

LISTING PROSPECTUS

U.S.\$225,000,000

Gol Finance

(an exempted company incorporated with limited liability in the Cayman Islands)



7.50% SENIOR NOTES DUE 2017

Unconditionally Guaranteed By Gol Linhas Aéreas Inteligentes S.A. and Gol Transportes Aéreos S.A.

Interest payable on April 3 and October 3

Gol Finance, or the Issuer, is offering U.S.\$225,000,000 aggregate principal amount of 7.50% guaranteed notes due 2017. Interest on the notes will accrue from March 22, 2007 at a rate of 7.50% per year and will be payable semi-annually in arrears on April 3 and October 3 of each year, commencing on October 3, 2007.

The Issuer may redeem for cash all or a portion of the notes at any time or from time to time, by paying the redemption price described under "Description of Notes—Redemption—Optional Redemption," which will be equal to the greater of (1) 100% of the principal amount of the notes being redeemed and (2) a make whole amount, if any, together with accrued and unpaid interest to the redemption date, or at any time upon the occurrence of specified events relating to the applicable tax law, as described under "Description of Notes—Redemption—Tax Redemption."

The notes will be unsecured and will rank equally with the other unsecured unsubordinated indebtedness the Issuer may incur. Gol Linhas Aéreas Inteligentes S.A. and Gol Transportes Aéreos S.A., to which we refer to together as the Guarantors, will unconditionally guarantee, jointly and severally, on a senior unsecured basis, all of the Issuer's obligations pursuant to the notes. The guarantees will rank equally in right of payment with the other unsecured unsubordinated indebtedness and guarantees of the Guarantors. The notes will be effectively junior to the Issuer's and the Guarantors' secured indebtedness.

For a more detailed description of the notes, see "Description of Notes" beginning on page 21.

We will agree to file an exchange offer registration statement pursuant to a registration rights agreement. See "Registration Rights" beginning on page 39.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and admission to trading has been made on the Euro MTF market of the Luxembourg Stock Exchange. See "Listing and General Information." Notes that are sold to qualified institutional buyers will be eligible for trading in the Private Offerings, Resales and Trading through Automatic Linkages (PORTAL) market.

Investing in the notes involves risks. See "Risk Factors" beginning on page 17.

PRICE 98.274%

The notes (and the guarantees) have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, and are being offered only to (1) qualified institutional buyers under Rule 144A and (2) non-U.S. persons outside the United States in compliance with Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information about restrictions on transfer of the notes, see "Transfer Restrictions" beginning on page 53. To the extent that the offering of the notes is made to persons within the European Economic Area, it shall exclusively be made to "qualified investors" within the meaning of EU Directive 2003/71/EC, or the Prospectus Directive, and shall therefore be exempt from the requirement to publish a compliant prospectus under the Prospectus Directive.

Morgan Stanley & Co. Incorporated expects to deliver the notes to purchasers in book-entry form through The Depository Trust Company, or DTC, and its direct and indirect participants, including Clearstream Banking, S.A. Luxembourg, or Clearstream, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, on or about March 22, 2007.

Sole Bookrunner and Joint Lead Manager
MORGAN STANLEY
Joint Lead Manager
CITIGROUP

May 31, 2007

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In this offering memorandum, we use the terms “GLAI” to refer to “Gol Linhas Aéreas Inteligentes S.A.,” “Gol” to refer to Gol Transportes Aéreos S.A., “Issuer” to refer to Gol Finance and “we,” “us” and “our” to refer to GLAI and its consolidated subsidiaries, including “Gol” and the “Issuer,” except where the context requires otherwise. All references to “Guarantors” refer to GLAI and Gol, collectively.

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted.

We, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regards to us is true and accurate in all material respects, that the opinions and intentions we express in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will act as initial purchasers with respect to the offering of the notes. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. See “Transfer Restrictions” for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum may only be used for the purpose for which it has been published. Neither the initial purchasers nor their agents are making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the initial purchasers nor their agents have independently verified any of such information and assume no responsibility for the accuracy or completeness of the information contained in this offering memorandum.

We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the notes offered hereby. We and the initial purchasers also reserve the right to sell or place less than all of the notes offered hereby.

Neither the U.S. Securities and Exchange Commission, or SEC, nor any state securities commission has approved or disapproved the offering of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

See "Risk Factors" beginning on page 17 of this offering memorandum as well as the risk factors set forth in our Annual Report on Form 20-F for the year ended December 31, 2006, which is included as an Annex A to this offering memorandum and forms an integral part thereof, for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers nor any of our or its representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT, OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND THIS DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. THIS DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. THIS DESCRIPTION IS LIMITED TO THE U.S. FEDERAL TAX ISSUES DESCRIBED HEREIN. IT IS POSSIBLE THAT ADDITIONAL ISSUES MAY EXIST THAT COULD AFFECT THE U.S. FEDERAL TAX TREATMENT OF THE NOTES, OR THE MATTER THAT IS THE SUBJECT OF THE DESCRIPTION NOTED HEREIN, AND THIS DESCRIPTION DOES NOT CONSIDER OR PROVIDE ANY CONCLUSIONS WITH RESPECT TO ANY SUCH ADDITIONAL ISSUES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the notes.

The notes will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, DTC, and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. We expect the Regulation S global notes, if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through the Euroclear, Clearstream or other participants. After the initial issuance of the global notes, certificated notes may be issued in registered form, which shall be in minimum denominations of U.S.\$ 2,000 and integral multiples of U.S.\$1,000. See "Form of Notes" for further discussion of these matters.

REVIEW BY THE SECURITIES AND EXCHANGE COMMISSION

We will agree to file a registration statement with the SEC with respect to a registered exchange offer for the notes or a shelf registration statement with respect to resales of the notes. See "Registration Rights" in this offering memorandum. In the course of the review by the SEC of the registration statement, we may be required to modify or reformulate the information we present in this offering memorandum.

WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, and file periodic reports with the SEC. However, if at any time we cease to be a reporting company under Section 13 or Section 15(d) of the Exchange Act, or are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will be required to furnish to any holder of a note which is a "restricted security" (within the meaning of Rule 144 under the Securities Act), or to any prospective purchaser thereof designated by such a holder, upon the request of such holder or prospective purchaser, in connection with a transfer or proposed transfer of any such note pursuant to Rule 144A under the Securities Act or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

We are subject to the informational requirements of the Exchange Act and, in accordance therewith, file reports and other information with the SEC. As a foreign private issuer, we are exempt from the Exchange Act rules regarding the provision and control of proxy statement and regarding short-swing profit reporting and liability. Such reports and other information can be inspected and copied at the public references facilities of the SEC at Room 1580, 100 F Street N.E., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street N.E., Washington, D.C. 20549. We file materials with, and furnish material to, the SEC electronically using the EDGAR System. The SEC maintains an Internet site that contains these materials at www.sec.gov. In addition, such reports, proxy statements and other information concerning us can be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which our equity securities are listed.

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 SEC 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 SEC, which is currently six months from December 31, the end of our fiscal year.

Our annual report on Form 20-F for the year ended December 31, 2006 was filed with the SEC on February 28, 2007, is incorporated by reference herein and is included as Annex A to this offering memorandum. We will incorporate by reference in this offering memorandum all subsequent annual reports filed with the SEC on Form 20-F under the Securities Exchange Act of 1934 and those of our reports submitted to the SEC on Form 6-K that we specifically identify in such form as being incorporated by reference after the date of this offering memorandum until this offering has been terminated.

You may request a copy of our filings, at no cost, by contacting us at the number or address specified below.

Investor Relations Department
Tel.: 55 11 3169-6800
www.voegol.com.br
Rua Gomes de Carvalho 1629,
04547-006 São Paulo, SP, Brazil

Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this offering memorandum.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements, principally under the captions “Summary,” “Summary Financial and Other Information,” “Risk Factors,” and “Capitalization.” 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 offering memorandum, 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;
- management’s expectations and estimates concerning our future financial performance and financing plans and programs;
- our limited operating history;
- our level of fixed obligations;
- our capital expenditure plans;
- 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 growth strategy; and
- the risk factors discussed under “Risk Factors.”

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to 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, 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 offering memorandum 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 offering memorandum might not occur and are not guarantees of future performance.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing, including "Risk Factors" and our Annual Report on Form 20-F for the year ended December 31, 2006, which is attached as Annex A to this offering memorandum and which includes our consolidated financial statements and related notes. See "Introduction," "Presentation of Financial and Other Data" and "Exchange Rates" in our Annual Report on Form 20-F for the year ended December 31, 2006 for information regarding our consolidated financial statements, exchange rates, definitions of technical terms and other introductory matters.

Our Business

Overview

We are one of the most profitable low-cost airlines in the world and the most profitable airline in South America, and had net revenues of R\$3.8 billion and net income of R\$569.1 million for the year ended December 31, 2006. We are the only low-fare low-cost airline providing frequent service on routes connecting all of Brazil's major cities and also to major cities in Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay. Our mission is to increase the growth and profits of our business by stimulating and meeting demand for safe, affordable, convenient air travel for both business and leisure passengers. We do this by offering simple, safe and efficient service while having one of the lowest operating costs in the airline industry worldwide. Our vision is to be recognized by 2010 as the airline that popularized high-quality, low-fare air transportation in South America.

We have flown over 55 million passengers since beginning operations in 2001 and, according to the ANAC, Brazil's civil aviation authority, our share of the domestic market, based on revenue passenger kilometers, grew from 4.7% in 2001 to 37.1% in December 2006. Our share of the international market, based on revenue passenger kilometers transported by Brazilian airlines grew from 3.1% in 2005 (our first full year operating international flights) to 13.3% in December 2006. Our strategy is to increase the size of the market by attracting new passengers through our low fares, a young and modern aircraft fleet, targeted marketing, simplified travel services and through a variety of payment mechanisms designed to make the purchase of our tickets easier for customers belonging to a much broader income class. 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.

As of the end of 2006, we operated 65 single-class Boeing 737 aircraft. We have firm purchase orders with The Boeing Company for 76 737-800 Next Generation aircraft, and we have options to purchase an additional 20 737-800 Next Generation aircraft. Currently, we have 14 firm purchase orders for aircraft deliveries scheduled in 2007, 9 in 2008, 16 in 2009, 16 in 2010 and 21 after 2010. To meet the higher than expected demand for our air travel services in Brazil and South America, in 2006 we took delivery of six Boeing 737-300 aircraft under four year operating leases, which we are using to help meet our short-term capacity needs while we await the delivery of the new 737-800 Next Generation aircraft.

We have a diversified revenue base, with customers ranging from business passengers traveling between densely populated cities in Brazil, such as São Paulo, Rio de Janeiro and Belo Horizonte, to leisure passengers traveling to destinations throughout Brazil and to our international destinations in South America. We 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 Brazil and to other Latin American destinations. In 2006, we inaugurated 10 new destinations, thereby increasing the number of destinations served to 55 (48 in Brazil). We intend to further expand our service to additional international destinations in South America. We generate ancillary revenues from air cargo services and our installment payment mechanisms. We are one of the few low cost carriers in the world that offers cargo services. Our installment payment mechanisms, such as our Voe Fácil card, are innovative and help stimulate demand.

We offer a simplified product to our customers with single-class seating and a light snack and beverage service. Generally, our low operating costs allow us to set our fares at levels to win customer loyalty and stimulate demand by attracting new customers who previously used other means of travel or traveled less often due to price sensitivity. We have kept our operating costs low principally by maintaining a simplified aircraft fleet that is one of the newest in South America, which reduces maintenance and fuel costs.

We deploy aircraft in a highly efficient manner to maintain industry leading aircraft utilization and concentrate heavily upon internet-based distribution channels and sales. The strong promotion of internet-based distribution channels and sales is an integral element of our low cost structure and efficiency and has made us one of the largest and leading e-commerce businesses in Brazil with total sales of passenger tickets of R\$3.7 billion over the internet in 2006. We believe we effectively employ technology to make our operations more efficient, using real time sales and operating information, internet based sales and ticketless travel, advanced yield management systems and intelligent outsourcing.

Our operational emphasis on controlling costs and yield management has given us flexibility in setting our fares to achieve a balance between our load factors and yields that we believe will generate the highest profitability and growth for us. During 2006, a year with historically high fuel prices, we generated net income of R\$569.1 million. Our profits in 2006 were due largely to the economies of scale from the growth of our business and having the lowest cost per available seat kilometer in the markets in which we operate, based upon our analysis of publicly available data. By acquiring 63 new Boeing 737-800 Next Generation aircraft through 2011, with a seat capacity approximately 30% higher than that of conventional Boeing 737-700NG aircraft, we believe that we will be able to more efficiently use the airport slots available to us and to further reduce our costs per seat kilometer.

Our operating model is a highly integrated, multiple-stop route network that is a variation on 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 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 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 believe that our operating model, when combined with our low fares and reliable service, stimulates demand for air travel, and helped us to achieve a load factor of 73.1% in 2006, the highest in the domestic market, according to the ANAC. During 2006, we maintained high standards of operating efficiency and customer satisfaction, completing 96.4% of our scheduled flights, with on-time performance of 98.8%, based on our internal data.

We were one of the first Latin American companies to give the relevant officer certifications under Section 404 of the U.S. Sarbanes Oxley Act of 2002 regarding internal controls over financial reporting.

On September 29, 2006, one of our new Boeing 737-800 NG aircraft was involved in a mid-air collision with a private aircraft of ExcelAir. Our aircraft went down in the Amazon forest, leaving no survivors among the 148 passengers and six crew members. The ExcelAir aircraft, a new Embraer Legacy 135BJ, performed an emergency landing and all of its seven occupants were unharmed. We continue to cooperate fully with all regulatory and investigatory agencies to determine the cause of this accident. We believe that the costs to defend any claims and any potential liability exposure will be covered by insurance.

Our Competitive Strengths

Our principal competitive strengths are:

We Keep Our Operating Costs Low. Our cost per available seat kilometer for the year ended December 31, 2006 was R\$15.3 cents, or approximately US\$7.2 cents. We believe that our cost per available seat kilometer for the year ended December 31, 2006, adjusted for the average number of kilometers flown per flight, was one of the lowest in the airline industry worldwide, and was on average the lowest in the domestic market, based upon our analysis of data collected from publicly available information. Typically, airline operating costs per kilometer decrease as flight length increases. Our low operating costs are the result of being innovative and using best practices adopted from other leading low-cost carriers to improve our operating efficiency, including:

Efficient use of aircraft. During 2006, our aircraft utilization totaled an average of 14.2 block hours per day, the highest aircraft utilization rate in the South American airline industry, according to the ANAC, and among the highest worldwide according to airline company public filings. We achieve high aircraft utilization rates by operating a new fleet that requires less maintenance down-time, accomplishing a fast turnaround on our aircraft between flights and operating more flights per day per aircraft than our competitors. The fast turnaround time for our aircraft between flights, which averaged in 25 minutes in 2006, minimizes connection times for our passengers and enables our aircraft to fly approximately nine flight legs a day, the highest number of flight legs in the domestic market. As part of our aircraft utilization strategy, we introduced night flights on certain routes in December 2003 at very low fares to increase utilization, generate higher load factors and stimulate demand. Our night flights, which generated a load factor higher than that of our other flights, have helped us to make a portion of our fleet productive practically 24 hours per day. We also offer air cargo services on our flights to generate incremental revenue from space in the stronghold sections of our aircraft that would otherwise remain unutilized.

Operation of a young and simplified fleet. At December 31, 2006, our fleet of 65 Boeing 737 aircraft had an average age of 7.8 years, making our fleet one of the youngest in South America. Having a fleet with minimal aircraft types reduces inventory costs, as fewer spare parts are required, and reduces the need to train our pilots to operate different types of aircraft. In addition, keeping the number of types of aircraft we operate to a minimum simplifies our maintenance and operations processes. While our focus on having the lowest operating costs means that we will periodically review our fleet composition to ensure that it is achieving our low-cost goals, any decision we may make to introduce a new fleet type will be made only after carefully weighing the performance and profitability benefits of doing so against the emphasis we place on maintaining simplified operations. With our 76 firm purchase orders and purchase options of 34 additional Boeing 737-800 Next Generation aircraft, we expect to be able to further decrease the age of our fleet, and therefore increase efficiency and reduce maintenance costs.

Flexible and efficient operating approach. We always seek the most cost-effective way of providing our services to our customers without compromising quality and safety. We constantly evaluate our operations to see if sensible cost-savings opportunities exist. As a result, we outsource the work that can be done properly and more efficiently by third parties and we internalize the functions that our employees can do more cost-efficiently. We get competitive rates for these services by negotiating multi-year contracts at prices that are fixed or subject only to periodic increases linked to inflation. With our phased maintenance system, 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 reduce costs. Furthermore, we completed in 2006 our state-of-the-art aircraft maintenance center at the airport of Confins in the State of Minas Gerais, enabling us to internalize aircraft heavy maintenance work to reduce maintenance costs. We plan to internalize other services that are currently outsourced if we believe we can better control the quality and efficiency of these services.

Use of efficient, low-cost distribution channels. Our effective use of technology helps us to keep our costs low and our operations highly scalable and efficient. We seek to keep our distribution channels streamlined and convenient so as to allow our customers to interact with us directly via the internet. In 2006, 81.6% of our ticket sales were through our website, and 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 2006 one of the largest e-commerce companies in Brazil with R\$3.7 billion in gross 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 estimate that our distribution costs using our online ticket sales system is 65% lower than our distribution costs involving more traditional means, such as the Global Distribution System, or GDS. In addition, like other low-cost carriers, all travel on our flights is ticketless. The elimination of paper tickets saves paper costs, postage, employee time and back-office processing expenses. Also, we do not need to maintain physical ticket sales locations outside of airports.

We Stimulate Demand for Our Services. We believe that through our low fares and high-quality service, we provide the best value in our markets and 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 that treats passengers equally in a single-class environment, we have successfully increased our market share, strengthened customer loyalty and are attracting a new group 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, for which we offer highly competitive fares, have proven to be very successful, generating load factors higher than that of our other flights. We believe our night flights attract passengers who previously relied upon bus or car travel and who have now become air travel customers. 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, 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. Our strong market position and strong brand recognition allow us to increasingly influence and stimulate this demand. Our firm order for 76 new Boeing 737-800NG aircraft, which has an increased seat capacity of 187 passengers but does not compromise passenger comfort, will enable us to increase our capacity in the key markets in which we operate.

We Have a Strong Brand that is Widely Recognized Among Consumers and Investors. We believe that the Gol brand has become synonymous with innovation and value in airline industry. In 2006, we received for the second time the "Melhores e Maiores" (Best and Biggest) award in the transportation sector from the leading business magazine in Brazil, *EXAME*, and we were elected the best performing airline in the world in 2005 according to a study published by *Aviation Week and Space Technology*. Our customers also identify us as being safe, accessible, friendly, fair and reliable and distinguish us in Brazil's domestic airline industry on the basis of our modern and simplified approach to providing air travel services. Customer satisfaction surveys conducted in 2006 by *Pesquisas Inteligentes*, an independent market research firm, indicated that approximately nine out of every ten passengers trust Gol, and would recommend Gol to others. Our effort at promoting our brand awareness has earned us recognition from the marketing industry in Brazil as well. In 2005, we were named one of Brazil's most valuable brands by *Isto é Dinheiro* magazine in its fourth annual Most Valuable Brazilian Brands Ranking, with a brand value of US\$326 million. In 2006, we were also the most awarded company in a survey conducted by the *LatinFinance* magazine. In addition, we are recognized among Brazilian and international investors as a company with an innovative financial management and very high level of disclosure and transparency. For a second year in a row, we ranked first in the category of "Disclosure Procedures" in Latin America and our investor relations website was awarded the top prize in the industry and was top 5 in Latin American websites at the Ninth Annual IR Global Rankings in February 2007.

We Have a Strong Financial Position and Access to the Financial Markets. We have focused on maintaining a strong financial position with significant cash balances. As of December 31, 2006, we had R\$281.0 million of cash and cash equivalents, R\$1,425.4 million of short-term investments, R\$659.3 million of accounts receivable and R\$537.8 million of U.S. dollar denominated deposits for aircraft leasing and aircraft engine maintenance contracts,

representing a total of R\$2,903.5 million. As of December 31, 2006, our debt to capitalization ratio was 33.7%. In 2006, to finance our operations and capital expenditures, we accessed the international debt capital markets with the issuance of US\$200 million of perpetual notes and also arranged long-term financings with the BNDES, the International Finance Corporation (IFC) and the Private Export Funding Corporation (PEFCO).

We Actively Manage Risk. We actively monitor movements in fuel prices, foreign exchange rates and interest rates to reduce our earnings volatility. We are able to adjust our fares to compensate for changes in fuel prices and the exchange rate of the *real* versus the U.S. dollar. Our general policy is to hedge on a short-term basis a majority of the fuel we expect to consume and our U.S. dollar exchange rate exposure, so as to minimize the effects of adverse changes in the fuel or foreign exchange markets. As part of our risk management program, we establish exposure limits, hedge ratios, instruments and programmed price triggers. We use a variety of financial instruments, including petroleum call options, petroleum fixed-price swap agreements, and foreign currency forward contracts. We do not hold or issue derivative financial instruments for trading purposes. As there is not a futures market for Brazilian jet fuel, we use international crude oil derivatives to hedge our exposure to increases in fuel price. In addition, we believe that our corporate-wide high standards of internal control reduce our risk exposure. We were one of the first foreign private issuers in Latin America to certify our internal controls over financial reporting.

We Have a Motivated Workforce and a Proven Management Team. We benefit from a highly motivated workforce that brings a new enthusiasm to air travel and a commitment to high standards of friendly and reliable quality service that we believe distinguishes us in our markets. We believe that the positive feedback we received from our customers in our customer satisfaction surveys is directly related to the priority our employees place on delivering top quality customer service. We invest a significant amount of time and resources into carefully developing the best training practices and selecting individuals to join our team who share our focus on ingenuity and continuous improvement. We conduct ongoing training programs that incorporate industry best practices and encourage strong and open communication channels among all of the members of our team so that we can continue to improve the quality of the services we provide. We also motivate our workforce by providing all our employees with profit sharing and our management employees with stock options. 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 Strategy

Our strategy is to offer travelers in Brazil and other South American countries a low-fare transportation alternative that we believe is cost-competitive compared to conventional airline and bus transportation. To continue the growth of our business and increase its profitability, our strategy is to further stimulate customer demand by continuing to offer a single-class of air travel service at low fares, while maintaining a high standard of quality and safety. We will strive to keep our operating costs low and continually pursue ways to make our operations more efficient. Our objectives are to provide the best travel value in the markets we serve, to encourage people to fly by making air travel accessible in our markets, and to further increase our market share.

Our vision is to be recognized by 2010 as the airline that popularized high-quality, low-fare air transportation in South America. We will continue to evaluate opportunities to expand our operations by (i) adding additional flights to existing routes, (ii) adding new routes where sufficient market demand exists or where we believe we can stimulate demand, (iii) expanding into high-traffic centers in other countries, (iv) developing ancillary revenues in activities related to air transportation and (v) seeking opportunities to grow in existing and new markets through joint ventures or acquisitions. We are currently in discussions regarding several opportunities, including start-ups and existing businesses in our industry.

The following are the key elements of our strategy:

To Expand Our Customer Base by Offering Services on High-Demand Routes. When planning the growth of our business, we will continue to establish bases, 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 other South American countries. In particular,

we expect to increase our focus on business travelers from small and medium-sized companies, a growing customer base that tends to be more price sensitive, by developing the routes and flight frequencies that best serve their travel needs and increasing our marketing efforts directed at this segment of our customer base. 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, expanding successful night flight services and adding additional routes that contribute to our network and for which we perceive a market demand.

We believe that the same business model and route management techniques that we have successfully introduced in Brazil to help popularize air travel can also be used to capture market share and stimulate demand for air travel between Brazil and other South American countries. We are pursuing opportunities to offer flights on routes between Brazil and select cities in other South American markets where growth opportunities exist and where the new destinations fit into our integrated flight network. In 2006, we inaugurated five new international destinations in Argentina, Chile, Paraguay and Uruguay and commenced service of non-Brazilian city-pairs between Asunción, Paraguay and Buenos Aires, Argentina, and Santiago, Chile. By offering international flights 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.

To Reduce Operating Costs and Improve Operating Efficiency. Continuing to reduce our operating costs per available seat kilometer is a key to increasing profitability. Our revenues per average aircraft in 2006 were US\$35.5 million, which was the highest in the low cost carrier industry according to publicly available data. Our unit operating costs, or CASK, of US\$7.2 cents was the lowest in the domestic market. We aim to remain one of the lowest cost airlines in the world. We have worked toward achieving this goal by assembling a new fleet of single-class aircraft that is capable of safely and reliably accommodating a high utilization rate, incurs low maintenance costs and is fuel-efficient. 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. We will also 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 additional aircraft to an established and efficient operating infrastructure. Our system of phased maintenance allows us to perform maintenance work every day without sacrificing aircraft revenue time, to better determine the timing of heavy maintenance so as to help maximize aircraft utilization and to further reduce our maintenance costs. By performing our aircraft structural maintenance in our new Aircraft Maintenance Center in Confins, in the State of Minas Gerais we achieve greater control over maintenance costs. By purchasing up to 121 new and fuel efficient Boeing 737-800 Next Generation aircraft, we will further reduce the average age of our fleet, increase the number of available seat kilometers per aircraft and therefore increase operating efficiency and potentially lower our operating costs.

To Keep Our Customer Service Offering Attractive, Simple and Convenient. We believe that we are perceived by our customers as providing excellent value at reasonable fares and acting as a catalyst for changing the way the Brazilian airline industry works. In addition to offering low fares, our strategy is to make flying a simpler, more convenient experience. We have achieved this objective largely through the elimination of unnecessary extras and common-sense applications of technology. According to ANAC data, we had a punctuality rate of 90.4% in 2006, the highest punctuality rate in the Brazilian airline industry. We encourage our customers to use the internet not only to make reservations, but also to make many of the arrangements from the comfort of their home or office that they would otherwise have to make at crowded airports or airline ticket offices, such as checking-in and changing their seat assignments. We provide free shuttle service between airports and drop-off zones on selected routes. We offer customers single-class, pre-assigned seating flights, do not overbook our flights and have designated female lavatories. Our strategy will be to continue to seek ways to make the Gol brand signify simplicity and convenience in the minds of air travelers.

To Stimulate Demand with Low Fares. Our widely available low fares and superior product offering are designed to popularize air travel and stimulate demand, particularly from fare-conscious leisure travelers and small- to mid-size business travelers who might otherwise have used alternative forms of transportation or would not have traveled at all. Our strategy is to continue to stimulate demand and encourage more people to fly by continuing to provide a superior product and low-fares. A key element of our superior product offering is our new Boeing 737-

800 aircraft with increased seat capacity, which we achieve by means of new internal arrangements that do not compromise passenger comfort, and which allows us to distribute our operating costs over a higher number of available seat kilometers, therefore allowing us to offer more seats at lower fares. We will also continue to provide our customers with flexible payment mechanisms, such as debit payments, credit card installment payments and monthly installment payments in the form of direct credit. For example, we launched in November 2005 the Voe Fácil ("Fly Easy") Gol Program, which allows qualifying customers to pay for airline tickets in up to 36 monthly installments as an innovative new way to purchase airline tickets, especially designed to make the purchase of our tickets easier for customers belonging to broader income classes. At December 31, 2006, over 650,000 customers had registered for our Voe Fácil program, 70% of whom were flying for the first time. Also, at the end of 2006 we launched in association with Mastercard and Banco do Brasil our corporate credit card "Gol Negócios" targeting small and medium-sized corporate enterprises.

The following table shows total passengers enplaned at airports in selected cities served by us outside the São Paulo – Rio de Janeiro market for the year ended December 31, 2000 (just before we commenced our operations) and the year ended December 31, 2006. The table also sets forth the date we commenced service at airports in selected cities and the compound annual growth rate of passengers enplaned at such airports.

| Cities | Service Commencement Date | Total Passenger Traffic (Arrivals and Departures) Year Ended December 31, | | CAGR (%) 2000-2006 |
|------------------------|---------------------------|---|------|--------------------|
| | | 2000 | 2006 | |
| | | (in millions) | | |
| Belo Horizonte(1)..... | January 2001 | 2.62 | 4.53 | 9.6 |
| Brasília..... | January 2001 | 5.43 | 9.70 | 10.2 |
| Curitiba..... | May 2001 | 2.07 | 3.53 | 9.3 |
| Florianópolis..... | January 2001 | 0.72 | 1.63 | 14.6 |
| Fortaleza..... | December 2001 | 1.44 | 3.28 | 14.7 |
| Porto Alegre..... | January 2001 | 2.25 | 3.85 | 9.4 |
| Recife..... | April 2001 | 2.14 | 3.95 | 10.8 |
| Salvador..... | January 2001 | 3.02 | 5.41 | 10.2 |
| Vitória..... | November 2001 | 0.84 | 1.66 | 12.0 |

(1) Includes the airports of Pampulha and Confins in Belo Horizonte. A large portion of passenger flow was transferred from the airport of Pampulha to the airport of Confins in 2005.

Source: INFRAERO

Aircraft

At the end of 2006, we operated a fleet of 65 aircraft comprised of 30 Boeing 737-700 Next Generation aircraft, 21 Boeing 737-800 Next Generation aircraft and 14 Boeing 737-300 aircraft. We expect to operate approximately 94 aircraft by the end of 2011, concentrating our fleet on the 737-800 Next Generation aircraft.

We took delivery of 14 Boeing 737-800 aircraft, 8 Boeing 737-700 aircraft and 3 Boeing 737-300 aircraft in 2006. We have placed firm purchase orders with The Boeing Company for 76 737-800 Next Generation aircraft and we have options to purchase an additional 34 737-800 Next Generation aircraft. Currently, we have 14 firm purchase orders for aircraft deliveries scheduled in 2007, 9 in 2008, 16 in 2009, 16 in 2010 and 21 after 2010. With these firm purchase orders and purchase options, we expect to further reduce our operating and financial costs. In addition, by purchasing aircraft, we expect to be able to maintain our young fleet of aircraft going forward, increase fuel and operating efficiency and reduce maintenance costs.

The following table shows the historical and expected development of our fleet at December 31, 2005 and 2006 and the expected development of our fleet until December 31, 2012:

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------|------|------|------|------|------|------|------|------|
| 737-800..... | 8 | 21 | 36 | 46 | 60 | 72 | 84 | 91 |
| 737-700..... | 22 | 30 | 30 | 28 | 21 | 20 | 10 | 10 |
| 737-300..... | 12 | 14 | 14 | 12 | 7 | - | - | - |
| Total fleet | 42 | 65 | 80 | 86 | 88 | 92 | 94 | 101 |

Our new and simplified fleet structure allows us to maintain a cost-efficient operation by reducing maintenance and training costs, reducing spare parts inventory requirements and supporting high reliability and high aircraft utilization rates. The average daily utilization rate of our aircraft between 2004 and 2006 was 14.0 block hours (including 14.2 block hours in 2006), which was the highest average utilization rate in Brazil and one of the highest utilization rates in the industry worldwide according to airline company public filings.

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. According to the ANAC, there were 38.7 million domestic enplanements and 5.8 million international enplanements in Brazil in 2005, 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 669.8 million domestic enplanements and 68.8 million international enplanements in 2005, out of a total population of approximately 297 million, based on the latest U.S. census figures.

Most long-distance public travel services within Brazil are provided by interstate bus companies. In 2005, Brazil's domestic airline industry transported almost 38 million passengers, as compared to over 141 million passengers transported by interstate bus companies in 2005, according to the National Ground Transportation Agency (*Agência Nacional de Transportes Terrestres*). Brazil has no meaningful interstate passenger rail services.

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 approximately 70% of the total demand for domestic air travel in 2006, 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 12.2% of all domestic passengers in 2005. The ten busiest routes accounted for 29.5% of all domestic air passengers in 2006 while the ten busiest airports accounted for 75.6% and 75.1% of all domestic passenger traffic through INFRAERO airports in terms of arrivals and departures in 2005 and 2006, respectively.

The scheduled domestic passenger airline industry in Brazil is primarily served by Gol and TAM. At the end of 2006, Gol and TAM accounted for approximately 86% of the market share of domestic regular routes, measured in terms of revenue passenger kilometers. On June 17, 2005, our former competitor Varig, filed for bankruptcy protection in Brazil and the United States. During 2006, the assets and operations of Varig were sold to various investors. Varig ceased operations on December 14, 2006 and VRG Linhas Aéreas S.A., or VRG, initiated operations as a commercial airline on December 15, 2006.

From 1998 to 2006, the compound annual growth rate in industry passenger traffic, in terms of domestic revenue passenger kilometers, was 7.4%, versus a compound annual growth rate in available industry capacity, in terms of available seat kilometers, of 4.8%. Domestic industry load factors, calculated as revenue passenger kilometers divided by available seat kilometers, have averaged 62.3% over the same period.

The table below shows the figures of domestic industry passenger traffic and available capacity for the periods indicated:

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------|-----------------------------------|--------|--------|--------|--------|---------|--------|--------|--------|
| | (in millions, except percentages) | | | | | | | | |
| Available Seat | | | | | | | | | |
| Kilometers..... | 38,121 | 40,323 | 41,437 | 45,008 | 47,109 | 41,927 | 43,034 | 50,182 | 55,608 |
| Available Seat | | | | | | | | | |
| Kilometers Growth... | 22.4% | 5.8% | 2.8% | 8.6% | 4.7% | (11.0)% | 2.6% | 11.5% | 10.8% |
| Revenue Passenger | | | | | | | | | |
| Kilometers..... | 22,539 | 22,204 | 24,284 | 26,296 | 26,780 | 25,180 | 28,214 | 35,429 | 39,802 |
| Revenue Passenger | | | | | | | | | |
| Kilometers Growth... | 26.5% | (1.5)% | 9.4% | 8.3% | 1.8% | (6.0)% | 12.0% | 19.4% | 12.3% |
| Load Factor | 59.1% | 55.1% | 58.6% | 58.4% | 56.8% | 60.1% | 65.6% | 70.2% | 71.6% |

Source: DAC, for 1998 to 2002 from *Anuário Estatístico*; and for 2003 through 2006 from *Dados Comparativos Avançados*.

Historically, domestic airline industry revenue growth has generally surpassed Brazilian GDP growth. From 1998 to 2005, domestic airline industry revenue grew at a real compound annual growth rate of 11.6% (as adjusted by the IPCA inflation index) while Brazilian GDP has grown at a real compound annual growth rate of 2.3% over the same period, according to data from the ANAC and the Central Bank.

Set forth in the table below is the number of passengers traveling by air between Brazil and other specified South American countries during 2005, as well as the gross domestic product and population of each listed country.

| Country | Enplanements(1) (in thousands) | Percentage of Total | GDP(2) (in billions of US\$) | Population(3) (in millions) |
|-----------------|-----------------------------------|------------------------|------------------------------------|--------------------------------|
| Argentina..... | 1,651.5 | 51.1% | 183.3 | 38.7 |
| Chile | 546.4 | 16.9% | 115.3 | 16.3 |
| Uruguay | 272.3 | 8.4% | 16.8 | 3.5 |
| Bolivia | 180.7 | 5.6% | 9.3 | 9.2 |
| Paraguay | 206.5 | 6.4% | 8.2 | 6.2 |
| Peru..... | 173.5 | 5.4% | 78.4 | 28.0 |
| Colombia | 109.6 | 3.4% | 122.3 | 45.6 |
| Venezuela | 94.0 | 2.8% | 138.9 | 26.6 |
| Total..... | 3,234.5 | 100% | 672.5 | 174.1 |

Sources: (1) DAC—*Anuário de Transporte Aéreo 2005*

(2) World Development Bank Indicators database, August 2005. Figures as of 2005.

(3) World Development Bank Indicators database, August 2005. Figures as of 2005.

We were formed on March 12, 2004 as a *sociedade por ações*, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. Our only material assets consist of the shares of Gol, two offshore finance subsidiaries, cash and cash equivalents and short-term investments. We own all of Gol's shares, except for five common shares of Gol that are held by members of Gol's board of directors for eligibility purposes.

For further description of our business, the Brazilian airline industry, our results of operations and other material information regarding our company, see our Annual Report on Form 20-F for the year ended December 31, 2006, which is included as Annex A to this offering memorandum.

The Issuer

Gol Finance is an exempted limited liability company incorporated under the laws of the Cayman Islands on March 16, 2006. GLAI owns directly 100% of the Issuer's equity interests. The Issuer was established to primarily finance the acquisition of aircraft, equipment and supply materials by other companies of the Gol Group. The Issuer's authorized and issued capital is US\$50,000.00, divided into 50,000 shares, all of which are fully paid up. Its registered office is at Rua Gomes de Carvalho 1629, 04547-006 São Paulo, SP, Brazil and its statutory documents and any other documents concerning the Issuer which are referred to in this offering memorandum can be inspected at our headquarter at the same address. No financial statements have been produced for the Issuer as of the date of this offering memorandum and no financial statements are expected to be prepared for the Issuer in the future.

The Guarantor Gol

Gol is our operating company, incorporated as a Sociedade Anônima (corporation) under Brazilian law. It was incorporated on August 1, 2000. Its registered office is at Rua Gomes de Carvalho 1629, 04547-006 São Paulo, SP, Brazil and its statutory documents and other documents concerning Gol Transportes Aéreos S.A., which are referred to in this offering memorandum can be inspected at our headquarter at the same address. Gol's share capital consists of 451,072,648 common shares outstanding in the total amount of R\$536,489,276.47, all of which are fully paid up. Gol was established to operate our business of air transportation of passengers, cargo, mail bags, domestically and internationally, and development of related activities. Gol's annual financial statements for the year ended December 31, 2006 are and its future annual financial statements will be available at the office of the Luxembourg Paying Agent. We have not and do not expect to produce interim financial statements for Gol. As of the date of this offering memorandum, Gol has no convertible debt securities, exchangeable debt securities nor debt securities with warrants attached outstanding.

Our principal executive offices are located at Rua Gomes de Carvalho 1629, 04547-006 São Paulo, SP, Brazil, and our general telephone number is +55 11 3169-6003. The telephone number of our investor relations department is +55 11 3169-6800. Our website address is www.voegol.com.br and our website is available in Portuguese, Spanish and English. Investor information can be found on our website under the caption "Investor Relations." Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this offering memorandum.

The Offering

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing in the notes, including "Risk Factors" and our Annual Report on Form 20-F for the year ended December 31, 2006, which is included as Annex A to this offering memorandum.

| | |
|------------------------------|--|
| Issuer | Gol Finance |
| Guarantors | Gol Linhas Aéreas Inteligentes S.A. and Gol Transportes Aéreos S.A. |
| Notes offered | U.S.\$225,000,000 aggregate principal amount of 7.50% senior notes due 2017. |
| Issue price..... | 98.274% |
| Maturity date | April 3, 2017. |
| Interest payment dates | April 3 and October 3 of each year, commencing on October 3, 2007. |
| Interest..... | The notes will bear interest from March 22, 2007 at the annual rate of 7.50%, payable semi-annually in arrears on each interest payment date. |
| Ranking | The notes will be unsecured and will rank equally with the other unsecured indebtedness the Issuer may incur. The notes will be guaranteed, jointly and severally, on an unsecured unsubordinated basis by the Guarantors. The guarantors will rank equally in right of payment with the other unsecured indebtedness and guarantees of the Guarantors. The notes will be effectively junior to the Issuer's and the Guarantors' secured indebtedness. Under Brazilian law, holders of the notes will not have any claim whatsoever against the Guarantors' non-guarantor subsidiaries. See "Description of Notes—Ranking." As of December 31, 2006, the Issuer had US\$204.4 million of long-term indebtedness and the Guarantors had US\$443.9 million of consolidated long-term indebtedness, including the Issuer's indebtedness. As of December 31, 2006, the Issuer had no secured indebtedness and the Guarantors had US\$239.5 million of consolidated secured indebtedness. |
| Guarantees | The Guarantors will unconditionally guarantee, jointly and severally, on an unsecured unsubordinated basis, all of the Issuer's obligations pursuant to the notes. |
| Optional redemption | The Issuer may redeem for cash all or a portion of the notes at any time or from time to time, by paying the redemption price described under "Description of Notes—Redemption—Optional Redemption," which will be equal to the greater of (1) 100% of the principal amount of the notes being redeemed and (2) a make whole amount, if any, together with accrued and unpaid interest to the redemption date. |

| | |
|-------------------------------|--|
| Tax redemption | The Issuer may, at its option, redeem the notes, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, upon the occurrence of specified events relating to the applicable tax law. See "Description of Notes—Redemption—Tax Redemption." |
| Additional amounts | Payments of interest on the notes will be made after withholding and deduction for any Brazilian or Cayman taxes as set forth under "Taxation." The Issuer, in respect of the notes, and the Guarantors, in respect of the guarantees, will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Brazilian or Cayman taxes been required, subject to certain exceptions set forth under "Description of Notes—Additional Amounts." |
| Covenants | The terms of the notes do not contain any restrictive covenants or other provisions designed to protect holders of the notes in the event that the Issuer or the Guarantors or any other of the Guarantors' present or future subsidiaries participate in a highly leveraged transaction. The terms of the notes do not permit the Issuer and the Guarantors to consolidate or merge with, or transfer all or substantially all of their respective assets to, another person, or to enter into transactions with affiliates, unless the Issuer or the Guarantors, as the case may be, comply with certain requirements. See "Description of Notes—Covenants." |
| Change of control offer | Upon the occurrence of a change of control that results in a ratings decline, you will have the right, as a holder of the notes, subject to certain exceptions, to require the Issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See "Description of Notes—Repurchase of Notes Upon a Change of Control." |
| Events of default..... | <p>The notes and the indenture will contain certain events of default, consisting of, among others, the following:</p> <ul style="list-style-type: none"> • failure to pay the principal when due or failure to pay interest in respect of the notes within 30 days of the due date for an interest payment; • failure to comply with the Issuer's and the Guarantors' covenants with such failure continuing for either 30 or 60 days, after written notice has been delivered to the Issuer and the Guarantors; • indebtedness of the Issuer, the Guarantors or any of the significant subsidiaries of GLAI exceeding U.S.\$50 million is not paid when due or is accelerated; and • specified events of bankruptcy, liquidation or insolvency of us or any of our subsidiaries. |

| | |
|---|---|
| | For a full description of the Events of Default, see "Description of Notes — Events of Default". |
| Further issuances | The Issuer may from time to time without notice to or consent of the holders of notes create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering. Holders of the notes should be aware that additional notes that are treated as the same series as the notes initially issued in this offering may be treated as separate issues for U.S. federal income tax purposes. See "Description of Notes — Further Issuances." |
| Use of proceeds | The net proceeds to the Issuer from the sale of the notes are estimated to be approximately U.S.\$218 million and will be primarily used to finance the acquisition of aircraft, equipment, and supply materials by other companies of the Gol group. |
| Form and denomination; settlement | <p>Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form without interest coupons attached, only in denominations of U.S.\$2,000 and in integral multiples of U.S.\$1,000 in excess thereof. Any notes sold pursuant to Rule 144A under the Securities Act will be issued in fully registered form in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.</p> <p>The notes will be issued in book-entry form through the facilities of DTC, for the accounts of its participants, including Euroclear Bank S.A./N.V., as the operator of the Euroclear, and Clearstream, and will trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Form of Notes."</p> |
| Transfer restrictions..... | The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See "Transfer Restrictions." |
| Registration Rights | <p>The Issuer and the Guarantors have agreed to cause a registration statement under the Securities Act to be declared effective for:</p> <ul style="list-style-type: none"> • an offer to exchange the notes for a new issue of registered notes, or • registration of the notes for resale. <p>If the exchange offer is not completed or the resale registration statement is not effective on or before November 30, 2007, the Issuer will be required to pay additional interest on the notes equal to 0.25% per annum. This additional amount will be payable on the notes until the earlier of the completion of the exchange offer, the</p> |

| | |
|---|--|
| | effectiveness of the registration statement or the notes becoming freely tradable under the Securities Act. |
| Listings | <p>Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and admission to trading has been made on the Euro MTF market of the Luxembourg Stock Exchange. The Issuer cannot assure you, however, that this application will be accepted, or if accepted, that the notes will remain so listed.</p> <p>The notes are expected to be designated as being eligible for trading in the PORTAL market.</p> |
| Governing law | The indenture, the guarantees and the notes will be governed by the laws of the State of New York. |
| Trustee, transfer agent and registrar | The Bank of New York. |
| Principal paying agent | The Bank of New York. |
| Luxembourg listing agent | The Bank of New York (Luxembourg) S.A. |
| Selling restrictions | There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in "Plan of Distribution." |

Summary Financial and Other Information

The following table presents summary historical consolidated financial and operating data for us for each of the periods indicated. You should read this information in conjunction with our consolidated financial statements and related notes, included in our Annual Report on Form 20-F for the year ended December 31, 2006, which is included as Annex A to this offering memorandum. The consolidated financial statements and related notes have been prepared in accordance with U.S. GAAP and reflect our financial condition and results of operations as if we had been incorporated and held all of the capital stock of Gol since January 1, 2001, except for five common shares of Gol held by members of Gol's board of directors for eligibility purposes.

Since the date of its incorporation, no separate financial statements of the Issuer have been published. The Issuer is not required by Cayman Islands law, has not and does not intend to publish audited or unaudited financial statements for any period or appoint any auditors.

Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2006 have been translated into U.S. dollars at the commercial market rate in effect as of December 31, 2006 as reported by the Central Bank of R\$2.1380 to US\$1.00.

| | Year Ended December 31, | | | | | |
|--|-------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| | (in thousands) | | | | | |
| Net operating revenues: | | | | | | |
| Passenger | R\$643,549 | R\$1,339,191 | R\$1,875,475 | R\$2,539,016 | R\$3,580,919 | US\$1,674,892 |
| Cargo and other | 34,330 | 61,399 | 85,411 | 130,074 | 221,098 | 103,413 |
| Total net operating revenues | 677,879 | 1,400,590 | 1,960,886 | 2,669,090 | 3,802,017 | 1,778,305 |
| Operating expenses: | | | | | | |
| Salaries, wages and benefits | 77,855 | 137,638 | 183,037 | 260,183 | 413,977 | 193,628 |
| Aircraft fuel | 160,537 | 308,244 | 459,192 | 808,268 | 1,227,001 | 573,901 |
| Aircraft rent | 130,755 | 188,841 | 195,504 | 240,876 | 292,548 | 136,833 |
| Sales and marketing | 96,626 | 191,280 | 261,756 | 335,722 | 414,597 | 193,918 |
| Landing fees | 32,758 | 47,924 | 57,393 | 92,404 | 157,695 | 73,758 |
| Aircraft and traffic servicing | 47,381 | 58,710 | 74,825 | 91,599 | 199,430 | 93,279 |
| Maintenance, materials and repairs | 16,160 | 42,039 | 51,796 | 55,373 | 146,505 | 68,524 |
| Depreciation | 7,885 | 13,844 | 21,242 | 35,014 | 69,313 | 32,420 |
| Other operating expenses | 45,740 | 70,344 | 79,840 | 128,300 | 179,494 | 83,954 |
| Total operating expenses | 615,797 | 1,058,864 | 1,384,585 | 2,047,739 | 3,100,560 | 1,450,215 |
| Operating income | 62,082 | 341,726 | 576,301 | 621,351 | 701,457 | 328,090 |
| Other income (expense): | | | | | | |
| Interest expense | (16,530) | (20,910) | (13,445) | (19,383) | (66,378) | (31,047) |
| Financial income (expense), net | 7,447 | (56,681) | 24,424 | 115,554 | 163,883 | 76,652 |
| Income (loss) before income taxes | 52,999 | 264,135 | 587,280 | 717,522 | 798,962 | 373,695 |
| Income taxes | (17,642) | (88,676) | (202,570) | (204,292) | (229,825) | (107,495) |
| Net income (loss) | R\$35,357 | R\$175,459 | R\$384,710 | R\$513,230 | R\$569,137 | US\$266,200 |
| Earnings (loss) per share, basic(1) | R\$0.36 | R\$1.07 | R\$2.14 | R\$2.66 | R\$2.90 | US\$1.36 |
| Earnings (loss) per share, diluted(1) | R\$0.36 | R\$1.07 | R\$2.13 | R\$2.65 | R\$2.90 | US\$1.36 |
| Weighted average shares used in computing earnings (loss) per share, basic (in thousands)(1) | 98,268 | 164,410 | 179,731 | 192,828 | 196,103 | 196,103 |
| Weighted average shares used in computing earnings (loss) per share, diluted (in thousands)(1) | 98,268 | 164,410 | 180,557 | 193,604 | 196,210 | 196,210 |
| Earnings (loss) per ADS, basic(2) | R\$0.36 | R\$1.07 | R\$2.14 | R\$2.66 | R\$2.90 | US\$1.36 |
| Earnings (loss) per ADS, diluted(2) | R\$0.36 | R\$1.07 | R\$2.13 | R\$2.65 | R\$2.90 | US\$1.36 |
| Dividends paid per share | — | R\$0.16 | R\$0.32 | R\$0.60 | R\$0.92 | US\$0.43 |
| Dividends paid per ADS(2) | — | R\$0.16 | R\$0.32 | R\$0.60 | R\$0.92 | US\$0.43 |

| | As of December 31, | | | | | |
|---|------------------------------------|------------|------------|------------|-------------|-------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| | (in thousands) | | | | | |
| Balance Sheet Data: | | | | | | |
| Cash and cash equivalents..... | R\$9,452 | R\$146,291 | R\$405,730 | R\$106,347 | R\$280,977 | US\$131,420 |
| Short-term investments | — | — | 443,361 | 762,688 | 1,425,369 | 666,683 |
| Accounts receivable(3)..... | 105,245 | 240,576 | 386,370 | 563,958 | 659,306 | 308,375 |
| Deposits with lessors | 121,980 | 180,916 | 289,416 | 408,776 | 537,835 | 251,560 |
| Total assets..... | 318,342 | 685,019 | 1,734,284 | 2,555,843 | 4,258,454 | 1,991,793 |
| Short-term debt | 22,800 | 38,906 | 118,349 | 54,016 | 128,304 | 60,011 |
| Long-term debt..... | — | — | — | — | 949,006 | 443,876 |
| Shareholders' equity..... | 71,583 | 314,739 | 1,148,453 | 1,822,331 | 2,205,158 | 1,031,411 |
| | Year Ended December 31, | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| | (in thousands, except percentages) | | | | | |
| Other Financial Data: | | | | | | |
| Operating margin(4)..... | 9.2% | 24.4% | 29.4% | 23.3% | 18.4% | 18.4% |
| Net cash provided by (used in) operating activities..... | R\$17,023 | R\$85,235 | R\$239,920 | R\$353,745 | R\$530,436 | US\$248,099 |
| Net cash used in investing activities | (34,479) | (39,263) | (533,043) | (801,787) | (1,234,088) | (577,216) |
| Net cash provided by financing activities | 21,752 | 90,867 | 552,562 | 148,659 | 878,282 | 410,796 |
| | Year Ended December 31, | | | | | |
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| Operating Data (unaudited): | | | | | | |
| Revenue passengers (in thousands)..... | 4,847 | 7,324 | 9,215 | 13,000 | 17,447 | |
| Revenue passenger kilometers (in millions) | 3,156 | 4,835 | 6,289 | 9,740 | 14,819 | |
| Available seat kilometers (in millions) | 5,049 | 7,527 | 8,844 | 13,246 | 20,261 | |
| Load-factor | 62.5% | 64.2% | 71.1% | 73.5% | 73.1% | |
| Break-even load-factor | 59.8% | 50.8% | 52.5% | 56.4% | 59.6% | |
| Aircraft utilization (block hours per day)..... | 12.3 | 12.8 | 13.6 | 13.9 | 14.2 | |
| Average fare | R\$140 | R\$195 | R\$210 | R\$201 | R\$205 | |
| Yield per passenger kilometer (cents)..... | 20.4 | 27.7 | 29.8 | 26.1 | 24.2 | |
| Passenger revenue per available seat kilometer (cents)..... | 12.7 | 17.8 | 21.2 | 19.1 | 17.7 | |
| Operating revenue per available seat kilometer (cents)..... | 13.4 | 18.6 | 22.2 | 20.1 | 18.8 | |
| Operating expense per available seat kilometer (cents) | 12.2 | 14.1 | 15.7 | 15.5 | 15.3 | |
| Operating expense less fuel expense per available seat kilometer (cents)... | 9.0 | 9.9 | 10.5 | 9.4 | 9.2 | |
| Departures | 52,665 | 75,439 | 87,708 | 122,683 | 164,696 | |
| Departures per day | 144 | 207 | 240 | 336 | 451 | |
| Destinations served..... | 22 | 25 | 36 | 45 | 55 | |
| Average stage length (kilometers) | 628 | 659 | 689 | 721 | 832 | |
| Average number of operating aircraft during period..... | 15.3 | 21.6 | 22.3 | 34.3 | 50.1 | |
| Full-time equivalent employees at period end | 2,072 | 2,453 | 3,307 | 5,456 | 8,840 | |
| Fuel liters consumed (in thousands)..... | 164,008 | 264,402 | 317,444 | 476,725 | 712,881 | |
| Percentage of sales through website during period | 48.7% | 57.9% | 76.4% | 81.3% | 81.6% | |
| Percentage of sales through website and call center during period | 72.1% | 74.1% | 83.6% | 88.7% | 92.4% | |
| <p>(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.</p> <p>(2) Adjusted for the ADS ratio change in December 2005, which changed the ratio of ADS per preferred share from one ADS representing two preferred shares to one ADS representing one preferred share.</p> <p>(3) In managing our liquidity, we take into account our cash and cash equivalents, our short-term investments and our accounts receivable balances. Accounts receivable consist primarily of credit card receivables for purchased passenger tickets. We provide our customers with the option to pay in installments and therefore have to a limited extent a lag between the time that we pay our suppliers and the time that we receive payment for our services.</p> <p>(4) Operating margin represents operating income divided by net operating revenues.</p> | | | | | | |

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks described below and those described in our Annual Report on Form 20-F for the year ended December 31, 2006, which is included as Annex A to this offering memorandum as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of the notes could decline and you could lose all or part of your investment.

Risks Relating to the Notes and the Guarantees

There are no financial covenants in the notes or the guarantees.

Neither the Issuer, the Guarantors nor any of their subsidiaries are restricted from incurring additional debt or liabilities, including additional senior debt, under the notes, the guarantees or the indenture. If either the Issuer or the Guarantors incur additional debt or liabilities, their ability to pay their obligations on the notes or the guarantees, as the case may be, could be adversely affected. The Issuer and the Guarantors expect from time to time to incur additional debt and other liabilities. In addition, neither the Issuer nor the Guarantors are restricted from creating liens on their assets, and the Guarantors are not restricted from paying dividends or issuing or repurchasing securities under the guarantees or the indenture.

Payments on the notes and the guarantees will be junior to any secured debt obligations of the Issuer and the Guarantors, as the case may be, and effectively junior to debt obligations of our non-guarantor subsidiaries.

The notes and the guarantees will constitute unsecured unsubordinated obligations of the Issuer and the Guarantors and will rank equal in right of payment with all of the other existing and future unsecured unsubordinated indebtedness of the Issuer and the Guarantors, respectively. Although the holders of the notes will have a direct, but unsecured claim on the assets and property of the Issuer, payment on the notes will be subordinated to any secured debt of the Issuer to the extent of the assets and property securing such debt. Payment on the notes will also be effectively subordinated to the payment of secured and unsecured debt and other creditors of the Guarantor's non-guarantor subsidiaries. In addition, under Brazilian law, the obligations of the Guarantors under the guarantees are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes, court fees, expenses and costs, as well as to other statutory claims specific to the aircraft industry. In the event of the Guarantors' liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

As of December 31, 2006, the Issuer had US\$204.4 million of long-term indebtedness and the Guarantors had US\$443.9 million of consolidated long-term indebtedness, including the Issuer's indebtedness. As of December 31, 2006, the Issuer had no secured indebtedness and the Guarantors had US\$239.5 million of consolidated secured indebtedness.

Judgments of Brazilian courts enforcing the Guarantors' obligations under the notes would be payable only in reais.

If proceedings were brought in the courts of Brazil seeking to enforce obligations of the Guarantors under the guarantees, the Guarantors would not be required to discharge such obligations in a currency other than *reais*. Any judgment obtained against the Guarantors in Brazilian courts in respect of any payment obligations under the guarantees will be expressed in *reais* equivalent to the U.S. dollar amount at the exchange rate published by the Central Bank of Brazil of the date on which such judgment is rendered. We cannot assure you that this exchange rate will afford you full compensation of the amount invested in the notes.

We cannot assure you that an active trading market for the notes will develop.

The notes constitute a new issue of securities, for which there is no existing market. Although we have applied to list the notes on the Official List of the Luxembourg Stock Exchange and admission to trading has been made on the Euro MTF market of the Luxembourg Stock Exchange, we cannot provide you with any assurances that the application will be accepted. Further, no assurance can be provided regarding the development of a market for the

notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. Accordingly, we cannot assure you that an active trading market for the notes will develop or, if a trading market develops, that it will continue. The lack of an active trading market for the notes would have a material adverse effect on the market price and liquidity of the notes. Even if a market for the notes develops, the notes may trade at a discount from their initial offering price.

We may be unable to purchase the notes upon a change of control.

Upon the occurrence of a change of control that results in a rating decline, you may require us to purchase all or a portion of your notes at 101% of their principal amount, plus accrued and unpaid interest and any additional amounts. If such a change of control were to occur, we may not have enough funds at the time to pay the purchase price for all tendered notes. Our future indebtedness may provide that a change of control constitutes an event of default which could result in the acceleration of maturity of such indebtedness and may prohibit the purchase of the notes upon a change of control that results in a ratings decline. If a change of control that results in a rating decline occurs at a time when we are prohibited from purchasing the notes, we could seek the consent of our lenders to purchase the notes or could attempt to refinance this debt. If we do not obtain a consent, we could not purchase the notes. Our failure to purchase any tendered notes would constitute an event of default under the applicable agreement. Our obligation to offer to purchase the notes upon a change of control that results in a rating decline would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us. The terms “change of control” and “rating decline” are defined in the “Description of the Notes—Certain Definitions” section.

There are restrictions on your ability to transfer or resell the notes without registration under applicable securities laws.

The notes have not been registered under the Securities Act or any state securities laws, and are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws. Therefore, you may transfer or sell the notes in the United States only in a transaction registered under or exempted from the registration requirements of the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See “Transfer Restrictions” for further description of the restrictions on transfer of the notes.

We have agreed to use our reasonable best efforts to commence an offer to exchange each series of the notes for equivalent notes registered under the Securities Act or, in certain circumstances, to register the reoffer and resale of the notes under the Securities Act, but we cannot assure you that the necessary registration statement will become or remain effective or that the exchange offer will be consummated. See “Registration Rights” for further description of our agreement to register an exchange offer of the notes.

USE OF PROCEEDS

We expect that the net proceeds of this offering will be approximately US\$218 million, after deducting the discounts and commissions to the initial purchasers and estimated offering expenses. The net proceeds of this offering will be used by the Issuer primarily to finance the acquisition of aircraft, equipment, and supply materials by other companies of the Gol and its affiliates.

CAPITALIZATION

The following table sets forth our consolidated capitalization at December 31, 2006 on a historical basis and as adjusted to give effect to this offering. This table should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the notes thereto included elsewhere in this offering memorandum.

The “as adjusted” column give effect to the issuance of the notes in this offering, assuming gross proceeds from the issuance of US\$225 million.

| | As of December 31, 2006 | | As adjusted as of December 31, 2006 | |
|--|-----------------------------------|---|--|---|
| | (in millions of <i>reais</i>) | (in millions of U.S. dollars) ⁽¹⁾ | (in millions of <i>reais</i>) | (in millions of U.S. dollars) ⁽¹⁾ |
| Cash | | | | |
| Cash and cash equivalents | 281.0 | 131.4 | 762.0 | 356.4 |
| Short-term investments | 1,425.4 | 666.7 | 1,425.4 | 666.7 |
| Total cash and financial investments | 1,706.4 | 798.1 | 2,187.4 | 1,023.1 |
| Short-term debt | 128.3 | 60.0 | 128.3 | 60.0 |
| Current portion of long-term debt | 41.3 | 19.3 | 41.3 | 19.3 |
| Long-term debt | 949.0 | 443.9 | 949.0 | 443.9 |
| Notes issued in this offering | - | - | 481.1 | 225.0 |
| Total debt | 1,118.6 | 523.2 | 1,599.7 | 748.2 |
| Shareholders' equity | | | | |
| Preferred shares | 846.1 | 395.8 | 846.1 | 395.8 |
| Common shares | 41.5 | 19.4 | 41.5 | 19.4 |
| Additional paid-in capital | 35.4 | 16.6 | 35.4 | 16.6 |
| Appropriated retained earnings | 39.6 | 18.5 | 39.6 | 18.5 |
| Unappropriated retained earnings | 1,246.8 | 583.2 | 1,246.8 | 583.2 |
| Accumulated other comprehensive gain | -4.3 | -2.0 | -4.3 | -2.0 |
| Total shareholders' equity | 2,205.2 | 1,031.4 | 2,205.2 | 1,031.4 |
| Total capitalization⁽²⁾⁽³⁾ | 3,323.8 | 1,554.6 | 3,804.8 | 1,779.6 |

- (1) The *real* amounts for December 31, 2006 have been converted into dollars using the exchange rate of US\$1.00 = R\$2.1380, which is the selling rate reported by the Central Bank of Brazil on this date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this offering memorandum as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates.
- (2) Total capitalization is the sum of total debt and total shareholders' equity.
- (3) After the completion of this offering, we may incur additional debt in the regular course of our business which may materially affect our total indebtedness as provided in this table.

Issuer

As at the date of this offering memorandum, the Issuer has US\$204.4 million in indebtedness. Otherwise, the Issuer has no other assets or liabilities.

DESCRIPTION OF NOTES

We will issue the notes pursuant to an indenture, to be dated as of March 22, 2007, among the Issuer, Gol Linhas Aéreas Inteligentes S.A., or GLAI, Gol Transportes Aéreos S.A., or Gol, each as guarantors, or the Guarantors, The Bank of New York, as trustee (which term includes any successor as trustee under the indenture), transfer agent, registrar and principal paying agent. A copy of the indenture, including the form of the notes, is available for inspection during normal business hours at the office of the trustee set forth on the inside back cover page of this offering memorandum. The trustee or any other paying agent will also act as transfer agent and registrar in the event that the Issuer issues certificates for the notes in definitive registered form as set forth in "Form of Notes—Individual Definitive Notes."

This description of notes is a summary of the material provisions of the notes and the indenture. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including the obligations of the Issuer and the Guarantors and your rights.

You will find the definitions of capitalized terms used in this section under "—Certain Definitions."

General

The notes:

- will be senior unsecured obligations of the Issuer;
- will initially be limited to an aggregate principal amount of U.S.\$225,000,000;
- will mature on April 3, 2017 at a redemption price of 100% of the aggregate principal amount;
- will be issued in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof;
- will be represented by one or more registered notes in global form and may be exchanged for registered notes in definitive form only in limited circumstances; and
- will be subject to registration with the SEC pursuant to the registration rights agreement.

Interest on the notes:

- will accrue at the rate of 7.50% per annum;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash semi-annually in arrears on April 3 and October 3 of each year, commencing on October 3, 2007;
- will be payable to the holders of record on March 19 and September 19 immediately preceding the related interest payment dates; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest and any additional amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively. For so long as the notes are listed on the Luxembourg Stock Exchange and traded on the EuroMTF and the rules of that stock exchange will so require, the Issuer will also maintain a paying agent and transfer agent in Luxembourg.

The indenture does not limit the amount of debt or other obligations that may be incurred by the Issuer or the Guarantors or any of their present or future Subsidiaries. The indenture does not contain any restrictive covenants or

other provisions designed to protect holders of the notes in the event the Issuer or the Guarantors or any of their present or future Subsidiaries participate in a highly leveraged transaction or upon a change of control.

Further Issuances

The Issuer is entitled, without the consent of the holders, to issue additional notes under the indenture on the same terms and conditions as the notes being offered hereby in an unlimited aggregate principal amount. The notes and the additional notes, if any, will be treated as a single class for all purposes of the indenture, including waivers and amendments. Unless the context otherwise requires, for all purposes of the indenture and this "Description of Notes," references to the notes include any additional notes actually issued.

Holders of the notes should be aware that additional notes that are treated as the same series for non-U.S. federal income tax purposes as the notes initially issued in this offering may be treated as separate issues for U.S. federal income tax purposes. Such additional notes, depending on the facts, could be considered to be issued with original issue discount for U.S. federal income tax purposes (OID). If purchasers of notes are not able to differentiate between notes sold as a part of the issuance of additional notes and previously issued notes, purchasers of the original series of notes after the issue date of such additional notes may be required to accrue OID for U.S. federal income tax purposes with respect to their notes. This may affect the market value of outstanding notes at the time of an additional issuance.

Ranking

The notes and the guarantees will be unsecured, unsubordinated obligations of each of the Issuer and the Guarantors, ranking equally with all of their other respective unsubordinated obligations. However, the notes will effectively rank junior to all secured debt of the Issuer and the Guarantors to the extent of the value of the assets securing that debt.

As of December 31, 2006, the Issuer had U.S.\$204.4 million of indebtedness, and the Guarantors had U.S.\$443.9 million of consolidated indebtedness, including the Issuer's indebtedness.

Guarantees

The Guarantors will unconditionally guarantee, jointly and severally, on an unsecured basis, all of the obligations of the Issuer pursuant to the notes, which we refer to as the guarantees. So long as any note remains outstanding (as defined in the indenture), GLAI shall continue to own directly 100% of the outstanding share capital of the Issuer.

The guarantees will be limited to the maximum amount that would not render the Guarantors' respective obligations subject to avoidance under applicable fraudulent conveyance laws. By virtue of this limitation, the Guarantors' respective obligations under the guarantees could be significantly less than amounts payable with respect to the notes, or the Guarantors may have effectively no obligation under the guarantees.

None of the Guarantors' existing or future Subsidiaries (other than Gol in the case of GLAI) is guaranteeing the notes. Claims of creditors of such non-guarantor Subsidiaries, including trade creditors, employees and creditors holding indebtedness or guarantees issued by such non-guarantor Subsidiaries, and claims of preferred stockholders of such non-guarantor Subsidiaries generally will have priority with respect to the assets and earnings of such non-guarantor Subsidiaries over the claims of the Guarantors' creditors, including holders of the notes. Accordingly, the notes will be effectively subordinated to creditors (including trade creditors and employees) and preferred stockholders, if any, of the Guarantors' existing or future non-guarantor Subsidiaries. The indenture does not require any of the Guarantors' existing or future Subsidiaries (other than Gol in the case of GLAI) to guarantee the notes, and it does not restrict any of the Guarantors from disposing of its assets to a third party or a Subsidiary that is not guaranteeing the notes.

Under Brazilian law, as a general rule, holders of the notes will not have any claim whatsoever against any non-guarantor Subsidiaries of the Guarantors.

The guarantees will terminate upon defeasance or repayment of the notes, as described under the caption “—Defeasance.”

Additional Interest

The Issuer and the Guarantors have agreed to cause a registration statement under the Securities Act to be declared effective for an offer to exchange the notes and the guarantees for a new issue of registered notes and guarantees or registration of the notes and guarantees for resale, in each case identical in terms to the original notes and guarantees except for restriction on transfer. If the exchange offer is not completed or the resale registration statement is not effective on or before November 30, 2007, the Issuer will be required to pay additional interest on the notes equal to 0.25% per annum (the “Additional Interest”). This additional amount will be payable on the notes until the earlier of the completion of the exchange offer, the effectiveness of the registration statement or the notes becoming freely tradable under the Securities Act. See “Registration Rights.”

Redemption

The notes will not be redeemable, except as described below. Any optional or tax redemption may require the prior approval of the Central Bank.

Optional Redemption

The notes will be redeemable, at the option of the Issuer, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such notes (exclusive of interest accrued on the redemption date) discounted to the redemption date on a semi-annual basis (assuming 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 50 basis points, plus, in either case, accrued and unpaid interest and additional amounts, if any, on the principal amount being redeemed to such redemption date.

“Comparable Treasury Issue” means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

“Comparable Treasury Price” means with respect to any redemption date for notes, the average of two Reference Treasury Dealer Quotations for such redemption date.

“Quotation Agent” means the Reference Treasury Dealer appointed by us.

“Reference Treasury Dealer” means each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., and their respective successors; provided, however, that if either of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a “Primary Treasury Dealer”), we will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15 (519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the maturity date of the notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be

determined, and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

The Issuer will provide not less than 30 nor more than 60 days' notice mailed to each registered holder of the notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue on and after the redemption date on the notes or portions of such notes called for redemption. In the event that any redemption date is not a business day, the Issuer will pay the redemption price on the next business day without any interest or other payment due to the delay. A redemption may be subject to one or more conditions precedent, which shall be stated in the redemption notice. If less than all of the outstanding notes are to be redeemed, the trustee will select the notes to be redeemed in principal amounts of \$1,000 or integral multiples thereof. In this case, the trustee may select the notes by lot, pro rata or by any other method the trustee considers fair and appropriate.

Tax Redemption

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction (as defined below under "—Additional Amounts"), or any amendment to or change in an official interpretation, administration or application of such laws, any treaties, rules, or related agreements to which the Taxing Jurisdiction is a party or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the notes or on or after the date a successor to the Issuer assumes the obligations under the notes, (i) the Issuer or any successor to the Issuer has or will become obligated to pay additional amounts as described below under "—Additional Amounts" or (ii) either of the Guarantors or any successor to the Guarantor has or will become obligated to pay additional amounts as described below under "—Additional Amounts" in excess of the additional amounts either such Guarantor or any such successor to the Guarantor would be obligated to pay if payments were subject to withholding or deduction at a rate of 15% or at a rate of 25% in the case that the holder of the notes is resident in a tax haven jurisdiction for Brazilian tax purposes (*i.e.*, a country that does not impose any income tax or that imposes it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) (the "Minimum Withholding Level"), as a result of the taxes, duties, assessments and other governmental charges described above, the Issuer or any successor to the Issuer may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest to the date fixed for redemption, upon publication of irrevocable notice not less than 30 days nor more than 60 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 60 days prior to the earliest date on which either (x) the Issuer or successor to the Issuer would, but for such redemption, become obligated to pay any additional amounts, or (y) in the case of payments made under the Guarantees, either Guarantor or any successor to the Guarantor would, but for such redemption, be obligated to pay the additional amounts above the Minimum Withholding Level. For the avoidance of doubt, the Issuer or any successor to the Issuer shall not have the right to so redeem the notes unless (a) it is obligated to pay additional amounts or (b) either Guarantor or any successor to the Guarantor is obliged to pay additional amounts which in the aggregate amount exceed the additional amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer or any such successor shall not have the right to so redeem the notes unless it has taken reasonable measures to avoid the obligation to pay additional amounts. For the avoidance of doubt, reasonable measures do not include changing the jurisdiction of incorporation of the Issuer or any successor to the Issuer or the jurisdiction of incorporation of a Guarantor or any successor to the Guarantor.

In the event that the Issuer or any successor to the Issuer elects to so redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer or any successor to the Issuer by any two of its executive officers or by its attorney in fact in accordance with its bylaws, stating that the Issuer or any successor to the Issuer is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer or any successor to the Issuer to so redeem have occurred or been satisfied; and (2) an opinion of counsel, who is reasonably acceptable to the trustee, to the effect that (i) the Issuer or any successor to the Issuer has or will become obligated to pay additional amounts or either Guarantor or

any successor to the Guarantor has or will become obligated to pay additional amounts in excess of the additional amounts payable at the Minimum Withholding Level, (ii) such obligation is the result of a change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, as described above, (iii) the Issuer or any successor to the Issuer, or either Guarantor or any successor to the Guarantor, as the case may be, cannot avoid payment of such additional amounts by taking reasonable measures available to it and (iv) that all governmental requirements necessary for the Issuer or any successor to the Issuer to effect the redemption have been complied with.

Open Market Purchases

The Issuer or its affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Payments

The Issuer will make all payments on the notes exclusively in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

The Issuer will make payments of principal and interest on the notes to the principal paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the trustee and the other paying agents or to the holders.

The Issuer will make payments of principal at maturity upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. The Issuer will pay principal on the notes to the persons in whose name the notes are registered at the close of business on the 15th day before the due date for payment. Payments of principal and interest in respect of each note will be made by the paying agents by U.S. dollar check drawn on a bank in New York City and mailed to the holder of such note at its registered address. Upon application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Under the terms of the indenture, payment by the Issuer or the Guarantors of any amount payable under the notes or the guarantees, as the case may be, on the due date thereof to the principal paying agent in accordance with the indenture will satisfy the obligation of the Issuer, or the Guarantors, as the case may be, to make such payment; *provided, however*, that the liability of the principal paying agent shall not exceed any amounts paid to it by the Issuer or the Guarantors, as the case may be, or held by it, on behalf of the holders under the indenture.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of “—Additional Amounts.” No commissions or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the paying agents will pay to the Issuer upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to the Issuer for payment as general creditors. After the return of such monies by the trustee or the paying agents to the Issuer, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Listing

The Issuer will use commercially reasonable efforts to cause the notes to be listed on the Luxembourg Stock Exchange and traded on the EuroMTF and to remain so listed so long as the Issuer and the Guarantors do not reasonably believe that doing so would impose burdensome financial reporting or other requirements, or costs relating thereto.

Additional Information

For so long as any notes remain outstanding and have not been exchanged in a transaction registered with the SEC as described under "Registration Rights," the Issuer will make available to any noteholder or beneficial owner of an interest in the notes, or to any prospective purchasers designated by such noteholder or beneficial owner, upon request of such noteholder or beneficial owner, and in addition to the information referred to under "—Reporting Requirements" above, the information required to be delivered under paragraph (d)(4) of Rule 144A unless, at the time of such request the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.

Form, Denomination and Title

The notes will be in registered form without coupons attached in amounts of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream Luxembourg. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes represented by the global notes will trade in DTC's Same-Day Funds Settlement System, and secondary market trading activity in such notes will therefore settle in immediately available funds. There can be no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the notes. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream Luxembourg. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "Form of Notes—Global Notes."

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no person will be liable for so treating the holder.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of notes or transfer of notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the note to such address as may be specified in such request or form of transfer.

Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Notice to Investors." Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "Form of Notes."

Transfer will be effected without charge by or on behalf of the Issuer, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. The Issuer is not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by the Issuer in respect of the notes or the Guarantors in respect of the guarantees will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties,

assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Brazil, or any authority therein or thereof or any other jurisdiction in which the Issuer or Guarantors are organized, doing business or otherwise subject to the power to tax (any of the aforementioned being a "Taxing Jurisdiction"), unless the Issuer or the Guarantors are compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantors, as applicable, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction. Notwithstanding the foregoing, no such additional amounts shall be payable:

(1) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the note or enforcement of rights under the indenture or the registration rights agreement and the receipt of payments with respect to the note;

(2) in respect of notes surrendered or presented for payment (if surrender or presentment is required) more than 30 days after the Relevant Date (as defined below) except to the extent that payments under such note would have been subject to withholdings and the holder of such note would have been entitled to such additional amounts, on surrender of such note for payment on the last day of such period of 30 days;

(3) where such additional amount is imposed and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;

(4) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder's failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such holder, if (a) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (b) the Issuer has given the holders at least 30 days' notice that holders will be required to provide such certification, identification, documentation or other requirement;

(5) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

(6) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note;

(7) in respect of any tax imposed on overall net income or any branch profits tax; or

(8) in respect of any combination of the above.

In addition, no additional amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interestholder in a limited liability company or a beneficial owner who would not have been entitled to the additional amounts had that beneficiary, settlor, member or beneficial owner been the holder.

"Relevant Date" means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the trustee. The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, neither the Issuer nor the Guarantors shall be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that additional amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof such holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer.

Any reference in this offering memorandum, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer or the guarantees by the Guarantors will be deemed also to refer to any additional amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The foregoing obligation will survive termination or discharge of the indenture.

Repurchase of Notes upon a Change of Control

Not later than 30 days following a Change of Control that results in a Ratings Decline, the Issuer will make an Offer to Purchase all outstanding notes at a purchase price equal to 101% of the principal amount plus accrued interest up to, but not including the date of purchase.

An "Offer to Purchase" must be made by written offer, which will specify the purchase price. The offer must specify an expiration date (the "expiration date") not less than 30 days or more than 60 days after the date of the offer and a settlement date for the purchase (the "purchase date") not more than five business days after the expiration date. The offer must include information required by the Securities Act, Exchange Act or any other applicable laws. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a note tendered must be in a multiple of U.S.\$1,000 principal amount. Holders are entitled to withdraw notes tendered up to the close of business on the expiration date. On the purchase date the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date.

The Issuer will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

The Guarantors will agree in the indenture to obtain all necessary consents and approvals from the Central Bank of Brazil for the remittance of funds outside of Brazil prior to making any Offer to Purchase.

Existing and future debt of the Issuer and the Guarantors may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require the Issuer to purchase the notes could cause a default under other existing or future debt of the Issuers or the Guarantors, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer and the Guarantors. In addition, the remittance of funds outside of Brazil to noteholders or the trustee requires the consent of the Central Bank of Brazil, which may not be granted. Finally, the Issuer's and the Guarantors' ability to pay cash to the noteholders following the occurrence of a Change of Control may be limited by the Issuer's and the Guarantors'

then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See “Risk Factors—Certain Factors Relating to the Notes and the Guarantees—*We may be unable to repurchase the notes upon a change of control.*”

The phrase “all or substantially all,” as used with respect to the assets of the Issuer and the Guarantors in the definition of “Change of Control,” is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Issuer and the Guarantors has occurred in a particular instance, in which case a holder’s ability to obtain the benefit of these provisions could be unclear.

In addition, pursuant to the terms of the indenture, we are only required to offer to repurchase the notes in the event that a Change of Control results in a Ratings Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, we would not be required to offer to repurchase the notes.

Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holder of the notes to require that the Issuer purchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The provisions under the indenture relating to the Issuer’s obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or amended as described in “—Amendment, Supplement, Waiver.”

Covenants

The indenture contains the following covenants:

Limitations on the Issuer

The indenture limits and restricts the Issuer from taking the following actions or engaging in the following activities or transactions:

(1) engaging in any business or entering into, or being a party to, any transaction or agreement except for:

(a) the issuance, sale and redemption of the notes (including any additional notes) and activities incidentally related thereto;

(b) the incurrence of Debt to make inter-company loans to GLAI and entities controlled by GLAI to finance the acquisition and leasing of aircraft, equipment and supply materials by GLAI and such entities and activities reasonably related thereto;

(c) the entering into Hedging Agreements relating to the notes or such other Debt; and

(d) any other transaction required by law;

(2) acquiring or owning any Subsidiaries or other assets or properties, except an interest in the intercompany loans described above and Hedging Agreements relating to its Debt and instruments evidencing interest in the foregoing; and

(3) entering into any consolidation, merger, amalgamation, joint venture, or other form of combination with any person, or selling, leasing, conveying or otherwise disposing of any of its assets or receivables, except as otherwise permitted under “—Limitation on Consolidation, Merger or Transfer of Assets” below.

Limitation on Transactions with Affiliates

Neither the Issuer nor any Guarantor will, nor will the Issuer or any Guarantor permit any Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Issuer or

such Guarantor, other than themselves or any Subsidiaries, (an "Affiliate Transaction") unless the terms of the Affiliate Transaction are no less favorable to the Issuer or such Guarantor or such Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's length dealings with a person who is not an Affiliate.

Limitation on Consolidation, Merger or Transfer of Assets

Neither the Issuer nor any Guarantor will consolidate with or merge with or into, or sell, convey, transfer or dispose of, or lease all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to, any person, unless:

(1) the resulting, surviving or transferee person (if not the Issuer or such Guarantor) will be a person organized and existing under the laws of the Cayman Islands, Brazil, the United States of America, any State thereof or the District of Columbia, or any other country (or political subdivision thereof) that is a member country of the European Union or of the Organisation for Economic Co-operation and Development on the date of the indenture, and such person expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of the Issuer or such Guarantor under the notes and the indenture;

(2) the resulting, surviving or transferee person (if not the Issuer or such Guarantor), if organized and existing under the laws of a jurisdiction other than the Cayman Islands or Brazil, undertakes, in such supplemental indenture, (i) to pay such additional amounts in respect of principal (and premium, if any) and interest as may be necessary in order that every net payment made in respect of the notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the notes, subject to the same exceptions set forth under "Additional Amounts" and (ii) that the provisions set forth under "Tax Redemption" shall apply to such person, but in both cases, replacing existing references in such clause to Cayman Islands or Brazil or to the Taxing Jurisdiction with references to the jurisdiction of organization of the resulting, surviving or transferee person as the case may be;

(3) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(4) the Issuer or such Guarantor will have delivered to the trustee an officers' certificate and an opinion of independent legal counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

Notwithstanding anything to the contrary contained in the foregoing, any of the Guarantors may consolidate with or merge with the Issuer or any Subsidiary that becomes a Guarantor concurrently with the relevant transaction.

The trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Reporting Requirements

The Issuer and the Guarantors will provide the trustee with the following reports (and will also provide the trustee with sufficient copies, as required, of the following reports referred to in clauses (1) through (4) below for distribution, at their expense, to all holders of notes):

(1) an English language version of GLAI's annual audited consolidated financial statements prepared in accordance with Brazilian GAAP promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(2) an English language version of GLAI's unaudited quarterly financial statements prepared in accordance with Brazilian GAAP promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(3) simultaneously with the delivery of each set of financial statements referred to in clauses (1) and (2) above, an officers' certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which the Issuer and/or the Guarantors are taking or propose to take with respect thereto;

(4) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer and/or the Guarantors with (a) the CVM, (b) the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed or (c) the SEC (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil or elsewhere and, in the case of clause (c), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act, or otherwise); and

(5) upon any director or executive officer of the Issuer or any Guarantor becoming aware of the existence of a Default or Event of Default, an officers' certificate setting forth the details thereof and the action which the Issuer and/or such Guarantor are taking or propose to take with respect thereto.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or the Guarantors' compliance with any of their covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

Events of Default

An "Event of Default" occurs if:

(1) the Issuer defaults in any payment of interest (including any related additional amounts) on any note when the same becomes due and payable, and such default continues for a period of 30 days;

(2) the Issuer defaults in the payment of the principal (including any related additional amounts) of any note when the same becomes due and payable upon acceleration or redemption or otherwise;

(3) the Issuer or either Guarantor fails to comply with any of its covenants or agreements in the notes or the indenture (other than those referred to in (1) and (2) above), and such failure continues for 60 days after the notice specified below;

(4) the Issuer, either Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Issuer, either Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Issuer, such Guarantor or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals U.S.\$50 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(5) one or more final judgments or decrees for the payment of money of U.S.\$50 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against the Issuer, either Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(6) an involuntary case or other proceeding is commenced against the Issuer, either Guarantor or any Significant Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, *sindico*, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the Issuer, either Guarantor or any Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect and such order is not being contested by the Issuer, either Guarantor or such Significant Subsidiary, as the case may be, in good faith or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made;

(7) the Issuer, either Guarantor or any of its Significant Subsidiaries (i) commences a voluntary case or other proceeding seeking liquidation, reorganization, *concordata* or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *sindico*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, either Guarantor or any of its Significant Subsidiaries or for all or substantially all of the property of the Issuer, either Guarantor or any of its Significant Subsidiaries or (iii) effects any general assignment for the benefit of creditors;

(8) any event occurs that under the laws of the Cayman Islands, Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (6) or (7);

(9) any guarantee ceases to be in full force and effect, other than in accordance with the terms of the indenture, or a Guarantor denies or disaffirms its obligations under its guarantee; or

(10) GLAI ceases to own directly 100% of the outstanding share capital of the Issuer.

A Default under clause (3) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the notes outstanding notify the Issuer and the Guarantors of the Default and the Issuer and the relevant Guarantor, as the case may be, do not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an attorney, authorized officer or agent of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by the Issuer or any holder.

If an Event of Default (other than an Event of Default specified in clause (6), (7) or (8) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes then outstanding may declare all unpaid principal of and accrued interest on all notes to be due and payable immediately, by a notice in writing to the Issuer, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (6), (7) or (8) above occurs and is continuing, then the principal of and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to such provision for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

Defeasance

The Issuer or any Guarantor may at any time terminate all of its obligations with respect to the notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. The Issuer or any Guarantor may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, the Issuer or such Guarantor must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of opinions of U.S., Cayman Islands and Brazilian counsel as to certain tax matters (including to the effect that the holders of the notes will not recognize income, gain or loss for U.S., Cayman Islands or Brazilian federal income tax purposes, as the case may be, as a result of such deposit and defeasance and will be subject to U.S., Cayman Islands or Brazilian federal income tax, as the case may be, on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred). In the case of defeasance or covenant defeasance, the guarantees will terminate.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or Event of Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment or waiver may:

- (1) reduce the principal amount of or change the Stated Maturity of any payment on any note;
- (2) reduce the rate of any interest on any note;
- (3) reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;
- (4) change the currency for payment of principal of, or interest or any additional amounts on, any note;
- (5) impair the right to institute suit for the enforcement of any right to payment on or with respect to any note;
- (6) waive certain payment defaults with respect to the notes;
- (7) reduce the principal amount of notes whose holders must consent to any amendment or waiver;
- (8) make any change in the amendment or waiver provisions which require each holder's consent;
- (9) modify or change any provision of the indenture affecting the ranking of the notes or the guarantees in a manner adverse to the holders of the notes; or
- (10) make any change in the guarantees that would adversely affect the noteholders.

provided that the provisions of the covenant described under the caption "—Repurchase of Notes Upon a Change of Control" may, except as provided above, be amended or waived with the consent of holders holding not less than 66 2/3% in aggregate principal amount of the notes.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture or any waiver described in the preceding paragraph. After an amendment or any waiver

described in the preceding paragraph becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment or waiver. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment or waiver.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment or any waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

The Issuer, the Guarantors and the trustee may, without the consent or vote of any holder of the notes, amend or supplement the indenture or the notes for the following purposes:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to comply with the covenant described under “—Limitation on Consolidation, Merger or Transfer of Assets”;
- (3) to add guarantees or collateral with respect to the notes;
- (4) to add to the covenants of the Issuer or the Guarantors for the benefit of holders of the notes;
- (5) to surrender any right conferred upon the Issuer or the Guarantors;
- (6) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (7) to provide for the issuance of additional notes;
- (8) to provide for any guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of the notes when such release, termination or discharge is permitted by the indenture;
- (9) make any other change that does not materially and adversely affect the rights of any holder of the notes or to conform the indenture to this “Description of Notes”; or
- (10) to comply with any applicable requirements of the SEC, including in connection with any required qualification of the indenture under the U.S. Trust Indenture Act of 1939, as amended.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in certificated form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the trustee’s records. For so long as the notes are listed on the Luxembourg Stock Exchange (EuroMTF) and it is required by the rules of the Luxembourg Stock Exchange, publication of such notice to the holders of the notes in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d’Wort*).

Trustee

The Bank of New York is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee needs to perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a

prudent person would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

The Issuer and its affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates.

Governing Law and Submission to Jurisdiction

The notes, the indenture and the guarantees will be governed by the laws of the State of New York.

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. The Issuer and the Guarantors will appoint CT Corporation System, currently having an office at 111 Eighth Avenue, New York, New York 10011, as their authorized agent upon which process may be served in any such action.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer or the Guarantors under or in connection with the notes and the guarantees, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any holder of a note in respect of any sum expressed to be due to it from the Issuer or the Guarantors will only constitute a discharge to the Issuer or the Guarantors, as the case may be, to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any note, the Issuer and the Guarantors will indemnify such holder against any loss sustained by it as a result; and if the amount of United States dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, the Issuer and the Guarantors will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

"Affiliate" means, with respect to any specified person, (a) any other person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified person or (b) any other person who is a director or officer (i) of such specified person, (ii) of any subsidiary of such specified person or (iii) of any person described in clause (a) above. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

“Brazilian GAAP” means accounting practices prescribed by Brazilian Corporation Law, the rules and regulations issued by the CVM and the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), in each case as in effect from time to time.

“Capital Lease Obligations” means, with respect to any person, any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such person prepared in accordance with Brazilian GAAP; the amount of such obligation will be the capitalized amount thereof, determined in accordance with Brazilian GAAP; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

“Capital Stock” means, with respect to any person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such person’s equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

“Change of Control” means:

(1) the direct or indirect sale or transfer of all or substantially all the assets of GLAI to another Person (in each case, unless such other Person is a Permitted Holder); or

(2) the consummation of any transaction (including, without limitation, by merger, consolidation, acquisition or any other means) as a result of which any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, other than Permitted Holders) is or becomes the “beneficial owner” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of GLAI; or

(3) the first day on which a majority of the Board of Directors of GLAI consists of persons who were elected by shareholders who are not Permitted Holders.

“CVM” means the Brazilian Securities Commission, or *Comissão de Valores Mobiliários*.

“Debt” means, with respect to any person, without duplication:

(1) the principal of and premium, if any, in respect of (a) indebtedness of such person for money borrowed and (b) indebtedness evidenced by notes, debentures, notes or other similar instruments for the payment of which such person is responsible or liable;

(2) all Capital Lease Obligations of such person;

(3) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(4) all obligations of such person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth business day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

(5) all Hedging Obligations of such person;

(6) all obligations of the type referred to in clauses (1) through (4) of other persons and all dividends of other persons for the payment of which, in either case, such person is responsible or liable, directly or indirectly,

as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other persons that are customers or suppliers of such person for which such person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such person does not, or is not required to, make payment in respect thereof);

(7) all obligations of the type referred to in clauses (1) through (5) of other persons secured by any Lien on any property or asset of such person (whether or not such obligation is assumed by such person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(8) any other obligations of such person which are required to be, or are in such person's financial statements, recorded or treated as debt under Brazilian GAAP.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Fitch" means Fitch Ratings, Ltd. and its successors.

"guarantee" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Guarantor" means each of (i) GLAI and Gol and (ii) any successor obligor under the guarantees pursuant to the covenant described under the caption "—Certain Covenants—Consolidation, Merger or Sale of Assets," unless and until such Guarantor is released from its guarantee pursuant to the indenture.

"Hedging Agreement" means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

"Hedging Obligations" means, with respect to any person, the obligations of such person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such person against changes in interest rates or foreign exchange rates.

"holder" means the person in whose name a note is registered in the register.

"Lien" means any mortgage, pledge, security interest, encumbrance, conditional sale or other title retention agreement or other similar lien.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Permitted Holders" means any or all of the following

(1) an immediate family member of Messrs. Constantino de Oliveira, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino or any Affiliate or immediate family member thereof; immediate family member of a person means the spouse, lineal descendants, father, mother, brother, sister, father-in-law, mother-in-law, brother-in-law and sister-in-law of such person; and

(2) any Person the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned at least 51% by Persons specified in clause (1).

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

“Rating Agency” means Moody’s or Fitch; or if Moody’s or Fitch, or both, are not making rating of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by us, which will be substituted for Moody’s or Fitch, or both, as the case may be.

“Rating Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible down grade by either Rating Agency) after the date of public notice of a Change of Control, or of our intention or that of any Person to effect a Change of Control, the then-applicable rating of the notes is decreased by each Rating Agency; provided that any such Rating Decline is in whole or in part in connection with a Change in Control.

“Significant Subsidiary” means any Subsidiary of GLAI (or any successor) which at the time of determination either (a) had assets which, as of the date of GLAI’s (or such successor’s) most recent quarterly consolidated balance sheet, constituted at least 10% of GLAI’s (or such successor’s) total assets on a consolidated basis as of such date, or (b) had revenues for the 12-month period ending on the date of GLAI’s (or such successor’s) most recent quarterly consolidated statement of income which constituted at least 10% of GLAI’s (or such successor’s) total revenues on a consolidated basis for such period.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“Subsidiary” means, in respect of any specified person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

REGISTRATION RIGHTS

The Issuer and the Guarantors will enter into a registration rights agreement with Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., as initial purchasers, on the issue date of the notes. In that agreement, the Issuer and the Guarantors will agree for the benefit of the holders of the notes that the Issuer and the Guarantors will file with the SEC and use their reasonable best efforts to cause to become effective a registration statement relating to an offer to exchange the notes for an issue of SEC-registered notes with terms identical to the notes (except that the exchange notes will not be subject to restrictions on transfer or to any increase in annual interest rate as described below).

When the SEC declares the exchange offer registration statement effective, the Issuer and the Guarantors will offer the exchange notes in exchange for the notes. The exchange offer will remain open for at least 20 business days after the date that the Issuer delivers notice of the exchange offer to holders of notes. For each note surrendered to the Issuer under the exchange offer, the holder will receive an exchange note of equal principal amount. Interest on each exchange note will accrue from the last interest payment date on which interest was paid on the notes or, if no interest has been paid on the notes, from the issue date of the notes.

If applicable interpretations of the staff of the SEC do not permit the Issuer and the Guarantors to effect the exchange offer, the Issuer and the Guarantors may elect to file with the SEC a shelf registration statement relating to resales of the notes and solicit that such shelf registration be declared effective and to keep that shelf registration statement effective until the expiration of the time period referred to in Rule 144(k) under the Securities Act, or such shorter period that will terminate when all notes covered by the shelf registration statement have been sold. The Issuer and the Guarantors will, in the event of such a shelf registration, provide to each holder of notes copies of a prospectus, notify each holder of notes when the shelf registration statement has become effective and take certain other actions to permit resales of the notes. A holder of notes that sells notes under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with those sales and will be bound by the provisions of the registration rights agreement that are applicable to such a noteholder (including certain indemnification obligations).

If the exchange offer is not completed (or, if required, the shelf registration statement is not declared effective) on or before November 30, 2007, the annual interest rate borne by the notes will be increased by 0.25% per annum. This increase in the interest rate will end upon the earlier of (i) completion of the exchange offer, (ii) the effectiveness of the shelf registration or (iii) the notes being freely tradable under the Securities Act.

If the Issuer and the Guarantors effect the exchange offer, the Issuer and the Guarantors will be entitled to close the exchange offer 20 business days after its commencement, provided that the Issuer and the Guarantors have accepted all notes validly surrendered in accordance with the terms of the exchange offer. Notes not tendered in the exchange offer shall bear interest at the rate set forth on the cover page of this offering memorandum and shall be subject to all the terms and conditions specified in the indenture regarding the notes, including transfer restrictions.

This summary of the provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which will be made available upon request. The exchange offer will be conducted in accordance with, *inter alia*, the requirement of the law of July 10, 2005 on prospectuses for securities and the rules and regulations at the Luxembourg Stock Exchange.

Application has been made to list the notes on the Luxembourg Stock Exchange. The Company intends to apply to list the notes issued under the exchange offer on the Luxembourg Stock Exchange. The Luxembourg Stock Exchange will be informed and notice will be published in a Luxembourg newspaper in the event of any change in the rate of interest payable on the notes and to announce the beginning of, and results of, the exchange offer. Documents prepared and all services provided for the exchange offer will be available at and through the offices of the Luxembourg listing agent.

FORM OF NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in "Transfer Restrictions." On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a "Restricted Global Note Certificate"). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the principal paying agent of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (a "Regulation S Global Note Certificate"). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under "— Global Notes," owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Notes

Upon the issuance of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies us that it is unwilling or unable to continue as depositary for a global note, or ceases to be a "clearing agency" registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with "Description of Notes—Events of Default," owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the Restricted Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. Neither we nor any initial purchaser will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected at DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate

principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by us within 90 days or (2) any of the notes has become immediately due and payable in accordance with "Description of Notes — Events of Default," the Issuer will issue individual definitive notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC or the paying agent, as the case may be, we will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for individual definitive notes will be required to provide the registrar with (a) written instruction and other information required by us and the registrar to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Note, such individual definitive notes will bear, and be subject to, the legend described in "Transfer Restrictions" (unless we determine otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to compliance with the provisions of such legend, as provided in "Description of Notes." Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, the Issuer will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be

required to provide the principal paying agent with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC.

TAXATION

The following discussion, subject to the limitations set forth below, describes material Cayman Islands, Brazilian, United States and European Union tax considerations relating to your ownership and disposition of notes. This discussion does not purport to be a complete analysis of all tax considerations in the Cayman Islands, Brazil, the United States or the European Union and does not address tax treatment of holders of notes under the laws of other countries or taxing jurisdictions. Holders of notes who are resident in countries other than the Cayman Islands, Brazil and the United States along with holders that are resident in those countries, are urged to consult with their own tax advisors as to which countries' tax laws could be relevant to them.

Material Cayman Islands Tax Considerations

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any notes under the laws of their country of citizenship, residence or domicile.

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments of interest and principal on the notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the notes, nor will gains derived from the disposal of the notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the notes. An instrument of transfer in respect of a note is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and expects to obtain an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

The Tax Concessions Law 1999 Revision Undertaking as to Tax Concessions

In accordance with the provision of Section 6 of The Tax Concession Law (1999 Revision), the Governor in Cabinet undertakes with Gol Finance (the "Company").

- 1 That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- 2 In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - 2.1 On or in respect of the shares, debentures or other obligations of the Company; or
 - 2.2 by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).
- 3 These concessions shall be for a period of twenty years from the date of issue of the certificate.

Material Brazilian Tax Considerations

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to an individual, entity, trust or organization, resident or domiciled outside Brazil for tax purposes ("Non-Brazilian Holder").

Generally, any capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with assets not located in Brazil are not directly subject to tax in Brazil. On the other hand, when the assets are located in Brazil, such capital gains are subject to income tax, according to Law No. 10,833, enacted on December 29, 2003. Since the notes will be issued abroad and will be registered in Luxembourg, we believe that the notes would not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833. However, we cannot assure prospective Non-Brazilian Holders that such interpretation of Law No. 10,833 will prevail in the courts of Brazil. In case the notes are deemed to be located in Brazil, gains recognized by a Non-Brazilian Holder upon the sale or other disposition of the notes to a Non-Brazilian Holder will be subject to income tax in Brazil at a rate of 15%, or 25% if the Non-Brazilian Holder is located in a tax haven, which is defined, for these purposes, as a country which does not impose any income tax or which imposes it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership.

Because the Issuer is considered for Brazilian tax purposes as domiciled abroad, payments of interest or principal under the notes made by the Issuer to a Non-Brazilian Holder are not subject to withholding taxes in Brazil, as long as such payments are made with funds held by such entity abroad.

Generally, payments of income made by Brazilian residents are subject to income tax withheld at source, at a variable rate depending on the nature of the payment and the location of the beneficiary, at a maximum of 25%. Thus, if any of the Guarantors has to make any payments of interest under the notes, such payments will be taxed at a rate not exceeding 25%.

There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by any of the Guarantors to Non-Brazilian Holders. Although the argument that such payments made by any of the Guarantors do not convert the nature of the payment from principal into taxable income, there are no precedents from Brazilian courts endorsing that position.

In addition, payments made from Brazil are taxed with the temporary contribution on financial transactions (CPMF), which is levied at a rate of 0.38% on any Brazilian bank account withdrawals, and with tax of foreign exchange transactions (*IOF/Câmbio*), which is levied on the conversion of Brazilian currency into foreign currency at a current rate of 0% (although the Brazilian federal government may increase such rate up to 25%, but only with respect to future transactions).

Generally, there is no stamp, transfer or other similar tax in Brazil with respect to the transfer, assignment or sale of any debt instrument outside Brazil (including the notes) nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian states.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

Material United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF U.S. TAX MATTERS SET FORTH IN THIS OFFERING MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER U.S. TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion, subject to the limitations and conditions set forth herein, describes the material U.S. federal income tax considerations to U.S. Holders (as defined below) in owning and disposing of notes. The discussion is only applicable to U.S. Holders that hold notes as "capital assets" (generally for investment purposes), and who are initial purchasers of the notes at their initial "issue price" (the initial offering price offered to the public, excluding bond houses and brokers, at which price a substantial amount of the notes is sold). This discussion also assumes that the notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. This discussion does not address all aspects of U.S. federal income taxation that may be applicable to a U.S. Holder subject to special treatment under U.S. federal income tax law (including, but not limited to, banks, tax-exempt organizations, regulated investment companies, real estate investment trusts, insurance companies and dealers in securities or foreign currencies, partnerships or other pass-through entities, holders who have a functional currency other than the U.S. dollar, or holders that hold notes as part of a hedge, integrated, constructive sale, straddle or conversion transaction.)

In addition, except as otherwise specifically provided above, there is no discussion of state, local, or non-U.S. tax consequences of the ownership or disposition of notes. The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations, rulings and other pronouncements of the U.S. Internal Revenue Service (the "IRS") and judicial decisions as of the date hereof. Such authorities may be repealed, revoked or modified (with possible retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

Holders of notes are urged to consult their own independent tax advisors concerning the U.S. federal income tax consequences of the ownership and disposition of notes in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of notes that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If a partnership holds notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A U.S. Holder that is a partner of a partnership holding notes is urged to consult its tax advisors regarding the consequences of the ownership or disposition of notes.

Taxation of Payments of Interest and Additional Amounts

Interest paid on a note (including Additional Amounts, if any) will be included in the gross income of a U.S. Holder as ordinary income at the time it is treated as received or accrued, in accordance with the U.S. Holder's regular method of tax accounting. A U.S. Holder will also be required to include in gross income any withholding tax paid with respect to interest on the notes, including withholding tax on payments of Additional Amounts.

If Brazilian or other withholding taxes are imposed, U.S. Holders will be treated as having actually received an amount equal to the amount of such taxes and as having paid such amount to the relevant taxing authority. As a result, the amount of income included in gross income by a U.S. Holder may be greater than the amount of cash actually received by the U.S. Holder. Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability for Brazilian or other income taxes withheld by us. Alternatively, a U.S. Holder may elect to claim a deduction for such Brazilian or other income taxes in computing its U.S. federal taxable income provided that the election shall apply to all foreign income taxes paid or accrued by the U.S. Holder for the taxable year. U.S. Holders should be aware that certain taxes that may be withheld from payments on the Guarantees, such as the CPMF and the IOF/Câmbio, may not be treated as creditable foreign taxes for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisors concerning the U.S. federal income tax consequences of the imposition of such taxes. Interest received or accrued on the notes and Additional Amounts generally will constitute foreign source income to U.S. Holders for U.S. foreign tax credit purposes. For purposes of the foreign tax credit limitation, foreign source income is classified in one of several "baskets," and the credit for foreign taxes paid or accrued with respect to foreign source income in any basket is limited to U.S. federal income tax allocable to that income. For U.S. Holders that receive interest with respect to taxable years beginning on or after January 1, 2007, interest on the notes generally will be in the "passive category income" basket. For U.S. Holders that receive interest on the notes in respect of a taxable year beginning before January 1, 2007, interest on the notes in such taxable year generally will constitute income in the "passive income" basket (or, in the case of certain U.S. Holders, the "financial services income" basket) and would be characterized as being in the "high withholding tax interest" basket if the notes became subject to withholding tax at a rate of 5.0% or higher. The calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules.

Additional Interest

The Issuer may be required to pay additional interest to a U.S. Holder in certain circumstances described above under the heading "Description of the Notes—Registration Rights." The Issuer believes (and the rest of this discussion assumes) that there is only a remote possibility that it will be obligated to make any such additional payments on the notes. In the event that such additional interest becomes payable, the Issuer intends to take the position that the additional interest generally is taxable to a U.S. Holder in the same manner as stated interest on the notes. The U.S. Internal Revenue Service could take a contrary position, which if successful, could affect the timing and character of income reported by a U.S. Holder. U.S. Holders should consult their own tax advisors concerning the U.S. Federal income tax consequences of the possibility of the payment of additional interest by the Issuer.

Sale, Redemption, Retirement and Other Taxable Disposition of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, redemption, retirement or other taxable disposition of a note (including any deemed exchange of notes for "new" notes that might occur for U.S. federal income tax purposes as a result of an assumption of our obligations under the notes by any person, as described under "Description of Notes—Covenants—Limitation on Consolidation, Merger or Transfer of Assets," or as a result of significant modifications (as determined under U.S. federal tax principles) to the indenture as described under "Description of Notes—Amendment, Supplement, Waiver") in an amount equal to the difference between (i) the amount of cash and the fair market value of property received by such U.S. Holder on such disposition (less any amounts attributable to accrued but unpaid interest which will be taxable as such), and (ii) the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note will generally equal the acquisition cost of such note to the U.S. Holder. Such gain or loss will be capital gain or loss. Capital gains of certain non-corporate

U.S. Holders, including individuals, derived with respect to capital assets held for over one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale, redemption, retirement or other taxable disposition of a note will generally be U.S.-source gain or loss. Accordingly, if Brazilian or other withholding tax is imposed on the sale or disposition of the notes, a U.S. Holder may not be able to fully utilize its U.S. foreign tax credits in respect of such withholding tax unless such U.S. Holder has other foreign source income. Prospective investors should consult their own tax advisors as to the U.S. federal income tax and foreign tax credit implications of such sale, redemption, retirement or other disposition of a note.

Further Issuances

The Issuer is entitled, without the consent of the holders, to issue additional notes under the indenture on the same terms and conditions as the notes being offered hereby. Holders of the notes should be aware that additional notes that are treated as the same series for non-U.S. federal income tax purposes as the notes initially issued in this offering may be treated as separate issues for U.S. federal income tax purposes. Such additional notes, depending on the facts, could be considered to be issued with original issue discount for U.S. federal income tax purposes (OID). If purchasers of notes are not able to differentiate between notes sold as a part of the issuance of additional notes and previously issued notes, purchasers of the original series of notes after the issue date of such additional notes may be required to accrue OID for U.S. federal income tax purposes with respect to their notes. This may affect the market value of outstanding notes at the time of an additional issuance.

Backup Withholding and Information Reporting

In general, payments of principal and interest, and payments of the proceeds of a sale, exchange or other disposition of notes, paid within the United States or through certain United States-related financial intermediaries to a U.S. Holder may be subject to information reporting and backup withholding at a current maximum rate of 28% unless the U.S. Holder (i) is a corporation or other exempt recipient or (ii) in the case of backup withholding (but not information reporting), provides an accurate taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability provided the required information is timely provided to the IRS.

European Union Directive on Taxation of Savings Income

The European Union has adopted a Directive regarding the taxation of savings income (the "EU Tax Directive"). Countries that are member states of the European Union ("Member States") are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

PRIVATE PLACEMENT

Morgan Stanley & Co. Incorporated is acting as the sole bookrunner and the joint lead manager for the offering. Citigroup Global Markets Inc. will act as the joint lead manager for the offering. Under the terms and subject to the conditions stated in the purchase agreement dated the date of this offering memorandum, Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., as initial purchasers, have agreed to purchase, and the Issuer has agreed to sell to the initial purchasers the principal amount of the notes set forth opposite their respective names:

| Initial Purchaser | Principal Amount |
|---|--------------------------|
| Morgan Stanley & Co. Incorporated | U.S.\$191,250,000 |
| Citigroup Global Markets Inc. | U.S.\$33,750,000 |
| Total..... | <u>U.S.\$225,000,000</u> |

In the purchase agreement, subject to the conditions thereof, the initial purchasers have agreed to purchase the notes at a discount and to resell the notes to purchasers as described under "Transfer Restrictions." The notes will initially be offered at the price indicated on the cover page of this offering memorandum. After the initial offering of the notes, the offering price and other selling terms may from time to time be varied by the initial purchasers. The purchase agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the notes is subject to, among other conditions, the delivery of certain legal opinions of their counsel. The initial purchasers are committed to take and pay for all of the notes offered hereby, if any are taken, subject to the conditions set forth in the purchase agreement.

The purchase agreement provides that the Issuer and the Guarantors will indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the initial purchasers may be required to make in respect thereof.

The notes are expected to be designated eligible for trading in The PORTAL Market.

The notes will constitute a new class of securities with no established trading market. The Issuer does not intend to list the notes on any exchange other than the Luxembourg Stock Exchange (EuroMTF). The initial purchasers have advised the Issuer and the Guarantors that they presently intend to make a market in the notes as permitted by applicable laws and regulations. The initial purchasers are not obligated, however, to make a market and any such market making may be discontinued at any time at the discretion of the initial purchasers. Accordingly, neither the Issuer nor the Guarantors can assure you as to the liquidity of, or trading markets for, the notes.

To facilitate the offering of the notes, the initial purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may overallocate in connection with this offering, creating a short position in the notes for its own account. In addition, to cover over-allotments or to stabilize the price of the notes, the initial purchasers may bid for, and purchase, notes on the open market. Finally, the initial purchasers may reclaim selling concessions allowed to a dealer for distributing the notes in this offering, if the initial purchasers repurchase previously distributed notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The initial purchasers are not required to engage in these activities, and may end any of these activities at any time.

The Issuer and the Guarantors have been advised that the initial purchasers propose to resell the notes (a) within the United States to QIBs in reliance on Rule 144A under the Securities Act and (b) outside the United States in offshore transactions to certain persons in reliance on Regulation S under the Securities Act.

The notes (and the guarantees) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as described in the immediately preceding paragraph. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions."

In connection with sales outside the United States, the initial purchasers have agreed that except for sales described in the second preceding paragraph, it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom they sell such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described below under "Transfer Restrictions."

Further, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirement of the Securities Act in such offer or sale made other than in accordance with Rule 144A. As used herein, the terms "United States" and "U.S. person" have the meaning given to them in Regulation S under the Securities Act.

The initial purchasers or their affiliates may have in the past and from time to time hereafter provide investment banking and general financing and banking services to the Issuer, the Guarantors and certain of their affiliates.

Selling Restrictions

No action has been taken in any jurisdiction by the Issuer, the Guarantors or the initial purchasers that would permit a public offering of the notes offered hereby in any jurisdiction where action for that purpose is required. The notes offered hereby may not be offered or sold, directly or indirectly, nor may this offering memorandum or any other offering material or advertisements in connection with the offer and sale of the notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the notes and the distribution of this offering memorandum. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the notes offered hereby in any jurisdiction in which such an offer or a solicitation is unlawful.

Brazil

The initial purchasers have represented and agreed that they have not offered or sold, and will not offer or sell, any notes in the Federative Republic of Brazil, except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations. The notes have not been and will not be registered with the CVM.

Cayman Islands

The initial purchasers have represented and agreed that it has not offered or sold, and will not offer or sell, any notes to the public in the Cayman Islands.

European Economic Area

In relation to each Member State of the European Economic Area, or EEA, which has implemented the Prospectus Directive, or a Relevant Member State, the initial purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, it has not made and will not make an offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

- (1) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- (2) to any legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (3) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Section 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe to the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

The initial purchasers have represented and agreed that:

- (1) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA) received by them in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (2) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the notes in, from or otherwise involving the United Kingdom.

Luxembourg

The notes will not be offered to the public in or from Luxembourg unless the requirements of Luxembourg law relating to the public offering of securities have been complied with.

Switzerland

The notes may be offered in Switzerland only on the basis of a non-public offering. This offering memorandum does not constitute an issuance prospectus according to Sections 652a or 1156 of the Swiss Federal Code of Obligations or a listing prospectus according to Section 32 of the Listing Rules of the Swiss Exchange. The notes may not be offered or distributed on a professional basis in or from Switzerland and neither this offering memorandum nor any other offering materials relating to the notes may be publicly issued in connection with any such offer or distribution. The notes have not been and will not be approved by any Swiss regulatory authority. In particular, the notes are not and will not be registered with or supervised by the Swiss Federal Banking Commission, and investors may not claim protection under the Swiss Investment Fund Act.

Hong Kong

The initial purchasers have represented and agreed that:

- (1) they have not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than: (a) to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; (b) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (2) they have not issued or had in their possession for the purposes of issue, and will not issue or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The notes have not been, and will not be, registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale directly or indirectly, in Japan or to any resident of Japan, except: (a) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Securities and Exchange Law of Japan and (b) in compliance with any other applicable requirements of Japanese law.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is:

- (1) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 except:

- (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

TRANSFER RESTRICTIONS

The notes (and the guarantees) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only to (1) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in compliance with Rule 144A and (2) outside the United States to persons other than U.S. persons ("foreign purchasers"), which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust), in reliance upon Regulation S under the Securities Act.

By its purchase of notes, each purchaser of notes will be deemed to:

- (1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above);
- (2) acknowledge that the notes (and the guarantees) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) if it is a person other than a foreign purchaser outside the United States, agree that if it should resell or otherwise transfer the notes (and the guarantees) within the time period referred to in Rule 144(k) under the Securities Act after the original issuance of the notes (and the guarantees), it will do so only (a) to us or any of our subsidiaries, (b) to a QIB in compliance with Rule 144A, (c) outside the United States in compliance with Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- (4) agree that it will deliver to each person to whom it transfers notes notice of any restriction on transfer of such notes;
- (5) if it is a foreign purchaser outside the United States, (a) understand that the notes will be represented by the Regulation S global note and that transfers are restricted as described under "Form of Notes" and (b) represent and agree that it will not sell short or otherwise sell, transfer or dispose of the economic risk of the notes into the United States or to a U.S. person; if it is a QIB, it understands that the notes offered in reliance on Rule 144A will be represented by the restricted global note;
- (6) understand that until registered under the Securities Act, the notes (other than those issued to foreign purchasers or in substitution or exchange therefor) will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THIS NOTE (AND RELATED GUARANTEES) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER

(1) REPRESENTS THAT

- (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT; OR

- (B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND
- (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY
 - (A) TO THE ISSUER,
 - (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,
 - (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT,
 - (D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR
 - (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; and

- (7) acknowledge that the Issuer, the Guarantors and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgments, representations or warranties deemed to have been made by it by its purchase of notes are no longer accurate, it shall promptly notify the Issuer, the Guarantors and the initial purchasers; if they are acquiring notes as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Notes sold outside of the United States to persons other than U.S. persons, will be freely transferable to persons other than U.S. persons. Accordingly, in compliance with chapter VI, article 3, section (A)(II)(2) of the Rules and Regulations of the Luxembourg Stock Exchange, no transaction made on the Luxembourg Stock Exchange involving a non-U.S. purchaser shall be cancelled, and the notes shall be freely transferable to such purchasers.

ENFORCEMENT OF CIVIL LIABILITIES

Cayman Islands

The Issuer is a company with limited liability incorporated under the laws of the Cayman Islands. As a result, it may not be possible for investors to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been informed by Maples & Calder, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint CT Corporation Systems as its agent for service of process.

Brazil

GLAI and Gol are corporations organized under the laws of Brazil. Substantially all of their directors and officers and independent accountants, and some of the advisors named herein, reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for investors to effect service of process upon us and these persons within the United States or other jurisdictions outside Brazil or to enforce against them judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions.

In the terms and conditions of the notes, we will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (2) name an agent for service of process in the Borough of Manhattan, The City of New York. See "Description of Notes."

We have been advised by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, Brazilian counsel to GLAI and Gol, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of countries other than Brazil in respect of the guarantees, including the U.S. securities law, may be enforced in Brazil subject to certain requirements as described below. A judgment against us or any of our directors, officers, independent auditors or advisors obtained outside Brazil would be enforceable in Brazil against us or any such person without retrial or reexamination of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made in accordance with Brazilian legislation, or after sufficient evidence of the parties' absence has been given;
- is not subject to appeal;
- is for a sum certain;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality.

The confirmation process may be time-consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that confirmation would be obtained, that the confirmation process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil, including the U.S. securities laws.

GLAI and Gol have also been advised that:

- the ability of a judgment creditor to satisfy a judgment against us is limited by Brazilian bankruptcy, insolvency liquidation, reorganization and similar laws; and
- civil actions may be brought before Brazilian courts based on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce such liabilities in such actions against us (provided that the provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action).

A plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil during the course of litigation in Brazil must provide a note to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This note must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments that have been duly confirmed by the Brazilian Superior Court of Justice.

VALIDITY OF THE NOTES

The validity of the notes offered and sold in this offering will be passed upon for us by Shearman & Sterling LLP, and for the initial purchasers by Davis Polk & Wardwell. Certain matters of Brazilian law relating to the notes and the guaranty be passed upon for us by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, our Brazilian counsel. Souza, Cescon Avedissian, Barrieu e Flesch Advogados will pass upon certain matters of Brazilian law relating to the notes for the initial purchasers.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004 included as part of the Annual Report on Form 20-F for the year ended December 31, 2006 and set forth in Annex A of this offering memorandum have been audited by Ernst & Young Auditores Independentes S.S., independent accountants, as stated in their report appearing therein.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP, Common Code and ISIN numbers for the notes are as follows:

| | <u>Restricted Global Note</u> | <u>Regulation S Global Note</u> |
|------------------|-------------------------------|---------------------------------|
| CUSIP | 38045U AB6 | G3980P AB1 |
| ISIN | US38045UAB61 | USG3980PAB16 |
| Common Code..... | 029338159 | 029337993 |

2. Copies of our annual report on Form 20-F for the year ended December 31, 2006 and copies of our latest audited annual financial statements and unaudited quarterly financial statements, if any, may be obtained at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent. GLAI does not prepare annual or interim financial statements on a non-consolidated basis. Copies of our, Gol's and the Issuer's by-laws (*estatuto social*), as well as the indenture (including forms of notes), will be available for inspection at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change (i) in GLAI's, Gol's financial position since December 31, 2006, the date of the latest audited financial statements included in this offering memorandum or (ii) in the Issuer's financial position since the date of its incorporation. Gol's annual financial statements for the year ended December 31, 2006 are and its future annual financial statements will be available at the office of the Luxembourg Paying Agent. We have not and do not expect to produce interim financial statements for Gol.

4. Except as disclosed in this offering memorandum, none of GLAI, Gol or the Issuer is involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as any of GLAI, Gol or the Issuer is aware is any such litigation or arbitration pending or threatened.

5. The notes are expected to be listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market.

6. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and the rules of this exchange so require, we shall appoint and maintain a paying agent in Luxembourg, where the notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for definitive certificated notes. In addition, in the event that the global notes are exchanged for definitive certificated notes, announcement of such exchange shall be made through the Luxembourg Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the paying agent in Luxembourg.

7. The issuance of the notes was authorized by the Issuer's and the Guarantors' board of directors on March 16, 2007.

8. The Issuer's and Gol's registered office is at Rua Gomes de Carvalho 1629, 04547-006 São Paulo, SP, Brazil, and its statutory documents can be inspected at our headquarter at the same address.

ANNEX A

GOL LINHAS AÉREAS INTELIGENTES S.A.

ANNUAL REPORT ON FORM 20-F FOR THE YEAR ENDED DECEMBER 31, 2006

AND

GOL LINHAS AÉREAS INTELIGENTES S.A.

FINANCIAL STATEMENTS IN US GAAP AS OF AND FOR THE PERIOD ENDED MARCH 31, 2007

As filed with the Securities and Exchange Commission on February 28, 2007

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
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
- 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)

Rua Gomes de Carvalho 1629
 04547-006 São Paulo, São Paulo
 Federative Republic of Brazil
 (+55 11 3169 6800)

(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.

Title of each class:Name of each exchange on which registered:

Preferred Shares, without par value
 American Depositary Shares (as evidenced
 by American Depositary 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 Depositary 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:

None

The number of outstanding shares of each class of stock of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2006:

107,590,792
 88,615,674

Shares of Common Stock
 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 ☒

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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INTRODUCTION

In this annual report, we use the terms “the Registrant” to refer to Gol Linhas Aéreas Inteligentes S.A., “Gol” to refer to Gol Transportes Aéreos S.A. and “we,” “us” and “our” to refer to the Registrant and Gol together, except where the context requires otherwise. 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. “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.
- “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.

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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 South American 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 U.S. GAAP in *reais* and reflect our financial condition and results of operations as if the Registrant had been incorporated and held all of the capital stock of Gol, with the exception of five common shares of Gol held by members of Gol's board of directors for eligibility purposes, since January 1, 2001. See "Item 10B. Memorandum of Articles of Association—Description of Capital Stock—General." We publish our consolidated financial statements in Brazil in accordance with Brazilian GAAP, which differ in certain significant respects from U.S. GAAP.

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, 2006 was R\$2.1380 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2006, as reported by the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for 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.

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;
- management's expectations and estimates concerning our future financial performance and financing plans and programs;
- our level of fixed obligations;
- our capital expenditure plans;
- 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 growth strategy; and
- the risk factors discussed under "Risk Factors."

The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect" and similar words are intended to 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, 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 ADVISERS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**A. Selected Financial Data**

The following table presents summary historical consolidated financial and operating data for us for each of the periods indicated. You should read this information in conjunction with our consolidated financial statements and related notes, and the information under “—Selected Financial Data” and “Item 5. Operating and Financial Review and Prospects.”

The consolidated financial statements and related notes included elsewhere in this annual report have been prepared in accordance with U.S. GAAP and reflect our financial condition and results of operations as if the Registrant had been incorporated and held all of the capital stock of Gol since January 1, 2001, except for five common shares of Gol held by members of Gol’s board of directors for eligibility purposes.

Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2006 have been translated into U.S. dollars at the commercial market rate in effect as of December 31, 2006 as reported by the Central Bank of R\$2.1380 to US\$1.00.

| | Year Ended December 31, | | | | | |
|--|-------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| | (in thousands) | | | | | |
| Net operating revenues: | | | | | | |
| Passenger | R\$643,549 | R\$1,339,191 | R\$1,875,475 | R\$2,539,016 | R\$3,580,919 | US\$1,674,892 |
| Cargo and other | 34,330 | 61,399 | 85,411 | 130,074 | 221,098 | 103,413 |
| Total net operating revenues | 677,879 | 1,400,590 | 1,960,886 | 2,669,090 | 3,802,017 | 1,778,305 |
| Operating expenses: | | | | | | |
| Salaries, wages and benefits | 77,855 | 137,638 | 183,037 | 260,183 | 413,977 | 193,628 |
| Aircraft fuel | 160,537 | 308,244 | 459,192 | 808,268 | 1,227,001 | 573,901 |
| Aircraft rent | 130,755 | 188,841 | 195,504 | 240,876 | 292,548 | 136,833 |
| Sales and marketing | 96,626 | 191,280 | 261,756 | 335,722 | 414,597 | 193,918 |
| Landing fees | 32,758 | 47,924 | 57,393 | 92,404 | 157,695 | 73,758 |
| Aircraft and traffic servicing | 47,381 | 58,710 | 74,825 | 91,599 | 199,430 | 93,279 |
| Maintenance, materials and repairs | 16,160 | 42,039 | 51,796 | 55,373 | 146,505 | 68,524 |
| Depreciation | 7,885 | 13,844 | 21,242 | 35,014 | 69,313 | 32,420 |
| Other operating expenses | 45,740 | 70,344 | 79,840 | 128,300 | 179,494 | 83,954 |
| Total operating expenses | 615,797 | 1,058,864 | 1,384,585 | 2,047,739 | 3,100,560 | 1,450,215 |
| Operating income | 62,082 | 341,726 | 576,301 | 621,351 | 701,457 | 328,090 |
| Other income (expense): | | | | | | |
| Interest expense | (16,530) | (20,910) | (13,445) | (19,383) | (66,378) | (31,047) |
| Financial income (expense), net | 7,447 | (56,681) | 24,424 | 115,554 | 163,883 | 76,652 |
| Income (loss) before income taxes | 52,999 | 264,135 | 587,280 | 717,522 | 798,962 | 373,695 |
| Income taxes | (17,642) | (88,676) | (202,570) | (204,292) | (229,825) | (107,495) |
| Net income (loss) | <u>R\$35,357</u> | <u>R\$175,459</u> | <u>R\$384,710</u> | <u>R\$513,230</u> | <u>R\$569,137</u> | <u>US\$266,200</u> |

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| | Year Ended December 31, | | | | | |
|--|-------------------------|---------|---------|---------|---------|----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| | (in thousands) | | | | | |
| Earnings (loss) per share, basic(1) | R\$0.36 | R\$1.07 | R\$2.14 | R\$2.66 | R\$2.90 | US\$1.36 |
| Earnings (loss) per share, diluted(1) | R\$0.36 | R\$1.07 | R\$2.13 | R\$2.65 | R\$2.90 | US\$1.36 |
| Weighted average shares used in computing earnings (loss) per share, basic (in thousands)(1) | 98,268 | 164,410 | 179,731 | 192,828 | 196,103 | 196,103 |
| Weighted average shares used in computing earnings (loss) per share, diluted (in thousands)(1) | 98,268 | 164,410 | 180,557 | 193,604 | 196,210 | 196,210 |
| Earnings (loss) per ADS, basic(2) | R\$0.36 | R\$1.07 | R\$2.14 | R\$2.66 | R\$2.90 | US\$1.36 |
| Earnings (loss) per ADS, diluted(2) | R\$0.36 | R\$1.07 | R\$2.13 | R\$2.65 | R\$2.90 | US\$1.36 |
| Dividends paid per share | — | R\$0.16 | R\$0.32 | R\$0.60 | R\$0.92 | US\$0.43 |
| Dividends paid per ADS(2) | — | R\$0.16 | R\$0.32 | R\$0.60 | R\$0.92 | US\$0.43 |

| | As of December 31, | | | | | |
|----------------------------|--------------------|------------|------------|------------|------------|-------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| | (in thousands) | | | | | |
| Balance Sheet Data: | | | | | | |
| Cash and cash equivalents | R\$9,452 | R\$146,291 | R\$405,730 | R\$106,347 | R\$280,977 | US\$131,420 |
| Short-term investments | — | — | 443,361 | 762,688 | 1,425,369 | 666,683 |
| Accounts receivable(3) | 105,245 | 240,576 | 386,370 | 563,958 | 659,306 | 308,375 |
| Deposits with lessors | 121,980 | 180,916 | 289,416 | 408,776 | 537,835 | 251,560 |
| Total assets | 318,342 | 685,019 | 1,734,284 | 2,555,843 | 4,258,454 | 1,991,793 |
| Short-term debt | 22,800 | 38,906 | 118,349 | 54,016 | 128,304 | 60,011 |
| Long-term debt | — | — | — | — | 949,006 | 443,876 |
| Shareholders' equity | 71,583 | 314,739 | 1,148,453 | 1,822,331 | 2,205,158 | 1,031,411 |

| | Year Ended December 31, | | | | | |
|---|------------------------------------|-----------|------------|------------|-------------|-------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| | (in thousands, except percentages) | | | | | |
| Other Financial Data: | | | | | | |
| Operating margin(4) | 9.2% | 24.4% | 29.4% | 23.3% | 18.4% | 18.4% |
| Net cash provided by (used in) operating activities | R\$17,023 | R\$85,235 | R\$239,920 | R\$353,745 | R\$530,436 | US\$248,099 |
| Net cash used in investing activities | (34,479) | (39,263) | (533,043) | (801,787) | (1,234,088) | (577,216) |
| Net cash provided by financing activities | 21,752 | 90,867 | 552,562 | 148,659 | 878,282 | 410,796 |

| | Year Ended December 31, | | | | | |
|--|-------------------------|---------|---------|---------|---------|------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2006 |
| Operating Data (unaudited): | | | | | | |
| Revenue passengers (in thousands) | 4,847 | 7,324 | 9,215 | 13,000 | 17,447 | |
| Revenue passenger kilometers (in millions) | 3,156 | 4,835 | 6,289 | 9,740 | 14,819 | |
| Available seat kilometers (in millions) | 5,049 | 7,527 | 8,844 | 13,246 | 20,261 | |
| Load-factor | 62.5% | 64.2% | 71.1% | 73.5% | 73.1% | |
| Break-even load-factor | 59.8% | 50.8% | 52.5% | 56.4% | 59.6% | |
| Aircraft utilization (block hours per day) | 12.3 | 12.8 | 13.6 | 13.9 | 14.2 | |
| Average fare | R\$140 | R\$195 | R\$210 | R\$201 | R\$205 | |
| Yield per passenger kilometer (cents) | 20.4 | 27.7 | 29.8 | 26.1 | 24.2 | |
| Passenger revenue per available seat kilometer (cents) | 12.7 | 17.8 | 21.2 | 19.1 | 17.7 | |
| Operating revenue per available seat kilometer (cents) | 13.4 | 18.6 | 22.2 | 20.1 | 18.8 | |
| Operating expense per available seat kilometer (cents) | 12.2 | 14.1 | 15.7 | 15.5 | 15.3 | |
| Operating expense less fuel expense per available seat kilometer (cents) | 9.0 | 9.9 | 10.5 | 9.4 | 9.2 | |
| Departures | 52,665 | 75,439 | 87,708 | 122,683 | 164,696 | |
| Departures per day | 144 | 207 | 240 | 336 | 451 | |
| Destinations served | 22 | 25 | 36 | 45 | 55 | |
| Average stage length (kilometers) | 628 | 659 | 689 | 721 | 832 | |
| Average number of operating aircraft during period | 15.3 | 21.6 | 22.3 | 34.3 | 50.1 | |
| Full-time equivalent employees at period end | 2,072 | 2,453 | 3,307 | 5,456 | 8,840 | |
| Fuel liters consumed (in thousands) | 164,008 | 264,402 | 317,444 | 476,725 | 712,881 | |
| Percentage of sales through website during period | 48.7% | 57.9% | 76.4% | 81.3% | 81.6% | |
| Percentage of sales through website and call center during period | 72.1% | 74.1% | 83.6% | 88.7% | 92.4% | |

(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.

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- (2) Adjusted for the ADS ratio change in December 2005, which changed the ratio of ADS per preferred share from one ADS representing two preferred shares to one ADS representing one preferred share.
- (3) In managing our liquidity, we take into account our cash and cash equivalents, our short-term investments and our accounts receivable balances. Accounts receivable consist primarily of credit card receivables for purchased passenger tickets. We provide our customers with the option to pay in installments and therefore have to a limited extent a lag between the time that we pay our suppliers and the time that we receive payment for our services.
- (4) Operating margin represents operating income divided by net operating revenues.

Exchange Rates

Before March 4, 2005, there were two principal legal foreign exchange markets in Brazil:

- the commercial rate exchange market; and
- the floating rate exchange market.

Most trade and financial foreign-exchange transactions were carried out on the commercial rate exchange market. These transactions included the purchase or sale of shares or payment of dividends or interest with respect to shares. Foreign currencies could only be purchased in the commercial exchange market through a Brazilian bank authorized to operate in these markets. In both markets, rates were freely negotiated.

In March 2005, the National Monetary Council, dated March 4, 2005, consolidated the foreign exchange markets into one single foreign exchange market. All foreign exchange transactions are now carried out through institutions authorized to operate in the consolidated market and are subject to registration with the Central Bank's electronic registration system. Foreign exchange rates continue to be freely negotiated, but may be influenced by Central Bank intervention.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely, and during that period, the *real*/U.S. dollar exchange rate has fluctuated considerably. In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* 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 in the future. For more information on these risks, see "Item 3D. Risk Factors—Risks Relating to Brazil."

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

| | Period-end | Average for Period | Low | High |
|------------------------------------|------------|-----------------------|-------|-------|
| | | (reals per US.dollar) | | |
| Year Ended | | | | |
| December 31, 2002 | 3.533 | 2.998(1) | 2.271 | 3.955 |
| December 31, 2003 | 2.889 | 3.060(1) | 2.822 | 3.662 |
| December 31, 2004 | 2.654 | 2.917(1) | 2.654 | 3.205 |
| December 31, 2005 | 2.341 | 2.412(1) | 2.163 | 2.762 |
| December 31, 2006 | 2.138 | 2.168(1) | 2.059 | 2.371 |
| Month Ended | | | | |
| September 2006 | 2.174 | 2.169 | 2.128 | 2.218 |
| October 2006 | 2.143 | 2.148 | 2.133 | 2.168 |
| November 2006 | 2.167 | 2.158 | 2.135 | 2.187 |
| December 2006 | 2.138 | 2.150 | 2.138 | 2.169 |
| January 2007 | 2.125 | 2.139 | 2.125 | 2.156 |
| February 2007(through February 27) | 2.110 | 2.095 | 2.077 | 2.114 |

Source: Central Bank

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

Table of Contents**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 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.

Uncertainty over whether the Brazilian government will implement changes in policies or regulations affecting these or other factors may contribute to heightened volatility in the Brazilian securities markets and of securities issued abroad by Brazilian companies.

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

As a result of inflationary pressures, among other factors, the Brazilian currency has devalued periodically during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods depreciation of the Brazilian currency generally has correlated with the rate of inflation in Brazil, devaluation over shorter periods has resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies.

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The *real* depreciated against the U.S. dollar by 9.3% in 2000 and by 18.7% in 2001. In 2002, the *real* depreciated 52.3% against the U.S. dollar, due in part to political uncertainty surrounding the Brazilian presidential elections and the global economic slowdown. Although the *real* appreciated 18.2%, 8.1%, 11.8% and 8.7% against the U.S. dollar in 2003, 2004, 2005 and 2006, respectively, no assurance can be given that the *real* will not depreciate or be devalued against the U.S. dollar again. On February 27, 2007, the U.S. dollar/*real* exchange rate was R\$2.110 per US\$1.00. See “Exchange Rates.”

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, 2006, 49% of our operating expenses were either denominated in or linked to the U.S. dollar. In addition, the purchase price of the 76 737-800 Boeing Next Generation aircraft for which currently we have placed firm purchase orders and the 34 737-800 Boeing Next Generation aircraft for which we currently have purchase options are denominated in U.S. dollars. Since 2006, a portion of our indebtedness is denominated in U.S. dollars. While in the past we have generally adjusted our fares in response to, and to alleviate the effect of, depreciations of the *real* and increases in the price of jet fuel 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 depreciation or increases in jet fuel prices, 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\$911.4 million (including long-term vendor payables) and US\$715.6 million other U.S. dollar-denominated indebtedness at December 31, 2006. We may incur additional substantial 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, 2006, we had a short-term hedging program in place for our U.S. dollar-denominated operating lease obligations, our U.S. dollar-linked jet fuel expenses and our interest rate exposure.

Historically, depreciations of the *real* relative to the U.S. dollar have also created additional inflationary pressures in Brazil, and future depreciations could negatively affect us. Depreciations generally curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciations also reduce 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.

Inflation and government efforts to combat inflation may contribute significantly to economic uncertainty in Brazil and could harm our business and the market value of the ADSs and our preferred shares.

Brazil has in the past experienced extremely high rates of inflation. More recently, Brazil's annual rate of inflation was 25.3% in 2002, 8.7% in 2003, 12.4% in 2004, 1.2% in 2005 and 3.8% in 2006 (as measured by *Índice Geral de Preços—Mercado*, or the IGP-M). Inflation, and certain government actions taken to combat inflation, have in the past had significant negative effects on the Brazilian economy. Actions taken to curb inflation, coupled with public speculation about possible future governmental actions, have contributed to economic uncertainty in Brazil and heightened volatility in the Brazilian securities market. Future Brazilian government actions, including interest rate decreases, intervention in the foreign exchange market and actions to adjust or fix the value of the *real* may trigger increases in inflation. If Brazil again experiences high inflation, we may not be able to adjust the fares we charge our customers to offset the effects of inflation on our cost structure. Inflationary pressures may also hinder our ability to access foreign financial markets or lead to government policies to combat inflation that could harm our business or adversely affect the market value of our preferred shares and, as a result, the ADSs.

Developments and the perception of risk in other countries, especially 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 companies is affected to varying degrees by economic and market conditions in other countries, including other Latin American and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other 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.

Risks Relating to Us and the Brazilian Airline Industry

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

The National Civil Aviation Agency (*Agência Nacional de Aviação Civil*, or "ANAC"), an independent regulatory agency linked, but not subordinated, to the Ministry of Defense was created in 2005 and operates as an independent agency for an indefinite term. ANAC principally has the authority to: (i) regulate, inspect and supervise services rendered by airlines operating in Brazil, (ii) grant concessions, permits and authorizations for air transport operations and airport infrastructure services, (iii) represent the Brazilian government before international civil aviation organizations, (iv) control, register and inspect civil aircraft, and (v) ensure that air transportation services are provided under free market principles.

As ANAC commenced its activities and began to exercise its powers, the Civil Aviation Department (*Departamento de Aviação Civil*, or "DAC"), an organization that was subordinated to the Air Force Command of the Ministry of Defense, and responsible prior to ANAC for coordinating and supervising Brazilian civil aviation (coordinating and supervising air transportation services and aviation and ground infrastructure), transferred all its responsibilities and operations to the new agency and was extinguished. ANAC did not assume any of the current responsibilities of the Civil Aviation National Council (*Conselho de Aviação Civil* or "CONAC"), which will continue to set guidelines for regulation, control the development, and generally establish policy for the air transportation sector as a whole.

The importation of any new aircraft is subject to approval by the Commission for Coordination of Civil Air Transportation (*Comissão de Coordenação de Transporte Aéreo Civil*, or "COTAC"), a sub-department of ANAC. In recent years, the DAC and since 2006 the ANAC have actively monitored developments in Brazil's airline market and have taken certain restrictive measures that have helped to restore greater stability to the industry. For example, the ANAC addressed overcapacity by establishing stricter criteria that must be met before new routes or additional flight frequencies are awarded. Our growth plans contemplate expanding into new markets, increasing flight frequencies and operating considerably more than our existing fleet. As such, our ability to grow generally depends on receiving the required authorizations from ANAC and COTAC. We cannot assure you that future authorizations will be granted to us. 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.

Several legislative initiatives have been taken, including the preparation of a draft bill of law that would replace Law No. 7,565 of December 19, 1986, 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.

No assurance can be given that these or other changes in the Brazilian airline industry regulatory environment will not have a material adverse effect on our business and results of operations.

Technical and operational problems in the Brazilian air traffic control systems since the last quarter of 2006 have led to extensive flight delays, higher than usual flight cancellations and airport congestions and negatively affected our punctuality and operating results. The Brazilian government and air traffic control authorities have taken measures to improve the Brazilian air traffic control systems, but if the changes proposed and measures taken by the Brazilian government and regulatory authorities do not prove successful, these air traffic control and runway safety related difficulties might reoccur or worsen, which might have a material adverse effect on our business, our results of operations and our growth strategy.

We operate in a highly competitive industry.

We face intense competition on our domestic routes in Brazil from scheduled airlines and charter airlines. In addition, the Brazilian aviation authorities have the flexibility to permit new entrants in our market. We may face increased competition in the future.

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Our existing competitors or new entrants into the market 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 such an event, we cannot assure you that our level of fares or passenger traffic would not be adversely affected. We may also face competition from international airlines as we introduce and expand flights between Brazil and other South American destinations.

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. Such competition may have an adverse impact on our business and results of operations.

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

Our growth strategy involves expanding the number of markets we serve and increasing the frequency of flights to the markets we currently serve. Increasing the number of markets we serve and our flight frequencies depend on our ability to identify the appropriate geographic markets upon which to focus and to gain suitable airport access and route approval in these markets. There can be no assurance that the new markets we enter will provide passenger traffic that is sufficient to make our operations in those new markets profitable.

Two of the airport facilities from which we operate, Santos Dumont in Rio de Janeiro, Congonhas in São Paulo, have limited landing slots available and passenger processing is at or near maximum capacity. Four of the airports from which we operate, Juscelino Kubitschek in Brasília, Santos Dumont, Congonhas, Guarulhos International Airport in Guarulhos, are subject to slot restrictions limiting the number of landings and take-offs at these airports and when they can be made. Any condition that would prevent or delay our access to airports or routes that will be vital to our growth strategy, including the ability to process more passengers or the imposition of flight capacity restrictions or our inability to maintain our existing slots, and obtain additional slots, in the Juscelino Kubitschek, Santos Dumont, Congonhas, Guarulhos airports, could constrain the expansion of 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.

In addition, the introduction and expansion of flights between Brazil and other destinations outside of Brazil requires the availability of flight capacity under, and compliance with, the criteria set forth in bilateral treaties governing cross-border air travel that have been negotiated between Brazil and other South American countries. To the extent that there is no available capacity or we cannot comply with the criteria contained in these treaties, our plans to introduce additional flights between Brazil and other destinations outside of Brazil could be constrained. In addition, our plans to further expand our operations into other South American countries could be adversely affected by political, economic and social conditions in those countries.

The expansion of our business will also require additional skilled personnel, equipment and facilities. An inability to hire and retain skilled personnel or secure the required equipment and facilities efficiently and cost-effectively may adversely affect our ability to execute our growth strategy. Expansion of our markets and flight frequencies may also strain our existing management resources and operational, financial and management information systems to the point that they may no longer be adequate to support our operations, requiring us to make significant expenditures in these areas. In light of these factors, we cannot assure you that we will be able to successfully establish new markets or expand our existing markets and operations, and our failure to do so would harm our business and the value of the ADSs and our preferred shares.

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

We have significant fixed costs, relating primarily to operating leases for our aircraft and engines, of which leases for four aircraft have floating-rate rent payments based on LIBOR or U.S. interest rates. Currently, we have commitments of approximately US\$11.5 billion to purchase 76 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, 2006 we had US\$949.0 million in long-term indebtedness. 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 growth strategy.

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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 76 Boeing 737-800 Next Generation aircraft, in the future we expect to own a 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. In 2006, we financed and we intend to finance a portion of our new Boeing 737-800 NG aircraft with a commitment we received from the Export-Import Bank of the United States providing guarantees covering approximately 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 assist 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, 2006, we had R\$1.7 billion of cash, cash equivalents and short-term investments in overnight deposits and deposit certificates of highly-rated Brazilian banks and marketable securities, mainly highly-rated Brazilian government bonds. 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 growth strategy and business and could have an adverse impact on our results of operations.

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

Fuel costs, which have recently been at historically high levels, constitute a significant portion of our total operating expenses, accounting for 39.6% of our operating expenses for the year ended December 31, 2006. Historically, international and local fuel prices have been subject to wide price fluctuations based on geopolitical issues and supply and demand. 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.

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. Some of our competitors may be able to obtain fuel on better terms than we, both with respect to quantity and price. 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.

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 simplified aircraft fleet equipped with one type of engine. After extensive research and analysis, we chose the Boeing 737-700/800 Next Generation aircraft and CFM 56-7B engines from CFM International. In light of our firm purchase orders to purchase 76 Boeing 737-800 Next Generation aircraft and options to purchase an additional 34 Boeing 737-800 Next Generation aircraft, 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. While we await the delivery of our new 737-800 Next Generation aircraft, we are currently using 14 Boeing 737-300 aircraft to help meet our short-term capacity needs caused by higher than expected demand for our air travel services in Brazil and South America.

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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, Boeing 737-300 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 its own 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, Boeing 737-300 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, Boeing 737-300 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 and South American 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 also depends upon the efforts of our chief executive officer, who has played an important role in shaping our company culture and, through his interest in our controlling shareholder, owns a significant number of our shares, as well as other key executives. If our chief executive officer or a number of our key executives leave our company, 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. 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.

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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 aircraft or our aircraft type or as a result of the mid-air collision of one of our aircraft in September 2006.

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, could cause a public perception that we are less safe or reliable than other airlines, which would harm our business and results of operations. On September 29, 2006, one of our new Boeing 737-800 NG aircraft was involved in a mid-air collision with a private aircraft of ExcelAir. We cannot assure you that our reputation will not be negatively affected by the implications of this accident.

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 depository 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 approximately 50.4% of the aggregate market capitalization of the BOVESPA as of December 31, 2006. The top ten stocks in terms of trading volume accounted for approximately 45%, 51% and 46.4% of all shares traded on the BOVESPA in 2004, 2005 and 2006, 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 GAAP. 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.

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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, 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 only material assets consist of the shares of Gol, two offshore finance subsidiaries, cash and cash equivalents and short-term investments. The Registrant owns all of Gol's shares, except for five common shares of Gol that are held by members of Gol's board of directors for eligibility purposes. Our principal executive offices are located at Rua Gomes de Carvalho 1629, 04547-006 São Paulo, SP, Brazil, and our general telephone number is +55 11 3169-6003. The telephone number of our investor relations department is +55 11 3169-6800. Our website address is www.voegol.com.br and our website is available in Portuguese, Spanish and English. Investor information can be found on our website under the caption "Investor Relations." 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."

Table of Contents**B. Business Overview**

We are one of the most profitable low-cost airlines in the world and the most profitable airline in South America, and had net revenues of R\$3.8 billion and net income of R\$569.1 million for the year ended December 31, 2006. We are the only low-fare low-cost airline providing frequent service on routes connecting all of Brazil's major cities and also to major cities in Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay. Our mission is to increase the growth and profits of our business by stimulating and meeting demand for safe, affordable, convenient air travel for both business and leisure passengers. We do this by offering simple, safe and efficient service while having one of the lowest operating costs in the airline industry worldwide. Our vision is to be recognized by 2010 as the airline that popularized high-quality, low-fare air transportation in South America.

We have flown over 55 million passengers since beginning operations in 2001 and, according to the ANAC, Brazil's civil aviation authority, our share of the domestic market, based on revenue passenger kilometers, grew from 4.7% in 2001 to 37.1% in December 2006. Our share of the international market, based on revenue passenger kilometers transported by Brazilian airlines grew from 3.1% in 2005 (our first full year operating international flights) to 13.3% in December 2006. Our strategy is to increase the size of the market by attracting new passengers through our low fares, a young and modern aircraft fleet, targeted marketing, simplified travel services and through a variety of payment mechanisms designed to make the purchase of our tickets easier for customers belonging to a much broader income class. 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.

As of the end of 2006, we operated 65 single-class Boeing 737 aircraft. We have firm purchase orders with The Boeing Company for 76 737-800 Next Generation aircraft, and we have options to purchase an additional 20 737-800 Next Generation aircraft. Currently, we have 14 firm purchase orders for aircraft deliveries scheduled in 2007, 9 in 2008, 16 in 2009, 16 in 2010 and 21 after 2010. To meet the recent higher than expected demand for our air travel services in Brazil and South America, in 2006 we took delivery of six Boeing 737-300 aircraft under four year operating leases, which we are using to help meet our short-term capacity needs while we await the delivery of the new 737-800 Next Generation aircraft.

We have a diversified revenue base, with customers ranging from business passengers traveling between densely populated cities in Brazil, such as São Paulo, Rio de Janeiro and Belo Horizonte, to leisure passengers traveling to destinations throughout Brazil and to our international destinations in South America. We 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 Brazil and to other Latin American destinations. In 2006, we inaugurated 10 new destinations, thereby increasing the number of destinations served to 55 (48 in Brazil). We intend to further expand our service to additional international destinations in South America. We generate ancillary revenues from air cargo services and our installment payment mechanisms. We are one of the few low cost carriers in the world that offers cargo services. Our installment payment mechanisms, such as our Voe Fácil card, are innovative and help stimulate demand.

We offer a simplified product to our customers with single-class seating and a light snack and beverage service. Generally, our low operating costs allow us to set our fares at levels to win customer loyalty and stimulate demand by attracting new customers who previously used other means of travel or traveled less often due to price sensitivity. We have kept our operating costs low principally by maintaining a simplified aircraft fleet that is one of the newest in South America, which reduces maintenance and fuel costs.

We deploy aircraft in a highly efficient manner to maintain industry leading aircraft utilization and concentrate heavily upon internet-based distribution channels and sales. The strong promotion of internet-based distribution channels and sales is an integral element of our low cost structure and efficiency and has made us one of the largest and leading e-commerce businesses in Brazil with total sales of passenger tickets of R\$3.7 billion over the internet in 2006. We believe we effectively employ technology to make our operations more efficient, using real time sales and operating information, internet based sales and ticketless travel, advanced yield management systems and intelligent outsourcing.

Our operational emphasis on controlling costs and yield management has given us flexibility in setting our fares to achieve a balance between our load factors and yields that we believe will generate the highest profitability and growth for us. During 2006, a year with historically high fuel prices, we generated net income of R\$569.1 million. Our profits in 2006 were due largely to the economies of scale from the growth of our business and having the lowest cost per available seat kilometer in the markets in which we operate, based upon our analysis of publicly available data. By acquiring 63 new Boeing 737-800 Next Generation aircraft through 2011, with a seat capacity approximately 30% higher than that of conventional Boeing 737-700NG aircraft, we believe that we will be able to more efficiently use the airport slots available to us and to further reduce our costs per seat kilometer.

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Our operating model is a highly integrated, multiple-stop route network that is a variation on 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 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 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 believe that our operating model, when combined with our low fares and reliable service, stimulates demand for air travel, and helped us to achieve a load factor of 73.1% in 2006, the highest in the domestic market, according to the ANAC. During 2006, we maintained high standards of operating efficiency and customer satisfaction, completing 96.4% of our scheduled flights, with on-time performance of 98.8%, based on our internal data.

We were one of the first Latin American companies to give the relevant officer certifications under Section 404 of the U.S. Sarbanes Oxley Act of 2002 regarding internal controls over financial reporting. The 2006 certifications are included as Exhibits 12.1 and 12.2 to this Annual Report.

In December 2005, we entered into a joint venture to create a low-cost Mexican airline. We can currently not foresee if and when this joint venture will become operative.

On September 29, 2006, one of our new Boeing 737-800 NG aircraft was involved in a mid-air collision with a private aircraft of ExcelAir. Our aircraft went down in the Amazon forest, leaving no survivors among the 148 passengers and six crew members. The ExcelAir aircraft, a new Embraer Legacy 135BJ, performed an emergency landing and all of its seven occupants were unharmed. We continue to cooperate fully with all regulatory and investigatory agencies to determine the cause of this accident. We believe that the costs to defend any claims and any potential liability exposure will be covered by insurance.

Our Competitive Strengths

Our principal competitive strengths are:

We Keep Our Operating Costs Low. Our cost per available seat kilometer for the year ended December 31, 2006 was R\$15.3 cents, or approximately US\$7.2 cents. We believe that our cost per available seat kilometer for the year ended December 31, 2006, adjusted for the average number of kilometers flown per flight, was one of the lowest in the airline industry worldwide, and was on average the lowest in the domestic market, based upon our analysis of data collected from publicly available information. Typically, airline operating costs per kilometer decrease as flight length increases. Our low operating costs are the result of being innovative and using best practices adopted from other leading low-cost carriers to improve our operating efficiency, including:

Efficient use of aircraft. During 2006, our aircraft utilization totaled an average of 14.2 block hours per day, the highest aircraft utilization rate in the South American airline industry, according to the ANAC, and among the highest worldwide according to airline company public filings. We achieve high aircraft utilization rates by operating a new fleet that requires less maintenance down-time, accomplishing a fast turnaround on our aircraft between flights and operating more flights per day per aircraft than our competitors. The fast turnaround time for our aircraft between flights, which averaged in 25 minutes in 2006, minimizes connection times for our passengers and enables our aircraft to fly approximately nine flight legs a day, the highest number of flight legs in the domestic market. As part of our aircraft utilization strategy, we introduced night flights on certain routes in December 2003 at very low fares to increase utilization, generate higher load factors and stimulate demand. Our night flights, which generated a load factor higher than that of our other flights, have helped us to make a portion of our fleet productive practically 24 hours per day. We also offer air cargo services on our flights to generate incremental revenue from space in the stronghold sections of our aircraft that would otherwise remain unutilized.

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Operation of a young and simplified fleet. At December 31, 2006, our fleet of 65 Boeing 737 aircraft had an average age of 7.8 years, making our fleet one of the youngest in South America. Having a fleet with minimal aircraft types reduces inventory costs, as fewer spare parts are required, and reduces the need to train our pilots to operate different types of aircraft. In addition, keeping the number of types of aircraft we operate to a minimum simplifies our maintenance and operations processes. While our focus on having the lowest operating costs means that we will periodically review our fleet composition to ensure that it is achieving our low-cost goals, any decision we may make to introduce a new fleet type will be made only after carefully weighing the performance and profitability benefits of doing so against the emphasis we place on maintaining simplified operations. With our 76 firm purchase orders and purchase options of 34 additional Boeing 737-800 Next Generation aircraft, we expect to be able to further decrease the age of our fleet, and therefore increase efficiency and reduce maintenance costs.

Flexible and efficient operating approach. We always seek the most cost-effective way of providing our services to our customers without compromising quality and safety. We constantly evaluate our operations to see if sensible cost-savings opportunities exist. As a result, we outsource the work that can be done properly and more efficiently by third parties and we internalize the functions that our employees can do more cost-efficiently. We get competitive rates for these services by negotiating multi-year contracts at prices that are fixed or subject only to periodic increases linked to inflation. With our phased maintenance system, 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 reduce costs. Furthermore, we completed in 2006 our state-of-the-art aircraft maintenance center at the airport of Confins in the State of Minas Gerais, enabling us to internalize aircraft heavy maintenance work to reduce maintenance costs. We plan to internalize other services that are currently outsourced if we believe we can better control the quality and efficiency of these services.

Use of efficient, low-cost distribution channels. Our effective use of technology helps us to keep our costs low and our operations highly scalable and efficient. We seek to keep our distribution channels streamlined and convenient so as to allow our customers to interact with us directly via the internet. In 2006, 81.6% of our ticket sales were through our website, and 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 2006 one of the largest e-commerce companies in Brazil with R\$3.7 billion in gross 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 estimate that our distribution costs using our online ticket sales system is 65% lower than our distribution costs involving more traditional means, such as the Global Distribution System, or GDS. In addition, like other low-cost carriers, all travel on our flights is ticketless. The elimination of paper tickets saves paper costs, postage, employee time and back-office processing expenses. Also, we do not need to maintain physical ticket sales locations outside of airports.

We Stimulate Demand for Our Services. We believe that through our low fares and high-quality service, we provide the best value in our markets and 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 that treats passengers equally in a single-class environment, we have successfully increased our market share, strengthened customer loyalty and are attracting a new group 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, for which we offer highly competitive fares, have proven to be very successful, generating load factors higher than that of our other flights. We believe our night flights attract passengers who previously relied upon bus or car travel and who have now become air travel customers. 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, 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. Our strong market position and strong brand recognition allow us to increasingly influence and stimulate this demand. Our firm order for 76 new Boeing 737-800NG aircraft, which has an increased seat capacity of 187 passengers but does not compromise passenger comfort, will enable us to increase our capacity in the key markets in which we operate.

We Have a Strong Brand that is Widely Recognized Among Consumers and Investors. We believe that the Gol brand has become synonymous with innovation and value in airline industry. In 2006, we received for the second time the "Melhores e Maiores" (Best and Biggest) award in the transportation sector from the leading business magazine in Brazil, *EXAME*, and we were elected the best performing airline in the world in 2005 according to a study published by *Aviation Week and Space Technology*. Our customers also identify us as being safe, accessible, friendly, fair and reliable and distinguish us in Brazil's domestic airline industry on the basis of our modern and simplified approach to providing air travel services. Customer satisfaction surveys conducted in 2006 by *Pesquisas Inteligentes*, an independent market research firm, indicated that approximately nine out of every ten passengers trust Gol, and would recommend Gol to others. Our effort at promoting our brand awareness has earned us recognition from the marketing industry in Brazil as well. In 2005, we were named one of Brazil's most valuable brands by *Isto é Dinheiro* magazine in its fourth annual Most Valuable Brazilian Brands Ranking, with a brand value of US\$326 million. In 2006, we were also the most awarded company in a survey conducted by the *LatinFinance* magazine. In addition, we are recognized among Brazilian and international investors as a company with an innovative financial management and very high level of disclosure and transparency. For a second year in a row, we ranked first in the category of "Disclosure Procedures" in Latin America and our investor relations website was awarded the top prize in the industry and was top 5 in Latin American websites at the Ninth Annual IR Global Rankings in February 2007.

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We Have a Strong Financial Position and Access to the Financial Markets. We have focused on maintaining a strong financial position with significant cash balances. As of December 31, 2006, we had R\$281.0 million of cash and cash equivalents, R\$1,425.4 million of short-term investments, R\$659.3 million of accounts receivable and R\$537.8 million of U.S. dollar denominated deposits for aircraft leasing and aircraft engine maintenance contracts, representing a total of R\$2,903.5 million. As of December 31, 2006, our debt to capitalization ratio was 33.7%. In 2006, to finance our operations and capital expenditures, we accessed the international debt capital markets with the issuance of US\$200 million of perpetual notes and also arranged long-term financings with the BNDES, the International Finance Corporation (IFC) and the Private Export Funding Corporation (PEFCO).

We Actively Manage Risk. We actively monitor movements in fuel prices, foreign exchange rates and interest rates to reduce our earnings volatility. We are able to adjust our fares to compensate for changes in fuel prices and the exchange rate of the real versus the U.S. dollar. Our general policy is to hedge on a short-term basis a majority of the fuel we expect to consume and our U.S. dollar exchange rate exposure, so as to minimize the effects of adverse changes in the fuel or foreign exchange markets. As part of our risk management program, we establish exposure limits, hedge ratios, instruments and programmed price triggers. We use a variety of financial instruments, including petroleum call options, petroleum fixed-price swap agreements, and foreign currency forward contracts. We do not hold or issue derivative financial instruments for trading purposes. As there is not a futures market for Brazilian jet fuel, we use international crude oil derivatives to hedge our exposure to increases in fuel price. In addition, we believe that our corporate-wide high standards of internal control reduce our risk exposure. We were one of the first foreign private issuers in Latin America to certify our internal controls over financial reporting.

We Have a Motivated Workforce and a Proven Management Team. We benefit from a highly motivated workforce that brings a new enthusiasm to air travel and a commitment to high standards of friendly and reliable quality service that we believe distinguishes us in our markets. We believe that the positive feedback we received from our customers in our customer satisfaction surveys is directly related to the priority our employees place on delivering top quality customer service. We invest a significant amount of time and resources into carefully developing the best training practices and selecting individuals to join our team who share our focus on ingenuity and continuous improvement. We conduct ongoing training programs that incorporate industry best practices and encourage strong and open communication channels among all of the members of our team so that we can continue to improve the quality of the services we provide. We also motivate our workforce by providing all our employees with profit sharing and our management employees with stock options. 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 Strategy

Our strategy is to offer travelers in Brazil and other South American countries a low-fare transportation alternative that we believe is cost-competitive compared to conventional airline and bus transportation. To continue the growth of our business and increase its profitability, our strategy is to further stimulate customer demand by continuing to offer a single-class of air travel service at low fares, while maintaining a high standard of quality and safety. We will strive to keep our operating costs low and continually pursue ways to make our operations more efficient. Our objectives are to provide the best travel value in the markets we serve, to encourage people to fly by making air travel accessible in our markets, and to further increase our market share.

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We will continue to evaluate opportunities to expand our operations by (i) adding additional flights to existing high-demand routes and night flight domestic routes, (ii) adding new domestic routes where sufficient market demand exists or where we believe we can stimulate demand, (iii) expanding into other high-traffic centers in other countries, (iv) developing ancillary revenues in activities related to air transportation, and (v) seeking opportunities to grow through joint ventures or acquisitions. Our vision is to be recognized by 2010 as the airline that popularized high-quality, low-fare air transportation in South America. The following are the key elements of our strategy:

To Expand Our Customer Base by Offering Services on High-Demand Routes. When planning the growth of our business, we will continue to establish bases, 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 other South American countries. In particular, we expect to increase our focus on business travelers from small and medium-sized companies, a growing customer base that tends to be more price sensitive, by developing the routes and flight frequencies that best serve their travel needs and increasing our marketing efforts directed at this segment of our customer base. 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, expanding successful night flight services and adding additional routes that contribute to our network and for which we perceive a market demand.

We believe that the same business model and route management techniques that we have successfully introduced in Brazil to help popularize air travel can also be used to capture market share and stimulate demand for air travel between Brazil and other South American countries. We are pursuing opportunities to offer flights on routes between Brazil and select cities in other South American markets where growth opportunities exist and where the new destinations fit into our integrated flight network. In 2006, we inaugurated five new international destinations in Argentina, Chile, Paraguay and Uruguay and commenced service of non-Brazilian city-pairs between Asunción, Paraguay and Buenos Aires, Argentina, and Santiago, Chile. By offering international flights 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.

To Stimulate Demand with Low Fares. Our widely available low fares and superior product offering are designed to popularize air travel and stimulate demand, particularly from fare-conscious leisure travelers and small- to mid-size business travelers who might otherwise have used alternative forms of transportation or would not have traveled at all. Our strategy is to continue to stimulate demand and encourage more people to fly by continuing to provide a superior product and low-fares. A key element of our superior product offering is our new Boeing 737-800 aircraft with increased seat capacity, which we achieve by means of new internal arrangements that do not compromise passenger comfort, and which allows us to distribute our operating costs over a higher number of available seat kilometers, therefore allowing us to offer more seats at lower fares. We will also continue to provide our customers with flexible payment mechanisms, such as debit payments, credit card installment payments and monthly installment payments in the form of direct credit. For example, we launched in November 2005 the Voe Fácil ("Fly Easy") Gol Program, which allows qualifying customers to pay for airline tickets in up to 36 monthly installments as an innovative new way to purchase airline tickets, especially designed to make the purchase of our tickets easier for customers belonging to broader income classes. At December 31, 2006, over 650,000 customers had registered for our Voe Fácil program, 70% of whom were flying for the first time. Also, at the end of 2006 we launched in association with Mastercard and Banco do Brasil our corporate credit card "Gol Negócios" targeting small- and medium-sized corporate enterprises.

The following table shows total passengers enplaned at airports in selected cities served by us outside the São Paulo – Rio de Janeiro market for the year ended December 31, 2000 (just before we commenced our operations) and the year ended December 31, 2006. The table also sets forth the date we commenced service at airports in selected cities and the compound annual growth rate of passengers enplaned at such airports.

| Total Passenger Traffic (Arrivals and Departures) Year Ended December 31, | | | | |
|--|---------------------------------|---------------|------|-----------|
| Cities | Service Commencement Date | 2000 | 2006 | CAGR (%) |
| | | (in millions) | | 2000-2006 |
| Belo Horizonte(1) | January 2001 | 2.62 | 4.53 | 9.6 |
| Brasília | January 2001 | 5.43 | 9.70 | 10.2 |
| Curitiba | May 2001 | 2.07 | 3.53 | 9.3 |
| Florianópolis | January 2001 | 0.72 | 1.63 | 14.6 |
| Fortaleza | December 2001 | 1.44 | 3.28 | 14.7 |
| Porto Alegre | January 2001 | 2.25 | 3.85 | 9.4 |
| Recife | April 2001 | 2.14 | 3.95 | 10.8 |
| Salvador | January 2001 | 3.02 | 5.41 | 10.2 |
| Vitória | November 2001 | 0.84 | 1.66 | 12.0 |

(1) Includes the airports of Pampulha and Confins in Belo Horizonte. A large portion of passenger flow was transferred from the airport of Pampulha to the airport of Confins in 2005.

Source: INFRAERO

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To Reduce Operating Costs and Improve Operating Efficiency. Continuing to reduce our operating costs per available seat kilometer is a key to increasing profitability. Our revenues per average aircraft in 2006 were US\$35.5 million, which was the highest in the low cost carrier industry according to publicly available data. Our unit operating costs, or CASK, of US\$7.2 cents was the lowest in the domestic market. We aim to remain one of the lowest cost airlines in the world. We have worked toward achieving this goal by assembling a new fleet of single-class aircraft that is capable of safely and reliably accommodating a high utilization rate, incurs low maintenance costs and is fuel-efficient. 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. We will also 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 additional aircraft to an established and efficient operating infrastructure. Our system of phased maintenance allows us to perform maintenance work every day without sacrificing aircraft revenue time, to better determine the timing of heavy maintenance so as to help maximize aircraft utilization and to further reduce our maintenance costs. By performing our structural aircraft maintenance in our new Aircraft Maintenance Center in Confins, in the State of Minas Gerais we achieve greater control over maintenance costs. By performing 121 new and fuel efficient Boeing 737-800 Next Generation aircraft, we will further reduce the average age of our fleet, increase the number of available seat kilometers per aircraft and therefore increase operating efficiency and potentially lower our operating costs.

To Keep Our Customer Service Offering Attractive, Simple and Convenient. We believe that we are perceived by our customers as providing excellent value at reasonable fares and acting as a catalyst for changing the way the Brazilian airline industry works. In addition to offering low fares, our strategy is to make flying a simpler, more convenient experience. We have achieved this objective largely through the elimination of unnecessary extras and common-sense applications of technology. According to ANAC data, we had a punctuality rate of 90.4% in 2006, the highest punctuality rate in the Brazilian airline industry. We encourage our customers to use the internet not only to make reservations, but also to make many of the arrangements from the comfort of their home or office that they would otherwise have to make at crowded airports or airline ticket offices, such as checking-in and changing their seat assignments. We provide free shuttle service between airports and drop-off zones on selected routes. We offer customers single-class, pre-assigned seating flights, do not overbook our flights and have designated female lavatories. Our strategy will be to continue to seek ways to make the Gol brand signify simplicity and convenience in the minds of air travelers.

Routes and Schedules

Our aircraft fly to various points on our route network linking our destinations. A significant portion of our route network is concentrated in highly populated areas in Brazil and South America, where numerous major business centers are located. We generally offer direct flights between these primary business centers, which enables many of our business travelers to fly with us directly to their destinations. However, after directly connecting high-density cities along the primary business routes, our aircraft often make multiple stops to other destinations. In this way, most of our aircraft has a daily flight plan that includes stops at multiple destinations throughout our network. We integrate the flight plans of our aircraft to provide maximum flexibility and connectivity at each stop, so that passengers have numerous connection options to reach their final destination. We believe this model of flight scheduling has helped us to more frequently serve a greater number of cities, generate higher load factors and stimulate demand for air travel in new markets, while also enabling us to increase aircraft utilization and provide our customers with more destination options. Having implemented this variation on the point to point approach successfully in Brazil, we have started adding international destinations to our flight plans in 2005, offering Brazilian and international passengers further destination options via direct flights or with one or more stops in a cost-efficient and practicable fashion.

At December 31, 2006, we offered 600 daily flights in Brazil and to our international destinations. In 2006, we inaugurated ten new destinations, increasing the number of destinations served to 55 (48 in Brazil). By adding points of destination for our customers, we believe we can increase our overall load factor.

Since 2001, we operate our cargo transport service Gollog, which achieved a 60% increase in revenues in 2006. Gollog ships packages in the cargo hold of our aircraft. In Brazil, Gollog currently operates from 44 locations in 41 cities.

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In addition to monitoring growing market demand for increased daily flight frequency on our existing routes, we also seek to offer services in markets with previously untapped demand. We are also pursuing opportunities to offer flights on routes between Brazil and select cities in other South American countries where favorable market opportunities exist using the same business model and route management techniques that have proven successful within Brazil. Since 2005, we have been increasing the number of flights to and through Guarulhos and Galeão, the two international airports serving São Paulo and Rio de Janeiro, respectively, which we expect will give us additional growth opportunities in the Brazilian and international markets and more code share opportunities with international airlines.

Customer Value

We recognize that we must offer excellent services to our customers. As a result, 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;
- airport parking discounts;
- designated female lavatories;
- single-class, pre-assigned seating;
- 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 also recognize that efficient and punctual operations are of primary importance to our customers. This emphasis resulted in our domestic completion factor of 97% in 2005 and 93% in 2006, and domestic on-time performance rate of 98% in 2005 and 90% in 2006, based on company data.

Based on feedback from our customers, we believe we are meeting and exceeding their service expectations, as approximately nine out of every ten passengers trust Gol and would recommend Gol to others.

Safety

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.

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Our customers can purchase tickets directly from us through a number of different channels, including via our website, our call center and at airport ticket counters. For the year ended December 31, 2006, 30.4% of our customers purchased tickets directly from us (25.2% on our website and 5.2% via call centers and directly at airports).

Our customers can also purchase tickets indirectly through travel agents, who are a widely-used travel service resource in Brazil and South America. Travel agents provide us with more than 8,000 distribution outlets throughout the region. For the year ended December 31, 2006, 69.6% of our sales were to customers purchased tickets indirectly from travel agents (approximately 3.0% of our sales through travel agents are made through a GDS system, with 5.6% of those sales made through call centers, and 61% on our website).

For the year ended December 31, 2006, 81.6% of our passenger revenues, whether directly to the customer or to travel agents, were made via the internet, making us one of the worldwide industry leaders in this area, as compared to 10.8% of our passenger revenues through call centers and airport sales counters and 3.0% of our total sales made through the GDS, respectively.

We also use GDSs, which allows us to access to approximately 75,000 tourism professionals who are able to sell our tickets to customers throughout the globe. GDSs also enables us to enter into code sharing agreements with other airlines to offer more flights and connection options to our passengers and add incremental passenger traffic to our network.

To illustrate the importance of continuing to focus on increasing internet-based ticket sales directly to our customers, it costs an average of 90.8% less for each ticket sale made directly to a customer through our website compared to internet ticket sales through travel agents, 91.5% less than a call center ticket sale through a travel agent and 92.9% less than a GDS ticket sale. The higher ticket sales costs for GDS ticket sales are partially offset by higher average fares for tickets booked through a GDS. We strongly promote the use of our website because it is our most efficient distribution channel in terms of cost-savings and customer convenience. By focusing on virtual distribution, we are able to streamline our ticket sales and services and eliminate the need to incur costs associated with more traditional distribution channels, such as physical ticket sale centers located outside of airports. In addition to being cost-effective, focusing on internet distribution also provides our customers with high levels of convenience, as they are better able to interact with us when they want and how they want, in either Portuguese, English or Spanish. As a result of this emphasis on virtual distribution, we have become one of the largest and leading e-commerce businesses in South America in terms of revenue from internet-based sales.

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 alliances with hotel chains and rental car service providers to offer our corporate customers the convenience of packaged transportation and accommodation arrangements. At the end of 2006 we launched in association with Mastercard and Banco do Brasil our corporate credit card "Gol Negócios" targeting small- and medium-size corporate enterprises. We will continue to focus on expanding our base of cost-conscious, medium-sized corporate clients who serve as a source of recurring revenues.

We advertise primarily through cost-efficient media, including internet websites, radio spots, local newspaper ads and billboards. Our *Aqui todo mundo pode voar*, or "Here everyone can fly" advertising campaign, commenced in July 2004, has been very effective in various related campaigns in promoting our objective to popularize air travel in Brazil. In December 2005, we successfully launched the campaign *Por que viajar de outro jeito, se você pode voar?*, or "Why travel by other means of transportation, if you can fly?" In 2006, we launched several campaigns related to the opening of ten new destinations (five of which international) and related to the beginning of the new Boeing 737-800 aircraft deliveries, which commenced in July 2006.

We also use innovative promotions to stimulate demand for air travel. For example, we first offered our night flights in December 2003 as a measure designed to attract customers who may not have previously considered air travel as an option due to their price sensitivity and also to generate revenues from our aircraft at times they would otherwise have remained idle. These flights proved to be extremely popular among customers, achieving an average load factor of 90%, and we decided to offer them on a permanent basis. In 2004, we introduced our *Brasil mais perto*, or "Brazil is closer", campaign, which featured very low internet-based fares for weekend travel and we also offered promotional prices for certain customer segments, such as senior citizens and children. We believe that the high number of visits to our website, which averaged 1,500,000 visitors per month during 2006, are in part the result of the customer interest created by our promotions. By offering campaigns with low promotional prices, we stimulate our customers to search for opportunities to fly Gol.

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To increase our market and stimulate demand for our tickets, we will also continue to provide our customers with a variety of flexible payment mechanisms. We offer more than 13 payment options for online-sales, such as credit card payments, debit payments and monthly installment payments. As part of this strategy, we launched in 2005 the Voe Fácil ("Fly Easy") Gol 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.

Unlike other Brazilian airlines, we do not accept customer reservations for flights. Instead, tickets are paid for by our customers at the time their seat is secured. This eliminates the possibility of overbooking, and guarantees all of our ticketed customers a seat on our flights.

Awards and Recognition

We have received a number of awards for matters such as service excellence, our website, operations, finance, marketing, investor relations, and corporate responsibility. Among the highlights in 2006 were:

- Top Performer in Transport and Logistics in the *Valor 1000* publication in Brazil;
- Best Performing Airline in the world in 2005 by *Aviation Week and Space Technology*;
- Most awarded Latin American Company in a survey by the *LatinFinance* magazine;
- Best transportation company in Brazil, according to the *EXAME* magazine in Brazil;
- Most competitive airline in Latin America, according to rankings disclosed by *America Economia Magazine*;
- Air Transport Worlds Market Leadership Award by *Air Transport World*; and
- No. 1 in the category of "Disclosure Procedures" in Latin America in two consecutive years and the top prize in the industry and top 5 ranking in Latin American websites for our investor relations website at the Ninth Annual IR Global Rankings in February 2007.

Pricing

Our emphasis on keeping our operating costs low has in turn allowed us to set low fares while maintaining profitability. We have designed our fare structure to balance our load factors and yields in a way that we believe will generate the most profits from our flights. Our fares are below the average fares of our competitors. Our approach to more transparent and competitive pricing has lowered fares in many of the markets that we have entered. Consistent with airline industry market practice in Brazil, with the exception of our deeply discounted night flights or special offers and promotions, we do not have advance purchase restrictions, minimum stays or required Saturday night stayovers.

As provided for in the ANAC regulations, passengers canceling travel plans on our flights are subject to a cancellation penalty. Passengers canceling their travel plans on our flights can either reschedule (if it occurs up to 24 hours prior to the flight and subject to the fare differential, if any), obtain a credit for future flights or be reimbursed for 80% of their fare. If the cancellation occurs less than 24 hours before the scheduled flight time, there is an additional penalty of R\$30. We charge no-show customers a R\$80 change fee, plus fare differential, if any, to use their ticket for another flight. If the replacement flight has a lower fare than the original flight (after giving effect to the change fee), the customer receives a credit equal to the difference.

In connection with our night flights, we set deeply discounted fares designed to compete with bus lines for travel to the same destinations. This approach has helped us to maximize our aircraft utilization rates to generate revenue during night hours. The night flights have also increased our customer base to include those who have previously only used other modes of transportation. Approximately one third of our fleet operates night flights on a daily basis.

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We also adjust our pricing in accordance with changes in passenger volume stemming from imbalances in the direction of traffic, such as during the holiday season. These periods often create demand peaks that result in traffic flows that are weighted heavily in one direction, causing demand for seats in the other direction to be low. During these periods, we discount fares on the lower demand flights to stimulate traffic on those routes to help offset our fixed costs.

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 in them to maximize our operating revenues. Yield management and pricing form the backbone of our revenue generation strategy and they are also strongly linked to our route and schedule planning and our sales and distribution methods. Our yield management practices enable us not only to react quickly in response to market changes but also to anticipate and help shape market changes. For example, our yield management is instrumental in helping us to identify times and the 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 not accepting 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 similar to that used by other successful low-cost carriers around the world.

Competition

As the growth in the Brazilian low-cost, low-fare 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. In 2005, we became the second largest airline in the Brazilian market and our market share in December 2006 was 37.1% (13.3% in the international market).

Airlines in Brazil compete primarily on the basis of routes, fare levels, frequency of flights, reliability of services, brand recognition, passenger amenities, such as frequent flyer programs, and customer service. We believe that our low-cost operating model and our low fares enable us to compete favorably in many of these areas. See “—Our Competitive Strengths.”

Our competitors and potential competitors include TAM Linhas Aéreas S.A., or TAM, which is a full-service scheduled carrier offering flights on domestic routes and international routes, as well as other domestic scheduled carriers, regional airlines and charter airlines, which mainly have regional networks.

On June 17, 2005, our former competitor Varig, filed for bankruptcy protection in Brazil and the United States. During 2006, the assets and operations of Varig were sold to various investors. Varig ceased operations on December 14, 2006 and VRG Linhas Aéreas S.A., or VRG, initiated operations as a commercial airline on December 15, 2006.

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 | 2002 | 2003 | 2004 | 2005 | 2006 | 12/06 |
|---|-------------|-------------|-------------|-------------|-------------|--------------|
| Gol | 11.8% | 19.4% | 22.4% | 25.9% | 34.0% | 37.1% |
| TAM | 34.9% | 33.0% | 35.8% | 41.3% | 47.8% | 49.1% |
| Varig (1) | 39.3% | 33.6% | 31.0% | 25.5% | 10.0% | 2.0% |
| Others(2) | 14.0% | 14.0% | 10.8% | 7.3% | 8.2% | 11.8% |

Source: ANAC/DAC—Annual Air Transportation Report (Anuário do Transporte Aéreo)—Statistical Data—2002-2004. Advanced Comparative Data (Dados Comparativos Avançados) 2005 and 2006

(1) Ceased operations on December 14, 2006.

(2) Includes VRG Linhas Aéreas S.A., or VRG, which initiated operations as a commercial airline on December 15, 2006.

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The following table sets forth the historical market share of the major Brazilian airlines on international routes for each of the periods indicated.

| International Market Share— Scheduled Airlines | 2002 | 2003 | 2004 | 2005 | 2006 | 12/06 |
|--|-------|-------|-------|-------|-------|-------|
| Gol | - | - | - | 2.1% | 7.3% | 13.3% |
| TAM | 12.6% | 12.0% | 14.5% | 18.4% | 37.3% | 60.6% |
| Varig(1) | 87.4% | 87.9% | 85.4% | 77.0% | 49.9% | 7.2% |
| Others(2) | - | 0.1% | 0.1% | 2.5% | 5.5% | 18.9% |

Source: ANAC/DAC—Annual Air Transportation Report (Anuário do Transporte Aéreo)—Statistical Data—2002-2004. Advanced Comparative Data (Dados Comparativos Avançados) 2005 and 2006

(1) Ceased operations on December 14, 2006.

(2) Includes VRG, which initiated operations as a commercial airline on December 15, 2006.

We also face competition from ground transportation alternatives, primarily interstate bus companies. In 2005, interstate bus companies transported over 141 million passengers, according to 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 and strong capitalization 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. For example, at the end of 2006, we offered night flights between São Paulo and Porto Alegre, with a 1.5 hour flight duration, for fares as low as R\$129. In comparison, interstate bus companies charged their passengers a fare of approximately R\$137 for an 18.5 hour journey between the same two cities. We believe that operating night flights presents an opportunity to increase our overall load factor.

As we expand our international services, our pool of competitors will increase and we will face competition from airlines that are already established in the international market and that participate in strategic alliances and code sharing arrangements.

Aircraft

At the end of 2006, we operated a fleet of 65 aircraft comprised of 30 Boeing 737-700 Next Generation aircraft, 21 Boeing 737-800 Next Generation aircraft and 14 Boeing 737-300 aircraft. We expect to operate approximately 94 aircraft by the end of 2011, concentrating our fleet on the 737-800 Next Generation aircraft. The composition of our fleet as of December 31, 2006 is more fully described below:

| | Number of Aircraft | | Average Term of Lease Remaining | Average Age | Seating Capacity |
|----------------------|--------------------|-----------------|---------------------------------|-------------|------------------|
| | Total | Operating Lease | (Years) | (Years) | |
| Boeing 737-800NG SFP | 10 | 7 | 8.3 | 0.2 | 178-187 |
| Boeing 737-800NG | 11 | 11 | 3.9 | 4.9 | 177 |
| Boeing 737-700NG | 30 | 28 | 3.4 | 6.7 | 144 |
| Boeing 737-300 | 14 | 14 | 2.4 | 17.6 | 141 |
| | 65 | 60 | | | |

Each aircraft in our fleet is powered by two CFM International Model CFM 56-7B22 engines, two CFM International Model CFM 56-7B24 engines, two 56-7B27B1 engines or two 56-3C1 engines and operates in a comfortable single-class layout. The average age of our aircraft at December 31, 2006 was 7.8 years and the average age of our Boeing 737NG fleet, which represents 78.5% of our total fleet, was 5.1 years.

We took delivery of 14 Boeing 737-800 aircraft, 8 Boeing 737-700 aircraft and 3 Boeing 737-300 aircraft in 2006. We have placed firm purchase orders with The Boeing Company for 76 737-800 Next Generation aircraft and we have options to purchase an additional 34 737-800 Next Generation aircraft. Currently, we have 14 firm purchase orders for aircraft deliveries scheduled in 2007, 9 in 2008, 16 in 2009, 16 in 2010 and 21 after 2010. With these firm purchase orders and purchase options, we expect to further reduce our operating and financial costs. In addition, by purchasing aircraft, we expect to be able to maintain our young fleet of aircraft going forward, increase fuel and operating efficiency and reduce maintenance costs.

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The following table shows the historical and expected development of our fleet at December 31, 2005 and 2006 and the expected development of our fleet until December 31, 2012:

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------|------|------|------|------|------|------|------|------|
| 737-800 | 8 | 21 | 36 | 46 | 60 | 72 | 84 | 91 |
| 737-700 | 22 | 30 | 30 | 28 | 21 | 20 | 10 | 10 |
| 737-300 | 12 | 14 | 14 | 12 | 7 | - | - | - |
| Total fleet | 42 | 65 | 80 | 86 | 88 | 92 | 94 | 101 |

Our new and simplified fleet structure allows us to maintain a cost-efficient operation by reducing maintenance and training costs, reducing spare parts inventory requirements and supporting high reliability and high aircraft utilization rates. The average daily utilization rate of our aircraft between 2004 and 2006 was 14.0 block hours (including 14.2 block hours in 2006), which was the highest average utilization rate in Brazil and one of the highest utilization rates in the industry worldwide according to airline company public filings.

The Boeing 737-700 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 simplified 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. Our focus on having low operating costs means that we will periodically review our fleet composition. As a result, our fleet composition may change over time if we conclude that adding other aircraft types would contribute to this goal. However, our approach to our fleet composition is based upon having a minimal number of different aircraft types 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. Since 2005, most of our leased Boeing 737-800 Next Generation aircraft have been 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 cost reductions of over 3%. In addition, we expect the winglets to 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, reduced 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 2006, we leased all of our aircraft under lease agreements that have an average remaining term of 52 months. We believe that leasing our aircraft fleet 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, 2006, our operating leases had terms of up to 120 months from the date of delivery of the relevant aircraft. Currently, 10 of our aircraft leases expire in 2007, 5 in 2008, 14 in 2009, 12 in 2010, and 19 after 2010.

Table of Contents**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. 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 manual, based on the number of 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. 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 2006 under our firm purchase order with Boeing will start expiring in 2011.

We internalized heavy maintenance on our aircraft in 2006 with the completion of our new Aircraft Maintenance Center at the Tancredo Neves International Airport in Confins, in the State of Minas Gerais. The certification for the operation of the center 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. We believe that the new maintenance facility will accommodate our recent and future fleet expansion, centralize our aircraft maintenance operations, provide cost savings and better enable us to determine the timing of the heavy maintenance so as to continue to maximize our aircraft utilization.

With our system of phased maintenance, 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 the only airline in the world that takes full advantage of the Boeing 737-800NG 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 2008.

We employ 945 maintenance professionals, including engineers, supervisors, technicians and mechanics, who perform maintenance in accordance with maintenance plans that are established by Boeing and approved and certified by Brazilian aviation authorities.

Facilities

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.

Our primary corporate offices are located 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 parts of our aircraft maintenance. In addition, we have a maintenance center at the Tancredo Neves International Airport in Confins, in the State of Minas Gerais.

Fuel

Our fuel costs totaled R\$1,227.0 million in 2006, representing 39.6% of our operating expenses for the year. In 2006, we consumed approximately 712.9 million liters of fuel. We purchase 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 2006, fuel prices under our contracts were re-set every 15 days and are 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.

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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 best practices, 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 practices 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 to assess the effectiveness of our hedging policies and recommends amendments where appropriate. 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, 2006, we had hedged approximately 87%, 75% and 21% of our projected fuel requirements for the first, second and third quarters of 2007, respectively.

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

| | Year Ended December 31, | | | |
|--------------------------------|-------------------------|------------|------------|--------------|
| | 2003 | 2004 | 2005 | 2006 |
| Liters consumed (in thousands) | 264,402 | 317,444 | 476,725 | 712,881 |
| Total cost (in thousands) | R\$308,244 | R\$459,192 | R\$808,268 | R\$1,227,001 |
| Average price per liter | R\$1.23 | R\$1.43 | R\$1.65 | R\$1.70 |
| Percent of operating expenses | 29.1% | 33.2% | 39.5% | 39.6% |

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\$750 million. We are in compliance with this requirement. 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.

In response to the substantial increases of insurance premiums for coverage for damages resulting from terrorist attacks to aircraft after the September 11, 2001 attacks in the United States, the Brazilian government enacted Law No. 10,309 on November 22, 2001, generally authorizing the Brazilian government to undertake liabilities for damages caused to third parties as a result of terrorist attacks or acts of war against aircraft of Brazilian airlines. According to Law No. 10,744 of October 9, 2003, this undertaking by the federal government is currently limited to cover damages caused to third parties resulting from terrorist attacks and acts of war to Brazilian aircraft up to US\$1 billion. Decree No. 5,035 of April 5, 2004, which regulates the provisions of Law No. 10,744, provides that the Brazilian government may, at its sole discretion, suspend this coverage at any time, effective within seven days after the announcement by the Brazilian government of its decision to do so.

On September 29, 2006, one of our new Boeing 737-800 NG aircraft was involved in a mid-air collision with a private aircraft of ExcelAir. Our aircraft went down in the Amazon forest, leaving no survivors among the 148 passengers and six crew members. The ExcelAir aircraft, a new Embraer Legacy 135BJ, performed an emergency landing and all of its seven occupants were unharmed. We continue to cooperate fully with all regulatory and investigatory agencies to determine the cause of this accident. We believe that the costs to defend any claims and any potential liability exposure will be covered by insurance.

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Corporate Responsibility

Our values are based upon growth, respect, and incentives for teamwork for our employees, and the fulfillment of our social and environmental obligations. We are committed to being a good corporate citizen in Brazil by participating in projects dedicated to improving the education, health and nutrition of the underprivileged portion of Brazil's population, particularly children and sponsored in 2006 approximately R\$2 million to social and cultural activities and donated 1,200 tickets for charity purposes. We are the largest individual sponsor of *Pastoral da Criança*, a non-governmental organization that has assisted in the health and education needs of more than 1.8 million children in Brazil from infancy to age six. We also support other various other governmental and non-governmental organizations, such as *Fundação Gol de Letra*, a foundation dedicated to educating underprivileged children and teenagers; *Projeto Felicidade*, a project that provides assistance to children with cancer; and *Projeto Solidariedade ao Nordeste*, a project that provides food donations to poor families in the northeastern region of Brazil. We sponsor numerous cultural and sports activities, such as theater plays and dance shows and sports events, to help promote travel and tourism in Brazil. In addition to making a difference for those in need, we also believe that our social responsibility and cultural sponsorship initiatives benefit us by enhancing our corporate image and promoting awareness of our brand. In December 2005, our shares were included in the Corporate Sustainability Index (ISE) Bovespa. It is the first stock index in Latin America comprised of companies with responsible views towards the environment, society, customers, suppliers and other stakeholders.

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. According to the ANAC, there were 38.7 million domestic enplanements and 5.8 million international enplanements in Brazil in 2005, 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 669.8 million domestic enplanements and 68.8 million international enplanements in 2005, out of a total population of approximately 297 million, based on the latest U.S. census figures.

Most long-distance public travel services within Brazil are provided by interstate bus companies. In 2005, Brazil's domestic airline industry transported almost 38 million passengers, as compared to over 141 million passengers transported by interstate bus companies in 2005, according to the National Ground Transportation Agency (*Agência Nacional de Transportes Terrestres*). Brazil has no meaningful interstate passenger rail services.

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 approximately 70% of the total demand for domestic air travel in 2006, 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 12.2% of all domestic passengers in 2005. The ten busiest routes accounted for 29.5% of all domestic air passengers in 2006 while the ten busiest airports accounted for 75.6% and 75.1% of all domestic passenger traffic through INFRAERO airports in terms of arrivals and departures in 2005 and 2006, respectively.

The table below sets forth information about the ten busiest routes for air travel in Brazil during 2005.

| City Pair | Passengers | Route Market Share |
|--|------------|--------------------|
| São Paulo—Rio de Janeiro(1) | 4,609,027 | 12.2% |
| São Paulo (Congonhas)—Rio de Janeiro (Santos Dumont) | 3,383,008 | 8.9% |
| Rio de Janeiro (Galeão)—São Paulo (Guarulhos) | 771,676 | 2.0% |
| São Paulo (Congonhas)—Brasília | 1,388,701 | 3.7% |
| São Paulo (Congonhas)—Curitiba | 1,211,342 | 3.2% |
| São Paulo (Congonhas)—Porto Alegre | 1,137,041 | 3.0% |
| São Paulo (Congonhas)—Confins | 858,580 | 2.3% |
| São Paulo (Cumbica)—Recife | 646,708 | 1.7% |
| São Paulo (Congonhas)—Florianópolis | 641,568 | 1.7% |
| Rio de Janeiro (Galeão)—Salvador | 634,378 | 1.7% |
| São Paulo (Congonhas)—Salvador | 471,273 | 1.2% |

Source: DAC, from *Anuário do Transporte Aéreo 2005*

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

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The scheduled domestic passenger airline industry in Brazil is primarily served by Gol and TAM. At the end of 2006, Gol and TAM accounted for approximately 86% of the market share of domestic regular routes, measured in terms of revenue passenger kilometers.

Set forth in the table below is the number of passengers traveling by air between Brazil and other specified South American countries during 2005, as well as the gross domestic product and population of each listed country.

| Country | Enplanements(1) (in thousands) | Percentage of Total | GDP(2) (in billions of US\$) | Population(3) (in millions) |
|-----------|-----------------------------------|------------------------|------------------------------------|--------------------------------|
| Argentina | 1,651.5 | 51.1% | 183.3 | 38.7 |
| Chile | 546.4 | 16.9% | 115.3 | 16.3 |
| Uruguay | 272.3 | 8.4% | 16.8 | 3.5 |
| Bolivia | 180.7 | 5.6% | 9.3 | 9.2 |
| Paraguay | 206.5 | 6.4% | 8.2 | 6.2 |
| Peru | 173.5 | 5.4% | 78.4 | 28.0 |
| Colombia | 109.6 | 3.4% | 122.3 | 45.6 |
| Venezuela | 94.0 | 2.8% | 138.9 | 26.6 |
| Total | 3,234.5 | 100% | 672.5 | 174.1 |

Sources: (1) DAC—Anuário de Transporte Aéreo 2005
 (2) World Development Bank Indicators database, August 2005. Figures as of 2005
 (3) World Development Bank Indicators database, August 2005. Figures as of 2005

When inaugurating flights between Brazil and select destinations in neighboring South American countries, we must observe the terms of bilateral air transport agreements negotiated between Brazil and foreign governments. These bilateral agreements govern the operation of scheduled services between specified destinations in each country. See “—Regulation of the Brazilian Civil Aviation Market—Route Rights—International routes.”

Trends in Brazilian Civil Aviation Market

Since 1970, Brazil has for the most part had stable growth in revenue passenger kilometers. From 1970 to 2006, domestic revenue passenger kilometers grew at a compound annual rate of 8.4%. In the past 36 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 1970's, the Brazilian sovereign debt crisis in the early 1980's and the economic and political distress in Brazil in the early 1990's.

From 1998 to 2006, the compound annual growth rate in industry passenger traffic, in terms of domestic revenue passenger kilometers, was 7.4%, versus a compound annual growth rate in available industry capacity, in terms of available seat kilometers, of 4.8%. Domestic industry load factors, calculated as revenue passenger kilometers divided by available seat kilometers, have averaged 62.3% over the same period. The table below shows the figures of domestic industry passenger traffic and available capacity for the periods indicated:

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------------------------------------|-----------------------------------|--------|--------|--------|--------|---------|--------|--------|--------|
| | (In millions, except percentages) | | | | | | | | |
| Available Seat Kilometers | 38,121 | 40,323 | 41,437 | 45,008 | 47,109 | 41,927 | 43,034 | 50,182 | 55,608 |
| Available Seat Kilometers Growth | 22.4% | 5.8% | 2.8% | 8.6% | 4.7% | (11.0)% | 2.6% | 11.5% | 10.8% |
| Revenue Passenger Kilometers | 22,539 | 22,204 | 24,284 | 26,296 | 26,780 | 25,180 | 28,214 | 35,429 | 39,802 |
| Revenue Passenger Kilometers Growth | 26.5% | (1.5)% | 9.4% | 8.3% | 1.8% | (6.0)% | 12.0% | 19.4% | 12.3% |
| Load Factor | 59.1% | 55.1% | 58.6% | 58.4% | 56.8% | 60.1% | 65.6% | 70.2% | 71.6% |

Source: DAC, for 1998 to 2002 from Anuário Estatístico; and for 2003 through 2006 from Dados Comparativos Avançados.

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Historically, domestic airline industry revenue growth has generally surpassed Brazilian GDP growth. From 1998 to 2005, domestic airline industry revenue grew at a real compound annual growth rate of 11.6% (as adjusted by the IPCA inflation index) while Brazilian GDP has grown at a real compound annual growth rate of 2.3% over the same period, according to data from the ANAC and the Central Bank.

The airline industry in Brazil is regulated pursuant to Law No. 7,565, of December 19, 1986, also known as the Brazilian Aeronautical Code, as well as extensive regulations issued by the High Command of Aeronautics of the Ministry of Defense (*Comando da Aeronáutica*), the CONAC, and, since March 2006 the ANAC, which replaced the DAC in its function. Although the Brazilian airline sector was deregulated in the early 1990s, the DAC and the ANAC have imposed varying degrees of regulation since that time, and are charged with guiding, planning, stimulating and supporting the activities of public and private civil aviation as well as implementing international rules and conventions that have already been adopted by the Brazilian government. The decisions of the CONAC and the ANAC at times significantly alter the regulatory environment for civil aviation. Decisions that change regulatory policy often correspond to major socio-economic events, such as the Persian Gulf War and the September 11, 2001 terrorist attacks, and we believe have been designed to shelter domestic carriers from major economic shocks. The ANAC monitors and reacts to ongoing developments in the air transportation sector to achieve multiple competing objectives. The ANAC often takes targeted action to address perceived constraints or challenges affecting civil aviation. The *ad hoc* policy initiatives of the DAC in the past, and of the CONAC, presently, have included moving to restrict or expand the supply of air transportation services, to increase or decrease the availability of new routes and slots, to curtail or encourage competition in air fares, and to facilitate an orderly cessation of the activities of financially unsound carriers. Currently, the ANAC imposes a series of restrictions and demands on the standards, safety, maintenance, regularity and quality of air carrier operations. Brazilian airlines are permitted to establish their own domestic fares. Domestic fares can be reviewed by the ANAC in order to prevent airlines, which are public concessionaires, from operating in a way that is detrimental to their economic viability. The ANAC also monitors the concession of airport slots, entry of new companies, launch of new routes, increases in route frequencies and lease or acquisition of new aircraft. The regulatory environment relating to the Brazilian civil aviation market is evolving, and a number of new laws are being discussed in Congress and within various regulatory bodies that could change the way in which the industry is regulated. See "Item 4. Business Overview—Regulation of the Brazilian Civil Aviation Market."

On September 27, 2005, President Luiz Inácio Lula da Silva approved Law No. 11,182 relating to the creation of the National Civil Aviation Agency, or ANAC, which replaced DAC as the primary civil aviation authority. According to Law No. 11,182, ANAC is responsible for organizing civil aviation within a coherent system (coordinating and supervising air transportation service and aviation and ground infrastructure) and for modernizing the regulation of Brazilian aviation operations. ANAC is linked, but not subordinated, to the Ministry of Defense and operates as an independent agency for an indefinite term. ANAC principally has the authority to (i) regulate, inspect and supervise services rendered by Brazilian and foreign airlines operating in Brazil, (ii) grant concessions, permits and authorizations for air transport operations and airport infrastructure services, (iii) represent the Brazilian government before international civil aviation organizations and (iv) control, register and inspect civil aircraft. Furthermore, Law No. 11,182 promotes private enterprise in civil aviation. In accordance with articles 48 and 49, passenger transportation is intended to be provided by the private sector on a competitive basis. In accordance with Section 7 of Law No. 11,182, and with Section 4 of the Decree No.5,731, issued on March 20, 2006, and that set forth the organizational structure of the agency as well as its internal regulatory regime.

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.

In the last quarter of 2006, various technical and operational problems in the Brazilian air traffic control systems lead to increased flight delays, higher than usual flight cancellations and airport congestions. The Brazilian government has proposed changes and taken measures to further improve the Brazilian air traffic control systems such as the decentralization of the control structure, the hiring of additional personnel, increased training and technical improvements in the operational systems.

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.

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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 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.

Until the installation of the ANAC, the DAC, the highest civil aviation authority in the past, reported directly to the High Command of Aeronautics and was responsible for guiding, planning, stimulating and supporting the activities of public and private civil aviation companies in Brazil. The ANAC is currently responsible for those activities, 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.

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.

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 permissions. According to the Brazilian Aeronautical Code and regulations issued by the High Command of Aeronautics, the application for a concession to operate regular air transportation services is subject to the ANAC having granted to the applicant a license 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 Aeronútico Brasileiro*, or RAB), must have a valid 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. Our concession agreement has a 15-year term and is renewable at its expiration for a further 15-year term upon six months’ prior written notice. The concession agreement can be terminated if, among other things, we fail to meet specified service levels, cease operations or declare bankruptcy.

Article 122 of Law No. 8,666 of June 21, 1993, provides that airline concessions are to be regulated by specific procedures set forth in the Brazilian Aeronautical Code. The Brazilian Aeronautical Code and the regulations issued by the High Command of Aeronautics do not expressly provide for public bidding processes and currently it is not necessary to conduct public bidding processes prior to the granting of concessions for the operation of air transportation services.

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 the Brazilian Aeronautical Code, 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.

Route Rights

Domestic routes. The ANAC has the authority to grant Brazilian airlines the right 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. For the granting of new routes and changes to existing ones, the ANAC evaluates the actual capacity of the airport infrastructure from where such route is or would be operated, as well as the increase in demand and competition among airlines. 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 ones, must be filed by each interested Brazilian airline that has been previously qualified by the ANAC to provide international services, with the CERNAL, which decides upon each request based on the provisions of the applicable bilateral agreement and general policies of the Brazilian aviation authorities. International route rights for major city pairs, as well as the corresponding landing 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. Since the beginning of 2005, we extended our South American network to destinations in Argentina, Uruguay, Paraguay, Bolivia, Chile and Peru.

Slots Policy

Under Brazilian law, a 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. The most congested Brazilian airports are subject to traffic restrictions through time slot policies. An airline must request an additional slot from the ANAC upon a minimum of two months' prior notice.

On October 5, 2001, the Department of Control of the Air Space (*Departamento de Controle do Espaço Aéreo*), or DECEA, was created with the main purpose of coordinating and inspecting the infrastructure support of airports and the safety of aircraft operations. The DECEA also performs studies in all Brazilian airports to determine the maximum capacity of the operations of each airport. There are five airports in Brazil that have slot restrictions: Congonhas and Guarulhos (both of which serve São Paulo), Santos Dumont in Rio de Janeiro, Pampulha in Belo Horizonte and Juscelino Kubitschek in Brasília. In view that the slots of all congested airports are fully utilized, the ANAC is unable to grant the right to new slots to airlines to operate in these airports.

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Recently the ANAC approved a regulation on the allocation of slots on domestic air lines. The 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 airports that operate at full capacity (coordinated airports). Additionally, such regulation also establishes the rules permitting transfers of slots between concessionaires.

Airport Infrastructure

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.

Smaller, regional airports may belong to states or municipalities within Brazil and, in such cases, are often managed by local governmental entities. At most 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 booths, 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.

INFRAERO has announced in January 2007 its intention to invest approximately R\$1.8 billion in the Brazilian airport system until 2010. Among the projects underway is an investment to modernize the passenger terminal, the improvement of the main and auxiliary runways (planned for 2007) and the construction of a new control tower at Congonhas airport in São Paulo, an investment in the airport of Curitiba (extension of runway and cargo terminal), an investment in the airport of Porto Alegre (runway extensions and construction of a new logistics center), and an investment in a capacity increase of the international airport of Brasília. 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.

The table below sets forth the number of passengers at the ten busiest airports in Brazil during 2006:

| Airport | Thousands of Passengers (Inbound and Outbound) |
|------------------------------|---|
| São Paulo—Congonhas | 18,459 |
| São Paulo—Guarulhos | 15,689 |
| Brasília | 9,670 |
| Rio de Janeiro—Galeão | 8,741 |
| Salvador | 5,411 |
| Recife | 3,954 |
| Porto Alegre | 3,847 |
| Belo Horizonte—Confins | 3,728 |
| Rio de Janeiro—Santos Dumont | 3,553 |
| Curitiba | 3,532 |

Source: INFRAERO

Table of Contents*Pricing*

Brazilian airlines are permitted to establish their own domestic fares without government regulation. However, domestic fares are monitored on a regular basis by the ANAC in order to prevent airlines, which are public concessionaires, from operating in a way that is detrimental to their economic viability. Airlines are free to offer price discounts or follow other promotional strategies. 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. Such reference fares index curves are based on industry average operating costs, according to ANAC calculations.

International tariffs are set based upon bilateral arrangements. Fares for specific routes are submitted to the ANAC for approval.

Civil Liability

The Brazilian Aeronautical Code and the Warsaw Convention limit the liability of an aircraft operator for damages caused to third parties during its air and ground operations, or resulting from persons or things ejected out of the aircraft. Brazilian courts, however, have occasionally disregarded these limitations by awarding damages purely based on the Brazilian Consumer Protection Code, which does not expressly provide for limitations on the amount of such awards.

In response to the substantial increases in insurance premiums for coverage relating to damage resulting from terrorist attacks to aircraft after the September 11, 2001 attacks in the United States, the Brazilian government enacted a law which authorizes the Brazilian government to undertake liability for damages caused to third parties as a result of terrorist attacks or acts of war against aircraft operated by Brazilian airlines. See "Item 4. Business Overview—Insurance."

Environmental Regulations

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 a 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 are in the process of formalizing our quality and environmental management systems (EMS), with the objective of certifying them to international standards. We are conducting planning for these activities, including preparing the necessary documentation, various operating procedures, as well as establishing organizational responsibilities and monitoring protocols.

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 Gol, 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 stockholding interest chart including a list of shareholders, as well as a list of all share transfers effected in the preceding semester; and

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- based on its review of the airline's stock interest 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 Gol, which is a public concessionaire 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.

Pending Legislation

In addition, on March 28, 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.

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. In case the convention is ratified, aircraft financing costs for Brazilian airlines could decrease by about one percent.

C. Organizational Structure

The Registrant is a holding company, which owns shares of four subsidiaries: Gol, two offshore finance subsidiaries Gol Finance and GAC Inc. and a non operative subsidiary GTI S.A. Gol is the Registrant's operating subsidiary, under which we conduct our business. Gol Finance and GAC Inc. are Cayman Islands-based companies established for the purpose of facilitating cross-border transactions, including the lease and the purchase of aircraft.

D. Property, Plants 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 completed in 2006 our new 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.

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.

We are one of the most profitable low-cost airlines in the world and had net revenues of R\$3.8 billion and net income of R\$569.1 million for the year ended December 31, 2006. We are a Brazilian low-fare, low-cost airline providing frequent service on routes connecting all Brazilian major cities and Brazil and other South American destinations. We are the second largest commercial airline in Brazil and focus on increasing the growth and profits of our business by popularizing air travel and stimulating and meeting demand for safe, affordable, convenient air travel for both business and leisure passengers.

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A. Operating Results

Revenues

We derive our revenues primarily from transporting passengers on our aircraft. 94.2% of our revenues are derived from passenger fares, and the remaining 5.8% of our revenues are 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 charter services, ticket change fees, excess baggage charges and interest on installment sales. 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 sets forth our capacity, load factor and yield for the periods indicated.

| | Year Ended December 31, | | |
|---|-------------------------|---------|---------|
| | 2004 | 2005 | 2006 |
| Capacity (in available seat kilometers, in millions) | 8,844 | 13,246 | 20,261 |
| Revenue per available seat kilometers (in R\$ cents) | 22.2 | 20.2 | 18.8 |
| Load factor | 71.1% | 73.5% | 73.1% |
| Yield (in R\$ cents) | R\$29.8 | R\$26.1 | R\$24.2 |
| Growth in passenger revenues per available seat kilometer | 19.2% | (9.6)% | (8.1)% |

We have increased our revenues by increasing our capacity (in terms of fleet size and departures) and load factor. We believe that our careful focus on serving specific segments of the domestic air travel market, the value that we offer our customers and our low fares distinguish us from other airlines and enable us to continue increasing our capacity to take advantage of strong, untapped demand for low-cost, low-fare services.

We are optimizing our revenues per available seat kilometer due to strong demand for our services, quick aircraft turnaround times, our efficient route network and our modern fleet, our high aircraft utilization rate and effective revenue management strategies that balance our fares and load factors. In 2006, our revenue per available seat kilometer decreased by 6.9% from R\$20.2 cents in 2005 to R\$18.8 cents mainly due to a decrease in yield of 7.3% from R\$26.1 cents in 2005 to R\$24.2 cents. Our yield decreased mainly due to a 15.2% increase in stage length. Our load factors decreased by 0.4 percentage points from 73.5% in 2005 to 73.1% in 2006.

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.

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 and July summer and 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.

Table of Contents**Operating Expenses**

We have lower operating expenses than other airlines because we operate a simplified fleet with a single-class of service, have one of the newest fleets in the industry, utilize our aircraft efficiently, use and encourage 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 there is only one significant supplier of jet fuel in Brazil and taxes applicable to the sale of jet fuel are very high and are passed along to us. Our aircraft fuel expenses are variable and fluctuate based on global oil prices. From January 1, 2001 to December 31, 2006, 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, increased by 128% from US\$26.80 per barrel to US\$61.05 per barrel. 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. 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 New 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 incorporation into 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 four 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. Maintenance and repair expenses, including overhaul of aircraft components, are charged to operating expenses as incurred. Our aircraft have required a low level of maintenance and therefore we have incurred low maintenance expenses, because the average age of the aircraft in our fleet at December 31, 2006 was less than 8 years and most of the parts on our aircraft are under multi-year warranties. Our aircraft are covered by warranties that have an average term of three to five years. The warranties on the aircraft we received in 2006 under our firm purchase order with Boeing will start expiring in 2011. Based on scheduled maintenance events, we experienced an increase in maintenance expenses in 2006. 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. In 2006, we completed our new Aircraft Maintenance Center in Confins, in the State of Minas Gerais. The certification of the center 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. 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 reservations 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 76.4%, 81.3% and 81.6% of our passenger revenues through our website in the years ended December 31, 2004, 2005 and 2006, 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 increase as the number of our employees grows and 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 and due to higher work productivity of our employees as compared to airlines in the Brazilian market. 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.

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During the period between the beginning of 2001 and December 31, 2006, we reduced our break-even load factor, which is the passenger load factor that will result in operating revenues being equal to operating expenses, from 61.5% to 59.6%. This decrease has been primarily due to increases in yield and revenues per available seat kilometer due to our effective revenue management system, combined with the spreading of fixed costs over a greater number of available seat kilometers.

Operating Efficiency and Growth

We are the lowest cost provider of passenger air transportation in South America, and one of the lowest cost airlines in the world based on publicly available data. Our low costs have helped us to become the most profitable airline in South America and one of the most profitable airlines in the world, based on results of operations for the year ended December 31, 2006.

Set forth in the table below is information about key performance indicators for select leading low-cost carriers worldwide and other South American carriers.

| Company | Operating Income (in Millions of US\$) | Net Income (Loss) (in Millions of US\$) | Operating Margin | Net Income Margin |
|---------------------------------|---|--|---------------------|----------------------|
| Low-cost carriers: | | | | |
| Southwest Airlines(1) | 935.0 | 499.0 | 10.3% | 5.5% |
| Ryanair(2) | 642.6 | 534.1 | 22.9% | 19.0% |
| Gol(3) | 328.1 | 266.2 | 18.4% | 15.0% |
| EasyJet(4) | 220.6 | 176.2 | 7.3% | 5.8% |
| WestJet(5) | 215.2 | 98.4 | 14.2% | 6.5% |
| Jet Blue Airways(6) | 127.0 | (1.0) | 5.4% | 0.0% |
| Virgin Blue(7) | 113.4 | 73.4 | 8.6% | 5.6% |
| Air Asia(8) | 38.7 | 32.8 | 15.7% | 13.3% |
| South American carriers: | | | | |
| Copa Airlines(8) | 142.2 | 110.0 | 17.9% | 13.9% |
| LanChile(9) | 297.7 | 239.9 | 9.9% | 7.9% |
| TAM(10) | 476.7 | 223.7 | 14.6% | 7.0% |

(1) U.S. GAAP figures for the fiscal year ended December 31, 2006

(2) U.S. GAAP figures for the 12 month period ended December 31, 2006. Based on a Euro/US Dollar exchange rate of 0.758 as of December 31, 2006.

(3) U.S. GAAP figures for the fiscal year ended December 31, 2006. Based on a Brazilian Real/US Dollar exchange rate of 2.138 as of December 31, 2006.

(4) UK GAAP figures for the twelve month period ended September 30, 2006. Based on a British Pound/ US Dollar exchange rate of 0.534 as of September 30, 2006.

(5) Canadian GAAP figures for the 12 month period ended December 31, 2006. Based on a Canadian Dollar/US Dollar exchange rate of 1.166 as of December 31, 2006

(6) Australian GAAP figures for the 12 month period ended March 31, 2006. Based on an Australian Dollar/US Dollar exchange rate of 1.396 as of March 31, 2006.

(7) Malaysian GAAP figures for the 12 month period ended September 30, 2006. Based on a Malaysian Ringgit/ US Dollar exchange rate of 3.688 as of September 30, 2006.

(8) U.S. GAAP figures for the 12 month period ended September 30, 2006.

(9) Chilean GAAP figures in US Dollars, for the fiscal year ended December 31, 2006.

(10) U.S. GAAP figures for the twelve month period ended September 30, 2006. Based on a Brazilian Real/US Dollar exchange rate of 2.174 as of September 30, 2006.

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The following table demonstrates the growth of our operations, on a quarterly basis, since we commenced our operations in January 2001:

| At Period Ended | Cities Served | Number of Departures | Operating Aircraft |
|--------------------|---------------|----------------------|--------------------|
| March 31, 2001 | 7 | 3,771 | 6 |
| June 30, 2001 | 10 | 5,493 | 7 |
| September 30, 2001 | 11 | 6,540 | 9 |
| December 31, 2001 | 16 | 8,923 | 10 |
| March 31, 2002 | 16 | 9,791 | 15 |
| June 30, 2002 | 20 | 13,040 | 15 |
| September 30, 2002 | 20 | 13,880 | 16 |
| December 31, 2002 | 21 | 15,954 | 19 |
| March 31, 2003 | 24 | 17,349 | 21 |
| June 30, 2003 | 25 | 18,298 | 21 |
| September 30, 2003 | 25 | 19,685 | 22 |
| December 31, 2003 | 28 | 20,107 | 22 |
| March 31, 2004 | 28 | 20,825 | 22 |
| June 30, 2004 | 28 | 20,838 | 22 |
| September 30, 2004 | 30 | 22,299 | 23 |
| December 31, 2004 | 36 | 23,746 | 27 |
| March 31, 2005 | 37 | 25,513 | 30 |
| June 30, 2005 | 41 | 28,750 | 34 |
| September 30, 2005 | 42 | 32,237 | 38 |
| December 31, 2005 | 45 | 34,192 | 42 |
| March 31, 2006 | 49 | 36,516 | 45 |
| June 30, 2006 | 50 | 39,043 | 50 |
| September 30, 2006 | 53 | 42,514 | 54 |
| December 31, 2006 | 55 | 46,623 | 65 |

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 2006, we grew 52.6% 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. Almost all 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 six 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. 49% 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. 51% of our operating expenses (excluding aircraft fuel) are denominated in *reais*, and the suppliers and service providers of these expense items generally attempt to increase their prices to reflect Brazilian inflation.

Since presidential elections were held in Brazil in 2002, the Labor Party government administration has largely continued the macroeconomic policies of the previous administration, focusing on fiscal responsibility. The country went through a period of market turmoil in the second half of 2002 as investors feared that, if elected, the Labor Party led by Luiz Inácio Lula da Silva would change the economic policies of the previous administration. The *real* fluctuated significantly as a result, depreciating by 52.3% during the year and closing at R\$3.5333 to US\$1.00 on December 31, 2002. Inflation for the year, as measured by the IGP-M, was 25.3% and real GDP grew by 1.9%.

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During 2003, investor confidence rebounded as a result and the *real* appreciated by 18.2% against the U.S. dollar to R\$2.8892 per US\$1.00 at December 31, 2003. Inflation in 2003, as measured by the IGP-M, decreased to 8.7%. Brazil's real gross domestic product, or GDP, increased 0.5% to US\$507 billion during 2003, despite the very high interest rates that prevailed at the beginning of 2003 to combat inflationary pressures, which also acted to constrain economic growth.

During 2004, Brazil's GDP increased 4.9% to US\$604 billion and the country achieved a trade surplus of US\$33.7 billion, its highest trade surplus ever. Inflation in 2004, as measured by the IGP-M, was 12.4% and 7.6% as measured by the IPCA. Interest rates continued to be high, with the CDI rate at the end of 2004 equaling an annualized rate of 17.8%. By the end of 2004, the *real* appreciated by 8.1% against the U.S. dollar, reflecting continued investor confidence. On December 31, 2004, the U.S. dollar/*real* exchange rate was R\$2.6544 per US\$1.00.

During 2005, Brazil's GDP increased 2.3% and the country achieved a trade surplus of US\$44.8 billion, its highest trade surplus ever. Inflation in 2005, as measured by the IGP-M, was 1.2% and 5.7% as measured by the IPCA. Interest rates continued to be high, with the CDI rate at the end of 2005 equaling an annualized rate of 18.0%. In 2005, the *real* appreciated by 11.8% against the U.S. dollar, reflecting continued investor confidence. On December 31, 2005, the U.S. dollar/*real* exchange rate was R\$2.3407 per US\$1.00.

During 2006, Brazil's GDP increased 2.9% and the country achieved a trade surplus of US\$46.1 billion, its highest trade surplus ever. Inflation in 2006, as measured by the IGP-M, was 3.8% and 3.1% as measured by the IPCA. The Brazilian Central Bank's year-end inflation target for each of 2007 and 2008 is 4.5%, based on the IPCA index, within a band of 2 percentage points. Interest rates continued to be high, with the CDI rate at the end of 2006 equaling an annualized rate of 13.2%. In 2006, the *real* appreciated by 8.7% against the U.S. dollar, reflecting continued investor confidence. On December 31, 2006, the U.S. dollar/*real* exchange rate was R\$2.1380 per US\$1.00. In November 2006, Luiz Inácio Lula da Silva was reelected as president of Brazil for a second term of four years.

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 at the periods indicated.

| | December 31, | | |
|---|--------------|-----------|-----------|
| | 2004 | 2005 | 2006 |
| Real growth in gross domestic product | 4.9% | 2.3% | 2.9% |
| Inflation (IGP-M)(1) | 12.4% | 1.2% | 3.8% |
| Inflation (IPCA)(2) | 7.6% | 5.7% | 3.1% |
| CDI rate(3) | 17.8% | 18.0% | 13.2% |
| LIBOR rate(4) | 2.6% | 4.5% | 5.4% |
| Depreciation (appreciation) of the <i>real</i> vs. U.S. dollar | (8.1)% | (11.8)% | (8.7)% |
| Period-end exchange rate—US\$1.00 | R\$2.6544 | R\$2.3407 | R\$2.1380 |
| Average exchange rate—US\$1.00(5) | R\$2.9171 | R\$2.4125 | R\$2.1499 |
| Increase (decrease) in West Texas intermediate crude (per barrel) | 33.6% | 40.5% | 0.02% |
| West Texas intermediate crude (per barrel) | US\$43.45 | US\$61.04 | US\$61.05 |
| West Texas intermediate crude (average per barrel during period) | US\$41.51 | US\$56.59 | US\$66.09 |

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

Table of Contents**Critical Accounting Policies and Estimates**

The preparation of our consolidated financial statements in conformity with U.S. GAAP 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 defined as 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.

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 air traffic liability. Air traffic liability primarily represents 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. We estimate 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 constantly evaluated based on actual refund and exchange activity to validate the accuracy of our revenue recognition method with respect to forfeited tickets. Revenue from the shipment of cargo 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. Our 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 2006, 2005 and 2004 were R\$149.8 million, R\$109.0 million, and R\$93.8 million, respectively.

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:

| | <u>Estimated Useful Life</u> | <u>Estimated Residual Value</u> |
|-------------------------------|------------------------------|---------------------------------|
| 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 GAAP, the Company does not expect its transition to a new, more efficient heavy maintenance program for 737-300 and 737-800 airframes in 2006 to have an impact on the estimated useful lives for those aircraft. See Note 2 to the Consolidated Financial Statements for more information on this change.

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. While the airline industry as a whole has experienced many of these indicators, the Company has continued to operate all of its aircraft, generate positive cash flow, and produce profits. Consequently, 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.

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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.

Financial Derivative Instruments. We account for financial derivative instruments utilizing Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities", as amended. As part of the our risk management program, we use a variety of financial instruments, including petroleum call options, petroleum collar structures, petroleum fixed-price swap agreements, and foreign currency forward contracts. We do not hold or issue derivative financial instruments for trading purposes.

As there is not a futures market for Brazilian jet fuel, we use international crude oil derivatives to hedge our exposure to increases in fuel prices. Historically, there is 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. We measure the effectiveness of the hedging instruments in offsetting changes to those prices, as required by SFAS 133. Since the majority of our financial derivative instruments for fuel are not traded on a market exchange, we estimate 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, we 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 SFAS 133.

Our outstanding derivative contracts are 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 other comprehensive income. All changes in fair value that are considered to be effective, as defined, are recorded in "Accumulated other comprehensive income" until the underlying exchange exposure is realized and fuel is consumed. Changes in fair value that are not considered to be effective are recorded to "other gains and losses" in the income statement. See Note 12 for further information on SFAS 133 and financial derivative instruments.

Stock options. The Company accounts for stock-based compensation under the fair value method in accordance with SFAS 123(R), "Share-Based Payment", which superseded APB Opinion No. 25, "Accounting for Stock Issued to Employees," after December 2005. Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employees stock options, to be recognized in the income statement based on their fair values.

SFAS 123(R) permits companies to adopt its requirements using either a "modified prospective" method, or a "modified retrospective" method. Under to modified prospective method, compensation cost is recognized in the financial statements for new awards and to awards modified, repurchased, or cancelled after the required affective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the required effective date. The Company has adopted SFAS 123(R) in the first quarter of 2006 using the modified prospective method. The impact of this change in accounting principle in 2006 was to increase stock-based employee compensation expense by R\$792, resulting in total stock-based employee compensation expense in the year of R\$3,239.

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.

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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 for us 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:

| | 2006 | 2005 | 2004 |
|-----------------------------------|-----------|-------------------------|---------|
| | | (in thousands of reais) | |
| Beginning of year | 386,193 | 266,532 | 162,295 |
| Amounts paid in | 118,308 | 119,661 | 104,237 |
| Reimbursement of expense incurred | (24,739) | - | - |
| Reclassified to Other Deposits | (216,115) | | |
| End of year | 263,647 | 386,193 | 266,532 |

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:

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------------|--------|--------|-------------------------|--------|--------|
| | | | (in thousands of reais) | | |
| Estimated Reserve Deposits | 69,443 | 66,792 | 60,287 | 28,808 | 13,763 |
| Estimated Reserve Reimbursements | 64,499 | 95,184 | 28,891 | 18,226 | 930 |

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.

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Results of Operations

The following table sets forth certain components of our income for the years ended December 31, 2006, 2005 and 2004.

| | Year Ended December 31, | | | |
|---|-------------------------|--------------|--------------|---------------|
| | 2004 | 2005 | 2006 | 2006 |
| | (In thousands) | | | |
| Net operating revenues: | | | | |
| Passenger | R\$1,875,475 | R\$2,539,016 | R\$3,580,919 | US\$1,674,892 |
| Cargo and other | 85,411 | 130,074 | 221,098 | 103,413 |
| Total net operating revenues | 1,960,886 | 2,669,090 | 3,802,017 | 1,778,305 |
| Operating expenses: | | | | |
| Salaries, wages and benefits | 183,037 | 260,183 | 413,977 | 193,628 |
| Aircraft fuel | 459,192 | 808,268 | 1,227,001 | 573,901 |
| Aircraft rent | 195,504 | 240,876 | 292,548 | 136,833 |
| Sales and marketing | 261,756 | 335,722 | 414,597 | 193,918 |
| Landing fees | 57,393 | 92,404 | 157,695 | 73,758 |
| Aircraft and traffic servicing | 74,825 | 91,599 | 199,430 | 93,279 |
| Maintenance, materials and repairs | 51,796 | 55,373 | 146,505 | 68,524 |
| Depreciation | 21,242 | 35,014 | 69,313 | 32,420 |
| Other operating expenses | 79,840 | 128,300 | 179,494 | 83,954 |
| Total operating expenses | 1,384,585 | 2,047,739 | 3,100,560 | 1,450,215 |
| Operating income | 576,301 | 621,351 | 701,457 | 328,090 |
| Other expenses: | | | | |
| Interest expense | (13,445) | (19,383) | (66,378) | (31,047) |
| Financial income (expense), net | 24,424 | 115,554 | 163,883 | 76,652 |
| Income before income taxes | 587,280 | 717,522 | 798,962 | 373,695 |
| Income taxes | (202,570) | (204,292) | (229,825) | (107,495) |
| Net income | R\$384,710 | R\$513,230 | R\$569,137 | US\$266,200 |
| Earnings per share and ADS, basic⁽¹⁾ | R\$2.14 | R\$2.66 | R\$2.90 | US\$1.36 |
| Earnings per share and ADS, diluted⁽¹⁾ | R\$2.13 | R\$2.65 | R\$2.90 | US\$1.36 |
| Weighted average shares used in computing earnings per share, basic (in thousands) ⁽¹⁾ | 179,731 | 192,828 | 196,103 | 196,103 |
| Weighted average shares used in computing earnings per share, diluted (in thousands) ⁽¹⁾ | 180,557 | 193,604 | 196,210 | 196,210 |
| Earnings per ADS, basic ⁽²⁾ | R\$2.14 | R\$2.66 | R\$2.90 | US\$1.36 |
| Earnings (loss) per ADS, diluted ⁽²⁾ | R\$2.13 | R\$2.65 | R\$2.90 | US\$1.36 |

- (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. However, our preferred shares are entitled to receive distributions prior to holders of the 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. Preferred shares are excluded during any loss period.
- (2) Adjusted for the ADS ratio change in December 2005, which changed the ratio of ADS per preferred share from one ADS representing two preferred shares to one ADS representing one preferred share.

Year 2006 Compared to Year 2005

Our net income for the year 2006 increased to R\$569.1 million from R\$513.2 million for 2005, an increase of R\$55.9 million. We had operating income of R\$701.5 million, an increase of R\$80.1 million over 2005, and our operating margin was 18.4%, a decrease of 4.8 percentage points from 2005. Income before income tax increased 11.4% to R\$799.0 million.

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Net Operating Revenues. Net operating revenues increased 42.4%, or R\$1,132.9 million, due primarily to a 41% increase in passenger revenues to 1,042.0 million. Increased passenger revenues resulted primarily from a 52.6% increase in revenue passenger kilometers, which was due to a 36.1% increase in departures, a 2.0% increase in our average fares based on strong underlying demand for air transportation services and an increase in the average number of aircraft in service from 34.3 to 50.1. The increase in revenue passenger kilometers was partially offset by a 7.6% decrease in our yield mainly due to a 15.2% increase in our average stage length, a competitive pricing environment and a 0.4 point decrease in our load factor from 73.5% in 2005 to 73.1% in 2006. Cargo and other revenue increased by R\$91.0 million due primarily to increases in revenues from our cargo service operations.

Operating Expenses. Operating expenses increased 51.4%, or R\$1,052.8 million, due primarily to the operation of an average 16 additional aircraft during 2006, leading to an increase in flight departures during the period and an increase in the average number of liters of jet fuel consumed and an increase in cost per liter of jet fuel consumed, an increase in salaries expenses, aircraft and traffic servicing expenses and maintenance, materials and repair expenses. To a large extent, changes in operating expenses for airlines are driven by changes in capacity, or available seat kilometers. Operating capacity increased by 53.4% to 20,261 million available seat kilometers due to scheduled capacity increases and high aircraft utilization at 14.2 block hours per day. Operating expenses per available seat kilometer decreased 0.9% to R\$15.3 cents primarily due to the use of additional larger, more fuel efficient and winglet equipped aircraft, a reduction in aircraft rent and sales and marketing expenses and a 0.7% decrease in fuel expense on a per available seat kilometer basis and the spreading of our fixed costs over a larger fleet, despite an increase in aircraft and traffic servicing expenses, increased depreciation and an increase in landing fees, each on a per seat kilometer basis.

The breakdown of our operating expenses on a per available seat kilometer basis for 2006 compared to 2005 is as follows (percent changes are based on unrounded numbers):

| | Year Ended December 31, | | Percent Change | Percentage of Net Revenues |
|------------------------------------|--|----------|----------------|----------------------------|
| | 2005 | 2006 | | 2006 |
| | (cost per available seat kilometer in R\$ cents) | | | |
| Operating expenses: | | | | |
| Salaries, wages and benefits | 1.96 | 2.04 | 4.1% | 10.9% |
| Aircraft fuel | 6.10 | 6.06 | -0.7% | 32.3% |
| Aircraft rent | 1.82 | 1.44 | -20.9% | 7.5% |
| Sales and marketing | 2.53 | 2.05 | -19.0% | 10.9% |
| Landing fees | 0.70 | 0.78 | 11.4% | 4.1% |
| Aircraft and traffic servicing | 0.69 | 0.98 | 42.0% | 5.2% |
| Maintenance, materials and repairs | 0.42 | 0.72 | 71.4% | 3.9% |
| Depreciation | 0.26 | 0.34 | 30.8% | 1.8% |
| Other operating expenses | 0.96 | 0.89 | -7.3% | 4.7% |
| Total operating expenses | 15.46 | 15.30 | -0.9% | 81.6% |
| Cost per flight hour | R\$14.77 | R\$14.82 | | |
| Break-even load factor | 56.4% | 59.6% | 5.7% | |

Salaries, wages and benefits increased 59.1%, or R\$153.8 million, due to a 6.0% cost of living increase on salaries in December 2005 and a 62% increase in the number of full-time employees, to 8,840, related to planned capacity expansion. Salaries, wages and benefits per available seat kilometer increased 4.1% due to a 5.6% increase in headcount on a per seat kilometer basis, partially offset by increased productivity.

Aircraft fuel expense increased 51.8%, or R\$418.7 million, primarily due to a 49.6% increase in the liters of fuel consumed, or 236.3 million liters, and an increase in fuel price per liter of 4.1%, partially offset by an improvement in fuel efficiency of the fleet due to additional larger, more fuel efficient winglet equipped 737-800 SFP aircraft. Aircraft fuel per available seat kilometer decreased 0.7% due primarily to the use of more fuel efficient aircraft and a 10.7% appreciation of the *real* against the U.S. Dollar during the year, a factor influencing the determination of Brazilian jet fuel prices. As of December 31, 2006, we had hedged approximately 87%, 75% and 21% of our projected fuel requirements for the first, second and third quarters of 2007, respectively.

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Aircraft rent, which we incur in U.S. dollars, increased 21.5%, or R\$51.7 million, due to an increase in the average size of our fleet from 34.3 aircraft to 50.1, partially offset by the appreciation of the *real* versus the U.S. Dollar during the year and amortized gains of R\$16.0 million on sale-leaseback transactions for eight 737-800 aircraft during 2006 (amortized over the term of the leases). Aircraft rent per available seat kilometer decreased 20.9% due to a high aircraft utilization rate, which increased to 14.2 block hours per day compared to 13.9 block hours in 2005, and the 10.7% appreciation of the *real* versus the U.S. Dollar during the year.

Sales and marketing expense increased 23.5%, or R\$78.9 million, primarily due to higher bookings and costs associated with the opening of new bases and higher credit card fees resulting from increased passenger revenues. We booked a majority of our ticket sales through our website (81.6%) and our call center (10.8%). Travel agents accounted for 69.6% of our sales in 2006, 81.0% of which through the internet. Sales and marketing per available seat kilometer decreased 19.0%, primarily due to a suspension of marketing activities during the fourth quarter in memoriam of the victims of the Flight 1907, and, to a lesser extent, an increase in direct non-commissioned ticket sales to 30.4% of our total ticket sales.

Landing fees increased 70.7%, or R\$65.3 million, due to a 36.1% increase in the number of departures and a 21.0% increase in average landing fee rates. This increase in domestic landing fee rates in 2006 was substantially higher than the average increases in prior years. Landing fees per available seat kilometer increased 11.4% due to the increase in landing fee rates and an increase in landings at international airports (which have higher rates), partially offset by increased average stage length of 15.2%, and a higher aircraft utilization rate.

Aircraft and traffic servicing expense increased 117.7%, or R\$107.8 million, primarily due to an increase in our operations from 45 to 55 airports served, an increase in third party services in the amount of R\$33.4 million and a 36.1% increase in departures. Aircraft and traffic servicing per available seat kilometer increased 42.0%, mainly due to the increase in third party services related to technology and systems implementation and higher ground handling services expenses, mainly due to the increase in international destinations (with relatively higher ground handling costs), partially offset by an increased average stage length and higher aircraft utilization.

Maintenance, materials and repairs increased 164.6%, or R\$91.1 million, due to 16 average additional aircraft in operation as well as the scheduled maintenance of 23 engines, in the amount of R\$77.1 million, mainly on our Boeing 737-300 aircraft, repair of rotatable materials, in the amount of R\$34.3 million, and the use of spare parts inventory, in the amount of R\$20.1 million. Maintenance, materials and repairs per available seat kilometer increased 71.4% primarily due to a higher number of scheduled maintenance services, partially offset by a 10.7% appreciation of the *real* against the U.S. Dollar.

Depreciation increased 98.0%, or R\$34.3 million, due primarily to an increase in our inventory of aircraft spare parts and, to a lesser extent, an increase in technology equipment resulting from the expansion of our operations and the addition of five new aircraft subject to depreciation to our fleet. Depreciation per available seat kilometer increased 30.8% due to a increase to R\$185.5 million in fixed assets subject to depreciation and an increase of R\$0.9 million related to depreciation of three new 737-800 NG aircraft which entered the fleet in 4Q06, and two 737-700 aircraft classified as capital leases.

Other operating expenses increased 39.9%, or R\$51.2 million, due to an increase in general and administrative expenses related to the expansion of our operations, and interrupted flights. Other operating expenses per available seat kilometer decreased 7.3% due to decreases in insurance expenses, a decrease of 9.9% in direct passenger expenses and flight crew lodging. Insurance expenses, at R\$0.15 cents per available seat kilometer or R\$30.2 million decreased 33.7%, due to a reduction in average premium rates, a 10.7% appreciation of the *real* against the U.S. Dollar, and a higher aircraft utilization rate.

Other Income (Expense). Interest expense and financial income (expense), net increased R\$1.3 million, due to an increase of R\$34.2 million in interest income on cash balances and a R\$14.6 million decrease in other losses, offset by a R\$47.0 million increase in interest expenses due to increased working capital and long term debt and R\$0.4 million decrease in capitalized interest.

Income Taxes. Income taxes, as a percentage of income before taxes, remained stable at 28.8% in 2006 as compared to 28.5% in 2005.

Table of Contents**Year 2005 Compared to Year 2004**

Our net income for the year 2005 increased to R\$513.2 million from R\$384.7 million for 2004, an increase of R\$128.5 million. We had operating income of R\$621.4 million, an increase of R\$45.1 million over 2004, and our operating margin was 23.3%, a decrease of 6.1% from 2004. Income before income tax increased 22.2% to R\$717.5 million.

Net Operating Revenues. Net operating revenues increased 36.1%, or R\$708.2 million, due primarily to increased passenger revenues. Increased passenger revenues, resulted primarily from a 53.8% increase in revenue passenger kilometers, which was due to a 39.9% increase in departures, an increase in the average number of aircraft in service from 22.3 to 34.3 and a 2.4% increase in our load factor from 71.1% to 73.5%. The increase in revenue passenger kilometers was partially offset by a 12.4% decrease in our yield due to a 4.1% decrease in our average fares and an increase in our average stage length. Cargo and other revenue increased by R\$44.7 million due primarily to increases in revenues from our cargo service operations.

Operating Expenses. Operating expenses increased 47.9%, or R\$663.2 million, due primarily to the operation of an average 12 additional aircraft during 2005, increased flight departures during the period, an increase in the average cost and number of liters of jet fuel consumed and an increase in salaries, wages and benefits and sales and marketing expenses. Operating capacity increased by 49.8% to 13,246 million available seat kilometers due to scheduled capacity increases and higher aircraft utilization at 13.9 block hours per day. Operating expenses per available seat kilometer decreased 1.3% to R\$15.46 cents primarily due to a reduction in maintenance expense on a per available seat kilometer basis and the spreading of our fixed costs over a larger fleet, despite a 17.5% increase in the average cost of jet fuel and an 7.5% increase in landing fees, each on a per seat kilometer basis. The breakdown of our operating expenses on a per available seat kilometer basis for 2005 compared to 2004 is as follows (percent changes are based on unrounded numbers):

| | Year Ended December 31, | | Percent Change | Percentage of Net Revenues(2005) |
|------------------------------------|---|--------------|-----------------------|---|
| | 2004 | 2005 | | |
| | (cost per available seat kilometer in R\$ cents) | | | |
| Operating expenses: | | | | |
| Salaries, wages and benefits | 2.07 | 1.96 | (5.1)% | 9.7% |
| Aircraft fuel | 5.19 | 6.10 | 17.5% | 30.3% |
| Aircraft rent | 2.21 | 1.82 | (17.7)% | 9.0% |
| Aircraft insurance | 0.29 | 0.22 | (22.6)% | 1.1% |
| Sales and marketing | 2.96 | 2.53 | (14.4)% | 12.6% |
| Landing fees | 0.65 | 0.70 | 7.5% | 3.5% |
| Aircraft and traffic servicing | 0.85 | 0.69 | (18.3)% | 3.4% |
| Maintenance, materials and repairs | 0.59 | 0.42 | (28.6)% | 2.1% |
| Depreciation | 0.24 | 0.26 | 10.1% | 1.3% |
| Other operating expenses | 0.61 | 0.74 | 21.4% | 3.7% |
| Total operating expenses | 15.66 | 15.46 | (1.3)% | 76.7% |
| Cost per flight hour | 14.94 | 14.77 | (1.2)% | — |
| Break-even load factor | 52.5 | 56.4 | 12.3% | — |

Salaries, wages and benefits increased 42.1%, or R\$77.1 million, due to (i) a 65.0% increase in full-time equivalent employees from 3,307 at the end of 2004 to 5,456 at the end of 2005 due to a higher number of employees in training, the international expansion of our operations and the internalization of certain services, (ii) an increases in wage rates of 6.0% due to cost of living increase and (iii) an increase of R\$3.4 million in provisions for our profit sharing plan. Salaries, wages and benefits per available seat kilometer decreased 5.1% due to increased productivity and higher capacity.

Aircraft fuel expense increased 76.0%, or R\$349.1 million, primarily due to 159.3 million more liters of fuel being consumed (a 50.2% increase from 2004) and an increase in average fuel cost per liter (a 17.2% increase per liter from 2004), partially offset by the appreciation of the *real* against the U.S. dollar and the effects of our exchange rate hedging program. Aircraft fuel per available seat kilometer increased 17.5% due primarily to the increase in the average fuel cost per liter.

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Aircraft rent, which we incur in U.S. dollars, increased 23.2%, or R\$45.4 million, due to an increase in the average size of our fleet to 34.3 aircraft from 22.3, partially offset by the 11.8% appreciation of the *real* against the U.S. dollar during the year and the effects of our exchange rate hedging program. Aircraft rent per available seat kilometer decreased 17.7% due to the appreciation of the *real* against the U.S. dollar and higher aircraft utilization.

Aircraft insurance expense, which we incur in U.S. dollars, increased 16.0%, or R\$4.1 million, due to a larger fleet size, partially offset by the 11.8% appreciation of the *real* against the U.S. dollar during the year, a decrease in average insurance premium rates and the effects of our exchange rate hedging program. Aircraft insurance per available seat kilometer decreased 22.6% due to the appreciation of the *real* against the U.S. dollar and the decrease in average insurance premium rates.

Sales and marketing expense increased 28.3%, or R\$74.0 million, primarily due to higher bookings through travel agents, increased advertising expenses, costs due to the opening of four new operating bases, and higher credit card fees resulting from increased passenger revenues. We booked a substantial majority of our ticket sales through a combination of our website (81.3% in 2005 compared to 76.4% in 2004). Travel agents accounted for approximately 70% of our sales in 2005, 63% of which were booked through the internet. Sales and marketing per available seat kilometer decreased 14.4% due to increased internet sales, lower sales and travel agent commissions and higher aircraft utilization rates.

Landing fees increased 61.0%, or R\$35.0 million, due to a 39.9% increase in departures and a 26% increase in average landing tariffs because of increased international traffic, partially offset by increased average stage length. Landing fees per available seat kilometer increased 7.5%.

Aircraft and traffic servicing expense increased 22.4%, or R\$16.8 million, primarily due to an increase in our operations from 38 to 45 airports served and a 39.9% increase in departures, partially offset by a reduction in technology costs. Aircraft and traffic servicing per available seat kilometer decreased 18.3% as a result of fixed costs being spread over a higher number of available seat kilometers.

Maintenance, materials and repairs increased 6.9%, or R\$3.6 million, due to 12 average additional aircraft in operation as well as 34.3 airframe checks and engine repairs in 2005 as compared to 27 airframe checks and engine repairs in 2004. Maintenance, materials and repairs per available seat kilometer decreased 28.6% due to the appreciation of the *real* against the U.S. dollar and lower maintenance costs for airframe checks and engine repairs.

Depreciation increased 64.8%, or R\$13.8 million, due primarily to an increase in our inventory of aircraft spare parts and, to a lesser extent, an increase in computer equipment resulting from the expansion of our operations. Depreciation per available seat kilometer increased 10.1% due to increased depreciable assets, offset by higher aircraft utilization rates.

Other operating expenses increased 81.8%, or R\$44.4 million, due to an increase in general and administrative expenses related to the expansion of our operations, the increased lodging of flight crews, increased direct passenger expenses and interrupted flights. Other operating expenses per available seat kilometer increased 21.4% due to the expansion of our operations.

Other Income (Expense). Interest expense and financial income (expense), net increased R\$85.2 million, due to increases of R\$106.0 million in interest income on cash balances, and an increase of R\$13.9 million in capitalized interest, partially offset by an increase of R\$5.9 million in interest expenses due to increased working capital financing.

Income Taxes. Income taxes, as a percentage of income before taxes, decreased to 28% in 2005 from 34% in 2004. The reduction was principally due to the payment of a portion of a mandatory minimum dividend as interest in shareholder's equity, which is deductible for corporate income tax purposes.

B. Liquidity and Capital Resources

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. At December 31, 2006, we had cash and cash equivalents of R\$281.0 million, short-term investments of R\$1,425.4 million and accounts receivable of R\$659.3 million, as compared to cash and cash equivalents of R\$106.3 million, short-term investments of R\$762.7 million and accounts receivable of R\$564.0 million at December 31, 2005.

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At December 31, 2006, we had nine revolving lines of credit with five financial institutions, which allowed for total borrowings of up to R\$332.0 million. As of December 31, 2006 and 2005, there were R\$128.3 million (US\$60.0 million) and R\$54.0 million (US\$23.1 million) outstanding under these facilities, respectively.

Operating Activities. We rely primarily on cash flows from operations to provide working capital for current and future operations. Cash flows from operating activities totaled R\$530.4 million in 2006, R\$353.7 million in 2005 and R\$239.9 million in 2004. The increase in operating cash flows over these periods was primarily due to the growth of our business. Net cash used for investing and financing activities was R\$326.2 million in 2006 and net cash used for investing and financing activities was R\$653.1 million in 2005. Net cash provided by investing and financing activities was R\$19.5 million in 2004. The increase in cash provided by financing activities in 2006 was due primarily to the capital we raised in our offering of US\$200 million in 8.75% perpetual notes in April 2006, a R\$75.7 million long-term financing from BNDES (Brazilian National Economic and Social Development Bank) in June 2006 and a US\$50 million long-term financing from the International Finance Corporation in June 2006 and US\$78.3 million of long-term financing from the Private Export Funding Corporation (PEFCO) in November 2006.

Our operating cash flows are affected by the requirement under the terms of certain of our aircraft operating leasing agreements that we establish maintenance reserve deposit accounts for our aircraft that must be funded at specified levels. At December 31, 2006, we had R\$263.6 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.

We believe that we can meet our existing financial commitments and aircraft rent obligations with our cash and cash equivalents, and cash from operations, short-term investments and accounts receivable collected.

Investing Activities. During 2006, capital expenditures were R\$553.2 million, which included expenditures of R\$489.8 million related to acquisitions of property and equipment and R\$63.4 million of pre-delivery deposits for aircraft acquisitions. Our investing activities totaled R\$1,234.1 million, which included the capital expenditures described before and R\$662.7 million of purchases of short term investments. During 2005, capital expenditures were R\$482.8 million, which included expenditures of R\$169.4 million related to acquisitions of property and equipment and R\$313.3 million of pre-delivery deposits for aircraft acquisitions. Our investing activities totaled R\$801.8 million, which included the capital expenditures described before and R\$319.3 million of purchases of short term investments. During 2004, capital expenditures were R\$85.4 million, which included expenditures of R\$42.0 million related to acquisitions of property and equipment and R\$43.4 million of pre-delivery deposits for aircraft acquisitions. Our investing activities totaled R\$533.0 million, which included the capital expenditures described before and R\$443.4 million of purchases of short term investments.

Financing Activities. Financing activities during 2006 consisted primarily of:

- an issuance of US\$200 million 8.75% perpetual notes in April 2006;
- a R\$75.7 million six year financing from BNDES (Brazilian National Economic and Social Development Bank) secured by our accounts receivables and with an interest rate of 2.65% above the long-term borrowing rate in Brazil, which was at December 31, 2006 6.95% p.a. in reais;
- a US\$50 million long-term financing from the International Finance Corporation in June 2006 with a floating interest rate based on LIBOR (the interest rate as of December 31, 2006 was 7.24% p.a.), secured by a pledge of certain of our aircraft parts and engines; and
- a US\$78.3 million 12-year financing from the Private Export Funding Corporation (PEFCO) for the acquisition of new Boeing 737-800 NG aircraft, guaranteed by the United States Export Import Bank (Exim).

Our long term financings include customary covenants and restrictions and some of these financings require us to maintain defined financial ratios, with which we were in compliance at December 31, 2006 and none of which are expected to have a material adverse effect on our business. See also Note 7 to our consolidated financial statements for further information on these financings.

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Financing activities during 2005 consisted primarily of a reduction in short-term borrowings of R\$64.3 million offset by the proceeds from the issuance of R\$279.1 million of preferred shares in our follow-on offering in May 2005. Financing activities during 2004 consisted primarily of short-term borrowings of R\$79.4 million and the issuance of R\$470.4 million of preferred shares of Gol in our initial public offering in June 2004.

We intend to increase our funded debt principally in the form of loans from private financial institutions, capital markets financings and finance leases related to the acquisition of aircraft.

We declared aggregate dividends of R\$181.1 million for the fiscal year 2006. We declared dividends of R\$117.9 million for the fiscal year 2005 and R\$60.7 million for the fiscal year 2004. Under our by-laws, at least 25% of our adjusted net income, as calculated under Brazilian GAAP and adjusted under the Brazilian corporation law (which differs significantly from net income as calculated under U.S. GAAP), for the preceding fiscal year must be distributed as a mandatory annual dividend. The most significant adjustment to U.S. GAAP net income in arriving at adjusted net income under Brazilian GAAP relates to the accounting for deposits to our maintenance reserves. Under U.S. GAAP, deposits to our maintenance reserve accounts are accounted for as prepaid expenses and actual maintenance is charged to operating expense as maintenance is incurred. Under Brazilian GAAP, deposits to our maintenance reserve accounts are charged to operating expenses when made.

Capital Resources. We typically finance our leased aircraft through operating 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 approximately 94 aircraft by the end of 2011. As of December 31, 2006 we had firm purchase orders with The Boeing Company for 76 737-800 Next Generation aircraft and we have options to purchase an additional 34 737-800 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\$2,618 million in 2007, US\$2,122 million in 2008, US\$2,406 million in 2009, US\$1,846 million in 2010 and US\$1,592 million after 2010. We expect to meet our pre-delivery deposits by using cash from operations or borrowings under short-term credit facilities and/or vendor financing. We expect to finance the balance of the purchase price of the Boeing 737-800 Next Generation aircraft through a combination of means, such as cash and funds generated from operations, low-interest bank financing and credit agreements, sale and leaseback transactions, additional equity or debt offerings and/or vendor financing.

The firm 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. As of December 31, 2006, we had approximately R\$1,425.4 million of these short-term investments.

We expect the continuance of the commitment to us from the Export-Import Bank of the United States to provide guarantees covering approximately 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 growth 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.

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. In 2005, we were named one of Brazil's most valuable brands by *Isto é Dinheiro* magazine in its fourth annual Most Valuable Brazilian Brands Ranking, with a brand value of US\$326 million.

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We expect to expand our operations by adding additional flights to existing domestic routes, adding new domestic routes where sufficient market potential exists and expanding into high-traffic centers in other South American countries. In 2006, we added destinations to our network and we intend to continue this growth strategy in Brazil and South America. As in previous years, in 2007 we will also concentrate on keeping our operating costs low and pursuing ways to make our operations more efficient.

Given the demand for our services, we believe that we will continue to have significant growth opportunities. We expect to benefit from economies of scale and reduce our average cost per available seat kilometer as we add additional aircraft to an established and efficient operating infrastructure. We currently have applications with the ANAC to add additional routes and flight frequencies. We expect our operating capacity to increase 50% with the addition of up to 15 aircraft in 2007, which will increase our available seat kilometers and operating costs on an aggregate basis.

We expect jet fuel prices will continue to be high in 2007 and we plan to use our fuel and foreign exchange hedging programs to help protect us against short-term movements in crude oil prices and the *real*/ U.S. dollar exchange rate.

E. Off-Balance Sheet Arrangements

None of our operating lease obligations are reflected on our balance sheet. At December 31, 2006, we had five aircraft recognized as capitalized 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, 2006 included the following (in thousands of *reais*):

| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|--------------------------------------|-------------------|-----------------------------|------------------|------------------|------------------------------|
| Aircraft and engine operating leases | 1,948,607 | 421,870 | 646,007 | 377,701 | 503,029 |
| Aircraft capital leases | 390,651 | 38,696 | 77,392 | 77,392 | 197,171 |
| Short-term borrowings | 128,304 | 128,304 | - | - | - |
| Long-term borrowings(1) | 553,402 | 41,298 | 205,968 | 159,776 | 146,360 |
| Pre-delivery deposits | 635,533 | 115,954 | 311,386 | 206,663 | 1,530 |
| Aircraft purchase commitments | 11,549,004 | 2,502,025 | 4,216,841 | 3,239,819 | 1,590,319 |
| Total | 15,205,501 | 3,248,147 | 5,457,594 | 4,061,351 | 2,438,409 |

(1) Does not include issuance of US\$200 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 by-laws provide for the establishment of a non-permanent *Conselho Fiscal*, or fiscal committee, to be comprised of three to five members. We also have corporate governance and nomination, audit, people management policies, risk policies and financial policy committees comprised of members of our board of directors and non-board members, and management, executive policy, budget, investment, corporate governance and risk management and finance committees, comprised of members of our board of executive officers and senior managers.

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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 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 and officers to 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 fiscal committee shall sign a statement of consent, in which they undertake to refer to arbitration rules, instituted by BOVESPA Arbitration Chamber, for resolution of 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 the latter, 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. The taking office of the members or the fiscal committee is also conditioned upon signing of such document.

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. Each of the board members qualifies as independent based upon New York Stock Exchange criteria. The board of directors meets six 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, may reside outside of Brazil, 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 that would result in such director having a conflict of interest with our company.

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 the same one-year terms and may be re-elected. The terms of our current directors expire in April 2007. 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 |
|--------------------------------|-----|----------|
| Constantino de Oliveira | 75 | Chairman |
| Constantino de Oliveira Junior | 38 | Director |
| Henrique Constantino | 35 | Director |
| Joaquim Constantino Neto | 42 | Director |
| Ricardo Constantino | 43 | Director |
| Alvaro de Souza | 58 | Director |
| Antonio Kandir | 53 | Director |
| Luiz Kaufmann | 61 | Director |

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Constantino de Oliveira is the chairman of our board of directors and has served in this capacity since March 2004. Mr. Oliveira has also been the chairman of the board of directors of Gol since 2002. Mr. Oliveira is founder and president of the Áurea group. He founded his first company, Expresso União, a bus transportation company, in 1957 in the state of Minas Gerais. Mr. Oliveira was the principal architect in our creation.

Constantino de Oliveira Junior is a member of our board of directors and our Chief Executive Officer. He has served in both capacities since March 2004. Mr. Oliveira has also been the chief executive officer and a member of the board of directors of Gol since 2001. Mr. Oliveira introduced the "low-cost, low-fare" concept to the Brazilian airline industry and was elected the Most Valuable Executive in 2001 and 2002 by the Brazilian newspaper *Valor Econômico* and was also elected the Leading Executive in the logistics sector in 2003 by the readers of *Gazeta Mercantil*, a Brazilian financial newspaper. From 1994 to 2000, Mr. Oliveira served as an officer of the Áurea group. Mr. Oliveira studied Business Administration at the *Universidade do Distrito Federal* and he 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 financial officer of the Áurea group since 1994. He participated in the creation of Gol and served as its financial officer from January 2001 to March 2003, when he became a member of the board. Mr. Constantino has a law degree from *CEUB—Centro de Ensino Unificado de Brasília* and has a Master in Business Administration degree from *EAESP—FGV (Fundação Getúlio Vargas—São Paulo)*.

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 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 Turismo, a transportation company. Since 1998, Mr. Constantino has also been a member of the board of directors of Metra, a metropolitan bus company serving the cities of São Paulo, Santo André, São Bernardo do Campo and Diadema.

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 technical and maintenance officer of the Áurea group since 1994.

Alvaro de Souza has been a member of our board of directors since August 2004. Mr. Souza is an officer of AdS—Gestão, Consultoria e Investimentos Ltda. and member of the board of directors of SAG do Brasil S.A., World Wildlife Group (WWF), Comgás, British Gas Group, AMBEV and Roland Berger do Brasil. He was the Chief Executive Officer of Citibank Brazil from 1993 to 1994 and an Executive Vice-President of Citigroup 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 and partner of *Governança e Gestão*.

Antonio Kandir has been a member of our board of directors since August 2004. Mr. Kandir is an economic consultant and is a member of the board of directors of AVIPAL/ELEGÊ and the consulting board of Portugal Telecom. Mr. Kandir served in the Brazilian government as a Congressional 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's degree in production engineering from the Escola Politécnica at USP and bachelor's, master's and PHD 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 has presided over several companies such as Aracruz Celulose S.A. (1993-1998), 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. Luiz Kaufmann is also a member of and VIVO's Board of Directors, chief executive officer of Medial Saude S.A. and L. Kaufmann Consultores. 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.

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Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino are brothers and Constantino de Oliveira is their father. Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino control our controlling 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 2007.

The following table sets forth the name, age and position of each of our executive officers elected in March 2006. A brief biographical description of each of our executive officers follows the table.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|--------------------------------|------------|--|
| Constantino de Oliveira Junior | 38 | President and Chief Executive Officer |
| David Barioni Neto | 48 | Executive Vice President-Technical |
| Richard F. Lark, Jr | 40 | Executive Vice President-Finance, Chief Financial Officer and Investor Relations Officer |
| Tarcisio Geraldo Gargioni | 60 | Executive Vice President-Marketing and Services |
| Wilson Maciel Ramos | 59 | Executive Vice President-Planning and Information Technology |

Constantino de Oliveira Junior. See "—Board of Directors."

David Barioni Neto has been an officer since May 2004. Mr. Barioni has been an officer of Gol since 2001. Mr. Barioni has been an aircraft pilot for 25 years and worked as an aircraft pilot for VASP from 1982 to 2000. Mr. Barioni is a civil aviation inspector, flight instructor and aeronautical accident investigator. He also specializes in restricted and dangerous cargo.

Richard F. Lark, Jr. has been an officer since May 2004. Mr. Lark has been an officer of Gol since 2003. From 2000 to 2003, Mr. Lark was a founding director and 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, where he was responsible for the Brazilian transportation sector. Mr. Lark holds a Master in Business Administration degree from the Anderson School at The University of California at Los Angeles (UCLA) and bachelor degrees in philosophy and finance and business economics from The University of Notre Dame. Mr. Lark is a member of our Risk Policies Committee and Financial Policy Committee.

Tarcisio Geraldo Gargioni has been an officer since May 2004. Mr. Gargioni has been an officer of Gol since 2001. From 1990 to 2000, Mr. Gargioni served as Commercial Director of VASP. Mr. Gargioni received a degree in Business Administration 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. Mr. Ramos has been an officer of Gol since 2001. 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*.

Table of Contents**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, 2006, 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\$3.0million.

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 in the paragraph immediately below. During 2006, our executive officers exercised stock options for an aggregate of 233,833 preferred shares. For further information regarding our stock option plans, see Note 10 of our notes to our consolidated financial statements as of December 31, 2006 and 2005.

Stock Option Plan

Our stock option plan was approved at a special shareholders' meeting held on December 9, 2004. 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 for at least six months prior to the date on which the option is granted. 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 2005, we issued stock options of up to 87,418 of our preferred shares to our directors and certain employees, at a weighted average exercise price of R\$33.06 per share.

In 2006, we issued stock options of up to 99,816 of our preferred shares to our directors and certain employees, at a weighted average exercise price of R\$47.30 per share. On December 18, 2006, our board of directors approved the continuation of the stock option plan for the fiscal year of 2007.

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.

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Under the Brazilian corporation law, our 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. We currently do not have an active fiscal committee and, therefore, no members have been appointed.

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. 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 Charles Barnsley Holland, Paulo César Aragão and Betania Tanure de Barros.

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, Human Resources Director of Gol 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 Richard F. Lark, Jr., our chief financial officer, Henrique Constantino, one of our 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 a independent member. The financial policy committee currently consists of Richard F. Lark, Jr., our chief financial officer, and Henrique Constantino, a member of our 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, 2006, we had 8,840 active employees, compared to 5,456, and 3,307 active employees as of December 31, 2005 and 2004 respectively. As of December 31, 2006, we employed only full-time employees, which consisted of 968 pilots and co-pilots, 1,844 flight attendants, 1,111 mechanics, customer service representatives (including sales and marketing personnel and reservation agents), 3,654 airport and flight operations personnel and 1,263 management and administrative personnel. We also subcontract certain services, such as cargo handling, information technology, call center personnel and runway handling operations personnel.

We invest significant resources promoting the well being of our employees. In 2006, we allocated 23.4% of our net income to health and safety matters, training, social contributions, employee meals and transportation, and profit sharing.

We train our own pilots and promoted 56 co-pilots during 2006. 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 4% 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 43 of our management employees vesting over a 5 year period. In 2006, an additional 24 employees were granted stock options under this plan.

Table of Contents**E. Share Ownership**

The members of our board of directors and our executive officers, on an individual basis and as a group, own less than 1% 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, 2006, 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 88,615,674 preferred shares outstanding as of December 31, 2006.

| | Common Shares | | Preferred Shares Beneficially Owned | | Common and Preferred Shares Beneficially Owned | |
|---|--------------------|---------------|-------------------------------------|---------------|--|---------------|
| | Shares | (%) | Shares | (%) | Shares | (%) |
| Fundo de Investimento em Participações Asas (1) (3) | 107,590,772 | 100.0% | 31,715,638 | 35.79% | 139,306,410 | 71.00% |
| Executive officers and directors as a group (8 persons) | 20(2) | * | 2,697,017 | 3.04% | 2,697,037 | 1.37% |
| Free Float | * | * | 54,203,019 | 61.17% | 54,203,019 | 27.63% |
| Total | 107,590,792 | 100.0% | 88,615,674 | 100.0% | 196,206,466 | 100.0% |

* Represents ownership of less than 1%.

- (1) On March 17, 2006, our former controlling shareholder Aeropar Participações S.A., or Aeropar, which was indirectly controlled by Messrs. Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino, concluded a restructuring of its corporate shareholdings, by means of which 31,493,863 of our preferred shares, held by Aeropar, were transferred to Fundo de Investimento em Participações Asas, or the Fund, which is controlled by Messrs. Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino. In addition, our former shareholder Comporte Participações S.A. (a company controlled equally by Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino), or Comporte, also transferred its 3,351,775 of our preferred shares to the Fund. On June 19, 2006, Aeropar concluded a further restructuring of its corporate shareholdings, by means of which 107,590,772 of its common shares in our company were transferred equally to the Fund and a total of 1,857,705 of its common shares in our company were transferred to Constantino de Oliveira Junior. These 1,857,705 common shares were converted on July 19, 2006 to preferred shares.
- (2) Shares transferred to members of the board of directors for eligibility purposes.
- (3) Mr. Constantino de Oliveira Júnior, Ricardo Constantino, Joaquim Constantino Neto and Henrique Constantino are usufructuary and have the right to vote of 13,681,100 common shares issued by Gol, each one, in the amount of 54,724,400 common shares.

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, 2006, six record holders of ADSs in the United States.

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.

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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.

Shareholders' Agreement

No shareholders' agreements have been filed with us.

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 2005 and 2006, Gol made total payments of approximately R\$ 2.0 million and approximately R\$ 3.5 million, under these bus transportation agreement.

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. As of December 31, 2006, we had R\$29.2 million of total provisions for legal and administrative actions, including labor, civil and tax. 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.

Additionally, we are party in four 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.

ICMS

We are currently challenging the levy of Brazil's state value added tax (the *Imposto sobre Circulação de Mercadorias e Serviços*, or ICMS) on the import of our leased aircraft and engines from foreign countries. It is the understanding of our administration that the ICMS does not apply to these operations because of their status as leases, which by contractual obligation requires the return of the aircraft and engines. We believe that, by not having circulated the aircraft and engines, we are exempt from the ICMS. The aggregate value of our ongoing disputes at December 31, 2006 was R\$45.2 million.

We have not constituted provisions in regards to these processes because we understand that the possibility of loss in these instances are remote and that practices adopted in financial preparation, consistent with international patterns, do not require provisions for losses.

Dividends and Dividend Policy

Amounts Available for Distribution

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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.

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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 U.S. GAAP), 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. Commencing in the first quarter of 2006, we started paying dividends quarterly.

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 prescribed by paragraph 1, article 182, of the 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.

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Our bylaws 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 S.A. 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 depreciations 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 remit 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.

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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 attributable 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 U.S. GAAP 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 2004, 2005 and 2006 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) |
|-------------------------|---------------|-------------------|--------------------|---------------------------------|------------------------|----------------------|
| 2004 | April 2005 | 0.32 | 0.32 | 60.7 | 26.6% | 26.6% |
| 2005 | April 2006 | 0.60 | 0.60 | 117.9 | 29.2% | 25.0% |
| 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% |

* Expected payment date

(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.

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. Commencing in the first quarter of 2006, we started paying dividends quarterly. 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.

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, 2006, the ADSs represented approximately 47.4% of our preferred shares and 76.2% of our current global public float. Our preferred share and ADSs are included in various indexes at the BOVESPA and the New York Stock Exchange and were most recently included in the BOVESPA's IBRX-50 Index, which measures the total return of a select portfolio of the 50 most traded stocks on the BOVESPA, in terms of liquidity.

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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(1) | | |
|-----------------|-----------------|--------------|--------------|
| | Low | High | Average(2) |
| 2004 | | | |
| Annual | 8.20 | 16.45 | 10.47 |
| 2005 | | | |
| Annual | 12.20 | 28.74 | 16.57 |
| First quarter | 12.57 | 16.51 | 14.60 |
| Second quarter | 12.20 | 16.56 | 14.62 |
| Third Quarter | 14.06 | 18.00 | 15.88 |
| Fourth Quarter | 15.50 | 28.74 | 21.17 |
| 2006 | | | |
| Annual | 25.25 | 40.24 | 31.54 |
| First quarter | 25.25 | 34.12 | 28.96 |
| Second quarter | 27.16 | 40.24 | 33.27 |
| Third Quarter | 28.21 | 36.67 | 33.08 |
| Fourth Quarter | 27.44 | 36.92 | 30.79 |
| Last Six Months | 27.44 | 36.92 | 31.56 |
| August 2006 | 30.53 | 34.91 | 32.62 |
| September 2006 | 33.30 | 36.67 | 35.08 |
| October 2006 | 31.00 | 36.92 | 33.42 |
| November 2006 | 27.85 | 31.85 | 29.53 |
| December 2006 | 27.44 | 31.21 | 29.22 |
| January 2007 | 27.55 | 30.52 | 29.21 |

Source: Bloomberg

(1) Reflecting the ADS ratio change from one ADS representing two preferred shares to one ADS representing one preferred share, occurred in December 2005.

(2) 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.

| | Reals per Preferred Share | | |
|----------------|---------------------------|--------------|--------------|
| | Low | High | Average(1) |
| 2004 | | | |
| Annual | 25.00 | 44.31 | 29.83 |
| 2005 | | | |
| Annual | 32.24 | 66.90 | 40.00 |
| First quarter | 34.00 | 42.60 | 38.89 |
| Second quarter | 32.24 | 39.88 | 36.29 |
| Third Quarter | 33.53 | 42.00 | 37.19 |
| Fourth Quarter | 35.05 | 66.90 | 47.64 |
| 2006 | | | |
| Annual | 54.80 | 82.80 | 68.44 |
| First quarter | 54.80 | 72.00 | 63.14 |
| Second quarter | 58.30 | 82.80 | 72.30 |
| Third Quarter | 62.60 | 79.88 | 71.85 |

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| | | | |
|-----------------|-------|-------|-------|
| Fourth Quarter | 59.40 | 79.60 | 66.30 |
| Last Six Months | 59.40 | 79.88 | 67.99 |
| August 2006 | 66.50 | 74.01 | 70.38 |
| September 2006 | 72.49 | 79.88 | 76.04 |
| October 2006 | 65.90 | 79.60 | 71.60 |
| November 2006 | 60.30 | 68.50 | 63.78 |
| December 2006 | 59.40 | 66.70 | 62.98 |
| January 2007 | 59.44 | 64.90 | 62.43 |

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 BOVESPA 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 BOVESPA, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

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 nonprofit entity owned by its member brokerage firms. 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 11:00 a.m. to 6:00 p.m., São Paulo time, for all securities traded on all markets, except during daylight savings time in the United States. During daylight savings time in the United States, usually the sessions are from 10:00 a.m. to 17:00 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 6:45 p.m. to 7:30 p.m. 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 2006, the aggregate market capitalization of the BOVESPA was equivalent to R\$1.6 billion and the 10 largest companies listed on the BOVESPA represented approximately 54% of the total market capitalization of all listed companies. In contrast, as of December 2006, the aggregate market capitalization of the NYSE was US\$25 trillion and the 10 largest companies listed on the NYSE represented approximately 10% of the total market capitalization of all listed companies. The average daily trading volume of BOVESPA and NYSE for December 2006 was approximately R\$2.4 billion and US\$68 billion, respectively. 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."

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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 BOVESPA 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 BOVESPA, 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 issuer; (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 International Financial Reporting Standards (IFRS); and (ii) annual financial statements in English, including cash flow statements, prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS), in American 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.

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In May 2004, we entered into an agreement with the BOVESPA to comply with the requirements to become a Level 2 company. Upon the closing of our global public offering of our preferred shares on May 3, 2005, we are in compliance with the requirement to achieve a free float of 25% of our preferred shares. In addition to complying with Level 2 requirements, we have also granted tag-along rights to holders of our preferred shares in connection with a transfer of control of our company, offering preferred shareholders 100% of the price paid per common share of controlling block shareholders. Furthermore, we prepare quarterly financial statements in accordance with U.S. GAAP. 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 which reflects 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 depository 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.

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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 shareholders' 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 the use 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 International Financial Reporting Standards, 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.

Table of Contents**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. No withdrawal rights arise from such amendments made before December 31, 2002;
- 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 controlling shareholders, shareholders that appoint members of our board of directors or fiscal council and 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.

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. Five of our directors are elected by, and represent, our controlling shareholder.

Table of Contents*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. The remaining non-management directors are not expressly empowered to serve as a check on management, and there is no requirement that those 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. The Brazilian Corporate Law requires companies to have a non-permanent *Conselho Fiscal* composed of three to five members who are elected at the general shareholders' meeting. 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.

Table of Contents***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.

Sarbanes Oxley Act of 2002

The Company maintains controls and procedures designed to ensure that it is able to collect the information it is required to disclose in the reports it files with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. We were one of the first Latin American companies to give the relevant officer certifications under Section 404 of the U.S. Sarbanes Oxley Act of 2002 regarding internal controls over financial reporting. The certifications are included as Exhibits 12.1 and 12.2 to this Annual Report.

D. Selling Shareholders

Not applicable.

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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. Gol was formed on August 1, 2001 as a Brazilian *sociedade limitada*, and on May 2, 2002, Gol was converted into a *sociedade por ações*.

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 6 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. As a result, our capital structure as of December 31, 2006 consisted of 107,590,792 common shares and 88,615,674 undesignated preferred shares, all with no par value. 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, 2006 was R\$2 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.

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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.

Securities and other financial assets held by foreign investors pursuant to Resolution No. 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM. In addition, securities trading is restricted to transactions carried out in the stock exchanges or organized over-the-counter markets licensed by the CVM. The right to convert dividend payments and proceeds from the sale of our capital stock into foreign currency and to remit these amounts outside Brazil is subject to restrictions under foreign investment legislation, which generally requires, among other things, that the relevant investment be registered with the Central Bank. Restrictions on the remittance of foreign capital abroad could hinder or prevent the custodian for the preferred shares represented by ADSs, or holders who have exchanged ADSs for preferred shares, from converting dividends, distributions or the proceeds from any sale of preferred shares, as the case may be, into U.S. dollars and remitting such U.S. dollars abroad. Delays in, or refusal to grant, any required governmental approval for conversions of *reais* payments and remittances abroad of amounts owed to holders of ADSs could adversely affect holders of ADSs.

Resolution No. 1,927 of the CMN, which is the restated and amended Annex V to Resolution No. 1,289 of the CMN, or the Annex V Regulations, provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. We will file an application to have the ADSs approved under the Annex V Regulations by the Central Bank and the CVM, and we will have received final approval before the completion of this offering.

The custodian will obtain on behalf of the depositary an electronic certificate of foreign capital registration with respect to the ADSs sold in the international offering. This electronic registration is carried on through the Central Bank Information System, or SISBACEN. Pursuant to the registration, the custodian and the depositary will be able to convert dividends and other distributions with respect to the preferred shares represented by ADSs into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADSs surrenders such ADSs and withdraws preferred shares, the holder will be entitled to continue to rely on the depositary's registration for five business days after the withdrawal, following which such holder must seek to obtain its own electronic certificate of foreign capital registration. Thereafter, unless the preferred shares are held pursuant to Resolution No. 2,689, by a duly registered investor, or, if not a registered investor under Resolution No. 2,689, a holder of preferred shares applies for and obtains a new certificate of registration, the holder may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to, the preferred shares, and the holder, if not registered under Resolution No. 2,689, will be subject to less favorable Brazilian tax treatment than a holder of ADSs. In addition, if the foreign investor resides in a tax haven jurisdiction, the investor will also be subject to less favorable tax treatment. See "Risk Factors—Risks Relating to the ADSs and Our Preferred Shares—If you surrender the ADSs and withdraw our preferred shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages" and "Taxation—Brazilian Tax Consequences."

Description of Preferred Shares

According to our by-laws, similar to preferred shares of companies incorporated under the laws of the State of Delaware, 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.

Also unlike holders of preferred shares of companies incorporated under the laws of the State of Delaware, which typically do not have the benefit of tag-along rights, 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

Similar to dissenting shareholders of corporations incorporated under the State of Delaware, 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 of Gol 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.

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If there is a resolution to (a) merge or consolidate us with another company; (b) incorporaco de aes; (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 the first and second items 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. The concept of "dissenting shareholder" under the Brazilian corporation law differs from that of "dissenting shareholder" under Delaware law, under which a dissenting shareholder is generally a shareholder who objects to a proposed corporate action and demands payment for his or her shares before such action is voted upon.

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. Shareholders of corporations incorporated under the laws of the State of Delaware generally do not have preemptive rights unless set forth specifically in such corporations' charters.

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;

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- 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

Differently from companies incorporated under the laws of the State of Delaware, Brazilian companies generally do not employ "poison pill" provisions to prevent hostile takeovers. As most Brazilian companies have clearly identified controlling shareholders, hostile takeovers are highly unusual and no developed body of case law addresses the limits on the ability of management to prevent or deter potential hostile bidders. 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 by-laws, 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 for the acquisition of shares 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.

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, 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 BOVESPA and immediately disclosed to the market after the shareholder's 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 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.

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

On May 1, 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.

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.

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. It restates and amends Annex V to Resolution No. 1,289 of the National Monetary Council, known as the Annex V Regulations. 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."

Under Resolution 2,689 of the CMN, foreign investors registered with the CVM may buy and sell Brazilian securities, including our preferred shares, on Brazilian stock exchanges without obtaining separate certificates of registration for each transaction. Registration is available to qualified foreign investors, which principally include foreign financial institutions, insurance companies, pension and investment funds, charitable foreign institutions and other institutions that meet certain minimum capital and other requirements. Resolution 2,689 also extends favorable tax treatment to registered investors. See "Taxation—Material Brazilian Tax Considerations."

Pursuant to the Resolution 2,689 foreign investors must: (i) appoint at least one representative in Brazil with the ability to perform actions regarding the foreign investment; (ii) complete the appropriate foreign investor registration form; (iii) obtain registration as a foreign investor with CVM; and (iv) register the foreign investment with the Central Bank.

The securities and other financial assets held by a foreign investor pursuant to Resolution 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or by the CVM or be registered in register, clearing and custody systems authorized by the Central Bank or by the CVM. In addition, the trading of securities is restricted to transactions carried out on the stock exchanges or over-the-counter markets licensed by the CVM.

Registered Capital

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.

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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.”

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 depository and on the assumption that each obligation in the deposit agreement among us, The Bank of New York, as depository, 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, and, therefore, 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 depository in respect of the preferred shares underlying the ADSs or to a Non-Brazilian Holder in respect of preferred shares generally will not be subject to Brazilian withholding income tax, provided that such amounts are related to profits earned after January 1, 1996. Dividends and stock dividends paid from profits generated before January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, according to the tax legislation applicable to each corresponding year.

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Taxation of Gains. According to Law No. 10,833, enacted on December 29, 2003, or Law No. 10,833, capital gains realized on the disposition of assets located in Brazil by a Non-Brazilian Holder are subject to taxation in Brazil without regard to whether the transaction is conducted in Brazil or conducted with a Brazilian resident. As such, a Non-Brazilian Holder may be subject to income tax on the gains assessed on the disposition of the preferred shares. Although we believe that the ADSs do not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, considering the general and unclear scope of Law No. 10,833 such provision and the lack of a judicial guidance in respect thereof, we are unable to predict whether such understanding will ultimately prevail in the Brazilian courts. 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-Resident Holder that (1) has registered its investment in Brazil before the Central Bank under the rules of Resolution No. 2,689/01 ("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 ADRs is the difference between the amount in Brazilian currency realized on the sale or exchange of the shares and their acquisition cost, without any adjustments for inflation.

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.

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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 social contribution on profits and before taking such distribution and any deductions 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 no Brazilian stamp, issue, registration or similar taxes or duties payable by a Non-Brazilian Holder of preferred shares or ADSs.

Pursuant to Decree 4,494 of December 2000, 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/Câmbio). Except under specific circumstances, the rate of IOF/Câmbio on such conversion is currently 0%, 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 future transaction.

Pursuant to Decree 4,494/2000, the Tax on Bonds and Securities Transactions (*IOF/Títulos*) 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.

Financial transfers are taxed by the *Contribuição Provisória sobre Movimentação Financeira*, or CPMF, at a rate of 0.38%. The CPMF is levied upon the remittance of proceeds on the amount converted in *reais* of the transaction and is required to be withheld by the financial institution that carries out the transaction. Currently, the funds transferred from a bank account to acquire shares can be exempt from CPMF. Since there are recent modifications in the legislation in this respect, each Non-Brazilian Holder should consult its own legal and financial advisors with respect to the applicability of CPMF tax to its purchase. The funds transferred abroad resulting from the disposal of the preferred shares on the Brazilian stock exchange are also exempt from 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 depositary 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.

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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 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;
- holders whose functional currency is not the United States dollar;
- United States expatriates;
- holders that hold our preferred shares or ADSs as part of a hedge, straddle, conversion or other integrated transaction; or
- 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.

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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, created or organized in or under the laws of the United States or any state thereof, including 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 holds preferred shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A prospective investor who is a partner of a partnership holding our preferred shares or ADSs should consult its own tax advisor.

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 charges 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 tax basis will be treated as capital gain and will be either long-term or short-term capital gain depending upon whether 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 U.S. 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 taxes paid 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 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.

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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 depositary (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 or other 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 or other 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 disposition of a preferred share 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 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 taxes paid 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 tax liability and form filing requirements) with respect to (a) any gain realized on the sale 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 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 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.

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 "—Certain 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 at a current maximum rate of 28% unless the 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.

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 filing a refund claim with the IRS. 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 furnished to the IRS.

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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 450 Fifth 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 depositary 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 65 aircraft under operating and 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.

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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 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, 2006, we had crude oil derivative contracts outstanding for up to 1,804,000 barrels of oil. The fair value of such contracts was R\$(4.6) million. If the price of fuel increased by 10% in relation to the average 2006 price, based on expected fuel consumption in 2007, such an increase would result in an increase to aircraft fuel expense of approximately R\$177 million in 2007, 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, 2006, we had outstanding currency futures contracts. The fair value of such contracts was R\$(0.3) 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\$22 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, 2006, 8.3% of our aircraft rental expenses had floating interest rates. A hypothetical ten percent increase in market interest rates as of December 31, 2006 would increase our aircraft rental and interest expense by approximately R\$3 million. A hypothetical ten percent decrease in market interest rates as of December 31, 2006 would decrease our interest income from cash equivalents and short-term investments by approximately R\$12 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, 2006.

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. The Registrant maintains controls and procedures designed to ensure that it is able to collect the information it is required to disclose in the reports it files with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of the Registrant's disclosure controls and procedures as of the end of the period covered by this report conducted by the Registrant's management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers believe that these controls and procedures are effective to ensure that the Registrant is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

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. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Registrant's internal control over financial reporting as of December 31, 2006. 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. Based on this assessment, management believes that, as of December 31, 2006, the Company's internal control over financial reporting is effective based on those criteria.

Management's assessment of the effectiveness of internal controls over financial reporting as of December 31, 2006 has been audited by Ernst & Young Auditores Independientes S.S., the independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young's attestation report on management's assessment of 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 subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses, were made as a result of the evaluation.

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."

Table of Contents**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, 2006 and 2005:

| | 2006 | 2005 |
|--------------------|------------------|------------------|
| | (in reais) | |
| Audit Fees | 2,852,141 | 1,771,142 |
| Audit-Related Fees | 511,879 | 2,063,728 |
| Tax Fees | — | 27,669 |
| All Other Fees | — | — |
| Total | 3,364,020 | 3,862,539 |

Audit Fees

Audit fees included the audit of our annual financial statements and internal controls, the audit of our Brazilian GAAP financial statements, review of our quarterly reports in 2006 and required statutory audits.

Audit-Related Fees

Audit-related fees included fees for the preparation and issuance of comfort letters in connection with our offering of securities.

Tax Fees

Tax fees include the review of our income tax returns in 2005. There were no tax services provided in 2006.

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, 2006 and 2005.

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 2006 and 2005, 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

None.

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), 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.
- 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.
- 2.2 Shareholders' Agreement among Comporte Participações S.A., Aeropar Participações S.A., BSSF Air Holdings LLC and the Registrant, 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.
- 2.3 Subscription and Option Agreement, dated January 20, 2003, by and among Áurea Administração e Participações S.A., BSSF Air Holdings Ltd., BSSF II Holdings Ltda. and Gol Transportes Aéreos S.A., and addendum, 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.
- 10.1 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 the Gol Transportes Aéreos S.A., including amendments thereto.
- 10.4 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.
- 10.5 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.
- 10.6 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.
- 10.7 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.
- 10.8 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.
- 10.9 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.

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- 10.10 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.
- 10.11 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.
- 10.12 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.
- 10.13 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.
- 10.14 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.
- 10.15 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.
- 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.

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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 (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

Dated: February 28, 2007

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006 and 2005
(In thousands of Brazilian Reais)

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| Audited Consolidated Financial Statements | |
| <u>Consolidated Balance Sheets as of December 31, 2006 and 2005</u> | <u>F-4</u> |
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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 management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Gol Linhas Aéreas Inteligentes S.A. maintained effective internal control over financial reporting as of December 31, 2006, 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' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, 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.

In our opinion, management's assessment that Gol Linhas Aéreas Inteligentes S.A. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Gol Linhas Aéreas Inteligentes S.A. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have 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, 2006 and 2005, and related consolidated statements of income, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2006 of Gol Linhas Aéreas Inteligentes S.A. and our report dated January 29, 2007 expressed an unqualified opinion thereon.

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

Maria Helena Pettersson
Partner

São Paulo, Brazil
January 29, 2007

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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 the accompanying consolidated balance sheets of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years ended in the period December 31, 2006. 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. and subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Gol Linhas Aéreas Inteligentes S.A.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 29, 2007 expressed an unqualified opinion thereon.

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

Maria Helena Pettersson
Partner

São Paulo, Brazil
January 29, 2007

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Table of Contents**GOL LINHAS AÉREAS INTELIGENTES S.A.**

CONSOLIDATED BALANCE SHEETS
 December 31, 2006 and 2005
 (In thousands of Brazilian Reais)

| | <u>2005</u> | <u>2006</u> | <u>Translation into thousands of US\$ 2006</u> |
|--|----------------------|----------------------|--|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | R\$ 106,347 | R\$ 280,977 | US\$ 131,420 |
| Short-term investments | 762,688 | 1,425,369 | 666,683 |
| Receivables, less allowance (2005 – R\$ 4,890; 2006 – R\$ 10,366, US\$ 4,848) | 563,958 | 659,306 | 308,375 |
| Inventories | 40,683 | 75,165 | 35,157 |
| Deposits with lessors | - | 232,960 | 108,962 |
| Recoverable taxes | 13,953 | 60,396 | 28,249 |
| Prepaid expenses | 39,907 | 64,496 | 30,167 |
| Other | 13,102 | 12,654 | 5,919 |
| Total current assets | <u>1,540,638</u> | <u>2,811,323</u> | <u>1,314,932</u> |
| PROPERTY AND EQUIPMENT | | | |
| Pre-delivery deposits | 356,765 | 436,911 | 204,355 |
| Flight equipment | 225,724 | 660,861 | 309,102 |
| Other | 75,619 | 129,260 | 60,458 |
| | <u>658,108</u> | <u>1,227,032</u> | <u>573,915</u> |
| Accumulated depreciation | (79,508) | (147,809) | (69,134) |
| Property and equipment, net | <u>578,600</u> | <u>1,079,223</u> | <u>504,781</u> |
| OTHER ASSETS | | | |
| Deposits with lessors | 408,776 | 304,875 | 142,598 |
| Other | 27,829 | 63,033 | 29,482 |
| Total other assets | <u>436,605</u> | <u>367,908</u> | <u>172,080</u> |
| TOTAL ASSETS | <u>R\$ 2,555,843</u> | <u>R\$ 4,258,454</u> | <u>US\$ 1,991,793</u> |

See accompanying notes to consolidated financial statements

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005
(In thousands of Brazilian Reais)

| | 2005 | 2006 | Translation into thousands of US\$ 2006 |
|--|----------------------|----------------------|---|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Short-term borrowings | R\$ 54,016 | R\$ 128,304 | US\$ 60,011 |
| Current portion of long-term debt | - | 41,298 | 19,316 |
| Accounts payable | 73,924 | 124,110 | 58,050 |
| Salaries, wages and benefits | 71,638 | 87,821 | 41,076 |
| Sales tax and landing fees | 83,750 | 139,394 | 65,198 |
| Air traffic liability | 217,800 | 335,268 | 156,814 |
| Insurance premium payable | 25,371 | 44,897 | 21,000 |
| Dividends payable | 101,482 | 42,961 | 20,094 |
| Deferred gains on sale and leaseback transactions | - | 10,128 | 4,737 |
| Other | 18,244 | 46,165 | 21,592 |
| Total current liabilities | 646,225 | 1,000,346 | 467,888 |
| NON-CURRENT LIABILITIES | | | |
| Long-term debt | - | 949,006 | 443,876 |
| Deferred income taxes, net | 63,694 | 28,064 | 13,126 |
| Deferred gains on sale and leaseback transactions | - | 48,219 | 22,553 |
| Other | 23,593 | 27,661 | 12,939 |
| | 87,287 | 1,052,950 | 492,494 |
| SHAREHOLDERS' EQUITY | | | |
| Preferred shares, no par value; 88,615,674 issued and outstanding in 2006 and 86,524,136 issued and 85,952,136 outstanding in 2005 | 843,714 | 846,125 | 395,755 |
| Common shares, no par value; 107,590,792 and 109,448,497 issued and outstanding in 2006 and 2005, respectively | 41,500 | 41,500 | 19,411 |
| Additional paid-in capital | 32,273 | 35,430 | 16,572 |
| Appropriated retained earnings | 39,577 | 39,577 | 18,511 |
| Unappropriated retained earnings | 858,856 | 1,246,848 | 583,184 |
| Accumulated other comprehensive income | 6,411 | (4,322) | (2,022) |
| Total shareholders' equity | 1,822,331 | 2,205,158 | 1,031,411 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | R\$ 2,555,843 | R\$ 4,258,454 | US\$ 1,991,793 |

See accompanying notes to consolidated financial statements

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF INCOME
 Years ended December 31, 2006, 2005 and 2004
 (In thousands of Brazilian Reais, except per share amounts)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>Translation into thousands of US\$ 2006</u> |
|---|--------------------|--------------------|--------------------|--|
| NET OPERATING REVENUES | | | | |
| Passenger | R\$ 1,875,475 | R\$ 2,539,016 | R\$ 3,580,919 | US\$ 1,674,892 |
| Cargo and Other | 85,411 | 130,074 | 221,098 | 103,413 |
| Total net operating revenues | <u>1,960,886</u> | <u>2,669,090</u> | <u>3,802,017</u> | <u>1,778,305</u> |
| OPERATING EXPENSES | | | | |
| Salaries, wages and benefits | 183,037 | 260,183 | 413,977 | 193,628 |
| Aircraft fuel | 459,192 | 808,268 | 1,227,001 | 573,901 |
| Aircraft rent | 195,504 | 240,876 | 292,548 | 136,833 |
| Sales and marketing | 261,756 | 335,722 | 414,597 | 193,918 |
| Landing fees | 57,393 | 92,404 | 157,695 | 73,758 |
| Aircraft and traffic servicing | 74,825 | 91,599 | 199,430 | 93,279 |
| Maintenance materials and repairs | 51,796 | 55,373 | 146,505 | 68,524 |
| Depreciation | 21,242 | 35,014 | 69,313 | 32,420 |
| Other | 79,840 | 128,300 | 179,494 | 83,954 |
| Total operating expenses | <u>1,384,585</u> | <u>2,047,739</u> | <u>3,100,560</u> | <u>1,450,215</u> |
| OPERATING INCOME | <u>576,301</u> | <u>621,351</u> | <u>701,457</u> | <u>328,090</u> |
| OTHER INCOME (EXPENSE) | | | | |
| Interest expense | (13,445) | (19,383) | (66,378) | (31,047) |
| Capitalized interest | 3,216 | 17,113 | 16,733 | 7,826 |
| Interest and investment income | 34,159 | 140,204 | 174,354 | 81,550 |
| Other expenses, net | <u>(12,951)</u> | <u>(41,763)</u> | <u>(27,204)</u> | <u>(12,724)</u> |
| Total other income | <u>10,979</u> | <u>96,171</u> | <u>97,505</u> | <u>45,605</u> |
| INCOME BEFORE INCOME TAXES | <u>587,280</u> | <u>717,522</u> | <u>798,962</u> | <u>373,695</u> |
| Income taxes | <u>(202,570)</u> | <u>(204,292)</u> | <u>(229,825)</u> | <u>(107,495)</u> |
| NET INCOME | <u>R\$ 384,710</u> | <u>R\$ 513,230</u> | <u>R\$ 569,137</u> | <u>US\$ 266,200</u> |
| EARNINGS PER COMMON AND PREFERRED SHARE: | | | | |
| Basic | R\$ 2.14 | R\$ 2.66 | R\$ 2.90 | US\$ 1.36 |
| Diluted | R\$ 2.13 | R\$ 2.65 | R\$ 2.90 | US\$ 1.36 |

See accompanying notes to Consolidated Financial Statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006, 2005 and 2004

(In thousands of Brazilian Reais)

| | 2004 | 2005 | 2006 | Translation in thousands of US\$ 2006 |
|---|-------------|-------------|-------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | R\$ 384,710 | R\$ 513,230 | R\$ 569,137 | US\$ 266,200 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation | 31,300 | 35,519 | 69,313 | 32,420 |
| Deferred income taxes | 36,860 | 20,926 | (27,882) | (13,041) |
| Allowance for doubtful accounts receivable | (213) | 1,343 | 5,476 | 2,561 |
| Capitalized interest | (3,244) | (17,113) | (16,733) | (7,826) |
| Changes in operating assets and liabilities: | | | | |
| Receivables | (145,581) | (178,931) | (100,824) | (47,158) |
| Inventories | (7,468) | (19,645) | (34,482) | (16,128) |
| Accounts payable and other accrued liabilities | 15,355 | 37,488 | 50,186 | 23,473 |
| Deposits with lessors | (104,237) | (119,661) | (110,858) | (51,851) |
| Air traffic liability | 36,498 | 57,909 | 117,468 | 54,943 |
| Dividends payable | - | 40,806 | (58,521) | (27,372) |
| Other, net | (4,060) | (18,126) | 68,156 | 31,878 |
| Net cash provided by operating activities | 239,920 | 353,745 | 530,436 | 248,099 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Deposits for aircraft leasing contracts | (4,263) | 301 | (18,204) | (8,514) |
| Acquisition of property and equipment | (41,971) | (169,443) | (489,790) | (229,089) |
| Pre-delivery deposits | (43,447) | (313,318) | (63,413) | (29,660) |
| Purchase of available-for-sale securities | (1,386,991) | (456,418) | (2,021,593) | (945,553) |
| Sale of available-for-sale securities | 943,629 | 137,091 | 1,358,912 | 635,600 |
| Net cash used in investing activities | (533,043) | (801,787) | (1,234,088) | (577,216) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Short-term borrowings | 79,443 | (64,333) | 74,288 | 34,746 |
| Proceeds from issuance of long-term debt | - | - | 990,304 | 463,192 |
| Issuance of preferred shares | 470,434 | 279,080 | - | - |
| Tax benefit contributed by shareholders | 29,188 | - | - | - |
| Dividends paid | (26,503) | (60,676) | (181,145) | (84,726) |
| Other, net | - | (5,412) | (5,165) | (2,416) |
| Net cash provided by financing activities | 552,562 | 148,659 | 878,282 | 410,796 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 259,439 | (299,383) | 174,630 | 81,679 |
| Cash and cash equivalents at beginning of the year | 146,291 | 405,730 | 106,347 | 49,741 |
| Cash and cash equivalents at end of the year | R\$ 405,730 | R\$ 106,347 | R\$ 280,977 | US\$ 131,420 |
| Supplemental disclosure of cash flow information | | | | |
| Interest paid | R\$ 12,223 | R\$ 19,383 | R\$ 65,207 | US\$ 30,499 |
| Income taxes paid | R\$ 162,663 | R\$ 168,975 | R\$ 257,706 | US\$ 120,536 |
| Non cash investing activities | | | | |
| Tax benefit contributed by shareholders | R\$ 29,188 | R\$ - | R\$ - | US\$ - |
| Accrued capitalized interest | R\$ 3,244 | R\$ 17,113 | R\$ 16,733 | US\$ 7,826 |

See accompanying notes to consolidated financial statements.

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GOL LINHAS AÉREAS INTELIGENTES S.A.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended December 31, 2006, 2005 and 2004
(In thousands of Brazilian Reais, except for share information)

| | Common Shares | | Preferred Shares | | Additional paid-in capital | Deferred compensation | Retained Earnings | | Accumulated other comprehensive income | Total |
|---|---------------|------------|------------------|-------------|----------------------------|-----------------------|-------------------|----------------|--|---------------|
| | Shares | Amount | Shares | Amount | | | Appropriated | Unappropriated | | |
| Balance at December 31, 2003 | 116,200,000 | R\$ 41,500 | 52,592,985 | R\$ 94,200 | - | - | R\$ 5,579 | R\$ 173,460 | - | R\$ 314,739 |
| Net income | - | - | - | - | - | - | - | 384,710 | - | 384,710 |
| Proceeds from public offering, net | (6,751,503) | - | 25,501,761 | 459,185 | - | - | - | - | - | 459,185 |
| Deferred income taxes on public offering issuance costs, net | - | - | - | 11,249 | - | - | - | - | - | 11,249 |
| Tax benefit contributed by shareholders | - | - | - | - | 29,188 | - | - | - | - | 29,188 |
| Deferred compensation | - | - | - | - | 20,117 | (20,117) | - | - | - | - |
| Amortization of deferred compensation | - | - | - | - | - | 10,058 | - | - | - | 10,058 |
| Dividends payable | - | - | - | - | - | - | - | (60,676) | - | (60,676) |
| Transfer to appropriated retained earnings | - | - | - | - | - | - | 12,773 | (12,773) | - | - |
| Balance at December 31, 2004 | 109,448,497 | R\$ 41,500 | 78,094,746 | R\$ 564,634 | R\$ 49,305 | R\$ (10,059) | R\$ 18,352 | R\$ 484,721 | - | R\$ 1,148,453 |
| Comprehensive income: | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | 513,230 | - | 513,230 |
| Unrealized gain on derivative instruments, net of taxes | - | - | - | - | - | - | - | - | 6,411 | 6,411 |
| Total Comprehensive income | - | - | - | - | - | - | - | - | - | 519,641 |
| Proceeds from public offering, net | - | - | 7,725,811 | 258,123 | - | - | - | - | - | 258,123 |
| Issuance of preferred shares pursuant to employee stock option plan | - | - | 703,579 | 17,238 | (15,099) | - | - | - | - | 2,139 |
| Unpaid subscribed capital | - | - | (572,000) | (1,739) | - | - | - | - | - | (1,739) |
| Deferred income taxes on public offering issuance costs, net | - | - | - | 5,458 | - | - | - | - | - | 5,458 |
| Deferred compensation | - | - | - | - | 428 | (428) | - | - | - | - |
| Amortization of deferred compensation | - | - | - | - | - | 8,126 | - | - | - | 8,126 |
| Dividends payable and interest on shareholders' equity | - | - | - | - | - | - | - | (117,870) | - | (117,870) |
| Transfer to appropriated retained earnings | - | - | - | - | - | - | 21,225 | (21,225) | - | - |
| Balance at December 31, 2005 | 109,448,497 | R\$ 41,500 | 85,952,136 | R\$ 843,714 | R\$ 34,634 | R\$ (2,361) | R\$ 39,577 | R\$ 858,856 | R\$ 6,411 | R\$ 1,822,331 |
| Comprehensive income: | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | 569,137 | - | 569,137 |
| Change in fair value of derivative instruments, net of taxes | - | - | - | - | - | - | - | - | (10,733) | (10,733) |
| Total Comprehensive income | - | - | - | - | - | - | - | - | - | 558,404 |
| Paid-in subscribed capital | (1,857,705) | - | 2,663,538 | 2,411 | - | - | - | - | - | 2,411 |
| Deferred compensation | - | - | - | - | 4,641 | (4,641) | - | - | - | - |
| Amortization of deferred compensation | - | - | - | - | - | 3,157 | - | - | - | 3,157 |
| Dividends payable and interest on shareholders' equity | - | - | - | - | - | - | - | (181,145) | - | (181,145) |
| Balance at December 31, 2006 | 107,590,792 | R\$ 41,500 | 88,615,674 | R\$ 846,125 | R\$ 39,275 | R\$ (3,845) | R\$ 39,577 | R\$ 1,246,848 | R\$ (4,322) | R\$ 2,205,158 |

See accompanying notes to consolidated financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006 and 2005
(In thousands of Brazilian Reais)

1. Business Overview

GOL Linhas Aéreas Inteligentes S.A. (the Company or GLAI) is the parent company of GOL Transportes Aéreos S.A. (GOL), a low-fare, low-cost airline headquartered in Brazil, providing frequent service on routes between all of Brazil's major cities and also to major cities in Argentina, Bolivia, Chile, Paraguay and Uruguay. The Company focuses on increasing the growth and profits of its business by popularizing and stimulating and meeting demand for simple, safe and affordable air travel in South America for both business and leisure passengers, while maintaining among the lowest costs in the airline industry worldwide. GOL's simplified, single class fleet is among the newest and most modern in the industry, with low maintenance, fuel, and training costs and high levels of utilization and efficiency.

As of December 31, 2006, the Company operated a fleet of 65 aircraft, consisting of 21 Boeing 737-800 Next Generation, 30 Boeing 737-700 and 14 Boeing 737-300 aircraft. During 2006, the Company inaugurated 10 new destinations increasing the number of destinations served to 55 (48 in Brazil, three in Argentina, one each in Bolivia, Uruguay, Paraguay and Chile).

In the third quarter of 2006 the Company inaugurated its Center for Aircraft Maintenance at the Confins International Airport, in the state of Minas Gerais, Brazil.

The Company incorporated in March 2006 two new subsidiaries, GAC Inc. and Gol Finance, located in Cayman Islands, whose activities are related to aircraft acquisition and financing.

2. Summary of Significant Accounting Policies

Basis of presentation. These financial statements were prepared in accordance with accounting principles generally accepted in the United States (US GAAP), using Brazilian Reais as the functional and reporting currency. The exchange rate at December 31, 2006 was R\$ 2.1380 and R\$ 2.3407 at December 31, 2005 (the December 31, 2006 rate is used for convenience translation). The average exchange rates for 2006 and 2005 were R\$ 2.1771 and R\$ 2.4341, respectively, per US Dollar (these rates are provided for reference purposes). The accounting principles adopted under USGAAP differ in certain respects from accounting principles generally accepted in Brazil ("Brazilian GAAP"), which the Company uses to prepare its statutory financial statements.

The consolidated financial statements include accounts of Gol Linhas Aéreas Inteligentes S.A. and of its wholly-owned subsidiaries Gol Transportes Aéreos S.A. (GTA), GAC Inc., Gol Finance and Gol Finance LLP. All significant intercompany balances have been eliminated.

Use of estimates. The preparation of financial statements in conformity with USGAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the accompanying notes. Actual results could differ from these estimates.

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 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 (Continued)

December 31, 2006 and 2005

(In thousands of Brazilian Reais)

Securities available-for-sale. The Company's short-term investment portfolio consists of traditional fixed maturities securities, which are readily convertible into cash and are primarily highly liquid in nature. Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. As defined by SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities", the Company's short-term investments are classified as available-for-sale securities. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

Provision for doubtful accounts. Provision for doubtful accounts is constituted in an amount sufficient to cover possible losses in the realization of accounts receivable.

Inventories. Inventories consist of expendable aircraft spare parts and supplies. These items are stated at average acquisition cost and are charged to expense when used. Allowance for obsolescence is based on management estimates, which are subject to change. At December 31, 2006, there was no amount recognized as allowance for obsolescence.

Aircraft and engine maintenance deposits. Our aircraft lease agreements specifically provide that we, as lessee, are responsible for maintenance of the leased aircraft. 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 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:

- 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 manufacturer, CFM.

Table of Contents**GOL LINHAS AÉREAS INTELIGENTES S.A.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

December 31, 2006 and 2005
(In thousands of Brazilian Reais)

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 lessor are agreeing for us 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 we reevaluate the appropriateness of the lease accounting and reclassify the affected deposits as Other Deposits. 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.

Property and equipment. Property and equipment are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. Interest related to pre-delivery deposits to acquire new aircraft is capitalized. The estimated useful lives for property and equipment are as follows:

| | <u>Estimated Useful Life</u> |
|--|------------------------------------|
| Leasehold improvements | Lower of lease term or useful life |
| Aircraft | 20 years |
| Maintenance and engineering equipment | 10 years |
| Communication and meteorological equipment | 5 years |
| Computer hardware and software | 5 years |

Measurement of asset impairments. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Impairment losses, when determined, are measured by comparing the fair value of the asset to its net book value, and recognized directly in the statement of income.

Maintenance and repair costs. The Company accounts for maintenance activities under the direct expense method. Under this method, regular aircraft and engine maintenance and repair costs, including the overhaul of aircraft components, for owned and leased flight equipment, are charged to operating expenses as incurred.

Lease accounting. SFAS No. 28, "Accounting for Sales with Leaseback", defines a sale-leaseback as a financing transaction in which any income or loss on the sale shall be deferred and amortized by the seller, who becomes the lessee, in proportion to rental payments over the period of time the asset is expected to be used for leases classified as operating leases. We amortize deferred gains on the sale and leaseback of equipment over the lives of these leases. The amortization of these gains is recorded as a reduction to rent expense. Under our operating lease agreements the Company is responsible for all maintenance costs on aircraft and engines, and it must meet specified airframe and engine return conditions upon lease expiration. If these return conditions are not met, the leases require financial compensation to the lessor. The Company accrues ratably, if estimable, the total costs that will be incurred by the Company to render the aircraft in a suitable return condition per the contract.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

(In thousands of Brazilian Reais)

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 air traffic liability. Air traffic liability primarily represents 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 constantly compared with actual refund and exchange activities to ensure the accuracy of the Company's revenue recognition method with respect to forfeited tickets.

Revenue from cargo shipment 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 2006, 2005 and 2004 were R\$ 149,841, R\$ 108,994 and R\$ 93,763, respectively.

Advertising. Advertising costs, which are included in sales and marketing expenses, are expensed as incurred. Advertising expense in 2006, 2005 and 2004 was R\$ 37,240, R\$ 32,720 and R\$ 31,798, respectively.

Income Taxes. Deferred income taxes are provided using the liability method and reflect the net tax effects of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. A valuation allowance for net deferred tax assets is provided unless realizability is judged to be more likely than not.

Financial Derivative Instruments. The Company accounts for financial derivative instruments utilizing Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities", as amended. As part of the Company's risk management program, the Company 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 measures the effectiveness of the hedging instruments in offsetting changes to those prices, as required by SFAS 133. 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 SFAS 133.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005
(In thousands of Brazilian Reais)

The Company's outstanding derivative contracts are 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 other comprehensive income. All changes in fair value that are considered to be effective, as defined, are recorded in "Accumulated other comprehensive income" until the underlying exchange exposure is realized and fuel is consumed. Changes in fair value that are not considered to be effective are recorded to "other gains and losses" in the statement of income. See Note 13 for further information on SFAS 133 and financial derivative instruments.

Foreign currency transactions. Transactions in foreign currency are recorded at the prevailing exchange rate at the time of the related transactions. Exchange gains and losses are recognized in the statements of income as they occur and are recorded in financial expense.

Stock options. The Company accounts for stock-based compensation under the fair value method in accordance with SFAS 123(R), "Share-Based Payment", which superseded APB Opinion No. 25, "Accounting for Stock Issued to Employees," after December 2005. Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values.

SFAS 123(R) permits companies to adopt its requirements using either a "modified prospective" method, or a "modified retrospective" method. Under the modified prospective method, compensation cost is recognized in the financial statements for new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite service is rendered on or after the required effective date. The Company has adopted SFAS 123(R) in the first quarter of 2006 using the modified prospective method. The impact of this change in accounting principle in 2006 was to increase stock-based employee compensation expense by R\$ 792, resulting in total stock-based employee compensation expense in the year of R\$ 3,239.

The following table illustrates the effect on net income and earnings per common and preferred share as if the fair value method to measure stock-based compensation had been applied as required under the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", as amended for the years of 2005 and 2004:

| | 2004 | 2005 |
|--|-------------|-------------|
| Net income, as reported | R\$ 384,710 | R\$ 513,230 |
| Add: Stock-based employee compensation using intrinsic value | 10,058 | 8,126 |
| Deduct: Stock-based employee compensation expense determined under the fair value method | (9,969) | (8,632) |
| Pro forma net income | R\$ 384,799 | R\$ 512,724 |
| Earnings per common and preferred shares: | | |
| Basic as reported and pro forma | R\$ 2.14 | R\$ 2.66 |
| Diluted as reported and pro forma | R\$ 2.13 | R\$ 2.65 |

The fair value for these stock options was estimated at the date of grant using the Black-Scholes option-pricing model assuming an expected dividend yield of 2%, expected volatility of approximately 39%, weighted average risk-free interest rate of 17%, and an expected average life of 3.9 years.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005

(In thousands of Brazilian Reais)

US dollar amounts. The U.S. dollar amounts are included solely for the convenience of the reader and have been translated at the rate of R\$ 2.1380 = US\$ 1.00, the official exchange rate issued by the Brazilian Central Bank as of December 31, 2006. This translation should not be construed to imply that the Brazilian reais amounts represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

3. Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board reached a consensus on Emerging Issue Task Force (EITF) Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)". This EITF is effective for financial reports for interim and annual reporting periods beginning after December 15, 2006. The adoption of EITF 06-3 will not have a significant impact on the Company's consolidated financial statements.

In July 2006, the FASB issued Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. In addition, FIN 48 clearly scopes out income taxes from Financial Accounting Standards Board Statement No. 5, "Accounting for Contingencies". FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 will not have significant impact on the Company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 (SAB 108). Due to diversity in practice among registrants, SAB 108 expresses SEC staff views regarding the process by which misstatements in financial statements are evaluated for purposes of determining whether financial statement restatement is necessary. SAB 108 is effective for fiscal years ending after November 15, 2006, and early application is encouraged. The Company does not believe SAB 108 will have a material impact on its results of operations or financial position.

4. Short-term investments

| | 2005 | 2006 | Translation into thousands of US\$ - 2006 |
|---------------------------------|--------------------|----------------------|---|
| Investments | | | |
| Bank Deposit Certificates – CDB | R\$ 309,757 | R\$ 552,546 | US\$ 258,441 |
| Public Securities | 452,931 | 219,745 | 102,781 |
| Fixed Income Securities | - | 653,078 | 305,462 |
| | <u>R\$ 762,688</u> | <u>R\$ 1,425,369</u> | <u>US\$ 666,683</u> |

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

| | December 31, 2006 | | |
|---|------------------------------|-------------------------------|--|
| | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value (Net Carrying Amount) |
| Public Securities and Fixed Income Securities | R\$ 17 | R\$ (55) | R\$ 872,823 |
| Bank Deposit Certificates – CDB | 16 | (22) | 552,546 |
| | <u>R\$ 33</u> | <u>R\$ (77)</u> | <u>R\$ 1,425,369</u> |

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2006 and 2005
(In thousands of Brazilian Reais)

| | December 31, 2005 | | |
|---|------------------------------|-------------------------------|--|
| | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value (Net Carrying Amount) |
| Public Securities and Fixed Income Securities | R\$ 779 | R\$ (112) | R\$ 452,931 |
| Bank Deposit Certificates – CDB | - | - | 309,757 |
| | <u>R\$ 779</u> | <u>R\$ (112)</u> | <u>R\$ 762,688</u> |

The gross realized gains on sales of available-for-sale securities totaled R\$ 114,028 and R\$ 23,857 (US\$ 53,334 and US\$ 10,192), in 2006 and 2005, respectively, and there were no losses in those years.

The net carrying value and estimated fair value of debt and marketable equity securities available for sale at December 31, 2006, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

| | Estimated Fair Value |
|--|----------------------|
| Due in one year or less | R\$ 660,358 |
| Due after one year through three years | 455,594 |
| Due after three years | 309,417 |
| | <u>R\$ 1,425,369</u> |

5. Deposits with Lessors

Deposits with lessors include aircraft and engine maintenance deposits, security deposits for aircraft leasing contracts and other deposits which will be used to compensate the lessors for other lease related costs when due. Following is the composition of the balance:

| | December 31 | | Translation into thousands of US\$ - 2006 |
|--|----------------|----------------|---|
| | 2005 | 2006 | |
| Aircraft and engine maintenance deposits | 386,193 | 263,647 | 123,315 |
| Security deposits | 22,583 | 40,787 | 19,077 |
| Other deposits | - | 233,401 | 109,168 |
| | <u>408,776</u> | <u>537,835</u> | <u>251,560</u> |
| Short-term | - | (232,960) | (108,962) |
| Long-term | <u>408,776</u> | <u>304,875</u> | <u>142,598</u> |

6. Short-term Borrowings

At December 31, 2006, the Company had nine revolving lines of credit with five financial institutions allowing for combined borrowings up to R\$ 332,000. One of the credit lines is secured by promissory notes and allows for borrowings up to R\$ 200,000. At December 31, 2006 and 2005, there were R\$128,304 (US\$ 60,011) and R\$ 54,016 (US\$ 23,077) outstanding borrowings under these facilities, respectively.

The weighted average annual interest rate for these Reais-based short-term borrowings at December 31, 2006 and 2005 was 15.5% and 20.7%, respectively.

GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

December 31, 2006 and 2005
(In thousands of Brazilian Reais)

7. Long-term Debt

| | <u>December 31, 2006</u> | <u>Translation into thousands of US\$ - 2006</u> |
|--------------------------|--------------------------|--|
| Foreign currency: | | |
| 5.39 % Bank loan | 128,304 | 60,011 |
| 7.24 % IFC loan | 107,150 | 50,117 |
| 8.75 % Perpetual notes | <u>436,902</u> | <u>204,351</u> |
| | 672,356 | 314,479 |
| Local currency: | | |
| 9.60 % BNDES loan | 54,626 | 25,550 |
| Capital leases (note 11) | <u>222,024</u> | <u>103,846</u> |
| Long-term debt | <u>949,006</u> | <u>443,876</u> |

In April 2006, the Company's wholly-owned subsidiary Gol Finance issued US\$ 200 million (R\$455 million) 8.75% perpetual notes that have no fixed final maturity date and are callable at par at the option of the issuer after five years. At December 31, 2006, there was R\$ 436,902 outstanding under this facility.

In April 2006, the Company's wholly-owned subsidiary GAC Inc., arranged a US\$ 60 million (R\$ 130 million) borrowing facility with Credit Suisse. The term of the facility is 2.7 years with an annual interest rate of 3-month Libor. At December 31, 2006, there was US\$ 60,011 (R\$ 128,304) outstanding under this facility.

In June 2006, GTA borrowed R\$ 75.7 million (US\$ 35.0 million) from the BNDES (the Brazilian Development Bank) and R\$ 107.1 million (US\$ 50.0 million) from the International Finance Corporation (IFC). The BNDES credit line 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 term of the BNDES loan is five years with an interest rate of 2.65% over the long-term borrowing rate -TJLP (6.85% p.a. during the fourth quarter) and has a guarantee of accounts receivable in the amount of R\$ 12,920. The loan from the International Finance Corporation (IFC) financed the acquisition of aircraft spare parts inventories and working capital. The term of the IFC loan is six years with a rate of 1.875% over the 3-month Libor. As of December 31, 2006, there was outstanding R\$ 54,626 (US\$ 25,550) in the long-term and R\$ 8,186 (US\$ 3,829) in the short-term under the BNDES agreement and R\$ 107,150 (US\$ 50,117) in the long-term under the IFC agreement.

In November 2006, the Company signed a long-term financing agreement with the Private Export Funding Corporation (PEFCO) to finance the acquisition of Boeing 737-800 aircraft with a carrying value of R\$ 117,950 at December 31, 2006. The term of the financing is 12 years, with an average annual fixed interest rate of 5.28% . As of December 31, 2006, there was outstanding R\$ 167,333 (US\$ 78,266) in the long-term under the PEFCO agreement. This financing is recorded as capital lease.

The following table provides a summary of our principal payments of long-term debt obligations at December 31:

| (in R\$ 000) | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Beyond 2012</u> | <u>Total</u> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|------------------------|--------------|
| Long-term debt obligations (1) | 148,408 | 57,560 | 56,946 | 57,048 | 45,782 | 146,360 | 512,104 |

(1) The long-term debt obligations do not include the perpetual notes.

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8. Transactions with Related Parties

The Company has a bus transportation agreement with related companies Breda Transportes e Serviços S.A. and Expresso União Ltda. During 2006 and 2005, the Company paid R\$3,109 and R\$ 413 (R\$ 1,690 and R\$ 308) to these companies, respectively.

The Company also has a five-year office space lease agreement with Áurea Administração e Participações S.A. (expiring on March 31, 2008) for the lease of headquarters located at Rua Tamoios, 246 in São Paulo. The lease agreement provides for monthly payments, adjusted by the IGP-M inflation index. During 2006 and 2005, the Company paid R\$ 362 and R\$ 344 to this company, respectively.

The payments to and from the related parties in the normal course of business were based on prevailing market rates.

9. Shareholders' Equity

The following table sets forth the ownership and the percentages of the Company's voting (common) and non-voting (preferred) shares as at December 31, 2006 and December 31, 2005:

| | 2006 | | | 2005 | | |
|-----------------------------|---------|-----------|---------|---------|-----------|---------|
| | Common | Preferred | Total | Common | Preferred | Total |
| ASAS Investment Fund | 100.00% | 35.79% | 71.00% | - | - | - |
| Aeropor Participações S.A. | - | - | - | 100.00% | 36.40% | 71.92% |
| Comporte Participações S.A. | - | - | - | - | 3.87% | 1.71% |
| Others | - | 3.04% | 1.37% | - | 0.82% | 0.36% |
| Public Market (Free Float) | - | 61.17% | 27.63% | - | 58.91% | 26.01% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

The Company is a stock corporation (*sociedade anônima*) incorporated under the laws of Brazil. As of December 31, 2006, the Company had 107,590,792 shares of common stock and 88,615,674 shares of preferred stock authorized, issued and outstanding. According to the Company's bylaws, the capital can be increased up to R\$ 2,000,000 through the issuance of common or preferred shares.

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 our common shares. In addition, the São Paulo Stock Exchange – Bovespa Level 2 of Differentiated Corporate Governance Practices, which we will 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.

On March 17, 2006, the Company's then controlling shareholder, Aeropor Participações S.A. concluded a restructuring of its corporate shareholdings, by means of which 31,493,863 preferred shares of the Company, held by Aeropor, were transferred to the Fundo de Investimento em Participações Asas (a fund controlled by the shareholders of Aeropor 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.

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Appropriated retained earnings

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. At December 31, 2006, the allocation of retained earnings related to the legal reserve was R\$ 39,577.

Unappropriated retained earnings

The balance of R\$ 1,246,848 is pending approval at the Annual Shareholders Meeting in order to meet the Company investment plan and increase in working capital.

Dividends

The Company's bylaws provide for a mandatory minimum dividend to common and preferred shareholders including interest on shareholders equity, 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. On December 31, 2006, after considering appropriated retained earnings which can be transferred to unappropriated retained earnings, the earnings and reserves available for distribution as dividends, upon approval by the Company's shareholders at the annual shareholder's meeting, amounted to R\$ 1,246,848.

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 9.81%, 9.75% and 7.88% for years 2004, 2005 and 2006, 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.

For the quarter ended March 31, 2006, the Company's statutory consolidated financial statements presented a net profit of R\$ 160,678 (R\$ 112,472 in 2005). The Company accrued a total of R\$43,470 of interim dividends payable (represented by R\$ 35,391 of interest on stockholder's equity and R\$8,079 of dividends) for payment on May 23, 2006, which is also included in current liabilities.

For the quarter ended June 30, 2006, the Company's statutory consolidated financial statements presented a net profit of R\$ 98,169 (R\$43,744 in 2005). The Company accrued a total of R\$ 32,051 of interim dividends payable represented fully by interest on stockholder's equity for payment on August 15, 2006.

For the quarter ended September 30, 2006, the Company's statutory consolidated financial statements presented a net profit of R\$ 245,932 (R\$116,798 in 2005). The Company accrued a total of R\$ 62,495 of interim dividends payable represented by R\$ 29,506 of interest on stockholder's equity and R\$ 32,989 of dividends for payment in the fourth quarter of 2006.

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Dividends (Continued)

For the quarter ended December 31, 2006, the Company accrued a total of R\$ 39,486 of dividends payable (represented by R\$ 22,899 of interest on stockholder's equity and R\$ 16,587 of dividends) for payment in 2007 (R\$ 117,870 in 2005). Dividends and interest on shareholders' equity are included in current liabilities and ratification for payment will be made at the Annual Shareholders Meeting.

For the year ended December 31, 2006, the Company's statutory consolidated financial statements presented net income of R\$ 684,472 (R\$ 424,501 in 2005).

10. Stock Option Plans

At shareholders meetings held on May 25 and December 9, 2004, the Company's shareholders approved an executive stock option plan for key senior executive officers. On April 25, 2004, the Company issued to executive officers stock options to purchase up to 937,412 of its preferred shares at an exercise price of R\$3.04 per share (determined based on the book value of GOL before the creation of GLAI). Fifty percent of the options vested on October 25, 2004, with the remaining 50% vesting at the end of each quarter ending subsequent to October 25, 2004, on a pro rata basis, through the second quarter of 2006. Each option will expire two years after the vesting date. The fair value of each share at the date of the grant was R\$ 24.50. In connection with the initial grant of preferred stock options, the Company recorded deferred stock compensation of R\$ 20,117, representing the difference between the exercise price of the options and the deemed fair value of the preferred stock.

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. Initially, 87,418 of the Company's preferred shares have been reserved for issuance under this plan. On January 19, 2005, the Company issued stock options to 17 key employees to purchase up to 87,418 of its preferred shares at an exercise price of R\$ 33.06 per share, (the volume weighted average price for the 60 previous trading days). 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\$ 37.96. In connection with the initial grant of preferred stock options, the Company recorded deferred stock compensation of R\$ 428, representing the difference between the exercise price of the options and the deemed fair value of the preferred stock.

On January 2, 2006, the Compensation Committee, within the scope of its functions and in conformity with the Company's Stock Option Plan, 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\$ 64.70. In connection with the initial grant of preferred stock options, the Company recorded deferred stock compensation of R\$ 1,737, representing the difference between the exercise price of the options and the deemed fair value of the preferred stock.

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10. Stock Option Plans (Continued)

Transactions are summarized as follows:

| | Stock Options | Weighted-Average Exercise Price |
|--|------------------|------------------------------------|
| Outstanding at December 31, 2003 | - | - |
| Granted | 937,412 | 3.04 |
| Exercised | - | - |
| Outstanding at December 31, 2004 | 937,412 | 3.04 |
| Granted | 87,418 | 33.06 |
| Exercised | (703,579) | 3.04 |
| Outstanding at December 31, 2005 | 321,251 | 11.21 |
| Granted | 99,816 | 47.30 |
| Exercised | (233,833) | 3.04 |
| Outstanding at December 31, 2006 | 187,234 | 40.65 |
| Options exercisable at December 31, 2004 | 507,765 | 3.04 |
| Options exercisable at December 31, 2005 | 158,353 | 6.50 |
| Options exercisable at December 31, 2006 | 17,484 | 33.06 |

The weighted-average fair values at the date of grant for options granted, as of December 31, 2006 and December 31, 2005, were R\$ 27.20 and R\$ 19.95, respectively, and were estimated using the Black-Scholes option-pricing model assuming an expected dividend yield of 1.50%, expected volatility of approximately 40.19%, weighted average risk-free interest rate of 13.67%, and an expected average life of 3.53 years.

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, 2006 are summarized as follows:

| Options Outstanding | | | | Options Exercisable | |
|--------------------------------|---|---|---------------------------------------|---|--|
| Range of Exercise Prices | Options Outstanding at 12/31/2006 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Options Exercisable at 12/31/2006 | Weighted Average Exercise Price |
| 3.04 | - | - | 3.04 | - | 3.04 |
| 33.06 | 87,418 | 3.0 | 33.06 | 17,484 | 33.06 |
| 47.30 | 99,816 | 4.0 | 47.30 | - | 47.30 |
| 3.04-47.30 | 187,234 | 3.53 | 40.65 | 17,484 | 33.06 |

11. Leases

The Company has entered into five lease agreements for aircraft which are classified as capital leases under the provisions of SFAS No. 13, "Accounting For Leases". The capital lease agreements are typically for a term of twelve years and for two aircraft the present value of the minimum lease payments exceed 90% of their fair market value at the inception of the lease and for the remaining three aircraft, the Company has bargain purchase options to buy them at the end of the lease term. The carrying value of aircraft under capital lease arrangements included in property and equipment totaled R\$ 254,228 as of December 31, 2006. Amortization of aircraft under capital lease arrangements is included in depreciation and amortization expense.

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The Company had five aircraft classified as capital leases at December 31, 2006. The amounts applicable to these aircraft included in property and equipment were:

| | 2006 | 2005 |
|-------------------------------|----------|------|
| Flight equipment | 264,629 | - |
| Less accumulated depreciation | (10,401) | - |
| | 254,228 | - |

Future minimum lease payments under capital leases with initial or remaining terms in excess of one year at December 31, 2006 were as follows:

| | Thousands of R\$ | Thousands of US\$ |
|---|------------------|-------------------|
| 2007 | 38,696 | 18,099 |
| 2008 | 38,696 | 18,099 |
| 2009 | 38,696 | 18,099 |
| 2010 | 38,696 | 18,099 |
| 2011 | 38,696 | 18,099 |
| After 2011 | 197,171 | 92,222 |
| Total minimum lease payments | 390,651 | 182,717 |
| Less: Amount representing interest | (135,515) | (63,384) |
| Present value of net minimum lease payments | 255,136 | 119,333 |
| Less current portion | (33,112) | (15,487) |
| Long-term portion | 222,024 | 103,846 |

The Company leases aircraft in operation, airport terminal space, other airport facilities, office space and other equipment. At December 31, 2006, the Company leased 60 aircraft under operating leases (as compared to 42 aircraft at December 31, 2005), with initial lease term expiration dates ranging from 2007 to 2016.

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, 2006 were as follows:

| | Thousands of R\$ | | | Thousands of US\$ | | |
|------------------------------|------------------|--------|-----------|-------------------|--------|---------|
| | Aircraft | Other | Total | Aircraft | Other | Total |
| 2007 | 407,056 | 14,814 | 421,870 | 190,391 | 6,929 | 197,320 |
| 2008 | 336,252 | 10,829 | 347,081 | 157,274 | 5,065 | 162,339 |
| 2009 | 293,004 | 5,922 | 298,926 | 137,046 | 2,770 | 139,816 |
| 2010 | 198,481 | 3,147 | 201,628 | 92,835 | 1,472 | 94,307 |
| 2011 | 175,981 | 92 | 176,073 | 82,311 | 43 | 82,354 |
| After 2011 | 503,029 | - | 503,029 | 235,280 | - | 235,280 |
| Total minimum Lease payments | 1,913,803 | 34,804 | 1,948,607 | 895,137 | 16,279 | 911,416 |

During 2006 the Company received three Boeing 737-300 aircraft, eight Boeing 737-700 aircraft and fourteen Boeing 737-800 aircraft.

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12. Other Commitments

The following table provides a summary of our principal payments under aircraft purchase commitments and other obligations at December 31:

| (in R\$ 000) | 2007 | 2008 | 2009 | 2010 | 2011 | Beyond 2011 | Total |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|----------------|------------|
| Pre-delivery deposits (1) | 115,954 | 150,191 | 161,195 | 141,191 | 65,472 | 1,530 | 635,533 |
| Aircraft purchase commitments (2) | 2,502,025 | 1,971,577 | 2,245,264 | 1,704,769 | 1,535,050 | 1,590,319 | 11,549,004 |
| Total | 2,617,979 | 2,121,768 | 2,406,459 | 1,845,960 | 1,600,522 | 1,591,849 | 12,184,537 |

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

(2) The Company has a purchase contract with Boeing for 110 Boeing 737-800 Next Generation aircraft, under which the Company currently has 76 firm orders and 34 purchase options. The firm orders have an approximate value of R\$ 11,549 million (corresponding to approximately US\$ 5,402 million) based on the aircraft list price (excluding contractual manufacturer's 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). During 2006, the Company entered into sale-leaseback agreements for eight Boeing 737-800 Next Generation aircraft, six of which were delivered during the third quarter of 2006, and two of which were delivered during the fourth quarter of 2006.

13. Contingencies

The Company is party to legal proceedings and claims that arise during the ordinary course of business. While the outcome of these lawsuits and proceedings cannot be predicted with certainty and could have a material adverse effect on the Company's financial position, results of operations and cash flows, it is the Company's opinion, after consulting with its outside counsel, that the ultimate disposition on such lawsuits will not have a material adverse effect on its financial position, results of operation or cash flows.

14. Financial Instruments and Concentration of Risk

At December 31, 2006 and December 31, 2005, the Company's primary monetary assets were cash equivalents, short-term investments and assets related to aircraft leasing operations. The Company's primary monetary liabilities are related to aircraft leasing operations. All monetary assets other than those related to aircraft leasing operations included in the balance sheet are stated at amounts that approximate their fair values.

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

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The Company's revenue is generated in Brazilian Reais (except for a small portion in Argentine Pesos, Bolivian Bolivianos, Chilean Pesos, Paraguay Guarani and Uruguay Pesos from flights between Brazil, Argentina, Bolivia, Chile, Paraguay, Uruguay). However, its liabilities, particularly those related to aircraft leasing and acquisition, are US dollar-denominated. The Company's currency exchange exposure at December 31, 2006 is as set forth below:

| | RS 000 | Translation into thousands of US\$ 2006 |
|--|-------------------|--|
| Assets | | |
| Cash and cash equivalents | 788,136 | 368,632 |
| Deposits with lessors | 273,031 | 127,704 |
| Aircraft and engine maintenance deposits | 20,223 | 9,459 |
| Other | 15,405 | 7,205 |
| Total assets | 1,096,795 | 513,000 |
| Liabilities | | |
| Foreign suppliers | 25,249 | 11,810 |
| Leases payable | 18,270 | 8,545 |
| Insurance premium payable | 44,897 | 21,000 |
| Total liabilities | 88,416 | 41,355 |
| Exchange exposure | 1,008,379 | 471,645 |
| Off-balance sheet transactions exposure | | |
| Operating leases | 1,948,607 | 911,416 |
| Aircraft commitments | 11,549,004 | 5,401,779 |
| Total exchange exposure | 14,505,990 | 6,784,840 |

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

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

a) Fuel

Airline operations are exposed to the effects of changes in the price of aircraft fuel. Aircraft fuel consumed in 2006, 2005 and 2004 represented approximately 39.6%, 39.5% and 33.2% of the Company's operating expenses, respectively. To manage this risk, the Company periodically enters into crude oil option contracts and swap agreements. Because jet fuel is not traded on an organized futures exchange, liquidity for hedging is limited. However, the Company has found commodities for effective hedging of jet fuel costs. Historically, prices for crude oil are highly correlated to jet fuel in Brazil, making crude oil derivatives effective at offsetting jet fuel prices to provide short-term protection against a sharp increase in average fuel prices.

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

| | 2006 | 2005 | |
|---|-------------|-----------|------|
| At December 31: | | | |
| Fair value of derivative instruments at year end | R\$ (4,573) | R\$ 8,464 | |
| Average remaining term (months) | 3 | 8 | |
| Hedged volume (barrels) | 1,804,000 | 1,431,000 | |
| | 2006 | 2005 | 2004 |
| Year ended December 31: | | | |
| Hedge effectiveness gains (losses) recognized in aircraft fuel expense | R\$ (8,665) | R\$ 5,246 | N.A. |
| Hedge ineffectiveness gains (losses) recognized in other income (expense) | R\$ (1,125) | R\$ 397 | N.A. |
| Percentage of actual consumption hedged (during year) | 77% | 55% | 75% |

The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases for short-term time frames. The Company currently has a combination of purchased call options, collar structures, and fixed price swap agreements in place to hedge approximately 65% and 44% of its jet fuel requirements at average crude equivalent prices of approximately US\$ 66.80 and US\$ 69.20 per barrel for the first and second quarters of 2007, respectively.

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

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

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The Company continually looks for better and more accurate methodologies in forecasting future cash flows relating to its jet fuel hedging program. These estimates are used in the measurement of effectiveness for the Company's fuel hedges, as required by SFAS 133. During second quarter 2006, the Company revised its method for forecasting future cash flows. Previously, the Company had estimated future cash flows using actual market forward prices of like commodities and adjusting for historical differences from the Company's actual jet fuel purchase prices. The Company's new methodology utilizes a statistical-based regression equation with data from market forward prices of like commodities, and will not have a material impact on the financial statements.

During 2006, the Company recognized approximately R\$18 (US\$ 8) of additional net gains in Other gains, net, related to the ineffectiveness of its hedges. Of this net total, approximately R\$61 (US\$ 29) was ineffectiveness expense and mark-to-market losses related to contracts that settled during the year. As of December 31, 2006 there was R\$ 3,018 (US\$ 1,412), net of taxes, on unrealized losses with jet fuel hedges recorded in "comprehensive income".

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

b) Exchange rates

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

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

| | <u>2006</u> | <u>2005</u> | |
|---|-------------|--------------|-------------|
| At December 31: | | | |
| Fair value of derivative instruments at year end | R\$ (275) | R\$ 1,249 | |
| Longest remaining term (months) | 2 | 1 | |
| Hedged volume | 180,127 | R\$ 135,129 | |
| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
| Year ended December 31: | | | |
| Hedge effectiveness gains (losses) recognized in operating expenses | R\$ (2,868) | R\$ (24,236) | N.A. |
| Hedge ineffectiveness gains (losses) recognized in other income (expense) | R\$ (1,269) | R\$ (10,921) | N.A. |
| Percentage of expenses hedged (during year) | 51% | 60% | 73% |

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The Company utilizes financial derivative instruments as hedges to decrease its exposure to increases in the USD exchange rate. The Company has utilized financial derivative instruments for short-term time frames. The Company accounts for its foreign currency futures derivative instruments as cash flow hedges under SFAS 133. As of December 31, 2006 the unrealized loss with exchange rates recorded in "comprehensive income" was R\$ 1,275, net of taxes.

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

c) Cash management

The Company utilizes financial derivative instruments for cash management purposes. The Company utilizes synthetic fixed income options and swaps to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments. The Company enters into synthetic fixed income option contracts with first-tier banks registered in the Brazilian CETIP clearing house. As of December 31, 2006, the total amount invested in synthetic fixed-income option contracts was R\$ 77,350 with average term of 88 days. The Company utilizes swap agreements to change the remuneration of a portion of its short term investments to the Brazilian overnight deposit rate ("CDI"). As of December 31, 2006, the notional amount of fixed-rate swaps to CDI was R\$ 75,000 with a fair value of R\$ (256), and the notional amount of dollar-denominated swaps to CDI was R\$ 351,088 with a fair value or R\$ 7,890. The change in fair value of these swaps is recognized in interest income in the period of change.

15. Insurance Coverage

Management holds insurance coverage in amounts that it deems necessary to cover possible accidents, due to the nature of its assets and the risks inherent to its activity, observing the limits established in lease agreements. On December 31, 2006 the insurance coverage, by nature, considering GOL's aircraft fleet and in relation to the maximum indemnifiable amounts, is the following:

| Aeronautic Type | Unaudited | |
|---|-----------|-----------|
| | R\$ | US\$ |
| Warranty – Hull | 4,401,838 | 2,058,858 |
| Civil Liability per occurrence/aircraft | 1,603,500 | 750,000 |
| Warranty – Hull/War | 4,401,838 | 2,058,858 |
| Inventories | 421,582 | 197,185 |

By means of Law 10,605, as of December 18, 2002, the Brazilian government undertook to supplement any civil liability expenses against third parties caused by acts of war or terrorist attacks, occurred in Brazil or abroad, for which GOL may be demanded, for the amounts that exceed the insurance policy limit effective on September 10, 2001, limited to the equivalent in reais to one billion US dollars.

GOL LINHAS AÉREAS INTELIGENTES S.A.
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On September 29, 2006, an aircraft performing Gol Airlines Flight 1907 from Manaus enroute to Rio with a stop in Brasília, was involved in a mid-air collision with a aircraft of ExcelAir. The Gol aircraft, a new Boeing 737-800 Next Generation, went down in the Amazon forest and there were no survivor among the 148 passengers and six crew members. The ExcelAir aircraft, a new Embraer Legacy 135 BJ, performed an emergency landing and all of its seven occupants were unharmed. 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. The payments for the hull to the lessor were made by the insurance maintained. The Company does not expect any exposure to arise from the accident involving Flight 1907 to have a material adverse effect on the financial position or results of operation of the Company.

16. Income Taxes

a) Deferred income taxes

The deferred income taxes are summarized as follows:

| | 2004 | 2005 | 2006 | Translation into thousands of US\$ 2006 |
|---|------------|-----------|-----------|--|
| Deferred tax assets | | | | |
| Loss carryforward | R\$ 11,589 | R\$ 8,762 | R\$ 7,218 | US\$ 3,376 |
| Interest on shareholders' equity | - | 36,748 | - | - |
| Deferred tax on sale leasebacks | - | - | 19,838 | 9,279 |
| Deferred tax benefit contributed by shareholders | 25,296 | 19,458 | 13,621 | 6,371 |
| Estimated liabilities | 3,519 | 964 | 9,931 | 4,645 |
| Allowance for doubtful accounts | 2,943 | 1,663 | 3,524 | 1,648 |
| Other | 244 | 4,059 | 7,445 | 3,482 |
| Total deferred tax assets | 43,591 | 71,654 | 61,577 | 28,801 |
| Deferred tax liabilities | | | | |
| Property and equipment | (1,093) | (5,818) | - | - |
| Deposits with lessors | (86,991) | (128,914) | (89,641) | (41,928) |
| Other | - | (616) | - | - |
| Total deferred tax liabilities | (88,084) | (135,348) | (89,641) | (41,928) |
| Net deferred tax liabilities | (44,493) | (63,694) | (28,064) | (13,126) |

The following current and deferred income tax amounts were recorded in the statements of income:

| | 2004 | 2005 | 2006 | Translation into thousands of US\$ 2006 |
|------------------|---------|---------|----------|--|
| Current expense | 165,710 | 189,576 | 257,707 | 120,536 |
| Deferred expense | 36,860 | 14,716 | (27,882) | (13,041) |
| | 202,570 | 204,292 | 229,825 | 107,495 |

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GOL LINHAS AÉREAS INTELIGENTES S.A.
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 December 31, 2006 and 2005
 (In thousands of Brazilian Reais)

b) Income statement

The reconciliation of the reported income tax and social contribution tax and the amount determined by applying the composite fiscal rate at December 31, 2006, December 31, 2005 and December 31, 2004, is as follows:

| | 2004 | 2005 | 2006 | Translation into thousands of US\$ 2006 |
|----------------------------------|-------------|-------------|-------------|---|
| Income before income taxes | R\$ 587,280 | R\$ 717,522 | R\$ 798,962 | US\$ 373,695 |
| Nominal composite rate | 34% | 34% | 34% | 34% |
| Income tax by the nominal rate | 199,675 | 243,957 | 271,647 | 127,057 |
| Interest on shareholders' equity | - | (38,716) | (42,122) | (19,702) |
| Other permanent differences | 2,895 | (949) | (300) | (140) |
| Income tax expense | 202,570 | 204,292 | 229,825 | 107,495 |
| Effective rate | 34.5% | 28.5% | 28.7% | 28.7% |

17. Earnings per Share

The Company's preferred shares are not entitled to receive any fixed dividends. Rather, the preferred shareholders are entitled to receive dividends per share in the same amount of the dividends per share paid to holders of the common shares. However, our preferred shares are entitled to receive distributions prior to holders of the common shares. Consequently, basic earnings per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the year. 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.

| | R\$ | | | US\$ |
|---|---------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2006 |
| Numerator | | | | |
| Net income applicable to common and preferred shareholders for basic and diluted earnings per share | 384,710 | 513,230 | 569,137 | 266,200 |
| Denominator | | | | |
| Weighted-average shares outstanding for basic earnings per share (in thousands) | 179,731 | 192,828 | 196,103 | 196,103 |
| Effect of dilutive securities: | | | | |
| Executive stock options (in thousands) | 826 | 776 | 117 | 117 |
| Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares (in thousands) | 180,557 | 193,604 | 196,210 | 196,210 |

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GOL LINHAS AÉREAS INTELIGENTES S.A.
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 December 31, 2006 and 2005
 (In thousands of Brazilian Reais)

18. Quarterly Financial Data (Unaudited)

Quarterly results of operations for the years ended December 31, 2006 and 2005 are summarized below (in thousands, except per share amounts).

| 2006 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|-----------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| Net operating revenues | R\$ 863,016 | R\$ 844,028 | R\$ 1,082,971 | R\$ 1,012,002 |
| Operating income | 223,835 | 132,258 | 233,063 | 112,301 |
| Net income | 179,790 | 106,685 | 190,006 | 92,656 |
| Earnings per share, basic | 0.92 | 0.54 | 0.97 | 0.47 |
| Earnings per share, diluted | 0.92 | 0.54 | 0.97 | 0.47 |

| 2005 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|-----------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| Net operating revenues | R\$ 589,159 | R\$ 562,168 | R\$ 696,658 | R\$ 821,105 |
| Operating income | 177,246 | 84,977 | 183,223 | 175,905 |
| Net income | 131,084 | 73,377 | 138,190 | 170,579 |
| Earnings per share, basic | 0.70 | 0.38 | 0.71 | 0.88 |
| Earnings per share, diluted | 0.70 | 0.38 | 0.70 | 0.88 |

The sum of the quarterly earnings per share amounts may not equal the annual amount reported because per share amounts are computed independently for each quarter and for the full year based on respective weighted-average common shares outstanding and other dilutive potential common shares.

19. Consolidating Condensed Financial Information of Guarantor Subsidiaries

The following condensed consolidating financial information, prepared in accordance with USGAAP, is presented in lieu of providing separate audited financial statements for the guarantor subsidiary Gol Transportes Aéreos S.A. (GTA) 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 issued by company's wholly owned subsidiary Gol Finance.

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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, 2006

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|-------------------------------|-------------------|----------------------|-------------------------|-----------------------------|------------------------------|------------------|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | 136,332 | 8,322 | 136,041 | 282 | - | 280,977 |
| Short-term investments | 473,166 | 561,843 | 390,360 | - | - | 1,425,369 |
| Receivables, less allowance | - | - | 659,306 | - | - | 659,306 |
| Inventories | - | - | 75,165 | - | - | 75,165 |
| Deposits with lessors | - | - | 232,960 | - | - | 232,960 |
| Recoverable taxes | 13,467 | - | 46,929 | - | - | 60,396 |
| Prepaid expenses | - | - | 64,496 | - | - | 64,496 |
| Dividends receivable | 173,372 | - | - | - | (173,372) | - |
| Other | 86,776 | - | 39,179 | 56 | (113,357) | 12,654 |
| Total current assets | 883,113 | 570,165 | 1,644,436 | 338 | (286,729) | 2,811,323 |
| PROPERTY AND EQUIPMENT | | | | | | |
| Pre-delivery deposits | - | 436,911 | - | - | - | 436,911 |
| Flight equipment | - | - | 660,861 | - | - | 660,861 |
| Other | - | - | 129,260 | - | - | 129,260 |
| Accumulated depreciation | - | 436,911 | 790,121 | - | - | 1,227,032 |
| Property and equipment, net | - | - | (147,809) | - | - | (147,809) |
| | - | 436,911 | 642,312 | - | - | 1,079,223 |
| OTHER ASSETS | | | | | | |
| Investments | 1,316,428 | - | - | - | (1,316,428) | - |
| Deposits with lessors | 130,068 | - | 287,592 | - | (112,785) | 304,875 |
| Due from related parties | - | 29,566 | - | 433,744 | (463,310) | - |
| Other | - | 5,175 | 75,939 | - | (18,081) | 63,033 |
| Total other assets | 1,446,496 | 34,741 | 363,531 | 433,744 | (1,910,604) | 367,908 |
| TOTAL ASSETS | 2,329,609 | 1,041,817 | 2,650,279 | 434,082 | (2,197,333) | 4,258,454 |

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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, 2006

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|---|-------------------|----------------------|-------------------------|--------------------------------|------------------------------|------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings | - | - | 128,304 | - | - | 128,304 |
| Current portion of long-term debt | - | - | 41,298 | - | - | 41,298 |
| Accounts payable | - | - | 124,110 | - | - | 124,110 |
| Salaries, wages and benefits | - | - | 87,821 | - | - | 87,821 |
| Sales tax and landing fees | 44,478 | 10,236 | 84,680 | - | - | 139,394 |
| Air traffic liability | - | - | 335,268 | - | - | 335,268 |
| Insurance premium payable | - | - | 44,897 | - | - | 44,897 |
| Dividends payable | 42,961 | - | 173,091 | - | (173,091) | 42,961 |
| Deferred gains on sale and leaseback transactions | - | 10,128 | - | - | - | 10,128 |
| Other | 37,012 | - | 45,967 | 6 | (36,820) | 46,165 |
| Total current liabilities | 124,451 | 20,364 | 1,065,436 | 6 | (209,911) | 1,000,346 |
| NON-CURRENT LIABILITIES | | | | | | |
| Long-term debt | - | 128,304 | 383,800 | 436,902 | - | 949,006 |
| Deferred income taxes, net | - | 14,398 | 13,666 | - | - | 28,064 |
| Deferred gains on sale and leaseback transactions | - | 48,219 | - | - | - | 48,219 |
| Credit with related parties | - | 811,593 | 29,566 | - | (841,159) | - |
| Other | - | - | 29,719 | - | (2,058) | 27,661 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Capital stock | 887,625 | - | 556,367 | - | (556,367) | 887,625 |
| Additional paid-in capital | 35,430 | - | 3,157 | - | (3,157) | 35,430 |
| Appropriated retained earnings | 39,577 | - | 359,337 | - | (359,337) | 39,577 |
| Unappropriated retained earnings | 1,246,848 | 18,939 | 213,553 | (2,826) | (229,666) | 1,246,848 |
| Accumulated other comprehensive income | (4,322) | - | (4,322) | - | 4,322 | (4,322) |
| Total shareholders' equity | 2,205,158 | 18,939 | 1,128,092 | (2,826) | (1,144,205) | 2,205,158 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 2,329,609 | 1,041,817 | 2,650,279 | 434,082 | (2,197,333) | 4,258,454 |

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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, 2005

| | <u>Parent Company</u> | <u>Issuer Subsidiary</u> | <u>Subsidiary Guarantor</u> | <u>Consolidating Adjustments</u> | <u>Consolidated</u> |
|-------------------------------|---------------------------|------------------------------|---------------------------------|--------------------------------------|---------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 36,632 | 1,333 | 68,382 | - | 106,347 |
| Short-term investments | 210,408 | - | 552,280 | - | 762,688 |
| Receivables, less allowance | - | - | 563,958 | - | 563,958 |
| Inventories | - | - | 40,683 | - | 40,683 |
| Recoverable taxes | 4,968 | - | 8,985 | - | 13,953 |
| Prepaid expenses | - | - | 39,907 | - | 39,907 |
| Dividends receivable | 349,506 | - | - | (349,506) | - |
| Other | 864 | 1,041 | 12,336 | (1,139) | 13,102 |
| Total current assets | 602,378 | 2,374 | 1,286,531 | (350,645) | 1,540,638 |
| PROPERTY AND EQUIPMENT | | | | | |
| Pre-delivery deposits | - | 356,765 | - | - | 356,765 |
| Flight equipment | - | - | 225,724 | - | 225,724 |
| Other | - | - | 75,619 | - | 75,619 |
| | - | 356,765 | 301,343 | - | 658,108 |
| Accumulated depreciation | - | - | (79,508) | - | (79,508) |
| Property and equipment, net | - | 356,765 | 221,835 | - | 578,600 |
| OTHER ASSETS | | | | | |
| Investments | 1,288,093 | - | - | (1,288,093) | - |
| Deposits with lessors | - | - | 408,776 | - | 408,776 |
| Other | 51,164 | - | 27,374 | (50,709) | 27,829 |
| Total other assets | 1,339,257 | - | 436,150 | (1,338,802) | 436,605 |
| TOTAL ASSETS | <u>1,941,635</u> | <u>359,139</u> | <u>1,944,516</u> | <u>(1,689,447)</u> | <u>2,555,843</u> |

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[Table of Contents](#)**GOL LINHAS AÉREAS INTELIGENTES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Balance Sheet as of December 31, 2005

| | <u>Parent Company</u> | <u>Issuer Subsidiary</u> | <u>Subsidiary Guarantor</u> | <u>Consolidating Adjustments</u> | <u>Consolidated</u> |
|---|---------------------------|------------------------------|---------------------------------|--------------------------------------|---------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Short-term borrowings | - | - | 54,016 | - | 54,016 |
| Accounts payable | - | - | 73,924 | - | 73,924 |
| Salaries, wages and benefits | - | - | 71,638 | - | 71,638 |
| Sales tax and landing fees | 17,051 | 5,818 | 60,881 | - | 83,750 |
| Air traffic liability | - | - | 217,800 | - | 217,800 |
| Insurance premium payable | - | - | 25,371 | - | 25,371 |
| Dividends payable | 101,482 | - | 349,506 | (349,506) | 101,482 |
| Other | 771 | - | 31,027 | (13,554) | 18,244 |
| Total current liabilities | 119,304 | 5,818 | 884,163 | (363,060) | 646,225 |
| NON-CURRENT LIABILITIES | | | | | |
| Long-term debt | - | - | - | - | - |
| Deferred income taxes, net | - | - | 63,694 | - | 63,694 |
| Other | - | - | 20,295 | 3,298 | 23,593 |
| SHAREHOLDERS' EQUITY | | | | | |
| Capital stock | 885,214 | 347,784 | 556,367 | (904,151) | 885,214 |
| Additional paid-in capital | 32,273 | - | - | - | 32,273 |
| Appropriated retained earnings | 39,577 | - | 222,183 | (222,183) | 39,577 |
| Unappropriated retained earnings | 858,856 | 5,537 | 192,103 | (197,640) | 858,856 |
| Accumulated other comprehensive income | 6,411 | - | 5,711 | (5,711) | 6,411 |
| Total shareholders' equity | 1,822,331 | 353,321 | 976,364 | (1,329,685) | 1,822,331 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| | 1,941,635 | 359,139 | 1,944,516 | (1,689,447) | 2,555,843 |

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Table of Contents**GOL LINHAS AÉREAS INTELIGENTES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Statement of Income for the year ended December 31, 2006

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|--|-------------------|----------------------|-------------------------|--------------------------------|------------------------------|--------------|
| NET OPERATING REVENUES | | | | | | |
| Passenger | - | - | 3,580,919 | - | - | 3,580,919 |
| Cargo and Other | - | - | 221,098 | - | - | 221,098 |
| Total net operating revenues | - | - | 3,802,017 | - | - | 3,802,017 |
| OPERATING EXPENSES | | | | | | |
| Salaries, wages and benefits | - | - | 413,977 | - | - | 413,977 |
| Aircraft fuel | - | - | 1,227,001 | - | - | 1,227,001 |
| Aircraft rent | - | - | 292,548 | - | - | 292,548 |
| Sales and marketing | - | - | 414,597 | - | - | 414,597 |
| Landing fees | - | - | 157,695 | - | - | 157,695 |
| Aircraft and traffic servicing | - | - | 199,430 | - | - | 199,430 |
| Maintenance materials and repairs | - | - | 146,505 | - | - | 146,505 |
| Depreciation | - | - | 69,313 | - | - | 69,313 |
| Other | 8,664 | 24,556 | 161,865 | 1,017 | (16,608) | 179,494 |
| Total operating expenses | 8,664 | 24,556 | 3,082,931 | 1,017 | (16,608) | 3,100,560 |
| OPERATING INCOME (LOSS) | (8,664) | (24,556) | 719,086 | (1,017) | 16,608 | 701,457 |
| OTHER INCOME (EXPENSE) | | | | | | |
| Interest expense | - | (46,600) | (23,311) | (29,375) | 32,908 | (66,378) |
| Capitalized interest | - | 11,001 | 5,732 | - | - | 16,733 |
| Interest and investment income | 57,401 | 34,886 | 73,364 | 27,566 | (18,863) | 174,354 |
| Other expenses, net | 2,109 | 6,449 | (11,293) | - | (24,469) | (27,204) |
| Total other income | 59,510 | 5,736 | 44,492 | (1,809) | (10,424) | 97,505 |
| Results of equity interest | 637,095 | - | - | - | (637,095) | - |
| Non-operating results | - | 16,000 | - | - | (16,000) | - |
| INCOME (LOSS) BEFORE INCOME TAXES | 687,941 | (2,820) | 763,578 | (2,826) | (646,911) | 798,962 |
| Income taxes | (118,804) | 10,690 | (121,711) | - | - | (229,825) |
| NET INCOME (LOSS) | 569,137 | 7,870 | 641,867 | (2,826) | (646,911) | 569,137 |

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GOL LINHAS AÉREAS INTELIGENTES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Statement of Income for the year ended December 31, 2005

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Consolidating Adjustments | Consolidated |
|--|---------------------------|------------------------------|---------------------------------|--------------------------------------|---------------------|
| NET OPERATING REVENUES | | | | | |
| Passenger | - | - | 2,539,016 | - | 2,539,016 |
| Cargo and Other | - | - | 130,074 | - | 130,074 |
| Total net operating revenues | - | - | 2,669,090 | - | 2,669,090 |
| OPERATING EXPENSES | | | | | |
| Salaries, wages and benefits | - | - | 260,183 | - | 260,183 |
| Aircraft fuel | - | - | 808,268 | - | 808,268 |
| Aircraft rent | - | - | 240,876 | - | 240,876 |
| Sales and marketing | - | - | 335,722 | - | 335,722 |
| Landing fees | - | - | 92,404 | - | 92,404 |
| Aircraft and traffic servicing | - | - | 91,599 | - | 91,599 |
| Maintenance materials and repairs | - | - | 55,373 | - | 55,373 |
| Depreciation | - | - | 35,014 | - | 35,014 |
| Other | 1,733 | - | 128,270 | (1,703) | 128,300 |
| Total operating expenses | 1,733 | - | 2,047,709 | (1,703) | 2,047,739 |
| OPERATING INCOME (LOSS) | (1,733) | - | 621,381 | 1,703 | 621,351 |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | - | - | (19,383) | - | (19,383) |
| Capitalized interest | - | 17,113 | - | - | 17,113 |
| Interest and investment income | 31,519 | - | 98,161 | 10,524 | 140,204 |
| Other expenses, net | (13,991) | (5,241) | (28,806) | 6,275 | (41,763) |
| Total other income | 17,528 | 11,872 | 49,972 | 16,799 | 96,171 |
| Results of equity interest | 464,157 | - | - | (464,157) | - |
| INCOME (LOSS) BEFORE INCOME TAXES | 479,952 | 11,872 | 671,353 | (445,655) | 717,522 |
| Income taxes | 33,278 | (5,818) | (226,276) | (5,476) | (204,292) |
| NET INCOME (LOSS) | 513,230 | 6,054 | 445,077 | (451,131) | 513,230 |

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GOL LINHAS AÉREAS INTELIGENTES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Statement of Income for the year ended December 31, 2004

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Consolidating Adjustments | Consolidated |
|--|---------------------------|------------------------------|---------------------------------|--------------------------------------|---------------------|
| NET OPERATING REVENUES | | | | | |
| Passenger | - | - | 1,875,475 | - | 1,875,475 |
| Cargo and Other | - | - | 85,411 | - | 85,411 |
| Total net operating revenues | - | - | 1,960,886 | - | 1,960,886 |
| OPERATING EXPENSES | | | | | |
| Salaries, wages and benefits | - | - | 183,037 | - | 183,037 |
| Aircraft fuel | - | - | 459,192 | - | 459,192 |
| Aircraft rent | - | - | 195,504 | - | 195,504 |
| Sales and marketing | - | - | 261,756 | - | 261,756 |
| Landing fees | - | - | 57,393 | - | 57,393 |
| Aircraft and traffic servicing | - | - | 74,825 | - | 74,825 |
| Maintenance materials and repairs | - | - | 51,796 | - | 51,796 |
| Depreciation | - | - | 21,242 | - | 21,242 |
| Other | - | - | 79,840 | - | 79,840 |
| Total operating expenses | - | - | 1,384,585 | - | 1,384,585 |
| OPERATING INCOME | - | - | 576,301 | - | 576,301 |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | - | - | (13,445) | - | (13,445) |
| Capitalized interest | - | - | 3,216 | - | 3,216 |
| Interest and investment income | 322 | - | 27,911 | - | 28,233 |
| Other expenses, net | (31,223) | (517) | 24,198 | 517 | (7,025) |
| Total other income | (30,901) | (517) | 41,880 | 517 | 10,979 |
| Results of equity interest | 403,890 | - | - | (403,890) | - |
| Non-operating results | - | - | - | - | - |
| INCOME (LOSS) BEFORE INCOME TAXES | (30,901) | (517) | 618,181 | 517 | 587,280 |
| Income taxes | 11,721 | - | (214,291) | - | (202,570) |
| NET INCOME (LOSS) | 384,710 | (517) | 403,890 | 517 | 384,710 |

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GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Statements of Cash Flows for the year ended December 31, 2006

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Subsidiary Non guarantor | Consolidating Adjustments | Consolidated |
|--|-------------------|----------------------|-------------------------|--------------------------------|------------------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Net income (loss) | 569,137 | 7,870 | 641,867 | (2,826) | (646,911) | 569,137 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | | | |
| Depreciation | - | - | 69,313 | - | - | 69,313 |
| Provision for doubtful accounts receivable | - | - | 5,476 | - | - | 5,476 |
| Deferred income taxes | (27,882) | 14,398 | 34,717 | - | (49,115) | (27,882) |
| Capitalized income | - | (16,733) | - | - | - | (16,733) |
| Changes in operating assets and liabilities | | | | | | |
| Receivables | - | - | (100,824) | - | - | (100,824) |
| Inventories | - | - | (34,482) | - | - | (34,482) |
| Credits with lessors | (130,068) | - | (54,836) | - | 184,904 | - |
| Prepaid expenses, other assets and recoverable taxes | 104,542 | (34,750) | (165,326) | (433,811) | 529,346 | - |
| Deposits for engine maintenance | - | - | - | - | (110,858) | (110,858) |
| Accounts payable and long-term vendor payable | - | - | 50,186 | - | - | 50,186 |
| Air traffic liability | - | - | 117,468 | - | - | 117,468 |
| Dividends payable | (58,521) | - | (176,415) | - | 176,415 | (58,521) |
| Payroll and related charges | - | - | 16,183 | - | (16,183) | - |
| Sales tax an landing fees, insurance premium payable and other liabilities | 91,550 | 880,177 | (17,052) | 6 | (886,525) | 68,156 |
| Net cash provided by operating activities | 548,758 | 850,963 | 386,275 | (436,631) | (818,927) | 530,436 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Short-term investments | (262,758) | (561,843) | 161,920 | - | 662,681 | - |
| Deposits for aircraft leasing contracts | - | - | - | - | (18,204) | (18,204) |
| Acquisition of property and equipment | - | - | (489,791) | - | - | (489,791) |
| Pre-delivery deposits | - | (420,178) | - | - | 356,765 | (63,413) |
| Purchase of available-for-sale securities | - | - | - | - | (2,021,593) | (2,021,593) |
| Sale of available-for-sale securities | - | - | - | - | 1,358,912 | 1,358,912 |
| Net cash used in investing activities | (262,758) | (982,021) | (327,871) | - | 338,561 | (1,234,088) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Short term borrowings, net | - | - | 115,586 | - | (41,298) | 74,288 |
| Long term borrowings, net | - | 128,304 | 383,800 | 436,913 | 41,287 | 990,304 |
| Reinvestment reserve | - | 11,077 | (298,953) | - | 287,876 | - |
| Issuance of preferred shares | - | - | - | - | - | - |
| Paid subscribed capital | 5,568 | - | - | - | (5,568) | - |
| Changes in fair value of derivatives financial instruments | (10,733) | - | (10,033) | - | 20,766 | - |
| Dividends paid | (181,135) | - | (181,145) | - | 181,135 | (181,145) |
| Other, net | - | - | - | - | (5,165) | (5,165) |
| Net cash provided by (used in) financing activities | (186,300) | 139,381 | 9,255 | 436,913 | 479,033 | 878,282 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 99,700 | 8,322 | 67,659 | 282 | (1,333) | 174,630 |
| Cash and cash equivalents at beginning of the period | 36,632 | - | 68,382 | - | 1,333 | 106,347 |
| Cash and cash equivalents at end of the period | 136,332 | 8,322 | 136,041 | 282 | - | 280,977 |

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GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in thousands of Brazilian Reais)
Condensed Consolidating Statements of Cash Flows for the year ended December 31, 2005

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Consolidating Adjustments | Consolidated |
|---|-------------------|----------------------|-------------------------|------------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net income (loss) | 513,230 | (6,054) | 445,077 | (439,023) | 513,230 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | | |
| Depreciation | - | - | 35,014 | 505 | 35,519 |
| Provision for doubtful accounts receivable | - | - | 1,343 | - | 1,343 |
| Deferred income taxes | (27,882) | - | 20,926 | 27,882 | 20,926 |
| Capitalized income | - | (17,113) | - | - | (17,113) |
| Changes in operating assets and liabilities | | | | | |
| Receivables | - | - | (178,931) | - | (178,931) |
| Inventories | - | - | (19,645) | - | (19,645) |
| Credits with lessors | - | - | (146,734) | 146,734 | - |
| Prepaid expenses, other assets and recoverable taxes | (489,331) | (658) | (14,904) | 504,893 | - |
| Deposits for engine maintenance | - | - | - | (119,661) | (119,661) |
| Accounts payable and long-term vendor payable | - | - | 37,488 | - | 37,488 |
| Air traffic liability | - | - | 57,909 | - | 57,909 |
| Dividends payable | 40,806 | - | 273,267 | (273,267) | 40,806 |
| Payroll and related charges | - | - | 20,597 | (20,597) | - |
| Sales tax an landing fees, insurance premium payable and other liabilities | 24,032 | 5,818 | (369,819) | 321,843 | (18,126) |
| Net cash provided by operating activities | 60,855 | (18,006) | 161,588 | 149,308 | 353,745 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Short-term investments | (210,408) | - | (108,919) | 319,327 | - |
| Deposits for aircraft leasing contracts | - | - | - | 301 | 301 |
| Acquisition of property and equipment | - | - | (168,938) | (505) | (169,443) |
| Pre-delivery deposits | - | (296,205) | - | (17,113) | (313,318) |
| Purchase of available-for-sale securities | - | - | - | (456,418) | (456,418) |
| Sale of available-for-sale securities | - | - | - | 137,091 | 137,091 |
| Net cash used in investing activities | (210,408) | (296,205) | (277,857) | (17,317) | (801,787) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Short term borrowings, net | - | - | (64,333) | - | (64,333) |
| Reinvestment reserve | - | - | (171,191) | 171,191 | - |
| Issuance of preferred shares | - | - | - | 279,080 | 279,080 |
| Paid subscribed capital | 272,107 | 288,974 | 390,789 | (951,870) | - |
| Changes in fair value of derivatives financial instruments | 6,411 | - | 5,711 | (12,122) | - |
| Dividends paid | (96,635) | - | (351,183) | 387,142 | (60,676) |
| Other, net | - | - | - | (5,412) | (5,412) |
| Net cash provided by (used in) financing activities | 181,883 | 288,974 | (190,207) | (131,991) | 148,659 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 32,330 | (25,237) | (306,476) | - | (299,383) |
| Cash and cash equivalents at beginning of the period | 4,302 | 26,570 | 374,858 | - | 405,730 |
| Cash and cash equivalents at end of the period | 36,632 | 1,333 | 68,382 | - | 106,347 |

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GOL LINHAS AÉREAS INTELIGENTES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in thousands of Brazilian Reais)
 Condensed Consolidating Statements of Cash Flows for the year ended December 31, 2004

| | Parent Company | Issuer Subsidiary | Subsidiary Guarantor | Consolidating Adjustments | Consolidated |
|---|-------------------|----------------------|-------------------------|------------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net income (loss) | 384,710 | (517) | 403,890 | (403,373) | 384,710 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | | |
| Depreciation | - | - | 21,242 | 10,058 | 31,300 |
| Provision for doubtful accounts receivable | - | - | (213) | - | (213) |
| Deferred income taxes | - | - | 36,860 | - | 36,860 |
| Capitalized income | (27,882) | (3,244) | - | 27,882 | (3,244) |
| Changes in operating assets and liabilities | | | | | |
| Receivables | - | - | (145,581) | - | (145,581) |
| Inventories | - | - | (7,468) | - | (7,468) |
| Credits with lessors | - | - | (108,500) | 108,500 | - |
| Prepaid expenses, other assets and recoverable taxes | - | (404) | (9,859) | 10,263 | - |
| Deposits for engine maintenance | (1,205,284) | - | - | 1,101,047 | (104,237) |
| Accounts payable and long-term vendor payable | - | - | (12,169) | 27,524 | 15,355 |
| Air traffic liability | - | - | 36,498 | - | 36,498 |
| Dividends payable | 60,676 | - | 49,735 | (110,411) | - |
| Payroll and related charges | - | - | 16,082 | (16,082) | - |
| Sales tax an landing fees, insurance premium payable and other liabilities | 9,977 | - | 414,522 | (428,559) | (4,060) |
| Net cash provided by operating activities | (777,803) | (4,165) | 695,039 | 326,849 | 239,920 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Short-term investments | - | - | (443,361) | 443,361 | - |
| Deposits for aircraft leasing contracts | - | - | - | (4,263) | (4,263) |
| Acquisition of property and equipment | - | - | (41,971) | - | (41,971) |
| Pre-delivery deposits | - | (40,203) | - | (3,244) | (43,447) |
| Purchase of available-for-sale securities | - | - | - | (1,386,991) | (1,386,991) |
| Sale of available-for-sale securities | - | - | - | 943,629 | 943,629 |
| Net cash used in investing activities | - | (40,203) | (485,332) | (7,508) | (533,043) |
| CASH FLOWS FROM FINANCING | | | | | |
| Short term borrowings, net | - | - | 79,443 | - | 79,443 |
| Reinvestment reserve | - | - | (14,222) | 14,222 | - |
| Issuance of preferred shares | - | - | - | 470,434 | 470,434 |
| Paid subscribed capital | 645,380 | 70,938 | 29,878 | (746,196) | - |
| Dividends paid | 136,725 | - | (76,239) | (86,989) | (26,503) |
| Other, net | - | - | - | 29,188 | 29,188 |
| Net cash provided by (used in) financing activities | 782,105 | 70,938 | 18,860 | (319,341) | 552,562 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 4,302 | 26,570 | 228,567 | - | 259,439 |
| Cash and cash equivalents at beginning of the period | - | - | 146,291 | - | 146,291 |
| Cash and cash equivalents at end of the period | 4,302 | 26,570 | 374,858 | - | 405,730 |

***Unaudited Condensed Consolidated Interim
Financial Statements under U.S. GAAP***

GOL Linhas Aéreas Inteligentes S.A.

***March 31, 2007 and December 31, 2006, with Report
of Independent Registered Public Accounting Firm***

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2007 and 2006
(In thousands of Brazilian Reais)

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| <u>Condensed Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2007 and 2006 (Unaudited)</u> | <u>F - 7</u> |
| <u>Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income for the three-month period ended March 31, 2007 (Unaudited)</u> | <u>F - 8</u> |
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the condensed consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of March 31, 2007 and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006 and the condensed consolidated statements of shareholders' equity and comprehensive income for the three-month period ended March 31, 2007. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of December 31, 2006, and the related consolidated statements of income, cash flows, shareholders equity and comprehensive income for the year then ended not presented herein, and in our report dated January 29, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG
Auditores Independentes S.S.

Maria Helena Pettersson
Partner

São Paulo, Brazil
April 19, 2007

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of Brazilian Reais)

| | March 31, 2007 (Unaudited) | December 31, 2006 |
|---|---|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | R\$ 618,509 | R\$ 280,977 |
| Short-term investments | 1,343,808 | 1,425,369 |
| Receivables, less allowance (2007 – R\$ 13,483; 2006 – R\$ 10,366) | 645,417 | 659,306 |
| Inventories | 123,262 | 75,165 |
| Deposits with lessors | 257,638 | 232,960 |
| Recoverable taxes | 57,721 | 60,396 |
| Prepaid expenses | 71,377 | 64,496 |
| Other | 10,066 | 12,654 |
| Total current assets | 3,127,798 | 2,811,323 |
| PROPERTY AND EQUIPMENT | | |
| Pre-delivery deposits | 554,817 | 436,911 |
| Flight equipment | 729,043 | 660,861 |
| Other | 132,741 | 129,260 |
| | 1,416,601 | 1,227,032 |
| Accumulated depreciation | (165,945) | (147,809) |
| Property and equipment, net | 1,250,656 | 1,079,223 |
| OTHER ASSETS | | |
| Deposits with lessors | 307,106 | 304,875 |
| Other | 72,731 | 63,033 |
| Total other assets | 379,837 | 367,908 |
| TOTAL ASSETS | R\$ 4,758,291 | R\$ 4,258,454 |

See accompanying notes to condensed consolidated financial statements

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of Brazilian Reais)

| | <u>March 31, 2007</u> <u>(Unaudited)</u> | <u>December 31, 2006</u> |
|---|---|--------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short-term borrowings | R\$ 176,120 | R\$ 128,304 |
| Current portion of long-term debt | 43,775 | 41,298 |
| Accounts payable | 106,082 | 124,110 |
| Salaries, wages and benefits | 104,456 | 87,821 |
| Sales tax and landing fees | 106,254 | 139,394 |
| Air traffic liability | 243,884 | 335,268 |
| Dividends payable | 72,537 | 42,961 |
| Deferred gains on sale and leaseback transactions | 7,172 | 10,128 |
| Deferred income taxes, net | 8,355 | - |
| Other | 66,101 | 91,062 |
| Total current liabilities | 934,736 | 1,000,346 |
| NON-CURRENT LIABILITIES | | |
| Long-term debt | 1,431,434 | 949,006 |
| Deferred income taxes, net | 34,349 | 28,064 |
| Deferred gains on sale and leaseback transactions | 49,375 | 48,219 |
| Other | 49,045 | 27,661 |
| | 1,564,203 | 1,052,950 |
| SHAREHOLDERS' EQUITY | | |
| Preferred shares, no par value; 88,621,497 and 88,615,674 issued and outstanding in 2007 and 2006, respectively | 848,536 | 846,125 |
| Common shares, no par value; 107,590,792 issued and outstanding in 2007 and 2006 | 41,500 | 41,500 |
| Additional paid-in capital | 35,844 | 35,430 |
| Appropriated retained earnings | 39,577 | 39,577 |
| Unappropriated retained earnings | 1,289,915 | 1,246,848 |
| Accumulated other comprehensive income | 3,980 | (4,322) |
| Total shareholders' equity | 2,259,352 | 2,205,158 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>R\$ 4,758,291</u> | <u>R\$ 4,258,454</u> |

See accompanying notes to condensed consolidated financial statements

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands of Brazilian Reals, except per share amounts)

| | Three-Months ended March 31, | |
|---|-------------------------------------|-------------|
| | 2007 | 2006 |
| NET OPERATING REVENUES | | |
| Passenger | R\$ 975,361 | R\$ 829,858 |
| Cargo and Other | 65,911 | 33,158 |
| Total net operating revenues | 1,041,272 | 863,016 |
| OPERATING EXPENSES | | |
| Aircraft fuel | 361,298 | 254,306 |
| Salaries, wages and benefits | 132,065 | 81,484 |
| Aircraft rent | 95,331 | 66,487 |
| Sales and marketing | 76,555 | 99,330 |
| Landing fees | 54,972 | 30,341 |
| Aircraft and traffic servicing | 57,888 | 31,621 |
| Maintenance materials and repairs | 46,248 | 26,115 |
| Depreciation | 28,546 | 12,529 |
| Other | 63,309 | 36,968 |
| Total operating expenses | 916,212 | 639,181 |
| OPERATING INCOME | 125,060 | 223,835 |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (27,024) | (3,263) |
| Capitalized interest | 4,617 | 3,350 |
| Interest and investment income | 88,606 | 33,972 |
| Other expenses, net | (31,558) | (9,264) |
| Total other income | 34,641 | 24,795 |
| INCOME BEFORE INCOME TAXES | 159,701 | 248,630 |
| Income taxes | (43,119) | (68,840) |
| NET INCOME | R\$ 116,582 | R\$ 179,790 |
| EARNINGS PER COMMON AND PREFERRED SHARE: | | |
| Basic | R\$ 0.59 | R\$ 0.92 |
| Diluted | R\$ 0.59 | R\$ 0.92 |

See accompanying notes to condensed consolidated financial statements.

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands of Brazilian Reais)

| | Three months ended March 31, | |
|---|-------------------------------------|---------------|
| | 2007 | 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | R\$ 116,582 | R\$ 179,790 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 28,546 | 12,529 |
| Deferred income taxes | (1,800) | (6,830) |
| Allowance for doubtful accounts receivable | 3,117 | 740 |
| Capitalized interest | (4,617) | 3,350 |
| Changes in operating assets and liabilities: | | |
| Receivables | 10,772 | (15,005) |
| Inventories | (48,097) | 2,644 |
| Accounts payable and other accrued liabilities | (18,028) | - |
| Deposits with lessors | (33,730) | (22,658) |
| Air traffic liability | (91,384) | (32,258) |
| Dividends payable | 29,576 | (43,470) |
| Other, net | (16,758) | 14,967 |
| Net cash provided by (used in) operating activities | (25,821) | 93,799 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Deposits for aircraft leasing contracts | 6,821 | (6,207) |
| Acquisition of property and equipment | (82,073) | (40,047) |
| Pre-delivery deposits | (113,289) | (62,856) |
| Change in available-for-sale securities, net | 81,561 | (13,221) |
| Net cash used in investing activities | (106,980) | (122,331) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Short-term borrowings | 6,518 | 50,443 |
| Proceeds from issuance of long-term debt | 526,203 | - |
| Dividends paid | (73,515) | - |
| Other, net | 11,127 | 8,638 |
| Net cash provided by financing activities | 470,333 | 59,081 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 337,532 | 30,549 |
| Cash and cash equivalents at beginning of the period | 280,977 | 106,347 |
| Cash and cash equivalents at end of the period | R\$ 618,509 | R\$ 136,896 |
| Supplemental disclosure of cash flow information | | |
| Interest paid | R\$ 27,024 | R\$ 3,263 |
| Income taxes paid | R\$ 28,630 | R\$ 76,809 |
| Non cash investing activities | | |
| Accrued capitalized interest | R\$ (4,617) | R\$ 3,350 |

See accompanying notes to condensed consolidated financial statements.

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

| | Common Shares | | Preferred Shares | | Additional paid in capital | Deferred compensation | Retained Earnings | | Accumulated other comprehensive income | Total |
|---|---------------|---------------|------------------|---------------|----------------------------------|--------------------------|-------------------|----------------|---|-----------|
| | Shares | Amount R\$ | Shares | Amount R\$ | | | Appropriated | Unappropriated | | |
| Balance at December 31, 2006 | 107,590,792 | 41,500 | 88,615,674 | 846,125 | R\$ 39,275 | R\$ (3,845) | R\$ 39,577 | R\$ 1,246,848 | R\$ (4,322) | 2,205,158 |
| Comprehensive income: | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | 116,582 | - | 116,582 |
| Changes in fair value of derivative instruments, net | - | - | - | - | - | - | - | - | - | - |
| of taxes | - | - | - | - | - | - | - | - | 8,302 | 8,302 |
| Total comprehensive income | - | - | - | - | - | - | - | - | - | 124,884 |
| Paid-in subscribed capital | - | - | 5,823 | 2,411 | - | - | - | - | - | 2,411 |
| Deferred compensation | - | - | - | - | (15) | 15 | - | - | - | - |
| Amortization of deferred compensation | - | - | - | - | - | 414 | - | - | - | 414 |
| Dividends payable and interest on shareholders' equity | - | - | - | - | - | - | - | (73,515) | - | (73,515) |
| Balance at March 31, 2007 (Unaudited) | 107,590,792 | 41,500 | 88,621,497 | 848,536 | R\$ 39,260 | R\$ (3,416) | R\$ 39,577 | R\$ 1,289,915 | R\$ 3,980 | 2,259,352 |

See accompanying notes to condensed consolidated financial statements.

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GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In thousands of Brazilian Reais)

1. Business Overview

Acquisition. On March 28, 2007, the Company through GTI S.A., a wholly-owned subsidiary of Gol Linhas Aéreas Inteligentes, concluded an agreement for the acquisition of the total share capital of VRG Linhas Aéreas S.A. ("VRG", airline that operates the VARIG brand) from VarigLog and Volo, the controlling shareholders of VRG. The total consideration for the shares of VRG is US\$ 275 million, consisting of US\$ 98 million of cash and 6,049,185 non-voting (PN) shares issued by the Company, with various sale restrictions for up to 30 months. The Company also assumed R\$ 100 million (US\$ 48 million) of debentures issued by VRG. Also on March 28, 2007, the Company increased the capital of GTI S.A. in the amount of R\$62,148 (US\$30,000), corresponding to 62,148,000 ordinary and preferred shares subscribed on October 26, 2004 at the price of R\$ 1.00 per share, as part of the payment to VarigLog and Volo. The acquisition of VRG is conditioned on approvals from the Nacional Civil Aviation Agency (ANAC) and the Brazilian Antitrust Agency (CADE). See Note 13.

2. Summary of Significant Accounting Policies

Basis of presentation. These financial statements were prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting (USGAAP), using Brazilian Reais as the functional and reporting currency. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, the consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's results for the periods presented. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates.

Consolidated quarterly information includes accounts of Gol Linhas Aéreas Inteligentes S.A. and of its wholly-owned subsidiaries Gol Transportes Aéreos S.A. (GTA), GTI S.A., GAC Inc. and Gol Finance. All significant intercompany balances have been eliminated.

The exchange rates at March 31, 2007 and March 31, 2006 were R\$ 2.0504 and R\$ 2.1724, respectively per U.S. Dollar. The average exchange rates for the first quarter of 2007 and 2006 were R\$ 2.1085 and R\$ 2.1974 respectively (these rates provided for reference purposes). The accounting principles adopted under USGAAP differ in certain respects from accounting principles generally accepted in Brazil ("Brazilian GAAP"), which the Company uses to prepare its statutory financial statements.

The results of the three-month period ended March 31, 2007 are not necessarily indicative of the results that might be expected for the full year ending December 31, 2007. The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2006.

For further information, refer to the consolidated financial statements for the year ended December 31, 2006 and footnotes thereto included in the Company's financial statements filed with the SEC.

GOL LINHAS AÉREAS INTELIGENTES S.A.

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3. Deposits with Lessors

Deposits with lessors include aircraft and engine maintenance deposits, security deposits for aircraft leasing contracts and other deposits which will be used to compensate the lessors for other lease related costs when due. Following is the composition of the balance:

| | <u>March 31, 2007</u> | <u>December 31, 2006</u> |
|--|-----------------------|--------------------------|
| Aircraft and engine maintenance deposits | 298,010 | 263,647 |
| Security deposits | 33,963 | 40,787 |
| Other deposits | 232,771 | 233,401 |
| | <u>564,744</u> | <u>537,835</u> |
| Short-term | (257,638) | (232,960) |
| Long-term | <u>307,106</u> | <u>304,875</u> |

Maintenance deposits made in the first quarter of 2007 and 2006 were R\$ 34,360 and R\$ 30,118, respectively. There were no maintenance deposits reimbursed to the Company for maintenance events during the first quarters of 2007 and 2006.

4. Short-term Borrowings

At March 31, 2007, the Company had ten revolving lines of credit with five financial institutions allowing for combined borrowings up to R\$ 432,000. One of the credit lines is secured by promissory notes and allows for borrowings up to R\$ 300,000. At March 31, 2007 and December 31, 2006, there were R\$176,120 (US\$ 85,895) and R\$ 128,304 (US\$ 60,011) outstanding borrowings under these facilities, respectively.

The weighted average annual interest rate for these reais-based short-term borrowings at March 31, 2007 and December 31, 2006 was 11.6% and 15.5%, respectively.

5. Long-term Debt

| | <u>March 31, 2007</u> | <u>December 31, 2006</u> |
|-------------------------|-----------------------|--------------------------|
| Foreign currency: | | |
| 5.39 % Bank loan | 123,500 | 128,304 |
| 7.24 % IFC loan | 97,589 | 107,150 |
| 7.50 % Senior notes | 463,522 | - |
| 8.75 % Perpetual notes | <u>412,020</u> | <u>436,902</u> |
| | 1,096,631 | 672,356 |
| Local currency: | | |
| 9.15 % BNDES loan | 61,449 | 54,626 |
| Capital leases (note 8) | <u>273,354</u> | <u>222,024</u> |
| Long-term debt | <u>1,431,434</u> | <u>949,006</u> |

In March 2007, the Company's wholly-owned subsidiary Gol Finance issued R\$ 463,545 (US\$ 225,000) 7.50% Senior Notes due 2017. At March 31, 2007, there was outstanding R\$ 463,522 in the long-term and R\$ 773 in the short-term under this facility.

The following table provides a summary of our principal payments of long-term debt obligations at March 31:

| (in R\$ 000) | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>Beyond 2013</u> | <u>Total</u> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|--------------------|--------------|
| Long-term debt obligations (1) | 145,881 | 31,318 | 30,626 | 30,687 | 26,225 | 481,323 | 746,060 |

(1) The long-term debt obligations do not include the perpetual notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.

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6. Transactions with Related Parties

The Company has an exclusive bus transportation agreement with related companies Breda Transportes e Serviços S.A. and Expresso União Ltda. During the first quarter of 2007 and 2006, the Company paid R\$ 1,360 and R\$ 104 (R\$ 615 and R\$ 91) to these companies, respectively.

The Company also has a five-year office space lease agreement with Áurea Administração e Participações S.A. (expiring on March 31, 2008) for the lease of headquarters located at Rua Tamoios, 246 in São Paulo. The lease agreement provides for monthly payments, adjusted by the IGP-M inflation index. During both the first quarters of 2007 and 2006, the Company paid R\$ 88 to this company.

The payments to and from the related parties are in the normal course of business and were based on prevailing market rates.

7. Shareholders' Equity

Brazilian corporations are allowed to attribute interest on shareholder's equity. The calculation is based on the shareholder's 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 (6.50% p.a. for the first quarter of 2007). For the quarter ended March 31, 2007, the Company's statutory consolidated financial statements presented a net profit of R\$ 91,578 (R\$160,678 in 2006). The Company accrued a total of R\$ 73,716 of interim dividends payable represented by R\$ 33,608 of interest on stockholder's equity and R\$ 40,108 of dividends for payment in the second quarter of 2007, which is included in current liabilities.

8. Leases

During the first quarter of 2007, the Company has entered into one lease agreement for one aircraft which is classified as capital leases under the provisions of SFAS No. 13, "Accounting For Leases". The Company had six aircraft classified as capital leases at March 31, 2007. The capital lease agreements are typically for a term of twelve years and for two aircraft the present value of the minimum lease payments exceed 90% of their fair market value at the inception of the lease and for the remaining four aircraft, the Company has bargain purchase options to buy them at the end of the lease term. The carrying value of aircraft under capital lease arrangements included in property and equipment totaled R\$ 306,180 as of March 31, 2007. Amortization of aircraft under capital lease arrangements is included in depreciation and amortization expense.

Future minimum lease payments under capital leases with initial or remaining terms in excess of one year at March 31, 2007 were as follows:

| | Thousands of R\$ | Thousands of US\$ |
|---|------------------|-------------------|
| 2008 | 42,271 | 20,616 |
| 2009 | 42,271 | 20,616 |
| 2010 | 42,271 | 20,616 |
| 2011 | 42,271 | 20,616 |
| 2012 | 42,884 | 20,915 |
| After 2012 | 217,783 | 106,215 |
| Total minimum lease payments | 429,751 | 209,594 |
| Less: Amount representing interest | 127,211 | 62,042 |
| Present value of net minimum lease payments | 302,540 | 147,552 |
| Less current portion | 29,186 | 14,234 |
| Long-term portion | 273,354 | 133,318 |

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8. Leases (Continued)

The Company leases aircraft in operation, airport terminal space, other airport facilities, office space and other equipment. At March 31, 2007, the Company leased 61 aircraft under operating leases (as compared to 60 aircraft at December 31, 2006), with initial lease term expiration dates ranging from 2007 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 March 31, 2007 were as follows:

| | Thousands of R\$ | | | Thousands of US\$ | | |
|------------------------------|------------------|--------|-----------|-------------------|--------|---------|
| | Aircraft | Other | Total | Aircraft | Other | Total |
| 2008 | 386,351 | 13,137 | 399,488 | 188,427 | 6,407 | 194,834 |
| 2009 | 325,944 | 9,163 | 335,107 | 158,966 | 4,469 | 163,435 |
| 2010 | 275,609 | 4,790 | 280,399 | 134,417 | 2,336 | 136,753 |
| 2011 | 191,772 | 2,110 | 193,882 | 93,529 | 1,029 | 94,558 |
| 2012 | 178,863 | - | 178,863 | 87,233 | - | 87,233 |
| After 2012 | 506,455 | - | 506,455 | 247,003 | - | 247,003 |
| Total minimum Lease payments | 1,864,994 | 29,200 | 1,894,194 | 909,575 | 14,241 | 923,816 |

During the first quarter of 2007 the Company received two Boeing 737-800 aircraft.

9. Other Commitments

The following table provides a summary of our principal payments under aircraft purchase commitments and other obligations at March 31:

| (in R\$ 000) | 2008 | 2009 | 2010 | 2011 | 2012 | Beyond 2012 | Total |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|------------|
| Pre-delivery deposits (1) | 221,704 | 297,973 | 346,345 | 281,053 | 67,163 | - | 1,214,238 |
| Aircraft purchase commitments (2) | 2,044,610 | 1,546,451 | 1,886,268 | 2,374,736 | 1,990,118 | 1,096,361 | 10,938,544 |
| Total | 2,266,314 | 1,844,424 | 2,232,613 | 2,655,789 | 2,057,281 | 1,096,361 | 12,152,782 |

- (1) The Company makes payments for aircraft acquisitions utilizing the proceeds from equity and debt financings, cash flow from operations, short and medium-term credit lines and supplier financing. Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of Boeing 737-800 Next Generation aircraft.
- (2) The Company has a purchase contract with Boeing for 109 Boeing 737-800 Next Generation aircraft, under which the Company currently has 75 firm orders and 34 purchase options. The firm orders have an approximate value of R\$ 10,939 million (corresponding to approximately US\$ 5,335 million) based on the aircraft list price (excluding contractual manufacturer's 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).

10. Financial Instruments and Concentration of Risk

At March 31, 2007 and December 31, 2006, the Company's primary monetary assets were cash equivalents, short-term investments and assets related to aircraft leasing operations. The Company's primary monetary liabilities are related to aircraft leasing operations. All monetary assets other than those related to aircraft leasing operations included in the balance sheet are stated at amounts that approximate their fair values.

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10. Financial Instruments and Concentration of Risk (Continued)

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 related to amounts invested with major financial institutions. Credit risk on accounts receivable relates to amounts receivable from the major international credit card companies. These receivables are short-term and the majority of them settle within 30 days.

The Company's revenue is generated in Brazilian Reais (except for a small portion in Argentine Pesos, Bolivian Bolivianos, Chilean Pesos, Paraguay Guaranis, Peru Nuevos Soles and Uruguay Pesos from flights between Brazil, Argentina, Bolivia, Chile, Paraguay, Peru and Uruguay). However, its liabilities, particularly those related to aircraft leasing and acquisition, are US dollar-denominated. The Company's currency exchange exposure at March 31, 2007 is as set forth below:

| | <u>March 31, 2007</u> | <u>December 31, 2006</u> |
|--|-----------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | 1,260,264 | 788,136 |
| Deposits with lessors | 266,224 | 273,031 |
| Aircraft and engine maintenance deposits | 21,271 | 20,223 |
| Other | 46,197 | 15,405 |
| Total assets | <u>1,593,956</u> | <u>1,096,795</u> |
| Liabilities | | |
| Foreign suppliers | 23,306 | 25,249 |
| Others | 33,636 | 63,167 |
| Total liabilities | <u>56,942</u> | <u>88,416</u> |
| Exchange exposure | <u>1,537,041</u> | <u>1,008,379</u> |
| Exchange exposure in thousands of U.S. dollars | <u>749,617</u> | <u>471,645</u> |
| Off-balance sheet transactions exposure | | |
| Operating Leases | 1,894,194 | 1,948,607 |
| Aircraft commitments | 10,938,544 | 11,549,004 |
| Total exchange exposure | <u>14,369,752</u> | <u>14,505,990</u> |
| Total exchange exposure in thousands of U.S. dollars | <u>7,008,268</u> | <u>6,784,841</u> |

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

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

a) Fuel

Airline operations are exposed to the effects of changes in the price of aircraft fuel. Aircraft fuel consumed in the first quarter of 2007 and 2006 represented approximately 39.5% and 39.8% of the Company's operating expenses, respectively. To manage this risk, the Company periodically enters into crude oil option contracts and swap agreements. Because jet fuel is not traded on an organized futures exchange, liquidity for hedging is limited. However, the Company has found commodities for effective hedging of jet fuel costs. Historically, prices for crude oil are highly correlated to Brazilian jet fuel, making crude oil derivatives effective at offsetting jet fuel prices to provide short-term protection against a sharp increase in average fuel prices.

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10. Financial Instruments and Concentration of Risk (Continued)

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

| | March 31, 2007 | December 31, 2006 |
|--|---------------------------|------------------------------|
| Fair value of derivative instruments at the end of the quarter | R\$ 18,756 | R\$ (4,573) |
| Average remaining term (months) | 3 | 3 |
| Hedged volume (barrels) | 2,366,462 | 1,804,000 |
| Quarter ended March 31: | 2007 | 2006 |
| Hedge effectiveness gains recognized in aircraft fuel expense | - | R\$ 628 |
| Hedge ineffectiveness net gains recognized in other income | R\$ 5,325 | - |
| Percentage of actual consumption hedged (during quarter) | 87% | 55% |

The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases for short-term time frames. The Company currently has a combination of purchased call options, collar structures, and fixed price swap agreements in place to hedge approximately 60%, 25%, 25%, 10% and 10% of its jet fuel requirements for the second, third and fourth quarters 2007, and the first and second quarters of 2008, respectively, at average crude equivalent prices of approximately US\$ 68.3, US\$ 69.5, US\$ 72.3, US\$ 62.6 and US\$ 62.9 per barrel, respectively.

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

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

GOL LINHAS AÉREAS INTELIGENTES S.A.

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10. Financial Instruments and Concentration of Risk (Continued)

a) Fuel (Continued)

The Company continually looks for better and more accurate methodologies in forecasting future cash flows relating to its jet fuel hedging program. These estimates are used in the measurement of effectiveness for the Company's fuel hedges, as required by SFAS 133. During second quarter 2006, the Company revised its method for forecasting future cash flows. Previously, the Company had estimated future cash flows using actual market forward prices of like commodities and adjusting for historical differences from the Company's actual jet fuel purchase prices. The Company's new methodology utilizes a statistical-based regression equation with data from market forward prices of like commodities, and will not have a material impact on the financial statements.

During the three months ended March 31, 2007, the Company recognized approximately R\$2,730 (US\$ 1,331) of additional net gains in Other (gains) losses, related to the ineffectiveness of its hedges and the loss of hedge accounting for certain hedges. Of this net total, approximately R\$ 61 (US\$ 30) was ineffectiveness expense and mark-to-market losses related to contracts that settled during first quarter of 2007. As of March 31, 2007 there was R\$ 6,020 (US\$2,936), net of taxes, on unrealized gains with jet fuel hedges recorded in "comprehensive income". Also, there were derivative transactions not designated as hedges for which the change in fair value during the period was R\$2,945 which was recorded in other expenses.

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

b) Exchange rates

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

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

| | March 31, 2007 | December 31, 2006 |
|---|-------------------|----------------------|
| Fair value of derivative instruments at the end of period | R\$ 4,310 | R\$ (275) |
| Longest remaining term (months) | 2 | 2 |
| Hedged volume | 261,500 | R\$ 180,127 |
| Quarter ended March 31: | 2007 | 2006 |
| Hedge effectiveness losses recognized in operating expenses | - | R\$ (5,383) |
| Hedge ineffectiveness losses recognized in other expenses | R\$ (6,596) | R\$ (227) |
| Percentage of expenses hedged (during quarter) | 50% | 65% |

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10. Financial Instruments and Concentration of Risk (Continued)

The Company utilizes financial derivative instruments as hedges to decrease its exposure to increases in the USD exchange rate. The Company has utilized financial derivative instruments for short-term time frames. The Company accounts for its foreign currency futures derivative instruments as cash flow hedges under SFAS 133. As of March 31, 2007 the unrealized loss with exchange rates recorded in "comprehensive income" was R\$ 2,040, net of taxes.

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

c) Cash management

The Company utilizes financial derivative instruments for cash management purposes. The Company utilizes synthetic fixed income options and swaps to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments. The Company enters into synthetic fixed income option contracts with first-tier banks registered in the Brazilian CETIP clearing house. As of March 31, 2007, the total amount invested in synthetic fixed-income option contracts was R\$ 78,982 with average term of 241 days. The Company utilizes swap agreements to change the remuneration of a portion of its short term investments to the Brazilian overnight deposit rate ("CDI"). As of March 31, 2006, the notional amount of fixed-rate swaps to CDI was R\$ 75,000 with a fair value of R\$ (520), and the notional amount of dollar-denominated swaps to CDI was R\$ 183,667 with a fair value of R\$ 5,636. The change in fair value of these swaps is recognized in interest income in the period of change.

11. Income Taxes

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", on January 1, 2007. As a result of the implementation of Interpretation 48, there has been no impact on the liability for unrecognized tax benefits. Accordingly, there are no interest and penalties accrued related to unrecognized tax benefits. The Company will recognize interest in interest expense and penalties in operating expenses for future unrecognized tax benefits.

The reconciliation of the reported income tax and social contribution and the amount determined by applying the composite fiscal rate at March 31, 2007 and March 31, 2006, is as follows:

| | Three-month period ended March 31, | |
|----------------------------------|---------------------------------------|----------|
| | 2007 | 2006 |
| Income before income taxes | 159,701 | 248,630 |
| Nominal composite rate | 34.0% | 34.0% |
| Income tax by the nominal rate | 54,298 | 84,534 |
| Interest on stockholders' equity | (11,427) | (12,033) |
| Other permanent differences | 248 | (3,661) |
| Income tax expense | 43,119 | 68,840 |
| Effective rate | 27.0% | 27.7% |

GOL LINHAS AÉREAS INTELIGENTES S.A.

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12. Earnings per Share

The Company's preferred shares are not entitled to receive any fixed dividends. Rather, the preferred shareholders are entitled to receive dividends per share in the same amount of the dividends per share paid to holders of the common shares. However, our preferred shares are entitled to receive distributions prior to holders of the common shares. Consequently, basic earnings per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the year. 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.

| | Three-month period ended March 31, | |
|---|---------------------------------------|---------|
| | 2007 | 2006 |
| Numerator | | |
| Net income applicable to common and preferred shareholders for basic and diluted earnings per share | 116,582 | 179,790 |
| Denominator | | |
| Weighted-average shares outstanding for basic earnings per share (in thousands) | 196,211 | 195,960 |
| Effect of dilutive securities: | | |
| Executive stock options (in thousands) | 60 | 200 |
| Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares (in thousands) | 196,271 | 196,160 |

13. Subsequent Events

On April 4, 2007, the Company received approval from the National Civil Aviation Agency (ANAC) to complete the transfer of VRG to GTI S.A., a wholly-owned subsidiary of Gol Linhas Aéreas Inteligentes. With this authorization, the Company initiated execution of the plan developed for VRG, which will operate with its own brand (VARIG) and differentiated services, incorporating the low-cost business model of Gol Transportes Aéreos S.A.

On April 9, 2007, the Company's Board of Directors approved a capital increase amounting to R\$518,100 by means of the issuance of 8,519,979 preferred shares in order to meet the obligations assumed by its subsidiary GTI S.A. in connection with its acquisition of VRG's capital ownership. When the Company agreed to acquire the capital stock of VRG, it agreed to pay a portion of the acquisition price with 6,049,185 preferred shares (representing approximately 3.1% of its total shares outstanding). According to Brazilian law, the issuance and transfer of preferred shares to Varig Logística S.A, the seller of VRG, triggers preemptive rights of the company's existing shareholders. Of the total authorized issuance of 8,519,979 preferred shares, the company will transfer 6,049,185 preferred shares to Varig Logística S.A. The Company's shareholders (other than Fundo de Investimento em Participações Asas, the Company's principal shareholder) have the right to subscribe for 2,470,794 preferred shares (representing approximately 1.3% of the Company's total shares outstanding). The Company voluntarily elected to register this rights offering with the Securities and Exchange Commission (SEC), in order to enable U.S. holders of its preferred shares and ADRs to participate in the rights offering.

On April 12, 2007, the Company increased the capital of GTI S.A. in the amount of R\$138,264 (US\$68,000), corresponding to 138,264,400 ordinary and preferred shares subscribed on October 26, 2004 at the price of R\$ 1.00 per share, as part of the payment to VarigLog.

**PRINCIPAL EXECUTIVE OFFICES OF
GOL LINHAS AÉREAS INTELIGENTES S.A.**

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Cayman Islands

INDEPENDENT PUBLIC ACCOUNTANTS

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