GOL

Linhas aéreas inteligentes

2008 ANNUAL REPORT

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GOL was founded in 2001 with one mission: to democratize air travel in Brazil and throughout South America. Its strategy of seeking profitable growth through its low cost model with high quality customer service allows the Company to offer discounted fares, making air travel more affordable for everyone.

Thanks to this strategy, over 10 million people have had the opportunity to fly on an airplane for the very first time. Another way to make air travel more accessible is by financing ticket purchases for customers in up to 36 installments through the Voe Fácil (Fly Easy) program, which allows them to purchase airline tickets at prices and with monthly payment options that may even be more competitive than an interstate bus ticket.

GOL has already flown more than 100 million passengers since it began operating. With five strong brands – GOL, VARIG, SMILES, VOE FÁCIL and GOLLOG – the Company has reached a 40% market share.

While establishing a tradition of achievement and growth, the Company relies on approximately 16,000 employees and a young, modern and standardized fleet of 1,064 Boeing 737 Next Generation aircraft, the safest and most comfortable in its class. GOL currently offers nearly 800 daily flights to 59 destinations, connecting the most popular cities in Brazil and the 10 primary international markets in South America.

The reach of its mission and the expansion of its business were strengthened when it acquired VRG Linhas Aéreas

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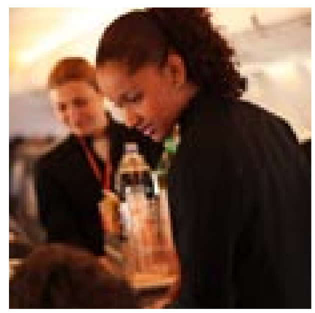
S.A. in 2007, which allowed GOL to increase its operating reach, in addition to achieving a stronger presence at strategic destinations that handle a majority of business air traffic. With the acquisition, the Company also gained the SMILES frequent flyer program to reward business and recreational travelers. With the SMILES program, GOL has been able to deepen its penetration of the business travel market.

In addition to strong, profitable growth and expanding the market for air travel, another characteristic of GOL's history has been the use of technology. The Company revolutionized the Brazilian civil aviation sector by selling its own tickets over the Internet and by introducing intelligent web based check-in, as well as being the first Brazilian company to make the entire check-in procedure possible via mobile phone.



Since your creation, in 2001, GOL has already transported more than 100 million passengers

Mission
Provide safe transportation of passengers and cargo, sustained by a triad of low costs, low fares and excellence through innovative solutions, seeking to maximize results for customers, shareholders, employees and society.

Vision
Excel and be recognized, by 2010, as the company that democratized quality, low cost air transportation in South America.

Values
Build the Company's business based on original, creative, ethical and fair practices, focused on sustainable and long lasting results, providing customers with high quality and low cost services. For employees, provide respect, professional growth, encourage them to work together towards a common set of goals, and be socially and environmentally responsible.

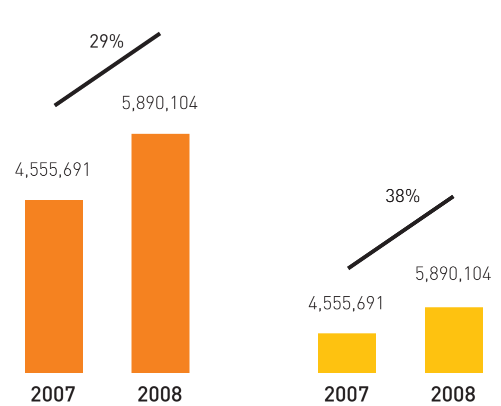
With a business model based on systems, processes and controls that prioritize high quality service, high technology, safety and fleet standardization, as well as team motivation and productivity, GOL has established itself as a unique company within the airline industry.

In 2008, the Company concluded a profound internal transformation that involved the unification and modernization of its operations, systems and processes, preparing it for continued future growth.

OPERATING AND FINANCIAL HIGHLIGHTS

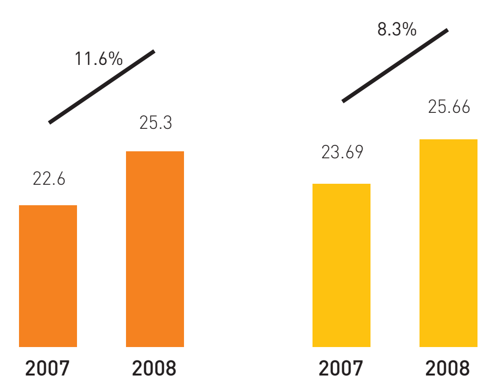
- The Company successfully concluded the integration between GOL and VARIG's operations, thus eliminating duplicate routes and times and better utilizing the slots at Congonhas airport
- Through our fleet renovation plan, 11 Boeing 747-300 aircraft were replaced by Boeing Next Generation aircraft, of which seven were Boeing 737-700 and four 737-800
- SMILES, the largest mileage program in South America, was extended to the unified company
- GOL received IOSA certification, confirming its high level of operating safety
- Passenger growth of 11.6% with more than 25 million passengers transported in 2008
- A total of 1,064 Boeing 737 aircraft operated 800 daily flights to 49 destinations in Brazil and the 10 largest in South America
- The Company initiated cargo operations with GOLLOG offering new services in the segment, and transporting 65,000 tonnes of cargo in 2008
- Our technological platform was upgraded with newer, more modern and integrated systems to drive efficiency
- We're doubling the capacity of our Aircraft Maintenance Center in Confins (State of Minas Gerais)
- GOL's net operating revenue grew 29% in 2008, to R$6.4 billion
- The Company recorded operating losses of R$88.6 million in 2008, as compared with an operating profit of R$9.9 million in 2007
- Net loss totaled R$1.2 billion in 2008, versus net income of R$167.3 million in 2007

Net Revenue Breakdown (in R$)



Passengers
Cargo and other

Passengers Transported (in million)



Passenger-kilometer transported
Passengers transported

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In 2008, our year at GOL was characterized by a significant transformation. Our objective was to strengthen the pillars that sustain our low cost, low price concept. We invested heavily in standardizing our fleet, in technology and in training and motivating our employees. Our greatest challenge was to unify two companies (GOL and VARIG) with different cultures and different, but complementary, service frameworks.

This integration allowed us to take advantage of the best characteristics of each company, resulting in a singular, stronger company operating a low cost platform that offers differentiated services. We are proud to have overcome this challenge in such a short period of time.

To take full advantage of synergies between the two companies, we eliminated GOL and VARIG's redundant routes and schedules and we optimized of our slots at São Paulo's Congonhas Airport. As a result, passengers have more flight options, with shuttles departing every half hour daily between Rio de Janeiro and São Paulo. In August, we ended VARIG's long haul international flights as part of our brand repositioning strategy. VARIG now only operates 737 aircraft on short and medium distance flights to four destinations in South America.

The new integrated route network, more balanced, focuses on the domestic and South American market with consistent flight frequency, has allowed the Company to offer incremental routes in consolidated markets and create direct connections between cities that were not connected under the old system. Therefore, the Company guarantees its presence at the primary traffic generating centers in the region where it operates.

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Operationally, we unified inventory, standardized fleet maintenance and allocated our employees more effectively by standardizing jobs, functions, and salaries. We reviewed and modernized structural systems and processes, such as reservations and check-in, resulting in more options for passengers, greater stability during peak periods and lower costs.

One of the new services we inaugurated is the Comfort class that offers clients a series of benefits, including more space between seats, exclusive check-in, more dining options and individual on board entertainment options. We also extended SMILES, the largest mileage program in South America with more than 6 million registered users, to the unified company to make it more attractive for discerning passengers to fly with us.

In 2008, we also began operating an express cargo service - GOLLOG Próximo Voo (Next Flight) - that caters to clients with urgent delivery needs. The service ships cargo on the next available flight and collects it at the destination airport within two hours of the airplane's arrival. We are currently developing new cargo transportation services, such as GOLLOG Express.

In addition to structural changes and the launch of new services, the Company is focused on retaining its position as one of the world's safest and most efficient airlines. With this in mind, it continues to invest heavily in modernizing its fleet of Boeing 737 aircraft whose average age is 6.8 years. Modern, safe and comfortable, these aircraft incur lower fuel and maintenance costs and generate exceptionally healthy operating efficiency ratios. This was one of the aspects that earned us excellent ratings from the International Air Transport Association (IATA) representatives when granting Operational Safety Audit (IOSA) certification beginning in 2008.

Since GOL started operating in January 2001, we have contributed to expanding the air travel market in Brazil and the rest of South America. All of our efforts during our eight year history and in particular the significant

changes we underwent in 2008 have resulted in a strong company that is prepared to overcome current and future challenges with the energy and prosperity necessary to bring more benefits to our customers and greater returns to our shareholders. We believe that offering excellent service, along with competitive pricing, will allow us to conquer even more passengers and to be one of the most admired airlines in Brazil.

This Annual Report is a summary of the events that occurred in 2008 and an opportunity for us to provide more accountability, as well as to thank all those who have trusted in our business strategy and who have contributed to our history.

Constantino de Oliveira Junior
Chief Executive Officer

OBJECTIVES AND STRATEGIES

The primary goal of GOL Linhas Aéreas Inteligentes S.A. is to remain a global leader in low cost, low price air travel. To accomplish this, the Company invests in the standardization of its aircraft, intelligent asset utilization, modern operating systems and continuous staff training. Its fleet – comprised exclusively of modern Boeing 737 Next Generation aircraft – is subject to a detailed maintenance schedule, rooted in the ideal of excellence and the adoption of operating concepts that maximize benefits and route planning, in accordance with market demand.

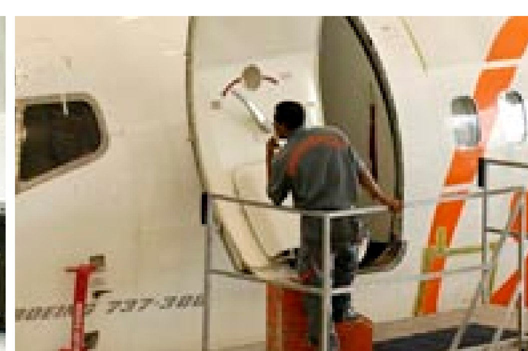
GOL's strategy is to expand and democratize air transportation in South America, through its low cost, low fare strategy, without compromising quality and safety.

To continue to meet its established goals, the Company underwent a transformation in 2008 that involved the reorganization of its two operating subsidiaries (GOL Transportes Aéreos S.A. and VRG Linhas Aéreas S.A.) into a single airline with five brands: GOL, VARIG, GOLLOG, VOE FÁCIL and SMILES. Finalized on October 19, 2008, the integration process resulted in a company that carried 25 million passengers and 65,000 tonnes in cargo in 2008.

It is important to point out the new possibilities that VARIG brought to the Company. With this acquisition, the group gained additional rights to operate routes and slots, additional physical space, the know-how of Brazil's oldest airline and a well trained workforce. Moreover, VARIG is a well known brand worldwide and that is associated with positive values such as experience, efficiency, safety, good service and value-added products, such as its SMILES mileage program. With more than 6 million members, the program is an important competitive advantage for the Company.

In connection with the restructuring, GOL implemented an integrated route network, which increased the profitability of its operations. The new network, which comprises the unified structure of the Company, eliminated overlapping routes and schedules between GOL and VARIG (which were inevitable when they functioned previously as separate operations), making more efficient use of its slots at São Paulo's Congonhas Airport and offering passengers a much more convenient flight schedule. On the Rio-São Paulo route, for example, we eliminated overlapping GOL and VARIG schedules and began to offer a daily shuttle service with departures every half hour. Such improvements have led to the optimization of flights and allowed us to increase routes to already consolidated markets and to create connections between cities that were previously not linked, such as São Paulo/Congonhas–Londrina (Paraná State) and São Paulo/Congonhas–Caxias do Sul (Rio Grande do Sul State). We have also been able to increase the frequency of flights serving popular routes, such as São Paulo/Congonhas–Vitória (Espírito Santo State), Rio de Janeiro/Galeão–Brasília and Belo Horizonte/Confins (Minas Gerais State)–Curitiba (Paraná State). Currently, GOL offers the largest and most convenient flight schedule in all of South America, with a variety of connection and distribution options.

Also, thanks to interline and code share agreements, the Company is able to offer its international clients a wide choice of distribution options. As of 2008, GOL had operating agreements with 53 foreign airlines. In 2009, we intend to significantly increase our partnerships.



GOL is an airline that carries more than 25 million passengers per year. Ready to compete in the South American market, it is a leader in the Brazilian and global airline sectors

INVESTMENTS AND OUTLOOK

To increase productivity and sustain the Company's plans for future growth, GOL makes disciplined investments in the expansion of its fleet, technology improvements and staff training.

The Company is in the final stages of its plan to replace its 737-300 and 767-300 planes with the 737-800NG and 737-700NG models on domestic and international short and medium haul routes. These aircraft provide greater fuel efficiency and operating cost savings, plus their addition to the fleet lowers its average age. To ensure alignment between the Company's operational structure and its growth plan, aircraft purchases accounted for 89% of total investments in 2008. The funding for our growth plan and the renewal of our fleet planned for 2009 and 2010 is guaranteed by the Ex-Im Bank.

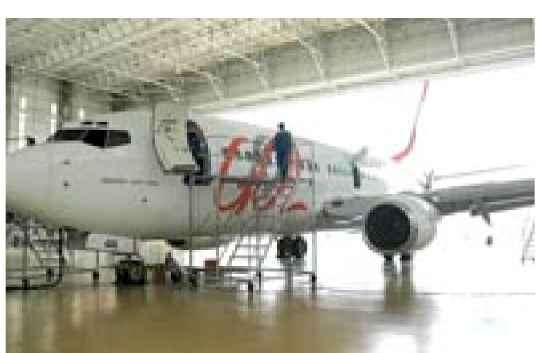
GOL is also investing to enlarge its Aircraft Maintenance Center at the Minas Gerais Confins Airport, which includes building an additional hangar, offices, storerooms, warehouses and support areas, as well as substantially expanding the patio. These projects, scheduled for completion during the next twelve months, will accommodate the continued growth of the Company, which has intensified since its acquisition of VRG in April 2007.

Another investment focus in 2008 was systems that support safety and efficiency in our operating areas, ensuring safety of our engineering management procedures, maintenance, crews, check-in, and operational controls in general.

To unify of the operating systems of GOL and VARIG, we invested in the modernization of operating and maintenance systems, as well as in payroll and ticket selling procedures.

We also invested in marketing through media and advertising campaigns, creating a new ad campaign for the Company whose main characters are caterpillars that become butterflies, reinforcing the idea of transformation. The campaign also used the slogan "Aqui todo mundo pode voar" — Here anyone can fly, emphasizing GOL's appeal as a low cost airline.

Given the current outlook, GOL will continue to invest in its successful business platform, remaining true to its identity as a low cost, low price airline with high quality standards. Thus, we intend to continue expanding our operations in a disciplined manner and to broaden the reach of our network to include more of South America's high traffic destinations.



In the third quarter or 2008, GOL recorded consolidated operating income of R$61.2 million, representing an operating margin of 3.4%. This performance was achieved despite higher fuel prices in the domestic market and the occurrence of extraordinary costs associated with the return of aircraft.

In 2009 the Company expects to conclude its plan to replace older aircraft with higher performing models.

On December 31, 2008, the Company's fleet had the capacity to offer nearly 800 flights to 59 destinations, 49 in Brazil, three in Argentina (Buenos Aires, Rosario and Córdoba), and one each in Bolivia (Santa Cruz de La Sierra), Venezuela, (Caracas), Uruguay (Montevideo), Chile (Santiago), Colombia (Bogotá), Paraguay (Asunción) and Panamá (Ciudad de Panamá).

By the end of 2008, GOL's domestic market share of passengers carried (RPK) was 42.46% and its international RPK share among Brazilian carriers with international operations was 23.87%. In 2008, GOL ended VARIG's international long haul routes, concentrating its presence on the primary traffic generating centers of Brazil and the rest of South America. With a more balanced route network, GOL gained competitiveness in the high yield business market as well as in the recreational market.

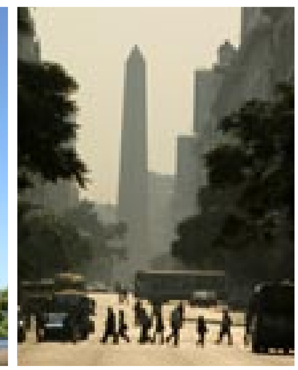
Industry Analysis

Despite the devaluation of the Real against the Dollar and the effects of the international financial crisis, the demand for Brazilian domestic air travel (in RPKs) grew by 7.4% while available seat kilometers (ASK) grew by 12.8% in 2008.

Strong demand, however, was not enough to maintain airline profitability that suffered the negative consequences of high oil prices, which persisted for practically the entire year, and foreign exchange losses on US Dollar denominated debt due to the devaluation of the Real. The price of oil surpassed US$140 per barrel, while the Dollar reached a high of R$2.49, which also had a negative impact on financial results.

One development that had a positive impact on international air travel was the institution of an open fare policy that enabled discounted fares on flights between South American countries; the first phase (allowing discounts of up to 50%) took effect in September of 2008. The largest Brazilian carriers benefited from the policy by being able to offer more aggressive discounts.

During the final quarter of 2008, however, the affects of the financial crisis on international passenger traffic resulted in a 40% drop in that segment compared to the prior year.



Our fleet, standardized and comprised of 106 aircraft, is one of the largest and youngest in Latin America

Operations

On October 19, 2008, the air travel networks of GOL and VARIG were integrated, eliminating overlapping routes and schedules, which increased flight optimization and allowed the Company to increase its routes in already consolidated markets and facilitated connections between new cities.

The new route network has GOL operating domestic flights and short haul international routes to Asunción (Paraguay), Buenos Aires, Córdoba and Rosario (Argentina), Montevideo (Uruguay), Lima (Peru, via Santiago, Chile), Santa Cruz de la Sierra (Bolivia) and Santiago (via Buenos Aires). VARIG, meanwhile, operates medium haul international flights to Bogotá (Colombia), Caracas (Venezuela) and Santiago (Chile), in addition to offering a daily Comfort class flight to Buenos Aires. This brands segmentation was determined using the profile of international clients on routes longer than four hours; the majority of which are business travelers, a category that demands a wider range of services.

By making these changes, GOL guarantees a strong position in both the business and tourism travel markets. The average aircraft utilization rate in 2008 was 12.7 hours per day.

In an effort to grow our tourism passengers, we implemented a series of promotions based on the number of days that customers remained at their point of destination, which allowed us to optimize the load factor of our aircraft. Passengers who planned their trips three days in advance, with a 7 day minimum stay, for example, could save 30% off the Company's lowest fare.

Extending the SMILES mileage program to all of GOL's customers and allowing travelers to pay for tickets purchased through the VOE FÁCIL program in installments were two other initiatives that helped to attract more passengers in the tourism segment.

Fleet

GOL's standardized fleet, consisting mainly of Boeing 737 Next Generation aircraft, is one of the largest and youngest in Latin America. The new fleet reduces maintenance and training costs and permits one of the highest aircraft utilization rates in the world — 14 hours per day.

GOL has one of Boeing's largest 737-800 contracts worldwide and guarantees GOL's growth and its position among the world's largest low cost airlines. Our contract with Boeing lets us convert positions in 737-800s to 737-700s, allowing us to adapt more quickly to market conditions.

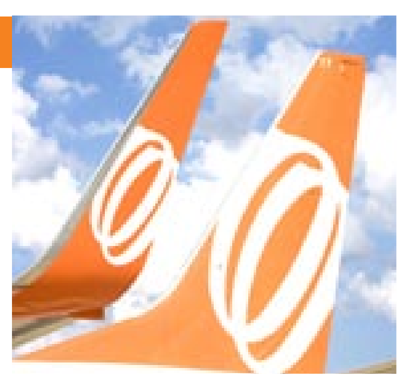
The Company is in the final phase of its plan to replace 737-300 and 767-300 aircraft with 737-800 Next Generation and 737-700 models to be used on domestic and international short and medium haul routes. The 737-700 model provides the flexibility to use airports with size restrictions and to offer direct flights to markets with lower demand.

During 2008, as part of the fleet renovation program, we replaced 11 Boeing 737-300s with seven 737-700 and four 737-800 Next Generation aircraft. We also decommissioned 12 aircraft belonging to our operational fleet, returning five and using the other seven in sublet, charter, or cargo transport operations.

Consolidated Operational Fleet (End of period)	2009	2010	2011	2012
B737-300	-	-	-	-
B737-700 NG	40	40	40	40
B737-800 NG	16	11	7	2
B737-800 NG SFP	52	64	74	85
B767-300 ER	-	-	-	-
Total	108	115	121	127

Currently, GOL's fleet is predominately comprised of Boeing 737NG aircraft with an average age of 6.8 years. By the end of 2009, the entire fleet will be made up of that model, which will reduce the average aircraft age to 5.5 years.

737NG aircrafts are equipped with winglets a technology that provides better performance during takeoff, allows for longer non-stop flights and results in annual fuel savings of up to 3%. All 737-800 SFP model aircraft comply with international safety regulations and are approved for short-runway takeoff and landing by American and Brazilian authorities



Maintenance

GOL is expanding its Aircraft Maintenance Center, located at one of Brazil's most modern hangars at Minas Gerais Confins Airport. Expansion is scheduled to be completed in the next 12 months. The center employs state-of-the-art technology, complies with best practices in environmental conservation, including low energy consumption and industrial waste treatment and was certified by the Secretary of the Environment of Minas Gerais State.

In terms of the Company's strategic plan, expansion of the Aircraft Maintenance Center intends keep pace with planned fleet growth. Originally the center had a capacity to service 60 aircraft per year. When the expansion project is concluded, the maintenance capacity will double to 120 aircraft, allowing the Company to maintain the quality of its operations and to continue its growth plan and integration of VARIG. It will also further our competitive advantage by lowering maintenance costs.

Although not its primary purpose, the Aircraft Maintenance Center will also be able to provide maintenance on planes operated by GOL's partner companies, including international airlines, which may allow the Company to generate additional revenue. A brake repair workshop is being constructed adjacent to the hangar, and that project should also be finished by the end of 2009.

Marketing and Services

Once the consolidation of two operating subsidiaries into a single airline was completed during the second half of 2008, our marketing efforts focused on presenting an image of a stronger company.

Seeking to add value to the GOL brand, our new publicity campaign featured caterpillars as the main characters that become butterflies, reinforcing the idea of transformation and implementing the concept of democratization of air transportation. The campaign also used the slogan Aqui todo mundo pode voar — Here anyone can fly, emphasizing GOL's appeal as a low cost airline.

In the services area, we extended the benefits of the SMILES mileage program to passengers on all of GOL's flights, created the Comfort class on medium haul international flights operated by the VARIG brand, improved on board amenities on shuttle flights, and launched new GOLLOG cargo transport products.

Shuttle Flights

The Rio-São Paulo shuttle flights, connecting Rio de Janeiro's Santos Dumont to São Paulo's Congonhas airport, now offer a special on board dining service for our valued business clients: the Bistrô da Ponte (Shuttle Bistro). The service offers practical and delicious cuisine, featuring a wide variety of fast meals on the highest volume business travel route in Brazil. A key attraction of the service is the Sabores do Mundo (Tastes of the World) menu, which is offered after 5:00 p.m. and includes typical dishes representing the diverse immigrant cultures that make up the Brazilian population.

Comfort Class

Our medium haul international flights operated by the VARIG brand now offer more options and benefits to our passengers including priority check-in and boarding, access to airport VIP lounges and an extra baggage allowance of up to 10 kilograms. In addition to winning a bonus of up to 100% on flown miles (with the SMILES card), passengers flying in Comfort Class also earn an extra bonus of up to 50% of accrued miles. The Comfort Class cabin was designed to provide more room between the seats, more privacy, with services including exclusive dining options and the use of Portable Entertainment Appliances (PEA) for individual on board entertainment. The PEA device is touch screen operated, with digital sound and image, and gives the user interactive access to films, TV series, music, cartoons and video games.

SMILES

Latin America's largest mileage program SMILES is present in more than 200 countries with nearly 6 million registered members. SMILES allows users to accumulate miles through flights on routes operated by GOL and by VARIG or by using certain related services or purchasing products from partner companies. Accumulated miles may be exchanged for tickets on any route served by the Company's integrated network.

SMILES maintains partnerships with major hotel chains, car rental companies, restaurants, insurers, publishers and teaching establishments, among others. Banks and credit card companies in Brazil, Argentina, Bolivia, Paraguay and Uruguay also participate in the program.

VOE FÁCIL

With more than one million members registered since it was launched in 2005, the VOE FÁCIL (Fly Easy) program lets GOL customers finance their tickets in up to 36 installments, even if they do not have credit cards.

The program is yet another GOL initiative to create opportunities for a growing number of Brazilians to experience the ease and benefits of air travel. Through this program, the Company is honoring its commitment to democratize air travel and to offer the most affordable fares on the market, as well as offering customers the most convenient payment options. In 2008, approximately 259,000 tickets were sold through the VOE FÁCIL program.

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GOLLOG

The Company's cargo transport service has two proprietary storage facilities in the state of São Paulo, located at the Congonhas and Cumbica airports. Additionally, it has 60 franchised units throughout Brazil.

In 2008 GOLLOG transported 65,000 tons in cargo, a 15% increase compared to 2007. GOLLOG's strong performance is the result of its low cost, low fare model, attention to each client's specific needs and the use of GOL's network.

In 2008, GOLLOG expanded its product line by launching a new service, GOLLOG Próximo Voo (Next Flight). During the first half of 2009, it will also offer new services, such as GOLLOG Express and GOLLOG DOC, among others. These services were developed to meet growing demand in the express cargo market.

Our cargo customers will now have the following service options:

- GOLLOG Próximo Voo: cargo is sent on the next available flight and picked up at the destination airport within two hours of arrival;
- GOLLOG Express: specifically designed for door-to-door shipments, with delivery deadlines that are defined by destination;
- GOLLOG DOC: allows the shipment of documents and small packages weighing up to 250 grams. Packed in waterproof sealed envelopes, which are delivered the next day by 6:00 P.M. in capital cities and main Brazilian cities; and
- GOLLOG Dez Horas: delivery of packages and documents at the destination address by 10:00 A.M. of the day following shipment in the main capital cities and other cities served by GOL.

We also signed a partnership agreement between GOLLOG and Emirates Sky Cargo, which allows cargo to be transported to any of the destinations served by both companies (more than 101 destinations in 62 countries, including all of GOL's Brazilian and South American destinations).

Cartão GOL Negócios (GOL Business Card)

Cartão Gol Negócios is a co-branded corporate card issued by Banco do Brasil. The target customers for this product are micro, small and mid-sized companies. With this corporate card, clients receive a credit equivalent to a percentage of the amount they spend each month. Currently, 38,000 companies use the card and the average usage of active accounts is equivalent to that of platinum credit card customers.

Distribution and Communication Channels

The combination of the reservation systems used by GOL and VARIG into our modern New Skies system developed by Navitaire provides a better user interface experience. Concrete results of this investment will not be available until 2009, but the Company has already received positive reviews from its customers.

The ample use of the Internet enables GOL to achieve a significant savings compared to the use of more traditional call centers and counters, in addition to providing a smoother sales processing and additional convenience for customers. The gradual reduction of physical points of sale helps to reduce the Company's general expenses.

In addition to simplifying customer access to services provided, the online sale of tickets allows travel agencies to realize productivity gains, access new markets and reduce costs.

Using the Company's web based services, flyers with or without luggage can check in up to an hour and a half before their flights. Passengers can also make online requests to modify their reservations up to 24 hours prior to departure.

Although its usage of mobile technologies is still somewhat limited, GOL plans to increase mobile technology use in the future to improve communication with its customers. Gradually, we are offering a cell phone check-in system, which allows customers to receive information regarding flights on their cell phones. SMS text messaging may also be used for this purpose.

These services are available at all stages of the trip, from ticket purchase to boarding, giving our customers access to the most advanced technology resources available in the marketplace.

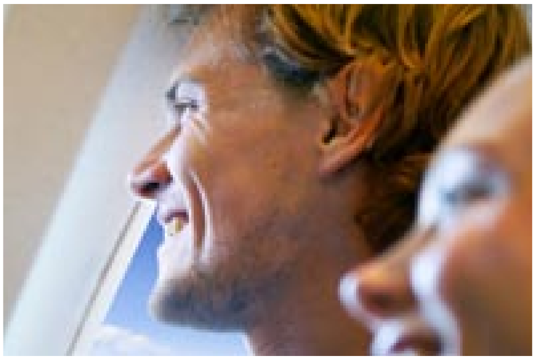
Partnerships

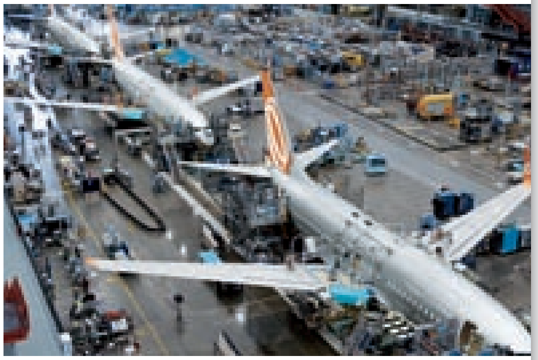
In order to better support the Company's international operations, GOL established partnerships with a number of airlines in 2008. These agreements allow the Company to provide new route options to its customers and to ensure them the safety and reliability associated with high quality carriers. In 2008, we signed 53 interline agreements with international airlines, including American Airlines, Air France, Iberia, JAL and TAP Portugal. The IOSA - IATA Operational Safety Audit certification – which measures and evaluates air companies' operational control management systems and is internationally renowned, should become effective by the third quarter of 2009, and will expand the Company's potential for a wide array of future business opportunities, such as code sharing agreements.

The increased use of new technologies, such as SMS communication, brings GOL even closer to its customers

We present in the following table information regarding GOL's results in 2008 and 2007, according to IFRS standards.

	Year Ended December 31	
	2007	2008
	(in R$, except where indicated) (in thousands)	
Income Statement Data:		
Net operating revenues:		
Passenger	4,566,691	5,890,104
Cargo and other	374,293	516,089
Total net operating revenues	4,940,984	6,406,193
Operating expenses:		
Salaries, wages and benefits	(799,344)	(983,783)
Aircraft fuel	(1,898,840)	(2,630,834)
Aircraft rent	(525,785)	(645,089)
Sales and marketing	(367,866)	(588,735)
Landing fees	(273,655)	(338,370)
Aircraft and traffic servicing	(348,732)	(422,177)
Maintenance, materials and repairs	(339,281)	(388,030)
Depreciation	(62,548)	(125,127)
Other operating expenses	(315,068)	(372,696)
Total operating expenses	(4,931,119)	(6,494,841)
Operating income (loss)	9,865	(88,648)





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GOL incurred operating losses of R$88.6 million in 2008, compared to operating profit of R$9.9 million in 2007. Our operating margin was a negative 1.4%, maintaining the same level as the previous year. The net loss was R$1.239 billion compared to profit of R$167.3 million for 2007. Losses before income tax were R$1.195 billion in 2008 compared to income before income tax of R$200.9 million in 2007.

Net Operating Revenues

Net operating revenues increased 29% to R$6.406 billion in 2008, due primarily to a 15.5% increase in yield from R$20.14 cents in 2007 to R$23.27 cents in 2008. The increase in yield was due to a 32.3% increase in average fares from R$198 in 2007 to R$262 in 2008, reflecting higher fuel prices during the first nine months of 2008. For the fourth quarter, yields remained at high levels due to better yield management under our new integrated route network that eliminated overlapping routes and schedules between the former Gol and Varig networks. For the same reasons, the operating revenue per available seat kilometer increased by 8.3% from R$14.38 cents in 2007 to R$15.58 cents in 2008.

Revenue passenger kilometers increased 11.6% from 22.67 million in 2007 to 25.308 million in 2008, while the number of enplaned passengers increased 8.3% from 23.689 million in 2007 to 25.664 million in 2008. The revenue passenger kilometers growth in 2008 was mainly driven by a 13.2% increase in the number of departures from 237,287 in 2007 to 268,540 in 2008.

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

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

The ancillary revenues are derived from the GOLLOG and VOE FÁCIL businesses as well as ticket change fees, excess baggage charges, charter service revenues and other incidental services. The ancillary revenues, that are an increasingly important part of the Company's revenue composition, increased 37.9% from R$374.3 million in 2007 to R$516.1 million in 2008 representing 8.1% of the total revenues, especially due to higher revenues from cargo transportation.

Operating Expenses

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

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

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

	Year Ended December 31	
	2007	2008
	(cost per available seat kilometer) (in R$ cents)	
Operating expenses:		
Salaries, wages and benefits	2.33	2.39
Aircraft fuel	5.53	6.40
Aircraft rent	1.53	1.57
Sales and marketing	1.07	1.43
Landing fees	0.80	0.82
Aircraft and traffic servicing	1.02	1.03
Maintenance materials and repairs	0.99	0.94
Depreciation and amortization	0.18	0.30
Other operating expenses	0.92	0.91
Total operating expenses	14.36	15.80
Cost per flight hour	14.62	16.84

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

Aircraft fuel expense increased 38.5%, or R$732 million, due to a 38% increase in WTI fuel prices, a 16% increase in fuel consumption derived from the increase in departures and capacity, and the devaluation of the real against the U.S. dollar in the second half of 2008. Aircraft fuel expense per available seat kilometer increased 15.7% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

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

Sales and marketing expense increased 60%, (R$220.9 million), resulting from (i) expenses incurred in operating both Gol and Varig as separate airlines until the corporate reorganization, (ii) the launch in 2008 of a new integrated sales system that improved the purchasing process, identifies operating and performance synergies and improves the performance and quality of the online sales service, and (iii) an increase in sales incentives mainly during the first nine months of 2008. Sales and marketing per available seat kilometer increased 34% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

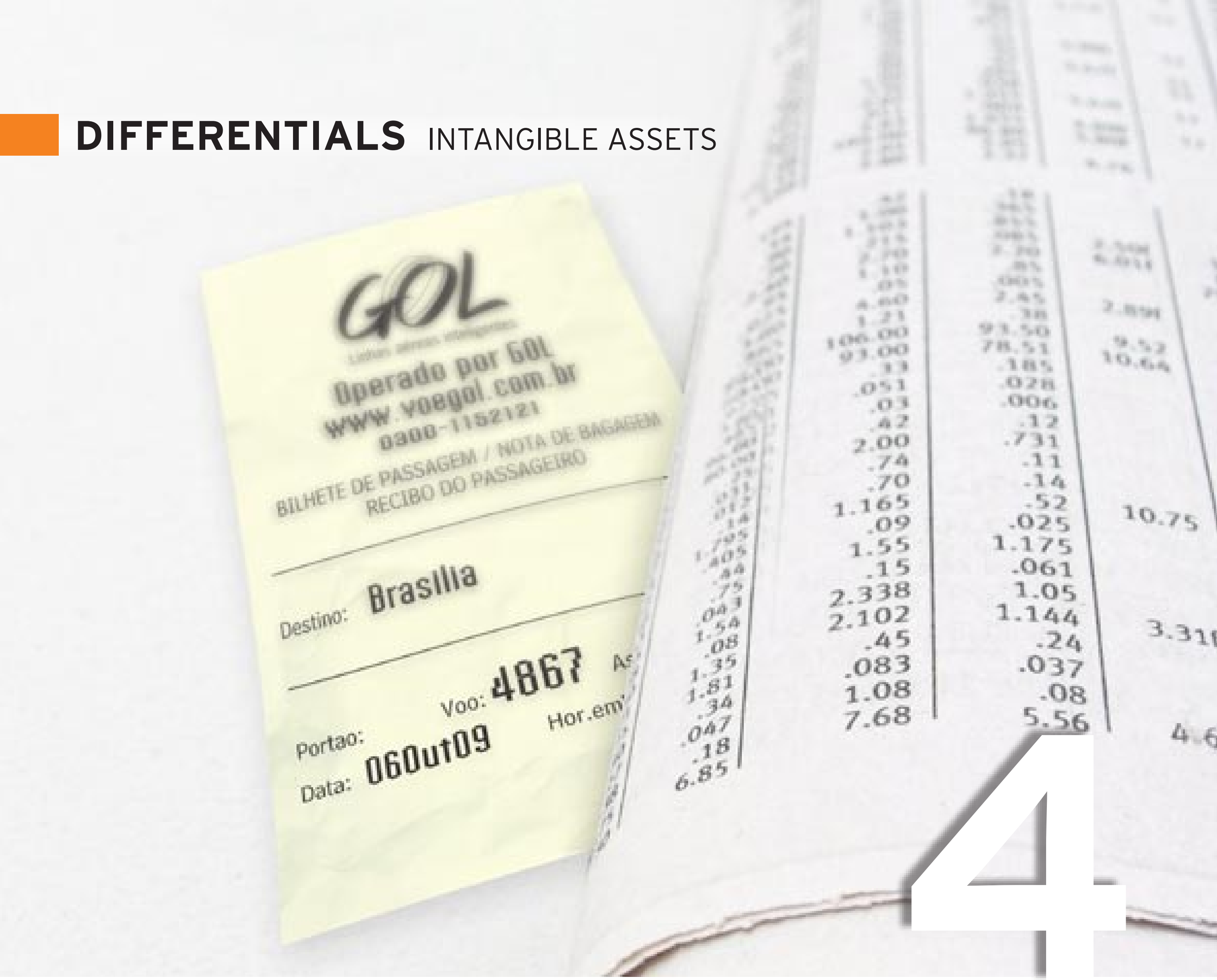
Landing fees increased 23.6%, or R$64.7 million, mainly due to the 13.2% increase in departures. Landing fees per available seat kilometer increased 2.5% due to the same reasons, although diluted by the increase in available seat kilometers in 2008. Aircraft and traffic servicing expense increased 21%, or R$73.4 million, primarily due to an increase of 20.1% in the average operating fleet, from 88.6 in 2007 to 106.4 in 2008, higher departures and lower average stage length. Aircraft and traffic servicing expense per available seat kilometer remained flat reflecting the full dilution of these expenses by the increase in available seat kilometers.

Maintenance, materials and repairs increased 14.4%, or R$48.7 million, due to an increase in scheduled aircraft maintenance events during the year, reflecting (i) the larger average operating fleet and lower average stage length, which reduced scheduled maintenance periods and (ii) extraordinary expenses related to returned aircrafts during the second half of 2008. Maintenance, materials and repairs per available seat kilometer decreased 5% primarily due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

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

Other operating expenses increased 22%, or R$59.5 million, due to costs related to closing of international bases in 2008, an increase in insurance expenses and expenses related to cancelled flights and crew lodging expenses, especially during the first nine months of 2008. Other operating expenses per available seat kilometer decreased 3.2% due to the same reasons, although diluted by the increase in available seat kilometers in 2008.

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



Brands

The Company has important, prominent brands in the Brazilian aviation industry: GOL, VARIG, GOLLOG, SMILES and VOE FÁCIL.

Linhas aéreas inteligentes

Recognized for democratizing air transportation in Brazil, the GOL brand is synonymous with innovation and modernity thanks to the variety of initiatives designed to offer a simplified, safe and efficient service to a specific customer base seeking low prices.

VARIG is a traditional brand with more than 80 years of activities in the domestic market and nearly 55 years in the international market. It has been renewed under GOL management and operates medium haul international flights to Bogotá (Colombia), Caracas (Venezuela) and Santiago (Chile), as well as daily service to Buenos Aires (Argentina).

Smiles

The largest mileage program in Latin America, SMILES is present in 212 countries and has a base of over six million members.

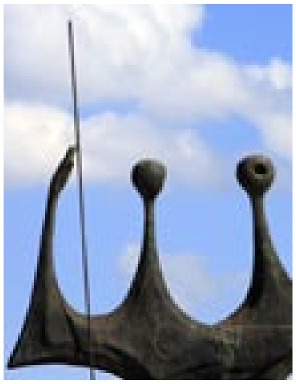
VOEFÁCIL

VOE FÁCIL is another example of the Company's innovations, which at the end of 2008 had more than 820,000 registrations since its launch in 2005. The card was introduced to stimulate demand, and enable GOL's customers to purchase their tickets over the Internet, even if they do not have a credit card with ticket purchases paid in up to 36 installments.

Gollog

Serviço de cargas aéreas

GOLLOG is the Company's cargo transport service, which also incorporates facilities and innovations such as prepaid cargo, allowing the shipment of up to one kilo of cargo at a single rate. Its modern systems give customers online access to documents and cargo delivery tracking through any computer connected to the Internet, generated by filling out an AWB (Airway Bill) form via the Web.



Operating Rights

The five brands of the Company have concessions to operate regular air passenger, cargo and postal transportation services in addition to operate routes and slots in airports throughout Brazil. GOL and VARIG are also certified to operate international routes.

On December 31, 2008, the Company operated 150 routes with an average of 809 takeoffs per day (taking into account business days). GOL also occupied 232 daily slots at the São Paulo Congonhas Airport (CGH).

Personnel

Our professionals represent one of the Company's primary competitive advantages. Through a unified and distinctive corporate culture, which encourages and rewards constant innovation and customer satisfaction we rely on a team of managers who are aligned with the business's growth strategy and controlling shareholders with more than 50 years of experience in passenger transportation.

The Company believes that growth potential and the achievement of corporate goals are directly related to recruiting and retaining the best professionals available in the market. Therefore, it encourages and recognizes competence, invests in training, education and development of its workforce to qualify and improve performance as part of its commitment to providing quality transportation services.

Innovation

The Company has a reputation as a young and dynamic business with strong cost discipline – characteristics that enable it to adapt to adverse market conditions, maintaining service quality, productivity and profitability.

Our company is known for revolutionizing the Brazilian aviation industry. Among our competitive advantages are our modern and standardized fleet of Boeing 737s, simple yet effective service, intensive use of technology, paperless tickets, low operating costs, a constant search for innovation and maintaining the lowest fares and a motivated and committed staff.

The GOL Effect

The pioneer business model implemented by the Company in Brazil generated a cascade effect in the air transportation industry. With accessible fares many travelers migrated from road to air transportation, which significantly increased the number of passengers at airports. This is the so called "GOL effect," which is characterized by the supply of the lowest fares to destinations with growth potential. Our current goal is to disseminate the "GOL effect" across South America.

GOL's corporate culture encourages and rewards performance focused on constant innovation

Since it was founded, GOL has always sought innovations that meet the demands of the market in effective ways, helping the Company maintain productivity and the quality of the services it offers.

E-COMMERCE

The use of the Internet as the main sales channel provides agility to the client in the purchase process and also allows the Company to hold distribution and physical sales costs down. In 2008, the Company adopted an even more modern ticket sales system, improving the client interface and providing them with new possibilities, such as the ability to see flights available one day prior to and one day after their chosen travel date.

Mobile Technology

GOL also incorporated the use of mobile technology services in 2008. We launched a new check-in service that can be done entirely via cell phone, a convenience that was the first of its kind in the Brazilian aviation industry that eliminates the traditional ticket issue process, reducing costs and simplifying access for customers.

To check-in via cell phone, all a client has to do is to register the cell phone number upon purchasing his or her ticket online (at www.voegol.com.br). At that point, the client receives an SMS (Short Message Service) text message with a confirmation of the purchase and flight information and a 2D bar code to access the boarding gate. Teams at the gates and in the boarding reception areas have devices that can read the codes, and they issue the passenger a mini boarding pass to be presented to Infraero, the company that manages the Brazilian airports.

This service is available at the São Paulo, Rio de Janeiro and Minas Gerais Confins airports and works with all cell phone providers. Our plan is to extend this service, currently available to passengers traveling without luggage or with carry on items only to all of the Company's passengers flying to its domestic destinations.

Ease of Payment

To make air travel more accessible to everyone, GOL makes buying tickets easier through installment payments made directly through its website using a credit card, or with the VOE FÁCIL card in up to 36 installments.

GOL's service innovations include mobile technology and ease of payments

Punctuality

Aware of the importance of punctuality to its passengers, in 2008 GOL adopted measures to help it maintain its on time arrival record, earning its clients' trust.

These actions include the integration of GOL and VARIG check-in systems, changes in the route network (which reduced ground time and simplified on-the-ground operations), airport employee training, reformulation of stopovers and the hiring of new attendants and third party providers to provide ramp and handling services.

These measures were accompanied by steps to improve monitoring of daily operating indicators, done with participation of employees from all areas involved in the operation, and by the installation of self service kiosks in all of the primary airports in Brazil.

Through the implementation of these measures GOL not only seeks to maintain punctual boarding procedures but also to streamline the disembarking process so that passengers are satisfied with all phases of our flights.

Systems

To keep pace with GOL's rapid growth, its technology platform underwent a series of changes, some of which were initiated in 2006 and 2007, resulting in the replacement of some systems with those that are more modern and integrated, ensuring better operating efficiency:

- **New Skies:** this modern ticket sales system developed by Navitaire maximizes the Company's distribution channels and improves internet service performance and quality. Its more functional interface has benefits for clients—with options to refine searches by price, as well as the conventional criteria, such as destinations, city of origin and date—as well as for travel agents, allowing individual agent registry and management of tickets issued, ensuring greater protection of information submitted to the site.

  The system is based on a ticketless concept, but can also process code share or interline agreements with airlines issuing e-tickets. In addition, it allows the Company to integrate organizational and planning controls, both keeping costs low and expanding services to guarantee growth.

- **Hyperium:** a tool for the financial area, it consolidates annual budgets and permits the use of simulations, projections and analysis to manage it. This tool represents an advance in business intelligence that allows the company to integrate all of its data.

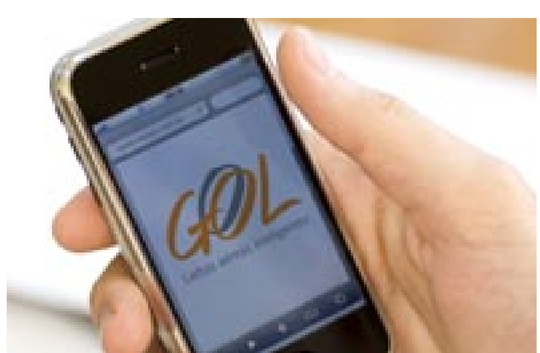
- **Óptima:** an integrated management information system that covers all maintenance and operating areas (from reservations to planning and route network distribution); it is also linked to internal and financial controls.

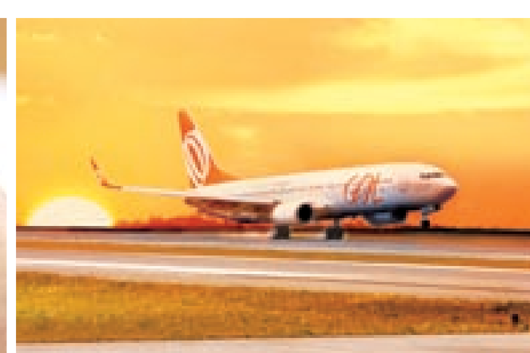
- **Oracle:** a new version of the system is now used by the Company to consolidate its payroll.

- **Horus:** used for cargo management, this system is ideal for giving GOLLOG the support it needs to thrive in the international and express cargo shipment markets.

- **SMILES program platform:** this new system used to issue tickets and redeem miles for our mileage program was implemented in December of 2008 to accommodate the growing number of customers that were joining the program after it was extended to all of GOL's passengers. Tickets can be issued via the website www.smiles.com.br which speeds up the procedure and avoids overloading our telephone system.

In 2008, GOL increased its utilization of the voice over IP (VoIP) network, which results in big savings for the Company, since a majority of its telephone calls were handled through its data network, extension to extension, rather than through conventional telephone connections. The solution was also implemented as a pilot project in five of the airports in which GOL operates and in 2009 will be extended to the rest of its locations.





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Efficiency

GOL implemented several programs designed to improve and monitor its technical and professional structure to increase operating efficiency:

- **Standardization of its fleet** of 106 aircraft with the import of the new Boeing 737 Next Generation models and the export of older models. This allows GOL to save on maintenance costs and to increase the daily utilization rate of its aircraft.

- **Enlargement of its Confins Airport Aircraft Maintenance Center**, which will double its current annual maintenance capacity of 60 aircraft to 120, and is on schedule to be completed during the first half of 2010. The Maintenance Center, which will also have a new break repair workshop, will also have the capacity to service aircraft from other airlines.

- **Construction of a hangar for aircraft interior maintenance**, which will be located in Londrina (Paraná State) will inspect and repair aircraft cabins, as well as produce carpets and seat covers. The space will be able to handle all 1,064 of the Company's aircraft. Once contracted out to third parties, the work of this unit will allow GOL to invest in specialized labor and to develop its own production techniques to service the Company's specific needs.

- **Winglet installation**, winglets are aerodynamic components positioned at the ends of wings to diminish drag, thus improving aircraft efficiency by increasing velocity and reducing fuel consumption. The Company expects to save up to 3% in fuel consumption by equipping its entire fleet with winglets.

IOSA

To further increase operating safety and to improve its ability to manage its business risks, GOL underwent a certification known as the IATA Operating Safety Audit (IOSA). Internationally recognized, the IOSA program evaluates airline Operations Management and Control Systems using 928 criteria known as ISARPs (IOSA Standards and Recommended Practices) to identify areas of possible non-conformity which must be corrected.

To obtain certification, GOL created the Quality Assurance Advisory Board, which reports directly to the CEO's office. The audit was concluded in December, resulting in 10 findings and 10 observations, a better result than the industry average of about 50 findings.

Based on that report, to obtain certification, the 918 items found to be in compliance will be maintained and all of the modifications suggested in the findings will be implemented by December 2009.

Since IOSA is an internationally recognized auditing program, it replaces the majority of company specific audits conducted annually, resulting in savings from the elimination of multiple audits. Moreover, IOSA certification elevates the Company's reputation for safety and confidence, reflecting its passion for excellence and increases the potential for a wide range of commercial activities, such as code share agreements.

The implementation of new, modern, integrated systems ensure operating efficiency

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RECOGNITION

IRGR Award in the Best Disclosure Practices and IR Site categories

GOL received three awards at the 10th IR Global Rankings 2008 (IRGR), which ranks and identifies best practices in the Investor Relations area and evaluated 160 companies in 32 countries in 2008.

The Company's IR website was recognized as one of the Top 5 in Latin America and, for the third straight year, came in first among Brazilian companies and as ranked in the Top 5 in Latin America in the Best Disclosure Practices category.

Top of Mind Internet

GOL is the airline most remembered by Internet users, according to the Top of Mind Internet 2008, awarded by the UOL web portal. For the second straight year, the Company led its segment with 43% of the vote and also placed first in terms of spontaneous mentions, with a 64% majority. The Top of Mind awards were created to recognize the brands that Internet users most remember as they browse the Web.

2nd place in ranking of Best Governed Major Latin Corporations 2008

GOL ranked second among non-financial companies in a study focused on corporate governance in Latin American conducted by the Spanish sustainability consulting firm Management & Excellence (M&E), in partnership with Latin Finance magazine.

The study analyzed the corporate governance practices of companies encompassing 41 items commonly used and accepted around the world by institutional and private investors. GOL, the only airline to make the ranking, uses 90.2% of the best practice standards considered, compared to a 62.34% average among all 50 companies studied.

Management recognized by the IATA

GOL CEO Constantino de Oliveira Júnior, received the GALA (Galeria Aeronáutica Lationoamericana – Latin American Aeronautics Gallery) award in the category of Empresários Ilustres do Transporte Aéreo (Illustrious Air Transport Executives) at the Wings of Change conference, organized by the FIDAE (International Air and Space Fair). The award, sponsored by the IATA (International Air Transport Association), recognizes key executives and institutions for their involvement in the development of the aviation industry in Latin America. Our CEO was the only Brazilian executive from the sector among those recognized.

Best low cost airline in South America

Skytrax Airline Reviews, a consulting firm specialized in the aviation industry, recognized GOL as the best low cost airline in South America. The award was based on an online survey of more than 4 million passengers from around the world that evaluated 35 items, ranging from on board services to cabin comfort and baggage handling.

The Company with the most respect for consumers

In 2008, GOL received the award The Company with the Most Respect for Consumers in the Airline category. The survey, conducted by TNS Interscience for the Consumidor Moderno magazine, indicated the consumer's level of satisfaction with the companies that serve them based on service; product and/or service quality; price; ethics, seriousness and committed advertising; social responsibility and environmental commitment, as well as monitoring of customer satisfaction through surveys.

TRANSPARENCY CORPORATE GOVERNANCE

GOL models its actions on corporate governance best practices adopted by Brazilian and international companies. Since its IPO in 2004, the Company's shares have been listed on Level 2 of the São Paulo Stock Exchange (Bovespa). Its shares are also traded on the New York Stock Exchange (NYSE).

The Company was one of the first in Latin America to implement internal controls procedures, in accordance with recommendations outlined in the Sarbanes-Oxley Act (SOX). In 2006, a year before it was required to do so by the SEC, GOL was certified compliant with the requirements of Section 404 of that legislation.

To maintain a high degree of transparency in the management of its business, in 2008 GOL initiated a process of analysis and restructuring of new advisory boards serving its Board of Directors, approved in early 2009. This process resulted in the formation of a Committee on Accounting Policies and Financial Statements, whose purpose is to assist in the implementation of and to provide information regarding the Company's adoption of the International Financial Reporting Standards (IFRS).

The Company's Audit Committee directly monitors matters involving risks, our accountability, internal controls, financial disclosure and fulfillment, which ensures rigorous control of financial reports and contributes to improved risk management, operating and financial control, and providing assistance to our Board of Directors.

To help improve its governance practices, GOL maintains a Trading Policy that sets rules and procedures that apply to executives and employees who have access to confidential information.

The Company also has a Disclosure Policy that defines the criteria as well as the appropriate timing and the employees responsible for disclosing such information to investors. This guarantees that the Company's information is made public in ways that are broad, homogenous, transparent in accordance with the laws of each country in which its shares are traded (Brazil and the United States). This policy is enforced and supported by the Disclosure Committee, which is comprised of employees who have no direct involvement in the preparation of the reports.

Shareholder Control

The major shareholder of GOL Linhas Aéreas Inteligentes is Fundo de Investimentos em Participações Asas, which held, at the end of 2008, 73.13% of the Company's total capital.

	2008			2007		
	Common Shares	Preferred Shares	Total	Common Shares	Preferred Shares	Total
Fundo de Investimento ASAS	100.00%	42.60%	73.13%	100.00%	37.84%	70.90%
Treasury shares	-	1.66%	0.78%	-	-	-
Others	-	2.18%	1.02%	-	2.74%	1.28%
Market (free float)	-	53.56%	25.07%	-	59.42%	27.82%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Investor Relations

Continually observing law and ethical principles, GOL strives for transparency in the disclosure of information to its investors and to the financial market. Our Investor Relations (IR) division, the area of the Company responsible for this function, continually holds events to disseminate information about GOL's performance and also meets personally, via telephone or Internet, with investors and investment analysts to answer any questions they have about the Company.

Access to information is facilitated through our IR website, which also has a page dedicated exclusively to providing information to journalists. The website allows the Company to maintain separate channels for all of its principal shareholders: analysts, institutional investors, individual shareholders, equity investors and the press.

In November 2008, the Company also hosted a GOL Day in the city of São Paulo for Brazilian and international investors and financial analysts. The purpose of the event was to present the Company's accomplishments, highlights for the year, and its outlook and plans for the next few years. Currently, GOL is covered by 14 security analysts.

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Exemplary Disclosure Practices

Since becoming a publicly held company in June of 2004, simultaneously listing securities on the Bovespa and the NYSE, the Company has based its IR actions on three principles: transparency, guaranteed access to information and equal treatment. Below, we highlight our main initiatives relating to our fair disclosure policies and practices:

Disclosure Policy Manual

Prior to going public in 2004, GOL's Board of Directors approved a Disclosure Policy and Procedures Manual which follows CVM Regulation 358/2002, (related to disclosure and use of information on material information), SEC's Fair Disclosure Regulation (Reg FD), and Mandatory Edgar Filing for Foreign Issuers Rule. GOL's Disclosure Policy Manual is available on the Company's IR website.

Multi-lingual IR Website

Considered a leader among IR websites because of its easy to navigate design and the high level of information disclosure, GOL's IR site constantly updates its Portuguese and English versions. At www.voegol.com.br/ri investors and analysts can find complete and updated information, including financial statements, press releases, information about profits, stock quotes, analyst coverage and recommendations and market earnings estimates. Our IR has already received several IR Global Rankings awards in recognition of its contributions to the market.

Global Webcasts

Disclosure of the Company's quarterly results is carried out via webcasts in Portuguese and English so as to reach the diverse array of interested parties in Brazil and abroad. In the case of public meetings, the broadcast is transmitted live in Portuguese with simultaneous translation into English. All such presentations are available on the Company's IR website and can be accessed at any time.

Financial Statements in IFRS

Anticipating market requirements, GOL implemented the IFRS model in the preparation of its 2008 financial statements. All Brazilian companies are required to fully adopt these international accounting standards by 2010.

Earnings Guidance

GOL provides guidance for the current year's results. Guidance allows the Company to more freely discuss industry trends and expectations in line with Reg FD.

Consistent with its desire to ensure transparency and continual improvement in the disclosure of information, GOL has built a corporate governance structure that reflects best practices. This improves the perceptions of investors and analysts in terms of GOL's commitment to respecting basic disclosure principles. The Company's corporate governance structure is made up of:

Board of Directors

The nine members of the Board of Directors, four of whom are independent members, are elected to one year terms, with reelection permitted, by vote of all holders of common shares at the Annual Shareholders' Meeting. The Board's duties include defining the Companies strategies, selecting its executive officers and monitoring their performance. The Board of Directors meets quarterly or whenever a meeting is called by its chairman or by any three members acting together.

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Fiscal Committee

An integral part of the Company's policy of transparent corporate governance, the Fiscal Committee was established in April of 2007 and is comprised of three sitting members serving one year terms. The committee meets quarterly to monitor management actions, to review financial statements and to send a report to our shareholders.

Board of Executive Officers

The CEO and four vice presidents are responsible for directly managing the Company's business. The executive officers are elected by the Board of Directors to renewable one year terms.

Disclosure Committee

The Disclosure Committee, established in 2005, carries out functions as specified in Section 303 of the Sarbanes-Oxley Act of 2002.

Audit Committee

It provides assistance to the Company's Board of Directors in matters involving accounting, internal controls, financial reporting and compliance with applicable laws. It also evaluates the effectiveness of the Company's internal legal compliance controls. All members satisfy the audit committee membership independence requirements of the SEC and the NYSE.

The Company has also six committees (non-statutory) composed of members of the Board of Directors and independent members.

Accounting Policies and Financial Statements Committee

Created in 2008, the committee's purpose is to monitor, review and evaluate compliance with the accounting norms and standards for preparing financial statements adopted by the Company, particularly during the period of transition to full IFRS adoption.

Corporate Governance and Nominating Committee

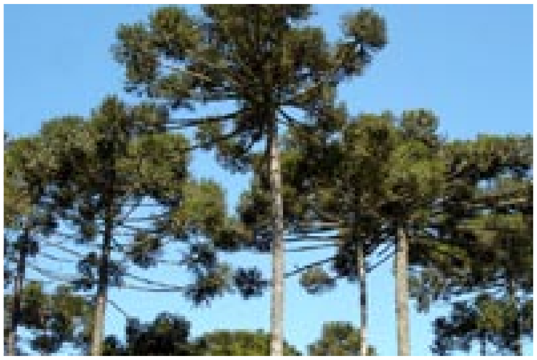
Responsible for the coordination, implementation and periodic review of corporate governance best practices and for monitoring and keeping the Board of Directors informed about legislation and market recommendations addressing corporate governance.

Risk Policies Committee

Reviews and approves the risk management policies of the Company and the measures adopted to protect against foreign exchange variations, changes in the price of fuel and interest rates, as well as the effects of these changes on the Company's results (revenue, cash flow and balance sheet). It also assesses the effectiveness of hedge measures adopted, approves recommendations for future changes, conducts reviews of cash management activity and makes recommendations to the Board of Directors.

Financial Policy Committee

In addition to revising and approving the Company's corporate finance policies, follows up on their effectiveness and implementation, periodically examines investment and financing plans and makes recommendations to the Board of Directors. It is also responsible for periodically analyzing the impact of investment and financing plans on the Company's capital structure; determining parameters for maintenance of desired liquidity and capital structures, and monitoring the execution and approval of policies to be used in the following quarter.



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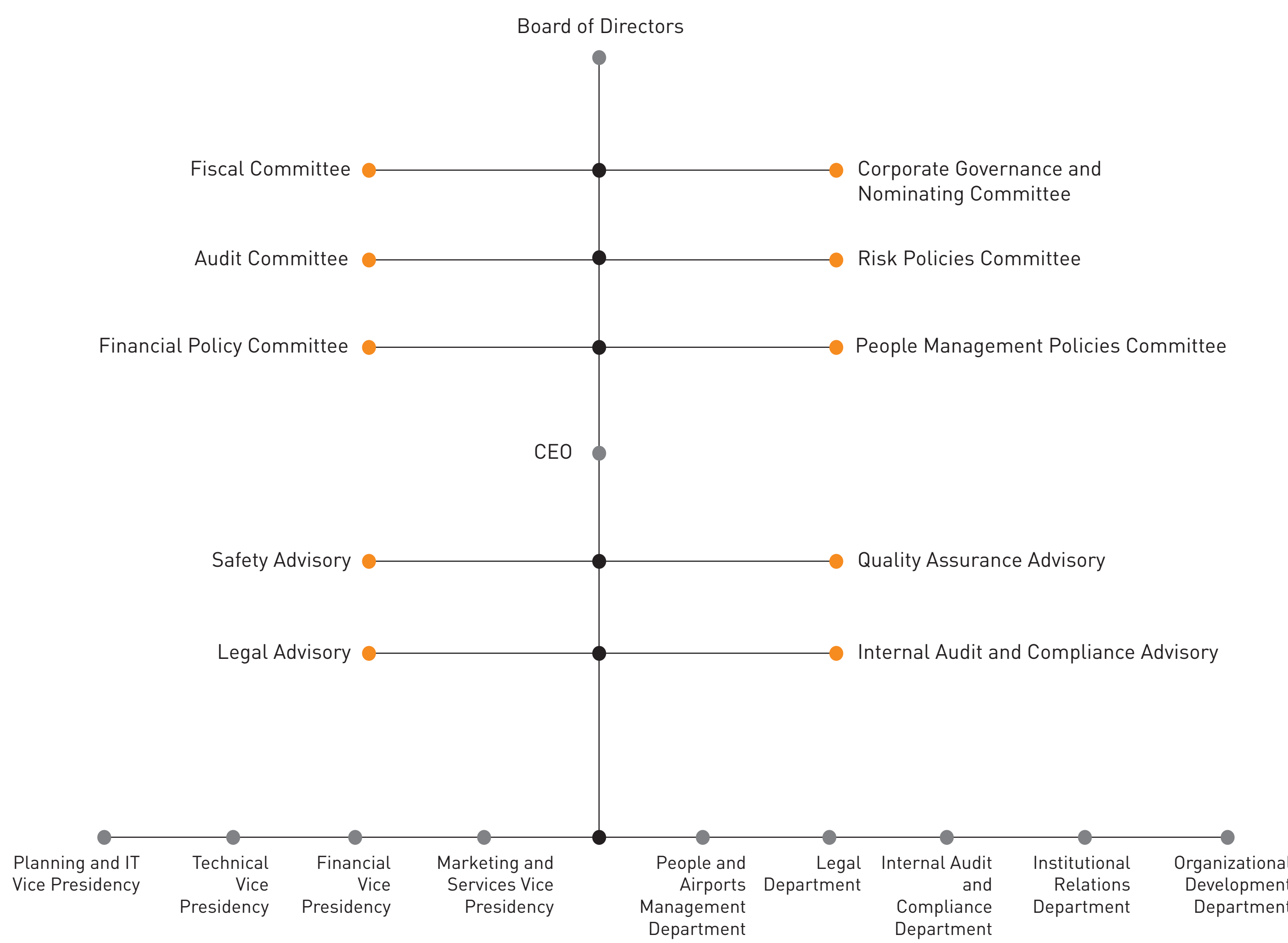
People Management Policies Committee

Composed of up to three members elected by the Board of Directors to one year terms (with reelection permitted) the People Management Policies Committee reviews and recommends to the Board approaches to employee compensation (including salary, bonus and stock option plans). It also studies compensation policy as applicable to employees, advancement and succession plans, reporting all of its findings to the Board.

Duties of the Board of Directors, Board of Executive Officers and Committees of GOL, as well as the qualifications of their members and a description of its Corporate Governance practices are available at the Investor Relations website.

Organizational Chart



OUR SHARES AS INVESTMENT

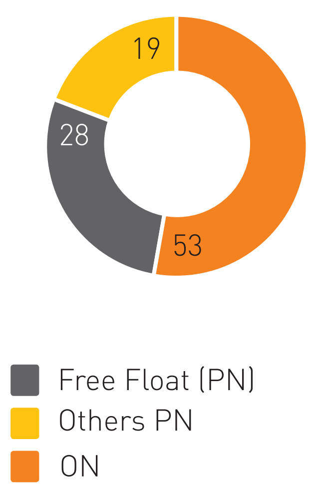
GOL's capital stock is comprised of 202.3 million common and preferred shares. Since 2004, the preferred shares have been listed on the Bovespa (GOLL4) and on the NYSE (GOL). The free float level among all shares is 25%, and 54% of preferred shares. Of the preferred shares comprising the Company's capital stock at the end of 2008, 55% are traded on the Bovespa and 45% are traded on the NYSE as American Depository Shares (ADS).

Due to their high liquidity, the Company's shares have also been included in the Ibovespa and IBRX-50 indexes of the Brazilian market and the ADSs have been included in Morgan Stanley International's MSCI index. They are also part of the IGC and Itag indexes created by Bovespa to distinguish companies with differentiated corporate governance practices.

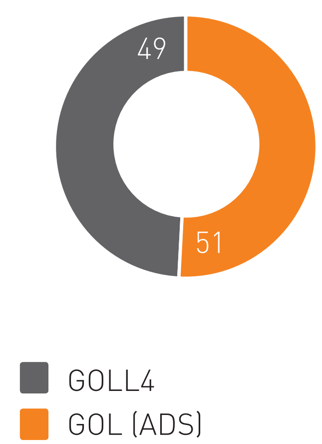
At the end of 2008, GOL's market capitalization was US$2 billion, compared to US$5 billion recorded on December 31, 2007.

On the final day of trading in 2008, the Company's ADSs listed in the NYSE were quoted at US$ 4.23 per share. During 2008, the DTX index (part of the Dow Jones) and the XAL (New York Exchange Airlines Index – an index that measure share performance of the US airlines industry) lost 22.61% and 29.33% of their respective values, which had an unfavorable impact on the international aviation sector, contributing to a drop of 82.25% in the value of our ADSs.

Shareholding breakdown [1]



Free Float [1]



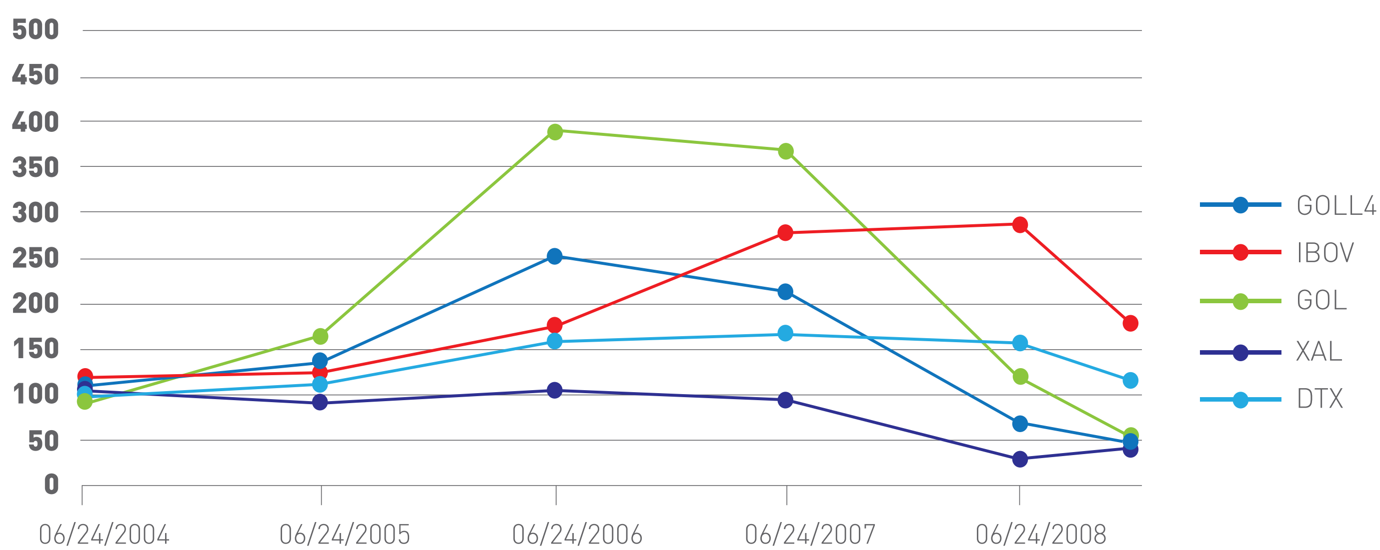
(1) on December 31, 2008

While the Ibovespa lost 41.22% of its value in 2008, the value in Reais of GOL's preferred shares dropped 77.35% to close the year at R$9.91. This performance was due to high oil prices and the transition period the Company went through that involved the VARIG acquisition and merging of the operational systems of the two carriers.

On the Brazilian stock exchange, GOLL4 shares traded average daily volume of 1,034.7 thousand shares, with a turnover of R$19.7 million on average per day. In 2007 average daily volume was 747,100 shares, equivalent to R$38.6 million.

In 2008, the average daily volume GOL's ADSs was 515,500 shares, with a turnover of US$ 6.1 million, compared to an average daily volume of 827,600 ADSs and average daily turnover of US$ 22.7 million in 2007.

Share performance from the IPO up to December 31, 2008



Distribution of dividends

Since 2004, GOL has paid R$ 664.7 million in dividends to its shareholders. Nevertheless, in view of the current climate affecting the commercial air industry, the Company's Board of Directors decided at its meeting on August 6, 2008, to suspend the quarterly dividend distribution policy for the remainder of the year.

The Company believes that this action is in the best interest of shareholders and its continued business success since it allows GOL to use its cash on hand to finance investments and to improve its financial ratios.

The suspension of dividend distribution was just one of several measures the Company implemented in 2008 to compensate for the effects of higher oil prices, currency devaluation and the adverse macroeconomic scenario. These proactive measures gave the company the necessary flexibility to invest, including spending related to the fleet renewal program, rationalization of growth capacity, the integration of the operations of GTA and VRG and the implementation of the new ticket sales system. These steps also contributed to revenue optimization and cost reduction.

RISK MANAGEMENT

At GOL, risk management has always been part of strategic and operations planning processes aimed to protect and sustain the business as well as of material and financial resources for the operation.

The Company was one of the first Latin American issuers to receive Sarbanes-Oxley Act 302 and 404 certifications, which is evidence of strong internal controls, and provides additional benefits such as improved risk management and more rigid operating and financial controls.

Economic and financial risks

The main risks inherent to GOL's operations refer to fuel costs, particularly in times of interest rate and exchange rate fluctuations. In order to reduce earnings volatility, GOL actively monitors such movements.

Fuel costs, in addition to being subject to price variations, are subject to foreign exchange variations, as prices in the international market are set in U.S. dollars. To protect itself from the effect of fluctuations in fuel prices or foreign exchange rates, GOL maintains a fuel and forex hedge program under which agreements are executed with various counterparties. Hedge operations provide short term coverage and are adjusted weekly or more frequently, as circumstances require.

The Company's risk management program entails the establishment of exposure limits, hedge indices and scheduled instruments and price triggers. It uses a series of financial instruments, including crude oil purchase options, crude oil fixed price swap agreements and foreign currency future contracts.

Moreover, the Company uses financial derivative instruments for cash management purposes. The Company uses synthetic fixed income options, registered at CETIP and with first tier banks, as well as swaps to obtain CDI (Interbank Deposit Certificates) profitability from fixed rate of dollar denominated investment.

The Company's hedging practices are executed by its Internal Risk Management Committee and overseen by the Risk Policies Committee of the Board of Directors, which meets quarterly to assess the effectiveness of the risk management policies and recommends amendments when appropriate. The Company requires that all of derivative financial instruments be liquid so as to allow the Company to make position adjustments and have prices that are widely disclosed. The Company also avoids concentration of credit and product risk.

Operations

To protect its assets, GOL insures adequate limits to protect against risks inherent to its business. It also has aircraft insurance, which guarantees coverage for hull, war (seizure and confiscation), civil liability, replacement parts and civil liability of vehicles.

Financial statements

Seeking compliance with sections 302 and 404 of the Sarbanes-Oxley Act, the internal controls structure of critical processes involving risks to the financial statements is evaluated, documented and tested, according to the requirements of the Public Companies Audit Oversight Board (PCAOB), using internationally recognized methodologies and criteria.

People Management

The Company's success is built each and every day by its employees, who work dynamically and efficiently to provide GOL's customers with the best service possible. Thus, the Company invests in continuous professional staff development ensuring that we have the best workforce in the industry.

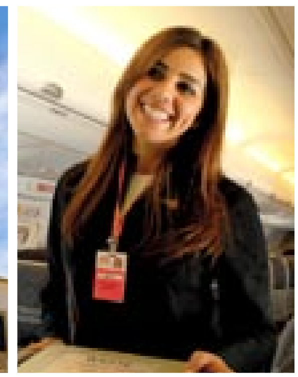
With the integration of the two operating companies in 2008, GOL underwent a restructuring designed to establish positions and salaries based specifically on the new workforce. The human resource management systems were also combined, resulting in a single management model to handle the employee records and payroll.

Diversity

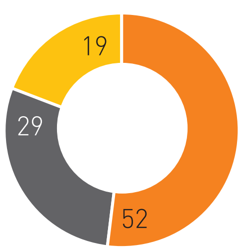
The Company's workforce balances a group of professionals with experience in technical areas (pilots, co-pilots and maintenance technicians), which ensure excellence and safety, with the creativity and joviality of employees in management and customer service positions, who perform GOL's everyday services with dynamism and innovation.

GOL considers diversity in terms of gender, ethnicity, social class, political orientation and ideology to be a competitive advantage. In addition to its people management policy, its slogan "With GOL anyone can fly" reflects the Company's commitment to diversity since it was founded.

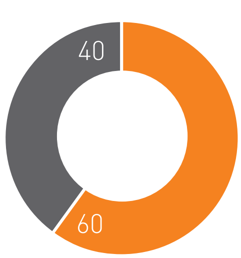
Of the 15,911 employees that comprised its workforce in 2008, 52% relate to airport and flight operations, 29% work as pilots, co-pilots and crew, and the other 19% work in management or customer service positions. Women account for more than 40% of all employees, with the majority of the workforce being between the ages of 18 and 35, although the Company also hires apprentices and individuals over the age of 60. Nearly 70% of our employees have a high school education, and 29% have completed university study.



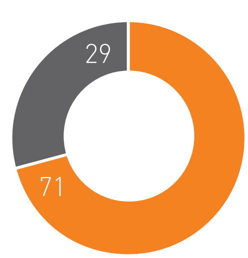
Staff (%)



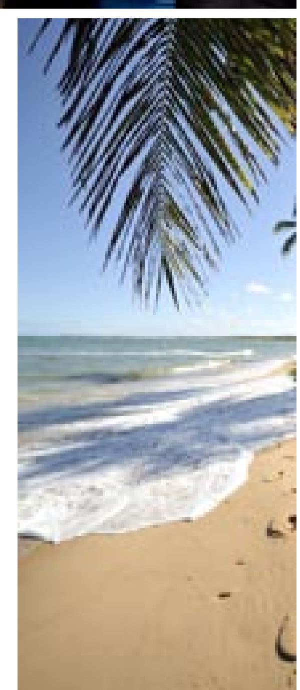
airport and flight operation
pilots, co-pilots and crew
management and customer service



Women
Men



Post-secondary education
Secondary education



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Compensation and Benefits

GOL uses variable compensation based on progress toward goals identified through strategic planning. On an annual basis, GOL employees may participate in a Profit Sharing Program (PPR). Distributed amounts depend on progress made toward the goals established through strategic planning and the Company's financial results.

Each employee received 70% of his or her salary in April of 2008. The pilots, in accordance with the Company's compensation value calculation criteria, received a percentage based on their nominal salaries (December 2007 base) and the variable compensation criteria (average hours flown in 2007). Compensation for crew members was calculated based on their nominal salaries (December 2007 base) and the night shift premium. As a general rule, amounts corresponding to vacation time, the annual Christmas bonus, and retirement and pension plan contributions are excluded from the calculations.

Additionally, GOL offers all of its employees the Travel Benefit (Benefício Viagem) whereby they receive air tickets free of charge or at discounted fares, in accordance with the regulations governing the program's different categories.

Training

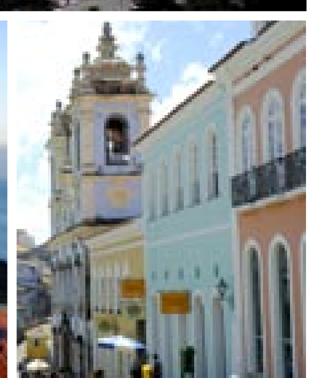
To ensure the maintenance of quality standards, the people management department develops employee recruitment, hiring, retention and training programs. These programs are divided among four broad modules: corporate education, emergency response, safety and security. In 2008, GOL provided more than 20,000 hours of training to its employees in these different areas.

Leadership Development

In response to the Organizational Climate Survey administered by the Company's Development area in 2004, 2005 and 2006, GOL developed the Leadership Development Program (Programa de Desenvolvimento de Liderança).

Analysis of the results from this survey revealed the need to develop leaders within the Company and to train them in people management best practices.

In 2008, the program provided 4,602 hours of training to 170 managers and leaders in the Airports and Maintenance areas, offering opportunities for the exchange of knowledge, experiences and fundamental concepts that develop abilities and attitudes that result in greater efficiency in group leadership.



Because GOL was founded in an era of great social and environmental concern, the Company has always been committed to the sustainability of its operations, procedures and actions to ensure that they are economically viable, socially fair and environmentally sound.

Characterizing our model of business sustainability, the relationship with the diverse stakeholders we routinely interact with is based on our values of ethics, transparency and social and environmental responsibility.

In addition to the procedures that guarantee long term continuity and profitability of the Company, GOL adopts processes designed to minimize its impact, benefitting the environment and assisting in the development of society.

As an airline in a country of continental dimensions with striking social contrasts, the Company extends its wings to a number of entities committed to hand out, share, and show the seed of development and social inclusion.

GOL also discloses its 2008 Social Balance Sheet – a separate document that lays out in details our commitment and actions to contribute to a more socially and environmentally fair and equal country.

Social Performance

Staff Members

The Company's Human Resources Policy is based on total respect for the diversity and individuality of people. Hence, GOL encourages the admission and promotion of staff members who form part of the labor market's less favored groups, such as young people, senior citizens, and the handicapped. The Company's Code of Ethics and its Conduct Manual prohibit any distinction or prejudice among staff members.

Implemented in 2004, People with Disabilities Project (Projeto PCD – Pessoas com Deficiências) has led to the hiring of 186 individuals who carry out functions involving direct contact with the public, primarily at airports. The project also offers classes and presentations that train employees on how to adjust to their new co-workers.

The Golden Years Project (Projeto Melhor Idade) is an additional program aimed at increasing internal diversity, in this case by offering employment opportunities to individuals aged 50 and over.

Our employees are engaged in projects with clearly defined goals and results. The leaders of each management unit motivate their teams to submit new ideas and suggestions. These efforts are recognized through the Company's profit sharing, which began in 2004. Profit sharing is tied to the Company's quality and performance goals and varies by area and employee class.

GOL uses its intranet, internal campaigns, the Pombo-Correio bulletin board and events organized by the Corporate Communications advisory group to communicate with its employees, further integrating its workforce and strengthening interprofessional relations.

Customers

In 2008, GOL carried 26 million passengers, up from the 24 million carried in 2007. Of the 100 million passengers carried since the Company was founded, close to 10% had never flown before and were able to do so thanks to our affordable fares, promotions and plans that allow tickets to be purchased in up to 36 installments. This has allowed more travelers to trade up from bus to air travel, saving them time and making their travel experience safer and more comfortable. The incorporation of VARIG and its routes also contributed to this increase in passengers carried.

Passenger Satisfaction Survey

From November to December of 2008 the Instituto Pesquisas Inteligentes administered a satisfaction survey to 8,000 clients traveling on the Company's flights.

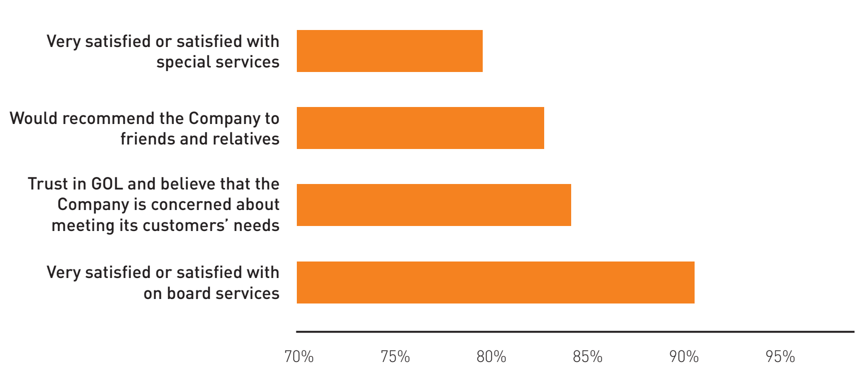
One of the highlights from the survey was the level of customer satisfaction in relation to excellence in on board service: 91% of the passengers were satisfied or very satisfied with the service provided by our crews on both domestic and international flights.

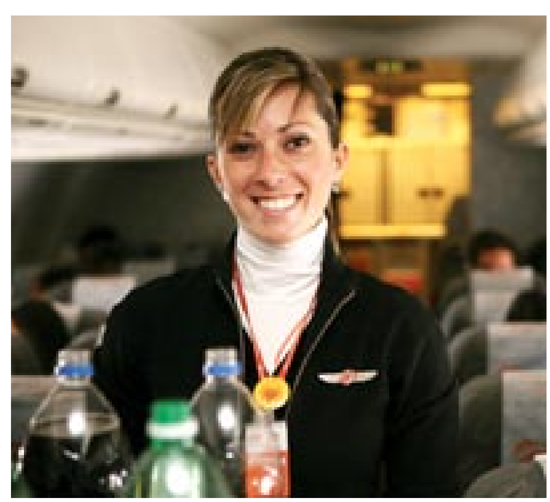
In addition, 83% of the passengers expressed trust in GOL and believe that the Company is concerned about listening and responding to the needs of its customers.

Respondents also recognized the quality of differentiated services for passengers with special needs: 79% of clients are satisfied or very satisfied with special services for priority passengers.

In general, GOL passengers' satisfaction level is high since 82% of those surveyed said they would recommend the Company to friends and relatives.

Passenger satisfaction survey





Community

Aware of the importance of its role in society, GOL has supported social projects related to many different areas (education, motivation of social entrepreneurialism, social mobility and health care). The Company's contributions consist of donated air tickets that allow institutions to broaden their reach and expand the focus of their work.

Education

GOL believes education can transform society, which is why the Company supports six projects that provide professional training and encourage participation in culture, sports, dance and music. These initiatives are: the Associação Vaga Lume (Vaga Lume Association); the Escola do Teatro Bolshoi no Brasil; the Caravana do Esporte e da Música (Sports and Music Caravan); the Fundação Gol de Letra; the Instituto Ayrton Senna; and the Instituto Criar de TV, Cinema e Novas Mídias.

Vaga Lume Association

The Vaga Lume Association (Associação Vaga Lume) promotes the Vaga Lume Expedition (Expedição Vaga Lume), through which it contributes to the integration of the Amazon region by building libraries in the rural communities of Legal Amazon of Brazil.

Bolshoi

The Escola do Teatro Bolshoi no Brasil encourages the inclusion of children and young adults in the world of culture by providing access to professional training in classical dance.

Sports and Music Caravan Project

The Sports and Music Caravan (Caravana do Esporte e da Música) project encourages participation in sports and interest in art among students and teachers in public schools located in low income communities.

Fundação Gol de Letra

Fundação Gol de Letra facilitates access to education and culture for youth from Rio de Janeiro and São Paulo through programs that combine sports and social inclusion.

Instituto Ayrton Senna

In 2008, GOL supported the fifth Ayrton Senna Racing Day, a relay marathon whose proceeds are donated to fund educational projects developed by the Instituto Ayrton Senna.

Instituto Criar de TV, Cinema e Novas Mídias

The Instituto Criar offers an audiovisual and sociocultural technical training program to youth in disadvantaged communities.

Encouragement of Social Entrepreneurialism and Social Mobilization:

GOL supports seven institutions dedicated to mobilizing public opinion and encouraging social action. These are: Ashoka, Atletas pela Cidadania (Athletes for Citizenship), Canto Cidadão (Citizen's Corner), Care, Eu Quero Ajudar (I Want to Help), the Abrinq Foundation and Futebol dos Atores (Soccer with the Stars).

Ashoka

Ashoka supports social entrepreneurs and persons with innovative ideas who are able to promote changes in the communities in which they are involved.

Atletas pela Cidadania

Atletas pela Cidadania (The Athletes for Citizenship) project is based on the idea of using the image of famous Brazilian athletes for political action involving the defense and promotion of transformational social causes, uniting the government, NGOs and companies for the common good.

Canto Cidadão

The Canto Cidadão (Citizen's Corner) runs projects pertaining to human development and social balance, implementing volunteer programs, making presentations to students on the topic of citizenship and visiting public hospitals, among other activities.

Care

Care's mission is to understand and combat the root causes of poverty through various sustainability programs instituted in low income communities throughout Brazil.

MENU

Eu Quero Ajudar

The Eu Quero Ajudar (I Want to Help) institution works on community development efforts in disadvantaged communities in the backlands (sertão regions) of the state of Ceará.

Abrinq Foundation

The Abrinq Foundation works to create awareness in society regarding the rights of children and adolescents, thereby contributing to the building of a fairer and more equal country.

Futebol dos Atores

The Futebol dos Atores (Soccer with the Stars) project consists of a series of charity soccer matches featuring the participation of famous artists held in different cities throughout Brazil. The purpose of the matches is to collect non-perishable food items to be donated to philanthropic institutions.

Health Care

GOL supports five projects in the health care area that have an impact throughout much of Brazil. These are: the AACD – Associação de Assistência à Criança Deficiente (Association for the Assistance of Disabled Children), the APAE – Associação dos Pais e Amigos dos Excepcionais (Parents and Friends of Special Needs Association), the Centro Infantil Boldrini (Boldrini Children's Center), Expedicionários da Saúde and Projeto Felicidade (Project Happiness).

Associação de Assistência à Criança Deficiente (AACD)

The AACD'ss mission is to care for and rehabilitate children and adolescents with physical disabilities, helping them to reenter society.

Associação dos Pais e Amigos dos Excepcionais (APAE)

APAE works to defend the rights of disabled individuals in all areas of public policy. The primary objectives of the association are to improve quality of life for the disabled and integrate them into society. To achieve these goals, APAE trains relatives to help them meet daily challenges, offers specialized educational services and prepares them to enter the workforce, among other activities.

Centro Infantil Boldrini

The Centro Infantil Boldrini provides specialized treatment for childhood cancers and blood borne illnesses.

Expedicionários da Saúde

Expedicionários da Saúde (literally, Expeditionaries of Health) is a group of volunteer physicians is a mobile specialized medical and surgical attention unit that serves indigenous populations living in isolation in the Brazilian Amazon region.

Projeto Felicidade

The mission of Projeto Felicidade (Project Happiness) is to reestablish the self esteem of children undergoing cancer treatment. Project participants are selected from 32 hospitals throughout Brazil.

Further information regarding the social projects GOL supports is available in the Company's Social and Environmental Report.

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Environmental Performance

GOL's commitment to environmental conservation is integrated into its daily operations. Aware of its impact on the environment, the Company has developed various methods of reducing the amount of waste it generates and the quantities of raw materials it consumes.

The Company's fleet is comprised of modern aircraft that generate less noise pollution and already comply with CO2 emission requirements which will be in effect in future.

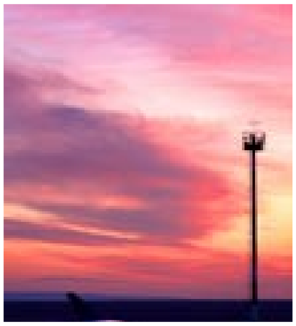
GOL's Aircraft Maintenance Center, located at the Minas Gerais Confins Airport complies with all applicable environmental regulations and laws. Since it began operations in 2006, the Maintenance Center has sent all chemical and petroleum based residues generated from aircraft maintenance and painting processes to specialized treatment companies. The Chemical Effluent Treatment Station (ETE) receives and treats runoff generated from the washing of aircraft and aircraft parts, as well as from the Maintenance Center floors, the hand washing basins and the first aid post. With the expansion of the Maintenance Center, which began in 2008, the size of the ETE will be tripled.

Environmental programs

Implemented five years ago, the Passando a Limpo program is an intelligent aircraft dry cleaning method that results in a 90% savings in water consumption. This amount of water saved per plane is enough to cover the daily needs of a family of four.

In addition to this project, in 2006 GOL instituted its Recycling Program (Programa de Reciclagem), which involves the selective collection of garbage from all of the Company's office spaces. The materials are collected separately once a day and sent on to recycling companies, through cooperatives. Our recycling program saved 886 trees from being cut down. Another of GOL's environment initiatives is its four year support of the Florestas do Futuro (Forests of the Future) reforestation campaign, which was developed by the Fundação SOS Mata Atlântica. The Company funded the planting of the Floresta GOL and is now responsible for taking care of 30,000 native trees in the Rio Piracicaba basin and in the Ponte Nova (Salesópolis) reserve, both located in the State of São Paulo. This reforestation effort promotes the conservation of biodiversity in the region's flora and fauna and also has a direct impact in terms of improving the quality and quantity of the water supply.

Further information regarding GOL's environmental activity is available in the Company's Social and Environmental Report.



GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL

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

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

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

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

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

In our opinion, Gol Linhas Aéreas Inteligentes S.A. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2008 and 2007, and related consolidated statements of income, changes in equity, and cash flows for the years then ended and our report dated March 19, 2009 expressed an unqualified opinion thereon.

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

Maria Helena Pettersson
Partner

São Paulo, Brazil,
March 19, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gol Linhas Aéreas Inteligentes S.A.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 19, 2009 expressed an unqualified opinion thereon.

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

Maria Helena Pettersson
Partner

São Paulo, Brazil
March 19, 2009

GOL LINHAS AÉREAS INTELIGENTES S.A.
CONSOLIDATED INCOME STATEMENTS

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

	Note	2008	2007
Operating revenues			
Passenger		5,890,104	4,566,691
Cargo and other		516,089	374,293
Total operating revenues		6,406,193	4,940,984
Operating expenses			
Salaries	4	(983,783)	(799,344)
Aircraft fuel		(2,630,834)	(1,898,840)
Aircraft rent		(645,089)	(525,785)
Aircraft insurance		(42,813)	(44,646)
Sales and marketing		(588,735)	(367,866)
Landing fees		(338,370)	(273,655)
Aircraft and traffic servicing		(422,177)	(348,732)
Maintenance materials and repairs		(388,030)	(339,281)
Depreciation and amortization		(125,127)	(62,548)
Other operating expenses		(329,883)	(277,844)
Total operating expenses		(6,494,841)	(4,938,541)
Operating profit (loss)		(88,648)	2,443
Finance costs and other income (expense)			
Finance costs			
Interest expense		(269,278)	(182,618)
Capitalized interest		28,871	38,879
Total finance costs		(240,407)	(143,739)
Exchange gain (loss)		(757,526)	165,230
Interest and investment income		78,349	293,333
Other income (expense), net		(185,118)	(123,806)
Total finance costs and other income (expense)		(1,104,702)	191,018
Profit (loss) before income taxes		(1,193,350)	193,461
Income taxes (expense) benefit	5	(193,626)	78,800
Profit (loss) for the year from continuing operations attributable to equity holders of the parent		(1,386,976)	272,261
Earnings (loss) per share:			
Basic	15	(6.89)	1.37
Diluted	15	(6.89)	1.37

See accompanying notes

GOL LINHAS AÉREAS INTELIGENTES S.A.
CONSOLIDATED BALANCE SHEETS

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

	Note	2008	2007
Assets			
Non-current assets			
Property, plant and equipment, net	6	**2,998,756**	2,191,028
Intangible assets	7	**1,197,861**	1,197,441
Other non-current assets			
Deposits	2	**507,428**	448,807
Deferred income taxes	5	**495,544**	485,980
Restricted cash	12	**6,589**	6,041
Other non-current assets	2	**105,526**	87,694
Total other non-current assets		**1,115,087**	1,028,522
Total non-current assets		**5,311,704**	4,416,991
Current assets			
Other current assets	2	**49,439**	144,484
Prepaid expenses	2	**120,100**	131,231
Deposits	2	**237,914**	192,357
Recoverable income taxes		**110,767**	45,569
Inventories of parts and supplies	9	**200,514**	209,926
Trade and other receivables	10	**344,927**	916,133
Restricted cash	12	**176,697**	-
Financial assets	19	**245,585**	820,343
Cash and cash equivalents	11	**169,330**	573,121
Total current assets		**1,655,273**	3,033,164
Total assets		**6,966,977**	7,450,155

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GOL LINHAS AÉREAS INTELIGENTES S.A.
CONSOLIDATED BALANCE SHEETS

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

	Note	2008	2007
Liabilities and shareholders' equity			
Shareholders' equity			
Issued share capital	13	1,248,649	1,248,649
Capital reserves	13	89,556	89,556
Treasury shares	13	(41,180)	-
Retained earnings (deficit)	13	(273,877)	1,153,412
Total shareholders' equity		1,023,148	2,491,617
Non-current liabilities			
Long-term debt	19	2,438,881	1,714,716
Smiles deferred revenue	2	262,626	233,618
Deferred income taxes	5	323,345	339,348
Provisions	16	157,310	117,062
Other non-current liabilities		160,069	63,135
Total non-current liabilities		3,342,231	2,467,879
Current liabilities			
Short-term debt	19	967,452	891,543
Accounts payable		283,719	326,364
Salaries, wages and benefits		146,805	163,437
Current income taxes payable		39,605	68,013
Sales tax and landing fees		97,210	84,319
Advance ticket sales	22	572,573	472,860
Provisions	16	165,287	175,976
Smiles deferred revenue	2	90,043	147,348
Other current liabilities		238,904	160,799
Total current liabilities		2,601,598	2,490,659
Total liabilities and shareholders' equity		6,966,977	7,450,155

See accompanying notes

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

		Issued Shares		Treasury Shares				
	Notes	Shares	Amount	Shares	Amount	Capital Reserves	Retained Earnings (Deficit)	Total
Balance at January 1, 2007		196.206.466	887.625	-	-	89.556	1.188.142	2.165.323
Comprehensive income:								
Profit for the year		-	-	-	-	-	272.261	272.261
Net loss on available for sale		-	-	-	-	-	(6.726)	(6.726)
Derivative instruments, net of taxes		-	-	-	-	-	(2.395)	(2.395)
Total Comprehensive income		-	-	-	-	-	263.140	263.140
Common shares issued		11.569	432	-	-	-	-	432
Shares issued to acquire VRG	3	6.082.220	360.592	-	-	-	-	360.592
Share-based payment	14	-	-	-	-	-	4.905	4.905
Dividends payable and interest on shareholders' equity		-	-	-	-	-	(302.775)	(302.775)
Balance at December 31, 2007		202.300.255	1.248.649	-	-	89.556	1.153.412	2.491.617
Comprehensive income:								
Loss for the year		-	-	-	-	-	(1.386.976)	(1.386.976)
Net gain on available for sale		-	-	-	-	-	4.001	4.001
Derivative instruments, net of taxes		-	-	-	-	-	(13.418)	(13.418)
Total Comprehensive loss		-	-	-	-	-	(1.396.393)	(1.396.393)
Common shares issued		336	-	-	-	-	-	-
Share-based payment	14	-	-	-	-	-	5.362	5.362
Treasury shares	13	-	-	(1.574.200)	(41.180)	-	-	(41.180)
Dividends payable	13	-	-	-	-	-	(36.258)	(36.258)
Balance at December 31, 2008		202.300.591	1.248.649	(1.574.200)	(41.180)	89.556	(273.877)	1.023.148

See accompanying notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2008	2007
Cash flows from operating activities:		
Net profit (loss)	(1,386,976)	272,261
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:		
Depreciation and amortization	125,127	62,548
Income taxes	(119,173)	(196,421)
Share-based payments	5,362	4,905
Changes in fair value of derivative financial instruments	(9,417)	(9,121)
Net foreign exchange fluctuations	757,526	(165,230)
Changes in operating assets and liabilities:		
Provisions	29,559	101,209
Trade and other receivables	571,206	(232,674)
Changes in inventories	9,412	(129,319)
Deposits	(104,178)	(163,836)
Prepaid expenses	11,131	(45,683)
Other assets	77,213	1,389
Advance ticket sales	99,713	98,800
Smiles deferred revenues	(28,297)	5,469
Accounts payable	(42,645)	(22,055)
Other liabilities	171,297	2,735
Net cash provided by (used in) operating activities	166,860	(415,023)
Cash flows from investing activities:		
Acquisition of VRG, net of cash acquired	-	(201,509)
Purchase of property, plant and equipment, net	(732,683)	(848,942)
Proceeds from sale of property, plant and equipment, net	90,879	1,774
Purchase of intangible assets	(10,828)	(22,395)
Net investments in restricted cash	(177,245)	168,120
Net investments in financial assets	574,758	566,931
Net cash used in investing activities	(255,119)	(336,021)
Cash flows from financing activities:		
Net proceeds from / repayment of debt	(238,094)	919,827
Dividends paid	(36,258)	(302,775)
Addition of treasury shares	(41,180)	-
Paid subscribed capital	-	432
Net cash provided by (used in) financing activities	(315,532)	617,484
Net increase (decrease) in cash and cash equivalents	(403,791)	(133,560)
Cash and cash equivalents at beginning of the period	573,121	706,681
Cash and cash equivalents at end of the period	169,330	573,121
Supplemental disclosure of cash flow information	-	-
Interest paid	205,497	162,715
Income tax paid	57,338	105,291
Non-cash investing activities		
Accrued capitalized interest	33,955	18,721
Shares issued as consideration for the acquisition of VRG	-	360,592
Finance leases	817,677	557,359

See accompanying notes

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1. Corporate information

Gol Linhas Aéreas Inteligentes S.A. ("Company" or "GLAI") is a joint stock company (sociedade por ações) constituted in accordance with Brazilian bylaws. The objective of the Company is to exercise corporate control of VRG Linhas Aéreas S.A. ("VRG"), to exploit (i) regular and non-regular air transportation services of passengers, cargo and mail bags, nationally or internationally, according to the concessions granted by the competent authorities; (ii) complementary activities of chartering air transportation of passengers, cargo and mail bags.

The Company's shares are traded on the New York Stock Exchange (NYSE) and on the São Paulo Stock Exchange (BOVESPA). The Company has entered into an Agreement for Adoption of Level 2 Differentiated Corporate Governance Practices with the São Paulo Stock Exchange – BOVESPA, integrating indices of Shares with Differentiated Corporate Governance – IGC and Shares with Differentiated Tag Along – ITAG, created to differ companies committed to adopting differentiated corporate governance practices.

The Company's financial statements for the year ended December 31, 2008 were authorized for issue by the Board of Directors on March 19, 2009. The registered office is located at Rua Tamoios, 246, Jd. Aeroporto, São Paulo, Brazil.

2. Summary of significant accounting policies

a) Statement of compliance and basis of presentation

The consolidated financial statements were prepared on a historical cost basis except for certain financial assets and liabilities, including derivative financial instruments and available-for-sale financial assets that are measured at fair value. The carrying value of recognized assets and liabilities that are accounted for as cash flow and fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, using Brazilian reais as the functional and reporting currency. The accounting principles adopted under IFRS differ in certain aspects from accounting principles generally accepted in Brazil ("BR GAAP"), which the Company uses to prepare its statutory financial statements.

The Company adopted International Financial Reporting Standards ("IFRS") for the first time in its consolidated financial statements for the year ended December 31, 2008, which includes comparative financial statements for the year ended December 31, 2007. IFRS 1, "First-time adoption of International Reporting Standards", requires that an entity develop accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS consolidated financial statements (i.e. December 31, 2007). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (i.e. January 1, 2007) and throughout all periods presented in the first IFRS financial statements.

The Note "Transition from Brazilian accounting principles to IFRS", details the principal effects of the transition to IFRS on the Company's balance sheet as of January 1, 2007 and the principal differences with the Brazilian Corporate Law (Law No. 6,404/76) related to the year ended December 31, 2007.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries: VRG Linhas Aéreas S.A, and GAC Inc., Gol Finance and SKY Finance, which are domiciled in the Cayman Islands.

Results include those of VRG since April 9, 2007, the date the Company assumed control of the operations of VRG. All significant intercompany balances have been eliminated.

c) Cash and cash equivalents

Cash in excess of that necessary for operating requirements is invested in short-term, highly liquid, income-producing investments. Investments with original maturities of three months or less are classified as cash and cash equivalents, which primarily consist of certificates of deposit, money market funds, and investment grade commercial paper issued by major financial institutions.

d) Restricted cash

Restricted cash represents pledge deposits with the purpose to guarantee some of Company's hedge operations and long-term financings (BNDES and BDMG) and earns interests.

e) Financial assets

The Company's financial assets consist of traditional fixed maturity securities, which are readily convertible into cash and are primarily highly liquid in nature. Management determines the appropriate classification of these securities at the time of purchase and reevaluates such designation as of each balance sheet date. As defined by IAS 39, "Financial Instruments: Recognition and Measurement", the Company's investments are classified as available-for-sale financial assets. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale and not classified as held-to-maturity or loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized as equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss. Held-to-maturity securities are measured at amortized cost through the income statement.

f) Trade and other receivables

Trade and other receivables are stated at cost less allowances made for doubtful receivables, which approximates fair value given their short term nature. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable.

g) Inventories

Inventories, including aircraft expendables, are valued at the lower of cost, determined by the weighted average cost method, and net realizable value. The cost of inventory is charged to expense when consumed.

h) Lease accounting

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Differences between aircraft rentals paid and rentals recognized as expense in the income statement are recorded as prepaid assets or accrued rent in the balance sheet.

The assets held under a finance lease are valued at the lower of the following two amounts: the present value of the minimum lease payments under the lease arrangement or the leased asset's fair value determined at inception of the lease. Lease payments are allocated between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement. The corresponding obligation to the lessor is accounted for as long-term debt. These assets are depreciated over the shorter of the useful life of the assets and the lease term when there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Profit or loss related to sale and operating leaseback transactions, is accounted for as follows:

- They are recognized immediately when it is clear that the transaction is established at fair value;
- If the sale price is below fair value, any profit or loss is recognized immediately. However, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the asset's expected useful life;
- If the sale price is above fair value, the excess is deferred and amortized over the asset's expected useful life, with the amortization recorded as a reduction of rent expense.

i) Prepaid expenses and other assets

Prepaid expenses and other assets primarily consist of prepayments for aircraft rentals under operating lease agreements, security deposits required under aircraft lease agreements and amounts receivable from insurance claims.

j) Revenue recognition

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

Revenue from cargo shipments is recognized when transportation is provided. Other revenue includes charter services, ticket change fees and other incidental services, and is recognized when the service is performed. The Company's revenues are net of certain taxes, including state value-added and other state and federal taxes that are collected from customers and transferred to the appropriate government entities. Such taxes in the year ended December 31, 2008 and December 31, 2007 were R$262,388 and R$191,164, respectively.

k) Mileage program

Since the acquisition of VRG (see Note 3), the Company operates a frequent flyer program, Smiles ("Mileage Program") that provides travel and other awards to members based on accumulated mileage credits. The obligations assumed under the Mileage Program were valued at the acquisition date at estimated fair value that represents the estimated price the Company would pay to a third party to assume the obligation for miles expected to be redeemed under the Mileage Program. Outstanding miles earned by flying VRG or distributed by its non-airline partners (such as banks, credit card issuers and e-commerce companies) were revalued using a weighted-average per-mile equivalent ticket value, taking into account such factors as differing classes of service and domestic and international ticket itineraries, which can be reflected in awards chosen by Mileage Program members. The probability of air miles being converted into award tickets is estimated using a statistical method.

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

For accounts that are inactive for a period of 36 consecutive months, it is the Company's policy to cancel all miles contained in those accounts at the end of the 36 month period of inactivity. The value associated with mileage credits that are estimated to be cancelled based upon inactivity is recognized as passenger revenue in proportion to actual mileage award redemptions over the period in which the expired miles occurred.

On 28 June 2007, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 13 – "Customer Loyalty Programmes" (effective for periods beginning on or after 1 July 2008 with early adoption permitted), which deals with accounting for customer loyalty award credits. The Company adopted IFRIC 13 on April 9, 2007 (see Note 3). The adoption of this interpretation had no impact on the Company's consolidated financial statements.

l) Property, plant and equipment

Property, plant and equipment, including rotable parts, are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotable spares purchased separately, are carried as fixed assets and generally depreciated in line with the fleet to which they relate. Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of Boeing 737-800 Next Generation aircraft.

The estimated useful lives for property and equipment are as follows:

	Estimated Useful Life
Leasehold improvements to flight equipment	Lower of lease term or useful life
Flight equipment	20 years
Rotables	20 years
Maintenance and engineering equipment	10 years
Major overhaul expenditures	1 to 4 years
Communication and meteorological equipment	10 years
Computer hardware and software	5 years

Under IAS 16 "Property, Plant and Equipment", major engine overhauls including replacement spares and labor costs, are treated as a separate asset component with the cost capitalized and depreciated over the period to the next major overhaul. All other replacement spares and costs relating to maintenance of fleet assets are charged to the income statement on consumption or as incurred. Interest costs incurred and identified exchange differences on borrowings that fund progress payments on assets under construction, including pre-delivery deposits to acquire new aircraft, are capitalized and included as part of the cost of the assets through the earlier of the date of completion or aircraft delivery.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of property, plant and equipment.

m) Intangible assets

i. Goodwill

Goodwill is tested for impairment annually by comparing the carrying amount to the recoverable amount at the cash-generating unit level. Considerable judgment is necessary to evaluate the impact of operating and macroeconomic changes to estimate future cash flows and to measure the recoverable amount. Assumptions in the Company's impairment evaluations are consistent with internal projections and operating plans.

ii. Airport operating rights

Airport operating rights were acquired as part of the acquisition of VRG and were capitalized at fair value at that date and are not amortized. Those rights are considered to be indefinite due to several factors and considerations, including requirements for necessary permits operate within Brazil and limited slot availability in the most to important airports in terms of traffic volume. The carrying value

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of those rights is reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that carrying values may not be recoverable. No impairment has been recorded to date.

iii. Tradenames

VRG tradenames were acquired as part of the VRG acquisition and were capitalized at fair value at that date. The tradenames are considered to have an indefinite useful life (and are not amortized) due to several factors and considerations, including the brand awareness and market position, customer recognition and loyalty and the continued use of the VARIG tradenames. The carrying value of the tradenames is reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that carrying values may not be recoverable. No impairment has been recorded to date.

iv. Software

Costs related to the purchase or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period not exceeding five years on a straight-line basis.

The carrying value of these intangibles is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

n) Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset is impaired using discounted cash flow analyses, which considers the creditworthiness of the issuer of the security, as further described in Note 18.

o) Deposits

The Company's aircraft lease agreements specifically provide that the Company is responsible for maintenance of the leased aircraft. Under certain existing lease agreements, maintenance deposits are paid to aircraft and engine lessors that are to be applied to future maintenance events. These deposits are calculated based on a performance measure, such as flight hours or cycles, and are available for reimbursement to us upon the completion of the maintenance of the leased aircraft. If there are sufficient funds on deposit to reimburse for maintenance costs, such funds are returned to the Company. The maintenance deposits paid under lease agreements transfer neither the obligation to maintain the aircraft nor the cost risk associated with the maintenance activities to the aircraft lessor.

In addition, the Company maintains the right to select any third-party maintenance provider or to perform such services in-house. Therefore, these amounts are recorded as a deposit on the balance sheet and maintenance cost is recognized when the underlying maintenance is performed, in accordance with the Company's maintenance accounting policy. Certain lease agreements provide that excess deposits are not refundable to us. Such excess could occur if the amounts ultimately expended for the maintenance events were less than the amounts on deposit. Any excess amounts held by the lessor or retained by the lessor upon the expiration of the lease, which are not expected to be significant, would be recognized as additional aircraft rental expense at the time it is no longer probable that such amounts will be used for the maintenance for which they were deposited.

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

- 1) At the time of delivery of each aircraft under lease, the Company evaluates the aircraft's condition, including the airframe, the engines, the auxiliary power unit and the landing gear.

- 2) The Company projects future usage of the aircraft during the term of the lease based on its business and fleet plan.

- 3) The Company estimates the cost of performing all required maintenance during the lease term. These estimates are based on the extensive experience of the Company's management and industry available data, including historical fleet operating statistic reports published by the Company's engine manufacturers.

At the inception of the leases, initial estimates of the maintenance costs are equal to or in excess of the amounts required to be deposited. This demonstrates it is probable the amounts will be utilized for the maintenance for which they are to be deposited and the likelihood of an impairment of the balance is remote. Additionally, the Company has reached agreements with certain lessors to replace the deposits with letters of credit and amend the lease terms to enable us to utilize the deposited funds to settle other amounts owed under the lease. Upon this amendment of the lease the Company reevaluates the appropriateness of the lease accounting and reclassifies the affected deposits as Other Deposits. Many of new aircraft leases do not require maintenance deposits.

Based on the foregoing analysis, management believes that the amounts reflected on the consolidated balance sheet as Aircraft and Engine Maintenance Deposits are probable of recovery. There has been no impairment of Company's maintenance deposits.

p) Foreign currency transactions

Transactions in foreign currencies are translated into the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the balance sheet date.

Any differences resulting from the currency translation are recognized in the income statement.

q) Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in profit or loss.

Amounts classified in equity are transferred to profit or loss when the hedged transaction affects profit or loss. If the hedged item is the cost of a non-financial asset or non-financial liability, the amounts classified in equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires, is terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the firm commitment occurs.

The Company's outstanding derivative contracts are all designated as cash flow hedges for accounting purposes. While outstanding, these contracts are recorded at fair value on the balance sheet with the effective portion of the change in their fair value being recorded in equity. All changes in fair value that are considered to be effective, as defined, are recorded in equity until the underlying exchange exposure is realized and fuel is consumed. Changes in fair value that are not considered to be effective are recorded in other income (expense), net in the statement of income. The Company measures the effectiveness of the hedging instruments in offsetting changes to the hedged item, as required by IAS 39. See Note 18 for further information on IAS 39 and derivative financial instruments.

Current versus non-current classification

Derivative instruments that are not designated for hedge accounting treatment are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

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

r) Share-based payments

The Company measures the fair value of equity-settled transactions with employees at the grant date using an appropriate valuation model. The resulting amount, as adjusted for forfeitures is charged to income over the period in which the options vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement with a corresponding entry in equity.

s) Provisions

For certain operating leases, the Company is contractually obligated to return aircraft in a defined condition. The Company accrues for restitution costs related to aircraft held under operating leases at the time the asset does not meet the return condition criteria throughout the duration of the lease.

Other provisions are recorded for probable losses and are reviewed based on the development of lawsuits and the background of losses on labor and civil claims, based on the best current estimate.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

t) Segment information

The Company has one business segment: the provision of air transportation services within South America, where it operates domestic and international flights.

u) Income taxes

a. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

b. Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

v) Key accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and indefinite-lived intangible assets are tested for impairment annually and at other times when such indicators exist. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value in use is determined using discounted cash flow assumptions established by management. These calculations require the use of estimates (Note 8).

Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

ii. Impairment of available-for-sale financial assets

The Company classifies certain financial assets as available-for-sale and recognizes movements in their fair value in shareholders' equity. When the fair value declines, Management evaluates the decline in value to determine whether it is an impairment that should be recognized in the income statement. See Note 19.

iii. Passenger revenue recognition

Passenger revenue is recognized when the transportation is provided. Unused tickets and mileage credits under the Mileage Program are recognized as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends.

iv. Income taxes

The Company believes that the tax positions taken are reasonable. However, various taxing authorities may challenge the positions taken resulting in additional liabilities for taxes and interest that may become payable in future years as a result of audits by tax authorities. The tax positions involve considerable judgment on the part of management and tax positions are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax audits, additional exposures based on identification of new issues or court decisions affecting a particular tax issue. Actual results could differ from estimates.

x) Prospective accounting changes, new standards and interpretations not yet adopted

The following new accounting standards or amendments to accounting standards, which are not yet effective and have not been adopted in these consolidated financial statements, will be adopted in future consolidated financial statements, if applicable.

- Amendment to IFRS 2 - Share-based payments: vesting conditions and cancellations (effective January 1, 2009). This amendment clarifies the accounting treatment of cancellations and vesting conditions. The introduction of this amendment will not impact the Company's financial statements.

- IFRS 3 (Revised) - Business Combinations (effective July 1, 2009). This standard deals with how an acquirer recognizes measures and discloses in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The objective is to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The impact on the Company will be dependent on the nature of any future acquisition.

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

- Amendment to IAS 27 - Consolidated and Separate Financial Statements (effective July 1, 2009). The objective of this amendment is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate and consolidated financial statements. The introduction of this amendment will impact the Company's reporting although this impact is not expected to be significant.

- On May 22, 2008 the IASB published the Improvements to International Financial Reporting Standards 2008, which contains 24 amendments to IFRS that result in accounting changes for presentation, recognition or measurement purposes and 11 terminologies or editorial amendments that will have only minimal or no effects on accounting. All amendments are effective January 1, 2009, except for the amendment to IFRS 5, "Non-current assets held for sale and discontinued operations - plans to sell a controlling interest in a subsidiary," (effective July 1, 2009). None of these amendments are expected to have a significant impact on Company's financial statements.

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

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

3. Business combination

On April 9, 2007, the Company acquired 100% of the voting shares of VRG. The total purchase price was R$562,101 (US$291,838) of which R$194,087 (US$100,762) was paid in cash, net of cash acquired and R$360,592 (US$187,223) was paid in non-voting preferred shares. In addition, R$7,422 (US$3,853) was paid in acquisition costs. The value of Company's preferred shares issued as consideration to the shareholders of VRG (6,082,220 in number) was determined based on the closing market price (R$59.61) at the date control was obtained. The purchase contract includes provisions for a post-closing purchase price adjustment based on an audit of specific assets and liabilities. Disputed items involved in the arbitration process pursuant to this contract provision could result in a reduction of the purchase price of up to R$153,000. The results of VRG's operations have been consolidated since the acquisition date.

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

From the date of acquisition, VRG Linhas Aéreas has contributed R$47,013 to the profit for the year ended December 31, 2007 from continuing operations of the Company. If the combination had taken place at the beginning of the year, the net profit for 2007 would have been R$230,269 and revenue would have been R$4,967,261.

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

Assets acquired	
Accounts receivable	24,153
Inventories	5,442
Deferred income tax assets	323,370
Fixed assets	11,740
Intangible assets	623,951
Other assets	101,206
Total assets acquired	1,089,862
Liabilities assumed	
Accounts payable	(220,862)
Air traffic liability	(38,792)
Smiles deferred revenue	(375,497)
Debentures	(87,876)
Deferred income taxes	(210,154)
Other liabilities	(136,882)
Total liabilities assumed	(1,070,063)
Net assets acquired	19,799
Purchase price, net of cash acquired	562,101
Goodwill	542,302

Goodwill represents the excess of the purchase price of the acquired business over the fair value of the net assets acquired and is tax-deductible in the amount of R$375,462. Intangible assets with indefinite lives consist of the fair value allocated to airport operating rights and tradenames, valued at R$560,842 and R$63,109, respectively.

4. Employee costs and numbers

a) Staff costs

The average number of persons employed during the period was as follows:

Number	2008	2007
Brazil	15,421	15,123
Rest of world	490	599
	15,911	15,722
Salaries, wages and benefits	945,702	784,450
Other employee costs	38,081	14,894
Total employee costs	983,783	799,344

b) Key management personnel

	2008	2007
Fees	3,622	2,383
Salary and benefits	6,928	7,588
Share-based payments	3,599	3,448
Total	14,149	13,419

At December 31, 2008, the total expense of share-based payments amounting R$3,599 (R$3,448 at December 31, 2007) arises from transactions accounted for as equity-settled share-based payment transactions.

5. Income taxes

The major components of income tax expense for the years ended December 31, 2008 and 2007 are:

	2008	2007
Consolidated income statement		
Current income tax:		
Current income tax expense	(57,338)	(105,291)
Deferred income tax:		
Relating to origination and reversal of temporary differences	(136,288)	184,091
Income tax (expense) benefit reported in the income statement	(193,626)	78,800

The Company and its subsidiary VRG have tax loss carry-fowards of R$1,328,022 (R$569,166 in December 31, 2007) that are available indefinitely to offset future taxable profits of the companies in which the losses arose. Deferred tax assets have been recognized in respect of these losses to the extent that they are expected to offset future taxable profits. The tax loss carry-forwards are not subject to expiration. However, there is a limitation of 30% of utilization against each year's taxable profit.

The Company will recognize penalties and interest accrued on any unrecognized tax benefits as a component of income tax expenses. The Company files its tax returns in Brazil and in foreign jurisdictions as prescribed by the tax laws of the jurisdictions in which it operates.

Deferred income taxes at December 31, 2008 and 2007, are summarized as follows:

	2008	2007
Deferred income tax assets		
Tax loss carry-forward	309,392	337,407
Non-deductible provisions	36,554	36,554
Smiles deferred revenue	109,299	108,149
Other	40,299	4,870
Total deferred tax assets	495,544	485,980
Deferred income tax liabilities		
Acquisition of VRG (intangible assets)	210,154	210,154
Finance leases	67,779	30,211
Maintenance expenses	23,691	19,959
Depreciation	21,721	15,973
Other	-	63,051
Total deferred tax liabilities	323,345	339,348

The reconciliation of the reported income tax and social contribution tax and the amount determined by applying the composite fiscal rate at December 31, 2008 and 2007, are as follows:

	2008	2007
Accounting profit (loss) before income taxes	(1,193,350)	193,461
Statutory rate	34%	34%
Income tax by the nominal rate	405,739	(65,777)
Deductible interest on shareholders' equity	-	49,161
Non-deductible exchange losses	(98,921)	-
Unrecognized tax losses	(451,527)	-
Other permanent differences	(48,917)	95,416
Income taxes (expense) benefit	(193,626)	78,800
Effective rate	-16%	41%

The tax years and corresponding tax returns for 2003, 2004, 2005, 2006 and 2007 are subject to examination. The Company is currently under audit by federal authorities for its 2004 tax year.

In 2008, one subsidiary in the consolidated group recorded taxable income which resulted in income tax expense.

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6. Property, plant and equipment

	Flight equipment				
Year ended December 31, 2007	Finance lease aircraft	Rotable parts and spares	Pre-delivery deposits	Other	Total
Cost					
At January 1, 2007	194,307	366,666	440,165	121,456	1,122,594
Additions	663,277	235,518	622,359	64,309	1,585,463
Transfers	-	(269)	(366,986)	(1,632)	(368,887)
Disposals	-	7,106	-	(35,049)	(27,943)
At December 31, 2007	857,584	609,021	695,538	149,084	2,311,227
Depreciation					
At January 1, 2007	(648)	(36,112)	-	(22,299)	(59,059)
Depreciation expense	(15,494)	(31,497)	-	(15,153)	(62,144)
Transfers	-	(44)	-	(323)	(367)
Disposals	-	-	-	1,371	1,371
At December 31, 2007	(16,142)	(67,653)	-	(36,404)	(120,199)
Net book value					
At December 31, 2007	841,442	541,368	695,538	112,680	2,191,028
Year ended December 31, 2008					
Cost					
At January 1, 2008	857,584	609,021	695,538	149,084	2,311,227
Additions	514,708	178,433	498,958	63,227	1,255,326
Transfers	-	(66,770)	(237,292)	358	(303,704)
Disposals	-	(17,896)	-	(21,096)	(38,992)
At December 31, 2008	1,372,292	702,788	957,204	191,573	3,223,857
Depreciation					
At January 1, 2008	(16,142)	(67,652)	-	(36,405)	(120,199)
Depreciation expense	(55,004)	(47,401)	-	(17,807)	(120,212)
Transfers	-	7,420	-	(421)	6,999
Disposals	-	113	-	8,198	8,311
At December 31, 2008	(71,146)	(107,520)	-	(46,435)	(225,101)
Net book value					
At December 31, 2008	1,301,146	595,268	957,204	145,138	2,998,756

Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of 58 Boeing 737-800 Next Generation (63 aircraft at December 31, 2007), amounting to R$957,204 (R$695,538 at December 31, 2007) and other payments related to future aircraft acquisitions including capitalized interest of R$33,955 (R$18,721 at December 31, 2007). Deposits are transferred to the acquisition cost of aircraft when the aircraft are purchased.

7. Intangible assets

Year ended December 31, 2007	Goodwill	Tradenames	Airport operating rights	Software	Total
Cost					
At January 1, 2007	-	-	-	25,085	25,085
Additions	542,302	63,109	560,842	22,395	1,188,648
Disposals	-	-	-	-	-
At December 31, 2007	542,302	63,109	560,842	47,480	1,213,733
Amortization					
At January 1, 2007	-	-	-	(9,971)	(9,971)
Amortization expense	-	-	-	(6,321)	(6,321)
Disposals	-	-	-	-	-
At December 31, 2007	-	-	-	(16,292)	(16,292)
Net book value					
At December 31, 2007	542,302	63,109	560,842	31,188	1,197,441
Year ended December 31, 2008					
Cost					
At January 1, 2008	542,302	63,109	560,842	47,480	1,213,733
Additions in year	-	-	-	10,828	10,828
Disposals in year	-	-	-	-	-
At December 31, 2008	542,302	63,109	560,842	58,308	1,224,561
Amortization					
At January 1, 2008	-	-	-	(16,292)	(16,292)
Amortization expense	-	-	-	(10,408)	(10,408)
Disposals	-	-	-	-	-
At December 31, 2008	-	-	-	(26,700)	(26,700)
Net book value					
At December 31, 2008	542,302	63,109	560,842	31,608	1,197,861

8. Impairment of goodwill and intangible assets

The Company has allocated goodwill and intangible assets with indefinite lives acquired through business combinations for the purposes of impairment testing to a single cash-generating unit.

The recoverable amount of the cash generating unit has been measured on the basis of its value-in-use, by applying cash flow projections in the functional currency based on the Company's approved business plan covering a five-year period followed by the long-term growth rate of 3.0%. The pre-tax discount rate applied to the cash flow projections is 15.04%.

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The calculation of value-in-use for the cash generating unit is most sensitive to the following assumptions:

- Discounted free cash flow approach, based on current acquisition valuation model;
- Discount rates derived from the Company's weighted average cost of capital, adjusted for the risks specific to the market;
- Long-term growth rate which reflects the market consensus on the business;
- Royalty stream that could be obtained from licensing the intangible asset to a third party in an arm's length transaction.

9. Inventories of parts and supplies

	2008	2007
Consumable material	9,318	12,107
Parts and maintenance material	104,133	103,833
Advances to suppliers	68,206	44,492
Parts import assets in progress	14,752	44,528
Other	4,105	4,966
	200,514	209,926

The amount of inventories recognized as an expense was R$92,422 in 2008 (R$93,953 in 2007) which is recognized in maintenance materials and repairs expense.

10. Trade and other receivables

	2008	2007
Local currency:	95,097	674,380
Credit card administrators	116,270	117,933
Travel agencies	92,913	76,017
Installment sales	15,505	18,178
Cargo agencies	48,723	21,810
Other	368,508	908,318
Foreign currency	21,117	31,112
	389,625	939,430
Allowance for doubtful accounts	(44,698)	(23,297)
	344,927	916,133

Changes in the allowance for doubtful accounts are as follows:

	2008	2007
Balances at beginning of year	(23,297)	(10,366)
Additions	(28,936)	(19,865)
Recoveries	7,535	6,934
Balances at end of year	(44,698)	(23,297)

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The aging analysis of accounts receivable is as follows:

	2008	2007
Current	327,722	899,032
Past-due from less than 30 days to 90 days	21,113	26,232
Past-due from 91 days to more than 360 days	40,790	14,166
	389,625	939,430

11. Cash and cash equivalents

Cash and cash equivalents were comprised of the following at 31 December:

	2008	2007
Cash on hand	148,716	298,969
Short-term deposits with maturity within three months	20,614	274,152
	169,330	573,121

Short-term deposits with banks earn interest at floating rates based on daily bank deposit rates. These are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

12. Restricted cash

On December 31, 2008, restricted cash is comprised of cash pledged for some of the Company's long-term financings (BNDES and BDMG) and to guarantee certain of its hedge operations.

13. Shareholders' equity

The following table sets forth the ownership and the percentage of the Company's voting (common) and non-voting (preferred) shares as at December 31, 2008 and December 31, 2007:

	2008			2007		
	Common	Preferred	Total	Common	Preferred	Total
ASAS Investment Fund	100.00%	42.60%	73.13%	100.00%	37.84%	70.90%
Treasury shares	-	1.66%	0.78%	-	-	-
Others	-	3.84%	1.80%	-	2.74%	1.28%
Public Market (Free Float)	-	51.90%	24.29%	-	59.42%	27.82%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

As of December 31, 2008, the capital of the Company is comprised of 202,300,591 fully paid-up shares being 107,590,792 shares of common stock and 94,709,799 shares of preferred stock, each with no par value, authorized, issued and outstanding. According to the Company's bylaws, the capital can be increased up to R$2 billion through the issuance of common or preferred shares.

Each common share entitles its holder to one vote at the Company's shareholder meetings. The preferred shares outstanding have no class designation, are not convertible into any other security and are non-voting, except under the limited circumstances provided under Brazilian law. Upon liquidation, holders of preferred shares are entitled to receive distributions prior to the holders of common shares. In addition, the São Paulo Stock Exchange – Bovespa Level 2 of Differentiated Corporate Governance Practices provides for the granting of voting rights to holders of preferred shares in connection with certain matters, including corporate restructurings, mergers and related party transactions.

On June 14, 2007, the Company increased its capital by 6,082,220 preferred shares, of which 6,049,185, amounting to R$360,592, were used to increase capital in the subsidiary GTI S.A., and later transferred to third parties in connection with the acquisition of VRG Linhas Aéreas S.A.

On March 17, 2006, the Company's then controlling shareholder, Aeropar Participações S.A. concluded a restructuring of its corporate shareholdings, by means of which 31,493,863 preferred shares of the Company, held by Aeropar, were transferred to the Fundo de Investimento em Participações Asas (a fund controlled by the shareholders of Aeropar Participações S.A.). Comporte Participações S.A. also transferred its 3,351,775 preferred shares of GOL to the same fund.

On April 27, 2005 the Company concluded a public offering on the New York Stock Exchange (NYSE) and the São Paulo Stock Exchange (BOVESPA) of 14,700,000 preferred shares (5,520,811 offered by the Company, representing proceeds in the amount of R$ 184,454, net of issuance costs of R$8,723, and 9,179,189 by a selling shareholder, BSSF Air Holdings LLC) at a price of R$35.12 per share (US$27.88 per American Depositary Share). On May 2, 2005 the Company issued an additional of 2,205,000 preferred shares, related to the exercise of the underwriter's over-allotment option on the April 27, 2005 public offering, representing proceeds in the amount of R$73,669, net of issuance costs of R$3,484.

Capital reserves

Under Brazilian corporation law and according to its bylaws, the Company is required to maintain a "legal reserve" to which it must allocate 5% of its net income, less accumulated losses as determined on the basis of the statutory financial statements for each fiscal year until the amount of the reserve equals 20% of paid-in capital. Accumulated losses, if any, may be charged against the legal reserve. The legal reserve can only be used to increase the capital of the Company. The legal reserve is subject to approval by the shareholders voting at the annual shareholders meeting and may be transferred to capital but is not available for the payment of dividends in subsequent years.

Dividends

The Company's bylaws provide for a mandatory minimum dividend to common and preferred shareholders, in the aggregate of at least 25% of annual net distributable income determined in accordance with Brazilian corporation law.

Brazilian law permits the payment of cash dividends only from unappropriated retained earnings and certain reserves registered in the Company's statutory accounting records.

Brazilian corporations are allowed to attribute interest on shareholders' equity. The calculation is based on the shareholders' equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long term interest rate ("TJLP") determined by the Brazilian Central Bank (approximately 6.25% and 6.25% for years 2007 and 2008, respectively). Also, such interest may not exceed the greater of 50% of net income for the year or 50% of retained earnings plus revenue reserves, determined in each case on the basis of the statutory financial statements. The amount of interest attributed to shareholders is deductible for corporate income tax purposes, and applied towards the mandatory minimum dividend.

During 2008, the Company paid interim dividends in the total amount of R$36,258 corresponding R$0.18 per share. In 2007, the Company distributed interim dividends in the total amount of R$ 302,775, of which R$144,592 was tax deductible interest on own capital.

For the year ended December 31, 2008, the Company's statutory consolidated financial statements prepared under BR GAAP presented net loss of R$1,384,743 (net income of R$268,527 in 2007).

Treasury shares

The Board of Directors at the meeting held on January 28, 2008, approved a preferred shares repurchase program. The total amount to be acquired is up to a total of 5 million shares representing 5.3% of the Company's preferred shares, in accordance with Brazilian Securities and Exchange Commission (CVM) Ruling No. 10/80. The maximum term for the performance of the transaction is 365 days counted from January 28, 2008. To date, the Company has acquired 1,574,200 shares at an average price of R$26.16 per share, the minimum price was R$19.98 and the maximum price was R$30.28. On December 31, 2008, the amount of R$41,180 is recorded in shareholders' equity as treasury stock, with market value of R$15,600.

14. Share-based payments

On December 9, 2004, the Company's shareholders approved a stock option plan for employees. Under this plan the stock options granted to employees cannot exceed 5% of total outstanding shares. On January 19, 2005, the Company issued stock options to key employees to purchase up to 87,418 of its preferred shares at an exercise price of R$33.06 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R$29.22. During 2008, the Company recorded share based payments expenses of R$206 (R$448 in 2007), in connection with this grant of preferred stock options.

On January 2, 2006, following a plan approved in 2005, the Compensation Committee approved the granting of 99,816 options for the purchase of the Company's preferred shares at the price of R$47.30 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R$51.68. During 2008, the Company recorded share based payments expenses of R$802 (R$1,529 in 2007), in connection with this grant of preferred stock options.

On December 31, 2006, the Board of Directors approved the granting of 113,379 options for the purchase of the Company's preferred shares at the price of R$65.85 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R$46.61. During 2008, the Company recorded share based payments expenses of R$1,323 (R$2,928 in 2007), in connection with this grant of preferred stock options.

On December 20, 2007, the Board of Directors approved the granting of 190,296 options for the purchase of the Company's preferred shares at the price of R$45.46 per share. The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R$29.27. During 2008, the Company recorded share based payments expenses of R$3,031, in connection with this grant of preferred stock options.

The share-based payments expense of R$5,362 and R$4,905 in 2008 and 2007, respectively, has been recorded in the income statement as employee costs.

Transactions are summarized as follows:

	Stock-options	Weighted-average exercise price
Outstanding at January 1, 2007	152,518	40.65
Granted	113,379	65.85
Forfeited	(12,135)	33.06
Exercised	(11,905)	50.52
Outstanding at December 31, 2007	241,857	50.67
Granted	**190,296**	**45.46**
Forfeited	**(69,916)**	**49.21**
Exercised	**(336)**	**36.35**
Outstanding at December 31, 2008	**361,901**	**48.26**
Options exercisable at December 31, 2007	91,013	44.97
Options exercisable at December 31, 2008	**151,436**	**46.23**

The fair value of equity-settled share options was estimated at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the models for all options granted:

	Stock-option grants			
	2005	2006	2006	2007
Total of options granted	87,418	99,816	113,379	190,296
Option exercise price	33.06	47.30	65.85	45.46
Estimated volatility of share price	32.52%	39.87%	46.54%	40.95%
Share's expected dividend yield	0.84%	0.93%	0.98%	0.86%
Risk free interest rate	17.23%	18.00%	13.19%	11.18%
Option duration	10.00	10.00	10.00	10.00
Fair value at grant date	29.22	51.68	46.61	29.27

Expected volatility was determined on the basis of historical volatility using historical data.

The range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at December 31, 2008 are summarized as follows:

	Options outstanding			Options exercisable	
Exercise prices	Options outstanding at 12/31/08	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable at 12/31/08	Weighted average exercise price
33.06	55,724	6.00	33.06	47,516	33.06
47.30	69,194	7.00	47.30	41,053	47.30
65.85	77,353	8.00	65.85	30,941	65.85
45.46	159,630	9.00	45.46	31,926	45.46
	361,901			151,436	

15. Earnings per share

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

	2008	2007
Numerator		
Net profit (loss) attributable to common and preferred shareholders for basic and diluted earnings per share	(1,386,976)	272,261
Denominator		
Weighted-average shares outstanding for basic earnings per share (in thousands)	202,301	198,609
Treasury shares	(1,108)	-
Adjusted weighted-average shares outstanding for basic earnings per share (in thousands)	201,193	198,609
Effect of dilutive securities:		
Executive stock options (in thousands)	-	48
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares (in thousands)	201,193	198,657
Basic earnings (loss) per share	(6.89)	1.37
Diluted earnings (loss) per share	(6.89)	1.37

As of December 31, 2008, the 361,901 stock options described in Note 14 are non-dilutive.

16. Provisions

	Insurance provision	Onerous lease provision	Return of aircraft	Litigation	Total
At December 31, 2007	129,137	-	131,826	32,075	293,038
Arising during the year	10,272	8,250	102,615	40,248	161,385
Utilized	-	-	(131,826)	-	(131,826)
At December 31, 2008	139,409	8,250	102,615	72,323	322,597
Current	54,422	8,250	102,615	-	165,287
Non-current	84,987	-	-	72,323	157,310

a) Insurance provision

Relates to the accident of an aircraft performing Gol Airlines Flight 1907 on September 29, 2006. The Company continues to cooperate fully with all regulatory and investigatory agencies to determine the cause of this accident. The Company maintains insurance for the coverage of these risks and liabilities resulting from the claim. The payments for the hull to the lessor were made by the insurance company. Management does not expect any liabilities arising from the accident involving Flight 1907 to have a material adverse effect on the financial position or results of its operations.

b) Onerous lease provision

Relates to the set down of Boeing 767 aircraft held as operating leases.

c) Return of aircraft

Includes provisions for the costs to meet the contractual return conditions on aircraft held under operating leases.

d) Litigation

At December 31, 2008, the Company and its subsidiaries are parties in judicial lawsuits and administrative proceedings, including 828 administrative proceedings, 9,013 civil proceedings and 4,188 labor claims, of which, 696 administrative proceedings, 8,438 civil proceedings and 674 labor claims were filed as a result of the Company's operations. The remainder is related to requests for recognition of succession related to the acquisition of VRG.

17. Transactions with related parties

VRG maintains operating agreements with related parties for passenger and luggage transportation between airports and for the transportation of employees, executed under usual market conditions.

VRG is the tenant of the property located at Rua Tamoios, 246, in the city of São Paulo, State of São Paulo, owned by a related company whose lease agreement expires on April 01, 2009 and has an annual price restatement clause based on the General Market Price Index (IGP-M) variation.

The balances payable to related parties, in the amount of R$281 on December 31, 2008 (R$482 on December 31, 2007) are included in the suppliers' balances together with third-party operations. The amount of expenses which affected income on December 31, 2008 is R$8,589 (R$19,526 on December 31, 2007).

18. Financial instruments and concentration of risk

The Company's principal financial liabilities, other than financial derivatives, are comprised of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Company also holds available-for-sale investments, and enters into financial derivative transactions.

The Company is exposed to market risk (including exchange rate risk, interest rate risk and fuel price risk), credit risk and liquidity risk. Financial instruments affected by risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

The Company's senior management, with the assistance of the Financial Risk Committee, oversees the management of these risks. The Financial Risk Committee provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. All derivative transactions are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and approves policies for managing each of these risks which are summarized below.

Market risk

a) Fuel price risk

The Company is exposed to fuel price risk and the management fuel price risk strategy aims to provide the airline with protection against sudden and significant increases in oil prices while ensuring that the airline is not competitively disadvantaged in a serious way in the event of a substantial fall in the price of fuel. Pursuing these objectives, the fuel risk management program allows for the judicious use of a number of derivatives available on the Over the Counter (OTC) markets with approved counterparties and within approved limits.

Airline operations are exposed to the effects of changes in the price of aircraft fuel. Aircraft fuel consumed in the year ended December 31, 2008 and 2007 represented 40.5% and 38.4% of the Company's operating expenses, respectively. To manage this risk, the Company periodically enters into crude oil option contracts and swap agreements.

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

	2008	2007
Year ended December 31:		
Fair value of derivative instruments at December 31 (R$) *	(102,387)	23,302
Hedge effectiveness gains recognized in operating expenses (R$)	-	33.167
Hedge ineffectiveness gains (losses) recognized in other income (R$)	(40,583)	17,233
Hedged volume (thousands barrels) during the year	4,141	4,936
Percentage of hedged consumption during the year	56%	56%

* The derivative instruments is recorded in other current liabilities

The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases. At December 31, 2008, the Company has a combination of purchased collar structures to hedge approximately 12%, 37%, 39%, 9% and 2% of its jet fuel requirements for the first, second, third and fourth quarter of 2009 and first quarter of 2010, respectively.

The Company accounts for its fuel hedge derivative instruments as cash flow hedges under IAS 39. Under IAS 39, all derivatives designated as hedges that meet certain requirements are granted hedge accounting treatment. Generally, utilizing the hedge accounting, all periodic changes in fair value of the derivatives designated as hedges that are considered to be effective, as defined, are recorded in equity until the underlying jet fuel is consumed. When the aircraft fuel is consumed any gains or losses previously deferred in equity are recognized as aircraft fuel expense. The Company is exposed to the risk that periodic changes will not be effective, as defined, or that the derivatives will no longer qualify for hedge accounting. Ineffectiveness, as defined, results when the change in the total fair value of the derivative instrument does not equal 80-125% of the change in the value of the aircraft fuel being hedged or the change in value of the Company's expected future cash outlay to purchase and consume jet fuel. To the extent that the periodic changes in the fair value of the derivatives are not effective, that ineffectiveness is recorded in other income (expense), net in the income statement. Likewise, if a hedge ceases to qualify for hedge accounting, those periodic changes in the fair value of derivative instruments are recorded in other income (expense), net in the income statement in the period of the change.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in other crude oil related commodities, especially given the recent volatility in the prices of refined products.

The Company continually looks for better and more accurate methodologies in forecasting and estimating future cash flows relating to its jet fuel hedging program. These estimates are used in the measurement of hedge effectiveness for the Company's fuel hedges, as required by IAS 39. The Company's methodology utilizes a statistical-based regression equation with data from market forward prices of like commodities.

During 2008, there were no recognized gains by the Company as a reduction of aircraft fuel expense (R$33,167 of gains in 2007). During 2008, there were R$40,583 of additional net losses (R$17,233 of gains in 2007) recognized in Other expenses, net related to the ineffectiveness of its hedges and the loss of hedge accounting for certain hedges. The amount of R$40,318 in 2008 (R$41 of losses in 2007) represented ineffectiveness losses and mark-to-market losses related to contracts that will be settled in future periods. As of December 31, 2008 there were R$90,580 (none at December 31, 2007 since all unrealized value was ineffective), net of taxes, of unrealized losses with jet fuel hedges recorded in equity. During the period, all derivative contracts were designated as hedges.

The following table demonstrates the notional value of the derivatives contracted to protect the fuel exposure for each period:

Position as of December 31, 2008
Fuel Risk

	Maturities					
	1Q09	2Q09	3Q09	4Q09	1Q10	Total
Notional volume in barrels (thousands)	381	1,208	1,334	293	58	3,274
Notional volume in liters (thousands)	60,571	192,048	212,079	46,581	9,221	520,501
Future agreed rate per barrel (USD)*	96.56	71.40	72.11	66.19	62.45	73.99
Total in Reais **	85,977	201,569	224,807	45,323	8,465	566,141

* Weighted average between the strikes of collars and callspreads.
** Exchange rate at 12.31.2008 was R$ 2.337 / US$ 1.00

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in fuel prices, with all other variables held constant, on profit before tax and equity:

	Position as of December 31, 2008		Position as of December 31, 2007	
Increase / (decrease) in fuel price (percent)	Effect on profit before tax (R$ million)	Effect on equity (R$ million)	Effect on profit before tax (R$ million)	Effect on equity (R$ million)
+10	(292.93)	(173.12)	(204.84)	(122.90)
-10	285.61	163.85	192.17	126.83

b) Foreign currency risks

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

Exchange exposure relates to amounts payable arising from US$-denominated and US$-linked expenses and payments. To manage this risk, the Company uses US options and futures contracts.

The Company's revenue is generated in Brazilian reais (except for a small portion in Argentine Pesos, Bolivian Bolivianos, Chilean Pesos, Colombian Pesos, Euros, Paraguayan Guaranis, Peruvian Nuevos Soles, Uruguayan Pesos and Venezuelan Bolivares from flights between Brazil, Argentina, Bolivia, Chile, Colombia, Paraguay, Peru, Uruguay and Venezuela). However, its liabilities, particularly those related to aircraft leasing and acquisition, are US dollar-denominated. The Company's currency exchange exposure at December 31, 2008 and 2007 are as set forth below:

	2008	2007
Assets		
Cash, cash equivalents and short-term investments	281,286	1,170,526
Deposits with lessors	104,465	163,973
Aircraft and engine maintenance deposits	111,326	31,928
Maintenance deposits	391,989	322,354
Other	99,129	55,032
Total assets	988,195	1,743,813
Liabilities		
Foreign suppliers	37,336	42,341
Loans and borrowings	1,715,068	1,850,329
Finance leases	1,573,605	755,930
Other leases payable	15,863	17,169
Insurance premium payable	54,422	44,150
Total liabilities	3,396,294	2,709,919
Exchange exposure	2,408,099	966,106
Off-balance sheet transactions exposure		
Operating leases	4,675,420	3,263,994
Aircraft commitments	16,662,776	8,155,237
Total exchange exposure	23,746,295	12,385,337

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

	2008	2007
Fair value of derivative instruments at December 31 (R$)	9,416	1,049
Year ended December 31:	**2008**	**2007**
Hedge effectiveness gains (losses) recognized in operating expenses (R$)	65,295	(14,935)
Hedge ineffectiveness losses recognized in other income (R$)	(1,828)	(11,637)
Hedged volume (USD) during the year	1,070,250	626,800
Percentage of expenses hedged during the year	52%	47%

The Company utilizes financial derivative instruments as hedges to decrease its exposure to increases in the US$ exchange rate. The Company has utilized derivative financial instruments for short-term time frames. The Company accounts for its foreign currency futures derivative instruments as cash flow hedges under IAS 39. As of December 31, 2008 the unrealized exchange gains recorded in equity was R$50,387 (R$229 of losses as of December 31, 2007).

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

The following table demonstrates the notional value of the derivatives contracted to protect the US dollar exchange rate exposure for each period:

Position as of December 31, 2008
US dollar Exchange risk

	Maturities				
	1Q09	2Q09	3Q09	4Q09	Total
Notional value in US dollar	124,750	-	3,000	12,000	139,750
Futures contracted average rate	2.8121	-	2.0000	2.0000	2.7249
Total in Reais	350,809	-	6,000	24,000	380,809

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of forward exchange contracts).

	Position as of December 31, 2008		Position as of December 31, 2007	
Strengthening / weakening in US dollar (percent)	Effect on profit before tax (R$ million)	Effect on equity (R$ million)	Effect on profit before tax (R$ million)	Effect on equity (R$ million)
+10	(500.85)	(313.61)	(358.03)	(230.57)
-10	493.53	315.85	345.36	223.20

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company's results are affected by fluctuations in international interest rates due to the impact of such changes on expenses of lease agreements. The Company uses derivative financial instruments to reduce its exposure to fluctuations in international interest rates and accounts for these instruments in accordance with IAS 39. In general, when a derivative can be defined within the terms and cash flows of a leasing agreement, this may be designed as a "Cash Flow Hedge" and the effective portion of fair value variations are recorded in equity until the date the cash flow of the hedged leasing agreement becomes due. The Company also has interest rate derivatives not designated for hedge accounting treatment and, in this case, the periodic variations in fair values are recognized as financial income or expense.

In the fourth quarter of 2008, the Company settled interest swap-lock derivatives to protect itself from movements of international interest rates. On December 31, 2008, for financial instruments designated as cash flow hedges, the Company had contracts with a nominal amount of R$141,564 with a fair value of R$3,878 of losses and recognized R$3,873 of losses in equity. During the period, the Company recognized R$211 of net losses as a reduction of interest payment recorded in financial income.

For interest rate derivatives not designated as hedges, on December 31, 2008, the Company had contracts with a nominal amount of R$203,786 with a fair value of R$30,903 of losses and recognized R$38,390 of net losses, resulting from market value fluctuations and settled contracts, in financial income.

The Company's results are affected by changes in interest rates prevailing in Brazil, changes in financial investments, short-term investments, local currency liabilities, and assets and liabilities indexed to US dollars. Such variations affect the market value of fixed income securities denominated in reais and the remuneration of cash and financial investment balances. The Company uses Interbank Deposit futures of the Brazilian Mercantile and Futures Exchange (BM&F) solely to protect itself against domestic interest rate impacts on the fixed income portion of its investments. On December 31, 2008, the nominal value of Interbank Deposit futures contracts with the Brazilian Mercantile and Futures Exchange (BM&F) totaled R$3,100 with periods of up to 9 months, with a fair market value of R$0.09, loss corresponding to the last owed or receivable adjustment not yet settled. The total variations in market value, payments and receivables related to the interest rate futures are recognized as an increase or decrease in financial income.

The following table illustrates the sensitivity of financial instruments on profit before tax for the year to a reasonably possible change in Libor interest rates, with effect from the beginning of the year. There was no impact on shareholders' equity. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on financial instruments held at each balance sheet date. All other variables were held constant.

	Position as of December 31, 2008		Position as of December 31, 2007	
Increasing/(decreasing) in Libor interest rates for all maturities, in percent	**Effect on profit before tax (R$ million)**	**Effect on equity (R$ million)**	**Effect on profit before tax (R$ million)**	**Effect on equity (R$ million)**
+10	(1.35)	(0.63)	(1.97)	(1.30)
-10	1.36	0.63	1.97	1.30

d) Liquidity risk

Liquidity risk represents the risk of shortage of funds to pay off debts. To avoid mismatch of accounts receivable and accounts payable, the Company's cash management policy limits a maximum of 20% of its investments with maturities in the same month and the duration of the investments cannot exceed the duration of the Company's payment obligations.

The Company's off-balance sheet exposure represents the future obligations related to operating lease contracts and aircraft purchase contracts. The Company utilizes derivative financial instruments with first-tier banks for cash management purposes. The Company currently has synthetic fixed income options and swap agreements to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments.

The table below presents the Company's contractual payments required on its financial liabilities:

Year ended December 31, 2008	Within one year	One to five years	In five years or more	Total
Interest-bearing borrowings:				
Finance leases	(222,222)	(881,186)	(972,318)	(2,075,726)
Floating rate loans	(759,504)	(126,917)	(209)	(886,630)
Fixed rate loans	-	-	(896,098)	(896,098)
Working capital	(50,953)	-	-	(50,953)
Derivative Financial Instruments:				-
Fuel derivatives	(102,341)	(46)	-	(102,387)
Interest rate swaps	(15,043)	(19,737)	-	(34,780)
Total	(1,150,063)	(1,027,886)	(1,868,625)	(4,046,574)

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Year ended December 31, 2007

	Within one year	One to five years	In five years or more	Total
Interest-bearing borrowings:				
Finance leases	(92,672)	(360,731)	(524,142)	(977,545)
Floating rate loans	(327,344)	(295,689)	(17,610)	(640,643)
Fixed rate loans	-	-	(712,898)	(712,898)
Working capital	(500,519)	-	-	(500,519)
Derivative Financial Instruments:				
Fuel derivatives	23,302	-	-	23,302
Total	(897,233)	(656,420)	(1,254,650)	(2,808,303)

e) Capital management

The Company's policy is to maintain a strong capital base so as to maintain growth, and an optimal capital structure to reduce the cost of capital and to provide returns for its shareholders.

Consistent with others in the industry, the Company monitors capital on the basis of the leverage ratio, net debt as a percentage of total capital. Net debt is defined as the total loans and borrowings, finance leases, net cash and cash equivalents and other current financial assets. The Company defines capital as the total of shareholders' equity and net debt.

The leverage ratios at December 31, 2008 and 2007 were as follows:

	2008	2007
Total equity	1,023,148	2,491,617
Cash and cash equivalents	(169,330)	(573,121)
Restricted cash	(183,286)	(6,041)
Other current financial assets	(245,585)	(820,343)
Loans and borrowings	1,832,728	1,850,329
Finance leases	1,573,605	755,930
Net debt (a)	2,808,132	1,206,754
Total capital (b)	3,831,280	3,698,371
Leverage ratio (a) / (b)	73%	33%

The increase in the leverage ratio during 2008 resulted primarily from the delivery of Boeing aircraft classified as finance leases during the year and lower cash balances due to lower operating profit.

Management believes that the resources available to the Company are sufficient for its present requirements and will be sufficient to meet its anticipated requirements for capital expenditures and other cash requirements for the 2009 fiscal year. The Company is not subject to any externally imposed capital requirements.

f) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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

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

19. Financial assets and liabilities

Below there is a comparative summary between fair value and carrying amount value of the financial assets and financial liabilities by categories:

	Carrying value		Fair value	
	2008	**2007**	**2008**	**2007**
Financial Assets				
Held to maturity	-	189,989	-	199,240
	-	189,989	-	199,240
Financial Liabilities				
Interest bearing loans and borrowings				
Floating rate borrowings *	**936,630**	1,137,431	**904,926**	1,095,708
Fixed rate borrowing **	**896,098**	712,898	**403,372**	675,170
	1,832,728	1,850,329	**1,308,298**	1,770,878

* BNDES, BDMG, IFC, PDP Facility and other bank borrowings.
** Perpetual Bonds and Senior Notes.

There are no significant differences between carrying value and fair value of other financial assets and liabilities.

a) Financial assets

Available-for-sale assets consist principally of exclusive funds with investments in certificate bank deposits (CDB), investment funds, box operations, public securities, fixed income securities and other investments. The held-to-maturity investment is comprised by a public security. The cash flow hedge consists of future US dollars derivative instruments and US dollars call options.

The Company has no intention to trade financial instruments. The main purpose of investing in financial assets is to maximize the return on surplus cash. The Company's cash management policy defines that an investment in financial assets must concentrate in instruments with high liquidity, with minimum transaction cost and with first tier financial institutions. Investments must be readily redeemable with little or no loss in time of need for cash.

Below is a summary of financial assets by categories:

	2008	2007
Investments		
Available for sale	245,585	630,354
Held to maturity	-	189,989
	245,585	820,343

* Short-term investments with maturity between three months and one year or the Company have the intention to redeem the security in less than one year.

The major investments classified as available-for-sale financial assets have their fair value based on quoted price on active market. When there is no active market, the Company utilizes the fair value of the most recent transaction for the investment or the fair value of an instrument with similar characteristics founded on active market. When there are no similar instruments or recent transactions, the fair values of the investments are calculated using the discounted cash flow method. To calculate the discounted cash flow, the Company used the yield of its bonds as a discount rate and, for other cases, the credit risk rate of the issuer bank as a discount rate.

The summary below demonstrates the fair value of listed and unlisted financial assets:

	Fair value	
	2008	2007
Listed	210,615	630,354
Unlisted	34,970	199,240

Listed investments are recorded at fair value on a marked-to-market basis. For unlisted investments fair value is estimated by the discounted cash flow method.

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

	Gross unrealized gains	Gross unrealized losses	Net carrying amount
2008	4,008	(7)	245,585
2007	145	(6,870)	630,354

The gross realized gains on sales of available-for-sale securities totaled R$3,911 and R$23,332 (US$1,674 and US$13,172), in the year ended December 31, 2008 and 2007, respectively. The gross realized losses on sales of available-for-sale totaled R$742 (US$317) in the year ended December 31, 2008, and in the year ended December 31, 2007 there were no losses.

b) Financial liabilities

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

	Effective interest rate	Maturity	2008	2007
Current				
Local currency:				
Working capital	15.00%	August, 2009	50,000	496,788
Secured floating rate BNDES loan	8.90%	July, 2012	14,181	14,962
Secured floating rate BDMG loan	12.79%	January, 2014	2,567	-
Interest		-	1,686	3,803
			68,434	515,553
Foreign currency in U.S. Dollars:				
Unsecured floating rate PDP loan facility	3.51%	December, 2009	697,719	169,173
Secured floating rate Bank loan	-	December, 2008	-	106,278
Secured floating rate IFC loan	5.50%	July, 2013	19,475	17,800
Finance leases			157,948	67,411
Interest			23,876	15,328
			899,018	375,990
			967,452	891,543
Non-current				
Local currency:				
Secured floating rate BNDES loan	8.90%	July, 2012	36,633	50,813
Secured floating rate BDMG loan	12.79%	January, 2014	12,593	14,243
			49,226	65,056
Foreign currency in U.S. dollars:				
Unsecured floating rate PDP loan facility	3.51%	December, 2009	-	174,439
Secured floating rate IFC loan	5.50%	July, 2013	77,900	73,804
Finance leases			1,415,657	688,519
			1,493,557	936,762
Unsecured fixed rate Senior notes	7.50%	April, 2017	481,630	380,571
Unsecured fixed rate Perpetual notes	8.75%	-	414,468	332,327
			896,098	712,898
			2,438,881	1,714,716
			3,406,333	2,606,259

At December 31, 2008, the Company had five revolving lines of credit with five financial institutions allowing for combined borrowings up to R$500,000. At December 31, 2008 and 2007, there was R$50,000 and R$496,788 outstanding borrowings under these facilities, respectively. The weighted average annual interest rate for these real-based short-term borrowings at December 31, 2008 and 2007 was 15.0% and 10.8%, respectively.

In April 2006, the Company, through its subsidiary Gol Finance, issued fixed rate perpetual notes guaranteed by the Company and GOL. The notes are denominated in U.S. dollars, have no fixed final maturity date, are callable at par by the Company after five years from the issuance date, and bear interest at 8.75%. The Company is using the proceeds to finance the pre-delivery deposits made for the acquisition of aircraft, supplementing its own funds and bank financings guaranteed by assets obtained with the U.S. Exim Bank. At December 31, 2008, the fair value of this borrowing was R$161,054 (US$68,914).

In May 2006, the Company closed a secured floating rate loan in the amount of R$75,700 with the BNDES (the Brazilian Development Bank). The proceeds financed a major portion of the construction and expansion of the Gol Aircraft Maintenance Center at the International Airport of Confins, in the state of Minas Gerais, Brazil. The borrowing has a term of six years, an interest rate of 2.65% over the long-term borrowing rate –TJLP and is collateralized by accounts receivable in the amount of R$16,000. The principal is amortized in monthly payments of R$1,190 with a grace period of 12 months.

In June 2006, the Company closed a secured floating rate borrowing agreement in the amount of R$108,000 (US$50,000) with the International Finance Corporation (IFC). This financing is being used to acquire spare parts inventories and fund working capital requirements. The loan has a term of six years with interest of LIBOR plus 1.875% p.a. and is guaranteed by spare parts and equipment at market value at a minimum amount equivalent to 1.3 times the outstanding amount. The principal is amortized in semi-annually payments of R$9,738 (US$4,167), with a grace period of 6 months.

In March 2007, the Company, through its subsidiary Gol Finance, issued fixed rate senior notes in the amount of R$463,545 (US$225,000) guaranteed by the Company and GOL. The notes are senior unsecured debt obligations, denominated in U.S. dollars, which mature in 2017, and bear interest at 7.50% p.a. The Company is using the proceeds to finance the pre-delivery deposits made for the acquisition of aircraft, supplementing its own funds and the bank financings guaranteed by assets obtained with the U.S. Exim Bank. At December 31, 2008, the fair value of this borrowing was R$242,318 (US$103,688).

In July 2007, the Company closed a secured floating rate loan in the amount of R$14,000 (US$7,613) with the Development Bank of Minas Gerais (BDMG). This credit line will be used to finance a portion of the investments and operating expenses of the Gol Aircraft Maintenance Center at the International Airport of Confins, in the state of Minas Gerais. The loan has a term of five years with an annual interest rate of IPCA plus 6%. The principal is amortized in monthly payments of R$233 with a grace period of 18 months.

In October 2007, the Company closed a committed aircraft pre-delivery payment ("PDP") loan facility in the amount of R$560,418 (US$310,000) for all of its 21 Boeing 737-800 Next Generation aircraft to be delivered in 2008 and 2009. The loan has a term of 1.6 years with interest of LIBOR plus 0.5% p.a. and is guaranteed by the right to take delivery of the 21 aircraft and by GOL.

The Company has repurchased R$35,055 face value of its 7.5% senior notes maturating April 3, 2017 and R$49,077 of its 8.75% perpetual notes with no fixed final maturity date that were recorded as amortization of principal. At December 31, 2008, the outstanding amounts were R$481,630 and R$414,468, respectively. The repurchase generated a net financial gain of R$3,832.

The following table provides a summary of Company's principal payments of long-term debt obligations at December 31, excluding the finance leases:

	2010	2011	2012	2013	Thereafter 2013	Total
Local currency:						
BDMG loan	3,096	3,096	3,096	3,096	209	12,593
BNDES loan	14,653	14,653	7,327	-	-	36,633
	17,749	17,749	10,423	3,096	209	49,226
Foreign currency:						
IFC loan	19,475	19,475	19,475	19,475	-	77,900
Senior notes	-	-	-	-	481,630	481,630
	19,475	19,475	19,475	19,475	481,630	559,530
Perpetual notes					414,468	414,468
Total	37,224	37,224	29,898	22,571	896,307	1,023,224

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Contracts with IFC and BNDES include customary covenants and restrictions including those that require the Company to maintain defined debt liquidity and interest coverage ratios.

Regarding the BNDES loan, according to the specific consent obtained, the Company can present a guarantee letter under the terms and conditions established in order to prevent a breach with the financial covenants. On March 6, 2008, the Company presented to BNDES a guarantee letter with maturity on March 4, 2009, that guarantees all contractual obligations. Subsequent to September 30, 2008, a contract amendment was signed establishing that during the period that the financial covenants are not met, the Company has the obligation to maintain a guarantee letter in order to prevent a covenant breach. At December 31, 2008, the Company was therefore in compliance with the financial covenant established in its loan contract with the BNDES totaling R$50,814, even though the established financial ratios were not met.

On May 20, 2008, the Company and IFC signed a contract amendment, which changed the conditions originally established relating to financial ratios. On December 31, 2008, the Company was in compliance with the new ratios settled with the IFC.

20. Fair value measurements

Market values are estimated for most of the Company's financial instruments using a variety of valuation methods, such as discounted future cash flows. However, the methods and assumptions used to provide the information set out below are theoretical in nature. They bear the following inherent limitations:

- Market values cannot take into consideration the effect of subsequent fluctuations in interest or exchange rates.

- Estimated amounts as of December 31, 2008 and December 31, 2007 are not indicative of gains and/or losses arising upon maturity or in the event of cancellation of a financial instrument.

The application of alternative methods and assumptions may, therefore, have a significant impact on the estimated market values. The methods used are as follows:

- Cash, trade receivables, other receivables, short-term bank facilities, trade payable and other payables: The Company believes that, due to their short-term nature, net book value can be deemed a reasonable approximation of market value.

- Marketable securities, investments and other securities: The market value of securities is determined based mainly on the market price or the prices available on other similar securities. Where no comparable exists, the Company uses their book value, which is deemed a reasonable approximation of market value in this instance.

- Borrowings, other financial debts and loans: Floating-rate loans and financial debts are recorded at net book value. The market value of fixed-rate loans and financial debts is determined based on discounted future cash flows at market interest rates for instruments with similar features.

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

The Company's fuel and interest rate derivative contracts consist of OTC contracts, which are not traded on a public exchange. These contracts include both swaps as well as other types of option contracts. See Note 18 for further information on the Company's derivative instruments and hedging activities. The fair values of swap contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. The Company determines the value of option contracts utilizing a standard option pricing model based on inputs that are either readily available in public markets, can be derived from information available in publicly quoted markets, or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, it verifies the reasonableness of these quotes via similar quotes from another counterparty as of each date for which financial statements are prepared.

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

The fair value of Company's Smiles frequent flyer award liability (recorded as deferred revenue on the accompanying condensed consolidated balance sheets) was determined based on weighted average equivalent ticket value of a Smiles award which is redeemed for travel on Gol, VRG or a participating airline. The weighted average equivalent ticket value contemplates differing classes of service and the carrier providing the award travel.

The Company performs the impairment test for indefinite-lived intangible assets by comparing the asset's fair value to its carrying value. Fair value is estimated based on recent market transactions, where available, or projected discounted future cash flows. For additional information regarding impairment, see Note 8.

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

21. Commitments

The following table provides a summary of Company's principal payments under aircraft purchase commitments and other obligations at December 31 of each year:

(In R$ 000)	Within one year	Between one and five years	Over five years	Total
Pre-delivery deposits for flight equipment	170,530	665,394	6,743	842,667
Aircraft purchase commitments	1,958,781	10,750,588	3,110,740	15,820,109
Total	2,129,311	11,415,982	3,117,483	16,662,776

The Company makes payments for aircraft acquisitions utilizing the proceeds from equity and debt financings, cash flow from operations, short and medium-term credit lines and supplier financing.

At December 31, 2008, the Company has a purchase contract with Boeing for acquisition of Boeing 737-800 Next Generation aircraft, under which the Company currently hasErro! Vínculo não válido.firm orders andErro! Vínculo não válido.Erro! Vínculo não válido.purchase options. The firm orders have an approximate value of R$Erro! Vínculo não válido.Erro! Vínculo não válido.(US$Erro! Vínculo não válido.Erro! Vínculo não válido.billion) based on the aircraft list price (which exclude contractual manufacturer discounts), including estimated amounts for contractual price escalations and pre-delivery deposits. Aircraft purchase commitments can be financed with long-term financing guaranteed by the U.S. Exim Bank (for approximately 85% of the total acquisition cost).

The Company leases its entire fleet under a combination of operating and finance leases. At December 31, 2008, the total fleet wasErro! Vínculo não válido.aircraft, of whichErro! Vínculo não válido.were operating leases andErro! Vínculo não válido.were recorded as finance leases. Erro! Vínculo não válido.of the Company's aircraft finance leases contain bargain purchase options. During the year ended on December 31, 2008, eleven aircraft under finance leases were delivered and five 737-300 aircraft were returned during the quarter ended December 31, 2008. Fifteen Erro! Vínculo não válido. 737-300 aircraft were in the process of being returned.

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a) Finance leases

Future minimum lease payments under finance leases with initial or remaining terms in excess of one year at December 31, 2008 and 2007 were as follows:

	2008	2007
Within one year	222,222	92,672
After more than one year but within five years	881,186	360,731
In five years or more	972,318	524,142
Total minimum lease payments	2,075,726	977,545
Less: amount representing interest	(502,121)	(221,615)
Present value of net minimum lease payments	1,573,605	755,930
Less current portion	(157,948)	(67,411)
Long-term portion	1,415,657	688,519

The Company extends the maturity of the financing of certain of its leased aircraft to fifteen years through the use of a "Stretched Overall Amortization and Repayment", or SOAR, structure which provides serial drawdowns calculated to result in a 100% loan accreting to a recourse balloon at the end of the contractual lease term. The scheduled amount of this recourse balloon at the end of the contractual lease term is R$13,556 (R$1,861 as of December 31, 2007).

b) Operating leases

The Company leases aircraft in operation, airport terminal space, other airport facilities, office space and other equipment with initial lease term expiration dates ranging from 2009 to 2018.

Future minimum lease payments under non-cancelable operating leases are denominated in US dollars. Such leases with initial or remaining terms in excess of one year at December 31, 2008 and 2007 were as follows:

	2008	2007
Within one year	916,298	588,987
After more than one year but within five years	3,080,918	1,754,423
In five years or more	678,204	920,584
Total minimum lease payments	4,675,420	3,263,994

c) Sale-leaseback

During 2008, the Company through its wholly-owned subsidiary GAC Inc. realized sale-leaseback transactions for 2 Boeing 737-800 Next Generation aircraft (5 Boeing 737-800 Next Generation aircraft in 2007) which resulted in losses of R$20,008 (losses of R$34,354 in 2007).

d) Other commitment

The Company does not accrue liabilities for levies imposed on its receipt of leased aircraft, which comprise its fleet. The Company is challenging in court the VAT (ICMS) levies on aircraft and engines imported under aircraft leases without purchase options in transactions carried out with lessors headquartered in foreign countries. The Company's management understands that these transactions represent simple leases in view of the contractual obligation to return the assets that are the subject of the contract, which will never be considered as the Company's asset. Given that there is no circulation of goods, a relevant tax triggering event is not characterized. The estimated aggregate value of lawsuits filed is R$201,760 at December 31, 2008 (R$173,887 at December 31, 2007), monetarily adjusted and not including charges in arrears. Management, based on the assessment of the cases by its legal advisors and supported by case laws favorable to taxpayers from the High Court (STJ) and the Supreme Federal Court (STF) handed down in the second quarter of 2007, understands that it is unlikely for the Company to have losses on these lawsuits.

Although the results of these proceedings cannot be anticipated, the final judgment of these actions will not have a material effect on the Company's financial position, operating income and cash flow, according to management's opinion supported by its outside legal advisors.

22. Advance ticket sales

At December 31, 2008, the balance of advance ticket sales of R$572,573 (R$472,860 at December 31, 2007) is represented by 2,010,347 (2,211,591 at December 31, 2007) of tickets sold and not yet used with 80 days of average term of use.

23. Transition from Brazilian accounting principles to IFRS

For all periods up to and including the year ended December 31, 2007, the Company prepared its consolidated financial statements in accordance with Brazilian Corporate Law ("BR GAAP"). These consolidated financial statements, for the year ended December 31, 2008, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared in accordance with the significant accounting policies described in Note 2.

Accordingly, the Company has prepared consolidated financial statements in compliance with IFRS applicable for periods beginning on or after January 1, 2008 as described in the accounting policies. In preparing these consolidated financial statements, the Company's opening balance sheet was prepared as at January 1, 2007, the Company's date of transition to IFRS. This Note explains the principal adjustments made by the Company in restating its BR GAAP balance sheet as of January 1, 2007 and its previously published BR GAAP consolidated financial statements for the year ended December 31, 2007. Certain amounts in the BR GAAP consolidated balance sheet as of January 1, 2007 have been reclassified to conform with the classification as of December 31, 2007.

The Company has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" in preparing these consolidated financial statements which allows first-time adopters certain exemptions from the general requirements contained in IFRS. The Company has taken the exemption related to accounting for business combinations that occurred before January 1, 2007, and has not restated these amounts.

The following consolidated balance sheets as of January 1, 2007 and December 31, 2007 and consolidated income statement for the year ended December 31, 2007 show the effects of the adoption of IFRS on January 1, 2007 on the Company's previously issued 2007 consolidated financial statements prepared under BR GAAP.

Reconciliation between BR GAAP and IFRS on transition date – January 1, 2007

Consolidated balance sheet

	Note	BR GAAP	IFRS Adjustments	IFRS
Non current assets				
Property, plant and equipment, net	(b)	795,430	264,889	**1,060,319**
Software	(f)	-	15,103	**15,103**
Other non-current assets				
Investments	(f)	2,281	(2,281)	-
Deposits	(c)	133,590	263,650	**397,240**
Deferred income taxes	(h)	23,466	73,451	**96,917**
Restricted cash	(e)	-	174,161	**174,161**
Other non-current assets	(f)	63,820	(13,136)	**50,684**
Total other non-current assets		223,157	495,845	**719,002**
Total non-current assets		1,018,587	775,837	**1,794,424**
Current assets				
Other current assets		182,817	-	**182,817**
Prepaid expenses		64,496	-	**64,496**
Recoverable and deferred taxes	(h)	73,451	(73,451)	-
Inventories of parts and supplies		75,165	-	**75,165**
Trade and other receivables		659,306	-	**659,306**
Other current financial assets	(e)	1,006,356	(174,365)	**831,991**
Cash and cash equivalents	(e)	699,990	6,691	**706,681**
Total current assets		2,761,581	(241,125)	**2,520,456**
Total assets		3,780,168	534,712	**4,314,880**

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Liabilities and shareholders' equity	Note	BR GAAP	IFRS Adjustments	IFRS
Shareholders' equity		2,067,959	97,364	2,165,323
Non-current liabilities				
Long-term debt	(b)	735,168	180,142	915,310
Deferred credits	(b)	-	48,214	48,214
Deferred income taxes	(h)	-	68,973	68,973
Provisions		5,715	-	5,715
Other current liabilities		23,998	-	23,998
Total non-current liabilities		764,881	297,329	1,062,210
Current liabilities				
Short-term debt	(b)	132,501	18,429	150.930
Accounts payable		124,110	-	124.110
Salaries, wages and benefits		87,821	-	87.821
Sales tax and landing fees		39,217	-	39.217
Advance ticket sales		335,268	-	335.268
Provisions	(b)	44,897	111,462	156.359
Current income taxes payable	(h)	100,177	-	100.177
Deferred credits	(b)	-	10,128	10.128
Other current liabilities		83,337	-	83.337
Total current liabilities		947,328	140,019	1.087.347
Total liabilities and shareholders' equity		3,780,168	534,712	4,314,880

Summary of impact on shareholders' equity

Shareholders' equity – BR GAAP	Note	IFRS
Shareholders' equity		2,067,959
IFRS Adjustments		
Maintenance deposits	(c)	263,650
Investments	(f)	(2,281)
Deferred charges	(f)	(13,136)
Sale-leaseback of aircraft	(b)	(58,342)
Differences on leasing classification	(b)	(109,068)
Differences on fixed assets capitalization	(b)	79,026
Deferred income taxes	(h)	(68,973)
Derivative financial instruments	(e)	6,488
Shareholders' equity – IFRS		2,165,323

Consolidated balance sheet

	Note	BR GAAP	IFRS Adjustments	IFRS
Non current assets				
Property, plant and equipment, net	(b) / (d)	1,251,423	939,605	**2,191,028**
Intangible assets	(d) / (f)	-	1,197,441	**1,197,441**
Other non-current assets				
Investments	(d)	884,847	(884,847)	**-**
Deposits	(c)	169,081	279,726	**448,807**
Deferred income taxes	(h)	367,088	118,892	**485,980**
Restricted cash	(e)	-	6,041	**6,041**
Other non-current assets	(f) / (i)	24,462	63,232	**87,694**
Total other non-current assets		1,445,478	(416,956)	**1,028,522**
Total non-current assets		2,696,901	1,720,090	**4,416,991**
Current assets				
Other current assets		144,484	-	**144,484**
Prepaid expenses	(b)	143,756	(12,525)	**131,231**
Recoverable income taxes	(h)	65,247	(19,678)	**45,569**
Deposits	(c)	149,729	42,628	**192,357**
Inventories of parts and supplies	(d)	215,777	(5,851)	**209,926**
Trade and other receivables		916,133	-	**916,133**
Other current financial assets	(e)	516,637	303,706	**820,343**
Cash and cash equivalents	(e)	916,164	(343,043)	**573,121**
Total current assets		3,067,927	(34,763)	**3,033,164**
Total assets		5,764,828	1,685,327	**7,450,155**

Liabilities and shareholders' equity	Note	BR GAAP	IFRS Adjustments	IFRS
Shareholders' equity		2,410,992	80,625	**2,491,617**
Non-current liabilities				
Long-term debt	(b)	1,066,102	648,614	**1,714,716**
Smiles deferred revenue	(a) / (d)	-	233,618	**233,618**
Deferred income taxes	(h)	-	339,348	**339,348**
Provisions	(i)	32,075	84,987	**117,062**
Other non-current liabilities		63,135	-	**63,135**
Total non-current liabilities		1,161,312	1,306,567	**2,467,879**
Current liabilities				
Short-term debt	(b)	824,132	67,411	**891,543**
Accounts payable		326,364	-	**326,364**
Salaries, wages and benefits		163,437	-	**163,437**
Current income taxes payable		68,013	-	**68,013**
Sales tax and landing fees		84,319	-	**84,319**
Advance ticket sales		472,860	-	**472,860**
Provisions	(b)	44,150	131,826	**175,976**
Smiles deferred revenue	(a) / (d)	50,080	97,268	**147,348**
Other current liabilities	(b)	159,169	1,630	**160,799**
Total current liabilities		2,192,524	298,135	**2,490,659**
Total liabilities and shareholders' equity		5,764,828	1,685,327	**7,450,155**

Consolidated income statement

	Note	BR GAAP	IFRS Adjustments	IFRS
Operating revenues				
Passenger		4,566,691	-	**4,566,691**
Cargo and other	(a) / (d)	400,571	(26,278)	**374,293**
Total operating revenues		4,967,262	(26,278)	**4,940,984**
Operating expenses				
Salaries	(g)	(794,439)	(4,905)	**(799,344)**
Aircraft fuel		(1,898,840)	-	**(1,898,840)**
Aircraft rent	(b)	(558,625)	32,840	**(525,785)**
Supplementary rent	(c)	(68,554)	68,554	**-**
Aircraft insurance		(44,646)	-	**(44,646)**
Sales and marketing		(367,866)	-	**(367,866)**
Landing fees		(273,655)	-	**(273,655)**
Aircraft and traffic servicing		(348,732)	-	**(348,732)**
Maintenance materials and repairs	(b)	(318,917)	(20,364)	**(339,281)**
Depreciation	(b) / (f)	(90,253)	27,705	**(62,548)**
Other operating expenses	(f)	(262,959)	(14,885)	**(277,844)**
Total operating expenses		(5,027,486)	88,945	**(4,938,541)**
Operating profit (loss)		(60,224)	62,667	**2,443**
Finance costs and other income (expense)				
Finance costs				
Interest expense	(b)	(162,715)	(19.903)	**(182,618)**
Capitalized interest	(b)	22,156	16.723	**38,879**
Total finance costs		(140,559)	(3.180)	**(143,739)**
Exchange gain	(b)	61,037	104.193	**165,230**
Interest and investment income	(e)	288,282	5.051	**293,333**
Other income (expense), net	(c) / (e)	(102,562)	(21.244)	**(123,806)**
Total finance costs and other income (expense)		106,198	84,820	**191,018**
Non-operating results	(b)	(34,354)	34,354	**-**
Profit before income taxes		11,620	181,841	**193,461**
Income taxes (expense) benefit	(h)	256,907	(178,107)	**78,800**
Profit (loss) for the year from continuing operations attributable to equity holders of the parent		268,527	3,734	**272,261**

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Consolidated statement of cash flow

The transition from BR GAAP to IFRS has not had a material impact on the cash flow statement.

Summary of impact on shareholders' equity

	Note	IFRS
Shareholders' equity – BR GAAP		2,410,992
IFRS Adjustment		
VRG acquisition effects	(d)	(138,440)
Mileage program	(a)	(26,278)
Maintenance deposits	(c)	322,354
Investments write-off	(f)	(1,551)
Deferred charges	(f)	(21,757)
Sale-leaseback of aicraft	(b)	(819)
Differences on leasing classification	(b)	(42,969)
Differences on fixed assets capitalization	(b)	126,005
Deferred income taxes	(h)	(129,194)
Derivative financial instruments	(e)	(6,726)
Shareholders' equity – IFRS		2,491,617

a) Mileage program

These adjustments relate to the increase in the frequent flyer liability from incremental cost (BR GAAP) to estimated fair value (IFRS). Under BR GAAP, obligations related to miles issued under the frequent flyer program, (accumulated and not redeemed) were recognized in a provision based on the estimated total tickets to be granted and on incremental cost to transport passengers redeeming an award. The revenue arising from miles sold to partners under the Smiles mileage program was recorded as other income when sold.

b) Property, plant and equipment and leases

These adjustments are to record finance leases, capitalized major overhaul costs, aircraft maintenance reserve deposit assets and borrowing costs. Under BR GAAP, all leased aircraft were recorded as operating leases. Also, the costs of major overhauls, payments to aircraft lessors for maintenance reserves were expensed as incurred. Finally, borrowing costs under BR GAAP were capitalized at different amounts.

Adjustments to recognize the aircraft assets and the obligations under finance leases include the recognition of related depreciation and interest costs. Additionally, under IFRS, the Company recorded liabilities related to the aircraft restoration obligations for aircraft under operating leases, which were expensed when paid under BR GAAP.

c) Aircraft maintenance deposits

Under BR GAAP, all aircraft and engine maintenance deposits were expensed when paid to the lessor and recognized as supplementary rent in the income statement.

IFRS requires aircraft and engine maintenance deposits to be recorded as a deposit on the balance sheet and maintenance cost is recognized when the underlying maintenance is performed. The amount of aircraft and engine maintenance deposits expected to be utilized in the next twelve months is classified in current assets.

d) Business combination

Under BR GAAP, goodwill was calculated as the difference between acquisition cost and the carrying value of shareholders' equity of the acquired entity. No separate allocation of the acquisition cost to the assets acquired and liabilities assumed was made. Goodwill was generally amortized over a period of up to ten years. Transaction costs were not accounted for as part of the acquisition cost. The total cost of the acquisition of VRG was classified as "investments" in the balance sheet as of December 31, 2007.

These adjustments relate to the allocation of the purchase price for VRG (see Note 3), including the recognition of separable intangible assets, as required by IFRS. The investment in VRG (BR GAAP) has been eliminated by the allocation of the IFRS-basis purchase price to the relative fair values of the net assets acquired.

e) Financial instruments

These adjustments were made to record derivatives and available-for-sale financial assets at fair value, as required by IFRS. Under BR GAAP, financial instruments, including securities, were recorded at cost plus income earned through the date of the financial statements according to the rates agreed with the financial institutions, not in excess of market value. Financial instruments include the Company's investments in highly liquid investment grade commercial paper issued by financial institutions which are classified differently under IFRS and BR GAAP. Restricted cash has been disclosed separately under IFRS.

f) Deferred charges

Under BR GAAP, pre-operating costs were capitalized and amortized. Under IFRS, pre-operating costs that do not meet the definition of an intangible asset are recorded as expenses. Additionally, amounts capitalized related to the cost of software developed for internal use have been reclassified from property, plant and equipment to other non-current assets for IFRS.

g) Share-based payments

The Company recorded adjustments to recognize the expense for equity instruments granted based on their fair value at the date of grant, as required by IFRS. As permitted under BR GAAP, the Company did not record any compensation expense.

h) Income and social contribution taxes

Changes in the Company's deferred tax assets and liabilities are the result of the tax effects created by adjustments made to amounts recognized under IFRS which differ from amounts recognized for statutory income tax purposes (see Note 5).

i) Provisions

The Company recorded provisions for losses covered by insurance together with corresponding insurance receivables under IFRS. Under BR GAAP, these amounts were presented net in the balance sheet.

GLOSSARY

Financial Terms

ADS: American Depositary Share. Receipts of shares traded abroad.

Cash Flow: The amount of cash being received and spent by a company during a given period of time.

Common share: shares that give their holders the right to vote at shareholders' meetings.

Corporate Governance: A set of procedures that ensure the rights and equitable treatment of shareholders, in addition to transparency and accountability in financial reporting. An important part of corporate governance is that it allows shareholders to monitor a company's board of executive officers.

CVM: Brazilian Securities and Exchange Commission. Regulates and oversees the Brazilian securities market.

Dividend: A payment made, almost always in cash, to a company shareholder as a return on investment.

IFRS (International Financial Reporting Standard): international accounting standards adopted by European Union member countries on December 31, 2005, and which must also be adopted by Brazilian companies beginning in 2010.

Level 2: Bovespa's corporate governance classification for publicly held companies. Companies classified as Level 2 undertake to adopt all Level 1 governance practices plus a range of practices mainly related to minority shareholders rights.

Liquidity: The ability of an institution to immediately meet its financial obligations.

Net Income: Net revenue(s) less cost of goods sold, operating expenses and income tax.

Net revenue: Gross operating revenue less taxes and deductions.

Operating Income: Net revenue less total expenses, except income tax and other items not related to the company's core business.

Operating Margin: Operating income divided by net revenue.

SEC: Securities and Exchange Commission – the agency that regulates the U.S. securities market.

Social Responsibility: A form of corporate conduct in which the company becomes an active partner in promoting social sustainability and development. A socially responsible company respects the interests of all stakeholders (shareholders, employees, service providers, suppliers, consumers, the community, government and the environment) and includes them in its planning.

US GAAP: United States generally accepted accounting principles.

Aviation Industry Terms

ANAC: National Civil Aviation Agency.

Available seat kilometers (ASK): aircraft seating capacity multiplied by the flight distance.

Average stage length: the average number of kilometers flown per flight.

Breakeven load factor: the passenger load factor that will result in passenger revenues being equal to operating expenses.

Load factor: represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing RPK by ASK).

Operating expenses per available seat kilometer (CASK): Operating expenses divided by available seat kilometers.

Passenger revenue per available seat kilometer: passenger revenue divided by available seat kilometers

Revenue passenger kilometers (RPK): the number of kilometers flown by revenue passengers.

Yield per passenger kilometer: the average amount one passenger pays to fly one kilometer.

CORPORATE INFORMATION

Board of Directors
Chairman
Constantino de Oliveira
Directors
Constantino de Oliveira Júnior
Henrique Constantino
Joaquim Constantino Neto
Ricardo Constantino
Álvaro de Souza
Antonio Kandir
Luiz Kaufmann
Richard F. Lark, Jr.

Board of Executive Officers
CEO
Constantino de Oliveira Júnior
Executive Vice President - Technical
Fernando Rockert de Magalhães
CFO and IRO
Leonardo Porciúncula Gomes Pereira
Executive Vice President - Marketing and Services
Tarcísio Geraldo Gargioni
Executive Vice President – Planning and Management
Wilson Maciel Ramos

Audit Committee
Álvaro de Souza
Antonio Kandir
Luiz Kaufmann (financial expert)

Corporate Governance and Nomination Committee
Betania Tanure de Barros
Charles Barnsley Holland
Paulo César Aragão

Financial Policy Committee
Henrique Constantino
Leonardo Porciúncula Gomes Pereira
Richard F. Lark, Jr.

Risk Policies Committee
Barry Siler
Henrique Constantino
Richard F. Lark, Jr.

Personnel Management Policies Committee
Henrique Constantino
Marco Antonio Piller
Marcos Roberto Morales

Shares traded on the Bovespa
Custodian
Banco Itaú S.A.
Shareholder Department
Av. Engº. Armando de Arruda Pereira,
707 – 9º andar - 04344-902 – São Paulo-SP
Note: Shareholder services are provided by the bank's branch network.

Shares traded on the NYSE
Specialist Firm
Fleet Specialist, Inc.
Anna G. Sakalis
Director, Latin America
14 Wall Street, 21st floor
New York, NY 10005-1901 EUA
Tel.: 1-212-589-0106
Fax: 1-212-589-0452
e-mail: anna.sakalis@fleetspecialist.com
www.fleet-specialist.com

ADSs Program Depositary Bank
The Bank of New York
Shareholder Relations
PO BOX 11258 – Church Street Station
New York, NY 10286-1258 EUA
Tel. (toll free): 1-888-BNY-ADRS (269-2377)
Tel. (international): 1-610-312-5315
e-mail: shareowner-svcs@bankofny.com
www.adrbny.com

Independent Auditors
Ernst & Young Auditores Independentes
Av. Presidente Juscelino Kubitschek, 1.830 Torre II – 6° andar
04543-900 – São Paulo-SP
Tel.: (55 11) 3523-5200

Investor Relations
Executive Vice Presidente, CFO and IR Officer
Leonardo Porciúncula Gomes Pereira
IR General Manager
Rodrigo de Macedo Alves
Praça Comandante Lineu Gomes, s/n - Portaria 3
CEP: 04626-020
São Paulo – SP – Brazil
Tel.: (55 11) 2128-4946
E-mail: ri@golnaweb.com.br

Credits
General Coordination
Investor Relations, Marketing, Social and Environmental Responsibility and Corporate Communication Advisory Departments

Investor Relations General Manager
Rodrigo de Macedo Alves
Marketing Department
Murilo Barbosa
Social-Environmental Responsibility Advisory Department
Maria Nazaré de Souza
Corporate Communication Advisory Department
Fabio Lobo Costa

Content and Editing
MZ Comunicação Corporativa Integrada

Graphic and Editorial Project
MZ Design

Pictures
GOL Archives and Shutterstock

Publications and Information
All material information regarding GOL Linhas Aéreas Inteligentes and its subsidiaries is disclosed simultaneously to regulating authorities and bodies in Brazil and in the United States, and to the public.

Quarterly and annual financial statements follow accounting standards defined by the Brazilian Corporation Law, and European accounting standards (IFRS), which will be adopted by all Brazilian companies by 2010. Additionally, as required by Law, full financial statements are published annually in Valor Econômico and the Diário Oficial of the State of São Paulo (O Estado de São Paulo) Newspapers.

Quarterly and annual financial statements, corporate information, press releases, presentations, material facts and notices to shareholders may be obtained by contacting our Investor Relations area and from the IR website (www.voegol.com.br/ri). Other information on the Company may be found on the websites of the São Paulo Stock Exchange (www.bovespa.com.br), New York Stock Exchange (www.nyse.com), Comissão de Valores Mobiliários (www.cvm.gov.br) and Securities and Exchange Commission (www.sec.gov).

This report includes future considerations regarding business prospects, estimates of operating and financial results, and GOL's growth prospects. These are merely projections and, as such, are based exclusively in GOL's management expectations regarding the future of the business and its continuous access to capital to fund the Company business plan. These future considerations may differ substantially due to changes in market conditions, government regulation, competitive pressures, sector performance and the Brazilian economy, among other factors, as well as other risks cited in required reporting documents filed by GOL and, therefore, are subject to change without notice.

Linhas aéreas inteligentes

www.voegol.com.br/ir