Annual report 2004

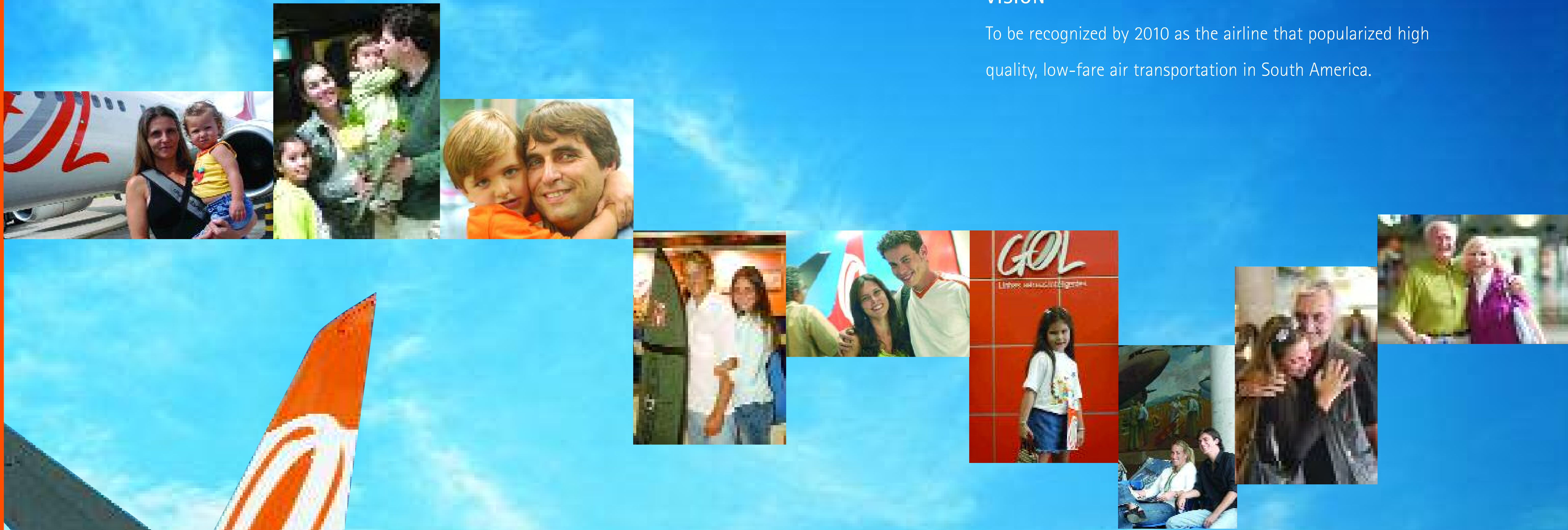
here every one can fly

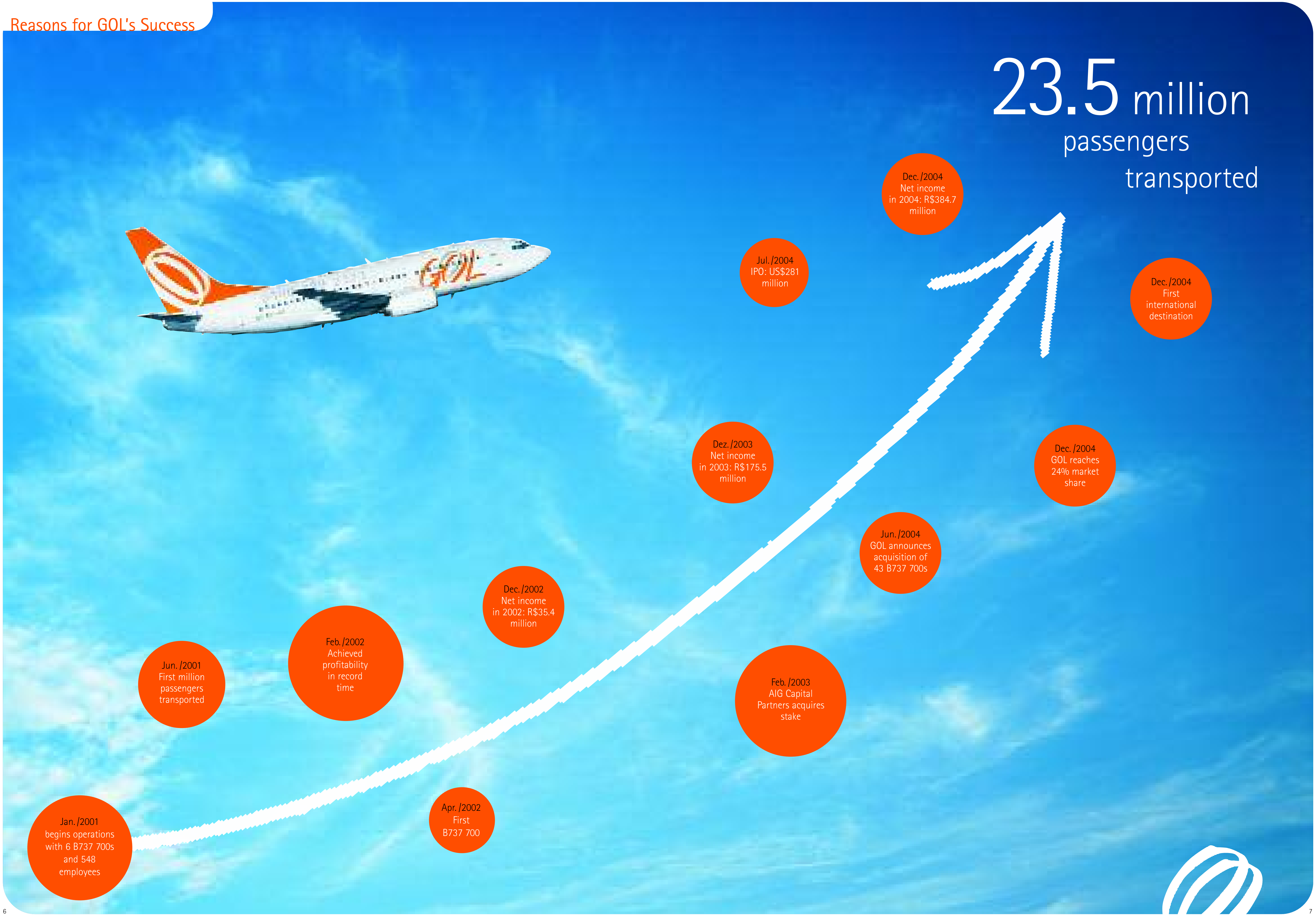
MISSION

To provide safe and high-value passenger and cargo transportation through innovative solutions for our customers, shareholders, employees and society.

VISION

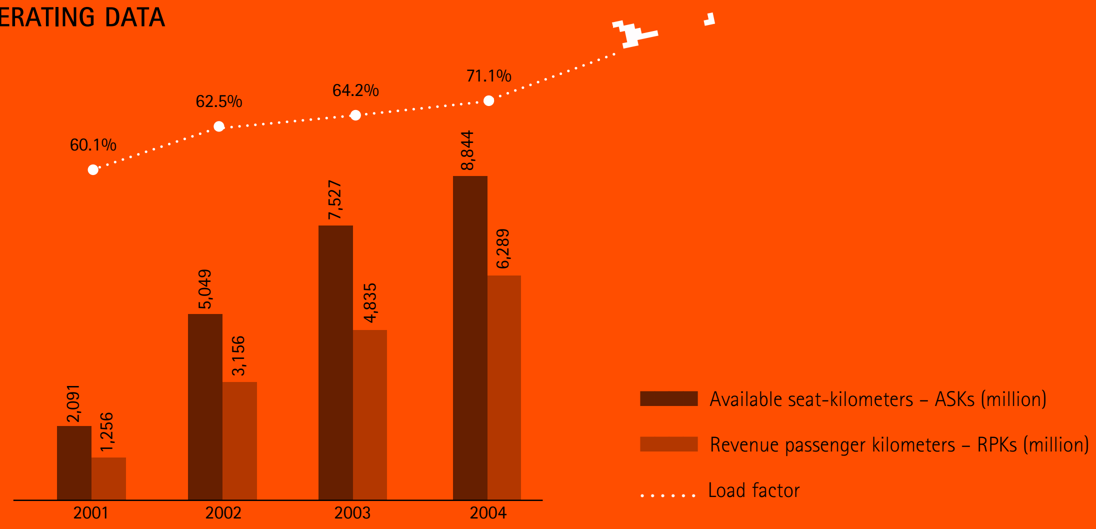
To be recognized by 2010 as the airline that popularized high quality, low-fare air transportation in South America.




23.5 million passengers transported
Jan. /2001 begins operations with 6 B737 700s and 548 employees
Jun. /2001 First million passengers transported
Feb. /2002 Achieved profitability in record time
Apr. /2002 First B737 700
Dec. /2002 Net income in 2002: R$35.4 million
Feb. /2003 AIG Capital Partners acquires stake
Dez. /2003 Net income in 2003: R$175.5 million
Jun. /2004 GOL announces acquisition of 43 B737 700s
Jul. /2004 IPO: US$281 million
Dec. /2004 Net income in 2004: R$384.7 million
Dec. /2004 GOL reaches 24% market share
Dec. /2004 First international destination

- 24.3% market share after only 4 years of operations;
- Highest aircraft utilization rate in the Brazilian airline industry – 13.6 block hours per day;
- 76% of sales via the Internet;
- 98% Completion of scheduled flights;
- 71% Average load factor;
- 23.5 million passengers transported to date – 9 million in 2004;
- More than 3,000 employees, all of whom participate in our annual profit-sharing program (PPR);
- Flights to 36 destinations, including all of Brazil's major cities;
- First international destination – Buenos Aires, Argentina;
- EBITDAR margin (USGAAP) of 40%, ranking GOL among the world's most profitable airlines;
- Earnings per share (USGAAP) of R$2.14 in 2004;
- Annual dividends of R$60.7 million (R$0.32 per share) in 2004.

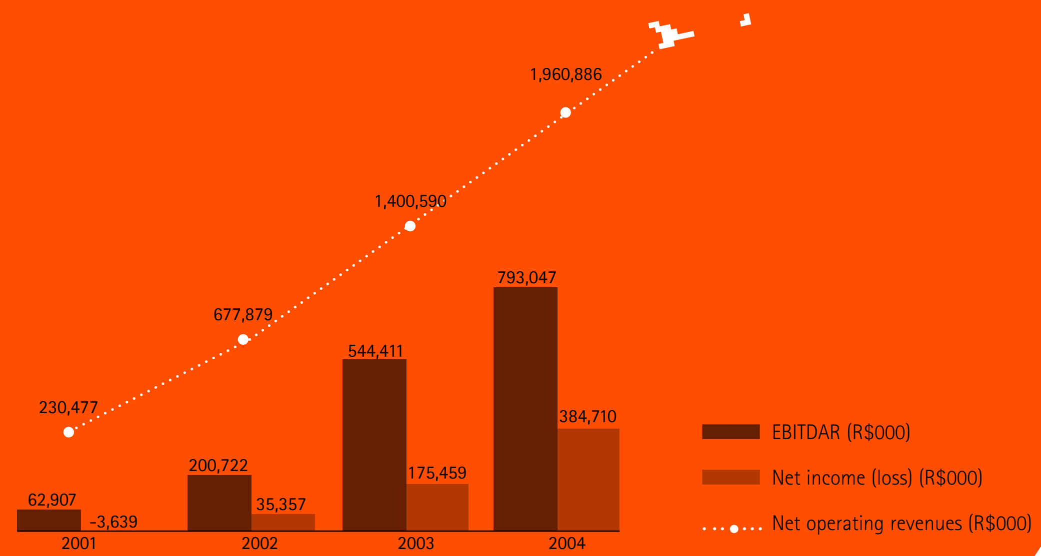
OPERATING DATA



OPERATING PERFORMANCE

	2001	2002	2003	2004
Passengers transported (thousands)	2,085	4,847	7,324	9,215
Aircraft utilization rate (block hours per day)	11.1	12.3	12.7	13.6
Number of destinations	16	22	25	36
Number of Boeing 737 aircraft	12	19	22	27
Percentage of ticket sales via the internet	13.2%	48.7%	57.3%	75.8%

FINANCIAL PERFORMANCE (USGAAP)



The right company, in the right country, at the right time.

2004 was a landmark year in GOL's history. We announced the acquisition of up to 43 Boeing 737-800 New Generation aircraft, to be delivered between 2006 and 2010; we went public simultaneously on the São Paulo Stock Exchange (Bovespa), Level 2, and the New York Stock Exchange; we initiated our international expansion with daily flights to Buenos Aires, Argentina; we operated under the best corporate governance practices; and our net income amounted to R$384.7 million (USGAAP), 119% above the 2003 figure. At year end, we had a fleet of 27 aircraft, over 3,307 employees and a 24% market share. We have already carried over 23 million passengers, many of whom are first-time fliers.

Our efficiency indicators are among the best in the world. In 2004, our ASKs and our RPKs increased by 16% and 29%, respectively. Our EBITDAR (operating earnings before interest, taxes, depreciation and amortization plus the amount of operating costs with aircraft leases and supplemental aircraft leases) increased 46% in the period, totaling R$793.0 million (USGAAP). Our EBITDAR margin reached 40%, among the highest in the world and almost two percentage points above the 2003 margin.

In 2005, growth will be fueled by the addition of new aircraft and new destinations, with the maintenance of high productivity and profitability. We will close the year with 36 operational aircraft, adding 9 new Boeing 737 NGs to our fleet through leasing contracts, an expansion of more than 30%. These aircraft will increase ASKs by 40%, allowing more flights to existing destinations, the initiation of operations in four new cities and the addition of more international destinations in South America. Fleet expansion is a reaffirmation of GOL's confidence in the growth of the air transportation sector. Aware of our responsibility to society, we have lent our full support to social projects related to education, culture and children's welfare

since we began operations in 2001, encouraging our employees to support such social initiatives as the *Pastoral da Criança* (a Catholic children's welfare NGO) and the *Fundação Gol de Letra*. Please refer to our Social Balance Sheet on page 52.

GOL is also committed to its shareholders, who made its IPO a successful. Implementing for the best corporate governance practices, in 2004 GOL added three independent members to its Board of Directors: Álvaro de Souza, Antonio Kandir and Luiz Kaufmann, who also became members of the Audit Committee. The Company is currently adapting its corporate governance practices and internal controls to the standards of the Sarbanes-Oxley Act of 2002.

GOL's success would not be possible without our basic commitment to our employees and our clients. At GOL, everyone's work is based on simplicity, team spirit and client satisfaction. Results are shared by everyone at the end of each year. In 2004, each of GOL's employees received on average 3.7 additional month's salary in profit sharing related to 2003 results. The average for 2004 will exceed four monthly salaries.

Public acknowledgement is an important indication that we are on the right path. In 2004, the Company received 16 awards and prizes, including "Company of the Year", granted by *Melhores e Maiores* (The Biggest and the Best) of EXAME magazine and the *3rd Marketing Best* award for Social Responsibility.

Our focus next year will be on growth with quality, as a result of a pricing policy geared towards popularizing air transportation, maintaining the basic lines that make GOL one of the most outstanding airlines in the world, thanks to its low cost, low fares, simplicity, innovation and extensive use of technology.

Constantino de Oliveira Junior

CEO

Here everyone can fly

Well trained and motivated crew

Single fleet-type operations

Internet is the preferred sales channel

"GOL's strategy is realized by the continuous improvement of its **Virtuous Cycle**, being true to its values and building a globally-recognized company. GOL's commitment to these **intangible assets** encourages its workforce of more than 3,000 to continuously strive for better results."

modern aircraft + more sensible fares = more satisfied passengers + more passengers + more modern aircraft...

Low Cost and High Quality Strategy

intelligence + simplicity = low operating costs

GOL's operations are lean, efficient and well-managed. From ticket reservation to landing, every step has been carefully thought out in order to provide the best service at the lowest cost and, consequently, the lowest fares.

The equation is simple: lower costs per seat, lower fares and a higher load factor lead to greater profitability.

Fleet Strategy: logical intelligence

experience + logic = fleet strategy

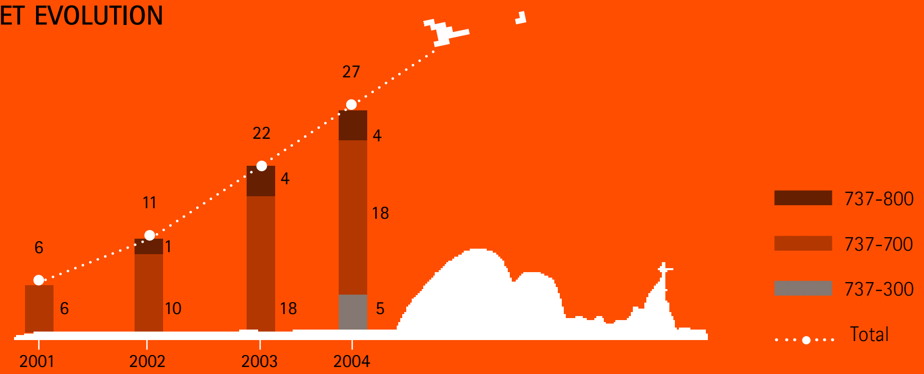
GOL's fleet, with an average age of 6.8 years at the close of 2004, is the most up-to-date in Latin America and one of the youngest in the world. The decision to operate with a single type of aircraft was the most logical one, since it reduces fuel, maintenance and pilot-training costs.

It also permits greater flexibility in route management and, consequently, greater productivity. GOL's air network was planned and is constantly upgraded considering: integration (50% of passengers with one stop-over or connection), service to small cities (final destination and stop-over between two high-traffic hubs), and night flights.

GOL opted for Boeing 737 - Next Generation aircraft, the preferred choice among low-cost airlines. They are spacious and ultra-modern, with state-of-the-art technology and simplified maintenance procedures, enabling higher load factors and profitability on most routes.

The Next Generation aircraft are 7% faster and consume less fuel than the traditional 737s and can fly for more than 12 hours per day. These characteristics allowed GOL to record the Brazilian sector's highest aircraft utilization rate in 2004 – 13.6 block hours per day, better than that of the most efficient airlines in the world.

FLEET EVOLUTION



Highest utilization rate in Brazilian Air Transportation 13.6 hours per day*

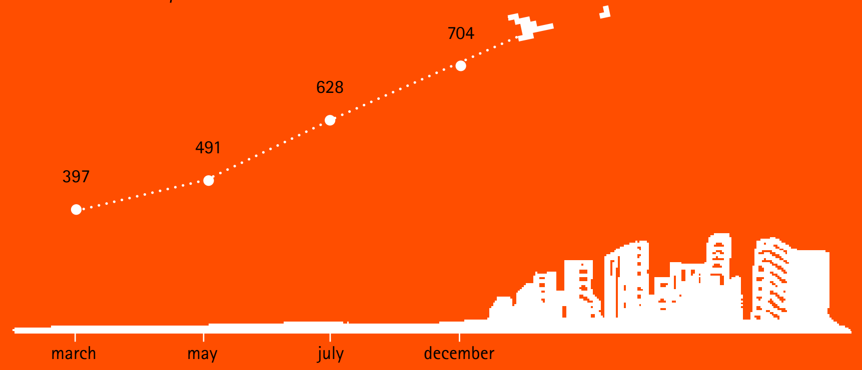
Maintenance, safety and crew training are GOL's priorities

Single fleet results in lower fuel, maintenance and training costs

*In December/2004

UNIQUE VISITORS – WEBSITE / 2004

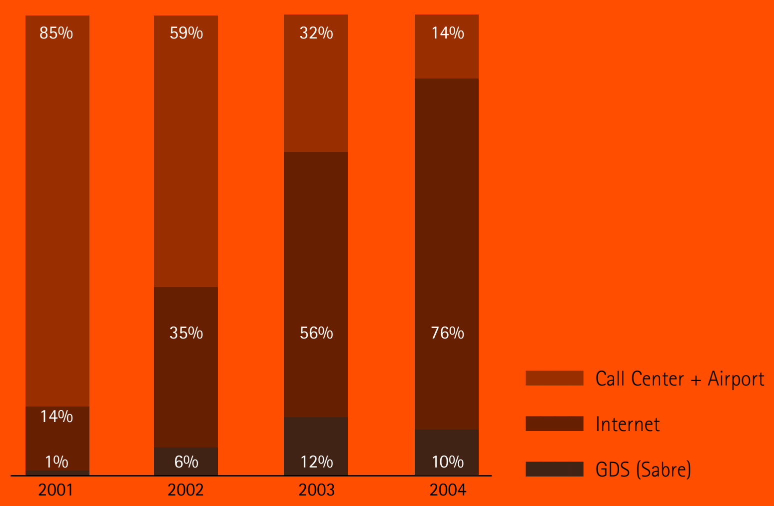
Thousands per month

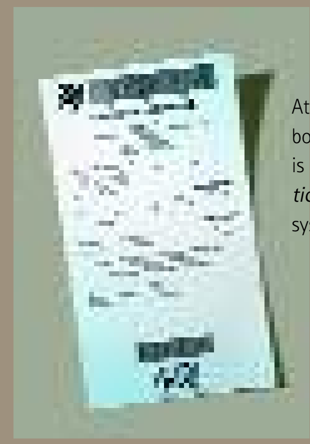


GOL was the first Brazilian airline to offer *Web check-in* and *WAP check-in.*

Every 9 seconds, a GOL ticket is sold via the internet.

SALES VOLUME PER CHANNEL (2004)





At GOL, boarding is with a *ticketless* system.

Sales Strategy: innovative intelligence

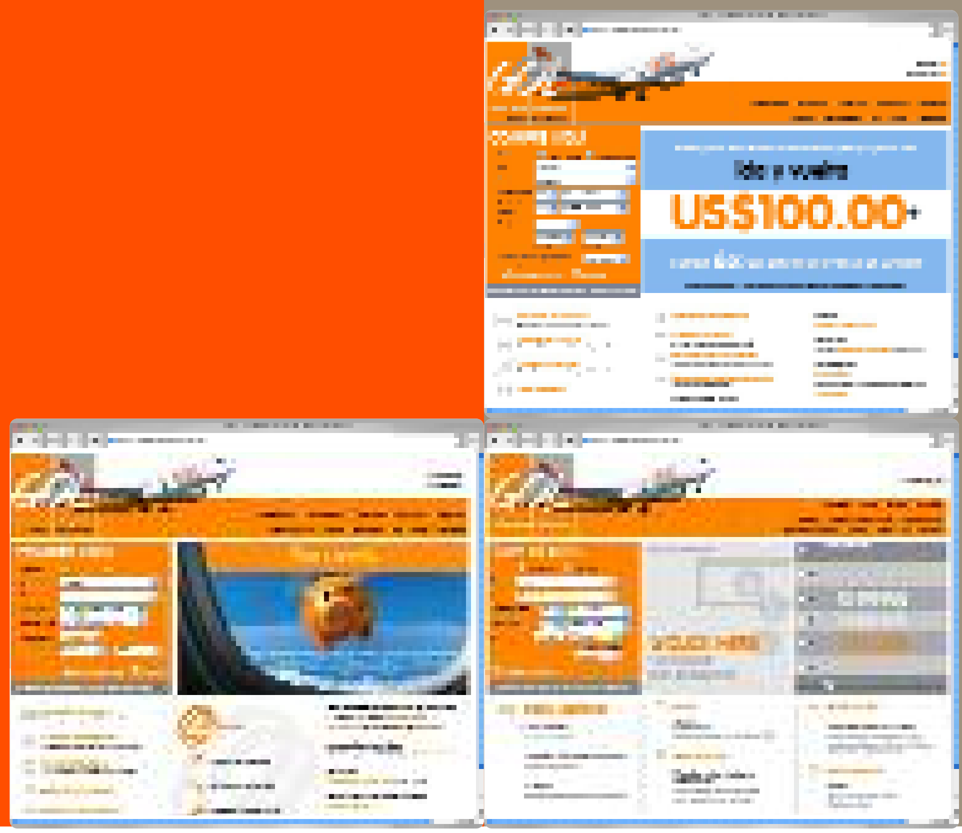
technology + innovation = sales strategy

GOL's sales strategy was founded on the use of the most advanced information technology practices and a highly-motivated workforce. Management sought innovative alternatives compared to those adopted by the other Brazilian airlines at that time.

GOL modeled itself on the European and American low cost models, focusing on Internet sales, whose costs are substantially less than those of the traditional sales channels.

The results were surprising. GOL has one of the top Brazilian e-commerce websites in terms of sales volume. In 2004, 76% of the Company's tickets were sold via the Internet, either directly or through travel agents, ranking it among segment leaders.

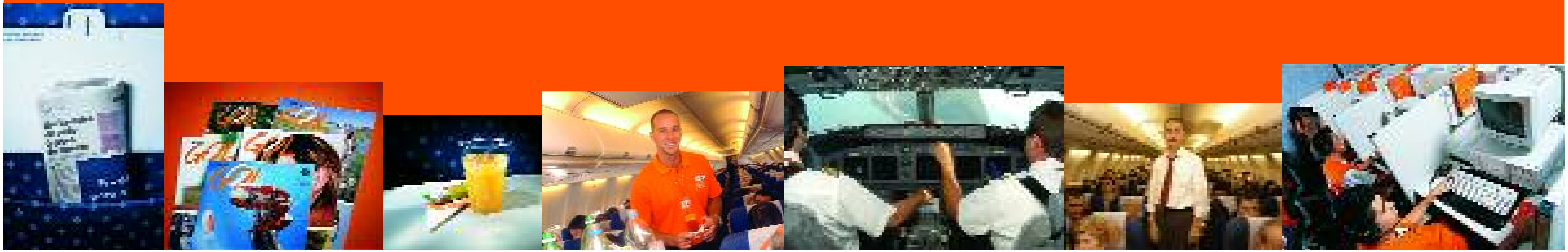
The success of this strategy is also based on two other innovations: **ticketless** travel and **web check-in** (also cell-phone, or WAP, sales/check-in). In the first, passengers arrive at the airport check-in counter, show their ID and are rapidly identified by the attendant with no need for a ticket. With Web (or WAP) check-in, customers with hand-luggage only do not have to visit the airport check-in counter, but can check in through any computer (or cell-phone) with an Internet connection and simply print out their boarding card. These two procedures speed up boarding services, ensure greater passenger comfort and convenience, and played a fundamental role in supporting the image of the thoroughly up-to-date and innovative company that GOL has achieved in its four years of operations.



Friendly and convenient service approved by passengers

Single class, simplified inflight service, no mileage program and web check-in

Satisfaction Ratio among GOL's passengers: 93%



Service Strategy: intelligence and simplicity

simplicity + empathy = service strategy

GOL's choice of a single class (economy) was based on a deliberate decision to offer simple but high-quality service. On-board service includes, the leading brand-names preferred by the passengers: in fact, they chose them through a series of surveys. Similarly, GOL opted not to offer frequent-flier programs or airport lounges, sticking firmly to its low-cost, low-fare culture.

Outsourcing Strategy: intelligent partnership

intelligence + partnership = outsourcing strategy

In order to keep focus on its core business of passenger and cargo transportation, GOL decided to outsource several services, from airport baggage-handling to the call center, seeking partners whose culture is aligned with its own – offering the best service at the lowest price. In certain cases, it developed specific suppliers to work in accordance with its technical specifications and guiding philosophy.

Reasons for GOL's Success

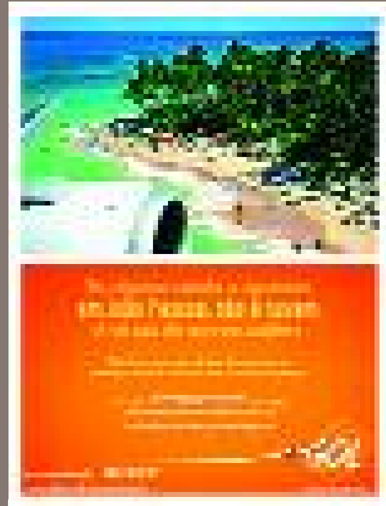
2001
Launching- brand focus

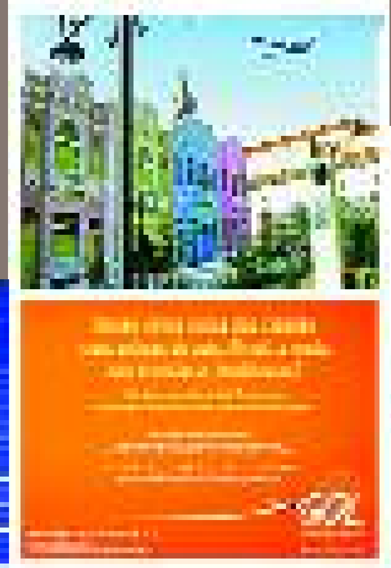
2002
Growth- focus on quality services offered at low prices

2003/2004
Consolidation- focus on other competitive advantages, such as technology and distinguished customer service

2004
Everyone can fly- popularizing air transport

New destination campaign.



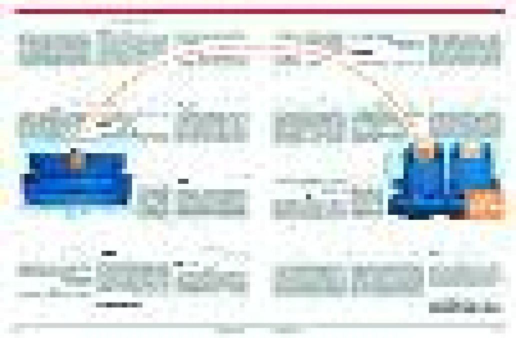


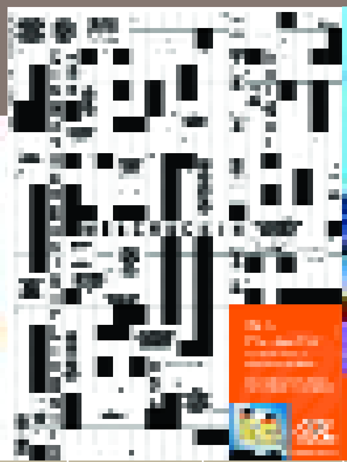
Seasonal campaign: summer holidays.

Promotional campaign.

First Iinternational Flight (Buenos Aires, Argentina) campaign.

Customized ad campaign.





Customer Satisfaction Survey	Jul./02	Sept./03	May/04
Passengers flying only with GOL (loyalty ratio)	23%	40%	41%
Highly satisfied with GOL	74%	75%	77%
Would recommend GOL to others	89%	92%	92%
See GOL as a pioneering company	92%	94%	93%

Source: GOL survey

Brand-name Strategy: creative intelligence

planning + creativity = brand-name strategy

The construction of a new brand-name is a task that demands short, medium and long-term planning and GOL's case was no different. Marketing communications have already passed through four distinct phases.

Thanks to the adoption, whenever possible, of alternative media, creative messages and an emphasis on press and marketing communications, in May 2004, GOL recorded its highest ever customer loyalty ratio (41%) and 77% of its passengers were highly satisfied with its services.

People Strategy: differentiated intelligence

energy + motivation = people strategy

GOL'S PROFILE

GOL seeks ethical employees, with people skills, high self-esteem and a love for their work. Respecting human nature is one of GOL's main values.

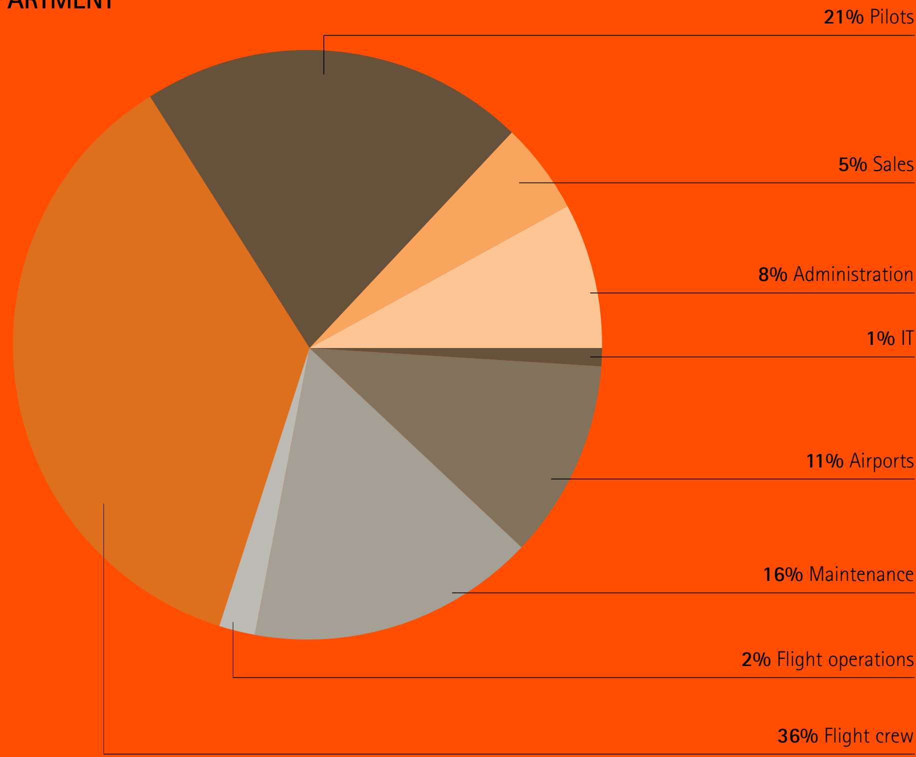
GOL's management is made up of seasoned executives with a background of more than 20 years in the sector and young, experienced professionals, forming a cohesive team with a wide range of skills. At GOL, people can be spontaneous, authentic, make suggestions and, above all, participate in building the Company. GOL began operations with little more than 500 employees and has increased that number sixfold in four years, in line with its growing market share. GOL's workers are true professionals, motivated by and enthusiastic about the Company's philosophy. All pilots have more than 10,000 hours of flying time in equivalent aircraft and take great pride and pleasure in building a pioneering and differentiated company. And everyone has a share in the profits.

At the same time it hires pilots and maintenance crew with proven experience in the area, GOL's Human Resources department focuses on forming a team whose priority is the Company's values. GOL gives preference to existing Company employees when filling new positions and constantly invests in personnel training, aiming to incorporate best sector practices. In 2004, R$6.5 million was invested in training.

EMPLOYEES PER DEPARTMENT

December, 2004

Total: 3,307



Growth Strategy: intelligence and planning

High-demand routes + routes where the competition's fares are high = growth strategy

GOL's business is to create demand for air travel and its growth strategy has been tried and tested. With this in mind, the Company has consistently increased its flights on routes where demand is high, as well as on those where its competitors' fares are high, with clear potential for capturing demand. It also seeks to boost its share of corporate travel, the biggest and most lucrative segment, and leisure trips, which have greater growth potential. In 2004, the Company launched more than 100 new flights, always at the most affordable price for the customer.

"I opted for GOL because of the price and the great service."

José J. da Silva, 48, Accountant

"This is the fourth time I've flown GOL. I love the service – the flight attendants are wonderful, very attentive; the pilots and the ground staff, too. Everything's great, in fact - especially the price!"

Marilza de Souza, 26, Housewife

"I chose GOL because of the price. I think it's an excellent company – the service is first-class."

Marta Lezcano, 45, Bank Employee

The Brazilian Aviation Industry

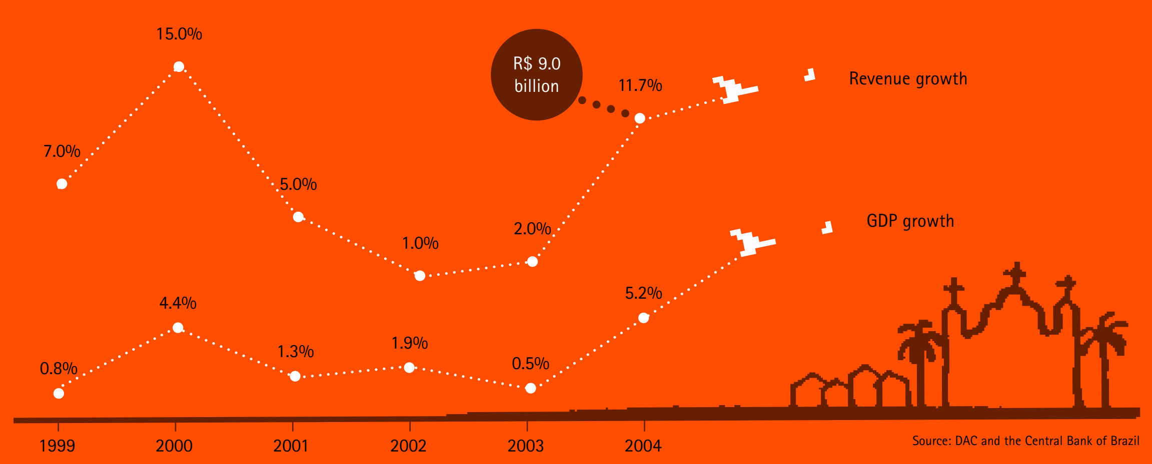
The Brazilian aviation fleet is the second biggest in the world, with some 12,000 aircraft operating under the same safety standards as those that govern American airlines – the rules and regulations of the ICAO (International Civil Aviation Organization). There are 67 airports, managed by Infraero, spread throughout 27 states.

Traveling by plane has always been considered a luxury in Brazil, due to the prohibitively high fares charged by other airlines. Interstate buses are still the main means of long-distance transportation, despite the country's huge size – a bus trip from São Paulo to Bahia takes around 48 hours. According to the latest figures from the DNIT (National Transport Infrastructure Department), more than 132 million passengers used such buses in 2003, compared with 30 million air passengers in 2003.

Sector revenue growth is closely tied to GDP growth, since 70% of domestic air travel consists of business trips, according to the DAC (Brazil's Civil Aviation Department) which controls sector activities. The ten major airports – located in the main state capitals where the largest companies are also located – account for approximately 77% of the total number of passengers carried. Infraero is currently investing roughly R$ 5 billion in upgrading the country's main airports.

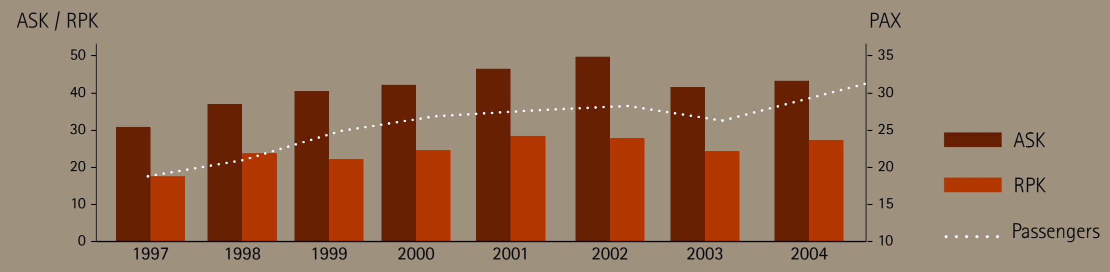
All these factors indicate substantial market growth potential. According to a WorldWatch Institute study in 2004, the Brazilian consumer market comprises some 60 million people, showing ample room for expansion when compared with current air-travel numbers. GOL believes that the low-cost, low-fare model will play a vital role in the development of the country's domestic civil aviation sector.

GDP GROWTH & DOMESTIC AVIATION INDUSTRY REVENUES

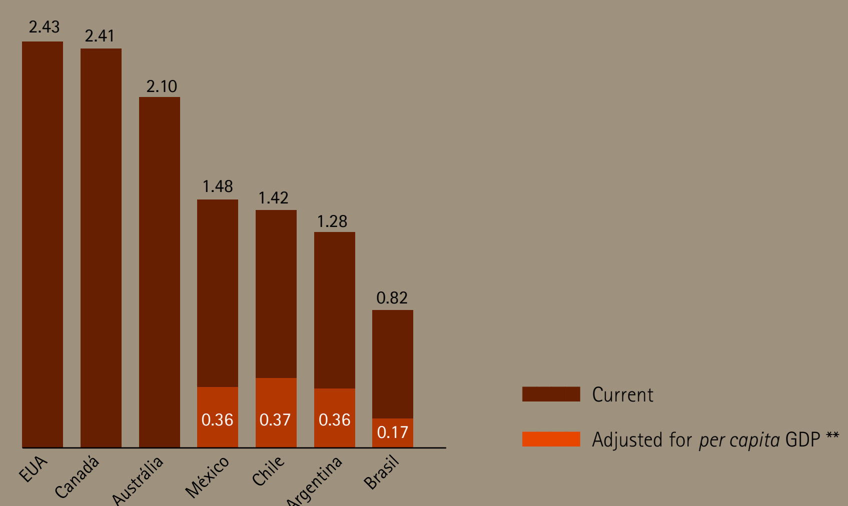


Source: DAC and the Central Bank of Brazil

SUPPLY AND DEMAND TRENDS



ANNUAL ENPLANEMENTS PER CAPITA*



* In 2002. Source: Transportation Department Census Reports.
** *Per capita* GDP as defined by the World Bank using purchasing-power parity. Adjusted relative to US per capita GDP.

1,052

passengers per hour at GOL*

Air traveling in Brazil

was a **luxury**, until

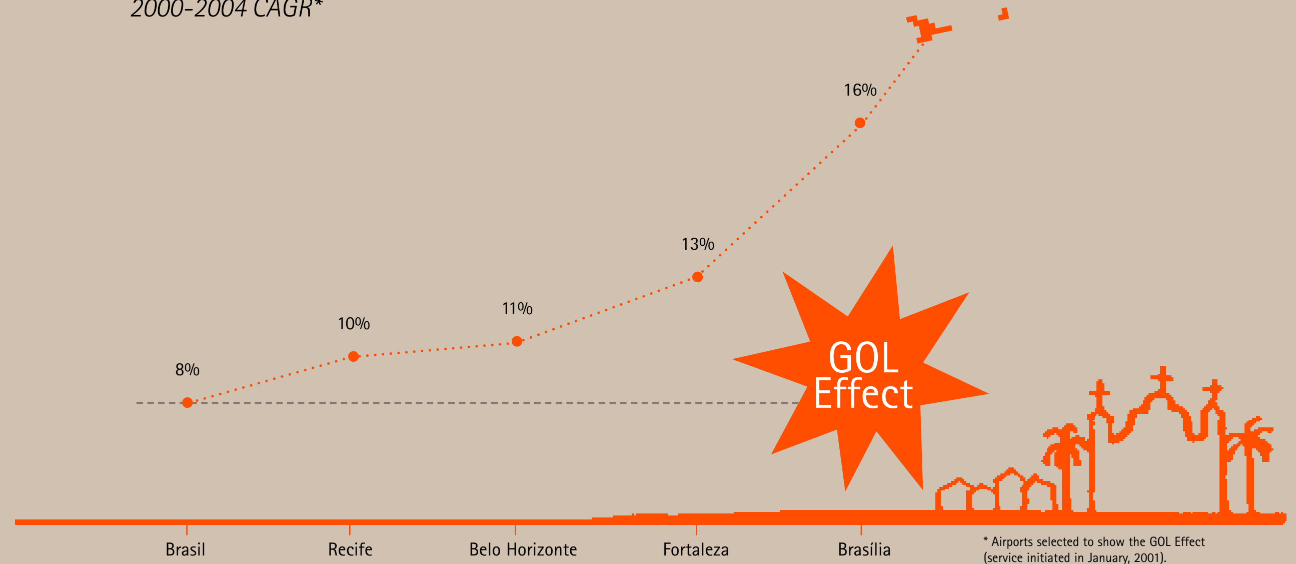
GOL started operations

The "GOL Effect"

Since it began operations, GOL has been stimulating demand for air travel through lower fares, wich passengers find more efficient than bus travel, the traditional mode of transportation in Brazil. Therefore, the routes with the highest growth are those on which GOL operates, exemplified by the graph below, which have grown well above the sector average.

PASSENGER TRAFFIC GROWTH ON GOL'S ROUTES

*2000-2004 CAGR**



* Airports selected to show the GOL Effect (service initiated in January, 2001).
Refers to the 50 biggest airports with figures for 2000-04.

*At December 2004

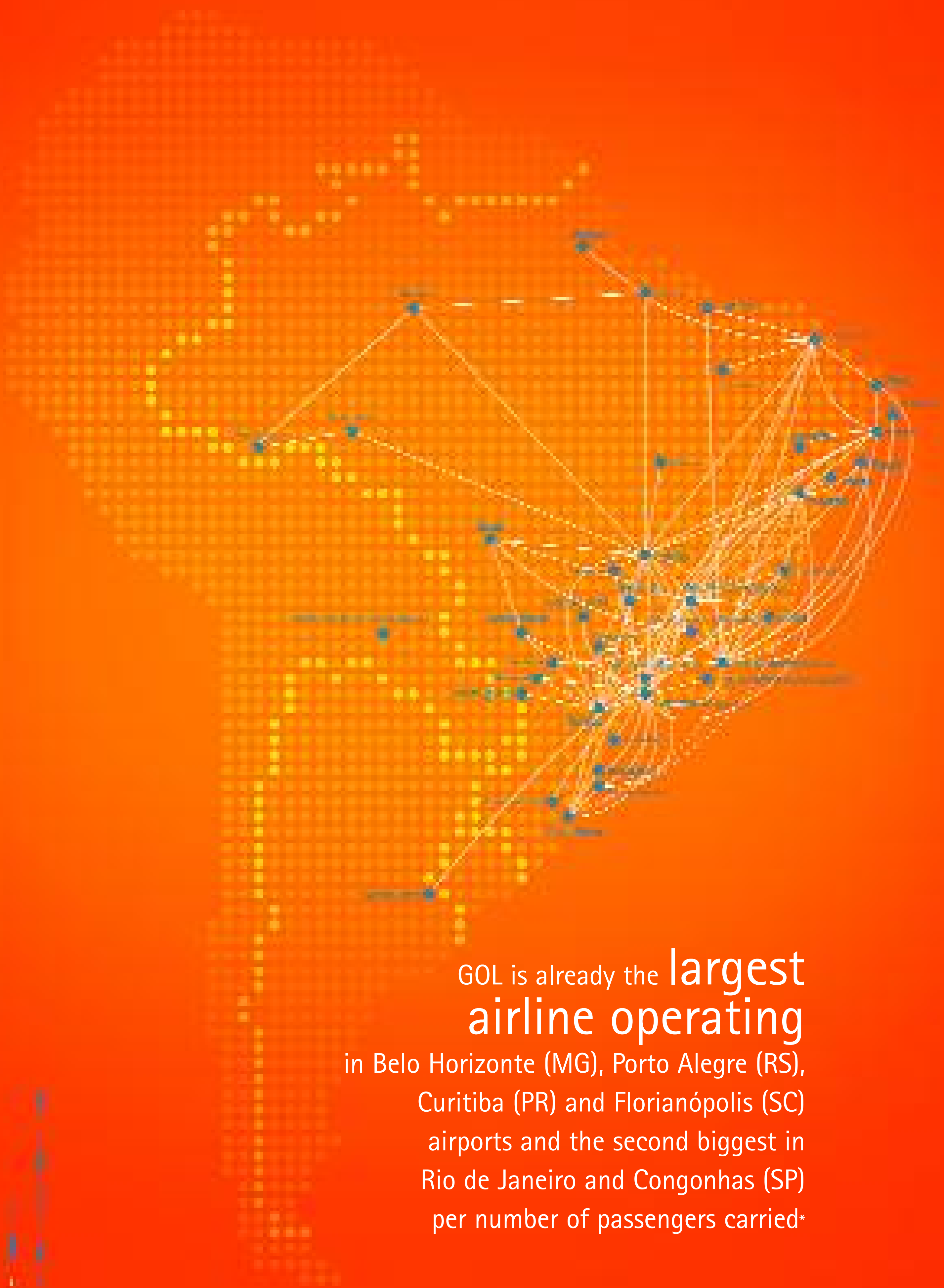
"This is the first time I've flown. I always travel by bus, but this time my employers insisted I take the plane because it's an easier journey. I'm new to this, so I need a lot of help, but GOL's employees are very kind."

Lucides Pereira Cardoso, 87, Maid

The Brazilian Market has the potencial of over 20 million passengers

"I'm arriving from New York and heading to Porto Alegre. I chose GOL for the domestic flight firstly because it's the cheapest. Secondly, because I've flown GOL for business a couple of times, which other people bought for me. I liked it and now I only fly GOL."

Carolina Isabel Martin, 20, Model



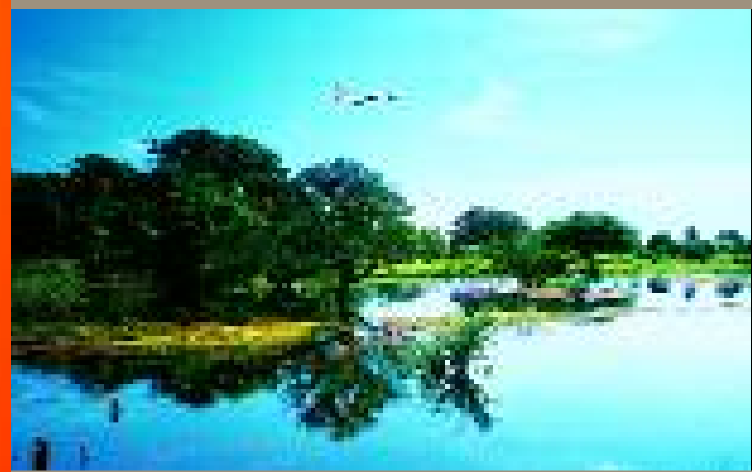
GOL is already the **largest airline operating** in Belo Horizonte (MG), Porto Alegre (RS), Curitiba (PR) and Florianópolis (SC) airports and the second biggest in Rio de Janeiro and Congonhas (SP) per number of passengers carried*

Operations

GOL's operations were designed to maximize aircraft utilization, maintaining high-frequency flights with limited ground time, in order to meet growing passenger demand, with high productivity and low costs.

The Company operates direct flights on the busiest routes and flies to secondary cities with stop-overs. Ground time averages only 25 minutes and the aircraft utilization ratio reached 13.6 block hours per day. These two indicators rank among the best in the world, according to Boeing.

As of December 31, 2004, the Company offered services to 35 Brazilian destinations and one in Argentina, with 270 flights per day and a fleet of 27 aircraft. In 2004, GOL added eight new national destinations to its air network – Joinville (SC), Uberlândia (MG), Porto Velho (RO), Rio Branco (AC), Foz do Iguaçu (PR), Caxias do Sul (RS), Teresina (PI) and Aracajú (SE) – and inaugurated its first international route to Buenos Aires, Argentina. As a result, capacity increased by 16%. In addition to new destinations, GOL also created new connections and increased flight frequencies on its existing routes.



Increased load factor through flight connections and network efficiency

Plenty of room for growth in the country's main airports

*1Q05 figures.

Safety

The safety of its passengers and employees is GOL's top priority. The procedures related to safety go beyond the basic parameters established by sector authorities and are focused on three distinct areas: aircraft maintenance, continuous training of the crew and constant monitoring of aircraft and crew performance.

GOL is a member of the Flight Safety Foundation (the world's most prestigious air safety body) and has installed the FOQA and MOQA data-monitoring systems in all its aircraft, increasing flight safety and improving operational results.

Experienced crew: Pilots with more than 10,000 flight hours in equivalent equipment

Total adherence to manufacturer's recommendations regarding periodical maintenance

Quality

Simplicity of service does not mean any relaxation of quality standards. GOL's Quality Department monitors all quality indicators from every area of the Company, with a special emphasis on those items to which customers are most sensitive: completion of scheduled flights, punctuality and convenience. Quality reports are sent to all members of top management and immediate steps are taken to resolve any potential problems, whether in specific areas or those affecting the Company as whole.

In 2004 GOL recorded a 98% completion of scheduled flights

	2002	2003	2004
Completion of scheduled flights (%) *	97	97	98
Customer service (per 1,000 passengers)	0.4	0.4	0.6
Misplaced baggage (per 1,000 passengers)	0.7	0.6	0.5

*Source: DAC

Target Market

Passenger transport accounts for 96% of Company revenues. In this segment, GOL targets three specific passenger groups:

➔ **Business:** the market's most traditional and demanding segment, responsible for 60% of the domestic aviation market according to the DAC, and concentrated in the main state capitals, particularly the Southeast region. The great challenge in capturing, and keeping, such passengers was to offer more flights while maintaining regularity and punctuality indices above the Brazilian average. Corporate clients already account for 66% of GOL's revenues and ensure continuous demand throughout the year and not just in the busy season.

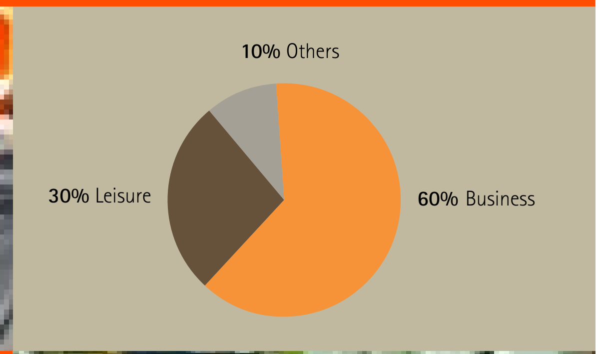
➔ **Leisure:** leisure travelers account for 30% of the market, with the most popular destinations being the state capitals in the Northeast region. It is GOL's greatest potential growth segment and is directly related to GDP growth and the resulting upturn in domestic tourism.

➔ **Others** (VFR): passengers with specific reasons for traveling to a particular destination, such as visiting friends and relatives, attending school, etc.

27 aircraft fly over Brazil in 270 daily flights...

...serving all markets 24 hours a day

2004 PASSENGER PROFILE



Low fares attract leisure passengers and price sensitive business passengers

Stimulating demand allows GOL not only to gain market share but also to expand the market in which it is operating.

Return flight for R$1.00: passengers who stayed over 5 days in their destination spot paid only R$1.00 for their return flight.

Night flights, also known as "night owls", took place during the night, utilizing planes that otherwise would have been parked.

Web Check-in. GOL is the only Brazilian company to offer this kind of service.

Innovations and Promotions

GOL is a pioneer in offering differentiated and innovative promotions in the airline industry, exemplified by the introduction of night flights in December 2003. These flights were geared towards price-sensitive passengers and designed to compete with interstate bus travel. Nicknamed *Corujões* (Night Owls) and using aircraft that would otherwise be grounded, the flights marked the beginning of GOL's operations at the Governador André Franco Montoro International Airport, in Guarulhos. With an average load factor of 90% – well above the 70% initially expected – the night flights generated significant demand in the marketplace and are now a permanent feature.

A highlight in 2004 was the *Brasil Mais Perto* (Brazil Closer) promotion. Every week, from the first minute of Saturday to the last minute of Monday, GOL's clients were able to find several destinations with special fares starting at R$1.00 on the Company's website. Approximately 48,000 tickets were sold during this promotion. Special fare dates also had a major impact. On Senior Citizens' Day, the Company offered special discounts for people aged 65 or over and on Children's Day, GOL granted a 100% discount for children under 12 accompanied by a paying adult.

Greater traffic volume on the website (650,000 unique visitors per month, on average, in the final quarter) and the increase in tickets sold are proof of the programs' success, which will be maintained and expanded in 2005.

Cargo

Aware of the growth of e-commerce in Brazil, GOL also operates in the air-cargo segment through GOL Log. It focuses on small-scale deliveries, whose margins are higher, utilizing space available on its passenger aircraft. In 2004, cargo accounted for 4% of the Company's total revenues and is guided by the same philosophy as GOL itself – efficient service and low prices.

TICKERS
Bovespa: GOLL4
NYSE: GOL

Initial Public Offering

GOL successfully concluded its IPO, and public trading of its preferred shares on the São Paulo Stock Exchange (Bovespa) and the New York Stock Exchange began on June 24, 2004. The issue was over-subscribed more than six times, with demand reaching record levels among Brazilian investors. The Company offered 17.6% of its total capital, or 33,050,000 preferred shares, 18,750,000 of which new and 14,300,000 held by existing share-holders. The shares were priced at R$26.57 per preferred share and US$17.00 per ADS, raising a total of US$284 million.

The offering took place simultaneously in Brazil and New York. Of the total shares offered, 9,254,000, or 28%, were placed in Brazil, and 23,796,000, or 72%, were placed abroad in the form of ADSs, with each ADS representing two preferred shares. Individual investors demand in Brazil reached almost R$400 million. Combined daily traded volume on the Bovespa and the NYSE averaged around R$18 million in the final quarter of 2004.

GOL will use the IPO's net proceeds and its cash in investments related to the acquisition and/or leasing of new aircraft.

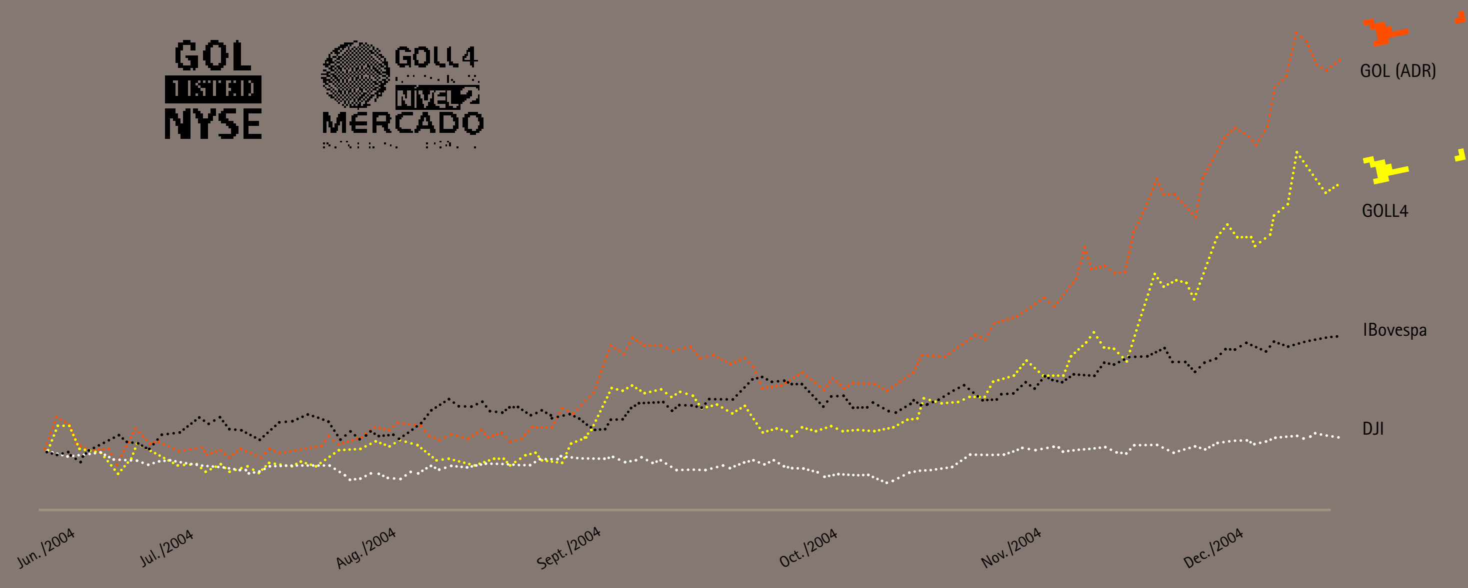
Name	Common Shares		Preferred Shares owned before the IPO		Preferred Shares		Total Number of Shares	
	Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)
Aeropar Participações S.A.	109,448,477	100.00	31,493,863	53.07	31,493,863	40.33	140,942,340	75.15
BSSF Air Holdings LLC	6		21,099,100	35.55	10,199,100	13.05	10,199,106	5.44
Comporte Participações S.A.			6,751,775	11.38	3,351,775	4.29	3,351,775	1.79
Diretores e Conselheiros	14		8		8		22	
Free Float					33,050,000	42.32	33,050,000	17.62
Total	109,448,497	100.00	59,344,746	100.00	78,094,746	100.00	187,543,243	100.00

In December 2004

(1) Aeropar is a subsidiary of Áurea, which is owned by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino. Áurea is part of Áurea Group, which owns more than 20 companies operating in the Brazilian passenger transportation sector. Constantino family owns 100% of Áurea's net worth.
(2) Includes 224 common shares of the Company, subscribed and paid on the Company's incorporation date.
(3) BSSF Air Holdings LLC is a subsidiary of BSSF Air Holdings Ltd. BSSF Air Holdings Ltd. is owned by AIG Brazil Special Situations Fund, L.P. and AIG Brazil Special Situations Parallel Fund, C.V., funds managed by AIG BSSF, L.P., an indirect subsidiary of American International Group, Inc.
(4) Comporte Participações S.A. is owned by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino, the Constantino Family.
(5) Includes 56 preferred shares of the Company, subscribed and paid on the Company's incorporation date.
(6) Shares transferred to the Board of Directors' members as to assure eligibility.

Share Performance

The Brazilian equity market performed well in 2004 and the Bovespa continued its efforts to popularize the stock market. Major corporations raised funds on the market via IPOs and secondary offerings. Against this background, GOL's shares on the Bovespa have appreciated by 59% since their debut, versus 26% for the Bovespa Index in the same period. The Company's ADS, traded on the NYSE, appreciated by 88%, while the Dow Jones Index climbed by only 3%.



Shareholding Structure

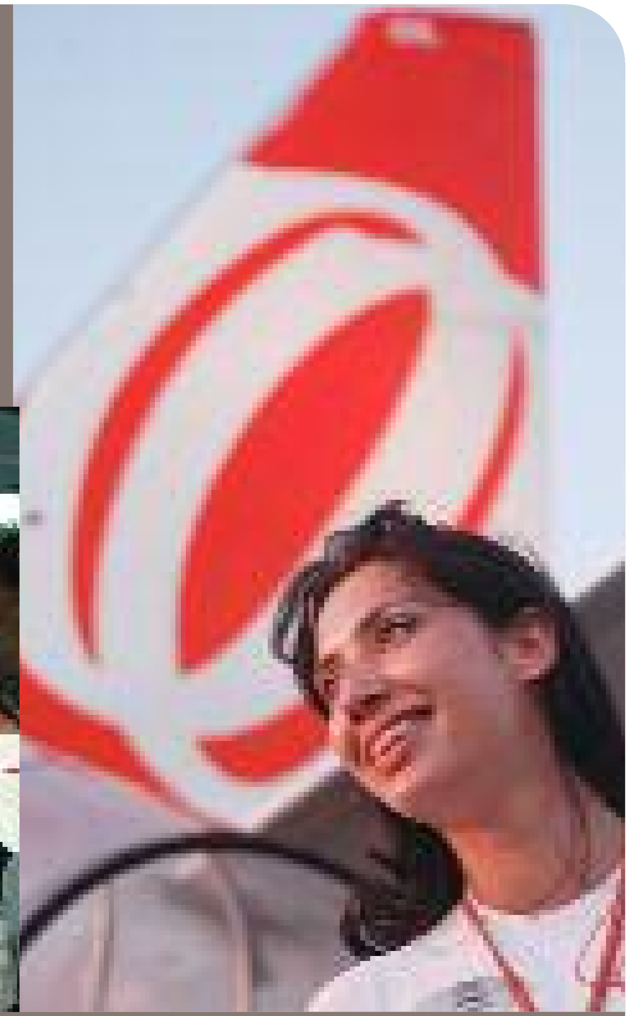
GOL was born out of Grupo Áurea, one of Brazil's largest road transportation groups with more than 50 years of experience, which retains holdings in various transportation companies in several states. Aeropar Participações S.A., GOL's controlling shareholder, is a Grupo Áurea subsidiary.

Exemplary Disclosure Practices

Since its initial listing on the Bovespa and the NYSE, GOL has built its Investor Relations (IR) program around three core principles: transparency, equal access to information, and equality of treatment. Highlighted among the Company's fair disclosure policies and procedures are several initiatives:

- **Disclosure Policy Manual.** Prior to going public, GOL's Board of Directors approved a Disclosure Policy and Procedures Manual which follows CVM Regulation 358 (related to disclosure and use of information about relevant acts or facts), SEC Regulation Fair Disclosure (Reg FD), and Mandated Edgar Filing for Foreign Issuers Rule. GOL's Disclosure Policy Manual is available on its IR website.
- **Multi-lingual IR Website.** GOL continuously updates its IR website, which has been recognized as one of the Top 10 IR websites in Brazil. At www.voegol.com.br, investors and analysts can find a wealth of information, including financial statements, press and earnings releases, stock quotes, analyst coverage and recommendations, and market earnings estimates.
- **Global Webcasts.** GOL's quarterly earnings announcements are webcast live to investors, analysts and the press once per quarter. Presentations at investor conferences are webcast live on the Internet and made available on the Company's IR website. Local market public meetings with analysts and investors - Apimec events - are broadcast live in Portuguese with a simultaneous English translation.
- **Quarterly Financial Statements in BRGAAP and USGAAP.** In addition to quarterly limited reviews, annual audits and full disclosure of its financial statements in Brazilian GAAP, GOL also provides quarterly limited reviews and annual audits of its financial statements in USGAAP. Both BRGAAP and USGAAP financial reports are disclosed to the market simultaneously each quarter.
- **Earnings Guidance.** GOL is one of the few companies in Latin America that provides guidance for the current year's results. Guidance reduces earnings volatility and allows the Company to more freely discuss industry trends and expectations in line with Reg FD.
- **Disclosure Committee.** With the creation of its Disclosure Committee in 2005, GOL will be compliant with Section 302 of the Sarbanes Oxley Act of 2002.

GOL ensures consistency and ongoing improvement of its disclosure controls and performance. The company is committed to corporate governance and compliance with the basic principles of disclosure best practices.



Dividend Distribution

GOL's Bylaws state that a minimum mandatory dividend be paid to holders of common and preferred shares equivalent to at least 25% of distributable annual net income (i.e. after the constitution of the legal reserve), pursuant to the Brazilian Corporate Law. The dividends proposed for the period ending December 31, 2004, amounted to R$60.7 million, equivalent to R$0.32 per share. The approval of dividends to shareholders will be made at the Annual General Meeting on April 11, 2005, and payment will take place on April 20, 2005. Holders of common or preferred shares as of April 11, 2005 shall be entitled to dividends. Shares will be traded ex-rights as of April 12, 2005.

The base income for determining the dividends proposed by the company is determined by the equity accounting results of the subsidiary GOL as from March 1, 2004, the reference date of the Company's corporate restructuring. The consolidated and pro forma financial statements presented at the end of this report should not be used to calculate dividends or for any other corporate purposes other than providing comparative information on GOL's operating performance, due to the corporate restructuring, which involved the creation of this holding company on March 12, 2004.

Corporate Governance

GOL has a Board of Directors, comprised of eight members, and a five-member Board of Executive Officers. The Company also maintains Audit, Corporate Governance and Nomination, Compensation and Risk Policy Committees, comprising of members of the Board of Directors and Board of Executive Officers, as well as Management, Executive Policy, Budget, Investment, Corporate Governance, Risk Management and Disclosure and Information Technology Committees, comprised of members of the Board of Executive Officers and senior management.

The Company is committed to achieving and maintaining the highest standards of corporate governance. In order to do so, a Corporate Governance and Nomination Committee was created to advise the Board of Directors on best corporate governance practices.

In addition to meeting all the requirements for listing on Level 2 of the Bovespa's Novo Mercado (New Market), GOL has also granted its shareholders the right to participate in a public tender offer, in the event of change of control, offering for each preferred share the same price paid for each common share of the controlling block (100% tag along rights). The Company's controlling shareholder, Aeropar, also undertook not to transfer any preferred shares, preferred stock option plan or any securities convertible into preferred shares for a period of one year after GOL's shares began trading on the stock market.

Management with an entrepreneurial culture and vast experience in passenger transportation industry.

100% *tag along* for all stockholders.

Board of Directors

GOL's Board of Directors establishes the Company's general strategic guidelines and, among other matters, is responsible for electing the Executive Officers and supervising their management. The Board meets on a quarterly basis and when requested to do so by the Chairman or any three Board members.

In 2004, GOL elected three new Board members, each of whom qualifies as independent under NYSE criteria.

Name	Age	Title
Constantino de Oliveira	73	Chairman
Constantino de Oliveira Júnior	36	Member
Henrique Constantino	33	Member
Joaquim Constantino Neto	39	Member
Ricardo Constantino	41	Member
Álvaro de Souza	56	Independent Member
Antonio Kandir	51	Independent Member
Luiz Kaufmann	59	Independent Member

Board of Executive Officers

GOL's Executive Officers are responsible for day-to-day management. The individual responsibilities of each officer are established in the Company's Bylaws and by the Board of Directors.

Name	Age	Title
Constantino de Oliveira Júnior	36	President, Chief Executive Officer
David Barioni Neto	46	Vice President - Technical
Richard F. Lark, Jr.	38	Vice President - Chief Financial and Investor Relations Officer
Tarcísio Geraldo Gargioni	58	Vice President – Marketing and Services
Wilson Maciel Ramos	58	Vice President – Planning and Information Technology

Fiscal Committee and Management Committees

The Fiscal Committee is a corporate body independent of management and the independent auditors whose primary responsibility is to review management's activities and the Company's financial statements, and to report its findings to the Board of Directors. GOL's Fiscal Committee has not yet been constituted.

The Board of Directors has Compensation, Corporate Governance and Nomination, Audit and Risk Policy Committees. The duties and composition of these committees are listed below.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is responsible for the coordination, implementation and periodic review of best corporate governance practices and for monitoring and keeping the board of directors abreast of legislation and market recommendations concerning corporate governance.

Audit Committee

The Audit Committee assists the board of directors in matters concerning accounting, internal controls, financial reports and compliance. It also recommends the nomination of the independent auditors by the Board of Directors and reviews their compensation, as well as evaluating the effectiveness of the internal financial and compliance controls. The Audit Committee consists of three independent members elected by the Board of Directors for a one-year term. The current members are Álvaro Souza, Antonio Kandir and Luiz Kaufmann (the "financial expert" pursuant to SEC regulations).

Compensation Committee

The Compensation Committee reviews and recommends to the Board of Directors the forms of compensation, including salaries, bonuses and stock options, to be paid to Directors and Executive Officers. The committee also reviews and recommends revisions to the compensation policies applicable to Directors and Executive Officers and reviews management's career and succession plans.

Risk Policy Committee

The Risk Policy Committee conducts periodic reviews of the measures taken to protect the Company against foreign exchange, interest rate and aircraft fuel price variations, and analyzes their impact on revenues and expenses. The Committee also assesses the effectiveness of the hedging measures adopted during the previous quarter and makes recommendations for future changes.

"I've flown Gol lots of
times because of its quality,
price, punctuality, and on-board
service - all of which are excellent.
Oh, and I love the orange color."

Antônio Nadim Zidan, 60, Industrial Worker

"I called the travel agency
and asked for the airline with
the best times and the best
price and they told me about GOL.
I've flown with them many
times since and I think it's a great
airline - always punctual and
with convenient flight times. "

Rinaldo Tadeu Gertrudes, 39, Manager

GOL and Sarbanes-Oxley

In line with its commitment to maintaining the highest standards of corporate governance, in 2004 GOL began implementing the necessary procedures for compliance with the Sarbanes-Oxley Act. These include Certifications 302 and 404, which should occur in 2005, and the creation of a disclosure committee.

Disclosure Committee

The Disclosure Committee is an important control for GOL, as well as being absolutely essential for the above-mentioned certification. The Disclosure Committee has various responsibilities, including reviewing SEC filings, recommending disclosure parameters, supervising disclosure procedures and reviewing control deficiencies and material insufficiencies with the CEO and CFO.

Information Technology (IT) Committee

The IT Committee supports the Board of Excecutive Officers in ensuring that projects in this area are in full conformity with the needs of the business. Investments are made in line with previously calculated and agreed-upon returns and resources are allocated in the most appropriate manner. In 2004 an assessment was made in terms of the Company's conformity with Corporate Governance standards on information technology and work began to bring the processes in line with the requirements of the COBIT (Central Objectives for Information and Related Technology).

Securities Trading Policy

GOL's Securities Trading Policy establishes the trading rules to be observed by those persons considered to be Qualified Individuals, pursuant to the trading restrictions laid down in CVM Instruction 358 and the Company's internal Securities Trading Policy.
All GOL managers and their staff are aware of and adhere to this policy.

Social Responsibility

Since its inception GOL has been committed to social responsibility, fully aware of the country's need for humanitarian and social initiatives. The Company believes that the only means of transforming reality is by investing in serious projects, based on the capacity and talent of the Brazilian people.

Gol Social

Real concern with the need of humanitarian and social growth in the country.

Social Actions

The Company opted to lend its support to initiatives in which it could play an active part and which were linked to its core activity. It also resolved to support NGOs with a nation-wide reach that focused on people in need and did not operate under the hand-out system. The Company's main social initiatives are as follows:

"Pastoral da Criança" (Children's Pastoral Entity)

The *Pastoral da Criança*, or Children's Pastoral Entity, is one of the world's biggest NGO's and has been highly successful in combating infant malnutrition and mortality, caring for 1.8 million children up to the age of 6. In 2003, GOL decided to donate R$1 million over two years, "without earmarking funds for any specific project". This initiative gives the Pastoral complete freedom to invest the money in any of its programs;

"Projeto Felicidade" (Happiness Project)

The *Projeto Felicidade*, or Happiness Project, is an institution that brings children with cancer to São Paulo for a week of sightseeing with their families allowing them to forget the rigors of their treatment for a little while. One of these outings includes a tour to GOL's offices and Congonhas airport, by Company employees. The bonds formed at these outings continue long after the children have gone home through letters, phone calls and surprise birthday parties.

"Fundação GOL de Letra" (GOL de Letra Foundation)

This Foundation provides supplementary learning programs and currently assists around 540 children and adolescents between the ages of six and 14 in São Paulo and Rio de Janeiro. It also invests in training community agents through workshops involving some 200 youngsters. GOL became the project's official transportation company by donating air tickets for flights between Rio and São Paulo.

"Parcerias do Bem" (Partnerships for Good Deeds)

It is no use expecting the world to become a better and more fair place without a firm commitment to making it so. With this in mind, GOL supports and invests in **Faça Parte** (Participate!), which unites volunteers from all over the country under a single banner – building a better Brazil. **Faça Parte** believes in the force of voluntary work and in the idea that each Brazilian can play an active part in making this dream a reality. GOL is also responsible for transporting the coordinators of the **Projeto Solidariedade ao Nordeste** (Solidarity with the Northeast Project), which recently received the status of an "NGO I want to help" and was created by volunteers moved by the harsh conditions of life in Jaguaruna, in the state of Ceará. The project encourages people from all over the country to "adopt" needy families in the region. GOL also supports the **Instituto Criar de TV e Cinema** (Making TV and Movies Institute), founded by the television presenter Luciano Huck, which provides professional training in audio-visual techniques for youngsters from low-income backgrounds and sponsors internships with film and TV production companies. **Futebol dos Atores** (Actors' Soccer), a project through which actors take part in benefit soccer matches to help the children and the elderly in certain communities, is another project to which GOL lends its support.

FAÇA PARTE INSTITUTO BRASIL VOLUNTÁRIO

INSTITUTO CRIAR DE TV E CINEMA

GOL Recycling Program

Whenever our air passengers dispose of a cup, they can be sure that they helping someone somewhere. All the plastic containers used in our flights are recycled and all the resulting proceeds are donated to charities. Every month, the program recycles around 100 tons of plastic, which would normally take 450 years to decompose, generating savings equivalent to one ton of oil. Thus, with a single program, GOL looks after the future of the environment, creates jobs and helps improve the quality of life for many people.

Cultural Projects

GOL has been concerned with cultural issues in Brazil for four years, sponsoring plays and supporting films, dance spectacles and sporting events.

In this time, it supported and sponsored two feature films, four sporting events, all shows hosted by the Rede CIE Brasil network in São Paulo and Rio de Janeiro (Credicard Hall, DirecTV Music Hall and Claro Hall) and 19 plays.

Awards and Prizes

GOL received several awards and prizes in 2004, some of which are listed below:

- *Prêmio iBest 2004* – Means of Transportation category;
- *Melhores e Maiores, Exame 2004* – 'Company of the Year';
- *3rd Marketing Best Responsabilidade Social* – support for the *Felicidade*, *Pastoral da Criança* and *Fundação Gol de Letra* projects;
- *Prêmio Top Social* 2004;
- *Prêmio Anual de Aviação 2004* – 'Best Brazilian Airline';
- *As Grandes Sacadas de Marketing 2004* – Best Company in the Airline category;
- Finalist in the *Troféu Transparência 2004* (Anefac) – 'Best Published Financial Statements in 2004';
- *Maiores & Melhores do Transporte & Logística 2004* – 'Best in the Air Industry' and 'Best of the Best in the Transportation Industry';
- Best Share Offering in 2004, *LatinFinance* Magazine.

Statement of Added Value – Consolidated Pro-Forma (BR GAAP)

(In thousands of Reais)

	2004	2003
Revenues		
Transportation of passengers, cargo and others	2,054,649	1,497,393
Provisions for doubtful accounts	(213)	(2,455)
Inputs acquired from third parties (incl. ICMS and IPI)		
Materials, energy, outsourced services and others	(647,442)	(472,129)
Aircraft insurance	(25,575)	(25,850)
Sales and marketing	(261,543)	(188,825)
Gross value added	1,119,876	808,134
Retentions		
Depreciation and amortization	(26,000)	(14,527)
Net value added produced by the company	1,093,876	793,607
Value added received in transfer		
Financial income	56,420	26,577
Total value added to be distributed	1,150,296	820,184
Distribution of added value		
Employees	(172,979)	(137,638)
Government	(315,690)	(201,282)
Financing agencies	(45,441)	(88,504)
Lessors	(298,706)	(279,716)
Shareholders	(60,676)	(26,502)
Reinvested	(256,804)	(86,542)
Total value added distributed	(1,150,296)	(820,184)

Consolidated Pro-Forma Social Balance Sheet (BR GAAP)

(thousands of Reais)

	2004		2003	
	Parent Company	Consolidated	Parent Company	Consolidated
1) Calculation basis				
Net Revenue (NR)	-	1,960,886	-	1,400,590
Operating Result (OR)	-	509,195	-	188,667
Gross Payroll (GP)	-	90,367	-	62,582

	2004 Consolidated			2003 Consolidated		
2) Internal Social Indicators	Amount (R$ 000)	% of GP	% of NR	Amount (R$ 000)	% of GP	% of NR
Food	6,807	7.53	0.35	4,801	7.67	0.34
Employee transportation	3,666	4.06	0.19	2,865	4.58	0.20
Safety and medicine in the workplace	211	0.28	0.01	100	0.16	0.01
Mandatory payroll taxes	32,554	36.02	1.66	22,587	36.09	1.61
Training and professional development	6,473	7.16	0.33	19,068	30.47	1.36
Profit / results sharing	27,181	30.08	1.39	-	-	-
Total - Internal Social Indicators	76,892	85.09	3.92	53,244	85.08	3.80

3) External Social Indicators	Amount (R$ 000)	% of GP	% of NR	Amount (R$ 000)	% of GP	% of NR
Culture	1,730	1.91	0.09	1,120	0.95	0.08
Taxes (excluding payroll taxes)	271,378	300.31	13.84	140,246	119.55	10.01
Total - External Social Indicators	273,108	302.22	13.93	141,366	120.51	10.09

4) Employee Indicators (unaudited)	2004	2003
No. of employees at the end of the period	3,307	2,453
No. of employees hired during the period	1,152	223
No. of employees above 45 years of age	324	244
No. of female employees	1,391	987
% of management positions occupied by women	41.63	32.39
No. of Afro-Brazilian employees	37	34
% of management positions occupied by Afro-Brazilians	-	-

5) Information regarding business responsibility (unaudited)

	2004	2003
Total nº of work-related accidents	24	22

Company-sponsored social and environmental projects were decided by:	( ) top executives	(X) top executives/management	( ) all employees
Safety and health standards in the workplace were set by:	( ) pela direção	(X) top executives/management	( ) all employees
The profit/ results sharing program covers:	( ) direção	( ) top executives/management	(X) all employees
In the selection of suppliers, the same standards of ethical and social and environmental responsibility adopted by the company:	( ) are not taken into consideration	( ) are suggested	(X) are required
With relation to voluntary work by employees, the company:	( ) does not become involved	( ) supports it	(X) organizes it

Analysis of Results

The table below summarizes GOL's main financial statement items in line with US legislation (USGAAP) for the fiscal years ended December 31, 2003 and 2004.

	2004	2003	% Var.
Net Operating Revenues			
Passengers	1,875,475	1,339,191	40.0%
Cargo and others	85,411	61,399	39.1%
Total net operating revenues	1,960,886	1,400,590	40.0%
Operating Expenses			
Salaries, wages and benefits	183,037	137,638	33.0%
Aircraft fuel	459,192	308,244	49.0%
Aircraft rent	195,504	188,841	3.5%
Aircraft insurance	25,575	25,850	-1.1%
Sales and marketing	261,756	191,280	36.8%
Landing fees	57,393	47,924	19.8%
Aircraft servicing	74,825	58,710	27.4%
Maintenance materials and repairs	51,796	42,039	23.2%
Depreciation	21,242	13,844	53.4%
Other operating expenses	54,265	44,494	22.0%
Total operating expenses	1,384,585	1,058,864	30.8%
Operating Income	576.301	341.726	68,6%
Non-operating Expenses			
Interest Expense	(13,444)	(20,910)	-35.7%
Financial Income	24,423	(56,681)	nm*
Income before Income Taxes	587,280	264,123	122.3%
Income taxes current	(165,710)	(60,747)	172.8%
Income taxes deferred	(36,860)	(27,929)	32.0%
Net Income	R$ 384,710	R$ 175,459	119.3%
Earnings per share, basic	R$ 2.14	R$ 1.07	100.6%
Earnings per share, diluted	R$ 2.13	R$ 1.07	99.7%
Earnings per ADS, basic - USD	$ 1.46	$ 0.72	104.3%
Earnings per ADS, diluted - USD	$ 1.46	$ 0.72	103.6%
Average nº of shares	179,730,743	164,410.236	9.3%
Average nº of shares, diluted	180,557,011	164,410.236	9.8%

* not meaningful.

The analysis below is in US GAAP to facilitate comparison to our "low cost, low fare" peers.

GOL's net income totaled R$384.7 million in 2004, R$209.2 million more than the R$175.5 million recorded in 2003. Annual operating income stood at R$576.3 million, R$234.6 million more than the year before, while operating margins widened by 5 percentage points to 29.4%. Income before tax jumped by 122.3%, to R$ 587.3 million, pushing up income taxes from R$88.7 million, in 2003, to R$202.6 million. GOL's effective tax rate was 34% in both years.

Net Operating Revenues

Net operating revenues increased by 40.0% over 2003, to R$560.3 million, mainly due to the increase in passenger revenues, which were due to an 8.9% increase in yield, a 16.3% increase in capacity and a 6.7 percentage point rise in load factor, from 64.3% to 71.1%. The higher number of departures was due to the addition of more than 100 regular flights. The number of revenue passenger-kilometers (RPKs) climbed by 28.6%, boosting the Company's market share to 22.3%. Other revenues increased by R$24.0 million, due to the growth in revenues from cargo services. In addition, the average number of aircraft in operation rose from 21.3 to 23.2.

Operating Expenses

Operating expenses increased by 308%, to R$325.7 million, primarily due to the 49.0% increase in average fuel costs and the 36.8% increase in sales and marketing expenses. The increase was partially offset by improved productivity and a reduction in average aircraft lease and insurance premium costs, due to the 8.1% appreciation of the Real against the US dollar. Operating capacity increased 16.3% to 8.84 billion available seat-kilometers (ASKs), which allowed us to add more than 100 new regular flights. In addition, aircraft utilization rose from 12.7 block hours per day in 2003, to 13.6 block hours per day in 2004. Operating expenses per ASK increased from 11.3% to R$15.66, as a result of average fuel costs and an increase in sales and marketing expenses, partially offset by the dilution of fixed costs among the greater number of ASKs. The table below shows a comparison of operating expenses in 2004 and 2003 (percentage changes are based on rounded-off numbers):

Operating Expenses	Year ended December 31, 2003	2004	Percentage Change	Percentage of Net Revenues 2004
Salaries, wages and benefits	1.83	2.07	13.1%	9.3%
Aircraft fuel and lubricants	4.10	5.19	26.8%	23.4%
Aircraft leasing	2.51	2.21	(11.9)%	10.0%
Aircraft insurance	0.34	0.29	(15.8)%	1.3%
Sales and marketing	2.54	2.96	16.5%	13.4%
Landing fees	0.64	0.65	1.9%	2.9%
Aircraft servicing	0.78	0.85	8.5%	3.8%
Maintenance materials and repairs	0.56	0.59	4.9%	2.6%
Depreciation	0.18	0.24	30.6%	1.1%
Other expenses	0.60	0.61	3.8%	2.8%
Total Operating Expenses	14.07	15.66	11.3%	70.6%

*(CASK - cost per available seat-kilometer in R$ cents) .

Salaries, wages and benefits grew by 33.0%, or R$45.4 million, due to the 38.3% expansion of the work-force, from 2,453 at the end of 2003 to 3,303 at the close of 2004; a 5.8% cost of living adjustment of wages; the provisioning of R$27.2 million for the profit sharing program; and higher personnel training costs due to the addition of five new Boeing 737-300 aircraft in the second half. Salaries, wages and benefits expenses per ASK climbed by 13.1% due to the profit-sharing provisions, although this was partially offset by improved productivity per employee and greater capacity.

Aircraft fuel costs jumped by 49.0%, or R$150.9 million, principally due to the 24.2% increase in the average price per liter and additional consumption of 53.0 million liters (20.0% over 2003), partially offset by the fleet's fuel efficiency. The aircraft fuel expense per ASK rose by 26.8%, attributable to an increase in average per-liter fuel cost.

Aircraft rent rose by 3.5%, or R$6.7 million, due to the increase in the average number of aircraft in operation (from 21.3 to 23.2) although the impact was lessened by a decline in the average cost for the 5 new Boeing 737-300's which GOL is leasing via 2- and 3-year contracts in order to meet short-term capacity needs, and by the 8.1% appreciation of the Real against the dollar. The aircraft rent per ASK fell 11.9% due to the high aircraft utilization rate (13.7 block hours per day).

Aircraft insurance fell by 1.1%, or R$0.3 million, as a result of the above-mentioned appreciation of the Real and a reduction in average insurance premiums. The aircraft insurance expenses per ASK fell by 15.8% for the same reasons.

Sales and marketing expenses rose by 36.8%, or R$70.5 million, primarily due to increased ticket sales (versus passenger revenue), greater advertising expenses related to the opening of eleven new bases and higher credit card rates, in turn the result of the higher passenger revenues, once again partially offset by the reduction in travel agency commissions. In 2004, GOL sold 75.9% of its tickets through its website, versus only 57.9% in 2003, while the ratio of sales to travel agencies stood at 74.2%, versus 75.9% the year before. As a result, sales and marketing expenses per ASK rose by 16.5%.

Landing fees increased by 19.8% or R$9.5 million, as a result of the 16.2% increase in departures and a 3.0% rise in the landing fees themselves. These factors increased the landing fees per ASK by 1.9%.

Aircraft servicing costs increased by 27.4%, or R$16.1 million, due to the operational start-up of 11 new bases, seven of which were in the final quarter. Aircraft servicing costs per ASK rose by 8.5%, due to the fixed costs related to new destinations in the last quarter, offset by the dilution over a higher number of ASKs.
Expenses from maintenance materials and repairs grew by 23.2%, or R$9.8 million, due to the addition of an average of 1.9 aircraft in operation and 27 programmed fuselage checks and engine repairs, versus 19 in 2003. The maintenance and repairs expenses per ASK grew by 4.9% for the same reasons, partially offset by the higher number of ASKs.
Depreciation expenses jumped by 53.4%, or R$7.4 million, mainly due to R$4.0 million in depreciation of spare aircraft parts in inventory, which also pushed up depreciation expenses per ASK by 30.6%.
Other operating expenses increased by 22.0%, or R$9.8 million, due to higher general and administrative expenses generated by the expansion of operations, which also resulted in a 3.8% increase in the other operating expenses per ASK.

Other Revenues (Expenses)

Net financial expenses fell by R$88.6 million, due to the R$32.3 million increase in financial income on cash equivalents and hedge gains of R$32.3 million, plus a R$10.7 million reduction in financial expenses and exchange variation losses of R$11.0 million.

Liquidity and Capital Resources

GOL measures its liquidity as the sum of its cash equivalents and its receivables. The Company's receivable balance is affected by the payment terms of its credit-card receivables. Clients can purchase seats using a credit card and pay in installments, generally with a gap of one or two months between the time when GOL pays its suppliers and expenses and the time it receives payment for its services. When necessary, the Company obtains working-capital loans, guaranteed by its receivables, to finance the period between sales and cash receipts. As of December 31, 2004, GOL's cash and cash equivalents totaled R$849.1 million, while its receivables stood at R$386.4 million, versus R$146.3 million and R$240.6 million, respectively, at the end of 2003.
As of December 31, 2004, GOL had six revolving credit lines, permitting total loans of up to R$225.3 million. One of these lines is guaranteed by its credit-card receivables and permits loans of up to R$50.7 million. At year-end the amount due on this line was zero. Another such line is guaranteed by a certificate of deposit and permits loans of up to R$40.0 million. As of December 31, 2004, R$ 20.7 million was owed on this line. A third credit line is guaranteed by receivable notes and permits loans of up to R$125.0 million. As of December 31, 2004, the outstanding amount due on this line was R$91.3 million.

Operating Activities

GOL relies primarily on its operating cash flow to supply working capital for current and future operations. Operating cash flow totaled R$274.1 million in 2004, R$83.9 million in 2003 and R$17.0 million in 2002, the increase primarily due to the growth in the Company's business. Net cash from investing and financing activities stood at R$428.7 million in 2004 and R$52.9 million in 2003, while net cash used in investing and financing activities amounted to R$12.7 million in 2002. The increase in net cash from investing and financing activities in 2004 is attributed to the completion of the IPO in June.

GOL's operating cash is affected by certain requirements in its operating aircraft leases under which GOL maintains reserve accounts for the maintenance of its aircraft and engines, which must be financed at specific levels. At the close of 2004, such deposits totaled R$289.4 million in accordance with GOL's operational aircraft leases and engine maintenance. The Company believes that the amounts deposited in these reserve accounts currently exceed the amount necessary to maintain its aircraft, given the young age of its fleet. As the fleet ages and maintenance costs increase, however, these accounts will be used to pay for the maintenance. Over the next three years, GOL will continue to make deposits into these accounts and the precise amounts will be determined by a number of factors including the size of the fleet, the number of flying hours, changes in maintenance charges and the capacity to replace other instruments with demand deposits. The Company believes that the amounts to be deposited will sufficiently cover its future maintenance costs for the tenure of the operational leases in question.

Investing Activities

Investments totaled R$89.7 million in 2004, including expenditures of R$85.4 million on the acquisition of spare aircraft parts, versus R$42.7 million and R$38.2 million, respectively, in 2003. Investments in improvements to installations and machinery acquisitions stood at R$4.0 million. GOL reduced its aircraft leasing guaranteed deposits by R$3.5 million in 2003.

Financing Activities

Financing in 2004 consisted mostly of short-term loans totaling R$79.4 million and the issue of R$470.4 million in preferred shares during the IPO. In 2003, financing mostly included short-term loans of R$16.1 million and a R$94.2 million issue of preferred GOL shares. In 2002, the main financing activities were a R$14.2 million reduction in short-term debt and a R$16.5 million common share issue.

Capital Resources

GOL normally finances its leased aircraft through operational leases. The Company believes it will continue to need working capital since most of its clients use credit-card installment payments to pay for its services. The Company's has two lines of credit guaranteed by its receivables.

Currently, GOL has DAC approval to operate 31 aircraft, while its expansion plans forecast approximately 75 aircraft through 2010. The Company has signed an agreement with Boeing for the firm purchase of 26 737-800 Next Generation aircraft, to be delivered between 2006 and 2009, and has purchase options on a further 37 aircraft of the same model, exercisable for delivery between 2007 and 2010. The estimated resulting expenditure, based on the list of aircraft prices plus estimated increases in the contract price and pre-delivery deposits, is US$31.5 million in 2005, US$192.6 million in 2006, US$983.2 million in 2007, US$820.0 million in 2008 and US$612.4 million in 2009.

GOL expects to cover its pre-delivery deposits via operating cash flow or short-term loans and/or supplies financing. As for the balance of the aircraft purchases, the Company plans to make use of a number of tools, such as funds generated by operations, bank loans at low interest rates and credit facility agreements, sale and leasing contracts with repurchase options, additional share offerings or debt issues and/or sales financing. GOL has a preliminary agreement with the US Eximbank for guarantees that will cover approximately 85% of the total cost of the firm purchase aircraft. GOL may need to make use of its own cash resources for the remaining 15%.

Risk Management

GOL constantly monitors those risk factors that can most affect its business and results. Oscillations in fuel prices, foreign exchange and interest rates are among them. Some are outside the Company's control, such as the regulatory framework of the Brazilian aviation sector and the government's fiscal and monetary policies. To date, we have been able to adjust fares as to offset fuel prices increase and the Real devaluation against the US dollar. Our general policy is to protect against short-term price oscillations, hedging the majority of our expected fuel consumption as well as our US dollar exposure as to minimize the impact of these changes. Examples include:

Fuel costs

Jet fuel costs account for a substantial portion of the Company's operating expenses – 33% of the total in 2004. Historically, fuel prices have been subject to significant oscillations in international prices and increased by 33.7% last year.

To cope with this volatility, the Company introduced a hedge policy that determines protection for a given period. The Company has a Risk Policy Committee which meets quarterly to evaluate and manage the effectiveness of this protection.

Foreign exchange variations

During the last 40 years, the Brazilian currency has been subject to periodic devaluations. Although devaluation, in the long term, is related to relative inflation in Brazil, over shorter periods it has led to large swings in the exchange rate between the Real and, chiefly, the US dollar. GOL's revenues are mostly denominated in local currency, while a significant part of its expenses, close to 50% in 2004, are denominated in or fixed to the dollar (jet fuel and aircraft leasing, maintenance and safety).

In the Company's first two years of operations, the value of the Real fell by 80.7% against the dollar. Although it appreciated by 18.2% in 2003 and a further 8.1% in 2004, there are no guarantees that it will not fall again in the future. GOL's Risk Policy Committee periodically evaluates the effectiveness of GOL's foreign exchange hedging. GOL has no foreign currency debt; short and long-term future leasing payment obligations amount to R$759.3 million; and the leasing contract guarantee deposits, denominated in dollars, amount to R$22.9 million.

Dependence on third parties

GOL makes use of competitive outsourcing alternatives in order to keep costs low, but without compromising service quality. It currently maintains long-term contracts at competitive prices for airport ground operations, baggage and cargo handling, the call center and aircraft maintenance. The continuity and price of these services depends on the Company's ability to renew existing contracts or hire alternative providers. GOL constantly reviews the cost-benefit ratios of these contracts in order to keep costs as low as possible without jeopardizing services and plans to internalize maintenance by building a maintenance center in Confins Airport, in Minas Gerais, which will open in mid-2006.

Vulnerability to delays.

Maintaining high aircraft utilization rates is one of the pillars of GOL's low-cost strategy, in that it generates more revenue per aircraft, thereby increasing their productivity. However, this utilization rate could be affected by a number of factors, including, among others, air traffic, airport congestion, adverse weather conditions and delays by third parties. High utilization also increases the risk that a late aircraft will generate a chain of delays throughout the day, hampering operational performance and reducing punctuality indices. GOL continuously reviews its internal policies regarding time on the ground, check-in closures and other traffic-control measures in order to keep punctuality levels in line with those of the competition (whose indices tend to be higher due to less in-flight hours per aircraft on point-to-point flights).

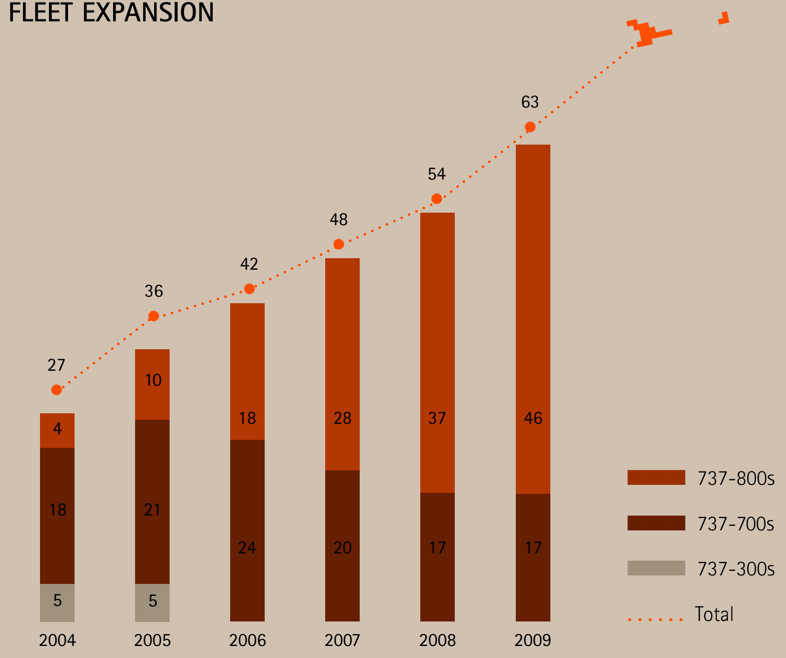
Gol's future

The key elements in GOL's growth strategy are:

- To expand its customer base by offering services on routes with high demand and to destinations where competitors' fares are high, thus giving GOL a clear potential for adding demand;
- To continue reducing operating costs;
- To continue offering simple, consumer-friendly services;
- To foster demand by offering low fares.

The outlook for Brazil's economy in 2005 is a promising one, with a positive impact on the passenger airline industry, and the Company will maintain its growth and profitability trajectory.

FLEET EXPANSION



GOL believes the exchange rate will remain stable this year, sustained by Brazil's sound economic fundamentals, keeping local interest rates flat, with a gradual reduction towards the close. A stronger Real has a positive impact on approximately 50% of the Company's operating expenses, such as US-dollar-denominated aircraft leases and dollar-linked fuel expenses.

The addition of new aircraft to the fleet in the first half of 2005 will ensure that GOL meets its short-term capacity needs. The Company plans to maintain its fleet as Brazil's youngest.

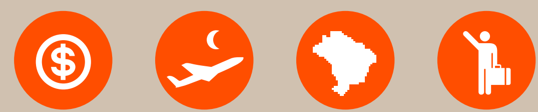
In addition to the natural organic growth generated by a larger fleet, GOL intends to maintain four distinct growth vectors:

- expanding frequency on existing routes;
- night flights;
- new markets in Brazil;
- attractive markets in Latin America.

GOL's guidance for 2005, in USGAAP, is shown in the table below.

Financial Projections (USGAAP)*	2005
Net Revenues (R$ billion)	+/- R$2.8
EPS	R$2.70 – 3.00
EBITDAR Margin	38% - 40%
Operating Margin	26% - 28%

*Financial projections are subject to frequent revision. Please check updated projections on the website www.voegol.com.br (Investor Relations).



GOL intends to keep growing and increase its market share in the Brazilian market by keeping the strategic essence that brought it here – simplicity and intelligence.

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. (formerly known as Gol Transportes Aéreos S.A.) and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years ended December 31, 2004. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

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

Maria Helena Pettersson
Partner
São Paulo, Brazil
February 22, 2005

Consolidated Financial Statements under US GAAP

Linhas aéreas inteligentes

Years ended at December 31, 2004, 2003 and 2002 with Report of Independent Registered Public Accounting Firm

Consolidated balance sheets

December 31, 2004 and 2003
(In thousands of Brazilian Reais)

	R$ 2003	R$ 2004	US$ 2004
ASSETS			
Cash and cash equivalents	146,291	849,091	319,881
Receivables, less allowance (2003 – R$3,760; 2004 – R$3,547, US$1,336)	240,576	386,370	145,558
Inventories	13,570	21,038	7,926
Recoverable taxes and current deferred tax	20,118	10,657	4,015
Prepaid expenses	12,043	34,184	12,878
Other current assets	3,812	3,389	1,277
Total current assets	436,410	1,304,729	491,535
Property and equipment			
Pre-delivery deposits	–	43,447	16,368
Flight equipment	75,514	102.197	38,501
Other property and equipment	14,463	29.703	11,190
	89,977	175,347	66,059
Less accumulated depreciation	(22,795)	(43,989)	(16,572)
Property and equipment, net	67,182	131,358	49,487
Other assets			
Deposits for aircraft leasing contracts	18,621	22,884	8,621
Prepaid aircraft and engine maintenance	162,295	266,532	100,411
Other	511	8,781	3,307
Total other assets	181,427	298,197	112,339
Total assets	685,019	1,734,284	653,361

	R$ 2003	R$ 2004	US$ 2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	48,605	36,436	13,727
Air traffic liability	123,393	159,891	60,236
Payroll and related charges	34,959	51,041	19,229
Operating leases payable	10,099	10,107	3,808
Short-term borrowings	38,906	118,349	44.586
Sales tax and landing fees	21,200	51,515	19,407
Insurance premium payable	64	24,060	9,064
Dividends payable	26,504	60,676	22,858
Other current liabilities	4,597	5,739	2,162
Total current liabilities	308,327	517,814	195,077
Other liabilities			
Long-term vendor payable	-	9,238	3,480
Deferred income taxes, net	47,236	44,493	16,762
Provisions for contingencies	8,570	10,351	3,900
Other liabilities	6,147	3,935	1,482
	61,953	68,017	25,624
Commitments and contingences			
Shareholders' equity			
Preferred shares, Class A and Class B, no par value, 52,592,985 shares authorized, issued and outstanding in 2003; 79,670,480 shares ; authorized 78,094,747 undesignated preferred shares, no par value, issued and outstanding in December 31, 2004	94,200	564,634	212,716
Commitments and contingences			
Common shares, no par value, 116,200,000 shares authorized, issued and outstanding in 2003 and 109,448,497 shares, no par value, authorized issued and outstanding in December 31, 2004	41,500	41,500	15,634
Additional paid in capital	-	49,305	18,575
Deferred compensation expenses	-	(10,059)	(3,790)
Appropriated retained earnings	5,579	18,352	6,914
Unappropriated retained earnings	173,460	484,721	182,611
Total shareholders' equity	314,739	1,148,453	US$ 432,660
Total liabilities and shareholders' equity	685,019	1,734,284	653,361

Consolidated statements of income

Years ended December 31, 2004, 2003 and 2002
(In thousands of Brazilian Reais, except per share amounts)

	R$ 2002	R$ 2003	R$ 2004	US$ 2004
Net operating revenues				
Passenger	643,549	1,339,191	1,875,475	706,553
Cargo and Other	34,330	61,399	85,411	32,177
Total net operating revenues	677,879	1,400,590	1,960,886	738,730
Operating expenses				
Salaries, wages and benefits	77,855	137,638	183,037	68,956
Aircraft fuel	160,537	308,244	459,192	172,993
Aircraft rent	130,755	188,841	195,504	73,653
Aircraft insurance	23,186	25,850	25,575	9,635
Sales and marketing	96,626	191,280	261,756	98,612
Landing fees	32,758	47,924	57,393	21,622
Aircraft and traffic servicing	47,381	58,710	74.825	28.189
Maintenance materials and repairs	16,160	42,039	51,796	19,513
Depreciation	7,885	13,844	21,242	8,003
Other operating expenses	22,654	44,494	54.265	20.443
Total operating expenses	615,797	1,058,864	1,384,585	521,619
Operating income	62,082	341,726	576,301	217,111
Other expense				
Interest expense	(16,530)	(20,910)	(13,445)	(5,065)
Capitalized interest	-	-	3,216	1,212
Exchange variation gain (loss)	8,943	(16,938)	(5,926)	(2,233)
Gain (loss) on derivatives	5,599	(29,876)	2,432	916
Financial income on cash equivalents	-	1,815	34,159	12,869
Other	(7,095)	(11,682)	(9,457)	(3,564)
Income before income taxes	52,999	264,135	587,280	221,247
Income taxes current	(1,396)	(60,747)	(165,710)	(62,428)
Income taxes deferred	(16,246)	(27,929)	(36,860)	(13,886)
Net income	35,357	175,459	384,710	144,933
Earnings per share:				
Earnings per share, basic	0.36	1.07	2.14	0.81
Earnings per share, diluted	0.36	1.07	2.13	0.80

Consolidated statements of cash flows

Years ended December 31, 2004, 2003 and 2002
(In thousands of Brazilian Reais)

	R$ 2002	R$ 2003	R$ 2004	US$ 2004
Cash flows from operating activities				
Net income	35,357	175,459	384,710	144,933
Adjustments to reconcile net income to net cash provided by operating activities				
Amortization of deferred compensation	-	-	10,058	3,789
Depreciation	7,885	13,844	21,242	8,003
Provision for doubtful accounts receivable	1,305	2,455	(213)	(80)
Deferred income taxes	16,246	27,929	36,860	13,886
Changes in operating assets and liabilities				
Receivables	(54,866)	(137,785)	(145,581)	(54,845)
Inventories	(6,672)	3,275	(7,468)	(2,813)
Prepaid expenses, other assets and recoverable taxes	(9,551)	(16,684)	(20,527)	(7,733)
Accounts payable and long-term vendor payable	17,257	6,145	(2,931)	(1,104)
Deposits for aircraft and engine maintenance	(82,771)	(62,409)	(104,237)	(39,270)
Operating leases payable	31,446	(21,347)	(2,204)	(830)
Air traffic liability	44,227	52,829	36,498	13,750
Payroll and related charges	6,496	23,727	16,082	6,059
Sales tax and landing fees, insurance premium payable, dividends Payable and other liabilities	10,664	17,797	51,804	19,516
Net cash provided by operating activities	17,023	85,235	274,093	103,261
Cash flows from investing activities				
Deposits for aircraft leasing contracts	(12,079)	3,473	(4,263)	(1,606)
Acquisition of property and equipment	(22,400)	(42,736)	(41,971)	(15,812)
Pre-delivery deposits	-	-	(43,447)	(16,368)
Net cash used in investing activities	(34,479)	(39,263)	(89,681)	(33,786)
Cash flows from financing activities				
Short term borrowings, net	(14,245)	16,106	79,443	29,929
Issuance of common and preferred shares	16,500	94,200	470,434	177,228
Tax benefit contributed by shareholders	-	-	29,187	10,995
Obligations with related parties	19,497	(19,439)	-	-
Dividends payable	-	-	(60,676)	(22,859)
Net cash provided by financing activities	21,752	90,867	518,388	195,293
Net increase in cash and cash equivalents	4,296	136,839	702,800	264,770
Cash and cash equivalents at beginning of the period	5,156	9,452	146,291	55,113
Cash and cash equivalents at end of the period	9,452	146,291	849,091	319,881
Supplemental disclosure of cash flow information				
Interest paid	9,267	20,910	12,223	4,605
Income taxes paid	4,568	73,454	162,663	61,281
Disclosure of non cash transactions				
Tax benefit contributed by shareholders			29,188	10,996

Consolidated statements of shareholders' equity

Years ended December 31, 2004, 2003 and 2002

(Expressed in Thousands of Brazilian Reais, except for share information)

	Common Shares		Preferred Shares				Retained earnings		Total
	Shares	Amount	Shares	Amount	Additional Paid in capital	Deferred compensation	Appropriated	Unappropriated	
Balance at December 31, 2001	70,000,000	R$ 25,000	-	-	-	-	-	(5,274)	19,726
Net income and comprehensive income for the year	-	-	-	-	-	-	-	35,357	35,357
Issuance of common shares	46,200,000	16,500	-	-	-	-	-	-	16,500
Balance at December 31, 2002	116,200,000	41,500	-		-	-	-	30,083	71,583
Net income and comprehensive income for the year	-	-	-	-	-	-	-	175,459	175,459
Transfer to appropriated retained earnings	-	-	-	-	-	-	5,579	(5,579)	-
Issuance of preferred shares	-	-	52,592,985	94,200	-	-	-	-	94,200
Dividends accrued	-	-	-	-	-	-	-	(26,503)	(26,503)
Balance at December 31, 2003	116,200,000	41,500	52,592,985	94,200		5,579	173,460	314,739	
Formation of holding company	224	-	56	-	-	-	-	-	-
Exchange of common shares to preferred shares, net	(6,751,719)	-	6,751,719	-	-	-	-	-	-
Exchange of preferred shares class A to common shares, net	6	-	(5)	-	-	-	-	-	-
Shares not exchanged in the reorganization	(14)	-	(8)	-	-	-	-	-	-
Tax benefit contributed by shareholders	-	-	-	-	29,188	-	-	-	29,188
Deferred compensation	-	-	-	-	20,117	(20,117)	-	-	-
Net Proceeds	-	-	18,750,000	459,185	-	-	-	-	459,185
Deferred income taxes on issuance costs	-	-	-	11,249	-	-	-	-	11,249
Amortization of deferred compensation	-	-	-	-	-	10,058	-	-	10,058
Net income	-	-	-	-	-	-	-	384,710	384,710
Dividends payable	-	-	-	-	-	-	-	(60,676)	(60,676)
Transfer to appropriated retained earnings	-	-	-	-	-	-	12,773	(12,773)	-
Balance at December 31, 2004	109,448,497	41,500	78,094,747	564,634	49,305	(10,059)	18,352	484,721	1,148,453
Balance at December 31, 2004 translated into thousands of US$		15,634		212,716	8,575	(3,790)	6,914	182,611	432,660
						2004	2003	2002	
Net income for the year						384,710	175,459	35,357	
Total comprehensive income						384,710	175,459	35,357	

December 31, 2004, 2003 and 2002 (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), the only low-fare, low-cost airline operating in Brazil providing frequent service on routes between all of Brazil's major cities. GOL focuses on increasing the growth and profitability of its business by popularizing air travel and stimulating and meeting demand for simple, safe and affordable air travel in South America for both business and leisure passengers, while having among the lowest costs in the airline industry worldwide.

On March 29, 2004, GOL Linhas Aéreas Inteligentes S.A. became the parent company of GOL pursuant to a reorganization plan approved by the shareholders of GOL. The Company was incorporated by issuing 224 common shares to Aeropar Participações S.A. and 56 preferred shares to Comporte Participações S.A. for an aggregate amount of one hundred reais. In accordance with the reorganization plan, all outstanding common and preferred shares of GOL (except for 14 common shares and 8 class B preferred shares of GOL held by members of GOL´s board of directors) were contributed to the Company in exchange for the applicable number of common or preferred shares of the Company. The 116,199,986 common shares of GOL were exchanged for 109,448,267 common shares and 6,751,719 preferred shares of the Company. The 29,050,000 preferred shares class A of GOL were exchanged for 29,049,994 preferred shares and 6 common shares of the Company. The 23,542,977 preferred shares class B of GOL were exchanged for 23,542,977 preferred shares of the Company. The reorganization did not impact the operations or financial condition of GOL in any respect as of December 31, 2003 and as such, does not result in new basis of accounting.

On May 25, 2004, the shareholders approved a 2.80 for 1 stock split for all outstanding common and preferred shares. As a result of the stock split, the aggregate number of preferred shares and common shares outstanding was increased to 168,793,243. As of May 25, 2004, the Company had 59,344,746 preferred and 109,448,497 common shares. All share and earnings per share information for all periods presented have been restated to give retroactive effect to the May 25, 2004 stock split. Also, on the same date shareholders approved amendments to the Company's bylaws whereby holders of common shares may convert their shares into preferred shares, at the rate of one common share to one preferred share, to the extent such shares are duly paid in and provided that the amount of preferred shares does not exceed 50% of the total amount of shares issued. Any request for conversion must be delivered to the board of executive officers and, once accepted by the board of executive officers, must be confirmed by the board of directors at the first meeting after the date of the request for conversion.

On May 24, 2004, the Company formed GOL Finance LLP for the purpose of facilitating cross-border transactions, including the lease and the purchase of aircrafts. GOL Finance LLP, whose capital at December 31, 2004 was R$ 70,928, is based in the United Kingdom.

On June 29, 2004, the Company concluded its initial public offering (IPO) by issuing 18,750,000 preferred shares and receiving proceeds in the amount of R$459,185 net of the issuance costs of R$37,050.

The Company's principal subsidiary, GOL, was incorporated on August 1, 2000 and its main purpose is to provide regular domestic air transportation services for passengers, cargo and mail in Brazil, under the concession regime as authorized by the Civil Air Transportation Office – DAC of the Ministry of Aviation through Ordinance No. 1109/DGAC of August 18, 2000.

GOL commenced operations on January 15, 2001 and, as of December 31, 2004, operated 27 aircraft, consisting of 18 Boeing 737-700, 4 Boeing 737-800 Next Generation and 5 Boeing 737-300 aircraft. During 2004, the Company inaugurated 9 new destinations (Foz do Iguaçu (PR), Joinville (SC), Caxias do Sul (RS), Uberlândia (MG), Teresina (PI), Porto Velho (RO), Rio Branco (AC), Aracajú (SE) and Buenos Aires, Argentina increasing the number of cities being served to 36 (2003 – 27) and operating from 38 airports in Brazil and Argentina.

In May 2004, GOL signed an Aircraft General Terms Agreement with The Boeing Company for firm orders of 15 737-800 *Next Generation* aircraft, as well as furnishing equipment, training, services and other support matters. Under this agreement the Company has options to purchase an additional 28 737-800 *Next Generation* aircraft that are exercisable between 2005 and 2010. At December 31, 2004 the Company had exercised two purchase options with the Boeing Company increasing its firm orders to 17. The U.S. Exim Bank has agreed to provide a guarantee for long-term financing of up to 85% of the value of the aircraft purchased from Boeing. The Company's intention is to finance the remaining portion with the proceeds from the issuance of equity and with cash flows from operations. The acquisition of aircraft requires pre-delivery deposits during the construction phase of each aircraft.

In October 2004, the Company received approval from the *Comissão de Estudos Relativos à Navegação Aérea* (CERNAI) to start regular international flights to Buenos Aires Argentina, and initiated the operations on December 22, 2004.

The following table sets forth the ownership and percentages of the Company's voting (common) and non-voting (preferred) shares as at December 31, 2004:

	Common	Preferred	Total
Aeropar Participações S.A.	100%	40.3%	75.2%
Comporte Participações S.A.	-	4.3%	1.8%
BSSF Air Holdings LLC	-	13.1%	5.4%
Public Market	-	42.3%	17.6%
	100%	100%	100%

Áurea Administrações e Participações S.A. and Comporte Participações S.A. are entities controlled by members of the board of directors of the Company. Aeropar Participações S.A. is a subsidiary of Áurea Administrações e Participações S.A.

BSSF Air Holdings LLC. is a wholly owned indirect subsidiary of AIG Brazil Special Situations Fund L.D. and AIG Brazil Special Situation parallel Fund C.V., which are funds administered by the AIG Group.

2. Summary of significant accounting policies

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 accounting principles adopted under US GAAP differ in certain respects from accounting principles generally accepted in Brazil (Brazilian GAAP), which the Company uses to prepare its statutory financial statements.

Basis of consolidation. The consolidated financial statements include the accounts of GOL Linhas Aéreas Inteligentes S.A.and its subsidiaries, GOL Transportes Aéreos S.A. and GOL Finance LLP. All significant intercompany balances have been eliminated.

Use of estimates. The preparation of financial statements in conformity with US GAAP 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 and cash equivalents consist of cash and short-term, highly liquid investments, which are readily convertible into cash and have a maturity of three months or less when purchased.

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. An allowance for obsolescence is provided over the remaining estimated useful life of the related aircraft. These allowances are based on management estimates, which are subject to change.

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 predelivery deposits to acquire new aircraft is capitalized. The estimated useful lives for property and equipment are as follows:

	Estimated Useful Life
Leaseholds improvements	Lower of lease term or useful life
Maintenance and engineering equipment	10 years
Communication and meteorological equipment	5 years
Computer hardware and software	5 years

Medição de Depreciação de Ativos. 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. If impairment occurs, any loss is measured by comparing the fair value of the asset to its net book value.

Maintenance and repair costs. 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.

Revenue Recognition. Passenger revenue is recognized either when transportation is provided or when the ticket expires unused. Tickets sold but not yet used are included in the accompanying balance sheets as air traffic liability. 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. 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. Sales taxes in 2002, 2003 and 2004 was R$37,693, R$96,803 and R$93,763, respectively.

Advertising. Advertising costs, which are included in sales and marketing, are expensed as incurred. Advertising expense in 2002, 2003 and 2004 was R$16,684, R$ 25,396 and R$31,798, respectively.

Income Taxes. Deferred income taxes are provided under 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 by the Company to be more likely than not.

Derivative contracts. To help mitigate the Company's overall foreign currency and fuel volatility risks, the Company primarily uses foreign exchange and fuel contracts. The contracts are recorded at current market value on the balance sheet with any gains or losses recorded in financial expense.

Foreign currency transactions. Transactions in foreign currency are recorded at the prevailing exchange rate at the time of the related transactions. Exchange differences are recognized in the statements of operations as they occur and are recorded in financial expense.

Accounting for stock-based compensation. The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Compensation expense for a stock option grant is recognized if the exercise price is less than the fair value of our stock on the grant date. 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:

December 31, 2004, 2003 and 2002 (In thousands of Brazilian Reais)

	2003	2004
Net Income, as reported	175,459	384,710
Add: Stock-based employee compensation using intrinsic value	-	10,058
Deduct: Stock-based employee compensation expense determined under the fair value method	-	(9,969)
Pro forma net income	175,459	384,799
Earnings per common and preferred shares:		
Basic as reported	1.07	2.14
Basic pro forma	1.07	2.14
Diluted as reported	1.07	2.13
Diluted pro forma	1.07	2.13

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 37%, weighted average risk-free interest rate of 16%, and an expected average life of two years.

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$ 2.6544 = US$1.00, the official exchange rate issued by the Brazilian Central Bank as of December 31, 2004. 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.

Reclassifications. Certain balance sheet and statement of income amounts have been reclassified to conform to current year's presentation.

3. Recent accounting pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, (SFAS 123(R)), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. SFAS 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. 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. Pro forma disclosure is no longer an alternative. SFAS 123(R) must be adopted no later than July 1, 2005.

As permitted by SFAS 123, the Company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes compensation cost for employee stock options equal to their intrinsic values at the award date. Accordingly, the adoption of SFAS 123(R)'s fair value method will impact the Company's results of operations, although it will have no impact on the Company's overall financial position. The impact of adoption cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS 123(R) in prior periods, the impact of that standard would have approximated the impact of SFAS 123 as described in the disclosure of pro forma net income and earnings per share in Note 2.

4. Cash and cash equivalents

The Company's short-term investment in Bank Deposit Certificates (CDBs) has average earnings of approximately 1.28% per month, net of taxes, based on the CDI variation (Interbank Deposit Certificate), the redemption of which may occur at any time without loss to recognized revenues. At December 31, 2004, of the total investment amount in CDB, R$49,600 was linked to loan sureties with the banks Santander and Banco do Brasil.

Investment funds have average earnings of approximately 0.91% per month, net of taxes. Such funds have daily liquidity, and earnings of the quotas redeemed in less than 30 days, before income tax levy, as from the investment date, is subject to Tax on Financial Operations (IOF).

The managed account offers daily liquidity. This managed account invests in other investment funds that adopt strategies with derivatives as an integral part of their investment policy. The breakdown of the managed account portfolio as of December 31, 2004 is as follows:

4. Cash and cash equivalents

	2003	2004	2004 (US$)
Cash and banks	1,456	7,275	2,741
Short-term investments in local currency			
Financial investment funds	72,811	32,482	12,237
Managed account	16,049	642,531	242,063
Bank Deposit Certificates – CDBs	55,669	140,233	52,830
	144,529	815,246	307,130
Short-term investments in foreign currency			
Financial Investment Funds and Public Securities	306	26,570	10,010
Total	16,049	642,531	242,063

Fixed Income Investment Funds	1,061	54,607	20,572
Bank Deposit Certificates – CDB	-	156,621	59,004
Public securities (LFT, LTN and LFTO)	13,985	322,453	121,479
OverNight	-	10,382	3,911
Treasury	5	98,613	37,151
Investments	15,051	642,676	242,117
Accounts Receivables/Liabilities	998	(145)	(54)
Total	16,049	642,531	242,063

5. Receivables

Receivables are summarized as follows:

	2003	2004	2004 (US$)
Credit cards net of commissions	215,343	348,306	131,219
Account holders – cargo and tickets	2,831	4,573	1,723
Travel agencies	25,194	33,013	12,437
Other	968	4,025	1,516
	244,336	389,917	146,895
Allowance for doubtful accounts	(3,760)	(3,547)	(1,336)
	240,576	386,370	145,559

At December 31, 2004, the credit card receivables, amounting to R$ 50,700 were pledged as guarantee of the Banco Bradesco overdraft account. There were no charge-offs of allowance for doubtful accounts during 2003 and the charge off during 2004 was $189.

December 31, 2004, 2003 and 2002 (In thousands of Brazilian Reais)

6. Deposits

Deposits for aircraft leasing contracts. All the Company's aircraft are leased under operating leasing contracts. As required by the leasing contracts, the Company made certain U.S. dollar deposits as a guarantee to the leasing companies. These deposits are non-interest bearing and refundable at the end of the respective lease agreements.

Deposits for aircraft and engine maintenance. U.S. dollar deposits for aircraft and engine maintenance as stipulated in the respective lease agreements are made to specific accounts in the name of the lessor responsible for the maintenance services. Certain required aircraft and engine maintenance, as stipulated in the respective lease agreement, are funded from these deposits. The Company is required to pay the lessor for maintenance expenditures that exceed deposited amounts. The Company can apply deposits amounts that exceed maintenance expenditures to the final lease payment. These deposits are non-interest bearing.

7. Short-term borrowings

At December 31, 2004, the Company had six revolving lines of credit. One of the revolving lines of credit is secured by the Company's credit card receivables and allows for borrowings of up to R$ 50,700. As of December 31, 2004, there were no outstanding borrowings under this facility. The Banco do Brasil and Safra credit facilities are secured by promissory notes, allow for combined borrowings of up to R$ 105,000. Another two revolving credit facilities (Banco Santander and Banco do Brasil) are secured by a Company investment in a bank certificate of deposit and allow for borrowings of up to R$ 49,600.

The outstanding amounts under the Company's credit facilities as of December 31, 2004 and 2003 are as follows:

(see table on page 85)

8. Transactions with related parties

The Company has an exclusive bus transportation agreement with related companies Breda Transpotes e Serviços S.A and Expresso União Ltda. During 2004, the Company paid R$195 and R$ 772.

The Company also has a five-year office space lease agreement with Áurea Administração e Participações S.A. for the lease of our headquarters located at Rua Tamoios, 246 in São Paulo. The lease agreement provides for monthly payments, adjusted by the IGP-M inflation index.

Transactions with related parties and amounts receivable (payable) are as follows:

(see table on page 85)

9. Long-term vendor payable

The Company renegotiated the terms of the loan agreement with Petrobrás – Petróleo Brasileiro S.A. to supply fuel, maturing on April 30, 2006, and whose balance was R$ 9.238 at December 31, 2004, recorded at a historical purchase price and updated by Consumer Price Index (IPC) and classified under trade accounts payable.

10. Shareholders' equity

On March 29, 2004, GLAI became the parent company of GOL pursuant to a reorganization plan approved by the shareholders of GOL. In accordance with the reorganization plan, all outstanding common and preferred shares of GOL (except for 14 common shares and 8 class B preferred shares of GOL held by members of GOL´s board of directors) were contributed to the Company in exchange for common and preferred shares of the Company. The 116,199,986 common shares of GOL were exchanged for 109,448,267 common shares and 6,751,719 preferred shares of the Company. The 29,050,000 class A preferred shares of GOL were exchanged for 29,049,994 preferred shares and 6 common shares of the Company. The 23,542,977 preferred shares class B of GOL were exchanged for 23,542,977 preferred shares of the Company. The preferred shares outstanding have no class designation. The rights and voting privileges of the common shares of the Company remain the same as those previously described above for GOL. The preferred shares of the Company are not convertible into any other security and are non-voting, except under the limited circumstances provided under Brazilian law as discussed above. The aggregate liquidation preference, including the adjustment by the IGP-M – inflation index, and divided rights discussed above remain unchanged.

As of December 31, 2004, the Company had 109,448,497 shares of common stock and 59,344,746 shares of preferred stock authorized, issued and outstanding. According to the Company's by-laws, the capital can be increased up to R$1,000,000 through the issuance of common or preferred shares.

On May 25, 2004, the shareholders approved a 2.80 for 1 stock split for all outstanding common and preferred shares. As a result of the stock split, the aggregate number of preferred shares and common shares outstanding was increased to 168,793,243. All share and earnings per share information for all periods presented have been restated to give retroactive effect to the May 25, 2004 stock split. Also, on the same date the shareholders approved amendments to the Company's bylaws whereby holders of common shares may convert their 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 issued. Any request for conversion must be delivered to the board of executive officers and, once accepted by the board of executive officers, must be confirmed by the board of directors at the first meeting after the date of the request of conversion. On May 25, 2004, the board of directors authorized the issuance of up to 20,325,734 preferred shares.

On June 29, 2004, the Company concluded its initial public offering on the New York Stock Exchange (NYSE) and The São Paulo Stock Exchange (Bovespa) issuing 18,750,000 preferred shares for R$26.57 per share and receiving proceeds in the amount of R$459,305, net of the issuance costs of R$37,050. Additionally, R$386,593 of proceeds were remitted to BSSF Holdings LLC and Comporte Participações in connection with their sale of 14,300,000 preferred shares in the initial public offering.

7. Short-term borrowings

Contract	Interest rate	Guarantee	Credit Limit	2003	2004	2004 (US$)
Banco Safra	108,5 % of CDI	Promissory notes	100,000	4,000	91,507	34,474
Banco Santander	109 % of CDI	Certificate of deposit	40,000	-	20,746	7,816
Unibanco	CDI + 0,0673 a.m.	Guarantee clean	20,000	-	1,019	384
Banco do Brasil	108 % of CDI	Promissory notes	5,000	-	-	-
Banco do Brasil	105 % of CDI	Certificate of deposit	9,600	-	5,077	1,912
Banco Bradesco	104% of CDI	Credit card receivables	50,700	34,906	-	-
Total				38,906	118,349	44,586

The weighted average annual interest rate for these Reais-based short-term borrowings at December 31, 2004 and 2003 was 17.7% and 20%, respectively.

8.Transactions with related parties

		December 31, 2003		December 31, 2004	
		Account balance		Account balance	
	Nature of transaction	Receivable (payable)	Income (Expenses)	Receivable (payable)	Income (Expenses)
Loans of debentures					
Áurea Administração e Participações S.A	Loans	(270)	(2,069)	-	-
Accounts payable					
Serviços Gráficos Ltda.	Services rendered	(12)	(188)	(15)	(172)
Breda Transportes e Serviços S.A.	Services rendered	2	31	(28)	(772)
Expresso União Ltda.	Services rendered	-	-	-	(195)
Accounts receivable					
Viação Piracicabana Ltda.	Services rendered	-	15	-	6
Breda Transportes e Serviços S.A.	Services rendered	-	-	-	19
Áurea Administração e Participações S.A.	Services rendered	3	8	-	9
Lease of headquarter					
Áurea Administração e Participações S.A.	Rental	-	(300)	(26)	(262)

Dividends

The Company's bylaws provide for a mandatory minimum dividend to common and preferred shareholders in the aggregate of at least 25% of annual net distributable income determined in accordance with Brazilian corporation law. The December 31, 2004 dividend was R$60,676 (R$26,503 in 2003). The dividends payable are included in current liabilities and ratification for payment will be made at the annual shareholders meeting.

Appropriated retained earnings

Under the Brazilian corporation law and according to its by-laws, the Company is required to maintain a "legal reserve" to which it must allocate 5% of its net income, less accumulated losses as determined in accordance with Brazilian GAAP 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, 2004, the allocation of retained earnings related to the legal reserve was R$12,773.

Unappropriated retained earnings

The balance of R$ 484,723 is pending approval by the Annual General Meeting in order to meet the Company investment plan and the increase in working capital.

11. 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. Initially, 937,412 of the Company's preferred shares have been reserved for issuance under this plan. 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. 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 option at the date of the grant was R$24.50. Under the plan, there were 507,765 exercisable shares at December 31, 2004. In connection with the initial grant of preferred stock options, the Company recorded deferred stock compensation of R$20.1 million, representing the difference between the exercise price of the options and the deemed fair value of the preferred stock. The amount of the amortization expense for the year ended December 31, 2004 was R$10,058.

At a shareholders meeting held 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. The exercise price of the stock options is determined based on the average market quote of the last 60 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. At December 31, 2004, no options had been issued under this plan.

12. Lease and other commitments

The Company leases all aircraft, as well as airport terminal space, other airport facilities, office space and other equipment. At December 31, 2004, the Company leased 27 aircraft under operating leases (as compared to 22 aircraft at December 31, 2003), with initial lease term expiration dates ranging from 2006 to 2011.

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, 2004 in thousands of US dollars were as follows:

(see table on page 87)

During the second and third quarter of 2004, the Company entered into two and three year operating lease agreements for Boeing 737-300 aircraft which will be used to meet Company's short term capacity needs while the Company awaits delivery of its new 737-800 aircraft. The aircraft were delivered in July, September, October and December 2004. The Company was not required to make any aircraft leasing contract deposits for these aircraft.

On May 17, 2004, the Company signed a contract with The Boeing Company for the purchase of up to 43 737-800 Next Generation aircraft, under which the Company currently has 17 firm orders and 28 options. The firm orders, with an approximate value of R$ 2,997,000 based on the aircraft list price (corresponding to approximately US$1,129 million), have delivery dates between 2006 and 2010. The Company has made two deposits in the amount of US$14.3 million (R$38,850) related to the orders described above. The options are excerciseable for deliveries between 2005 and 2010. The Company makes payments for aircraft acquisition utilizing the procedures from IPO, cash flow from operations, short-term credit lines and supplier financing.

The future annual payments for the 43 aircraft, including both firm orders and options, based on the aircraft list price, at December 31, 2004, and calculated at the year-end exchange rate, is as follows:

	R$	US$ (2004)
2005	83,598	31,494
2006	511,110	192,552
2007	2,609,857	983,219
2008	2,176,791	820,069
2009	1,625,788	612,488
Total	7,007,144	2,639,822

The Company plans to finance up to 85% of the value of purchased aircraft with long-term financing guaranteed by the U.S. Exim Bank.

The Company has a non-cancelable agreement for the use of the Open Skies system for selling tickets. This agreement expires in 2014, and can be extended at the Company's option. The total future payment under this agreement is dependent upon the number of passengers transported and has a minimum annual payment of R$332. In 2004, the amount paid related to the use of the Open Skies was R$15,081, (R$11.011 in 2003).

During 2004, the Company purchased letters of credit to guarantee certain US dollar lease payments. At December 31, 2004, approximately R$17,126 of the Company's accounts receivable was collateral for outstanding letters of credit.

12. Lease and other commitments

	R$			US$		
	Aircraft	Other	Total	Aircraft	Other	Total
2005	188,998	11,756	200,754	71,202	4,429	75,631
2006	187,162	10,485	197,647	70,510	3,950	74,460
2007	174,614	9,213	183,827	65,783	3,471	69,254
2008	99,426	8,653	108,079	37,457	3,260	40,717
2009	57,330	5,171	62,501	21,598	1,948	23,546
After 2009	3,942	2,554	6,496	1,485	962	2,447
Total minimum Lease payments	711,472	47,832	759,304	268,035	18,020	286,055

13. Contingencies

At December 31, 2004 the reserves for contingent losses are summarized as follows:

			US$
	2003	2004	2004
Labor claims	205	289	109
Civil claims	665	1,281	483
Fiscal claims	7,700	8,781	3,308
Total	8,570	10,351	3,900

There are certain judicial proceedings against the Company pending judgment for unpaid ICMS on aircraft imports via leasing operations. Based on the opinion of its legal advisors that an unfavorable outcome on such proceedings is not probable, the Company has not established a reserve for this matter.

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 suits will not have a material adverse effect on its financial position, results of operation or cash flows. The fiscal claims reserve for contingent losses represents the total exposure of loss, including interests and penalties.

December 31, 2004, 2003 and 2002 (In thousands of Brazilian Reais)

14. Financial instruments and concentration of risk

At December 31, 2004 and 2003, the Company's primary monetary assets and liabilities related to aircraft leasing operations. Due to their short-term nature, substantially all other financial instruments 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 and accounts receivable. The Company maintains cash deposits with highly-rated 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 (and a small portion in Argentine pesos from flights between Argentina and Brazil), however its liabilities, particularly those related to aircraft leasing, are US dollar-denominated. The Company's currency exchange exposure at December 31, 2004 is as set forth below:

	R$	2004 (US$)
Assets		
Cash and cash equivalents	(450)	(170)
Guarantee deposits on aircraft leasing contracts	(33,559)	(12,643)
Prepaid expenses of leasing	(9,885)	(3,724)
Advances to suppliers	(5,984)	(2,254)
Total obligation in U.S. dollars	(49,878)	(18,791)
Liabilities		
Foreign suppliers	8,218	3,096
Leasing payable	14,044	5,291
Hedge transactions	2,600	980
Insurance premium payable	24,060	9,064
	48,922	18,431
Exchange exposure	(956)	(360)
Off-balance sheet transactions exposure		
Operational leasing contracts	759,304	286,055
Aircraft commitments	2,997,000	1,129,000
Total exchange exposure	3,755,348	1,414,695

Exchange exposure related to amounts payable arising from these leasing operations is managed together with commercial hedging strategies. At December 31, 2004 and 2003 there were no outstanding hedging contracts.

The Company is exposed to the effect of changes in the price and availability of aircraft fuel. To manage these risks, the Company enters into crude oil option and swap agreements. Prices for crude oil are highly correlated to jet fuel, making crude oil derivatives effective at offsetting jet fuel prices to provide some short-term protection against a sharp increase in average fuel price. These derivatives do not qualify as hedges for financial reporting purposes and changes in fair value of such derivative contracts was R$1,466 during 2004, which was recorded as financial income.

At December 31, 2004, the Company had derivative contracts to buy up to 120,000 barrels of crude oil in the nominal amount of US$5.1 million and fair value of US$5.2 million with a one-month term.

The Company's acquisition of fuel and oil is made substantially from one supplier which represents approximately 95% of total fuel and oil expenses.

15. Income taxes

a) Deferred income taxes

The Deferred income taxes computation is summarized as follows:

	2002	2003	2004	2004 (US$)
Deferred tax assets				
Deferred tax benefit contributed by shareholders	-	-	25,296	9,530
Contingencies	-	2,913	3,519	1,326
Allowance for doubtful accounts	-	-	2,943	1,109
Accounting principles BR GAAP /				
US GAAP differences, net	9,790	3,060	11,589	4,366
Temporarily differences	700	1,753	244	92
Total deferred tax assets	10,490	7,726	43,591	16,423
Deferred tax liabilities				
Property and equipment	(194)	-	(1,093)	(412)
Provision for maintenance	(212)	-	-	-
Maintenance deposits	(26,330)	(51,902)	(86,991)	(32,773)
Total deferred tax liabilities	(26,736)	(51,902)	(88,084)	(33,185)
Current deferred taxes assets	9,790	3,060	-	-
Net deferred tax liabilities	R$ (26,036)	R$ (47,236)	R$ (44,493)	US$ (16,762)

b) Income statement

The following current and deferred income taxes amounts were recorded in the statement of operations:

	2002	2003	2004	2004 (US$)
Current	1,396	60,747	165,710	62,428
Deferred expense	16,246	27,929	36,860	13,886
	17,642	88,676	202,570	76,314

Income taxes in Brazil include federal income tax and social contribution. The composite and effective tax rates were 34% for each of 2002, 2003 and 2004. During the year ended December 31, 2002, the Company incurred net losses, so no income taxes were payable. Such losses were utilized in 2003 and 2004.

The reconciliation of the reported income tax and social contribution and the amount determined by applying the composite fiscal rate at December 31, 2002, 2003 and 2004, is as follows:

	2002	2003	2004	2004(US$)
Income before income taxes	R$ 52,999	R$ 264,135	R$ 587,280	US$ 221,247
Nominal composite rate	34%	34%	34%	34%
Income tax by the nominal rate	18,020	89,806	199,675	75,224
Stock option compensation	-	-	3,420	1,288
Other	(378)	(1,130)	(525)	(198)
Income taxes expense	R$ 17,642	R$ 88,676	R$ 202,570	US$ 76,314

15. Income taxes (Continued)

In connection with the Company's March 29, 2004 reorganization, the Extraordinary General Meeting of the Company's shareholders approved the merger of stockholder BSSF II Holdings Ltd. into GOL. The preferred shares previously owned by BSSF II Holdings Ltda. were cancelled and reissued to BSSF Air Holdings Ltda. With this merger, the Company acquired the right to amortize for Brazilian local statutory and tax purposes a goodwill premium of approximately R$86 million generated from BSSF II Holdings Ltd. acquisition of its ownership in GOL. The amortization of this premium for local statutory and tax purposes will result in a future tax benefit for the Company over an estimated period of up to five years. The R$29.2 million tax benefit of the goodwill premium has been recorded as a deferred tax asset with a corresponding increase to additional paid in capital. As the Company realizes the tax benefit of the goodwill premium in accordance with the Brazilian Corporation Law, the Company will issue shares (pro rata both common and preferred) up to the amount of the tax benefit realized each year. At the time of the issuance of shares, the additional paid in capital is transferred to capital.

Income tax returns are subject to review by the income tax authorities over a period of five years from the calendar year in which the returns are filed pursuant to applicable legislation and may subject the Company to assessments.

16. 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. Consequently, basic earnings per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the year. The diluted preferred shares are computed including the executive employee stock options calculated using the treasury-stock method as they were granted at an exercise price less that the market price of the shares.

	2002	2003	2004
Numerator			
Net income applicable to common and preferred shareholders for basic and diluted earnings per share	R$ 35,357	R$ 175,459	R$ 384,710
Denominator			
Weighted-average shares outstanding for basic earnings per share	98,267,867	164,410,236	179,730,743
Effective of dilutive securities:			
Executive stock options	-	-	826,268
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares	98,267,867	164,410,236	180,557,011

17. Subsequent events

In January 2005, the Company signed new operating leases for two Boeing 737-800 Next Generation aircraft and two Boeing 737-300 aircraft that are expected to be delivered during the first and second quarters of 2005.

On January 19, 2005, the Compensation Committee, as established in the Company's Stock Option Plan, approved the issuance of 75,854 stock options to employees to purchase Company's preferred shares at an exercise price of R$33.06 per share.

On January 27 and February 22, 2005, the Company announced it has signed a contract with Boeing to exercise nine more purchase options for 737 - 800 Next Generation aircraft. With these new agreements, the Company increased the number of firm orders to a total of 26 aircraft, which will be delivered between 2006 and 2010.

On February 3, 2004, the Company increased the size of its 737-800 Next Generation aircraft order with Boeing by 20 purchase options. With the new options, the Company has increased the maximum size of its order to 63 aircraft. The new optioned aircraft would be available for delivery between 2006 and 2010.

18. Quarterly financial data (Unaudited)

Quarterly results of operations for the years ended December 31, 2004 and 2003, are summarized below (in thousands, except per share amounts).

2004	First quarter	Second quarter	Third quarter	Fourth quarter
Net operating revenues	$ 433,092	$385,526	$ 517,233	$ 625,034
Operating income	$ 135,615	$ 92,775	$ 162,023	$ 185,889
Net income	$ 90,656	$ 73,229	$ 96,900	$ 123,925
Earnings per share, basic	0.54	0.42	0.52	0.66
Earnings per share, diluted	0.54	0.42	0.51	0.66

2003	First quarter	Second quarter	Third quarter	Fourth quarter
Net operating revenues	$ 260,639	$ 381,877	$ 402,950	$ 418,124
Operating income	$ 8,814	$ 72,792	$ 49,875	$ 10,245
Net income	$ (7,885)	$ 22,507	$ 96,735	$ 64,102
Earnings per share, basic	(0.05)	0.13	0.57	0.38
Earnings per share, diluted	(0.05)	0.13	0.57	0.38

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.

Corporate Details

Shares in Brazil

Custodian Bank: Banco Itaú S.A.
Shareholders Department
Av. Engº. Armando de Arruda Pereira, 707 – 9º andar
04344-902 – São Paulo-SP
NB: Shareholders are attended by the bank's branch network.

ADS Program

Custodian Bank: The Bank of New York
Investor Relations
PO BOX 11258 – Church Street Station
New York, NY 10286-1258 USA
Tel: (toll free): 1-888-BNY-ADRS (269-2377)
Tel: (international): 1-610-312-5315
Email: shareowner-svcs@bankofny.com
www.adrbny.com

Specialist Firm: Fleet Specialist, Inc.

Anna G. Sakalis
Director, Latin America
14 Wall Street, 21st floor
New York, NY 10005-1901 USA
Tel: 1-212-589-0106
Fax: 1-212-589-0452
Email: anna.sakalis@fleetspecialist.com
www.fleet-specialist.com

Independent Auditors:

Ernst & Young Auditores Independentes
Av. Presidente Juscelino Kubitschek,
1830 Torre II 6° andar
04543-900 São Paulo SP
Tel: (55 11) 3523-5200

Richard F. Lark Jr.
CFO and Investor Relations Officer
Rua Tamoios, 246
Jd. Aeroporto – São Paulo - SP
Tel: (55 11) 5033-4393
Fax: (55 11) 5033-4224
ri@golnaweb.com.br

Publications and Information

All relevant facts pertaining to GOL Linhas Aéreas Inteligentes and its subsidiaries are disclosed simultaneously to the market and the authorities and regulatory bodies in Brazil and the United States.
The financial statements are presented in line with the accounting standards defined by Brazilian Corporate Law, as well as those standards prevailing in the United States (USGAAP). The complete financial statements are published annually in the *Gazeta Mercantil* and *Diário Oficial do Estado de São Paulo* newspapers
Quarterly financial statements, press releases, presentations, relevant facts and notices to shareholders are available from our Investor Relations area and on the IR section of our website (www.voegol.com.br). Other Company information can be obtained from the sites of the São Paulo Stock Exchange (www.bovespa.com.br), the New York Stock Exchange (www.nyse.com), the Comissão de Valores Mobiliários (www.cvm.gov.br) and the Securities and Exchange Commission (www.sec.gov).