the ADSs. Holders of ADRs have ADR holder rights. A deposit agreement among us, the depositary and you, as an ADR holder, and the beneficial owners of ADRs sets out ADR holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADRs.

C. Material Contracts

Our material contracts are directly related to our operating activities, such as contracts relating to aircraft leasing and fuel supply as well as contracts relating to our concession to operate as a commercial airline. We do not have material contracts that are not related to our operating activities.

Aircraft General Terms Agreement between The Boeing Company and Gol Transportes Aéreos S.A.

In 2004, we entered into an agreement, as amended, with The Boeing Company for the purchase of aircraft, installation of buyer furnished equipment provided by us, customer support services and product assurance. In addition to the aircraft supplied, The Boeing Company will provide maintenance training and flight training programs, as well as operations engineering support.

Commercial Sale Promise Agreement between Petrobras Distribuidora S.A. and Gol Transportes Aéreos S.A.

In 2001, we entered into a commercial sale promise agreement for the purchase of fuel from Petrobras, which was renewed July 7, 2006. We agreed to purchase fuel exclusively from Petrobras in all of the airports where Petrobras maintains aircraft fueling facilities. Petrobras, in turn, agreed to provide us with all of our fuel needs in the supplying airports.

Reservation Services and Software License Use Agreement between Navitaire Inc. and Gol Transportes Aéreos S.A.

On May 1, 2004, we entered into an agreement, as amended and updated, with Navitaire Inc. for host reservation services and obtained a license to use the Navitaire software to provide reservation services to Gol customers. Navitaire provides a number of ancillary services in addition to the host reservation services, including data center implementation services, network configuration and design services, system integration services, customer site installation services and initial training services.

D. Exchange Controls

The right to convert dividend or interest payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investments have been registered with the Central Bank and the CVM. Such restrictions on the remittance of foreign capital abroad may hinder or prevent the custodian for our preferred shares represented by our ADSs or the holders of our preferred shares from converting dividends, distributions or the proceeds from any sale of these preferred shares into U.S. dollars and remitting the U.S. dollars abroad. Holders of our ADSs could be adversely affected by delays in, or refusal to grant any, required government approval to convert Brazilian currency payments on the preferred shares underlying our ADS and to remit the proceeds abroad.

Resolution No. 1,927 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADR holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs are entitled to favorable tax treatment under certain circumstances. See [Taxation](#) [Material Brazilian Tax Considerations](#).

E. Taxation

The following discussion addresses the material Brazilian and United States federal income tax consequences of acquiring, holding and disposing of our preferred shares or ADSs.

This discussion is not a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase our preferred shares or ADSs and is not applicable to all categories of investors, some of which may be subject to special rules, and does not specifically address all of the Brazilian and United States federal income tax considerations applicable to any particular holder. It is based upon the tax laws of Brazil and the United States as in effect on the date of this annual report, which are subject to change, possibly with retroactive effect, and to differing interpretations. Each prospective purchaser is urged to consult its own tax advisor about the particular Brazilian and United States federal income tax consequences to it of an investment in our preferred shares or ADSs. This discussion is also based upon the representations of the depositary and on the assumption that each obligation in the deposit agreement among us, The Bank of New York, as depositary, and the registered holders and beneficial owners of our ADSs, and any related documents, will be performed in accordance with its terms.

Although there presently is no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. We cannot assure you, however, as to whether or when a treaty will enter into force or how it will affect holders of our preferred shares or ADSs.

Material Brazilian Tax Considerations

The following discussion, in the opinion of Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados addresses the material Brazilian tax consequences of the acquisition, ownership and disposition of our preferred shares or ADSs by a holder that is not domiciled in Brazil for purposes of Brazilian taxation (a [Non-Brazilian Holder](#)).

This discussion is based on Brazilian law as currently in effect, which are subject to change, possibly with retroactive effect, and to differing interpretations. Any change in such law may change the consequences described below. Each [Non-Brazilian Holder](#) should consult his or her own tax adviser concerning the Brazilian tax consequences of an investment in the preferred shares or ADSs.

Taxation of Dividends. Dividends, including dividends in kind, paid by us to the depositary in respect of the preferred shares underlying the ADSs or to a [Non-Brazilian Holder](#) of preferred shares will not be subject to Brazilian withholding income tax, provided that such amounts are related to profits earned after January 1, 1996.

Taxation of Gains. According to Law No. 10,833, enacted on December 29, 2003, capital gains realized on the disposition of assets located in Brazil by a [Non-Brazilian Holder](#) are subject to taxation in Brazil, regardless of whether the sale or the disposition is made by a [Non-Brazilian Holder](#) to another non-Brazilian resident or to a Brazilian resident.

With respect to the disposition of preferred shares, as they are assets located in Brazil, the [Non-Brazilian Holder](#) will be subject to income tax on the gains assessed, following the rules described below, regardless of whether the disposition is conducted in Brazil or with a Brazilian resident.

With respect to the ADSs, arguably the gains realized by a Non-Brazilian Holder on the disposition of ADSs to another non-Brazilian resident are not taxed in Brazil, based on the argument that ADSs would not constitute assets located in Brazil for purposes of Law No. 10,833/03. However, we cannot assure you how Brazilian courts would interpret the definition of assets located in Brazil in connection with the taxation of gains realized by a Non-Brazilian Holder on the disposition of ADSs to another non-Brazilian resident. As a result, gains on a disposition of ADSs by a Non-Brazilian Holder to Brazilian resident, or even to Non-Brazilian Holder in the event that courts determine that ADSs would constitute assets located in Brazil, may be subject to income tax in Brazil according to the rules described ahead. It is important to clarify that, for purposes of Brazilian taxation, the income tax rules on gains related to disposition of preferred shares or ADSs vary depending on the domicile of the Non-Brazilian Holder, the form by which such Non-Brazilian Holder has registered its investment before the Central Bank and/or how the disposition is carried out, as described below.

The deposit of preferred shares in exchange for ADSs may be subject to Brazilian tax on capital gains at the rate of 15%, or 25% in the case of investors domiciled in tax haven jurisdiction, i.e., a country or location that does not impose income tax or where the maximum income tax rate is lower than 20% or where the internal legislation imposes restrictions to disclosure of shareholding composition or the ownership of the investment, (Tax Haven Holder), if the acquisition cost of the preferred shares is lower than (a) the average price per preferred share on a Brazilian stock exchange on which the greatest number of such shares were sold on the day of deposit or (b) if no preferred shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred shares were sold in the 15 trading sessions immediately preceding such deposit. In such case, the difference between the acquisition cost and the average price of the preferred shares calculated as described above, will be considered to be a capital gain subject to taxation. In some circumstances, there may be arguments to sustain that such taxation is not applicable in the case of a Non-Brazilian Holder that is a 2,689 Holder (as defined below) and is not a Tax Haven Holder.

The withdrawal of ADSs in exchange for preferred shares is not subject to Brazilian tax as long as the regulatory rules are duly observed in respect to the registration of the investment before the Brazilian Central Bank.

Gains assessed on the disposition of the preferred shares carried out on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market) are:

- exempt from income tax, when assessed by a Non-Brazilian Holder that (1) has registered its investment in Brazil before the Central Bank under the rules of Resolution No. 2,689/00 (2,689 Holder) and (2) is not a Tax Haven Holder; or
- subject to income tax at a rate of 15% in any other case, including the gains assessed by a Non-Brazilian Holder that is not a 2,689 Holder or is a Tax Haven Holder. In these cases, a withholding income tax of 0.005% shall be applicable and can be offset with the eventual income tax due on the capital gain.

Any other gains assessed on the disposition of the preferred shares that are not carried out on the Brazilian stock exchange are subject to income tax at a rate of 15%, except for Tax Haven Holder which, in this case, is subject to income tax at a rate of 25%. If these gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable and can be offset against the eventual income tax due on the capital gain.

In the case of a redemption of preferred shares or ADSs or a capital reduction by a Brazilian corporation, the positive difference between the amount received by the Non-Brazilian Holder and the acquisition cost of the preferred shares or ADSs redeemed is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the rate of 15%, or 25%, as the case may be.

As a general rule, the gains realized as a result of a disposition transaction of preferred shares or ADSs is the difference between the amount realized on the sale or exchange of the shares and their acquisition cost.

There can be no assurance that the current preferential treatment for Non-Brazilian Holder of ADSs and 2,689 Holder of preferred shares will continue or will not be changed in the future.

Any exercise of preemptive rights relating to the preferred shares or ADSs will not be subject to Brazilian income tax. Any gain on the sale or assignment of preemptive rights relating to preferred shares or the ADSs by a Non-Brazilian Holder will be subject to Brazilian income taxation according to the same rules applicable to the sale or disposition of preferred shares.

Distributions of Interest on Shareholders' Equity. In accordance with Law No. 9,249, dated December 26, 1995, as amended, Brazilian corporations may make payments to shareholders characterized as distributions of interest on the company's shareholders' equity. Such interest is calculated by reference to the TJLP as determined by the Central Bank from time to time and cannot exceed the greater of:

- 50% of net income (after the deduction of social contribution on profits and before taking such distribution and the provision for corporate income tax into account) for the period in respect of which the payment is made; or
- 50% of the sum of retained profits and profits reserves, as of the date of the beginning of the period in respect of which the payment is made.

Distributions of interest on shareholders' equity in respect of the preferred shares paid to shareholders who are either Brazilian residents or Non-Brazilian Holders, including Non-Brazilian Holders of ADSs, are subject to Brazilian income withholding tax at the rate of 15%, or 25% in case of a Tax Haven Holder. The distribution of interest on shareholders' equity may be determined by our board of directors. We cannot assure you that our board of directors will not determine that future distributions of profits may be made by means of interest on shareholders' equity instead of by means of dividends.

The amounts paid as distribution of interest on shareholders' equity are deductible for corporation income tax and social contribution on profit, both of which are taxes levied on our profits, as far as the limits and rules described above are observed by us.

Other Relevant Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of preferred shares or ADSs by a Non-Brazilian Holder except for gift and inheritance taxes which are levied by some states of Brazil on gifts made or inheritances bestowed by the Non-Brazilian Holder to individuals or entities resident or domiciled within such states in Brazil. There are non-Brazilian stamp, issue, registration or similar taxes or duties payable by a Non-Brazilian Holder of preferred shares or ADSs.

Tax on foreign exchange transactions. Pursuant to Decree No. 6,306 of December 14, 2007, the conversion into foreign currency or the conversion into Brazilian currency of the proceeds received or remitted by a Brazilian entity from a foreign investment in the Brazilian securities market, including those in connection with the investment by the Non-Brazilian Holder in the preferred shares and ADSs may be subject to the Tax on Foreign Exchange Transactions (IOF/Exchange). Currently, for most exchange transactions, the rate of IOF/Câmbio, including such conversion is 0.38%, but the Minister of Finance has the legal power to increase at any time the rate to a maximum of 25%, but only in relation to the future.

Pursuant to Decree 6,306/07, the Tax on Bonds and Securities Transactions (IOF/Bonds) may be imposed on any transactions involving bonds and securities even if the transactions are performed on a Brazilian stock exchange. As a general rule, the rate of this tax is currently 0% but the executive branch may increase such rate up to 1.5% per day, but only with respect to future transactions.

Until December 31, 2007, fund transfers in connection with financial transactions in Brazil were subject to the temporary contribution on financial transactions (CPMF), which was levied at a rate of 0.38% on any bank account withdrawals.

As of January 1, 2008, the CPMF tax was abolished, and should not be levied on any debit to bank accounts carried out after that. The Brazilian government may attempt to reestablish the CPMF.

Registered Capital. The amount of an investment in preferred shares held by a Non-Brazilian Holder who qualifies under Resolution No. 2,689 and obtains registration with the CVM, or by the depositary, as the depositary representing such holder, is eligible for registration with the Central Bank. Such registration allows the remittance

outside of Brazil of any proceeds of distributions on the shares, and amounts realized with respect to disposition of such shares. The amounts received in Brazilian currency are converted into foreign currency through the use of the commercial market rate. The registered capital for preferred shares purchased in the form of ADSs or purchased in Brazil, and deposited with the depository in exchange for ADSs will be equal to their purchase price (in U.S. dollars) to the purchaser. The registered capital for preferred shares that are withdrawn upon surrender of ADSs, as applicable, will be the U.S. dollar equivalent of the average price of preferred shares, as applicable, on a Brazilian stock exchange on which the greatest number of such preferred shares, as applicable, was sold on the day of withdrawal. If no preferred shares, as applicable, were sold on such day, the registered capital will refer to the average price on the Brazilian stock exchange on which the greatest number of preferred shares, as applicable, were sold in the 15 trading sessions immediately preceding such withdrawal. The U.S. dollar value of the preferred shares, as applicable, is determined on the basis of the average commercial market rate quoted by the Central Bank on such date or, if the average price of preferred shares is determined under the last preceding sentence, the average of such average quoted rates on the same 15 dates used to determine the average price of the preferred shares.

A Non-Brazilian Holder of preferred shares may experience delays in effecting such action, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the Non-Brazilian Holder.

Material United States Federal Income Tax Consequences

The following discussion describes the material United States federal income tax consequences of purchasing, holding and disposing of our preferred shares or ADSs. This discussion applies only to beneficial owners of ADSs or preferred shares that are U.S. Holders, as defined below. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing final, temporary and proposed Treasury Regulations, administrative pronouncements by the United States Internal Revenue Service, or IRS, and judicial decisions, all as currently in effect and all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all United States federal income tax consequences that may be relevant to a particular U.S. Holder and you are urged to consult your own tax advisor regarding your specific tax situation. The discussion applies only to U.S. Holders who hold preferred shares or ADSs as capital assets (generally, property held for investment) under the Code and does not address the tax consequences that may be relevant to U.S. Holders in special tax situations including, for example:

- insurance companies;
- tax-exempt organizations;
- broker-dealers;
- traders in securities that elect to mark to market;
- banks or other financial institutions;
- U.S. Holders whose functional currency is not the United States dollar;
- United States expatriates;
- U.S. Holders that hold our preferred shares or ADSs as part of a hedge, straddle, conversion or other integrated transaction; or
- U.S. Holders that own, directly, indirectly, or constructively, 10% or more of the total combined voting power, if any, of our voting stock.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for United States federal income tax purposes. Please see the discussion under Taxation Material United States Federal Income Tax Consequences Passive foreign investment company rules below. Further, this discussion does not address the alternative minimum tax consequences of holding preferred shares or ADSs or the indirect consequences to holders of equity interests in partnerships or other entities that own our preferred shares or ADSs. In addition, this discussion does not address the state, local and foreign tax consequences of holding our preferred shares or ADSs.

You should consult your own tax advisor regarding the United States federal, state, local and foreign income and other tax consequences of purchasing, owning and disposing of our preferred shares or ADSs in your particular circumstances.

You are a U.S. Holder if you are a beneficial owner of preferred shares or ADSs and you are for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation for such purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income tax regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust (or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a United States person).

If a partnership (or any other entity taxable as a partnership for United States federal income tax purposes) holds preferred shares or ADSs, the United States federal income tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partnership that holds our preferred shares or ADSs and partners in such partnerships should consult their own tax advisors regarding the United States federal income tax consequences of the purchase, ownership and disposition of our preferred shares or ADSs.

For United States federal income tax purposes, a U.S. Holder of an ADS will generally be treated as the beneficial owner of the preferred shares represented by the ADS. However, see the discussion below under *Distribution on preferred shares or ADSs* regarding certain statements made by the U.S. Treasury concerning depository arrangements.

Distributions on preferred shares or ADSs

Cash distributions (including amounts withheld to pay Brazilian withholding taxes and distributions of notional interest payments on shareholders' equity, but excluding distributions in redemption of the preferred shares treated as exchanges or sales under the Code) made by us to or for the account of a U.S. Holder with respect to preferred shares or ADSs generally will be taxable to such U.S. Holder as ordinary dividend income when such distribution is paid, actually or constructively, out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of our current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing such U.S. Holder's adjusted tax basis in the preferred shares or ADSs. Any distribution in excess of such U.S. Holder's adjusted tax basis will be treated as capital gain and will be long-term capital gain if the U.S. Holder held the preferred shares or ADSs for more than one year. As used below, the term *dividend* means a distribution that constitutes a dividend for United States federal income tax purposes.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions, to claim a United States foreign tax credit in respect of any Brazilian withholding taxes imposed on dividends received on preferred shares or ADSs. U.S. Holders who do not elect to claim a foreign tax credit with regard to any foreign income taxes paid or accrued during the taxable year may instead claim a deduction in respect of such withholding taxes. Dividends received with respect to the preferred shares or ADSs will be treated as foreign source income, which may be relevant in calculating such U.S. Holder's United States foreign tax credit limitation. Holders are urged to consult their tax

advisors regarding the availability of the foreign tax credit in their particular circumstances. The U.S. Treasury has expressed concern that intermediaries in connection with depository arrangements may be taking actions that are inconsistent with the claiming of foreign tax credits by United States persons who are holding depository shares. Accordingly, investors should be aware that the discussion above regarding the ability to credit Brazilian withholding tax on dividends and the availability of the reduced tax rate for dividends received by certain non-corporate holders described below could be affected by actions taken by parties to whom the ADSs are released and the IRS.

Dividends paid by us generally will not be eligible for the dividends received deduction available under the Code to certain United States corporate shareholders. Subject to the above-mentioned concerns by the U.S. Treasury and certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by certain U.S. Holders (including individuals) prior to January 1, 2011 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends represent qualified dividend income. Dividends paid on the ADSs will be treated as qualified dividend income if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Our ADSs are listed on the New York Stock Exchange, and therefore the ADSs will qualify as readily tradable on an established securities market in the United States so long as they are so listed. However, no assurances can be given that the ADSs will be or will remain readily tradable. Subject to the discussion of passive foreign investment company rules below, based upon the nature of our current and projected income, assets and activities, we do not believe the preferred shares or the ADSs have been, nor do we expect them to be, shares of a PFIC for United States federal income tax purposes.

Based on existing guidance, it is not entirely clear whether dividends received with respect to the preferred shares will be treated as qualified dividends, because the preferred shares are not themselves listed on a United States exchange. In addition, the United States Treasury Department has announced its intention to promulgate rules pursuant to which holders of ADSs or preferred stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, we are not certain that we will be able to comply with them. U.S. Holders of ADSs and preferred shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

The amount of any cash distribution paid in Brazilian currency will equal the U.S. dollar value of the distribution, calculated by reference to the exchange rate in effect at the time the distribution is received by the depository (in the case of ADSs) or by the U.S. Holder (in the case of preferred shares held directly by such U.S. Holder), regardless of whether the payment is in fact converted to U.S. dollars at that time. A U.S. Holder should not recognize any foreign currency gain or loss in respect of such distribution if such Brazilian currency is converted into U.S. dollars on the date received. If the Brazilian currency is not converted into U.S. dollars on the date of receipt, however, gain or loss may be recognized upon a subsequent sale or other disposition of the Brazilian currency. Such foreign currency gain or loss, if any, will be United States source ordinary income or loss.

Because our preferred shares will not be treated as preferred stock for purposes of Section 305 of the Code, distributions to U.S. Holders of additional shares of our non-preferred stock or preemptive rights relating to such non-preferred stock with respect to their preferred shares or ADSs that are made as part of a pro rata distribution to all shareholders in most instances will not be subject to United States federal income tax. However, if the holders of ADSs are restricted in their ability to participate in the exercise of preemptive rights, the preemptive rights may give rise to a deemed distribution to holders of the preferred shares under Section 305 of the Code. Any deemed distribution will be taxable as a dividend to the extent of our earnings and profits as discussed above.

Sale or exchange or other taxable disposition of preferred shares or ADSs

Deposits and withdrawals of preferred shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for United States federal income tax purposes.

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange or other taxable disposition of preferred shares or ADSs measured by the difference between the amount realized and the U.S. Holder's adjusted tax basis in the preferred shares or ADSs. Any gain or loss will be long-term capital gain or loss if the preferred shares or ADSs have been held for more than one year. Long-term capital gains of certain U.S. Holders (including individuals)

are eligible for reduced rates of United States federal income taxation. The deductibility of capital losses is subject to certain limitations under the Code.

If a Brazilian tax is withheld on the sale, exchange or other taxable disposition of a preferred share or ADS, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of the Brazilian tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of a preferred share or ADS generally will be treated as United States source income or loss for United States foreign tax credit purposes. Consequently, in the case of a sale, exchange or other taxable disposition of a preferred share or ADS that is subject to Brazilian tax imposed on the gain (or, in the case of a deposit, in exchange for an ADS or preferred share, as the case may be, that is not registered pursuant to Resolution No. 2,689, on which a Brazilian capital gains tax is imposed (see Taxation Material Brazilian Tax Considerations Taxation of Gains), the U.S. Holder may not be able to benefit from the foreign tax credit for that Brazilian tax unless the U.S. Holder can apply the credit against United States federal income tax payable on other income from foreign sources in the appropriate income category. Alternatively, the U.S. Holder may take a deduction for the Brazilian tax if it does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year.

Passive foreign investment company rules

In general, a foreign corporation is a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder holds stock in the foreign corporation, at least 75% of its gross income is passive income or at least 50% of the value of its assets (determined on the basis of a quarterly average) produce passive income or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties and gains from the disposition of investment assets (subject to various exceptions). Based upon the nature of our current and projected income, assets and activities, we do not believe the preferred shares or ADSs are, nor do we expect them to be, shares of a PFIC for United States federal income tax purposes. However, the determination of whether the preferred shares or ADSs constitute shares of a PFIC is a factual determination made annually and thus may be subject to change. Because these determinations are based on the nature of our income and assets from time to time, and involve the application of complex tax rules, no assurances can be provided that we will not be considered a PFIC for the current or any past or future tax year.

If, contrary to the discussion above, we are treated as a PFIC, a U.S. Holder would be subject to special rules (and may be subject to increased United States federal income tax liability and form filing requirements) with respect to (a) any gain realized on the sale, exchange or other disposition of preferred shares or ADSs and (b) any excess distribution made by us to the U.S. Holder (generally, any distribution during a taxable year in which distributions to the U.S. Holder on the preferred shares or ADSs exceed 125% of the average annual distributions the U.S. Holder received on the preferred shares or ADSs during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the preferred shares or ADSs). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the preferred shares or ADSs, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which we were a PFIC would be subject to United States federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of United States federal income tax would be imposed in respect of the tax attributable to each prior year in which we were a PFIC. A U.S. Holder who owns preferred shares or ADSs during any taxable year that we are a PFIC must file IRS Form 8621.

In general, if we are treated as a PFIC, the rules described above can be avoided by a U.S. Holder that elects to be subject to a mark-to-market regime for stock in a PFIC. A U.S. Holder may elect mark-to-market treatment for its preferred shares or ADSs, provided the preferred shares or ADSs, for purposes of the rules, constitute marketable stock as defined in Treasury Regulations. The ADSs will be marketable stock for this purpose if they are regularly traded on the New York Stock Exchange, other than in de minimis quantities on at least 15 days during each calendar quarter. A U.S. Holder electing the mark-to-market regime generally would compute gain or loss at the end of each taxable year as if the preferred shares or ADSs had been sold at fair market value. Any gain recognized by the U.S.

Holder under mark-to-market treatment, or on an actual sale, would be treated as ordinary income, and the U.S. Holder would be allowed an ordinary deduction for any decrease in the value of preferred shares or ADSs as of the end of any taxable year, and for any loss recognized on an actual sale, but only to the extent, in each case, of previously included mark-to-market income not offset by previously deducted decreases in value. Any loss on an actual sale of preferred shares or ADSs would be a capital loss to the extent in excess of previously included mark-to-market income not offset by previously deducted decreases in value. A U.S. Holder's adjusted tax basis in preferred shares or ADSs would increase or decrease by gain or loss taken into account under the mark-to-market regime. A mark-to-market election is generally irrevocable. In addition, a mark-to-market election with respect to preferred shares or ADSs would not apply to any subsidiary of ours that is itself a PFIC (lower-tier PFIC), and a U.S. Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that lower-tier PFIC. Consequently, the PFIC rules could apply with respect to income of a lower-tier PFIC, the value of which would already have been taken into account indirectly via mark-to-market adjustments in respect of preferred shares or ADSs.

If we are deemed to be a PFIC for a taxable year, dividends on our ADSs would not be qualified dividend income subject to preferential rates of United States federal income tax, as described above. See Taxation Material United States Federal Income Tax Consequences Distributions on preferred shares or ADSs.

Backup withholding and information reporting

In general, dividends on preferred shares or ADSs, and payments of the proceeds of a sale, exchange or other disposition of preferred shares or ADSs, paid within the United States or through certain United States-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding of United States federal income tax at a current maximum rate of 28% unless the U.S. Holder (i) is a corporation or other exempt recipient or (ii) provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding tax from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's United States federal income tax liability, provided that the required information is timely furnished to the IRS. You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your United States federal income tax liability by timely filing a refund claim with the IRS.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, which is also known as the Exchange Act. Accordingly, we are required to file reports and other information with the Commission, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information to be filed with the Commission at the public reference facilities maintained by the Commission at 100 F Street, N.W., Washington D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago Illinois 60661, and 233 Broadway, New York, New York 10279. Copies of the materials may be obtained from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. In addition, the Commission maintains an Internet website at <http://www.sec.gov>, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. However, we furnish our shareholders with annual reports containing financial statements audited by our independent auditors and make available to our shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. We file quarterly financial statements with the Commission within two months of the end of the first three quarters of our fiscal year, and we file annual reports on Form 20-F within the time period required by the Commission, which is currently six months from December 31, the end of our fiscal year.

We will send the depository a copy of all notices that we give relating to meetings of our shareholders or to distributions to shareholders or the offering of rights and a copy of any other report or communication that we make

generally available to our shareholders. The depositary will make all these notices, reports and communications that it receives from us available for inspection by registered holders of ADSs at its office. The depositary will mail copies of those notices, reports and communications to you if we ask the depositary to do so and furnish sufficient copies of materials for that purpose.

We also file financial statements and other periodic reports with the CVM located at Rua Sete de Setembro, 111, Rio de Janeiro, Rio de Janeiro 20159-900, Brazil.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes to the price of fuel, the *real*/U.S. dollar exchange rate and interest rates. The Company purchases jet fuel at prevailing market prices, but seeks to manage market risk through execution of a documented hedging program. The Company incurs a portion of its costs and operating expenses in U.S. dollars. The Company has interest rate risk in its floating rate leases and debt obligations. The Company operates 90 aircraft under operating and 25 capital leases. However, fixed rate leases are not considered market sensitive financial instruments and, therefore, are not included in the interest rate sensitivity analysis below.

Aircraft Fuel

Our results of operations are affected by changes in the price of aircraft fuel required to operate our aircraft fleet. To manage the price risk, we utilize crude oil and heating oil derivative contracts. All of our derivative instruments must be liquid so as to allow us to make position adjustments and have prices that are widely disclosed. We avoid concentration of credit risk. All existing contracts settle on a monthly basis. We do not purchase or hold any derivative instruments for trading purposes. At December 31, 2008, we had crude oil derivative contracts outstanding for up to 2,046,250 barrels of oil. The fair value of such contracts was R\$102.3 million. If the price of fuel increased by 10% in relation to the average 2008 price, based on expected fuel consumption in 2008, such an increase would result in an increase to aircraft fuel expense of approximately R\$207.4 million in 2009, not considering our derivative contracts. We acquire substantially all of our fuel and oil from one supplier.

Foreign Currencies

A significant part of our costs and operating expenses, such as aircraft and engine maintenance services, aircraft lease payments and aircraft insurance, are denominated in U.S. dollars. To manage exchange rate risk, we enter into derivative contracts with various counterparties to protect ourselves against a possible depreciation or devaluation of the *real* in relation to the U.S. dollar. At December 31, 2008, we had outstanding currency futures contracts. The fair value of such contracts was R\$9.4 million. As a measure of our market risk with respect to our foreign currency exposure, an increase in aircraft and engine maintenance expense, aircraft operating lease payments and aircraft insurance from a hypothetical R\$0.10 depreciation of the *real* against the U.S. dollar would be approximately R\$58.6 million, not considering our derivative contracts.

Interest Rates

Our earnings are affected by changes in interest rates due to the impact those changes have on interest expense from variable-rate debt instruments, variable-rate leasing contracts and on interest income generated from our cash and short-term investment balances. At December 31, 2008, 13.9% of our aircraft rental expenses had floating interest rates. A hypothetical 10% increase in market interest rates as of December 31, 2008 would increase our aircraft rental and interest expense by approximately R\$8.9 million. A hypothetical 10% decrease in market interest rates as of December 31, 2008 would decrease our interest income from cash equivalents and short-term investments by approximately R\$10.0 million. These amounts are determined by considering the impact of the hypothetical interest

rates on our variable-rate debt, variable-rate leasing contracts and cash equivalent and short-term investment balances at December 31, 2008.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. Our chief executive officer and our chief financial officer, after evaluating together with other members of management the effectiveness of our disclosure controls and procedures (as defined in the U.S. Securities Exchange Act of 1934 under Rule 13a-15(e)) have concluded that our disclosure controls and procedures were not effective because of the identification of a material weakness in internal control over financial reporting, described below.

Management's Report on Internal Control over Financial Reporting. Management of the Registrant is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. The Registrant's internal control over financial reporting is designed to provide reasonable assurance to the Registrant's management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Our management, under the supervision of and with the participation of our chief executive officer and chief financial and investor relations officer, assessed the effectiveness of the Registrant's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. After the publication of our financial statements in IFRS as of and for the year ended December 31, 2008, we identified in the process of preparing this annual report, adjustments related to the accounting for the acquisition of VRG and the recognition of certain deferred tax assets related to temporary differences in our accounting for aircraft leases. Our internal controls over financial reporting did not detect these deficiencies, which led to the need to restate the aforementioned IFRS financial statements. For further information, see note 2 to our consolidated financial statements included in this annual report.

Management found that the following material weakness in our internal controls over financial reporting resulted in the need for the adjustments to our financial statements:

We have performed and continue to perform the consolidation of our financial statements using spreadsheets for complex manual accounting processes. As a result, certain controls in the consolidation process are manual and we have not taken advantage of the inherent controls in an automated consolidation package.

The regulatory complexity in the integration of VRG and our parallel transition to IFRS led to more time and effort being spent on the preparation of our financial statements, at the expense of the time we allocated to the financial statement close process and the internal controls related thereto.

This shift in focus could not be mitigated due to turnover of certain personnel, which resulted in insufficient communication and teamwork among those involved in the audit and the preparation of our financial statements, leading to less efficient and thorough review and closing processes.

In light of this material weakness, in preparing the restated financial statements included in this annual report, we performed a full revision of the financial statements and post-closing procedures to provide assurance regarding the accuracy of the restated financial statements.

Plan to Remediate the Material Weakness. To address the material weakness described above, we are currently undertaking remediation measures to ensure the accuracy and effectiveness of our internal controls over financial reporting, including:

Automating certain portions of the financial statement close process so that we take advantage of the built-in controls of the automated system and increasing the amount of time allocated to the internal controls over the process.

Ensuring that the supervisory function and experience levels of the personnel in the accounting area are adequate and allow sufficient time to review and address critical accounting issues in order to further strengthen the financial statement close process.

Providing ongoing training in IFRS and internal controls to our staff.

Strengthening management's proactive oversight function through the company's internal accounting and tax committees by increased focus on income taxes and related deferrals, and all future material non-common and non-recurring transactions.

The measures described above have been submitted to and approved by our chief financial and investor relations officer, our chief executive officer and our board of directors, after consultation with our audit committee.

The internal controls over financial reporting as of December 31, 2008 have been audited by Ernst & Young Auditores Independentes S.S., the independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young's attestation report on the Company's internal controls over financial reporting is included herein.

Changes in internal controls. No significant changes in our internal controls or in other factors that could significantly affect these controls after the date of the evaluation were made as a result of the evaluation. However, there are changes planned as a result of the aforementioned material weakness and the plan to remediate the weakness.

ITEM 16.

A. Audit Committee Financial Expert

Our board of directors has determined that Luiz Kaufmann, a member of our audit committee, is an audit committee financial expert as defined by current SEC rules and meets the independence requirements of the SEC and the NYSE listing standards. For a discussion of the role of our audit committee, see Item 6C. Board Practices Audit Committee.

B. Code of Ethics

Our board of directors has adopted a Code of Ethics applicable to our directors, officers and employees, including our principal executive officer and principal financial officer. The Code of Ethics can be found at www.voegol.com.br under the heading Investor Relations. Information found at this website is not incorporated by reference into this document.

C. Principal Accountant Fees and Services

The following table sets forth by category of service the total fees for services performed by Ernst & Young Auditores Independentes S.S. during the fiscal years ended December 31, 2008 and 2007:

| | 2008 | 2007 |
|--------------------|-------------------|------------------|
| | (in reais) | |
| Audit Fees | 5,616,361 | 5,066,411 |
| Audit-Related Fees | | 388,060 |
| Tax Fees | 335,618 | |
| All Other Fees | 351,818 | |
| Total | 6,303,797 | 5,454,471 |

Audit Fees

Audit fees include the audit of our consolidated annual financial statements and internal controls, the audit of our Brazilian GAAP financial statements, review of our quarterly reports and required statutory audits.

Audit-Related Fees

Audit-related fees include fees for the preparation and issuance of comfort letters in connection with our offering and registering securities with the SEC. In 2007, the audit-related fees also include services performed in connection with the acquisition of VRG Linhas Aéreas S.A.. No audit-related fees were incurred in 2008.

Tax Fees

Tax advisory services provided in 2008 amounted to R\$335,618.

All Other Fees

There were no other fees for services performed by Ernst & Young Auditores Independentes S.S. during the fiscal years ended December 31, 2007. Other fees for 2008 amounted to R\$351,818 and were related to the adoption of IFRS.

Pre-Approval Policies and Procedures

Our audit committee approves all audit, audit-related services, tax services and other services provided by Ernst & Young Auditores Independentes S.S. Any services provided by Ernst & Young Auditores Independentes S.S. that are not specifically included within the scope of the audit must be pre-approved by the audit committee in advance of any engagement. Pursuant to Rule 2-01 of Regulation S-X, audit committees are permitted to approve certain fees for audit-related services, tax services and other services pursuant to a *de minimis* exception prior to the completion of an audit engagement. In 2008 and 2007, none of the fees paid to Ernst & Young Auditores Independentes S.S. were approved pursuant to the *de minimis* exception.

D. Exemptions from the Listing Standards for Audit Committees

None.

E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In January 2008, our board of directors authorized a share buy-back program on the BOVESPA of up to 5,000,000 of our preferred shares, at market prices, representing 8.8% of the total number of preferred shares outstanding in the market. The purpose of the buyback is the purchase of preferred shares to be held in treasury and subsequently resold or cancelled, without reducing our capital. The period for these authorized transactions is 365 days from January 28, 2008. The program expired in January 2009, and a total of 1,574,200 preferred shares were bought back under the program.

F. Change in Registrant's Certifying Accountant

None

G. Corporate Governance**Significant Differences between our Corporate Governance Practices and NYSE Corporate Governance Standards**

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than the standards applied to U.S. listed companies. Under the NYSE rules, we are required only to: (a) have an audit committee or audit board, pursuant to an applicable exemption available to foreign private issuers, that meets certain requirements, as discussed below, (b) provide prompt certification by our chief executive officer of any material non-compliance with any corporate governance rules, and (c) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

Majority of Independent Directors

The NYSE rules require that a majority of the board must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, both the Brazilian Corporate Law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's executive officers and directors. While our directors meet the qualification requirements of the Brazilian Corporate Law and the CVM, we do not believe that a majority of our directors would be considered independent under the NYSE test for director independence. The Brazilian Corporate Law requires that our directors be elected by our shareholders at a general shareholders' meeting. All of our directors are elected by our controlling shareholder and five of our directors represent our controlling shareholder.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. The Brazilian Corporate Law does not have a similar provision. According to the Brazilian Corporate Law, up to one-third of the members of the board of directors can be elected from management. Constantino de Oliveira Jr., our president and chief executive officer, is a member of our board of directors. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors on our board do not typically meet in executive session.

Nominating/Corporate Governance Committee

NYSE rules require that listed companies have a nominating/corporate governance committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. Our corporate governance and nomination committee is responsible for the coordination, implementation and periodic review of best practices of corporate governance and for monitoring and keeping our board of directors informed about legislation

and market recommendations addressing corporate governance. The committee also proposes individuals to be considered for election to our board of directors. The committee consists of up to five members elected by our board of directors for a one-year term of office. Currently, the corporate governance and nomination committee consists of Charles Barnsley Holland, Paulo César Aragão and Betania Tanure de Barros.

People Management Policies Committee

NYSE rules require that listed companies have a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities, which include, among other things, reviewing corporate goals relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending to the board non-chief executive officer compensation, incentive-compensation and equity-based plans. We are not required under applicable Brazilian law to have a compensation committee. Under the Brazilian Corporate Law, the total amount available for compensation of our directors and executive officers and for profit-sharing payments to our executive officers is established by our shareholders at the annual general meeting. The board of directors is then responsible for determining the individual compensation and profit-sharing of each executive officer, as well as the compensation of our board and committee members. In making such determinations, the board reviews the performance of the executive officers, including the performance of our chief executive officer, who typically excuses himself from discussions regarding his performance and compensation.

Our compensation committee reviews and recommends to our board of directors the forms of compensation, including salary, bonus and stock options, to be paid to our directors and executive officers. The compensation committee also reviews and recommends revisions to the compensation policies applicable to our directors and executive officers and reviews our management's career and succession plans. The compensation committee is comprised of up to three members elected by our board of directors for a one-year term. The compensation committee currently consists of Henrique Constantino, who is one of our directors, Marco Antonio Piller, the human resources director of Gol, and Marcos Morales, a human resources consultant from Watson Wyatt.

Audit Committee

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate, (ii) meets the SEC rules regarding audit committees for listed companies, (iii) has at least one member who has accounting or financial management expertise and (iv) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. However, as a foreign private issuer, we need only to comply with the requirement that the audit committee meet the SEC rules regarding audit committees for listed companies to the extent compatible with Brazilian corporate law. We have established an audit committee, which is equivalent to a U.S. audit committee, provides assistance to our board of directors in matters involving our accounting, internal controls, financial reporting and compliance. The audit committee recommends the appointment of our independent auditors to our board of directors and reviews the compensation of, and coordinates with, our independent auditors. The audit committee also evaluates the effectiveness of our internal financial and legal compliance controls. The audit committee is comprised of up to three members elected by the board of directors for a one-year term of office. The current members of our audit committee are Álvaro Souza, Antonio Kandir and Luiz Kaufmann. All members of the audit committee satisfy the audit committee membership independence requirements set forth by the SEC and the NYSE. Luiz Kaufmann is an audit committee financial expert within the meaning of the rules adopted by the SEC relating to the disclosure of financial experts on audit committees in periodic filings pursuant to the U.S. Securities Exchange Act of 1934.

Shareholder Approval of Equity Compensation Plans

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. Under the Brazilian Corporate Law, shareholders must approve all stock option plans. In addition, any issuance of new shares that exceeds our authorized share capital is subject to shareholder approval.

Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We have not adopted any formal corporate governance guidelines beyond those required by applicable Brazilian law. We have adopted and observe a disclosure policy, which requires the public disclosure of all relevant information pursuant to guidelines set forth by the CVM, as well as an insider trading policy, which, among other things, establishes black-out periods and requires insiders to inform management of all transactions involving our securities.

Code of Business Conduct and Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. We have adopted a Code of Ethics and Conduct applicable to our officers, directors and employees worldwide, including at the subsidiary level. We believe this code addresses the matters required to be addressed pursuant to the NYSE rules. For a further discussion of our Code of Ethics and Conduct, see Item 16B. Code of Ethics.

Internal Audit Function

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. Our internal audit and compliance department was created in 2004 under the supervision of our chief financial officer and our audit committee and is responsible for our compliance with the requirements of Section 404 of the U.S. Sarbanes Oxley Act of 2002 regarding internal control over financial reporting. The internal audit and compliance department reports to our chief executive officer and the audit committee.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18. Financial Statements.

ITEM 18. FINANCIAL STATEMENTS

See our consolidated financial statements beginning on Page F-1.

ITEM 19. EXHIBITS**1.1 By-laws of the Registrant (English translation).**

2.1 Form of Deposit Agreement among the Registrant, The Bank of New York, as depositary, and the Holders from time to time of American Depositary Shares issued thereunder, including the form of American Depositary Receipts, incorporated herein by reference from our Registration Statement on Form F-1, filed June 1, 2004, as amended on June 17, 2004 and June 23, 2004, File No. 333-116054.

8.1 List of Subsidiaries.

10.1 Agreement, dated as of January 1, 2002, between the Registrant and Petrobras Distribuidora S.A., including Amendment No. 1, dated as of May 1, 2002, incorporated herein by reference from our Registration Statement on Form F-1, filed June 1, 2004, as amended on June 17, 2004 and June 23, 2004, File No. 333-116054.

10.3 Navitaire Hosted Services Agreement, dated May 1, 2004, between Navitaire Inc. and Gol Transportes Aéreos S.A., including amendments 1 through 7 thereto, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2006, as filed on February 28, 2007. Note: check confidentiality request.

10.4 Amendment No. 8 to Navitaire Hosted Services Agreement dated as of June 11, 2007, between Navitaire Inc. and Gol Transportes Aéreos S.A. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

10.5 Amendment No. 9 to Navitaire Hosted Services Agreement dated as of August 20, 2007, between Navitaire Inc. and Gol Transportes Aéreos S.A.

10.6 Amendment No. 10 to Navitaire Hosted Services Agreement dated as of August 27, 2007, between Navitaire Inc. and Gol Transportes Aéreos S.A. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

10.7 Amendment No. 11 to Navitaire Hosted Services Agreement dated as of April 24, 2008, between Navitaire Inc. and Gol Transportes Aéreos S.A. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

10.8 Amendment No. 12 to Navitaire Hosted Services Agreement dated as of April 24, 2008, between Navitaire Inc. and Gol Transportes Aéreos S.A. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

10.9 Amendment No. 13 to Navitaire Hosted Services Agreement dated as of May 5, 2008, between Navitaire Inc. and Gol Transportes Aéreos S.A. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

10.10 Amendment No. 14 to Navitaire Hosted Services Agreement dated as of October 1, 2008, between Navitaire Inc. and Gol Transportes Aéreos S.A. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

10.11

Amendment No. 15 to Navitaire Hosted Services Agreement dated as of October 1, 2008, between Navitaire Inc. and Gol Transportes Aéreos S.A. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

- 10.12 Aircraft Purchase Agreement, dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Registration Statement on Form F-1, filed June 1, 2004, as amended on June 17, 2004 and June 23, 2004, File No. 333-116054.

- 10.13 Supplemental Aircraft Purchase Agreement No. 1 dated as of July 16, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Registration Statement on Form F-1, filed March 28, 2004, as amended on April 11, 2005 and April 26, 2005, File No. 333-123625.
- 10.14 Supplemental Aircraft Purchase Agreement No 2 dated as of January 20, 2005 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Registration Statement on Form F-1, filed March 28, 2004, as amended on April 11, 2005 and April 26, 2005, File No. 333-123625.
- 10.15 Supplemental Aircraft Purchase Agreement No. 3 dated as of January 7, 2005 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Registration Statement on Form F-1, filed March 28, 2004, as amended on April 11, 2005 and April 26, 2005, File No. 333-123625.
- 10.16 Supplemental Aircraft Purchase Agreement No. 4 dated as of March 24, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Registration Statement on Form F-1, filed March 28, 2004, as amended on April 11, 2005 and April 26, 2005, File No. 333-123625.
- 10.17 Supplemental Agreement No. 5 dated July 25, 2005 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2005, as filed on March 20, 2006 and as amended on May 2, 2006.
- 10.18 Supplemental Agreement No. 6 dated August 26, 2005 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2005, as filed on March 20, 2006 and as amended on May 2, 2006.
- 10.19 Supplemental Agreement No. 7 dated October 18, 2005 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2005, as filed on March 20, 2006 and as amended on May 2, 2006.
- 10.20 Supplemental Agreement No. 8 dated February 19, 2006 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2005, as filed on March 20, 2006 and as amended on May 2, 2006.
- 10.21 Supplemental Agreement No. 9 dated March 6, 2006 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2005, as filed on March 20, 2006 and as amended on May 2, 2006.
- 10.22 Supplemental Agreement No. 10 dated October 19, 2006 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.
- 10.23 Supplemental Agreement No. 11 dated October 24, 2006 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2006, as filed on February 28, 2007.

10.24 Supplemental Agreement No. 12 dated February 8, 2007 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2007, as filed on April 22, 2008.

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10.25 Supplemental Agreement No. 13 dated December 17, 2007 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2007, as filed on April 22, 2008.

10.26 Supplemental Agreement No. 14 dated September 20, 2008 to Purchase Agreement dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company. Certain portions of this exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

12.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

12.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

13.1 Section 1350 Certification of Chief Executive Officer.

13.2 Section 1350 Certification of Chief Financial Officer.

SIGNATURE

The Company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: /s/ CONSTANTINO DE OLIVEIRA JUNIOR
Name: **Constantino de Oliveira Junior**
Title: **President and Chief Executive Officer**

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: /s/ LEONARDO PORCIÚNCULA GOMES PEREIRA
Name: Leonardo Porciúncula Gomes Pereira
Title: **Executive Vice President, Chief Financial and Investor Relations Officer**

Dated: May 7, 2009

Consolidated Financial Statements
GOL Linhas Aéreas Inteligentes S.A.
Year ended December 31, 2008

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated financial statements

December 31, 2008 and 2007 (In thousands of Brazilian reais)

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Report of Independent Registered Public Accounting Firm

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

We have audited Gol Linhas Aéreas Inteligentes S.A.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Gol Linhas Aéreas Inteligentes S.A.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in the financial statement close process in connection with the implementation of IFRS related to the acquisition of VRG and the recognition of certain deferred tax assets related to temporary differences in the accounting for aircraft leases and, as a result, concluded that previously reported profit (loss) had been overstated. The insufficient controls related to the foregoing resulted in a restatement of the Company's consolidated financial statements as of December 31, 2008 and 2007 and for the years then ended. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2008 consolidated financial statements, and this report does not affect our report dated March 19, 2009, except for Notes 2a) and 24 and, as to which the date is May 4, 2009, on those consolidated financial statements (as restated).

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Gol Linhas Aéreas Inteligentes S.A. has not maintained effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholder's equity, and cash flows for the years then ended of Gol Linhas Aéreas Inteligentes S.A. and our report dated March 19, 2009, except for Notes 2 a) and 24, as to which the date is May 4, 2009, expressed an unqualified opinion thereon.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Maria Helena Pettersson
Partner

São Paulo, Brazil,
March 19, 2009,
except for the effects of the material weakness
described in the fifth paragraph above, as
to which the date May 4, 2009

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2008 and 2007 and the related consolidated statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gol Linhas Aéreas Inteligentes S.A. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards, issued by the International Accounting Standards Board.

As discussed in Note 2 a), the consolidated financial statements have been restated to correct the accounting for the acquisition of VRG and the recognition of certain deferred tax assets related to temporary differences in the accounting for aircraft leases

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gol Linhas Aéreas Inteligentes S.A.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 19, 2009, except for the effects of the material weakness described in the fifth paragraph of that report, as to which the date is May 4, 2009, expressed an adverse opinion thereon.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-1

Maria Helena Pettersson
Partner

São Paulo, Brazil
March 19, 2009, except for Notes 2 a) and 24,
as to which the date is May 4, 2009

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated income statements
 Years ended December 31, 2008 and 2007
 (In thousands of Brazilian reais, except per share amounts)
 (Restated)

| | Note | 2008 | 2007 |
|--|------|--------------------|-------------|
| Operating revenues | | | |
| Passenger | | 5,890,104 | 4,566,691 |
| Cargo and other | | 516,089 | 374,293 |
| Total operating revenues | | 6,406,193 | 4,940,984 |
| Operating expenses | | | |
| Salaries | 4 | (983,783) | (799,344) |
| Aircraft fuel | | (2,630,834) | (1,898,840) |
| Aircraft rent | | (645,089) | (525,785) |
| Aircraft insurance | | (42,813) | (44,646) |
| Sales and marketing | | (588,735) | (367,866) |
| Landing fees | | (338,370) | (273,655) |
| Aircraft and traffic servicing | | (422,177) | (348,732) |
| Maintenance materials and repairs | | (388,030) | (339,281) |
| Depreciation | | (125,127) | (62,548) |
| Other operating expenses | | (329,883) | (270,422) |
| Total operating expenses | | (6,494,841) | (4,931,119) |
| Operating profit (loss) | | (88,648) | 9,865 |
| Finance costs and other income (expense) | | | |
| Finance costs | | | |
| Interest expense | | (269,278) | (182,618) |
| Capitalized interest | | 27,179 | 38,879 |
| Total finance costs | | (242,099) | (143,739) |
| Exchange gain (loss) | | (757,526) | 165,230 |
| Interest and investment income | | 78,349 | 293,333 |
| Other income (expense), net | | (185,118) | (123,806) |
| Total finance costs and other income (expense) | | (1,106,394) | 191,018 |
| Profit (loss) before income taxes | | (1,195,042) | 200,883 |
| Income taxes expense | 5 | (44,305) | (33,595) |

| | | | |
|--|----|--------------------|---------|
| Profit (loss) for the year from continuing operations attributable to equity holders of the parent | | (1,239,347) | 167,288 |
| Earnings (loss) per share: | | | |
| Basic | 15 | (6.16) | 0.84 |
| Diluted | 15 | (6.16) | 0.84 |

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated balance sheets
 December 31, 2008 and 2007
 (In thousands of Brazilian reais) (Restated)

| | Note | 2008 | 2007 |
|------------------------------------|------|------------------|-----------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 6 | 2,998,756 | 2,191,028 |
| Intangible assets | 7 | 1,197,861 | 1,197,441 |
| Other non-current assets | | | |
| Prepaid expenses | 2 | 58,793 | 44,808 |
| Deposits | 2 | 507,428 | 448,807 |
| Deferred income taxes | 5 | 729,784 | 485,980 |
| Restricted cash | 12 | 6,589 | 6,041 |
| Other non-current assets | 2 | 97,446 | 87,489 |
| Total other non-current assets | | 1,400,040 | 1,073,125 |
| Total non-current assets | | 5,596,657 | 4,461,594 |
| Current assets | | | |
| Other current assets | 2 | 52,386 | 144,484 |
| Prepaid expenses | 2 | 123,801 | 135,957 |
| Deposits | 2 | 237,914 | 192,357 |
| Recoverable income taxes | | 110,767 | 45,569 |
| Inventories of parts and supplies | 9 | 200,514 | 209,926 |
| Trade and other receivables | 10 | 344,927 | 903,061 |
| Restricted cash | 12 | 176,697 | - |
| Financial assets | 19 | 245,585 | 820,343 |
| Cash and cash equivalents | 11 | 169,330 | 573,121 |
| Total current assets | | 1,661,921 | 3,024,818 |
| Total assets | | 7,258,578 | 7,486,412 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated balance sheets
December 31, 2008 and 2007
(In thousands of Brazilian reais)
(Restated)

| | Note | 2008 | 2007 |
|--|------|------------------|-----------|
| Liabilities and shareholders' equity | | | |
| Shareholders' equity | | | |
| Issued share capital | 13 | 1,250,618 | 1,250,618 |
| Capital reserves | 13 | 89,556 | 89,556 |
| Treasury shares | 13 | (41,180) | - |
| Retained earnings (deficit) | 13 | (227,386) | 1,052,274 |
| Total shareholders' equity | | 1,071,608 | 2,392,448 |
| Non-current liabilities | | | |
| Long-term debt | 19 | 2,438,881 | 1,714,716 |
| Smiles deferred revenue | 2 | 262,626 | 233,618 |
| Deferred income taxes | 5 | 548,680 | 341,634 |
| Provisions | 16 | 157,310 | 200,664 |
| Other non-current liabilities | | 196,894 | 107,132 |
| Total non-current liabilities | | 3,604,391 | 2,597,764 |
| Current liabilities | | | |
| Short-term debt | 19 | 967,452 | 891,543 |
| Accounts payable | | 283,719 | 326,364 |
| Salaries, wages and benefits | | 146,805 | 163,437 |
| Current income taxes payable | | 39,605 | 68,013 |
| Sales tax and landing fees | | 97,210 | 84,319 |
| Advance ticket sales | 22 | 572,573 | 472,860 |
| Provisions | 16 | 165,287 | 175,976 |
| Smiles deferred revenue | 2 | 90,043 | 147,348 |
| Other current liabilities | | 219,885 | 166,340 |
| Total current liabilities | | 2,582,579 | 2,496,200 |
| Total liabilities and shareholders' equity | | 7,258,578 | 7,486,412 |

See accompanying notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated statement of changes in equity
 Years ended December 31, 2008 and 2007
 (In thousands of Brazilian reais, except per share amounts)
 (Restated)

| | Notes | Issued Shares | | Treasury Shares | | Capital Reserves | Retained Earnings (Deficit) | Total |
|---|-------|--------------------|------------------|-----------------|--------|------------------|-----------------------------|------------------|
| | | Shares | Amount | Shares | Amount | | | |
| Balance at January 1, 2007 | | 196,206,466 | 887,625 | - | - | 89,556 | 1,191,977 | 2,169,158 |
| Comprehensive income: | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 167,288 | 167,288 |
| Net loss on available for sale Derivative instruments, net of taxes | | - | - | - | - | - | (6,726) | (6,726) |
| Derivative instruments, net of taxes | | - | - | - | - | - | (2,395) | (2,395) |
| Total Comprehensive income | | - | - | - | - | - | 158,167 | 158,167 |
| Common shares issued | | 11,569 | 432 | - | - | - | - | 432 |
| Shares issued | 3 | 6,082,220 | 362,561 | - | - | - | - | 362,561 |
| Share-based payment | 14 | - | - | - | - | - | 4,905 | 4,905 |
| Dividends payable and interest on shareholders' equity | | - | - | - | - | - | (302,775) | (302,775) |
| Balance at December 31, 2007 | | 202,300,255 | 1,250,618 | - | - | 89,556 | 1,052,274 | 2,392,448 |
| Comprehensive income: | | | | | | | | |
| Loss for the year | | - | - | - | - | - | (1,239,347) | (1,239,347) |
| Net gain on available for sale Derivative instruments, net of | | - | - | - | - | - | 4,001 | 4,001 |
| Derivative instruments, net of | | - | - | - | - | - | (13,418) | (13,418) |

taxes

| | | | | | | | | |
|---------------------|-------------|-----------|-------------|----------|--------|-------------|-------------|--|
| Total | | | | | | | | |
| Comprehensive loss | - | - | - | - | - | (1,248,764) | (1,248,764) | |
| Common shares | | | | | | | | |
| issued | 336 | - | - | - | - | - | - | |
| Share-based | | | | | | | | |
| payment | 14 | - | - | - | - | 5,362 | 5,362 | |
| Treasury shares | 13 | - | (1,574,200) | (41,180) | - | - | (41,180) | |
| Dividends payable | 13 | - | - | - | - | (36,258) | (36,258) | |
| Balance at December | | | | | | | | |
| 31, 2008 | 202,300,591 | 1,250,618 | (1,574,200) | (41,180) | 89,556 | (227,386) | 1,071,608 | |

See accompanying notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated statements of cash flows
 Years ended December 31, 2008 and 2007
 (In thousands of Brazilian reais)
 (Restated)

| | 2008 | 2007 |
|---|--------------------|-------------|
| Cash flows from operating activities: | | |
| Net profit (loss) | (1,239,347) | 167,288 |
| Adjustments to reconcile net profit (loss) to net cash provided by operating activities: | | |
| Depreciation | 125,127 | 62,548 |
| Share-based payments | 5,362 | 4,905 |
| Changes in fair value of derivative financial instruments | (9,417) | (9,121) |
| Net foreign exchange fluctuations | 757,526 | (165,230) |
| Changes in operating assets and liabilities: | | |
| Provisions | (54,043) | 184,811 |
| Trade and other receivables | 558,134 | (219,602) |
| Changes in inventories | 9,412 | (129,319) |
| Deposits | (104,178) | (163,836) |
| Prepaid expenses | (1,829) | (45,683) |
| Other assets | 81,781 | 1,389 |
| Advance ticket sales | 99,713 | 98,800 |
| Smiles deferred revenues | (28,297) | 5,469 |
| Accounts payable | (42,645) | (22,055) |
| Income taxes | (130,364) | (198,707) |
| Other liabilities | 139,925 | 286,855 |
| Net cash provided by (used in) operating activities | 166,860 | (141,488) |
| Cash flows from investing activities: | | |
| Acquisition of VRG, net of cash acquired | - | (201,509) |
| Purchase of property, plant and equipment, net | (436,914) | (541,181) |
| Proceeds from sale of property, plant and equipment, net | 90,879 | 1,774 |
| Purchase of intangible assets | (10,828) | (22,395) |
| Net investments in restricted cash | (177,245) | 6,041 |
| Net investments in financial assets | 574,758 | 566,931 |
| Net cash provided by (used in) investing activities | 40,650 | (190,339) |
| Cash flows from financing activities: | | |
| Net proceeds from (repayment of) debt | (533,863) | 919,827 |
| Dividends paid | (36,258) | (302,775) |
| Addition of treasury shares | (41,180) | - |
| Paid subscribed capital | - | 432 |
| Net cash provided by (used in) financing activities | (611,301) | 617,484 |

| | | |
|---|------------------|---------|
| Net increase (decrease) in cash and cash equivalents | (403,791) | 285,657 |
| Cash and cash equivalents at beginning of the period | 573,121 | 287,464 |
| Cash and cash equivalents at end of the period | 169,330 | 573,121 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | 205,497 | 162,715 |
| Income tax paid | 57,338 | 105,291 |
| Non-cash investing and financing activities : | | |
| Accrued capitalized interest | 33,955 | 18,721 |
| Shares issued as consideration for the acquisition of VRG | - | 362,561 |
| Finance leases | 514,708 | 663,277 |

See accompanying notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial
statements (In thousands of Brazilian Reais)

1. Corporate information

Gol Linhas Aéreas Inteligentes S.A. (Company or GLAI) is a joint stock company (sociedade por ações) constituted in accordance with Brazilian bylaws. The objective of the Company is to exercise corporate control of VRG Linhas Aéreas S.A. (VRG), to exploit (i) regular and non-regular air transportation services of passengers, cargo and mail bags, nationally or internationally, according to the concessions granted by the competent authorities; (ii) complementary activities of chartering air transportation of passengers, cargo and mail bags.

The Company s shares are traded on the New York Stock Exchange (NYSE) and on the São Paulo Stock Exchange (BOVESPA). The Company has entered into an Agreement for Adoption of Level 2 Differentiated Corporate Governance Practices with the São Paulo Stock Exchange BOVESPA, integrating indices of Shares with Differentiated Corporate Governance IGC and Shares with Differentiated Tag Along ITAG, created to differ companies committed to adopting differentiated corporate governance practices.

The Company s financial statements for the year ended December 31, 2008 were authorized for issue by the Board of Directors on March 19, 2009. The registered office is located at Rua Tamoios, 246, Jd. Aeroporto, São Paulo, Brazil.

2. Summary of significant accounting policies

a) Restatement of previously issued financial statements

Subsequent to the issuance of the Company s consolidated financial statements for the years ended December 31, 2008 and December 31, 2007, the Company identified items that had been incorrectly handled in processing the final allocation of the purchase price for the acquisition of VRG. This resulted in the omission of provisions from the balance sheet at December 31, 2007 and recognition of income tax benefit in the income statement for the year ended December 31, 2007. Additionally, the Company identified that deferred tax assets related to temporary differences on its accounting for aircraft leases were not properly recorded as of and for the year ended December 31, 2008. Also, the Company identified certain adjustments which were appropriate to classify sale and leaseback assets on a gross rather than a net basis in the balance sheets.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)a) Restatement of previously issued financial statements (Continued)

The following table sets forth the effects of the restatement on certain line items within the Company's previously reported consolidated financial statements (in thousands, except per share data).

As of and for the year ended December 31,

| | 2008 | | 2007 | |
|---|--------------------------------|-----------------|--------------------------------|-----------------|
| | Previously reported | Restated | Previously reported | Restated |
| Assets | | | | |
| Non-current assets | | | | |
| Prepaid expenses | - | 58,793 | - | 44,808 |
| Deferred income taxes | 495,544 | 729,784 | 485,980 | 485,980 |
| Other non-current assets | 105,526 | 97,446 | 87,694 | 87,489 |
| Current assets | | | | |
| Other current assets | 49,439 | 52,386 | 144,484 | 144,484 |
| Prepaid expenses | 120,100 | 123,801 | 131,231 | 135,957 |
| Trade and other receivables | 344,927 | 344,927 | 916,133 | 903,061 |
| Liabilities and shareholders' equity | | | | |
| Shareholders' equity | | | | |
| Issued share capital | 1,248,649 | 1,250,618 | 1,248,649 | 1,250,618 |
| Retained earnings (deficit) | (273,877) | (227,386) | 1,153,412 | 1,052,274 |
| Non-current liabilities | | | | |
| Deferred income taxes | 323,345 | 548,680 | 339,348 | 341,634 |
| Provisions | 157,310 | 157,310 | 117,062 | 200,664 |
| Other non-current liabilities | 160,069 | 196,894 | 63,135 | 107,132 |
| Current liabilities | | | | |
| Other current liabilities | 238,904 | 219,885 | 160,799 | 166,340 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)a) Restatement of previously issued financial statements (Continued)

As of and for the year ended December 31,

| | 2008 | | 2007 | |
|--|---------------------|-------------|---------------------|-----------|
| | Previously reported | Restated | Previously reported | Restated |
| Operating expenses | | | | |
| Other operating expenses | (329,883) | (329,883) | (277,844) | (270,422) |
| Finance costs and other income (expense) | | | | |
| Capitalized interest | 28,871 | 27,179 | 38,879 | 38,879 |
| Income taxes benefit (expense) | (193,626) | (44,305) | 78,800 | (33,595) |
| Profit (loss) for the year from continuing operations attributable to equity holders of the parent | (1,386,976) | (1,239,347) | 272,261 | 167,288 |
| Earnings (loss) per share: | | | | |
| Basic | (6.89) | (6.16) | 1.37 | 0.84 |
| Diluted | (6.89) | (6.16) | 1.37 | 0.84 |

The restatement resulted in changes to amounts previously reported in Notes 3, 5, 10, 13, 15, 16 and 23 and, accordingly, such notes have been amended and restated in these financial statements.

b) Statement of compliance and basis of presentation

The consolidated financial statements were prepared on a historical cost basis except for certain financial assets and liabilities, including derivative financial instruments and available-for-sale financial assets that are measured at fair value. The carrying value of recognized assets and liabilities that are accounted for as cash flow and fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, using Brazilian Reais as the functional and reporting currency. The accounting principles adopted under IFRS differ in certain aspects from accounting principles generally accepted in Brazil (BR GAAP), which the Company uses to prepare its statutory financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)

b) Statement of compliance and basis of presentation (Continued)

The Company adopted International Financial Reporting Standards (IFRS) for the first time in its consolidated financial statements for the year ended December 31, 2008, which includes comparative financial statements for the year ended December 31, 2007. IFRS 1, First-time adoption of International Reporting Standards , requires that an entity develop accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS consolidated financial statements (i.e. December 31, 2007). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (i.e. January 1, 2007) and throughout all periods presented in the first IFRS financial statements.

The Note "Transition to IFRS", details the principal effects of the transition to IFRS on the Company's balance sheet as of January 1, 2007 and the principal differences with the Brazilian Corporate Law (Law No. 6,404/76) related to the year ended December 31, 2007.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries: VRG Linhas Aéreas S.A, and GAC Inc., Gol Finance and SKY Finance, which are domiciled in the Cayman Islands.

Results include those of VRG since April 9, 2007, the date the Company assumed control of the operations of VRG. All significant intercompany balances have been eliminated.

d) Cash and cash equivalents

Cash in excess of that necessary for operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with original maturities of three months or less are classified as cash and cash equivalents, which primarily consist of certificates of deposit, money market funds, and investment grade commercial paper issued by major financial institutions.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)e) Restricted cash

Restricted cash represents pledge deposits with the purpose to guarantee some of Company's hedge operations and long-term financings (BNDES and BDMG) and earns interests.

f) Financial assets

The Company's financial assets consist of traditional fixed maturity securities, which are readily convertible into cash and are primarily highly liquid in nature. Management determines the appropriate classification of these securities at the time of purchase and reevaluates such designation as of each balance sheet date. As defined by IAS 39, Financial Instruments: Recognition and Measurement, the Company's investments are classified as available-for-sale financial assets. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale and not classified as held-to-maturity or loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized as equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss. Held-to-maturity securities are measured at amortized cost through the income statement.

g) Trade and other receivables

Trade and other receivables are stated at cost less allowances made for doubtful receivables, which approximates fair value given their short term nature. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

h) Inventories

Inventories, including aircraft expendables, are valued at the lower of cost, determined by the weighted average cost method, and net realizable value. The cost of inventory is charged to expense when consumed.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)i) Lease accounting

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Differences between aircraft rentals paid and rentals recognized as expense in the income statement are recorded as prepaid assets or accrued rent in the balance sheet.

The assets held under a finance lease are valued at the lower of the following two amounts: the present value of the minimum lease payments under the lease arrangement or the leased asset's fair value determined at inception of the lease. Lease payments are allocated between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement. The corresponding obligation to the lessor is accounted for as long-term debt. These assets are depreciated over the shorter of the useful life of the assets and the lease term when there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Profit or loss related to sale and operating leaseback transactions, is accounted for as follows:

They are recognized immediately when it is clear that the transaction is established at fair value;

If the sale price is below fair value, any profit or loss is recognized immediately. However, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the asset's expected useful life;

If the sale price is above fair value, the excess is deferred and amortized over the asset's expected useful life, with the amortization recorded as a reduction of rent expense.

j) Prepaid expenses and other assets

Prepaid expenses and other assets primarily consist of prepayments for aircraft rentals under operating lease agreements, security deposits required under aircraft lease agreements and amounts receivable from insurance claims.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)**k) Revenue recognition**

Passenger revenue is recognized either when transportation is provided or when the ticket expires unused. Tickets sold but not yet used are recorded as advance ticket sales. Advance ticket sales represents deferred revenue for tickets sold for future travel dates and estimated refunds and exchanges of tickets sold for past travel dates. A small percentage of tickets (or partial tickets) expire unused. The Company estimates the amount of future refunds and exchanges, net of forfeitures, for all unused tickets once the flight date has passed. These estimates are based on historical data and experience. Estimated future refunds and exchanges included in the air traffic liability account are compared with actual refund and exchange activities every month to monitor the reasonableness of the estimated refunds and exchanges.

Revenue from cargo shipments is recognized when transportation is provided. Other revenue includes charter services, ticket change fees and other incidental services, and is recognized when the service is performed. The Company's revenues are net of certain taxes, including state value-added and other state and federal taxes that are collected from customers and transferred to the appropriate government entities. Such taxes in the year ended December 31, 2008 and December 31, 2007 were R\$262,388 and R\$191,164, respectively.

l) Mileage program

Since the acquisition of VRG (see Note 3), the Company operates a frequent flyer program, Smiles (Mileage Program) that provides travel and other awards to members based on accumulated mileage credits. The obligations assumed under the Mileage Program were valued at the acquisition date at estimated fair value that represents the estimated price the Company would pay to a third party to assume the obligation for miles expected to be redeemed under the Mileage Program. Outstanding miles earned by flying VRG or distributed by its non-airline partners (such as banks, credit card issuers and e-commerce companies) were revalued using a weighted-average per-mile equivalent ticket value, taking into account such factors as differing classes of service and domestic and international ticket itineraries, which can be reflected in awards chosen by Mileage Program members. The probability of air miles being converted into award tickets is estimated using a statistical method.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)l) Mileage program (Continued)

The sale of passenger tickets by the Company includes air transportation and mileage credits. The Company's sales of miles to business partners include marketing and mileage credits. The Company uses the deferred revenue model to account for its obligation for miles to be redeemed based upon the equivalent ticket value of similar fares. The Company accounts for all miles earned and sold as separate deliverables. The Company defers the portion of the sales proceeds that represents the estimated fair value of the award and recognizes that amount in cargo and other revenue when the award is provided. The excess of sale proceeds over the fair value of the award (which is mileage program marketing revenue) is recognized in cargo and other revenue, as applicable.

For accounts that are inactive for a period of 36 consecutive months, it is the Company's policy to cancel all miles contained in those accounts at the end of the 36 month period of inactivity. The value associated with mileage credits that are estimated to be cancelled based upon inactivity is recognized as passenger revenue in proportion to actual mileage award redemptions over the period in which the expired miles occurred.

On 28 June 2007, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 13

Customer Loyalty Programmes (effective for periods beginning on or after 1 July 2008 with early adoption permitted), which deals with accounting for customer loyalty award credits. The Company adopted IFRIC 13 on April 9, 2007 (see Note 3). The adoption of this interpretation had no impact on the Company's consolidated financial statements.

m) Property, plant and equipment

Property, plant and equipment, including rotatable parts, are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotatable spares purchased separately, are carried as fixed assets and generally depreciated in line with the fleet to which they relate. 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.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)m) Property, plant and equipment (Continued)

The estimated useful lives for property and equipment are as follows:

| | Estimated Useful Life |
|--|----------------------------------|
| | Lower of lease term or useful |
| Leasehold improvements to flight equipment | life |
| Flight equipment | 20 years |
| Rotables | 20 years |
| Maintenance and engineering equipment. | 10 years |
| Major overhaul expenditures | 1 to 4 years |
| Communication and meteorological equipment | 10 years |
| Computer hardware and software | 5 years |

Under IAS 16 *Property, Plant and Equipment*, major engine overhauls including replacement spares and labor costs, are treated as a separate asset component with the cost capitalized and depreciated over the period to the next major overhaul. All other replacement spares and costs relating to maintenance of fleet assets are charged to the income statement on consumption or as incurred. Interest costs incurred and identified exchange differences on borrowings that fund progress payments on assets under construction, including pre-delivery deposits to acquire new aircraft, are capitalized and included as part of the cost of the assets through the earlier of the date of completion or aircraft delivery.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of property, plant and equipment.

n) Intangible assetsi) *Goodwill*

Goodwill is tested for impairment annually by comparing the carrying amount to the recoverable amount at the cash-generating unit level. Considerable judgment is necessary to evaluate the impact of operating and macroeconomic changes to estimate future cash flows and to measure the recoverable amount. Assumptions in the Company's impairment evaluations are consistent with internal projections and operating plans.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)n) Intangible assets (Continued)*ii) Airport operating rights*

Airport operating rights were acquired as part of the acquisition of VRG and were capitalized at fair value at that date and are not amortized. Those rights are considered to be indefinite 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 carrying value of those rights is reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that carrying values may not be recoverable. No impairment has been recorded to date.

iii) Tradenames

VRG tradenames were acquired as part of the VRG acquisition and were capitalized at fair value at that date. The tradenames are considered to have an indefinite useful life (and are not amortized) 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. The carrying value of the tradenames is reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that carrying values may not be recoverable. No impairment has been recorded to date.

iv) Software

Costs related to the purchase or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period not exceeding five years on a straight-line basis.

The carrying value of these intangibles is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

o) Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset is impaired using discounted cash flow analyses, which considers the creditworthiness of the issuer of the security, as further described in Note 18.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)p) Deposits

The Company's aircraft lease agreements specifically provide that the Company is responsible for maintenance of the leased aircraft. Under certain existing lease agreements, maintenance deposits are paid to aircraft and engine lessors that are to be applied to future maintenance events. These deposits are calculated based on a performance measure, such as flight hours or cycles, and are available for reimbursement to us upon the completion of the maintenance of the leased aircraft. If there are sufficient funds on deposit to reimburse for maintenance costs, such funds are returned to the Company. The maintenance deposits paid under lease agreements transfer neither the obligation to maintain the aircraft nor the cost risk associated with the maintenance activities to the aircraft lessor.

In addition, the Company maintains the right to select any third-party maintenance provider or to perform such services in-house. Therefore, these amounts are recorded as a deposit on the balance sheet and maintenance cost is recognized when the underlying maintenance is performed, in accordance with the Company's maintenance accounting policy. Certain lease agreements provide that excess deposits are not refundable to us. Such excess could occur if the amounts ultimately expended for the maintenance events were less than the amounts on deposit. Any excess amounts held by the lessor or retained by the lessor upon the expiration of the lease, which are not expected to be significant, would be recognized as additional aircraft rental expense at the time it is no longer probable that such amounts will be used for the maintenance for which they were deposited.

In determining whether it is probable that maintenance deposits will be used to fund the cost of maintenance events, the Company conducts the following analysis at the inception of the lease, on an annual and quarterly basis and whenever events or changes in circumstances indicate that amounts may not be recoverable, to evaluate potential impairment of this balance:

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)

p) Deposits (Continued)

- 1) At the time of delivery of each aircraft under lease, the Company evaluates the aircraft's condition, including the airframe, the engines, the auxiliary power unit and the landing gear.
- 2) The Company projects future usage of the aircraft during the term of the lease based on its business and fleet plan.
- 3) The Company estimates the cost of performing all required maintenance during the lease term. These estimates are based on the extensive experience of the Company's management and industry available data, including historical fleet operating statistic reports published by the Company's engine manufacturers.

At the inception of the leases, initial estimates of the maintenance costs are equal to or in excess of the amounts required to be deposited. This demonstrates it is probable the amounts will be utilized for the maintenance for which they are to be deposited and the likelihood of an impairment of the balance is remote. Additionally, the Company has reached agreements with certain lessors to replace the deposits with letters of credit and amend the lease terms to enable us to utilize the deposited funds to settle other amounts owed under the lease. Upon this amendment of the lease the Company reevaluates the appropriateness of the lease accounting and reclassifies the affected deposits as Other Deposits. Many of new aircraft leases do not require maintenance deposits.

Based on the foregoing analysis, management believes that the amounts reflected on the consolidated balance sheet as Aircraft and Engine Maintenance Deposits are probable of recovery. There has been no impairment of Company's maintenance deposits.

q) Foreign currency transactions

Transactions in foreign currencies are translated into the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the balance sheet date. Any differences resulting from the currency translation are recognized in the income statement.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)**r) Derivative financial instruments and hedge accounting**

The Company accounts for financial derivative instruments in accordance with IAS 39. In executing the risk management program, management uses a variety of financial instruments, including petroleum call options, petroleum collar structures, petroleum fixed-price swap agreements, and foreign currency forward contracts. The Company does not hold or issue derivative financial instruments for trading purposes.

As there is not a futures market for jet fuel in Brazil, the Company uses international crude oil derivatives to hedge its exposure to increases in fuel price. Historically, there has been a high correlation between international crude oil prices and Brazilian jet fuel prices, making crude oil derivatives effective at offsetting jet fuel prices to provide some short-term protection against a sharp increase in average fuel prices.

The Company also uses derivative financial instruments such as forward currency contracts and interest swaps to hedge its foreign market risks and interest rate risks respectively. Derivative financial instruments are remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Since the majority of the Company's financial derivative instruments for fuel are not traded on a market exchange, the Company estimates their fair values. The fair value of fuel derivative instruments, depending on the type of instrument, is determined by the use of present value methods or standard option value models with assumptions about commodity prices based on those observed in underlying markets. Also, since there is not a reliable forward market for jet fuel, the Company must estimate the future prices of jet fuel in order to measure the effectiveness of the hedging instruments in offsetting changes to those prices, as required by IAS 39.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements
(In thousands of Brazilian Reais)

2. Summary of significant accounting policies (Continued)r) Derivative financial instruments and hedge accounting (Continued)

The Company designates certain of its derivative financial instruments for hedge accounting. These instruments are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in profit or loss.

Amounts classified in equity are transferred to profit or loss when the hedged transaction affects profit or loss. If the hedged item is the cost of a non-financial asset or non-financial liability, the amounts classified in equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires, is terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the firm commitment occurs.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

2. Summary of significant accounting policies (Continued)r) Derivative financial instruments and hedge accounting (Continued)*Cash flow hedges* (Continued)

The Company's outstanding derivative contracts are all designated as cash flow hedges for accounting purposes. 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 recorded in equity. All changes in fair value that are considered to be effective, as defined, are recorded in equity until the underlying exchange exposure is realized and fuel is consumed. Changes in fair value that are not considered to be effective are recorded in other income (expense), net in the statement of income. The Company measures the effectiveness of the hedging instruments in offsetting changes to the hedged item, as required by IAS 39. See Note 18 for further information on IAS 39 and derivative financial instruments.

Current versus non-current classification

Derivative instruments that are not designated for hedge accounting treatment are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

s) Share-based payments

The Company measures the fair value of equity-settled transactions with employees at the grant date using an appropriate valuation model. The resulting amount, as adjusted for forfeitures is charged to income over the period in which the options vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement with a corresponding entry in equity.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

2. Summary of significant accounting policies (Continued)

t) Provisions

For certain operating leases, the Company is contractually obligated to return aircraft in a defined condition. The Company accrues for restitution costs related to aircraft held under operating leases at the time the asset does not meet the return condition criteria throughout the duration of the lease.

Other provisions are recorded for probable losses and are reviewed based on the development of lawsuits and the background of losses on labor and civil claims, based on the best current estimate.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

u) Segment information

The Company has one business segment: the provision of air transportation services within South America, where it operates domestic and international flights.

v) Income taxes

a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

2. Summary of significant accounting policies (Continued)v) Income taxes (Continued)b) *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

2. Summary of significant accounting policies (Continued)**w) Key accounting estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and indefinite-lived intangible assets are tested for impairment annually and at other times when such indicators exist. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value in use is determined using discounted cash flow assumptions established by management. These calculations require the use of estimates (Note 8).

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

ii) Impairment of available-for-sale financial assets

The Company classifies certain financial assets as available-for-sale and recognizes movements in their fair value in shareholders' equity. When the fair value declines, Management evaluates the decline in value to determine whether it is an impairment that should be recognized in the income statement. See Note 19.

iii) Passenger revenue recognition

Passenger revenue is recognized when the transportation is provided. Unused tickets and mileage credits under the Mileage Program are recognized as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

2. Summary of significant accounting policies (Continued)w) Key accounting estimates and judgments (Continued)iv) *Income taxes*

The Company believes that the tax positions taken are reasonable. However, various taxing authorities may challenge the positions taken resulting in additional liabilities for taxes and interest that may become payable in future years as a result of audits by tax authorities. The tax positions involve considerable judgment on the part of management and tax positions are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax audits, additional exposures based on identification of new issues or court decisions affecting a particular tax issue. Actual results could differ from estimates.

x) Prospective accounting changes, new standards and interpretations not yet adopted

The following new accounting standards or amendments to accounting standards, which are not yet effective and have not been adopted in these consolidated financial statements, will be adopted in future consolidated financial statements, if applicable.

- Amendment to IFRS 2 - Share-based payments: vesting conditions and cancellations (effective January 1, 2009). This amendment clarifies the accounting treatment of cancellations and vesting conditions. The introduction of this amendment will not impact the Company's financial statements.
- IFRS 3 (Revised) - Business Combinations (effective July 1, 2009). This standard deals with how an acquirer recognizes measures and discloses in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The objective is to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The impact on the Company will be dependent on the nature of any future acquisition.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

2. Summary of significant accounting policies (Continued)x) Prospective accounting changes, new standards and interpretations not yet adopted (Continued)

- Amendment to IAS 1 - Presentation of Financial Statements, a revised presentation (effective January 1, 2009). This amendment sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. IAS 1 will impact the presentation of the financial statements of the Company. However, this impact is not expected to be significant.
- Amendment to IAS 27 - Consolidated and Separate Financial Statements (effective July 1, 2009). The objective of this amendment is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate and consolidated financial statements. The introduction of this amendment will impact the Company's reporting although this impact is not expected to be significant.
- On May 22, 2008 the IASB published the Improvements to International Financial Reporting Standards 2008, which contains 24 amendments to IFRS that result in accounting changes for presentation, recognition or measurement purposes and 11 terminologies or editorial amendments that will have only minimal or no effects on accounting. All amendments are effective January 1, 2009, except for the amendment to IFRS 5, Non-current assets held for sale and discontinued operations - plans to sell a controlling interest in a subsidiary, (effective July 1, 2009). None of these amendments are expected to have a significant impact on Company's financial statements.

In addition, the Company does not expect the following new accounting standards or amendments will impact the Company's financial reporting:

- IFRS 8 - Operating Segments was issued in November 2006 replacing IAS 14, Segmental Reporting (effective January 1, 2009).
- IFRIC 15 - Agreements for the Construction of Real Estate (effective January 1, 2009).
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective January 1, 2009).
- Amendment to IAS 32 and IAS 1 - Puttable Financial Instruments and Obligations arising on Liquidation (effective January 1, 2009).

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

3. Business combination

On April 9, 2007, the Company acquired 100% of the voting shares of VRG. The total purchase price was R\$562,101 (US\$291,838) of which R\$194,087 (US\$100,762) was paid in cash, net of cash acquired and R\$360,592 (US\$187,226) was paid in non-voting preferred shares. In addition, R\$7,422 (US\$3,853) was paid in acquisition costs. The value of Company's preferred shares issued as consideration to the shareholders of VRG (6,082,220 in number) was determined based on the closing market price (R\$59.61) at the date control was obtained. 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 the acquisition date.

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

From the date of acquisition, VRG Linhas Aéreas has contributed R\$47,013 to the profit for the year ended December 31, 2007 from continuing operations of the Company. If the combination had taken place at the beginning of the year, the net profit for 2007 would have been R\$230,269 and revenue would have been R\$4,967,261.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

3. Business combination (Continued)

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

| | |
|--|-----------------|
| Assets acquired | |
| Accounts receivable | 24,153 |
| Inventories | 5,442 |
| Deferred income tax assets | 323,370 |
| Fixed assets | 11,740 |
| Intangible assets | 623,951 |
| Other assets | 101,206 |
| Total assets acquired | 1,089,862 |
| Liabilities assumed | |
| Accounts payable | (220,862) |
| Air traffic liability | (38,792) |
| Smiles deferred revenue | (375,497) |
| Debentures | (87,876) |
| Deferred income taxes | (210,154) |
| Other liabilities | (136,882) |
| Total liabilities assumed | (1,070,063) |
| Net assets acquired | 19,799 |
| Purchase price, net of cash acquired | 562,101 |
| Goodwill | 542,302 |

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\$375,462. 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.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

4. Employee costs and numbersa) Staff costs

The average number of persons employed during the period was as follows:

| <u>Number</u> | 2008 | 2007 |
|------------------------------|----------------|-------------|
| Brazil | 15,421 | 15,123 |
| Rest of world | 490 | 599 |
| | 15,911 | 15,722 |
| Salaries, wages and benefits | 945,702 | 784,450 |
| Other employee costs | 38,081 | 14,894 |
| Total employee costs | 983,783 | 799,344 |

b) Key management personnel

| | 2008 | 2007 |
|----------------------|---------------|-------------|
| Fees | 3,622 | 2,383 |
| Salary and benefits | 6,928 | 7,588 |
| Share-based payments | 3,599 | 3,448 |
| Total | 14,149 | 13,419 |

At December 31, 2008, the total expense of share-based payments amounting R\$3,599 (R\$3,448 at December 31, 2007) arises from transactions accounted for as equity-settled share-based payment transactions.

5. Income taxes

The major components of income tax expense for the years ended December 31, 2008 and 2007 are:

| | 2008 | 2007 |
|-------------------------------|-------------|-------------|
| Consolidated income statement | | Restated |

| | | |
|---|-----------------|-----------|
| Current income tax: | | |
| Current income tax expense | (57,338) | (105,291) |
| Deferred income tax: | | |
| Relating to origination and reversal of temporary differences | 13,033 | 71,696 |
| Income tax (expense) benefit reported in the income statement | (44,305) | (33,595) |

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

5. Income taxes (Continued)

The Company and its subsidiary VRG have tax loss carry-forwards of R\$1,328,022 (R\$569,166 in December 31, 2007) that are available indefinitely to offset future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognized in respect of these losses to the extent that they are expected to offset future taxable profits. The tax loss carry-forwards are not subject to expiration. However, there is a limitation of 30% of utilization against each year's taxable profit.

The Company will recognize penalties and interest accrued on any unrecognized tax benefits as a component of income tax expenses. The Company files its tax returns in Brazil and in foreign jurisdictions as prescribed by the tax laws of the jurisdictions in which it operates.

Deferred income taxes at December 31, 2008 and 2007, are summarized as follows:

| | 2008 | 2007 |
|--|----------------|-------------|
| Deferred income tax assets | | Restated |
| Tax loss carry-forward | 309,392 | 337,407 |
| Non-deductible provisions | 36,554 | 36,554 |
| Smiles deferred revenue | 99,214 | 109,600 |
| Leasing | 247,202 | - |
| Other | 37,422 | 2,419 |
| Total deferred tax assets | 729,784 | 485,980 |
| Deferred income tax liabilities | | |
| Acquisition of VRG (intangible assets) | 210,154 | 210,154 |
| Leasing | 129,884 | 63,276 |
| Maintenance expenses | 133,291 | 19,959 |
| Depreciation | 64,564 | 15,973 |
| Other | 10,787 | 32,272 |
| Total deferred tax liabilities | 548,680 | 341,634 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

5. Income taxes (Continued)

The reconciliation of the reported income tax and social contribution tax and the amount determined by applying the composite fiscal rate at December 31, 2008 and 2007, are as follows:

| | 2008 | 2007 |
|--|--------------------|-------------|
| Deferred income tax assets | | Restated |
| Accounting profit (loss) before income taxes | (1,195,042) | 200,383 |
| Statutory rate | 34% | 34% |
| Income tax by the nominal rate | 406,314 | (68,130) |
| Deductible interest on shareholders' equity | - | 49,161 |
| Non-deductible exchange losses | (98,921) | - |
| Unrecognized tax profit (losses) | (274,953) | 25,185 |
| Other permanent differences | 11,865 | (39,811) |
| Income taxes (expense) benefit | (44,305) | (33,595) |

The tax years and corresponding tax returns for 2003, 2004, 2005, 2006 and 2007 are subject to examination. The Company is currently under audit by federal authorities for its 2004 tax year.

In 2008, one subsidiary in the consolidated group recorded taxable income which resulted in income tax expense.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

6. Property, plant and equipment**Flight equipment**

| | Finance lease aircraft | Rotable parts and spares | Pre-delivery deposits | Other | Total |
|------------------------------|---------------------------------------|---|----------------------------------|-----------------|------------------|
| Year ended December 31, 2007 | | | | | |
| Cost | | | | | |
| At January 1, 2007 | 194,307 | 366,666 | 440,165 | 121,456 | 1,122,594 |
| Additions | 663,277 | 235,518 | 622,359 | 64,309 | 1,585,463 |
| Transfers | - | (269) | (366,986) | (1,632) | (368,887) |
| Disposals | - | 7,106 | - | (35,049) | (27,943) |
| At December 31, 2007 | 857,584 | 609,021 | 695,538 | 149,084 | 2,311,227 |
| Depreciation | | | | | |
| At January 1, 2007 | (648) | (36,112) | - | (22,299) | (59,059) |
| Depreciation expense | (15,494) | (31,497) | - | (15,153) | (62,144) |
| Transfers | - | (44) | - | (323) | (367) |
| Disposals | - | - | - | 1,371 | 1,371 |
| At December 31, 2007 | (16,142) | (67,653) | - | (36,404) | (120,199) |
| Net book value | | | | | |
| At December 31, 2007 | 841,442 | 541,368 | 695,538 | 112,680 | 2,191,028 |
| Year ended December 31, 2008 | | | | | |
| Cost | | | | | |
| At January 1, 2008 | 857,584 | 609,021 | 695,538 | 149,084 | 2,311,227 |
| Additions | 514,708 | 178,433 | 498,958 | 63,227 | 1,255,326 |
| Transfers | - | (66,770) | (237,292) | 358 | (303,704) |
| Disposals | - | (17,896) | - | (21,096) | (38,992) |
| At December 31, 2008 | 1,372,292 | 702,788 | 957,204 | 191,573 | 3,223,857 |
| Depreciation | | | | | |
| At January 1, 2008 | (16,142) | (67,652) | - | (36,405) | (120,199) |
| Depreciation expense | (55,004) | (47,401) | - | (17,807) | (120,212) |
| Transfers | - | 7,420 | - | (421) | 6,999 |

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| | | | | | |
|----------------------|-----------|-----------|---------|----------|-----------|
| Disposals | - | 113 | - | 8,198 | 8,311 |
| At December 31, 2008 | (71,146) | (107,520) | - | (46,435) | (225,101) |
| Net book value | | | | | |
| At December 31, 2008 | 1,301,146 | 595,268 | 957,204 | 145,138 | 2,998,756 |

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

6. Property, plant and equipment (Continued)

Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of 58 Boeing 737-800 Next Generation (63 aircraft at December 31, 2007), amounting to R\$957,204 (R\$695,538 at December 31, 2007) and other payments related to future aircraft acquisitions including capitalized interest of R\$33,955 (R\$18,721 at December 31, 2007). Deposits are transferred to the acquisition cost of aircraft when the aircraft are purchased.

7. Intangible assets

| Year ended December 31, 2007 | Goodwill | Tradenames | Airport operating rights | Software | Total |
|------------------------------|----------------|---------------|--------------------------------|-----------------|------------------|
| Cost | | | | | |
| At January 1, 2007 | - | - | - | 25,085 | 25,085 |
| Additions | 542,302 | 63,109 | 560,842 | 22,395 | 1,188,648 |
| Disposals | - | - | - | - | - |
| At December 31, 2007 | 542,302 | 63,109 | 560,842 | 47,480 | 1,213,733 |
| Amortization | | | | | |
| At January 1, 2007 | - | - | - | (9,971) | (9,971) |
| Amortization expense | - | - | - | (6,321) | (6,321) |
| Disposals | - | - | - | - | - |
| At December 31, 2007 | - | - | - | (16,292) | (16,292) |
| Net book value | | | | | |
| At December 31, 2007 | 542,302 | 63,109 | 560,842 | 31,188 | 1,197,441 |
| Year ended December 31, 2008 | | | | | |
| Cost | | | | | |
| At January 1, 2008 | 542,302 | 63,109 | 560,842 | 47,480 | 1,213,733 |
| Additions in year | - | - | - | 10,828 | 10,828 |
| Disposals in year | - | - | - | - | - |
| At December 31, 2008 | 542,302 | 63,109 | 560,842 | 58,308 | 1,224,561 |
| Amortization | | | | | |
| At January 1, 2008 | - | - | - | (16,292) | (16,292) |

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| | | | | | |
|----------------------|---------|--------|---------|----------|-----------|
| Amortization expense | - | - | - | (10,408) | (10,408) |
| Disposals | - | - | - | - | - |
| At December 31, 2008 | - | - | - | (26,700) | (26,700) |
| Net book value | | | | | |
| At December 31, 2008 | 542,302 | 63,109 | 560,842 | 31,608 | 1,197,861 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

8. Impairment of goodwill and intangible assets

The Company has allocated goodwill and intangible assets with indefinite lives acquired through business combinations for the purposes of impairment testing to a single cash-generating unit.

The recoverable amount of the cash generating unit has been measured on the basis of its value-in-use, by applying cash flow projections in the functional currency based on the Company's approved business plan covering a five-year period followed by the long-term growth rate of 3.0%. The pre-tax discount rate applied to the cash flow projections is 15.04%.

The calculation of value-in-use for the cash generating unit is most sensitive to the following assumptions:

- Discounted free cash flow approach, based on current acquisition valuation model;
- Discount rates derived from the Company's weighted average cost of capital, adjusted for the risks specific to the market;
- Long-term growth rate which reflects the market consensus on the business;
- Royalty stream that could be obtained from licensing the intangible asset to a third party in an arm's length transaction.

9. Inventories of parts and supplies

| | 2008 | 2007 |
|---------------------------------|----------------|-------------|
| Consumable material | 9,318 | 12,107 |
| Parts and maintenance material | 104,133 | 103,833 |
| Advances to suppliers | 68,206 | 44,492 |
| Parts import assets in progress | 14,752 | 44,528 |
| Other | 4,105 | 4,966 |
| | 200,514 | 209,926 |

The amount of inventories recognized as an expense was R\$92,422 in 2008 (R\$93,953 in 2007) which is recognized in maintenance materials and repairs expense.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

10. Trade and other receivables

| | 2008 | 2007 |
|---------------------------------|-----------------|-------------|
| Local currency: | | Restated |
| Credit card administrators | 95,097 | 674,380 |
| Travel agencies | 116,270 | 117,933 |
| Installment sales | 92,913 | 76,017 |
| Cargo agencies | 15,505 | 18,178 |
| Other | 48,723 | 21,810 |
| | 368,508 | 908,318 |
| Foreign currency | 21,117 | 31,112 |
| | 389,625 | 939,430 |
| Allowance for doubtful accounts | (44,698) | (36,369) |
| | 344,927 | 903,061 |

Changes in the allowance for doubtful accounts are as follows:

| | 2008 | 2007 |
|-------------------------------|-----------------|-------------|
| | | Restated |
| Balances at beginning of year | (36,369) | (10,366) |
| Additions | (15,864) | (32,937) |
| Recoveries | 7,535 | 6,934 |
| Balances at end of year | (44,698) | (36,369) |

The aging analysis of accounts receivable is as follows:

| | 2008 | 2007 |
|--|-------------|-------------|
| | | Restated |

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| | | |
|---|----------------|---------|
| Current | 327,722 | 899,032 |
| Past-due from less than 30 days to 90 days | 21,113 | 26,232 |
| Past-due from 91 days to more than 360 days | 40,790 | 14,166 |
| | 389,625 | 939,430 |

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

11. Cash and cash equivalents

Cash and cash equivalents were comprised of the following at 31 December:

| | 2008 | 2007 |
|---|----------------|-------------|
| Cash on hand | 148,716 | 298,969 |
| Short-term deposits with maturity within three months | 20,614 | 274,152 |
| | 169,330 | 573,121 |

Short-term deposits with banks earn interest at floating rates based on daily bank deposit rates. These are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

12. Restricted cash

On December 31, 2008, restricted cash is comprised of cash pledged for some of the Company's long-term financings (BNDES and BDMG) and to guarantee certain of its hedge operations.

13. Shareholders' equity

The following table sets forth the ownership and the percentage of the Company's voting (common) and non-voting (preferred) shares as at December 31, 2008 and December 31, 2007:

| | 2008 | | | 2007 | | |
|----------------------------|----------------|------------------|----------------|---------------|------------------|--------------|
| | Common | Preferred | Total | Common | Preferred | Total |
| ASAS Investment Fund | 100.00% | 42.60% | 73.13% | 100.00% | 37.84% | 70.90% |
| Treasury shares | - | 1.66% | 0.78% | - | - | - |
| Others | - | 3.84% | 1.80% | - | 2.74% | 1.28% |
| Public Market (Free Float) | - | 51.90% | 24.29% | - | 59.42% | 27.82% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

As of December 31, 2008, the capital of the Company is comprised of 202,300,591 fully paid-up shares being 107,590,792 shares of common stock and 94,709,799 shares of preferred stock, each with no par value, authorized, issued and outstanding. According to the Company's bylaws, the capital can be increased up to R\$2 billion through the

issuance of common or preferred shares.

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

13. Shareholders equity (Continued)

Each common share entitles its holder to one vote at the Company's shareholder meetings. The preferred shares outstanding have no class designation, are not convertible into any other security and are non-voting, except under the limited circumstances provided under Brazilian law. Upon liquidation, holders of preferred shares are entitled to receive distributions prior to the holders of common shares. In addition, the São Paulo Stock Exchange Bovespa Level 2 of Differentiated Corporate Governance Practices provides for the granting of voting rights to holders of preferred shares in connection with certain matters, including corporate restructurings, mergers and related party transactions.

On June 14, 2007, the Company increased its capital by 6,082,220 preferred shares, of which 6,049,185, amounting to R\$360,592, were used to increase capital in the subsidiary GTI S.A., and later transferred to third parties in connection with the acquisition of VRG Linhas Aéreas S.A.

On March 17, 2006, the Company's then controlling shareholder, Aeropar Participações S.A. concluded a restructuring of its corporate shareholdings, by means of which 31,493,863 preferred shares of the Company, held by Aeropar, were transferred to the Fundo de Investimento em Participações Asas (a fund controlled by the shareholders of Aeropar Participações S.A.). Comporte Participações S.A. also transferred its 3,351,775 preferred shares of GOL to the same fund.

On April 27, 2005 the Company concluded a public offering on the New York Stock Exchange (NYSE) and the São Paulo Stock Exchange (BOVESPA) of 14,700,000 preferred shares (5,520,811 offered by the Company, representing proceeds in the amount of R\$ 184,454, net of issuance costs of R\$8,723, and 9,179,189 by a selling shareholder, BSSF Air Holdings LLC) at a price of R\$35.12 per share (US\$27.88 per American Depositary Share). On May 2, 2005 the Company issued an additional of 2,205,000 preferred shares, related to the exercise of the underwriter's over-allotment option on the April 27, 2005 public offering, representing proceeds in the amount of R\$73,669, net of issuance costs of R\$3,484.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

13. Shareholders' equity (Continued)*Capital reserves*

Under Brazilian corporation law and according to its bylaws, the Company is required to maintain a legal reserve to which it must allocate 5% of its net income, less accumulated losses as determined on the basis of the statutory financial statements for each fiscal year until the amount of the reserve equals 20% of paid-in capital. Accumulated losses, if any, may be charged against the legal reserve. The legal reserve can only be used to increase the capital of the Company. The legal reserve is subject to approval by the shareholders voting at the annual shareholders meeting and may be transferred to capital but is not available for the payment of dividends in subsequent years.

Dividends

The Company's bylaws provide for a mandatory minimum dividend to common and preferred shareholders, in the aggregate of at least 25% of annual net distributable income determined in accordance with Brazilian corporation law.

Brazilian law permits the payment of cash dividends only from unappropriated retained earnings and certain reserves registered in the Company's statutory accounting records.

Brazilian corporations are allowed to attribute interest on shareholders' equity. The calculation is based on the shareholders' equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long term interest rate (TJLP) determined by the Brazilian Central Bank (approximately 6.25% and 6.25% for years 2007 and 2008, respectively). Also, such interest may not exceed the greater of 50% of net income for the year or 50% of retained earnings plus revenue reserves, determined in each case on the basis of the statutory financial statements. The amount of interest attributed to shareholders is deductible for corporate income tax purposes, and applied towards the mandatory minimum dividend.

During 2008, the Company paid interim dividends in the total amount of R\$36,258 corresponding R\$0.18 per share. In 2007, the Company distributed interim dividends in the total amount of R\$ 302,775, of which R\$144,592 was tax deductible interest on own capital.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

13. Shareholders equity (Continued)*Dividends (Continued)*

For the year ended December 31, 2008, the Company's statutory consolidated financial statements prepared under BR GAAP presented net loss of R\$1,384,743 (net income of R\$268,527 in 2007).

Treasury shares

The Board of Directors at the meeting held on January 28, 2008, approved a preferred shares repurchase program. The total amount to be acquired is up to a total of 5 million shares representing 5.3% of the Company's preferred shares, in accordance with Brazilian Securities and Exchange Commission (CVM) Ruling No. 10/80. The maximum term for the performance of the transaction is 365 days counted from January 28, 2008. To date, the Company has acquired 1,574,200 shares at an average price of R\$26.16 per share, the minimum price was R\$19.98 and the maximum price was R\$30.28. On December 31, 2008, the amount of R\$41,180 is recorded in shareholders' equity as treasury stock, with market value of R\$15,600.

14. Share-based payments

On December 9, 2004, the Company's shareholders approved a stock option plan for employees. Under this plan the stock options granted to employees cannot exceed 5% of total outstanding shares. On January 19, 2005, the Company issued stock options to key employees to purchase up to 87,418 of its preferred shares at an exercise price of R\$33.06 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R\$29.22. During 2008, the Company recorded share based payments expenses of R\$206 (R\$448 in 2007), in connection with this grant of preferred stock options.

On January 2, 2006, following a plan approved in 2005, the Compensation Committee approved the granting of 99,816 options for the purchase of the Company's preferred shares at the price of R\$47.30 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R\$51.68. During 2008, the Company recorded share based payments expenses of R\$802 (R\$1,529 in 2007), in connection with this grant of preferred stock options.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

14. Share-based payments (Continued)

On December 31, 2006, the Board of Directors approved the granting of 113,379 options for the purchase of the Company's preferred shares at the price of R\$65.85 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R\$46.61. During 2008, the Company recorded share based payments expenses of R\$1,323 (R\$2,928 in 2007), in connection with this grant of preferred stock options.

On December 20, 2007, the Board of Directors approved the granting of 190,296 options for the purchase of the Company's preferred shares at the price of R\$45.46 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R\$29.27. During 2008, the Company recorded share based payments expenses of R\$3,031, in connection with this grant of preferred stock options.

The share-based payments expense of R\$5,362 and R\$4,905 in 2008 and 2007, respectively, has been recorded in the income statement as employee costs.

Transactions are summarized as follows:

| | Stock options | Weighted-average exercise price |
|--|--------------------------|--|
| Outstanding at January 1, 2007 | 152,518 | 40.65 |
| Granted | 113,379 | 65.85 |
| Forfeited | (12,135) | 33.06 |
| Exercised | (11,905) | 50.52 |
| Outstanding at December 31, 2007 | 241,857 | 50.67 |
| Granted | 190,296 | 45.46 |
| Forfeited | (69,916) | 49.21 |
| Exercised | (336) | 36.35 |
| Outstanding at December 31, 2008 | 361,901 | 48.26 |
| Options exercisable at December 31, 2007 | 91,013 | 44.97 |
| Options exercisable at December 31, 2008 | 151,436 | 46.23 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

14. Share-based payments (Continued)

The fair value of equity-settled share options was estimated at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the models for all options granted:

| | Stock-option grants | | | |
|-------------------------------------|----------------------------|-------------|-------------|-------------|
| | 2005 | 2006 | 2006 | 2007 |
| Total of options granted | 87,418 | 99,816 | 113,379 | 190,296 |
| Option exercise price | 33.06 | 47.30 | 65.85 | 45.46 |
| Estimated volatility of share price | 32.52% | 39.87% | 46.54% | 40.95% |
| Share's expected dividend yield | 0.84% | 0.93% | 0.98% | 0.86% |
| Risk free interest rate | 17.23% | 18.00% | 13.19% | 11.18% |
| Option duration | 10.00 | 10.00 | 10.00 | 10.00 |
| Fair value at grant date | 29.22 | 51.68 | 46.61 | 29.27 |

Expected volatility was determined on the basis of historical volatility using historical data.

The range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at December 31, 2008 are summarized as follows:

| Options outstanding | | | Options exercisable | | |
|----------------------------|--|--|--|--|--|
| Exercise prices | Options outstanding at 12/31/08 | Weighted average remaining contractual life | Weighted average exercise price | Options exercisable at 12/31/08 | Weighted average exercise price |
| 33.06 | 55,724 | 6.00 | 33.06 | 47,516 | 33.06 |
| 47.30 | 69,194 | 7.00 | 47.30 | 41,053 | 47.30 |
| 65.85 | 77,353 | 8.00 | 65.85 | 30,941 | 65.85 |
| 45.46 | 159,630 | 9.00 | 45.46 | 31,926 | 45.46 |
| | 361,901 | | | 151,436 | |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

15. 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, 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 than the market price of the shares.

| | 2008 | 2007 |
|---|--------------------|-------------|
| <u>Numerator</u> | | Restated |
| Net profit (loss) attributable to common and preferred shareholders for basic and diluted earnings per share | (1,239,347) | 167,288 |
| <u>Denominator</u> | | |
| Weighted-average shares outstanding for basic earnings per share (in thousands) | 202,301 | 198,609 |
| <u>Treasury shares</u> | (1,108) | - |
| Adjusted weighted-average shares outstanding for basic earnings per share (in thousands) | 201,193 | 198,609 |
| <u>Effect of dilutive securities:</u> | | |
| Executive stock options (in thousands) | - | 48 |
| Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares (in thousands) | 201,193 | 198,657 |
| Basic earnings (loss) per share | (6.16) | 0.84 |
| Diluted earnings (loss) per share | (6.16) | 0.84 |

As of December 31, 2008, the 361,901 stock options described in Note 14 are non-dilutive.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

16. Provisions

| | Insurance provision | Onerous lease provision | Return of aircraft | Litigation | Total |
|-------------------------|--------------------------------|--|-------------------------------|-------------------|----------------|
| | | | Restated | | |
| At December 31, 2007 | 129,137 | - | 131,826 | 115,677 | 376,640 |
| Arising during the year | 10,272 | 8,250 | 102,615 | - | 121,137 |
| Utilized | - | - | (131,826) | (43,354) | (175,180) |
| At December 31, 2008 | 139,409 | 8,250 | 102,615 | 72,323 | 322,597 |
| Current | 54,422 | 8,250 | 102,615 | - | 165,287 |
| Non-current | 84,987 | - | - | 72,323 | 157,310 |

a) Insurance provision

Relates to the accident of an aircraft performing Gol Airlines Flight 1907 on September 29, 2006. The Company continues to cooperate fully with all regulatory and investigatory agencies to determine the cause of this accident. The Company maintains insurance for the coverage of these risks and liabilities resulting from the claim. The payments for the hull to the lessor were made by the insurance company. Management does not expect any liabilities arising from the accident involving Flight 1907 to have a material adverse effect on the financial position or results of its operations.

b) Onerous lease provision

Relates to the set down of Boeing 767 aircraft held as operating leases.

c) Return of aircraft

Includes provisions for the costs to meet the contractual return conditions on aircraft held under operating leases.

d) Litigation

At December 31, 2008, the Company and its subsidiaries are parties in judicial lawsuits and administrative proceedings, including 828 administrative proceedings, 9,013 civil proceedings and 4,188 labor claims, of which, 696 administrative proceedings, 8,438 civil proceedings and 674 labor claims were filed as a result of the Company's operations. The remainder is related to requests for recognition of succession related to the acquisition of VRG.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

17. Transactions with related parties

VRG maintains operating agreements with related parties for passenger and luggage transportation between airports and for the transportation of employees, executed under usual market conditions.

VRG is the tenant of the property located at Rua Tamoios, 246, in the city of São Paulo, State of São Paulo, owned by a related company whose lease agreement expires on April 01, 2009 and has an annual price restatement clause based on the General Market Price Index (IGP-M) variation.

The balances payable to related parties, in the amount of R\$281 on December 31, 2008 (R\$482 on December 31, 2007) are included in the suppliers' balances together with third-party operations. The amount of expenses which affected income on December 31, 2008 is R\$8,589 (R\$19,526 on December 31, 2007).

18. Financial instruments and concentration of risk

The Company's principal financial liabilities, other than financial derivatives, are comprised of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Company also holds available-for-sale investments, and enters into financial derivative transactions.

The Company is exposed to market risk (including exchange rate risk, interest rate risk and fuel price risk), credit risk and liquidity risk. Financial instruments affected by risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

The Company's senior management, with the assistance of the Financial Risk Committee, oversees the management of these risks. The Financial Risk Committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. All derivative transactions are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)

The Board of Directors reviews and approves policies for managing each of these risks which are summarized below.

Market riska) Fuel price risk

The Company is exposed to fuel price risk and the management fuel price risk strategy aims to provide the airline with protection against sudden and significant increases in oil prices while ensuring that the airline is not competitively disadvantaged in a serious way in the event of a substantial fall in the price of fuel. Pursuing these objectives, the fuel risk management program allows for the judicious use of a number of derivatives available on the Over the Counter (OTC) markets with approved counterparties and within approved limits.

Airline operations are exposed to the effects of changes in the price of aircraft fuel. Aircraft fuel consumed in the year ended December 31, 2008 and 2007 represented 40.5% and 38.4% of the Company's operating expenses, respectively. To manage this risk, the Company periodically enters into crude oil option contracts and swap agreements.

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

| <u>Year ended December 31:</u> | 2008 | 2007 |
|---|------------------|-------------|
| Fair value of derivative instruments at December 31 (R\$) * | (102,387) | 23,302 |
| Hedge effectiveness gains recognized in operating expenses (R\$) | - | 33,167 |
| Hedge ineffectiveness gains (losses) recognized in other income (R\$) | (40,583) | 17,233 |
| Hedged volume (thousands barrels) during the year | 4,141 | 4,936 |
| Percentage of hedged consumption during the year | 56% | 56% |

* The derivative instruments are recorded in other current liabilities

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)a) Fuel price risk (Continued)

The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases. At December 31, 2008, the Company has a combination of purchased collar structures to hedge approximately 12%, 37%, 39%, 9% and 2% of its jet fuel requirements for the first, second, third and fourth quarter of 2009 and first quarter of 2010, respectively.

The Company accounts for its fuel hedge derivative instruments as cash flow hedges under IAS 39. Under IAS 39, 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 equity until the underlying jet fuel is consumed. When the aircraft fuel is consumed any gains or losses previously deferred in equity 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 in other income (expense), net 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 in other income (expense), net in the income statement in the period of the change.

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.

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 hedge effectiveness for the Company's fuel hedges, as required by IAS 39. The Company's methodology utilizes a statistical-based regression equation with data from market forward prices of like commodities.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)a) Fuel price risk (Continued)

During 2008, there were no recognized gains by the Company as a reduction of aircraft fuel expense (R\$33,167 of gains in 2007). During 2008, there were R\$40,583 of additional net losses (R\$17,233 of gains in 2007) recognized in Other expenses, net related to the ineffectiveness of its hedges and the loss of hedge accounting for certain hedges. The amount of R\$40,318 in 2008 (R\$41 of losses in 2007) represented ineffectiveness losses and mark-to-market losses related to contracts that will be settled in future periods. As of December 31, 2008 there were R\$90,580 (none at December 31, 2007 since all unrealized value was ineffective), net of taxes, of unrealized losses with jet fuel hedges recorded in equity. During the period, all derivative contracts were designated as hedges.

The following table demonstrates the notional value of the derivatives contracted to protect the fuel exposure for each period:

| <u>Position as of December 31, 2008</u> | Maturities | | | | | |
|---|-------------------|-------------|-------------|-------------|-------------|--------------|
| | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | Total |
| Fuel Risk | | | | | | |
| Notional volume in barrels (thousands) | 381 | 1,208 | 1,334 | 293 | 58 | 3,274 |
| Notional volume in liters (thousands) | 60,571 | 192,048 | 212,079 | 46,581 | 9,221 | 520,501 |
| Future agreed rate per barrel (USD)* | 96.56 | 71.40 | 72.11 | 66.19 | 62.45 | 73.99 |
| Total in Reais ** | 85,977 | 201,569 | 224,807 | 45,323 | 8,465 | 566,141 |

* Weighted average between the strikes of collars and callspreads.

** Exchange rate at 12.31.2008 was R\$ 2.337 / US\$ 1.00

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)a) Fuel price risk (Continued)

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in fuel prices, with all other variables held constant, on profit before tax and equity:

| Increase / (decrease) in fuel price (percent) | Position as of December 31, 2008 | | Position as of December 31, 2007 | |
|--|--|--------------------------------------|--|--------------------------------------|
| | Effect on profit before tax (R\$ million) | Effect on equity (R\$ million) | Effect on profit before tax (R\$ million) | Effect on equity (R\$ million) |
| +10 | (292.93) | (173.12) | (204.84) | (122.90) |
| -10 | 285.61 | 163.85 | 192.17 | 126.83 |

b) Foreign currency risks

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

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 Company's revenue is generated in Brazilian reais (except for a small portion in Argentine Pesos, Bolivian Bolivianos, Chilean Pesos, Colombian Pesos, Euros, Paraguayan Guaranis, Peruvian Nuevos Soles, Uruguayan Pesos and Venezuelan Bolivares from flights between Brazil, Argentina, Bolivia, Chile, Colombia, 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 December 31, 2008 and 2007 are as set forth below:

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)b) Foreign currency risks (Continued)

| | 2008 | 2007 |
|---|-------------------|-------------|
| Assets | | |
| Cash, cash equivalents and short-term investments | 281,286 | 1,170,526 |
| Deposits with lessors | 104,465 | 163,973 |
| Aircraft and engine maintenance deposits | 111,326 | 31,928 |
| Maintenance deposits | 391,989 | 322,354 |
| Other | 99,129 | 55,032 |
| Total assets | 988,195 | 1,743,813 |
| Liabilities | | |
| Foreign suppliers | 37,336 | 42,341 |
| Loans and borrowings | 1,715,068 | 1,850,329 |
| Finance leases | 1,573,605 | 755,930 |
| Other leases payable | 15,863 | 17,169 |
| Insurance premium payable | 54,422 | 44,150 |
| Total liabilities | 3,396,294 | 2,709,919 |
| Exchange exposure | 2,408,099 | 966,106 |
| Off-balance sheet transactions exposure | | |
| Operating leases | 4,675,420 | 3,263,994 |
| Aircraft commitments | 16,662,776 | 8,155,237 |
| Total exchange exposure | 23,746,295 | 12,385,337 |

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

| | 2008 | 2007 |
|---|--------------|-------------|
| Fair value of derivative instruments at December 31 (R\$) | 9,416 | 1,049 |
| <u>Year ended December 31:</u> | 2008 | 2007 |

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| | | |
|---|------------------|----------|
| Hedge effectiveness gains (losses) recognized in operating expenses (R\$) | 65,295 | (14,935) |
| Hedge ineffectiveness losses recognized in other income (R\$) | (1,828) | (11,637) |
| Hedged volume (USD) during the year | 1,070,250 | 626,800 |
| Percentage of expenses hedged during the year | 52% | 47% |

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 IAS 39. As of December 31, 2008 the unrealized exchange gains recorded in equity was R\$50,387 (R\$229 of losses as of December 31, 2007).

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)b) Foreign currency risks (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 equity. 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 equity is recognized in operating expenses.

The following table demonstrates the notional value of the derivatives contracted to protect the US dollar exchange rate exposure for each period:

| <u>Position as of December 31, 2008</u> | Maturities | | | | Total |
|---|-------------------|-------------|-------------|-------------|--------------|
| | 1Q09 | 2Q09 | 3Q09 | 4Q09 | |
| US dollar Exchange risk | | | | | |
| Notional value in US dollar | 124,750 | - | 3,000 | 12,000 | 139,750 |
| Futures contracted average rate | 2.8121 | - | 2.0000 | 2.0000 | 2.7249 |
| Total in Reais | 350,809 | - | 6,000 | 24,000 | 380,809 |

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of forward exchange contracts).

| Strengthening / weakening in US dollar (percent) | Position as of December 31, 2008 | | Position as of December 31, 2007 | |
|---|--|---|--|---|
| | Effect on profit before tax (R\$ million) | Effect on equity (R\$ million) | Effect on profit before tax (R\$ million) | Effect on equity (R\$ million) |
| +10 | (500.85) | (313.61) | (358.03) | (230.57) |
| -10 | 493.53 | 315.85 | 345.36 | 223.20 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating 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 derivative financial instruments to reduce its exposure to fluctuations in international interest rates and accounts for these instruments in accordance with IAS 39. In general, when a derivative can be defined within the terms and cash flows of a leasing agreement, this may be designed as a Cash Flow Hedge and the effective portion of fair value variations are recorded in equity until the date the cash flow of the hedged leasing agreement becomes due. The Company also has interest rate derivatives not designated for hedge accounting treatment and, in this case, the periodic variations in fair values are recognized as financial income or expense.

In the fourth quarter of 2008, the Company settled interest swap-lock derivatives to protect itself from movements of international interest rates. On December 31, 2008, for financial instruments designated as cash flow hedges, the Company had contracts with a nominal amount of R\$141,564 with a fair value of R\$3,878 of losses and recognized R\$3,873 of losses in equity. During the period, the Company recognized R\$211 of net losses as a reduction of interest payment recorded in financial income.

For interest rate derivatives not designated as hedges, on December 31, 2008, the Company had contracts with a nominal amount of R\$203,786 with a fair value of R\$30,903 of losses and recognized R\$38,390 of net losses, resulting from market value fluctuations and settled contracts, in financial income.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)c) Interest rate risk (Continued)

The Company's results are affected by changes in interest rates prevailing in Brazil, changes in 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 December 31, 2008, the nominal value of Interbank Deposit futures contracts with the Brazilian Mercantile and Futures Exchange (BM&F) totaled R\$3,100 with periods of up to 9 months, with a fair market value of R\$0.09, loss 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.

The following table illustrates the sensitivity of financial instruments on profit before tax for the year to a reasonably possible change in Libor interest rates, with effect from the beginning of the year. There was no impact on shareholders' equity. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on financial instruments held at each balance sheet date. All other variables were held constant.

| Increasing/(decreasing)in Libor interest rates for all maturities, in percent | Position as of December 31, 2008 | | Position as of December 31, 2007 | |
|---|---|--------------------------------|---|--------------------------------|
| | Effect on profit before tax (R\$ million) | Effect on equity (R\$ million) | Effect on profit before tax (R\$ million) | Effect on equity (R\$ million) |
| +10 | (1.35) | (0.63) | (1.97) | (1.30) |
| -10 | 1.36 | 0.63 | 1.97 | 1.30 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)Liquidity risk

Liquidity risk represents the risk of shortage of funds to pay off debts. To avoid mismatch of accounts receivable and accounts payable, the Company's cash management policy limits a maximum of 20% of its investments with maturities in the same month and the duration of the investments cannot exceed the duration of the Company's payment obligations.

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.

The table below presents the Company's contractual payments required on its financial liabilities:

| <u>Year ended December 31, 2008</u> | Within one year | One to five years | In five years or more | Total |
|-------------------------------------|----------------------------|------------------------------|----------------------------------|--------------------|
| Interest-bearing borrowings: | | | | |
| Finance leases | (222,222) | (881,186) | (972,318) | (2,075,726) |
| Floating rate loans | (759,504) | (126,917) | (209) | (886,630) |
| Fixed rate loans | - | - | (896,098) | (896,098) |
| Working capital | (50,953) | - | - | (50,953) |
| Derivative Financial Instruments: | | | | - |
| Fuel derivatives | (102,341) | (46) | - | (102,387) |
| Interest rate swaps | (15,043) | (19,737) | - | (34,780) |
| Total | (1,150,063) | (1,027,886) | (1,868,625) | (4,046,574) |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)Liquidity risk (Continued)

| <u>Year ended December 31, 2007</u> | Within one year | One to five years | In five years or more | Total |
|-------------------------------------|----------------------------|------------------------------|----------------------------------|--------------------|
| Interest-bearing borrowings: | | | | |
| Finance leases | (92,672) | (360,731) | (524,142) | (977,545) |
| Floating rate loans | (327,344) | (295,689) | (17,610) | (640,643) |
| Fixed rate loans | - | - | (712,898) | (712,898) |
| Working capital | (500,519) | - | - | (500,519) |
| Derivative Financial Instruments: | | | | |
| Fuel derivatives | 23,302 | - | - | 23,302 |
| Total | (897,233) | (656,420) | (1,254,650) | (2,808,303) |

Capital management

The Company's policy is to maintain a strong capital base so as to maintain growth, and an optimal capital structure to reduce the cost of capital and to provide returns for its shareholders.

Consistent with others in the industry, the Company monitors capital on the basis of the leverage ratio, net debt as a percentage of total capital. Net debt is defined as the total loans and borrowings, finance leases, net cash and cash equivalents and other current financial assets. The Company defines capital as the total of shareholders' equity and net debt.

The leverage ratios at December 31, 2008 and 2007 were as follows:

| | 2008 | 2007 |
|--------------------------------|------------------|-------------|
| Total equity | 1,071,608 | 2,392,448 |
| Cash and cash equivalents | (169,330) | (573,121) |
| Restricted cash | (183,286) | (6,041) |
| Other current financial assets | (245,585) | (820,343) |
| Loans and borrowings | 1,832,728 | 1,850,329 |
| Finance leases | 1,573,605 | 755,930 |
| Net debt (a) | 2,808,132 | 1,206,754 |

| | | |
|--------------------------|------------------|-----------|
| Total capital (b) | 3,879,740 | 3,599,202 |
| Leverage ratio (a) / (b) | 72% | 34% |

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

18. Financial instruments and concentration of risk (Continued)

Capital management (Continued)

The increase in the leverage ratio during 2008 resulted primarily from the delivery of Boeing aircraft classified as finance leases during the year and lower cash balances due to lower operating profit.

Management believes that the resources available to the Company are sufficient for its present requirements and will be sufficient to meet its anticipated requirements for capital expenditures and other cash requirements for the 2009 fiscal year. The Company is not subject to any externally imposed capital requirements.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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 primarily to amounts receivable from the major international credit card companies. These receivables are short-term and the majority of them settle within 30 days.

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 derivative financial instruments for trading purposes.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

19. Financial assets and liabilities

Below there is a comparative summary between fair value and carrying amount value of the financial assets and financial liabilities by categories:

| | Carrying value | | Fair value | |
|---------------------------------------|------------------|-----------|------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| Financial Assets | | | | |
| Held to maturity | - | 189,989 | - | 199,240 |
| | - | 189,989 | - | 199,240 |
| Financial Liabilities | | | | |
| Interest bearing loans and borrowings | | | | |
| Floating rate borrowings * | 936,630 | 1,137,431 | 904,926 | 1,095,708 |
| Fixed rate borrowing ** | 896,098 | 712,898 | 403,372 | 675,170 |
| | 1,832,728 | 1,850,329 | 1,308,298 | 1,770,878 |

* BNDES, BDMG, IFC, PDP Facility and other bank borrowings. ** Perpetual Bonds and Senior Notes.

There are no significant differences between carrying value and fair value of other financial assets and liabilities.

a) Financial assets

Available-for-sale assets consist principally of exclusive funds with investments in certificate bank deposits (CDB), investment funds, box operations, public securities, fixed income securities and other investments. The held-to-maturity investment is comprised by a public security. The cash flow hedge consists of future US dollars derivative instruments and US dollars call options.

The Company has no intention to trade financial instruments. The main purpose of investing in financial assets is to maximize the return on surplus cash. The Company's cash management policy defines that an investment in financial assets must concentrate in instruments with high liquidity, with minimum transaction cost and with first tier financial institutions. Investments must be readily redeemable with little or no loss in time of need for cash.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

19. Financial assets and liabilities (Continued)a) Financial assets (Continued)

Below is a summary of financial assets by categories:

| | 2008 | 2007 |
|--------------------|----------------|-------------|
| Investments | | |
| Available for sale | 245,585 | 630,354 |
| Held to maturity | - | 189,989 |
| | 245,585 | 820,343 |

* Short-term investments with maturity between three months and one year or the Company have the intention to redeem the security in less than one year.

The major investments classified as available-for-sale financial assets have their fair value based on quoted price on active market. When there is no active market, the Company utilizes the fair value of the most recent transaction for the investment or the fair value of an instrument with similar characteristics founded on active market. When there are no similar instruments or recent transactions, the fair values of the investments are calculated using the discounted cash flow method. To calculate the discounted cash flow, the Company used the yield of its bonds as a discount rate and, for other cases, the credit risk rate of the issuer bank as a discount rate.

The summary below demonstrates the fair value of listed and unlisted financial assets:

| | Fair value | |
|----------|-------------------|-------------|
| | 2008 | 2007 |
| Listed | 210,615 | 630,354 |
| Unlisted | 34,970 | 199,240 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

19. Financial assets and liabilities (Continued)a) Financial assets (Continued)

Listed investments are recorded at fair value on a marked-to-market basis. For unlisted investments fair value is estimated by the discounted cash flow method.

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

| | Gross unrealized gains | Gross unrealized losses | Net carrying amount |
|-------------|-----------------------------------|------------------------------------|--------------------------------|
| 2008 | 4,008 | (7) | 245,585 |
| 2007 | 145 | (6,870) | 630,354 |

The gross realized gains on sales of available-for-sale securities totaled R\$3,911 and R\$23,332 (US\$1,674 and US\$13,172), in the year ended December 31, 2008 and 2007, respectively. The gross realized losses on sales of available-for-sale totaled R\$742 (US\$317) in the year ended December 31, 2008, and in the year ended December 31, 2007 there were no losses.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

19. Financial assets and liabilities (Continued)b) Financial liabilities

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

| | Effective interest rate | Maturity | 2008 | 2007 |
|-----------------------------------|--|-----------------|----------------|-------------|
| <u>Current</u> | | | | |
| Local currency: | | | | |
| Working capital | 15.00% | August, 2009 | 50,000 | 496,788 |
| Secured floating rate BNDES loan | 8.90% | July, 2012 | 14,181 | 14,962 |
| Secured floating rate BDMG loan | 12.79% | January, 2014 | 2,567 | - |
| Interest | | - | 1,686 | 3,803 |
| | | | 68,434 | 515,553 |
| Foreign currency in U.S. Dollars: | | | | |
| Unsecured floating rate PDP loan | | December, | | |
| facility | 3.51% | 2009 | 697,719 | 169,173 |
| Secured floating rate Bank loan | - | December, | - | 106,278 |
| Secured floating rate IFC loan | 5.50% | July, 2013 | 19,475 | 17,800 |
| Finance leases | | | 157,948 | 67,411 |
| Interest | | | 23,876 | 15,328 |
| | | | 899,018 | 375,990 |
| | | | 967,452 | 891,543 |
| <u>Non-current</u> | | | | |
| Local currency: | | | | |
| Secured floating rate BNDES loan | 8.90% | July, 2012 | 36,633 | 50,813 |
| Secured floating rate BDMG loan | 12.79% | January, 2014 | 12,593 | 14,243 |
| | | | 49,226 | 65,056 |
| Foreign currency in U.S. dollars: | | | | |
| Unsecured floating rate PDP loan | | December, | | |
| facility | 3.51% | 2009 | - | 174,439 |
| Secured floating rate IFC loan | 5.50% | July, 2013 | 77,900 | 73,804 |

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| | | | | |
|--------------------------------------|-------|-------------|------------------|-----------|
| Finance leases | | | 1,415,657 | 688,519 |
| | | | 1,493,557 | 936,762 |
| Unsecured fixed rate Senior notes | 7.50% | April, 2017 | 481,630 | 380,571 |
| Unsecured fixed rate Perpetual notes | 8.75% | - | 414,468 | 332,327 |
| | | | 896,098 | 712,898 |
| | | | 2,438,881 | 1,714,716 |
| | | | 3,406,333 | 2,606,259 |

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

19. Financial assets and liabilities (Continued)b) Financial liabilities (Continued)

At December 31, 2008, the Company had five revolving lines of credit with five financial institutions allowing for combined borrowings up to R\$500,000. At December 31, 2008 and 2007, there was R\$50,000 and R\$496,788 outstanding borrowings under these facilities, respectively. The weighted average annual interest rate for these real-based short-term borrowings at December 31, 2008 and 2007 was 15.0% and 10.8%, respectively.

In April 2006, the Company, through its subsidiary Gol Finance, issued fixed rate perpetual notes guaranteed by the Company and GOL. The notes are denominated in U.S. dollars, have no fixed final maturity date, are callable at par by the Company after five years from the issuance date, and bear interest at 8.75%. The Company is using the proceeds to finance the pre-delivery deposits made for the acquisition of aircraft, supplementing its own funds and bank financings guaranteed by assets obtained with the U.S. Exim Bank. At December 31, 2008, the fair value of this borrowing was R\$161,054 (US\$68,914).

In May 2006, the Company closed a secured floating rate loan in the amount of R\$75,700 with the BNDES (the Brazilian Development Bank). The proceeds financed a major portion of the construction and expansion of the Gol Aircraft Maintenance Center at the International Airport of Confins, in the state of Minas Gerais, Brazil. The borrowing has a term of six years, an interest rate of 2.65% over the long-term borrowing rate TJLP and is collateralized by accounts receivable in the amount of R\$16,000. The principal is amortized in monthly payments of R\$1,190 with a grace period of 12 months.

In June 2006, the Company closed a secured floating rate borrowing agreement in the amount of R\$108,000 (US\$50,000) with the International Finance Corporation (IFC). This financing is being used to acquire spare parts inventories and fund working capital requirements. The loan has a term of six years with interest of LIBOR plus 1.875% p.a. and is guaranteed by spare parts and equipment at market value at a minimum amount equivalent to 1.3 times the outstanding amount. The principal is amortized in semi-annually payments of R\$9,738 (US\$4,167), with a grace period of 6 months.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

19. Financial assets and liabilities (Continued)b) Financial liabilities (Continued)

In March 2007, the Company, through its subsidiary Gol Finance, issued fixed rate senior notes in the amount of R\$463,545 (US\$225,000) guaranteed by the Company and GOL. The notes are senior unsecured debt obligations, denominated in U.S. dollars, which mature in 2017, and bear interest at 7.50% p.a. The Company is using the proceeds to finance the pre-delivery deposits made for the acquisition of aircraft, supplementing its own funds and the bank financings guaranteed by assets obtained with the U.S. Exim Bank. At December 31, 2008, the fair value of this borrowing was R\$242,318 (US\$103,688).

In July 2007, the Company closed a secured floating rate loan in the amount of R\$14,000 (US\$7,613) with the Development Bank of Minas Gerais (BDMG). This credit line will be used to finance a portion of the investments and operating expenses of the Gol Aircraft Maintenance Center at the International Airport of Confins, in the state of Minas Gerais. The loan has a term of five years with an annual interest rate of IPCA plus 6%. The principal is amortized in monthly payments of R\$233 with a grace period of 18 months.

In October 2007, the Company closed a committed aircraft pre-delivery payment (PDP) loan facility in the amount of R\$560,418 (US\$310,000) for all of its 21 Boeing 737-800 Next Generation aircraft to be delivered in 2008 and 2009. The loan has a term of 1.6 years with interest of LIBOR plus 0.5% p.a. and is guaranteed by the right to take delivery of the 21 aircraft and by GOL.

The Company has repurchased R\$35,055 face value of its 7.5% senior notes maturing April 3, 2017 and R\$49,077 of its 8.75% perpetual notes with no fixed final maturity date that were recorded as amortization of principal. At December 31, 2008, the outstanding amounts were R\$481,630 and R\$414,468, respectively. The repurchase generated a net financial gain of R\$3,832.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

19. Financial assets and liabilities (Continued)b) Financial liabilities (Continued)

The following table provides a summary of Company's principal payments of long-term debt obligations at December 31, excluding the finance leases:

| | 2010 | 2011 | 2012 | 2013 | Thereafter 2013 | Total |
|--------------------------|---------------|---------------|---------------|---------------|----------------------------|------------------|
| <u>Local currency:</u> | | | | | | |
| BDMG loan | 3,096 | 3,096 | 3,096 | 3,096 | 209 | 12,593 |
| BNDES loan | 14,653 | 14,653 | 7,327 | - | - | 36,633 |
| | 17,749 | 17,749 | 10,423 | 3,096 | 209 | 49,226 |
| <u>Foreign currency:</u> | | | | | | |
| IFC loan | 19,475 | 19,475 | 19,475 | 19,475 | - | 77,900 |
| Senior notes | - | - | - | - | 481,630 | 481,630 |
| | 19,475 | 19,475 | 19,475 | 19,475 | 481,630 | 559,530 |
| Perpetual notes | | | | | 414,468 | 414,468 |
| Total | 37,224 | 37,224 | 29,898 | 22,571 | 896,307 | 1,023,224 |

Contracts with IFC and BNDES include customary covenants and restrictions including those that require the Company to maintain defined debt liquidity and interest coverage ratios.

Regarding the BNDES loan, according to the specific consent obtained, the Company can present a guarantee letter under the terms and conditions established in order to prevent a breach with the financial covenants. On March 6, 2008, the Company presented to BNDES a guarantee letter with maturity on March 4, 2009, that guarantees all contractual obligations. Subsequent to September 30, 2008, a contract amendment was signed establishing that during the period that the financial covenants are not met, the Company has the obligation to maintain a guarantee letter in order to prevent a covenant breach. At December 31, 2008, the Company was therefore in compliance with the financial covenant established in its loan contract with the BNDES totaling R\$50,814, even though the established financial ratios were not met.

On May 20, 2008, the Company and IFC signed a contract amendment, which changed the conditions originally established relating to financial ratios. On December 31, 2008, the Company was in compliance with the new ratios settled with the IFC.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

20. Fair value measurements

Market values are estimated for most of the Company's financial instruments using a variety of valuation methods, such as discounted future cash flows. However, the methods and assumptions used to provide the information set out below are theoretical in nature. They bear the following inherent limitations:

Market values cannot take into consideration the effect of subsequent fluctuations in interest or exchange rates.

Estimated amounts as of December 31, 2008 and December 31, 2007 are not indicative of gains and/or losses arising upon maturity or in the event of cancellation of a financial instrument.

The application of alternative methods and assumptions may, therefore, have a significant impact on the estimated market values. The methods used are as follows:

Cash, trade receivables, other receivables, short-term bank facilities, trade payable and other payables: The Company believes that, due to their short-term nature, net book value can be deemed a reasonable approximation of market value.

Marketable securities, investments and other securities: The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Where no comparable exists, the Company uses their book value, which is deemed a reasonable approximation of market value in this instance.

Borrowings, other financial debts and loans: Floating-rate loans and financial debts are recorded at net book value. The market value of fixed-rate loans and financial debts is determined based on discounted future cash flows at market interest rates for instruments with similar features.

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.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

20. Fair value measurements (Continued)

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 18 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. 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 fair value of Company's Smiles frequent flyer award liability (recorded as deferred revenue on the accompanying condensed consolidated balance sheets) was determined based on weighted average equivalent ticket value of a Smiles award which is redeemed for travel on Gol, VRG or a participating airline. The weighted average equivalent ticket value contemplates differing classes of service and the carrier providing the award travel.

The Company performs the impairment test for 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 8.

In evaluating goodwill for impairment, the Company first compares its fair value to its carrying value. The fair value is estimated 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) Company's market capitalization and (5) any premium an investor would pay for a controlling interest.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

21. Commitments

The following table provides a summary of Company's principal payments under aircraft purchase commitments and other obligations at December 31 of each year:

| <u>(In R\$ 000)</u> | Within one year | Between one and five years | Over five years | Total |
|---|----------------------------|---------------------------------------|----------------------------|-------------------|
| Pre-delivery deposits for flight equipment | 170,530 | 665,394 | 6,743 | 842,667 |
| Aircraft purchase commitments | 1,958,781 | 10,750,588 | 3,110,740 | 15,820,109 |
| Total | 2,129,311 | 11,415,982 | 3,117,483 | 16,662,776 |

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.

At December 31, 2008, the Company has a purchase contract with Boeing for acquisition of Boeing 737-800 Next Generation aircraft, under which the Company currently has 94 firm orders and 36 purchase options. The firm orders have an approximate value of R\$15,820,109 (US\$6.8 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).

The Company leases its entire fleet under a combination of operating and finance leases. At December 31, 2008, the total fleet was 115 aircraft, of which 90 were operating leases and 25 were recorded as finance leases. Eighteen of the Company's aircraft finance leases contain bargain purchase options. During the year ended on December 31, 2008, eleven aircraft under finance leases were delivered and five 737-300 aircraft were returned during the quarter ended December 31, 2008. Fifteen 737-300 aircraft were in the process of being returned.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

21. Commitments (Continued)a) Finance leases

Future minimum lease payments under finance leases with initial or remaining terms in excess of one year at December 31, 2008 and 2007 were as follows:

| | 2008 | 2007 |
|--|------------------|-------------|
| Within one year | 222,222 | 92,672 |
| After more than one year but within five years | 881,186 | 360,731 |
| In five years or more | 972,318 | 524,142 |
| Total minimum lease payments | 2,075,726 | 977,545 |
| Less: amount representing interest | (502,121) | (221,615) |
| Present value of net minimum lease payments | 1,573,605 | 755,930 |
| Less current portion | (157,948) | (67,411) |
| Long-term portion | 1,415,657 | 688,519 |

The Company extends the maturity of the financing of certain of its leased aircraft to fifteen years through the use of a Stretched Overall Amortization and Repayment , or SOAR, structure which provides serial drawdowns calculated to result in a 100% loan accreting to a recourse balloon at the end of the contractual lease term. The scheduled amount of this recourse balloon at the end of the contractual lease term is R\$13,556 (R\$1,861 as of December 31, 2007).

b) Operating leases

The Company leases aircraft in operation, airport terminal space, other airport facilities, office space and other equipment with initial lease term expiration dates ranging from 2009 to 2018.

Future minimum lease payments under non-cancelable operating leases are denominated in US dollars. Such leases with initial or remaining terms in excess of one year at December 31, 2008 and 2007 were as follows:

| | 2008 | 2007 |
|--|------------------|-------------|
| Within one year | 916,298 | 588,987 |
| After more than one year but within five years | 3,080,918 | 1,754,423 |
| In five years or more | 678,204 | 920,584 |
| Total minimum lease payments | 4,675,420 | 3,263,994 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

21. Commitments (Continued)c) Sale-leaseback

During 2008, the Company through its wholly-owned subsidiary GAC Inc. realized sale-leaseback transactions for 2 Boeing 737-800 Next Generation aircraft (5 Boeing 737-800 Next Generation aircraft in 2007) which resulted in losses of R\$20,008 (losses of R\$34,354 in 2007).

d) Other commitment

The Company does not accrue liabilities for levies imposed on its receipt of leased aircraft, which comprise its fleet. The Company is challenging in court the VAT (ICMS) levies on aircraft and engines imported under aircraft leases without purchase options in transactions carried out with lessors headquartered in foreign countries. The Company's management understands that these transactions represent simple leases in view of the contractual obligation to return the assets that are the subject of the contract, which will never be considered as the Company's asset. Given that there is no circulation of goods, a relevant tax triggering event is not characterized. The estimated aggregate value of lawsuits filed is R\$201,760 at December 31, 2008 (R\$173,887 at December 31, 2007), monetarily adjusted and not including charges in arrears. Management, based on the assessment of the cases by its legal advisors and supported by case laws favorable to taxpayers from the High Court (STJ) and the Supreme Federal Court (STF) handed down in the second quarter of 2007, understands that it is unlikely for the Company to have losses on these lawsuits.

Although the results of these proceedings cannot be anticipated, the final judgment of these actions will not have a material effect on the Company's financial position, operating income and cash flow, according to management's opinion supported by its outside legal advisors.

22. Advance ticket sales

At December 31, 2008, the balance of advance ticket sales of R\$572,573 (R\$472,860 at December 31, 2007) is represented by 2,010,347 (2,211,591 at December 31, 2007) of tickets sold and not yet used with 80 days of average term of use.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS

For all periods up to and including the year ended December 31, 2007, the Company prepared its consolidated financial statements in accordance with Brazilian Corporate Law (BR GAAP). These consolidated financial statements, for the year ended December 31, 2008, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared in accordance with the significant accounting policies described in Note 2.

Accordingly, the Company has prepared consolidated financial statements in compliance with IFRS applicable for periods beginning on or after January 1, 2008 as described in the accounting policies. In preparing these consolidated financial statements, the Company's opening balance sheet was prepared as at January 1, 2007, the Company's date of transition to IFRS. This Note explains the principal adjustments made by the Company in restating its BR GAAP balance sheet as of January 1, 2007 and its previously published BR GAAP consolidated financial statements for the year ended December 31, 2007. Certain amounts in the BR GAAP consolidated balance sheet as of January 1, 2007 have been reclassified to conform with the classification as of December 31, 2007.

The Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these consolidated financial statements which allows first-time adopters certain exemptions from the general requirements contained in IFRS. The Company has taken the exemption related to accounting for business combinations that occurred before January 1, 2007, and has not restated these amounts.

The following consolidated balance sheets as of January 1, 2007 and December 31, 2007 and consolidated income statement for the year ended December 31, 2007 show the effects of the adoption of IFRS on January 1, 2007 on the Company's previously issued 2007 consolidated financial statements prepared under BR GAAP.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)

Reconciliation between BR GAAP and IFRS on transition date January 1, 2007 (Restated)

Consolidated balance sheet

| | Note | BR GAAP | IFRS Adjustments | IFRS |
|------------------------------------|------|-----------|---------------------|------------------|
| Non current assets | | | | |
| Property, plant and equipment, net | (b) | 795,430 | 264,889 | 1,060,319 |
| Software | (f) | - | 15,103 | 15,103 |
| Other non-current assets | | | | |
| Investments | (f) | 2,281 | (2,281) | - |
| Deposits | (c) | 133,590 | 263,650 | 397,240 |
| Deferred income taxes | (h) | 23,466 | 73,451 | 96,917 |
| Other non-current assets | (f) | 63,820 | (13,136) | 50,684 |
| Total other non-current assets | | 223,157 | 321,684 | 544,841 |
| Total non-current assets | | 1,018,587 | 601,676 | 1,620,263 |
| Current assets | | | | |
| Other current assets | | 182,817 | - | 182,817 |
| Prepaid expenses | | 64,496 | - | 64,496 |
| Recoverable and deferred taxes | (h) | 73,451 | (73,451) | - |
| Inventories of parts and supplies | | 75,165 | - | 75,165 |
| Trade and other receivables | | 659,306 | - | 659,306 |
| Other current financial assets | (e) | 1,006,356 | 419,013 | 1,425,369 |
| Cash and cash equivalents | (e) | 699,990 | (412,526) | 287,464 |
| Total current assets | | 2,761,581 | (66,964) | 2,694,617 |
| Total assets | | 3,780,168 | 534,712 | 4,314,880 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)

Reconciliation between BR GAAP and IFRS on transition date January 1, 2007 (Restated) (Continued)

Consolidated balance sheet (Continued)

| <u>Liabilities and shareholders' equity</u> | <u>Note</u> | <u>BR GAAP</u> | <u>IFRS Adjustments</u> | <u>IFRS</u> |
|---|-------------|----------------|-----------------------------|------------------|
| Shareholders' equity | | 2,067,959 | 101,199 | 2,169,158 |
| Non-current liabilities | | | | |
| Long-term debt | (b) | 735,168 | 180,142 | 915,310 |
| Deferred credits | (b) | - | 51,168 | 51,168 |
| Deferred income taxes | (h) | - | 65,133 | 65,133 |
| Provisions | | 5,715 | - | 5,715 |
| Other non-current liabilities | | 23,998 | - | 23,998 |
| Total non-current liabilities | | 764,881 | 296,443 | 1,061,324 |
| Current liabilities | | | | |
| Short-term debt | (b) | 132,501 | 18,429 | 150,930 |
| Accounts payable | | 124,110 | - | 124,110 |
| Salaries, wages and benefits | | 87,821 | - | 87,821 |
| Sales tax and landing fees | | 39,217 | - | 39,217 |
| Advance ticket sales | | 335,268 | - | 335,268 |
| Provisions | (b) | 44,897 | 111,462 | 156,359 |
| Current income taxes payable | | 100,177 | - | 100,177 |
| Deferred credits | (b) | - | 7,179 | 7,179 |
| Other current liabilities | | 83,337 | - | 83,337 |
| Total current liabilities | | 947,328 | 137,070 | 1,084,398 |
| Total liabilities and shareholders' equity | | 3,780,168 | 534,712 | 4,314,880 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)

Reconciliation between BR GAAP and IFRS on transition date January 1, 2007 (Restated) (Continued)

Summary of impact on shareholders' equity

| | Note | IFRS |
|--|------|------------------|
| Shareholders' equity BR GAAP | | 2,067,959 |
| IFRS Adjustments | | |
| Maintenance deposits | (c) | 263,650 |
| Investments | (f) | (2,281) |
| Deferred charges | (f) | (13,136) |
| Sale-leaseback of aircraft | (b) | (58,347) |
| Differences on leasing classification | (b) | (109,068) |
| Differences on fixed assets capitalization | (b) | 79,026 |
| Deferred income taxes | (h) | (65,133) |
| Derivative financial instruments | (e) | 6,488 |
| Shareholders' equity IFRS | | 2,169,158 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)Reconciliation between BR GAAP and IFRS for the year ended December 31, 2007 (Restated)Consolidated balance sheet

| | Note | BR GAAP | IFRS Adjustments | IFRS |
|------------------------------------|-------------|----------------|-----------------------------|------------------|
| Non current assets | | | | |
| Property, plant and equipment, net | (b) / (d) | 1,251,423 | 939,605 | 2,191,028 |
| Intangible assets | (d) / (f) | - | 1,197,441 | 1,197,441 |
| Other non-current assets | | | | |
| Investments | (d) | 884,847 | (884,847) | - |
| Prepaid expenses | (b) | - | 44,808 | 44,808 |
| Deposits | (c) | 169,081 | 279,726 | 448,807 |
| Deferred income taxes | (h) | 367,088 | 118,892 | 485,980 |
| Restricted cash | (e) | - | 6,041 | 6,041 |
| Other non-current assets | (f) / (i) | 24,462 | 63,027 | 87,489 |
| Total other non-current assets | | 1,445,478 | (372,353) | 1,073,125 |
| Total non-current assets | | 2,696,901 | 1,764,693 | 4,461,594 |
| Current assets | | | | |
| Other current assets | | 144,484 | - | 144,484 |
| Prepaid expenses | (b) | 143,756 | (7,799) | 135,957 |
| Recoverable income taxes | (h) | 65,247 | (19,678) | 45,569 |
| Deposits | (c) | 149,729 | 42,628 | 192,357 |
| Inventories of parts and supplies | (d) | 215,777 | (5,851) | 209,926 |
| Trade and other receivables | (d) | 916,133 | (13,072) | 903,061 |
| Other current financial assets | (e) | 516,637 | 303,706 | 820,343 |
| Cash and cash equivalents | (e) | 916,164 | (343,043) | 573,121 |
| Total current assets | | 3,067,927 | (43,109) | 3,024,818 |
| Total assets | | 5,764,828 | 1,721,584 | 7,486,412 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)Reconciliation between BR GAAP and IFRS for the year ended December 31, 2007 (Restated) (Continued)Consolidated balance sheet (Continued)

| <u>Liabilities and shareholders equity</u> | <u>Note</u> | <u>BR GAAP</u> | <u>IFRS Adjustments</u> | <u>IFRS</u> |
|--|-------------|----------------|-----------------------------|------------------|
| Shareholders equity | | 2,410,992 | (18,544) | 2,392,448 |
| Non-current liabilities | | | | |
| Long-term debt | (b) | 1,066,102 | 648,614 | 1,714,716 |
| Smiles deferred revenue | (a) / (d) | - | 233,618 | 233,618 |
| Deferred income taxes | (h) | - | 341,634 | 341,634 |
| Provisions | (d) / (i) | 32,075 | 168,589 | 200,664 |
| Other non-current liabilities | (b) | 63,135 | 43,997 | 107,132 |
| Total non-current liabilities | | 1,161,312 | 1,436,452 | 2,597,764 |
| Current liabilities | | | | |
| Short-term debt | (b) | 824,132 | 67,411 | 891,543 |
| Accounts payable | | 326,364 | - | 326,364 |
| Salaries, wages and benefits | | 163,437 | - | 163,437 |
| Current income taxes payable | | 68,013 | - | 68,013 |
| Sales tax and landing fees | | 84,319 | - | 84,319 |
| Advance ticket sales | | 472,860 | - | 472,860 |
| Provisions | (b) | 44,150 | 131,826 | 175,976 |
| Smiles deferred revenue | (a) / (d) | 50,080 | 97,268 | 147,348 |
| Other current liabilities | (b) | 159,169 | 7,171 | 166,340 |
| Total current liabilities | | 2,192,524 | 303,676 | 2,496,200 |
| Total liabilities and shareholders equity | | 5,764,828 | 1,721,584 | 7,486,412 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)

Reconciliation between BR GAAP and IFRS for the year ended December 31, 2007 (Restated) (Continued)

Consolidated income statement

| | Note | BR GAAP | IFRS Adjustments | IFRS |
|--|-----------|-------------|---------------------|--------------------|
| Operating revenues | | | | |
| Passenger | | 4,566,691 | - | 4,566,691 |
| Cargo and other | (a) / (d) | 400,571 | (26,278) | 374,293 |
| Total operating revenues | | 4,967,262 | (26,278) | 4,940,984 |
| Operating expenses | | | | |
| Salaries | (g) | (794,439) | (4,905) | (799,344) |
| Aircraft fuel | | (1,898,840) | - | (1,898,840) |
| Aircraft rent | (b) | (558,625) | 32,840 | (525,785) |
| Supplementary rent | (c) | (68,554) | 68,554 | - |
| Aircraft insurance | | (44,646) | - | (44,646) |
| Sales and marketing | | (367,866) | - | (367,866) |
| Landing fees | | (273,655) | - | (273,655) |
| Aircraft and traffic servicing | | (348,732) | - | (348,732) |
| Maintenance materials and repairs | (b) | (318,917) | (20,364) | (339,281) |
| Depreciation | (b) / (f) | (90,253) | 27,705 | (62,548) |
| Other operating expenses | (f) | (262,959) | (7,463) | (270,422) |
| Total operating expenses | | (5,027,486) | 96,367 | (4,931,119) |
| Operating profit (loss) | | (60,224) | 70,089 | (9,865) |
| Finance costs and other income (expense) | | | | |
| Finance costs | | | | |
| Interest expense | (b) | (162,715) | (19,903) | (182,618) |
| Capitalized interest | (b) | 22,156 | 16,723 | 38,879 |
| Total finance costs | | (140,559) | (3,180) | (143,739) |
| Exchange gains | (b) | 61,037 | 104,193 | 165,230 |
| Interest and investment income | (e) | 288,282 | 5,051 | 293,333 |
| Other income (expense), net | (c) / (e) | (102,562) | (21,244) | (123,806) |
| Total finance costs and other | | | | |

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| | | | | |
|--|-----|----------|-----------|-----------------|
| income (expense) | | 106,198 | 84,820 | 191,018 |
| Non-operating results | (b) | (34,354) | 34,354 | - |
| Profit before income taxes | | 11,620 | 189,269 | 200,883 |
| Income taxes (expense) benefit | (h) | 256,907 | (290,502) | (33,595) |
| Profit (loss) for the year from continuing operations attributable to equity holders of the parent | | 268,527 | (101,239) | 167,288 |

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)Reconciliation between BR GAAP and IFRS for the year ended December 31, 2007 (Restated) (Continued)Consolidated statement of cash flow

The transition from BR GAAP to IFRS has not had a material impact on the cash flow statement.

Summary of impact on shareholders' equity

| | Note | IFRS |
|--|------|------------------|
| Shareholders' equity BR GAAP | | 2,410,992 |
| IFRS Adjustment | | |
| VRG acquisition effects | (d) | (235,318) |
| Mileage program | (a) | (26,278) |
| Maintenance deposits | (c) | 322,354 |
| Investments write-off | (f) | (1,551) |
| Deferred charges | (f) | (21,757) |
| Sale-leaseback of aircraft | (b) | (825) |
| Differences on leasing classification | (b) | (42,969) |
| Differences on fixed assets capitalization | (b) | 126,005 |
| Deferred income taxes | (h) | (131,479) |
| Derivative financial instruments | (e) | (6,726) |
| Shareholders' equity IFRS | | 2,392,448 |

a) Mileage program

These adjustments relate to the increase in the frequent flyer liability from incremental cost (BR GAAP) to estimated fair value (IFRS). Under BR GAAP, obligations related to miles issued under the frequent flyer program, (accumulated and not redeemed) were recognized in a provision based on the estimated total tickets to be granted and on incremental cost to transport passengers redeeming an award. The revenue arising from miles sold to partners under the Smiles mileage program was recorded as other income when sold.

b) Property, plant and equipment and leases

These adjustments are to record finance leases, capitalized major overhaul costs, aircraft maintenance reserve deposit assets and borrowing costs. Under BR GAAP, all leased aircraft were recorded as operating leases. Also, the costs of

major overhauls, payments to aircraft lessors for maintenance reserves were expensed as incurred. Finally, borrowing costs under BR GAAP were capitalized at different amounts.

Adjustments to recognize the aircraft assets and the obligations under finance leases include the recognition of related depreciation and interest costs. Additionally, under IFRS, the Company recorded liabilities related to the aircraft restoration obligations for aircraft under operating leases, which were expensed when paid under BR GAAP.

c) Aircraft maintenance deposits

Under BR GAAP, all aircraft and engine maintenance deposits were expensed when paid to the lessor and recognized as supplementary rent in the income statement.

IFRS requires aircraft and engine maintenance deposits to be recorded as a deposit on the balance sheet and maintenance cost is recognized when the underlying maintenance is performed. The amount of aircraft and engine maintenance deposits expected to be utilized in the next twelve months is classified in current assets.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)**d) Business combination**

Under BR GAAP, goodwill was calculated as the difference between acquisition cost and the carrying value of shareholders' equity of the acquired entity. No separate allocation of the acquisition cost to the assets acquired and liabilities assumed was made. Goodwill was generally amortized over a period of up to ten years. Transaction costs were not accounted for as part of the acquisition cost. The total cost of the acquisition of VRG was classified as investments in the balance sheet as of December 31, 2007.

These adjustments relate to the allocation of the purchase price for VRG (see Note 3), including the recognition of separable intangible assets, as required by IFRS. The investment in VRG (BR GAAP) has been eliminated by the allocation of the IFRS-basis purchase price to the relative fair values of the net assets acquired.

e) Financial instruments

These adjustments were made to record derivatives and available-for-sale financial assets at fair value, as required by IFRS. Under BR GAAP, financial instruments, including securities, were recorded at cost plus income earned through the date of the financial statements according to the rates agreed with the financial institutions, not in excess of market value. Financial instruments include the Company's investments in highly liquid investment grade commercial paper issued by financial institutions which are classified differently under IFRS and BR GAAP. Restricted cash has been disclosed separately under IFRS.

f) Deferred charges

Under BR GAAP, pre-operating costs were capitalized and amortized. Under IFRS, pre-operating costs that do not meet the definition of an intangible asset are recorded as expenses. Additionally, amounts capitalized related to the cost of software developed for internal use have been reclassified from property, plant and equipment to other non-current assets for IFRS.

g) Share-based payments

The Company recorded adjustments to recognize the expense for equity instruments granted based on their fair value at the date of grant, as required by IFRS. As permitted under BR GAAP, the Company did not record any compensation expense.

h) Income and social contribution taxes

Changes in the Company's deferred tax assets and liabilities are the result of the tax effects created by adjustments made to amounts recognized under IFRS which differ from amounts recognized for statutory income tax purposes (see Note 5).

i) Provisions

The Company recorded provisions for losses covered by insurance together with corresponding insurance receivables under IFRS. Under BR GAAP, these amounts were presented net in the balance sheet.

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

Reconciliation between US GAAP and IFRS as of and for the year ended December 31, 2007

The Company's consolidated financial statements as of and for the year ended December 31, 2008 have been prepared in accordance with IFRS, which, as applied by us, differ in certain significant respects from accounting principles generally accepted in the United States of America (US GAAP).

23. Transition to IFRS (Continued)

The following table presents a reconciliation of the effects of the application of US GAAP on the Company's consolidated profit for the year ended December 31, 2007 as reported under IFRS.

| | | |
|---------------------------------------|----------|-----------------|
| Profit for the year under IFRS | | 167,288 |
| US GAAP adjustments: | | |
| Aircraft leasing | Note (a) | (61,136) |
| Aircraft depreciation | Note (b) | (46,979) |
| Provision for return of aircraft | Note (c) | 20,364 |
| Derivative financial instruments | Note (d) | (4,408) |
| Other | Note (e) | (9,014) |
| Deferred income taxes | Note (f) | 36,398 |
| Total US GAAP adjustments | | (64,775) |
| Net income under US GAAP | | 102,513 |

The following table presents a reconciliation of the effects of the application of US GAAP on the Company's consolidated shareholders' equity as of December 31, 2007 and January 1, 2007 as reported under IFRS.

| | | December 31, 2007 | January 1, 2007 |
|---|----------|------------------------------|----------------------------|
| Shareholders' equity under IFRS | | 2,392,448 | 2,169,158 |
| IFRS adjustments: | | | |
| Aircraft leasing | Note (a) | (63,131) | (4,894) |
| Aircraft depreciation | Note (b) | (126,006) | (79,026) |
| Provision for return of aircraft | Note (c) | 131,826 | 111,462 |
| Derivative financial instruments | Note (d) | 6,726 | (6,488) |
| Other | Note (e) | 2,150 | 23,326 |
| Deferred income taxes | Note (f) | 31,250 | (8,380) |
| Total US GAAP adjustments | | (17,185) | 36,000 |
| Shareholders' equity under US GAAP | | 2,375,263 | 2,205,158 |

a) Aircraft leasing

For aircraft leases classified as financing, under US GAAP and IFRS, the Company records the aircraft as a long-lived asset and records a lease obligation at the lower of the fair value of the aircraft or present value of the future minimum rental payments as of the inception date of the lease. The adoption of IFRS resulted in changes to the measurement of aircraft asset and finance lease obligations for certain finance leases, as well as changes to the classification of certain aircraft leases from US GAAP (resulting in a net reduction in leases classified as financing as of December 31, 2007). The reduction under IFRS to amounts capitalized as finance leases reduced related depreciation and interest expense when compared to the corresponding amounts in US GAAP; and, the changes in lease classification from financing (US GAAP) to operating (IFRS) eliminated previously recognized losses from foreign exchange rate movements (all of the Company's aircraft leases are denominated in U.S. dollars) recorded on the US GAAP capital lease obligations in 2007.

b) Aircraft depreciation

The Company depreciates the cost of aircraft and related parts (including rotables and engines) over their estimated useful lives using the straight-line method to estimated residual values. Upon implementation of IFRS, the Company determined that certain rotatable parts and engines have estimated useful lives that exceeded those previously used under US GAAP.

c) Provision for return of aircraft

For certain operating leases, the Company is contractually obliged to return aircraft in a defined condition. Under IFRS, the Company accrues for restitution costs related to aircraft held under operating leases at any time during the lease term if the asset does not meet the return condition. This results in our charging to expense during the term of our lease agreements the estimated costs to perform the maintenance that will render the aircraft in the appropriate condition upon its return to the lessor. As the condition of the aircraft is depleted through operation and subsequently restored (by performing maintenance) numerous times during the term of a lease, this results in the recognition of expenses in the intervening maintenance periods from the inception of the lease to its termination. Under US GAAP, restitution costs are only accrued when the termination of the lease becomes probable and such costs become estimable.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Notes to consolidated financial statements (Continued)
(In thousands of Brazilian reais)

23. Transition to IFRS (Continued)**d) Derivatives**

Under IFRS, the Company assesses effectiveness for derivatives accounted for as cash flow hedges based on the changes in intrinsic value. Under this method, the change in the time value of the contract is excluded from the assessment of hedge effectiveness and as a result, changes in time value (the excluded component) are recognized in earnings together with hedge ineffectiveness.

Under US GAAP, changes in derivative instruments' time values are excluded from the measurement of hedge effectiveness because the critical terms of the hedging instruments completely match the related terms of the hedged forecast transactions, resulting in recording all changes in the hedging option's fair value (including changes in the option's time value) in other comprehensive income as permitted by US GAAP Statement No. 133.

e) Other

Items included in Other relate to differences between US GAAP and IFRS for the purchase accounting for the VRG acquisition and accounting for the Company's stock option plans.

f) Deferred income taxes

The tax effect of the adjustments included in the reconciliation of net income and shareholders' equity from IFRS to US GAAP is calculated by applying the applicable tax rate to the pretax adjustments where such adjustments have a tax effect. The applicable tax rate is the tax rate expected to apply at the time the temporary difference will reverse based on the specific tax jurisdiction in which the reversal will occur.

24. Subsequent Events

In March 20, 2009 the Board of Directors approved a capital increase of the Company in the amount of R\$203,531,031.60 and the issuance of 26,093,722 shares, comprising 6,606,366 common shares and 19,487,356 preferred shares. The issuance price for the common and preferred shares is fixed at R\$ 7.80 per share, according to the quotation of the shares in the São Paulo Stock Exchange on March 20, 2009, verified after the closing of the trading session, in accordance with Article 170, Paragraph 1, Item III of the Law No. 6,404/76. The issuance price is equivalent to 90.9% of the average closing price of the preferred shares during the last 30 trading sessions, which was R\$ 8.58, and to 83.2% of the average closing price during the last 60 trading sessions, which was R\$ 9.37.

25. Consolidating Condensed Financial Information of Guarantor Subsidiaries

The following condensed consolidating financial information, prepared in accordance with IFRS, is presented in lieu of providing separate audited financial statements for the guarantor subsidiary VRG in connection with its unconditional guarantee, on a joint and several basis, of the obligation to pay principal and interest under the 8.75% perpetual notes and 7.50% senior notes issued by Company's wholly owned subsidiary Gol Finance.

GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of Brazilian Reais)
Condensed Consolidating Balance Sheet as of December 31, 2008

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|------------------------------------|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment, net | 355 | - | 2,041,197 | 957,204 | - | 2,998,756 |
| Intangible assets | - | - | 1,197,861 | - | - | 1,197,861 |
| Investments | 310,781 | - | - | - | (310,781) | - |
| Other non-current assets | | | | | | |
| Credits with related parties | 699,537 | 986,273 | - | 693,843 | (2,379,653) | - |
| Other non-current assets | 822 | - | 1,317,496 | 81,722 | - | 1,400,040 |
| Total other non-current assets | 700,359 | 986,273 | 1,317,496 | 775,565 | (2,379,653) | 1,400,040 |
| Total non-current assets | 1,011,495 | 986,273 | 4,556,554 | 1,732,769 | (2,690,434) | 5,596,657 |
| Current assets | | | | | | |
| Other current assets | 133,044 | 2,332 | 728,961 | 261,877 | (256,419) | 869,795 |
| Inventories of parts and supplies | - | - | 200,514 | - | - | 200,514 |
| Restricted cash | 137,571 | - | 39,126 | - | - | 176,697 |
| Financial assets | 21,177 | - | 277,454 | 31,086 | (84,132) | 245,585 |
| Cash and cash equivalents | 420 | 20 | 165,809 | 3,081 | - | 169,330 |
| Total current assets | 292,212 | 2,352 | 1,411,864 | 296,044 | (340,551) | 1,661,921 |
| Total assets | 1,303,707 | 988,625 | 5,968,418 | 2,028,813 | (3,030,985) | 7,258,578 |

GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Balance Sheet as of December 31, 2008

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|--|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Total shareholders' equity | 1,182,200 | (11,688) | 446,238 | 22,038 | (567,180) | 1,071,608 |
| Non-current liabilities | | | | | | |
| Long-term debt | - | 980,230 | 1,542,783 | - | (84,132) | 2,438,881 |
| Debt with related parties | - | - | 1,146,224 | 1,233,430 | (2,379,654) | - |
| Other non-current liabilities | 10,786 | - | 1,118,114 | 36,825 | (215) | 1,165,510 |
| Total non-current liabilities | 10,786 | 980,230 | 3,807,121 | 1,270,255 | (2,464,001) | 3,604,391 |
| Current liabilities | | | | | | |
| Short-term debt | - | 20,083 | 248,332 | 699,036 | 1 | 967,452 |
| Accounts payable | 4,292 | - | 280,019 | - | (592) | 283,719 |
| Advance ticket sales | - | - | 572,573 | - | - | 572,573 |
| Smiles deferred revenue | - | - | 90,043 | - | - | 90,043 |
| Other current liabilities | 106,429 | - | 524,092 | 37,484 | 787 | 668,792 |
| Total current liabilities | 110,721 | 20,083 | 1,715,059 | 736,520 | 196 | 2,582,579 |
| Total liabilities and shareholders' equity | 1,303,707 | 988,625 | 5,968,418 | 2,028,813 | (3,030,985) | 7,258,578 |

GOL LINHAS AÉREAS INTELIGENTES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Expressed in thousands of Brazilian Reais)

Condensed Consolidating Income Statement for the year ended December 31, 2008

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|--|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Total operating revenues | - | - | 6,406,193 | - | - | 6,406,193 |
| Operating expenses | | | | | | |
| Salaries | (6,805) | - | (976,978) | - | - | (983,783) |
| Aircraft fuel | - | - | (2,630,834) | 2,901 | (2,901) | (2,630,834) |
| Aircraft rent | - | - | (647,990) | - | 2,901 | (645,089) |
| Aircraft insurance | - | - | (42,813) | - | - | (42,813) |
| Sales and marketing | (484) | - | (588,251) | - | - | (588,735) |
| Landing fees | (5) | - | (338,365) | - | - | (338,370) |
| Aircraft and traffic servicing | (10,044) | (66) | (407,344) | (4,723) | - | (422,177) |
| Maintenance materials and repairs | - | - | (388,030) | - | - | (388,030) |
| Depreciation | - | - | (125,127) | - | - | (125,127) |
| Other operating expenses | (1,712) | - | (328,038) | (133) | - | (329,883) |
| Total operating expenses | (19,050) | (66) | (6,473,770) | (1,955) | - | (6,494,841) |
| Operating profit(loss) | (19,050) | (66) | (67,577) | (1,955) | - | (88,648) |
| Total finance costs and other income (expense) | (247,562) | (3,789) | (795,074) | (59,824) | (145) | (1,106,394) |
| Equity in income (loss) of subsidiary | (778,419) | - | (719,960) | - | 1,498,379 | - |
| Profit (loss) before income taxes | (1,045,031) | (3,855) | (1,582,611) | (61,779) | 1,498,234 | (1,195,042) |
| Income taxes | (59,406) | - | 8,827 | - | 6,274 | (44,305) |
| Profit (loss) for the year from continuing operations attributable to equity holders of the parent | (1,104,437) | (3,855) | (1,573,784) | (61,779) | 1,504,508 | (1,239,347) |

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GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)

Condensed Consolidating Cash Flow Statement for the year ended December 31, 2008

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|---|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Cash flows from operating activities: | | | | | | |
| Net cash provided by (used in) operating activities | 577,034 | 753,982 | (426,146) | (317,097) | (420,913) | 166,860 |
| Cash flows from investing activities: | | | | | | |
| Acquisition of property, plant and equipment, net | (355) | - | (174,893) | (261,666) | - | (436,914) |
| Net investments in restricted cash | (137,571) | - | (39,674) | - | - | (177,245) |
| Net investments in financial assets | 66,000 | - | 218,000 | 245,000 | 46,000 | 575,000 |
| Other | - | - | 79,809 | - | - | 79,809 |
| Net cash provided by (used in) investing activities | (71,926) | - | 83,242 | (16,666) | 46,000 | 40,650 |
| Cash flows from financing activities: | | | | | | |
| Net proceeds from long-term debt | - | 232,288 | (751,934) | (14,217) | - | (533,863) |
| Credit with related parties | (608,605) | (986,273) | 1,083,674 | 136,291 | 374,913 | - |
| Dividends paid | (36,258) | - | - | - | - | (36,258) |
| Addition of treasury shares | (41,180) | - | - | - | - | (41,180) |
| Net cash provided by (used in) financing activities | (686,043) | (753,985) | 331,740 | 122,074 | 374,913 | (611,301) |
| Net increase (decrease) in cash and cash equivalents | (180,935) | (3) | (11,164) | (211,689) | - | (403,791) |
| Cash and cash equivalents at beginning of the period | 181,355 | 23 | 176,973 | 214,770 | - | 573,121 |
| Cash and cash equivalents at end of the period | 420 | 20 | 165,809 | 3,081 | - | 169,330 |

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GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Balance Sheet as of December 31, 2007

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|------------------------------------|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment, net | - | - | 1,342,862 | 848,166 | - | 2,191,028 |
| Intangible assets | - | - | - | 390,680 | 806,761 | 1,197,441 |
| Investments | 1,747,840 | 747,766 | - | - | (2,495,606) | - |
| Other non-current assets | 133,830 | - | 521,511 | 1,710,637 | (1,292,853) | 1,073,125 |
| Total non-current assets | 1,881,670 | 747,766 | 1,864,373 | 2,949,483 | (2,981,698) | 4,461,594 |
| Current assets | | | | | | |
| Other current assets | 180,560 | 13,335 | 1,034,999 | 135,764 | 56,770 | 1,421,428 |
| Inventories of parts and supplies | - | - | 184,573 | 25,353 | - | 209,926 |
| Financial assets | 86,786 | - | - | 495,474 | 238,083 | 820,343 |
| Cash and cash equivalents | 319,434 | 23 | 453,151 | 216,012 | (415,499) | 573,121 |
| Total current assets | 586,780 | 13,358 | 1,672,723 | 872,603 | (120,646) | 3,024,818 |
| Total assets | 2,468,450 | 761,124 | 3,537,096 | 3,822,086 | (3,102,344) | 7,486,412 |

GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Balance Sheet as of December 31, 2007

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|--|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Total shareholders' equity | 2,375,264 | (7,834) | 929,477 | 488,690 | (1,393,149) | 2,392,448 |
| Non-current liabilities | | | | | | |
| Long-term debt | - | 752,803 | 677,278 | 316,599 | (31,964) | 1,714,716 |
| Other non-current liabilities | 14,826 | - | 194,078 | 1,840,598 | (1,166,454) | 883,048 |
| Total non-current liabilities | 14,826 | 752,803 | 871,356 | 2,157,197 | (1,198,418) | 2,597,764 |
| Current liabilities | | | | | | |
| Short-term debt | - | - | 486,359 | 380,511 | 24,673 | 891,543 |
| Accounts payable | 597 | (7) | 191,314 | 134,459 | 1 | 326,364 |
| Advance ticket sales | - | - | - | - | 472,860 | 472,860 |
| Smiles deferred revenue | - | - | - | 90,843 | 56,505 | 147,348 |
| Other current liabilities | 77,763 | 16,162 | 1,058,590 | 570,386 | (1,064,816) | 658,085 |
| Total current liabilities | 78,360 | 16,155 | 1,736,263 | 1,176,199 | (510,777) | 2,496,200 |
| Total liabilities and shareholders' equity | 2,468,450 | 761,124 | 3,537,096 | 3,822,086 | (3,102,344) | 7,486,412 |

GOL LINHAS AÉREAS INTELIGENTES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Expressed in thousands of Brazilian Reais)

Condensed Consolidating Income Statement for the year ended December 31, 2007

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|--|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Total operating revenues | - | - | 4,386,273 | 554,711 | - | 4,940,984 |
| Operating expenses | | | | | | |
| Salaries | (3,727) | - | (646,396) | (149,221) | - | (799,344) |
| Aircraft fuel | - | - | (1,595,346) | (303,494) | - | (1,898,840) |
| Aircraft rent | - | - | (406,078) | (119,707) | - | (525,785) |
| Aircraft insurance | - | - | (43,019) | (1,627) | - | (44,646) |
| Sales and marketing | - | - | (308,436) | (59,428) | (2) | (367,866) |
| Landing fees | - | - | (215,977) | (57,678) | - | (273,655) |
| Aircraft and traffic servicing | (6,897) | (305) | (237,813) | (103,361) | (356) | (348,732) |
| Maintenance materials and repairs | - | - | (247,905) | (91,376) | - | (339,281) |
| Depreciation | - | - | (109,111) | 46,563 | - | (62,548) |
| Other operating expenses | (1,336) | - | (245,311) | (23,769) | (6) | (270,422) |
| Total operating expenses | (11,960) | (305) | (4,055,392) | (863,098) | (364) | (4,931,119) |
| Operating profit(loss) | (11,960) | (305) | 330,881 | (308,387) | (364) | 9,865 |
| Total finance costs and other income (expense) | 49,923 | (4,702) | 42,604 | 102,788 | 405 | 191,018 |
| Equity in income (loss) of subsidiary | 63,562 | - | - | (63,562) | - | - |
| Non-operating results | - | - | - | (47,015) | 47,015 | - |
| Profit (loss) before income taxes | 101,525 | (5,007) | 373,485 | (316,176) | 47,056 | 200,883 |
| Income taxes | 46,401 | - | (127,439) | 47,443 | - | (33,595) |
| Profit (loss) for the year from continuing operations attributable to equity holders of the parent | 147,926 | (5,007) | 246,046 | (268,733) | 47,056 | 167,288 |

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GOL LINHAS AÉREAS INTELIGENTES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in thousands of Brazilian Reais)

Condensed Consolidating Cash Flow Statement for the year ended December 31, 2007

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|---|---------------------------|------------------------------|---------------------------------|---|--------------------------------------|---------------------|
| Cash flows from operating activities: | | | | | | |
| Net cash provided by (used in) operating activities | 249,179 | (4,205) | 810,428 | (690,916) | (505,974) | (141,488) |
| Cash flows from investing activities: | | | | | | |
| Acquisition of VRG, net cash acquired | - | - | - | (201,509) | - | (201,509) |
| Acquisition of property, plant and equipment, net | - | - | (367,874) | (187,887) | - | (555,761) |
| Investments | (431,412) | - | - | - | 431,412 | - |
| Due from related parties | 82,906 | (327,177) | (140,227) | - | 384,498 | - |
| Net investments in financial assets | 386,380 | - | 114,182 | 66,369 | - | 566,931 |
| Net cash provided by (used in) investing activities | 37,874 | (327,177) | (393,919) | (323,027) | 815,910 | (190,339) |
| Cash flows from financing activities: | | | | | | |
| Net proceeds from long-term debt | - | 331,123 | 234,732 | 353,972 | - | 919,827 |
| Paid subscribed capital | 60,745 | - | (436,592) | 257,448 | 118,831 | 432 |
| Dividends paid | (302,775) | - | (173,717) | - | 173,717 | (302,775) |
| Credit with related parties | - | - | - | 602,484 | (602,484) | - |
| Net cash provided by (used in) financing activities | (242,030) | 331,123 | (375,577) | 1,213,904 | (309,936) | 617,484 |
| Net increase (decrease) in cash and cash equivalents | 45,023 | (259) | 40,932 | 199,961 | - | 285,657 |
| Cash and cash equivalents at beginning of the period | 136,332 | 282 | 136,041 | 14,809 | - | 287,464 |
| Cash and cash equivalents at end of the period | 181,355 | 23 | 176,973 | 214,770 | - | 573,121 |

