

Financial Statements

GOL Linhas Aéreas Inteligentes S.A.

***Years ended December 31, 2007 and 2006,
with Report of Independent Registered Public
Accounting Firm***

GOL LINHAS AÉREAS INTELIGENTES S.A.
CNPJ nº 06.164.253/0001-87

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT REPORT

GOL Linhas Aéreas Inteligentes S.A. (GLAI) submits the Management Report and the corresponding Individual and Consolidated Corporate Financial Statements, for the year ended December 31, 2007, accompanied by the Independent Auditors' Report and prepared in accordance with the accounting practices adopted in Brazil, for the appreciation of its shareholders. The Financial Statements prepared in accordance with the accounting principles accepted in the United States of America (US GAAP) are available on the Company's Investor Relations website www.voegol.com.br/ir. The press can download a detailed press release on the same website.

MANAGEMENT REPORT

In-line with our vision to be recognized as the Company that popularized high-quality, low-fare air transportation in South America by 2010, we further proved the strength of our brand in 2007 with the acquisition of VRG Linhas Aéreas S.A (VRG).

The acquisition was more than a major event for the industry; it was perhaps the most important step in our company's history. With the purchase of VRG, we have expanded our market coverage and route network and can now offer differentiated services to the premium market, specifically in strategic markets for business travelers. Through our expansion in domestic and international markets, we are now one of the largest air carriers in South America.

The fact that VRG was acquired during a difficult year for the aviation industry proves we are ready and prepared to manage through adversity, never allowing occasional setbacks to divert us from our strategic plan for long-term growth.

Additionally, at the end of 2007 we announced the expansion of our fleet renovation plan and signed a new contract for the acquisition of 40 new airplanes for delivery between 2012 and 2014. This new contract will further reduce our costs and will allow the Company to continue modernizing its fleet of new aircraft. The agreement, which increases the number of airplanes on order from 121 to 161, is part of our policy to reduce operational costs through a standardized fleet while also improving the quality of our services.

Despite facing adversity in 2007, the number of passengers transported (RPKs) in the domestic market grew 11.2% and GTA once again bested the industry by growing 30.0%. In the international market, where RPKs fell by 6.0%, GOL grew 83.4% over 2006. Air passengers became very sensitive during the disturbances resulting from the continuation of 2006's industry-wide crisis, which was naturally reflected in the Company's results. Due in part to this situation and the acquisition of VRG, net profits were R\$268.5 million, 60.8% lower than 2006.

However, even with the challenges faced, 2007 was a year of transition and learnings from the sector's structural problems – including airport conditions – and the situation with air traffic controllers. Government authorities learned from these issues as well and worked to restore credibility in the Brazilian aviation sector. We believe this concentrated effort will result in effective and necessary improvements in both the medium- and long-term.

GLAI has also worked to improved itself as a company and we believe that we have done our part, focusing our efforts on adopting measures to minimize the impact these industry-wide issues have had on our passengers.

Aware that lack of information often creates stressful situations, the Company has redoubled efforts in serving the needs of our passengers and employees. To that end, we created a targeted communications project—the SERVIR

Project—which began at the end of 2006 and extended into 2007 and included investments in information systems that benefit both passengers and employees.

During 2007 we also improved the technological quality of our services on other fronts. We put in place a new version of the ERP Oracle system, which will increase the efficiency, transparency and safety of our administrative processes and we implemented a new support system for the Company's operations, composed of management systems for engineering and aircraft maintenance departments, and other systems dedicated to crew management and operational controls. Using these systems together will provide increased operational efficiencies and reduced costs; we have also improved the online check-in system to now accommodate passengers with luggage.

We redesigned and internalized call center operations during 2007, which required approximately 1,000 new employees but led to a significant reduction in costs and improved customer service for our clients.

2007 was a year of strategic investment and growth, reflected in the acquisition of VRG, fleet expansion, training, maintenance, and the GOL and VARIG brands, in addition to investments in technology for information systems that support operations. The Company continues to invest its resources in the future and growth of the Brazilian air transportation system.

Looking ahead to 2008, our main challenge will be to integrate VRG's operations with GTA's systems to produce gains in efficiency and quality.

We understand the complexity of our business: the cyclical demand of the industry and the detours are imposed by external factors out of our control. This is why, more than ever, we are aware that we need the strength and commitment of our "Team of Eagles" to overcome difficulties and continue to expand our horizons.

Constantino de Oliveira Junior

CEO

ECONOMIC/SECTOR SCENARIO

The Brazilian economy remained stable in 2007 and had a positive impact on the financial market's performance. The real appreciated 10.8% against the U.S. Dollar and inflation, measured by the Broad Consumer Price Index - IPCA, closed the year at 4.5%. The SELIC rate, in-line with movements of the last two years, continued its downward trend in 2008, decreasing from 13.25% to 11.25% annually, its lowest level in the last 27 years. GDP grew by an estimated 5.2%.

Despite operational difficulties due to the prolonged airport crisis that began in 2006 and subsequently worsened after the accident at São Paulo's Congonhas Airport in July, the Brazilian airline sector registered growth of 11.2% in 2007, 2.2 times Brazil's estimated GDP growth.

The restrictions on connecting flights at Congonhas Airport and the reduction in the number of landings and takeoffs allowed per hour required the rerouting of flights through other airports and not only negatively impacted the quality of our service but also inhibited demand growth, testing the optimistic expectations announced in 2006.

In 2007, 23.7 million people traveled on one of GLAI's airlines, of which 89% traveled domestically and 11% traveled internationally.

In 2007, the National Civil Aviation Agency (ANAC) implemented measures to better regulate the sector, overcome obstacles and provide continuity with the work that began in 2006 to maintain Brazil's position as the leading national aviation system in South America. Brazil's "level 1" classification in flight safety means Brazilian aircraft comply with the same air safety standards as North American airlines and are in compliance with the rules defined by the ICAO – International Civil Aviation Organization.

VIRTUOUS CYCLE

GLAI's business model is based on strategies, systems and controls that call for high-quality service, advanced technology, a standardized fleet, a productive and motivated team, and a constant focus on cost reduction, all of which makes it possible to offer more seats at affordable prices. 2007 was a year of strategic investment and growth, proving the Company is confident in its virtuous cycle and the continued expansion of the industry in the medium- and long-term. We're beginning 2008 with additional positive changes. In January and February, both GTA and VRG redefined their business strategies to better serve passenger segments and maximize competitive advantages, including optimizing the route network to increase efficiency and customer service quality.

GLAI reformulated its medium-haul operations in South America by suspending direct flights on GTA to Santiago. This measure was due in part to the passenger profile on flights over four hours: business travelers who prefer traditional services, such as business class. This passenger-type is already served by VRG, which operates direct flights to Chile's capital with Boeing 767-300ER aircraft and offers differentiated onboard service. GTA will continue to serve this destination through connecting flights from Buenos Aires, in keeping with its base structure. GTA will also maintain its low-cost model as it integrates other South American countries into its network, following the premise that lower costs allow for lower fares, which in turn stimulates demand. This strategy is in line with the Company's virtuous cycle, which is based on offering short-haul flights and low fares, identifying demand in underserved markets and increasing not only market share but the size of the market as a whole.

VRG refocused its domestic route network to provide business customers with improved flight times and frequencies. The new network connects the most important business centers and tourist destinations, benefiting from the lifted restrictions on connecting flights at Congonhas Airport. The following routes were added to VRG's route network in 2007 and will be served by Boeing 737 Next Generation aircraft: Porto Alegre-Brasília, Belo Horizonte (Confins)-

Rio de Janeiro (Galeão) and Belo Horizonte (Confins)-Brasília. Internationally, the Company will focus its long-haul services from Brazil to Europe on two destinations, offering connections to other cities through partner airlines. VRG will operate direct flights with Boeing 767-300ER aircraft to Paris' Charles de Gaulle Airport, where it maintains an agreement with Air France-KLM, and Madrid's Barajas International Airport, where it has agreements with Air Europa and Iberia. VRG's direct flights to London will cease operations on March 1 and flights to Frankfurt and Rome will end on March 29. VRG's customers will be able to travel from Brazil to the most important destinations in Europe, Asia, Africa and the Middle East through its partner airlines. Flights to Bogota and Columbia will be served by Boeing 767-300ER aircraft, which provide greater comfort and a business class. VRG also plans to launch flights to New York City in the United States in 2008; in keeping with its virtuous cycle based on premium service on short-, medium- and long-haul routes to provide tailored services to business travelers.



OPERATIONAL PERFORMANCE

Fleet Growth

- **Fleet** - GLAI added 28 aircraft to the consolidated fleet in 2007: 15 Boeing 737-800NGs were added to the GTA fleet and 13 were added to the VRG fleet, six of which are 737s and seven of which were Boeing 767-300ERs. In addition to this fleet expansion, the Company maintained high average aircraft utilization numbers: GTA averaged 14.2 block hours, one of the highest among the world's airlines, while VRG averaged 11.7 block hours.

- **Additional Purchase Contract with Boeing** - In December 2007 the Company increased its contract with Boeing for 737-800 Next Generation aircraft from 121 to 161 aircraft, 127 of which are firm orders, the remainder (34) are purchase options. Firm orders are valued at U\$6.4 billion, based on the list price, and are scheduled for delivery between 2008 and 2014. At GLAI's request, Boeing developed the 737-800 Short Field Performance (SFP) model specifically for operations on some of the world's shortest runways. GOL's new aircraft are equipped with winglets, a technology that reduces noise during takeoff and affords fuel savings of up to 3% per year, and carry 30% more passengers than the Boeing 737-700.

- **GOL's Maintenance Center** - In September 2006, GLAI opened its aircraft maintenance center at Aeroporto Internacional Tancredo Neves, located in Confins, Minas Gerais State. The maintenance center employs state-of-the-art technology and guarantees quality, efficient and pro-active maintenance, as well as greater flexibility in maintenance services. In anticipation of future fleet expansion, the Company will begin expanding the maintenance center in January 2008. With an expected completion date of December 2009, this space will double the Company's current maintenance capacity and generate additional cost savings of approximately R\$2 million per year.

Through its maintenance center and fleet standardization, GLAI is working to improve pilot performance and increase the safety of its aircraft, quality of its services and efficiency of operations while also reducing the costs associated with maintenance and spare parts inventory.

- **Phased Maintenance** - GLAI is able to optimize fleet utilization due largely to its phased maintenance program, which services both GTA and VRG's narrow-body aircraft. Phased maintenance allows service to be completed without removing the aircraft from daily operations while safely ensuring aircraft are fully operational year-round.

Information Technology

Significant investments were made to the IT department in 2007 to raise governance levels to those found in other areas of the Company's operations.

The IT department was re-organized in March 2007 with support from an internal team and IBM Consulting, and a new organizational and functional structure was defined. This new structure focuses on greater interaction between IT and the business departments; assertiveness in the development of feasible, innovative solutions; increased availability of and proper planning for infrastructure capacity; optimized hardware and software architecture; implementation of methodologies and processes to improve IT governance and more efficient project development.

With the acquisition of VRG in April, a new IT structure became increasingly important. The assessment of VRG's software, design for the sustainability of systems and the full outsourcing contracting took place within only seven months, while at the same time another crucial piece of software was redefined – the reservation system. The changes introduced at VRG will provide approximately R\$6 million in cost savings per year.

During 2007, the Company also revised its software platform, adapting to the combined company's new size and increasingly complex business processes. The Company also completed a project to upgrade its Enterprise Resource

Planning system (ERP), which provides improved management of GLAI's financial and supply processes. New software solutions were also employed in the operations department to lend support to aircraft engineering and maintenance, including hangar operations at the Maintenance Center in Confins, as well as sophisticated crew management software and operation controls. The Company also worked with Navitaire to develop new software for GTA's reservation system; VRG utilizes software provided by Sabre. While both solutions are adequate for each airline's business models, all software solutions will be consolidated and integrated in 2008.

Expansion

- **VRG's Acquisition** – With VRG's acquisition in 2007, the Company began serving new markets, including long-haul international service to Europe and North America. VRG will employ low-cost business strategies and offer direct-flights to domestic and international destinations, differentiated services and a mileage program to business and leisure passengers traveling throughout the world. The acquisition will also increase the number of available seat kilometers in both the domestic and international markets.

- **Offer Increase** – The Company's available seat kilometers (ASKs) grew 69.5% in 2007, 44.1% of which is directly attributable to GTA. The increased number of domestic and international destinations, in conjunction with special offers, promotions and low fare policies at GTA, along with the overall industry growth, played a part in the Company reaching this goal in 2007.

- **New destinations in South America and Europe** –GTA added four destinations to its domestic network in 2007 (Marabá – PA, Cruzeiro do Sul – AC, São José dos Campos – SP and Presidente Prudente – SP) and one new international destination (Lima – Peru). GLAI's international business (as a percentage of total business) increased to 83.4% by December 31, compared to an industry-wide drop of 6.0%.

Through the acquisition of VRG, the Company added new international destinations and increased the number of flights to Buenos Aires, Argentina. It also launched flights to new destinations in Europe and formed strategic alliances between VRG and traditional North American and European airlines.

- **E-commerce leadership in Brazil** – The Company continued to expand its e-commerce activities last year, maintaining its position as one of the largest e-commerce companies in Brazil. In fact, in 2007, nearly R\$3.4 billion in tickets were purchased through GTA's website, www.voegol.com.br, which represents approximately 80% of the Company's gross sales in 2007. In the fourth quarter of 2007, GOL's website was accessed by 2.1 million unique visitors per month (on average), up 37% when compared to the same period in 2006. While the Internet is responsible for approximately 8.8% of ticket sales at www.varig.com, VRG plans to expand this service area in 2008.

- **Cargo transportation** – The Company's cargo shipping service, Gollog, offers a number of services to passengers, for example, customers may complete forms and track their packages via the Internet. Gollog's transported volume increased 55.3% to 64,000 tons when compared to 41,200 tons in 2006. Gross revenue also increased, up 36.4% to R\$172 million, compared to R\$126 million in 2006. The cargo service operates out of two wholly-owned stations in São Paulo state, located at Congonhas and Cumbica Airports, and 48 other franchised units throughout Brazil.

Client Focus

The Company's main focus is customer service and we are always working to improve safety and punctuality while improving incentives offered through marketing and promotions and providing customers with new payment methods, mileage programs and partner alliances with other airlines to leverage their route networks.

- **Safety** – The safety of passengers and employees has always been the top priority at GLAI. The Company maintains safety training programs for its pilots, co-pilots, flight attendants, technicians and fleet maintenance crew. GLAI’s technicians and engineers have over 25 years experience in the aviation industry and the Company is a member of the Flight Safety Foundation, a worldwide flight safety agency.

- **Punctuality** – According to ANAC, GTA and VRG’s 2007 domestic punctuality statistics averaged 50% and 77%, respectively. These figures were lower than previous years, due in part to the industry’s infrastructure issues and the air traffic control crisis which began in the fourth quarter of 2006. International punctuality statistics averaged 47% and 66% for GTA and VRG, respectively.

In contrast, GTA’s regularity figures were 87% domestically and 86% internationally, while VRG registered 64% domestically and 22.5% internationally.

- **Demand Incentive** – The Company continued to develop new strategies to incentivize demand. In addition to offering lower fares and attractive marketing promotions, GLAI also developed programs to simplify the purchasing and payment process, including:

- “Voe Fácil” (Fly Easy) program, which launched in 2005 and allows GTA’s customers to pay for their tickets in up to 36 monthly installments without a credit card. The program ended 2007 with 649,000 enrolled customers.
- “GOL Negócios” (GOL Business), is a credit card designed for small- and medium-sized businesses. Each month 1.9% of the purchaser’s balance is converted to points, which are redeemable for tickets on GTA, thus reducing the expense for business travelers.
- Ticket auctions through GTA’s website for customers traveling in large groups.
- Frequent marketing promotions on GTA and VRG’s websites.

- **Smiles Mileage Program** – VRG’s Smiles Mileage Program is available in over 200 countries and with almost 5 million members is the largest mileage rewards program in Latin America. Smiles maintains partnerships with hotel chains, car rental companies, restaurants, insurance companies, publishers and schools and also maintains a partnership with some of Brazil and South America’s largest banks and credit card companies. In 2007, the program offered a number of marketing promotions aimed at re-engaging its existing members and expanding its client base.

- **Alliance Management** – As part of VRG’s integration, GLAI established an alliance management team that focuses on airline partnerships. The alliance assisted in completing agreements with over 40 commercial airlines between September and December 2007, including Continental Air Lines, Delta Air Lines, Air France and Air Europa.

Social Responsibility – GLAI invested approximately R\$3.5 million in social responsibility projects in Brazil during 2007. The Company collected food and school supplies and sponsored cultural and educational projects, as well as environmental protection initiatives. The “Copa Social” (Social Cup), an internal project that included 32 participating teams, collected 3.5 tons of food, 229 cleaning products, 5,540 personal hygiene items, 561 toys, 1,478 clothing items and 2,459 books. Through its internal recycling and selective garbage collection processes, GLAI recycled 20 tons of paper, cardboard and plastic, 14 tons of which will become new products, saving 200 trees.

GLAI also contributed to a number of organizations in 2007, including “SOS Mata Atlântica”, “AACD”, “Ashoka”, “Fundação Gol de Letra”, “Futebol dos Atores”, “Canto Cidadão”, “Projeto Felicidade”, “Care Brasil”, “Eu Quero Ajudar”, “Expedicionários da Saúde”, “Pastoral da Criança”, “Centro Infantil Boldrini”, “Expedição VagaLume” and “Instituto Criar de TV.” The Company also sponsored the Brazilian Cinema, donating 5,495 tickets to social, cinema, arts and music projects.

GLAI’s Human Resources Policy – In 2007, GLAI created 6,338 new jobs, ending the year with 15,722 employees. GLAI’s professional development practices focused on several areas: “Desenvolvimento de Competências” (Proficiency Development), “Plano de Carreira” (Career Plan), “Desenvolvimento de Lideranças” (Leadership Development), “Remuneração” (Compensation) and “Diversidade” (Diversity). The Company appreciates its employees unique talents, fosters ethnic, cultural and racial diversity, and invests in a special program designed to help those with special needs: “Portadores de Necessidades Especiais – PNE.” GLAI knows that its success is made possible only through employees’ hard work and dedication and willingness to overcome challenges and adversity.

ECONOMIC AND FINANCIAL PERFORMANCE

-- **Operating Revenue** - Net operating revenue grew 30.6% over 2006 to R\$5bn on 22.7bn revenue passenger kilometers (RPKs). The Company’s consolidated load factor in 2007 was 66.0% (GTA 68.4% and VRG 52.5%).

-- **Operational Costs** - The negative impact of cyclical demand in the Brazilian aviation industry was partially offset by the Company’s strong fiscal policies and focus on low-cost operations. The Company maintains the lowest operating costs in the industry with a 2007 CASK of R\$14.6, a 7.4% reduction over 2006 (CASK R\$15.8). GLAI increased cost savings by sharing all of GTA and VRG’s activities related to maintenance, flight safety, security, fleet and supplies.

-- **Profitability and Return** - GLAI has maintained profitability and cash flow within the international levels. In light of infrastructure issues that affected the Brazilian aviation sector, the Company registered net profit of R\$268.5mm, a 60.8% decrease from R\$684.5mm in 2006. Net profit per share was R\$1.33, a decrease of 61.9% from 2006. Return on invested capital (ROIC) was 6.2% and return on equity (ROE) was 11.1% for 2007.

-- **Liquidity** – The Company’s total liquidity was R\$2.3bn (cash, short-term investments and accounts receivable) at the end of 2007, similar to year-end 2006. The Company’s capitalization is solid, with total debt¹ to capitalization² of 70.6%.

Debt Issuance for investments- Due to the high level of investments in 2007 and scheduled investments in the coming years, the Company raised capital in 2007, mainly to finance planned fleet expansion, through the following:

- **Senior Notes Offering** - On March 22, 2007, GLAI’s subsidiary, Gol Finance, concluded an offering of US\$225 million 7.50% Senior Notes due 2017, without guarantees, to finance the acquisition of additional aircraft. The notes were rated BB+ by Fitch, a higher credit rating than the Brazilian federal government’s debt securities .
- **Pre-Delivery Payment Facility** - Sky Finance, GLAI’S subsidiary concluded a committed aircraft pre-delivery payment (“PDP”) loan facility in the amount of US\$310 million for all 21 of its Boeing 737-800 Next Generation aircraft to be delivered in 2008 and 2009. The facility, a clubbed financing which comprises eight banks, has an interest rate of LIBOR + 0.5% and 1.6 years average duration.

¹ Total debt = Total debt + Non consolidated leases

² Capitalization = Shareholders’ equity + Total debt

- Maintenance Center Funding - GOL secured long-term financing for R\$14mm, with interest, based on the National Index of Consumer Prices to Broad (IPCA) plus 6% annually, secured by accounts receivable, for use in the partial financing of investments and operational costs of the Confins Aircraft Maintenance Center.

(1) Total debt = Total debt + non consolidated leases

(2) Capitalization = Shareholders' equity + Total debt

-- Ratings - The following table shows GLAI's ratings as of December 31, 2007:

Agency	Rating	Type
Fitch	AA- (bra), Outlook Stable	National Scale
	BB+ (IDR), Outlook Stable	Local Currency
	BB+ (IDR), Outlook Stable	Foreign Currency
	BB+ (IDR)	Issuance of \$ 225mm Senior Notes / Issuance of \$ 200mm Perpetual Bonds
Moody's	A3.br, Outlook Stable	National Scale
	Ba2, Outlook Stable	Scale Global Local Currency
	BA2	Foreign Currency

CORPORATE GOVERNANCE

GLAI is committed to achieving and maintaining high standards of corporate governance. In working towards this goal, the Company has established a corporate governance and nomination committee to monitor and make recommendations with respect to corporate governance "best practices" to its board of directors and complies with Bovespa's Corporate Governance Level 2 requirements since simultaneously listing its shares on the Bovespa and New York Stock exchanges in 2004.

Focusing on transparency and treating its shareholders equally GLAI has established best practices of disclosure and use of information, through its Disclosure and Trading Policies. Additionally, the Company relies on its Disclosure Committee, which is composed of Company executives who are not otherwise directly involved in the financial disclosure process. This committee is responsible for editing and confirming information included in all of the Company's releases, as applicable.

GOL was one of the first Foreign Private Issuers (FPIs) in South America to comply with Section 404 of the Sarbanes-Oxley Act (SOX) and adheres to the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. The Company also complies with SOX Section 302, which requires executives to accept personal responsibility for disclosure controls and procedures. Annual financial statements must include certification that management has evaluated the effectiveness of its internal controls. Through these certifications GOL has worked to improve its internal processes and remains committed to employing best practices in corporate governance.

-- **Board of Directors** – GLAI's Board of Directors is comprised of eight members, of which three are independent. During the April 2007 Annual General Meeting; the three independent members were re-elected for a new term of one year.

-- **Fiscal Committee** – Created and staffed in April 2007, the Fiscal Committee is comprised of three executive board members with one year terms. As part of the transparency policy and corporate governance, the fiscal committee meets every quarter to review management's strategies and the Company's financial statements and reports its findings to shareholders.

-- **Executive Officers** are responsible for the daily management of the business and is comprised of the CEO and four Vice-Presidents and are elected by the Board of Directors for terms of one year.

-- **Board Sub-committees** – To support the Board of Directors, GLAI also counts on five non-statutory committees comprised of board members, including the Corporate Governance and Nomination Committee, People Management Committee, Risk Policies Committee, Financial Policy Committee and Audit Committee.

CAPITAL MARKETS AND INVESTOR RELATIONS

GLAI simultaneously listed on the São Paulo Stock Exchange (BOVESPA) and New York Stock Exchange (NYSE) in June 2004, becoming the second Brazilian company to simultaneously IPO in both Brazil and the U.S.

While the Ibovespa (an index tracking performance of Sao Paulo's stock exchange) increased 44% in 2007, GLAI's preferred shares dropped 31%, closing the year at R\$43.78 per share. The Company's share performance reflects industry-wide challenges with the infrastructure of the Brazilian aviation industry.

GOL's American Depositary Shares (ADS) listed on the NYSE finished the year at US\$24.82 per share, a 176% increase in share price since the Company's IPO in 2004. Over the same period, the Dow Jones Index and XAL (New York Exchange Airlines Index measuring the share performance of North American airlines) increased 6% and decreased 41% respectively. In 2007, GOL's ADSs fell 13% from the previous year, while the XAL fell by 41% over the same period, partially due to volatile fuel prices during the year. The average daily volume of GLAI's shares in 2007 was approximately R\$83mm (US\$43mm), making GLAI one of the most liquid airline stocks in the world. GOL is also included on the IGC index, Itag; IBRX-50, which tracks the performance of the 50 most liquid stocks on the Bovespa and IBOVESPA, an important performance indicator for the Brazilian stock market

GOL distributed a total of R\$297mm to its shareholders in the form of net interest on shareholder's equity and dividends in 2008, representing a 71.7% increase from 2006 and a yield of approximately 3.2% in 2007.

The Company's relationship with investors and the larger financial community is guided by the transparent disclosure of information and adherence to ethical and legal principles. The investor relations department regularly contacts investors and market analysts to ensure they are aware of material disseminations regarding the Company's performance. GLAI maintains an investor relations website with specific information directed to different target audiences: analysts, institutional investors, individual investors and fixed income investors.

RELATIONSHIP WITH INDEPENDENT AUDITORS

The Company's policy when hiring services from the independent auditors that are not related to the external audit is based on principles designed to preserve their independence in line with internationally accepted standards: auditors

must not audit their own work, may not occupy any managerial position with their clients and must not promote their clients' interests.

Procedures adopted by the Company, pursuant to item III, Article 2 of CVM Instruction 381/03:

As a matter of formal policy, prior to the hiring of other professional services not related to the external audit, the Company and its subsidiaries consult with the independent auditors in order to ensure that the provision of such services will not jeopardize the independence and objectivity needed for the performance of independent auditing services. In addition, the auditors are required to supply formal declarations of their independence when rendering non-audit services. Due approval is also obtained from the Audit Committee. In 2006, the Company did not hire any services unconnected to the external audit.

AWARDS

GOL's strong performance in 2007 was recognized by the following awards:

- Named the number one company in Latin America for disclosure procedures in the ninth annual IR Global Rankings.
- Awarded top industry honors for its IR website and named one of the five best companies in Latin America for the second consecutive year. GOL's online Annual Report was also named the best in both the industry and Latin America.
- Voted best performing airline in 2006 by *Aviation Week & Space Technology* among global airlines with revenues US\$1bn and US\$4bn.
- Awarded South American aircraft debt deal of the year by *Jane's Transport Finance* for its pre-delivery payment loan facility.
- Named one of the most shareholder friendly companies in Brazil's aerospace, transportation & industrials sectors by *Institutional Investor magazine*.
- CEO ranked Number One in Brazil's aerospace, transportation & industrials sectors by *Institutional Investor magazine*.

OUTLOOK

GLAI will continue to employ its highly successful low-fare, low-cost business model, focusing on improving service quality and integrating its subsidiaries, GTA and VRG. To that end, the Company will continue to invest in the standardization and intelligent use of its fleet, including modern aircraft, strict maintenance guidelines and operational strategies focused on optimizing the route network according to market demand.

With the acquisition of VRG in 2007, GLAI opened new operational bases in the long-haul market by offering flights to Europe and North America. VRG's strategy is to continue offering an integrated network of domestic and international flights, with differentiated services and a mileage program to meet the needs of the premium business and leisure travelers traveling to important destinations around the world. Through VRG's interline and code share agreements with other international airlines, passengers are able to travel from Brazil to destinations in Europe, Asia, Africa and the Middle East.

In 2008, GLAI will continue to rejuvenate its fleet, completely replacing its Boeing 737-300s with 737-700s and 737-800s. The Company will also expand its fleet with Boeing 767-300ERs for use on long-haul routes. The consolidated fleet will reach 111 aircraft by the end of 2008 (81 GTA and 30 VRG). It will continue offering its passengers the best cost-benefit option, adding new flights in the domestic market wherever there is sufficient demand and in other high traffic density areas throughout South America, intensifying its pioneering promotions. In this context, it will continue seeking out new and easier payment mechanisms so that more and more people have access to air travel. As always, our focus will be on our clients.

INFRASTRUCTURE FORECAST

In 2007, GLAI created a solid infrastructure through significant investments in technology, fleet expansion, and the acquisition of VRG, to support future growth of the Company in the medium- and long-term, with an expectation and focus on the assessment of results.

ACKNOWLEDGEMENTS

We would like to thank our employees, clients, suppliers, partners and travel agents. We are also deeply appreciative of the dedication shown by our sector authorities - ANAC, INFRAERO, DECEA and the Ministry of Tourism - as they seek to develop the Brazilian aviation industry.

GOL LINHAS AÉREAS INTELIGENTES S.A.

FINANCIAL STATEMENTS

December 31, 2007 and 2006

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A free translation from Portuguese into English of Report of Independent Auditors on financial statements in accordance with accounting practices adopted in Brazil

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

1. We have audited the accompanying balance sheets of Gol Linhas Aéreas Inteligentes as of December 31, 2007 and 2006, and the related statements of operations, shareholders' equity and changes in financial position, corresponding to the year ended on those dates. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements.
2. We conducted our audits in accordance with generally accepted auditing standards in Brazil, which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company, (b) the examination, on a test basis, of the documentary evidence and accounting records supporting the amounts and disclosures in the financial statements, and (c) an assessment of the accounting practices used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gol Linhas Aéreas Inteligentes at December 31, 2007 and 2006, and its results of its operations, changes in its shareholders' equity and changes in its financial position for the year ended December 31, 2007, in conformity with accounting practices adopted in Brazil.
4. We conducted our audits with the purpose of issuing an opinion about the financial statements referred to in the first paragraph. The consolidated social balance sheet and the statements of cash flow and of the value added of the parent company and consolidated prepared according to the accounting practices adopted in Brazil are being presented to provide additional information on the Company, although they are not required as part of the financial statements. These statements have been submitted to audit procedures described in the second paragraph and, in our opinion, are fairly presented in all material aspects concerning the financial statements taken as a whole.
5. The accounting practices adopted in Brazil differ in some significant aspects from the generally accepted accounting principles in the United States of America. The information relative to the nature and effect of such differences are presented in the Note 2 to the financial statements.

São Paulo, February 12, 2008
ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-1

Maria Helena Pettersson
CRC-1SP119891/O-0

A free translation from Portuguese into English of Report of Independent Auditors on financial statements in accordance with accounting practices adopted in Brazil

GOL LINHAS AÉREAS INTELIGENTES S.A.

BALANCE SHEETS
December 31, 2007 and 2006
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2007	2006	2007	2006
Assets					
Current assets					
Cash and cash equivalents		98,656	136,332	916,164	699,990
Short-term investments	3	169,485	473,166	516,637	1,006,356
Accounts receivable	4	-	-	916,133	659,306
Inventories	5	-	-	215,777	75,165
Deferred taxes and carryforwards	6	36,139	13,467	65,247	73,451
Dividends receivable		138,049	173,372	-	-
Prepaid expenses		2,323	464	143,756	64,496
Credits with leasing companies		142,098	86,047	149,729	87,808
Other credits		30	265	144,484	58,009
Total current assets		586,780	883,113	3,067,927	2,724,581
Non-current assets					
Long-term receivables					
Escrow deposits	7	-	-	163,480	72,709
Deferred taxes and carryforwards	6	40,725	-	367,088	23,466
Credits with leasing companies		-	130,068	-	145,593
Credits with related companies	16	90,832	-	-	-
Other credits		740	-	5,601	2,893
Total long-term receivables		132,297	130,068	536,169	244,661
Permanent assets					
Investments	8	1,784,827	1,179,229	884,847	2,281
Property, plant and equipment (including advances for aircraft acquisition of R\$ 695,538 in 2007 and R\$ 436,911 in 2006)	9	-	-	1,251,423	795,393
Deferred charges	10	274	-	24,462	13,252
Total permanent assets		1,785,101	1,179,229	2,160,732	810,926
Total non-current assets		1,917,398	1,309,297	2,696,901	1,055,587
Total assets		2,504,178	2,192,410	5,764,828	3,780,168

GOL LINHAS AÉREAS INTELIGENTES S.A.

BALANCE SHEETS December 31, 2007 and 2006 (In thousands of reais)

	Note	Parent Company		Consolidated	
		2007	2006	2007	2006
Liabilities					
Current liabilities					
Short-term borrowings	11	-	-	824,132	140,688
Suppliers		597	185	326,364	124,110
Operating leases payable		-	-	35,982	18,250
Payroll and related charges		-	-	163,437	87,821
Tax obligations		1,592	44,478	68,013	100,177
Landing fees and duties		-	-	84,319	39,217
Air traffic liability	2a and 12	-	-	472,860	335,268
Dividends and interest on shareholders' equity		75,610	42,961	75,610	42,961
Mileage program	13	-	-	50,080	-
Other obligations		561	36,827	91,727	67,023
Total current liabilities		78,360	124,451	2,192,524	955,515
Non-current liabilities					
Long-term borrowings	11	-	-	1,066,102	726,981
Provision for contingencies	14	-	-	32,075	5,715
Accounts payable to related companies		7,926	-	-	-
Other obligations		6,900	-	63,135	23,998
Total non-current liabilities		14,826	-	1,161,312	756,694
Shareholders' equity					
Capital stock		1,363,946	993,654	1,363,946	993,654
Capital reserves		89,556	89,556	89,556	89,556
Income reserves		954,823	989,071	954,823	989,071
Monetary adjustment of capital	2r	2,667	(4,322)	2,667	(4,322)
Total shareholders' equity		2,410,992	2,067,959	2,410,992	2,067,959
Total liabilities and shareholders' equity					
		2,504,178	2,192,410	5,764,828	3,780,168

See accompanying notes to financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

STATEMENTS OF INCOME Years ended December 31, 2007 and 2006 (In thousands of reais, except earnings per share)

	Note	Parent Company		Consolidated	
		2007	2006	2007	2006
Gross operating revenue					
Passenger	2	-	-	4,742,439	3,722,046
Cargo	2	-	-	171,968	126,096
Others	2	-	-	244,019	103,716
		-	-	5,158,426	3,951,858
Income taxes and contributions		-	-	(191,164)	(149,841)
Net operating revenues		-	-	4,967,262	3,802,017
Cost of services rendered	19	-	-	(4,403,438)	(2,577,111)
Gross profit		-	-	563,824	1,224,906
Operating expenses (income)					
Commercial expenses	19	-	-	(367,866)	(414,597)
Administrative expenses	19	(8,436)	(8,664)	(256,182)	(201,367)
Financial expenses	20	(131,821)	(11,241)	(407,415)	(132,678)
Financial income	20	136,509	238,201	513,613	399,376
Other income		-	48,665	-	-
		(3,748)	266,961	(517,850)	(349,266)
Results of equity pickup					
Equity accounting		227,133	536,315	-	-
Non-operating results	9	-	-	(34,354)	98,071
Income before income tax and social contribution		223,385	803,276	11,620	973,711
Income tax and social contribution	6	45,142	(118,804)	256,907	(289,239)
Net income		268,527	684,472	268,527	684,472
Number of outstanding shares at the balance sheet date		202,300,255	196,206,466	202,300,255	196,206,466
Earnings per share (R\$)		1.33	3.49	1.33	3.49

See accompanying notes to financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2007 and 2006

(In thousands of reais)

	Capital stock		Capital reserves		Income reserves		Adjustments to asset valuation	Retained earnings	Total
	Subscribe d capital	Unrealized capital	Tax incentives	Subsidiary's special goodwill reserve	Legal reserve	Reinvestment reserve			
Balance at December 31, 2005	992,943	(1,739)	60,369	29,187	33,215	452,529	6,411	-	1,572,915
Realized capital increase	711	1,739	-	-	-	-	-	-	2,450
Total comprehensive income, net of taxes	-	-	-	-	-	-	(10,733)	-	(10,733)
Net income for the year	-	-	-	-	-	-	-	684,472	684,472
Proposed profit allocation:									
Legal reserve	-	-	-	-	34,224	-	-	(34,224)	-
Dividends and interest on shareholders' capital	-	-	-	-	-	-	-	(181,145)	(181,145)
Reinvestment reserve	-	-	-	-	-	469,103	-	(469,103)	-
Balance at December 31, 2006	993,654	-	60,369	29,187	67,439	921,632	(4,322)	-	2,067,959
Capital increase on April 9, 2007	369,860	-	-	-	-	-	-	-	369,860
Capital increase by means of stock options exercised	432	-	-	-	-	-	-	-	432
Total comprehensive income, net of taxes	-	-	-	-	-	-	6,989	-	6,989
Net income for the year	-	-	-	-	-	-	-	268,527	268,527
Reversal of reinvestment reserve parcel	-	-	-	-	-	(47,674)	-	47,674	-
Proposed profit allocation:									
Legal reserve	-	-	-	-	13,426	-	-	(13,426)	-
Dividends and interest on shareholders' capital	-	-	-	-	-	-	-	(302,775)	(302,775)
Balance at December 31, 2007	1,363,946	-	60,369	29,187	80,865	873,958	2,667	-	2,410,992

See accompanying notes to financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

STATEMENTS OF CHANGES IN FINANCIAL POSITION Year ended December 31, 2007 and 2006 (In thousands of reais)

	Note	Parent Company		Consolidated	
		2007	2006	2007	2006
Financial resources					
Resources generated by (used in) operations					
Net income for the period		268,527	684,472	268,527	684,472
From operations:					
Items that not affect working capital:					
Equity accounting		(227,133)	(536,315)	-	-
Exchange rate variation on investments		30,688	-	-	-
Total unrealized hedge result, net of taxes, on invested companies		(6,821)	-	-	-
Depreciation and amortization	19	-	-	101,741	58,252
Deferred taxes	5	(40,725)	(37,782)	(343,622)	(31,533)
		24,535	110,375	26,646	711,191
From shareholders:					
Capital increase	17 a	370,292	2,450	370,292	2,450
		370,292	2,450	370,292	2,450
From third-parties:					
Effect of non-current items on VRG acquisition, net		-	-	27,116	-
Increase in non-current liabilities		7,926	-	64,336	727,279
Reclassification from current to non-current assets		130,068	-	-	-
Transfer of credits with leasing companies from current to non-current assets		-	-	175,163	-
Borrowings		-	-	465,635	-
Dividends received		173,717	-	-	-
Decrease in investments		-	395,763	-	-
Total comprehensive income, net of taxes	23	6,989	-	6,989	-
Total resources		713,527	508,588	1,136,177	1,440,920
Use of resources					
In operations:					
Proposed dividends and interest on shareholders' equity		302,775	181,145	302,775	181,145
Investments in subsidiaries		569,148	-	883,296	452
Acquisition of property, plant and equipment, including pre-delivery deposits		-	10,733	-	10,733
Total comprehensive income, net of taxes		-	-	16,157	-
Investments on deferred assets		-	-	132,116	-
Reclassifications to current liabilities		91,846	47,191	130,932	99,051
Increase in credits with related companies		(250,242)	269,519	(893,663)	875,885
Total investments		302,775	181,145	302,775	181,145
Increase (decrease) in other non-current assets		569,148	-	883,296	452
Change in net working capital					
Current assets:					
At end of the period		586,780	883,113	3,067,927	2,724,581
At beginning of the period		883,113	608,447	2,724,581	1,546,707
		(296,333)	274,666	343,346	1,177,874
Current liabilities:					
At end of the period		78,360	124,451	2,192,524	955,515
At beginning of the period		124,451	119,304	955,515	653,526
		(46,091)	5,147	1,237,009	301,989
Increase in net working capital		(250,242)	269,519	(893,633)	875,885

See accompanying notes to financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

CASH FLOW STATEMENTS Years ended December 31, 2007 and 2006 (In thousands of reais)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net income for the period	268,527	684,472	268,527	684,472
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	-	-	101,741	58,252
Allowance for doubtful accounts	-	-	12,931	5,476
Deferred income taxes	(45,142)	(37,782)	(368,035)	(31,533)
Equity accounting	(227,133)	(536,315)	-	-
Exchange rate variation of investments	30,688	-	-	-
Exchange rate variation of borrowings	-	-	(137,114)	-
Total comprehensive income, net of taxes	(6,821)	-	-	-
Changes in operating assets and liabilities:				
Receivables	-	-	(232,533)	(100,824)
Inventories	-	-	(129,319)	(34,482)
Prepaid expenses, taxes recoverable and other receivables	53,398	(135,533)	(50,904)	(298,615)
Suppliers	412	185	137,469	50,186
Air traffic liability	-	-	98,800	117,468
Smiles mileage program	-	-	(20,810)	-
Taxes payable	(42,886)	27,427	(32,168)	42,991
Payroll and related charges	-	-	72,169	69,904
Provision for contingencies	-	-	26,360	298
Dividends and interest on shareholders' equity	-	(58,521)	-	(58,521)
Other liabilities	(103,545)	36,056	49,978	(6,711)
Net cash used in (generated by) operating activities	(72,502)	(20,011)	(202,908)	498,361
Investing activities:				
Financial investments	303,681	(262,758)	489,719	(266,625)
Investments in permanent assets	(201,297)	571,897	(194,087)	(452)
Dividends	173,717	-	-	-
Deposits in guarantee	-	-	54,822	(11,169)
Property, plant and equipment acquisition includes deposits for aircraft acquisition	-	-	(541,573)	(273,654)
Others	-	-	(16,157)	-
Net cash used in (generated by) investing activities	276,101	309,139	(207,276)	(551,900)
Financing activities:				
Borrowings	-	-	867,633	813,653
Capital increase	2,441	2,450	2,441	2,450
Dividends and interest on shareholders' equity paid	(250,705)	(181,145)	(250,705)	(181,145)
Unrealized hedge result, net of taxes	6,989	(10,733)	6,989	(10,733)
Net cash used in (generated by) financing activities	(241,275)	(189,428)	626,358	624,225
Net cash increase (decrease)	(37,676)	99,700	216,174	570,686
Cash and cash equivalents at the beginning of the period	136,332	36,632	699,990	129,304
Cash and cash equivalents at the end of the period	98,656	136,332	916,164	699,990
Additional information:				
Interest paid for the period	-	-	163,764	64,786
Income tax and social contribution paid for the period	-	81,022	85,070	251,868
Transactions not affecting cash:				
Special goodwill reserve	5,838	5,838	5,838	5,838
Capital increase by issuance of shares for VRG acquisition	367,851	-	367,851	-
Goodwill on capital deficiency of VRG	-	-	507,827	-

See accompanying notes to financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

ADDED VALUE STATEMENTS Year ended December 31, 2007 and 2006 (In thousands of reais)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues				
Passenger, cargo and other transportation revenues	-	-	5,158,426	3,951,858
Allowance for doubtful accounts	-	-	(12,931)	(10,366)
Inputs Acquired From Third Parties (including ICMS and IPI)				
Fuel and lubricant suppliers	-	-	(1,898,840)	(1,227,001)
Material, energy, third-party services and others	(8,121)	(8,664)	(1,181,079)	(666,954)
Aircraft insurance	-	-	(44,646)	(30,169)
Sales and marketing	-	-	(354,935)	(414,597)
Gross added value	<u>(8,121)</u>	<u>(8,664)</u>	<u>1,665,995</u>	<u>1,602,771</u>
Retentions				
Depreciation and amortization	-	-	(101,740)	(58,252)
Net added value generated by the company	<u>(8,121)</u>	<u>(8,664)</u>	<u>1,564,255</u>	<u>1,544,519</u>
Added value received in transfer				
Tax credits arising from accumulated tax losses and social contribution tax losses	45,142	-	256,907	-
Results of equity pickup	227,133	536,315	-	-
Financial expense	6,564	226,960	178,440	266,698
Total added value to be distributed	<u>270,718</u>	<u>679,389</u>	<u>2,221,858</u>	<u>1,752,116</u>
Added value distribution				
Employees	(21)	-	(659,244)	(410,820)
Government	(2,168)	(118,804)	(358,711)	(439,080)
Financing companies	(2)	-	(162,715)	(64,786)
Lessors	-	-	(661,533)	(276,845)
Shareholders	(302,775)	(181,145)	(302,775)	(181,145)
Reinvested	34,248	(379,440)	34,248	(379,440)
Total distributed added value	<u>(270,718)</u>	<u>(679,389)</u>	<u>(2,221,858)</u>	<u>(1,752,116)</u>

See accompanying notes to financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

(In thousands of reais)

1. Business Overview

Gol Linhas Aéreas Inteligentes S.A. (Company or GLAI) is the parent company of the Brazilian airline companies Gol Transportes Aéreos S.A. (GOL), a low-cost low-fare airline company and VRG Linhas Aéreas S.A. (VRG), differentiated regular air transportation services. The Company's strategy is to grow and increase results of its businesses, popularizing and stimulating demand for safe and high quality air transportation for business and leisure passengers, keeping its costs among the lowest in the industry worldwide. The simplified Company's fleet, ranks among the sector's newest and most modern and is operated at low operating costs and with high utilization and efficiency levels. The Company offers a single class of services for domestic flights at GOL and VRG and two service classes, namely, coach and business for long-haul international routes at VRG,

Gol Linhas Aéreas Inteligentes S.A. was organized on March 12, 2004, having as shareholders the Grupo Áurea companies: Aeropar Participações S.A and Comporte Participações S.A. At March 2006, due to a reorganization of the Company's corporate shareholdings, the shares held by Aeropar Participações S.A. and Comporte Participações S.A. were transferred to Fundo de Investimento em Participações ASAS.

The wholly-owned subsidiary GOL, organized on August 1, 2000, has as main corporate purpose regular and non-regular air transportation of passengers, cargo and express courier in the domestic and foreign territories, under the concession regime as authorized by the Brazilian Civil Aviation National Agency – ANAC (the old Brazilian Civil Aviation Department – DAC), of the Ministry of Aeronautics, by means of Ordinance No. 1109/DGAC as of August 18, 2000.

GOL is a low-cost low-fare airline, which provides regular and non-regular air transportation services among Brazilian cities and also for cities in Argentina, Bolivia, Paraguay, Uruguay, Chile and Peru. At December 31, 2007 GOL operated a 78-aircraft fleet, comprising 36 Boeing 737-800, 30 Boeing 737-700 and 12 Boeing 737-300. At December 31, 2007, the Company operated flights to 59 destinations, 51 of which in Brazil, 3 in Argentina, 1 in Bolivia, 1 in Paraguay, 1 in Uruguay, 1 in Chile, and 1 in Peru.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

1. Business Overview (Continued)

On April 9, 2007, the Company assumed the control of VRG Linhas Aéreas S.A. (VRG). VRG operates domestic and international flights under its own brand (VARIG) offering differentiated services and incorporating a high efficiency operational model with management best practices. On April 4, 2007, the acquisition was approved by the National Civil Aviation Agency (ANAC). The acquisition of VRG is conditioned upon approval by the Brazilian Antitrust Agency (CADE).

VRG was acquired and incorporated using the best operational efficiency practices and provides differentiated regular air transportation services between the main economic centers of Brazil and high traffic markets in South America and Europe. VRG operates in the domestic market with a single-class of service, and on long-haul international routes it offers two service classes, namely, coach and business. VRG also offers a mileage plan (Smiles). At December 31, 2007 VRG operated a 33-aircraft fleet, comprised of 7 Boeing 737-800, 1 Boeing 737-700, 16 Boeing 737-300, and 9 Boeing 767-300. At December 31, 2007, the Company operated flights to 23 destinations, 14 of which in Brazil, 1 in Argentina, 1 in Colombia, 1 in Venezuela, 1 in Germany, 1 in France, 1 in Italy, 1 in England, 1 in Mexico, and 1 in Chile.

2. Basis of Preparation and Presentation of the Financial Statements

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 provide for the additional requirements of the BOVESPA *Novo Mercado* (New Market).

The financial statements are presented in compliance with the pronouncement of IBRACON NPC 27 – Accounting Statements – Presentation and Disclosures. The authorization for the conclusion of the preparation of these consolidated financial statements occurred in the Board of Directors Meeting of February 12, 2008.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

The financial statements includes the accounts of Gol Linhas Aéreas Inteligentes S.A. and its direct subsidiaries Gol Transportes Aéreos S.A., GTI S.A., GAC Inc. and Gol Finance, and indirect subsidiaries VRG Linhas Aéreas S.A. and SKY Finance.

The consolidated financial statements as of December 31, 2007 are not comparable to the statements as of December 31, 2006, due to the acquisition of the subsidiary VRG, consolidated as from April 9, 2007. VRG commenced operations on December 14, 2006 as a company with permission to provide air transportation services and, due to its formation process and recent history, there is no information for the preparation of pro-forma financial statements for previous periods for purposes of comparison.

The Statement of Environmental and Social Information – prepared according to the Brazilian Accounting Standards (not audited) are presented as supplementary information considered material for the market.

The accounts of other credits and credits with leasing companies in current assets, escrow deposits, other credits and deferred charges in non-current assets, leasing payable, insurance and employee profit sharing were grouped, segregated or reclassified for adequacy to the current presentation. In 2007, the Company reviewed the presentation of interest on shareholders' equity in the financial statements aiming to improve the understanding of its operating results. Detailed information about interest on shareholders' equity is presented in Note 17.

Significant accounting practices and criteria adopted by the Company are described as follows:

a) Recognition of revenues

Revenues are appropriated in compliance with the accrual basis method. Passenger transportation revenues are recognized after the effective provision of services. Tickets sold and corresponding air traffic liabilities are shown in current liabilities, having as utilization term the period of one year.

Cargo transportation revenues are recognized when the transport is executed. Other revenues are represented by charter services, flight reservation change rates and other services, which are recognized when services are provided.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

b) Cash and cash equivalents, financial investments and short-term investments

Financial investments with maturity not over 90 days from the balance sheet date are classified as Cash and cash equivalents and shown by the investment amount, plus remunerations proportionally contracted and recognized up to the balance sheet date. Short-term investments of fixed income, variable income, public securities and certificates of bank deposits (CDB) refer to financial investments redeemable in a term over 90 days from the balance sheet date and are represented by securities acquired with the purpose of being frequently and actively traded, classified as securities available for sales. Such investments are evaluated and accounted by the market value determined based on quotations obtained in an active market, deriving from transactions made between independent parties. If there is no active market for the investment, estimatives are made based on negotiation of another financial instrument of similar nature, maturity and risk or by mathematical-statistical pricing models. The realized and unrealized gains and losses referring to the short-term investments are recognized in the statement of income.

c) Provision for doubtful accounts

Provision for doubtful accounts is set up in an amount sufficient to cover estimated losses by means of historical analysis of overdue amounts in the realization of accounts receivable considering the risks related to the nature of the credits.

d) Inventories

Inventories are comprised of consumption material, parts and maintenance material. They include imports in progress and are presented at acquisition cost, reduced by obsolescence provisions, when applicable, not to exceed market value.

e) Escrow deposits

Include escrow deposits of contracts and judicial deposits. As defined in the operating lease contracts, the Company makes lease contract deposits for leasing companies. These deposits are denominated in US dollars, do not earn interest and are repayable at the end of the contract.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

f) Investments

Investments in subsidiaries are recognized under the equity method. The financial statements of subsidiaries are prepared based on accounting practices in accordance with the Company's. The financial statements of Gol Finance, GAC Inc and SKY Finance, are converted into Brazilian Reais considering that their functional currency is the Real and that certain non-monetary items are maintained at historical cost in foreign currency and are converted using the foreign exchange rate at the beginning of the transaction. Monetary items are converted based on historical foreign exchange rate in force at the balance sheet date with the corresponding foreign exchange variations recognized as financial income.

In the consolidated financial statements, goodwill arising from the acquisition of investments, based on expected future profitability, will be amortized according to the profit realization forecast, within up to ten years from the date on which the benefits start to be generated. The goodwill recovery analysis is annually made based on the updated result forecasts approved by the Board of Directors.

g) Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost, which includes financial charges incurred during the aircraft construction stage, less respective accumulated depreciation, calculated by the straight-line method at rates that take into consideration the estimated useful life of the assets. Improvements in third-party assets, aircraft, furniture and airport bases are depreciated based on rent/lease contracts. Recovery of property, plant and equipment in the course of future operations is periodically evaluated.

Prepayments of aircraft, which include the financial charges incurred during the construction phase of the aircraft, are also recorded in property, plant and equipment.

Results on sale-leaseback transactions are fully recognized, on the transaction date, as non-operating results.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

h) Deferred charges

Deferred charges are comprised by the remaining balance of pre-operating expenses and expenses that will benefit deferred income and may be amortized within a period of 2 to 5 years.

i) Assets and liabilities in foreign currency or subject to indexation

They are restated based on foreign exchange rates and indices effective at the balance sheet date.

j) Mileage program

VRG offers a mileage program denominated Smiles which consists of the conversion of miles accumulated by passengers when flying VRG and using the services and products contracted with non-airline companies in the financial, oil, hotels and insurance segments into awards and tickets. Obligations related to miles issued, accumulated and not redeemed are recognized through the set-up of a provision registered against commercial expenses using the estimated total tickets to be granted and valued based on incremental cost which consists of additional cost by passengers on board. The revenue arising from miles sold to partners under Smiles mileage program are recorded as other income when sold.

l) Operating leases

Monthly contractual liabilities resulting from aircraft operating leasing contracts without a purchase option clause are charged to P&L by the time they are incurred. Additionally, the lease contracts establish the conditions in which the aircraft will have to be returned at the end of the leasing period. Depending on the aircraft and its parts utilization and maintenance conditions, at the end of the agreements, the Company may be asked to make additional payments to the lessor regarding such contractual obligations. The Company accrues those costs, if any, on the date the payments can be estimated as highly probable.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

m) Financial income (expenses)

Financial income represents accrued interest, foreign exchange variations of assets, financial investment gains and derivative financial instrument gains. Financial expenses include interest expenses on loan, foreign exchange and monetary variations of liabilities and losses on derivative financial instruments.

n) Income tax and social contribution

Provision for income tax is calculated at a 15% rate, plus a 10% surtax on taxable profit exceeding R\$ 240 a year, and social contribution is recorded at a 9% rate on the taxable base.

Deferred income tax and social contribution arise from accumulated income and social contribution tax losses, and from temporary additions to taxable profit. Tax credits resulting from accumulated income and social contribution tax losses were recorded based on expected generation of future taxable profit observing legal limitations.

o) Employee profit sharing

The provision for employee profit sharing is monthly set up based on management estimates, considering the achievement of the targets and recorded as payroll expenses.

p) Provision for contingencies

Provision for contingencies is set up based on the opinions of legal consultants at amounts sufficient to cover losses and risks considered probable.

q) Use of estimates

The preparation of the financial statements in accordance with the accounting practices require that management makes estimates based on assumptions that affect the value of assets, liabilities, revenues and expenses and disclosures presented in the financial statements. Actual results may differ from these estimates.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

r) Consolidation

The consolidation process of balance sheet and statement of income accounts adds up horizontally the balances of asset, liability, revenue and expense accounts, according to their nature, supplemented by elimination of interest of parent company in capital, reserves and retained earnings of the subsidiaries. Exclusive funds recorded as short-term investments are consolidated.

s) Proposed profit allocation

The financial statements reflect the Board of Directors' proposal for allocation of the net income for the year subject to the approval by the Annual General Meeting.

t) Derivatives

In order to protect a part of the Company's exposure from the effects of foreign exchange rate change and from the increase in fuel prices, the Company uses oil and foreign exchange derivative financial instruments. Those instruments are mainly futures, options, collars and swaps.

As there is not a future market for aircraft fuel in Brazil, the Company uses international derivatives to manage its exposure to fuel price increases. There is a high correlation between international oil prices and aircraft fuel in Brazil, making oil derivatives effective in offsetting aircraft fuel price fluctuation and serving as a short-term protection against strong increases in average aircraft fuel price.

The Company measures the effectiveness of derivatives in relation to variations in the hedged assets prices. As most of the Company's fuel derivatives are not traded on stock exchanges, the Company estimates their fair values based on present value valuation methods by discounting future cash flows, or by option valuation models, which uses assumptions on market prices of commodities. Furthermore, as there is not a reliable futures market for aircraft fuel, management estimates aircraft fuel future prices based on international future curves to measure the effectiveness of derivatives to offset price fluctuations.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

t) Derivatives (Continued)

Aiming to record, demonstrate and disclose transactions with derivative financial instruments carried out by the Company and its subsidiaries, based on their formal risk management policies, the Company measures the effectiveness of derivative financial instruments used with the specific purpose of market risk coverage based on their fair values, and to recognize the non-effective portion of realized results of the transactions with derivative financial instruments directly in the financial result for the year, whereas the effective portion of results is recognized by adjusting revenues and expenses related to the hedged items. According to hedge accounting standards, gains and losses from derivatives in effective hedging transactions are kept in the adjustments to asset valuation account, in shareholders' equity, and recognized in P&L on the date when the hedge-related expenses are incurred.

The accounting policy for effectiveness measurement of derivative instruments was defined based on the Company's risk management policy that considers effective instruments which offset between 80% and 125% of the price fluctuation of the hedged item.

The market value of derivative financial instruments is calculated based on usual market practices, using closing amounts in the period and material underlying price quotations, except for option contracts, whose values are determined based on a pricing methodology (*Black & Scholes*), and the variables and information related to volatility ratios are obtained by means of acknowledged market information providers.

u) Earnings per share

Earnings per share are calculated based on the number of outstanding shares at the balance sheet date.

v) Segment information

Segment information is presented in a consistent form with the information presented in the financial statements prepared according to generally accepted accounting principles in the United States of America – USGAAP and includes revenue geographically segregated.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

x) Reconciliation with disclosures under USGAAP

Preferred shares of Gol Linhas Aéreas Inteligentes S.A. are traded as American Depositary Shares – ADS on the NYSE in the United States of America, and are subject to the rules of the US Securities and Exchange Commission – SEC. The Company prepares the consolidated financial statements according to generally accepted accounting principles in the United States of America – USGAAP. Aiming to fulfill the need for information in the markets in which it operates, the Company's practice is to simultaneously disclose its financial statements prepared as per Brazilian Corporation Law and under USGAAP.

Accounting practices adopted in Brazil differ from accounting principles generally accepted in the United States – USGAAP applicable to the air transport segment. At December 31, 2007, the net income for the period, in accordance with accounting practices adopted in Brazil (BRGAAP), was R\$ 166,014 higher (R\$126,120 at December 31, 2006) and the shareholders' equity presented in the Company's financial statements as per Brazilian Corporation Law was R\$ 35,729 higher (R\$ 126,424 lower at December 31, 2006) in comparison with the financial statements prepared under USGAAP.

As of December 31, 2007, reconciliation of net income and shareholders' equity is as follows:

	Shareholders' Equity	Net Income
As per Brazilian Corporation Law	2,410,992	268,527
Mileage program	(28,931)	(28,931)
Maintenance deposits	322,354	58,704
Aircraft leasing	8,964	8,565
Deferred income tax	(100,230)	(29,950)
Results of sale-leaseback transactions	(823)	57,524
Deferred expenses	(21,980)	(8,765)
Effects of VRG acquisition	(230,294)	(224,155)
Others	15,211	994
USGAAP	<u>2,375,263</u>	<u>102,513</u>

There are also differences in the classification of assets, liabilities and income items.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

z) Law No. 11,638

On December 28, 2007, Law No. 11638 was enacted by the Brazilian president. Law No. 11638 amends and revokes provisions of Law No. 6404, of December 15, 1976, and Law No. 6385, of December 7, 1976.

The requirements of this Law shall apply to financial statements reported for fiscal years ended on or after January 1, 2008, regarding the following changes applicable to the Company:

- The entries of accounting adjustments made exclusively to meet the accounting standards, are not taxable or deductible;
- In some business combinations entered by and between unrelated parties, the assets and liabilities acquired will be accounted by the market value;
- The assets subject matter of financial leasing must be recorded in Property, plant and equipment;
- Some destined financial assets must be evaluated by the market value;
- Some assets and liabilities must be adjusted to their present value, especially the long-term ones;
- The adjustments to market value of assets and liabilities must be recorded in a new account denominated adjustments to asset valuation, in shareholders' equity;

Company management understands that it is still not possible to anticipate the effects of Law No. 11638 on the results of operations and on Company's equity and financial positions for the year ending December 31, 2008 and, retrospectively, on the financial statements for the year ended December 31, 2007, when presented comparatively with the financial statements as of December 31, 2008.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

3. Short-Term Investments

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Short-term Investments				
Bank Deposit Certificates – CDB	72,024	289,373	125,720	449,374
Government securities	97,461	183,793	107,211	207,057
Fixed-income investments overseas	-	-	283,706	349,925
	<u>169,485</u>	<u>473,166</u>	<u>516,637</u>	<u>1,006,356</u>

The Company and its subsidiaries hold 100% of the shares of exclusive investment fund, constituted as mutual funds with indefinite terms and with tax neutrality, resulting in benefits to their share holders. Investments in exclusive investment funds have daily liquidity. The exclusive funds portfolio management is carried out by external managers who follow the investment policies established by the Company.

Investment funds take part in operations comprising financial derivative instruments recorded in balance sheet or memorandum accounts, aimed at managing the Company's exposure to market and foreign exchange rate risks. At December 31, 2007, there are financial investments in the amount of R\$ 8,210 (R\$ 9,565 at December 31, 2006), linked to guarantees represented by hedging contracts. Information concerning risk management policies and the positions of open derivative financial instruments are detailed in Note 23.

Financial investments in CDBs (Bank Deposit Certificates) have an average earning, net of taxes, of approximately 0.90% per month, based on the CDI (Interbank Deposit Certificate) variation, and may be redeemed at any time without loss of the recognized income.

Fixed income investments overseas refer to securities issued by international banks ("time deposits" and swaps) that jointly have interest yield of approximately 0.83% per month, government securities issued by the Austrian Government that have interest yield, net of taxes, of approximately 0.65% per month and government securities issued by the U.S. Government (T-Bills).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

4. Accounts Receivable

	Consolidated	
	2007	2006
Local currency:		
Credit card administrators	674,380	524,296
Travel agencies	117,933	68,320
Installment sales	76,017	38,826
Cargo agencies	18,178	10,330
Other	21,810	7,191
	908,318	648,963
Foreign currency	31,112	20,709
Allowance for doubtful accounts	(23,297)	(10,366)
	916,133	659,306

Changes in the allowance for doubtful accounts is as follows:

	Consolidated	
	2007	2006
Balances at beginning of year	10,366	4,890
Additions	19,865	8,037
Recoveries	(6,934)	(2,561)
Balances at end of year	23,297	10,366

The breakdown of the accounts receivable aging list is as follows:

	Consolidated	
	2007	2006
To be due	899,032	656,682
Past-due for less than 30 days	20,447	1,762
Past-due from 31 to 60 days	2,694	1,064
Past-due from 61 to 90 days	3,091	382
Past-due from 91 to 180 days	2,964	1,287
Past-due from 181 to 360 days	3,219	3,675
Past-due for more than 360 days	7,983	4,820
	939,430	669,672

According to Note 11, as of December 31, 2007, the amount of R\$ 21,262 (R\$ 25,664 at December 31, 2006) referring to accounts receivables from travel agencies and its administrators relate to loan agreements guarantees.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

5. Inventories

	Consolidated	
	2007	2006
Consumption materials	17,958	4,701
Parts and maintenance material	103,833	45,763
Advances to suppliers	44,492	20,024
Imports in transit	44,528	-
Other	4,966	4,677
	215,777	75,165

According to Note 11, as of December 31, 2007, the pledge of parts and equipment amounting to R\$ 91,395 are related to loan agreements guarantees.

6. Deferred and Recoverable Taxes and Provision for Income Tax and Social Contribution

	Parent Company		Consolidated	
	2007	2006	2007	2006
Taxes Recoverable or Offsettable				
PIS and Cofins	-	26	1,293	1,349
ICMS	-		2,541	-
Prepayment of IRPJ and CSSL	8,164	5,799	9,358	37,500
IRRF on financial investments	9,616	-	10,074	9,386
Government tax withheld	-	-	6,960	-
Value-added tax recoverable	-	-	7,250	-
Others	6,723	424	8,093	12,161
	24,503	6,249	45,569	60,396
Deferred Income Tax and Social Contribution				
Tax credits on accumulated tax losses	38,501	5,308	141,281	5,308
Social contribution tax losses	13,860	1,910	52,361	1,910
	52,361	7,218	193,642	7,218
Temporary differences:				
Provisions for losses on assets	-	-	132,554	-
Provisions for contingencies	-	-	15,422	12,158
Allowance for doubtful accounts	-	-	24,843	3,524
Provision for equipment maintenance	-	-	7,500	-
Others	-	-	5,022	-
	-	-	185,341	15,682
Tax credits arising from merger	-	-	7,783	13,621
	52,361	7,218	386,766	36,521
	76,864	13,467	432,335	96,917
Short-term	(36,139)	(13,467)	(65,247)	(73,451)
Long-term	40,725	-	367,088	23,466

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

6. Deferred and Recoverable Taxes and Provision for Income Tax and Social Contribution (Continued)

The tax credits arising from the merger of BSSF II Holdings Ltda. with the subsidiary GOL, occurred on March 29, 2004, is being amortized on a straight-line basis over 60 months since May, 2004.

At December 31, 2007, the tax credits resulting from accumulated losses, social contribution tax losses and temporary differences were recorded based on expected generation of future taxable income by the parent company and its subsidiaries, provided that legal limitations are complied with. The forecast of the generation of future taxable income technically prepared and supported by the Company and its subsidiaries business plans indicate existence of taxable income sufficient for the realization of deferred tax credits within an estimated term of five years. The tax credits of the recently acquired subsidiary VRG were valued considering future earnings forecasts prepared under the responsibility of the new Management, and based on studies and financial, economic and business assumptions that consider its corporate financial and operational restructuring.

The Company reviewed its projections for generation of taxable income in connection with the adverse operating conditions in 2007 and the acquisition of VRG. The realization of tax credits, considering the 12-month period from January 1 to December 31 of each year, is estimated as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Parent Company	11,636	18,430	22,295	-	-	52,361
GOL	5,837	27,865	-	-	-	33,702
VRG	2,080	49,120	70,270	89,225	89,883	300,578
GTI	125	-	-	-	-	125
Consolidated	<u>19,678</u>	<u>95,415</u>	<u>92,565</u>	<u>89,225</u>	<u>89,883</u>	<u>386,766</u>

The reconciliation of income and social contribution tax expenses, calculated by applying combined statutory tax rates with amounts presented in the statement of income, is set forth below:

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

6. Deferred and Recoverable Taxes and Provision for Income Tax and Social Contribution (Continued)

Description	Income tax and social contribution			
	Parent Company		Consolidated	
	2007	2006	2007	2006
Income before income tax and social contribution	223,385	803,276	11,620	973,711
Combined tax rate	34.00%	34.00%	34.00%	34.00%
Income tax and social contribution at combined tax rate	(75,950)	(273,114)	(3,951)	(331,062)
Adjustments for effective rate calculation:				
Income tax on equity pickup	60,523	114,215	-	-
Benefits of deferred income tax and social contribution of subsidiaries	-	-	171,886	9,956
Income tax on permanent differences	11,408	(2,027)	39,811	(10,255)
Interest on shareholders' equity tax effect	49,161	42,122	49,161	42,122
Benefit (expense) of Income tax and social contribution	45,142	(118,804)	256,907	(289,239)
Effective rate	-	17.50%	-	34.00%
Current income tax and social contribution	-	(81,022)	(111,128)	(257,706)
Deferred income tax and social contribution	45,142	(37,782)	368,035	(31,533)
	45,142	(118,804)	256,907	(289,239)

7. Escrow Deposits

	Consolidated	
	2007	2006
Escrow deposits for aircraft leasing contracts	97,439	40,787
Judicial deposits	66,041	31,922
	163,480	72,709

The escrow deposits for aircraft leasing contracts are denominated in U.S. Dollars and are fully redeemable at the maturity dates of the lease contracts in the event that default in payments of contractual obligations does not occur.

The judicial deposits refer to guarantees of contingent liabilities related to labor, civil and tax related claims.

8. Investments in Subsidiaries

	Parent Company		Consolidated	
	2007	2006	2007	2006
Gol Transportes Aéreos S.A.	717,799	700,692	-	-
GTI S.A.	615,657	-	-	-
GAC Inc.	451,371	478,537	-	-
VRG Linhas Aéreas S.A.	-	-	883,296	-
Others	-	-	1,551	2,281
	1,784,827	1,179,229	884,847	2,281

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

8. Investments in Subsidiaries (Continued)

On March 28, 2007, the Company, through its subsidiary GTI S.A., announced the acquisition of 100% of the shares of VRG Linhas Aéreas S.A. (VRG) for R\$ 568,263, of which R\$ 200,412 were paid in local currency and R\$ 367,851 were paid through the issue of preferred shares by the Company. The Company assumed control of the operations of VRG on April 9, 2007. As part of the acquisition, the subsidiary GTI S.A. assumed the obligations resulting from the Public Notice in connection with the auction for the judicial sale of the Varig Production Unit (UPV) that took place on July 20, 2006 at the 1st Business Court of the Judicial District of the Capital of the State of Rio de Janeiro, resulting in the creation of VRG. The net assets acquired, reflecting the accounting adjustments in the VRG opening balance sheet was represented by a capital deficiency of R\$ 507,828.

The goodwill determined considering adjustments to net assets acquired amounted to R\$ 883,296, excluding capitalizable credits amounting to R\$ 192,795. The goodwill is based on expected future profits supported by technical studies of independent specialists taking into account economic and financial assumptions and will be amortized in proportion to expected benefits.

The December 31, 2007 condensed balance sheet and the condensed statement of income for the period from April 9, 2007 to December 31, 2007 of subsidiary VRG Linhas Aéreas S.A. are presented below:

Condensed Balance Sheet

Assets		Liabilities	
Current assets	733,484	Current liabilities	499,137
Non-current assets	425,568	Non-current liabilities	<u>1,019,543</u>
		Total liabilities	1,518,680
		Shareholders' equity (capital deficiency)	<u>(359,628)</u>
		Total liabilities and shareholders' equity (capital deficiency)	<u>1,159,052</u>
Total assets	<u>1,159,052</u>		

Condensed Statement of Income

Gross operating revenue	<u>595,915</u>
Income taxes and social contributions	<u>(12,273)</u>
Net operating revenue	583,642
Cost of services rendered	<u>(826,922)</u>
Gross loss	(243,280)
Operating expenses	<u>(10,282)</u>
Operating loss	(253,562)
Deferred income tax and social contribution	<u>300,578</u>
Net income for the period	<u>47,016</u>

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

8. Investments in Subsidiaries (Continued)

As a result of the purchase price adjustment clause, the price paid and, consequently, goodwill, could be reduced by an arbitrage proceeding involving around R\$153,000, when the adjustment is defined and agreement performed on a joint basis with sellers.

Changes in investments for years ended December 31, 2007 and 2006 are presented below:

	Gol Transportes Aéreos S.A.	GAC Inc.	Gol Finance	GTI	Total Investments
Balances at December 31, 2005	685,699	-	352,978	-	1,038,677
Equity pickup	475,342	75,557	(14,584)	-	536,315
Unrealized hedge results	(10,733)	-	-	-	(10,733)
Interim dividends	(310,202)	-	-	-	(310,202)
Interest on shareholders' equity	(139,414)	-	-	-	(139,414)
Capital increase	-	-	64,586	-	64,586
Assets transfer	-	402,980	(402,980)	-	-
Balance at December 31, 2006	700,692	478,537	-	-	1,179,229
Equity pickup	183,255	4,939	(7,833)	46,772	227,133
Unrealized hedge results	7,084	-	-	(263)	6,821
Dividends	(173,716)	-	-	-	(173,716)
Capital increase	-	-	-	569,148	569,148
Exchange rate variation on investments overseas	484	(32,105)	933	-	(30,688)
Reclassification of capital deficiency	-	-	6,900	-	6,900
Balance at December 31, 2007	717,799	451,371	-	615,657	1,784,827

Significant information about direct and indirect subsidiaries as of December 31, 2007, is summarized below:

Subsidiaries	Total owned shares	Interest %	Paid-up Capital	Share- holders' Equity	Net income (loss) of subsidiaries
Direct					
Gol Transportes Aéreos S.A.	451,072,648	100	526,489	717,799	138,586
GTI S.A.	799,999	100	169,148	615,657	46,772
Gol Finance	1	100	-	(7,833)	(5,008)
GAC Inc.	1	100	-	451,371	4,939
Indirect					
VRG Linhas Aéreas S.A.	1,015,450,268	100	307,395	(359,628)	47,016
SKY Finance	1	100	-	(7,372)	(7,372)

Credits and transactions between the parent company and its subsidiaries are detailed in Note 16. Subsidiaries do not have shares traded on the stock market.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

8. Investments in Subsidiaries (Continued)

As part of VRG acquisition process, on April 9, 2007, the Company contributed capital in the subsidiary GTI S.A in the amount of R\$ 507,000, of which R\$ 107,000 in local currency and R\$ 400,000 in shares issued by the Company and destined to capital reserve.

SKY Finance was organized under the laws of Cayman Islands, and it is engaged in the raising of funds to finance aircraft acquisition, together with its parent company GAC Inc.

9. Property, Plant and Equipment

	2007			2006	
	Annual depreciation rate	Cost	Accumulated depreciation	Net value	Net value
Flight equipment					
Spare parts kits	20%	423,890	(158,077)	265,813	150,333
Spare engines	20%	98,703	-	98,703	69,441
Aircraft reconfiguration	5%	76,080	(33,999)	42,081	26,664
Aircraft and safety equipment	20%	1,234	(362)	872	760
Tools	10%	9,111	(1,217)	7,894	4,330
		609,018	(193,655)	415,363	251,528
Property, plant and equipment in service					
Software licenses	20%	47,480	(16,295)	31,185	15,103
Vehicles	20%	6,241	(2,295)	3,946	2,084
Machinery and equipment	10%	14,941	(2,478)	12,463	10,217
Furniture and fixtures	10%	12,014	(2,612)	9,402	7,252
Computers and peripherals	20%	20,330	(7,852)	12,478	8,728
Communication equipment	10%	1,713	(501)	1,212	1,144
Facilities	10%	3,839	(762)	3,077	2,678
Maintenance Center (Confins)	7,65%	36,893	(3,271)	33,622	34,851
Leasehold improvements	20%	4,985	(3,121)	1,864	1,641
Construction in progress	-	31,273	-	31,273	23,256
		179,709	(39,187)	140,522	106,954
		788,727	(232,842)	555,885	358,482
Advances for aircraft acquisition	-	695,538	-	695,538	436,911
		1,484,265	(232,842)	1,251,423	795,393

Advances for aircraft acquisition, net of returns, refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of 63 Boeing 737-800 Next Generation (76 aircraft in 2006), as further explained in Note 21, amounting to R\$695,538 and other payments related to future aircraft acquisitions including capitalized interest of R\$ 18,721 (R\$ 33,068 in 2006).

According to Note 11, as of December 31, 2007, R\$ 310,000 related to advances for aircraft acquisition are related to loan agreement guarantees.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

9. Property, Plant and Equipment (Continued)

During 2007, the Company conducted sale-leaseback transactions of 5 Boeing 737-800 Next Generation aircraft which resulted in the loss of R\$ 34,354, fully recognized in non-operating results.

10. Deferred Charges

	Consolidated			12.31.2006
	12.31.2007			
	Cost	Accumulated Amortization	Net value	Net value
Pre-operating expenses	15,337	(8,720)	6,617	9,544
Expansion and modernization projects	31,976	(14,168)	17,808	3,671
Others	37	-	37	37
	<u>47,350</u>	<u>(22,888)</u>	<u>24,462</u>	<u>13,252</u>

11. Loans and Financing

	Average effective interest rate per annum		Consolidated	
	2007	2006	2007	2006
Current:				
Local Currency				
Working capital	10.77%	15.50%	496,788	127,524
BNDES Loan	9.15%	9.60%	14,962	9,648
BDMG Loan	9.45%	-	72	-
Interest			3,731	780
			<u>515,553</u>	<u>137,952</u>
Foreign Currency				
PDP loan for acquisition of aircraft	6.73%	-	169,173	-
Bank Loans	5.21%	5.39%	106,278	-
IFC Loan	7.26%	7.03%	17,800	2,736
Interest			15,328	-
			<u>308,579</u>	<u>2,736</u>
			<u>824,132</u>	<u>140,688</u>
Long term:				
Local Currency				
BDMG Loan	9.45%	-	14,243	-
BNDES Loan	9.15%	9.60%	50,813	54,626
			<u>65,056</u>	<u>54,626</u>
Foreign Currency				
PDP loan for acquisition of aircraft	6.73%	-	174,439	-
Bank Loans	5.21%	5.39%	-	128,303
IFC Loan	7.26%	7.03%	73,804	107,150
Senior notes	7.50%	-	398,543	-
Perpetual notes	8.75%	8.75%	354,260	436,902
			<u>1,001,046</u>	<u>672,355</u>
			<u>1,066,102</u>	<u>726,981</u>
			<u>1,890,234</u>	<u>867,669</u>

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

11. Loans and Financings (Continued)

Long-term loan and financings maturities, considering the 12-month period from January 1 to December 31 of each year are as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>After 2012</u>	<u>Total</u>
Local currency:						
BDMG Loan	2,848	2,848	2,849	2,849	2,849	14,243
BNDES Loan	14,181	14,181	14,181	8,270	-	50,813
Foreign currency:						
PDP Loan for the acquisition of aircraft	174,439	-	-	-	-	174,439
Bank Loans						
IFC Loan	14,760	14,761	14,761	14,761	14,761	73,804
Senior notes	-	-	-	-	398,543	398,543
	<u>206,228</u>	<u>31,790</u>	<u>31,791</u>	<u>25,880</u>	<u>416,153</u>	711,842
Perpetual notes						354,260
Total						<u>1,066,102</u>

Working Capital

At December 31, 2007, the Company maintains five short-term credit lines with three financial institutions that allow borrowings of up to R\$ 577,000 (R\$ 332,000 at December 31, 2006). The average financing term is 56 days with interest of 103% p.a. to 104% p.a. of Interbank Deposit Certificate (CDI). At December 31, 2007, outstanding borrowings under these facilities amounted to R\$ 496,788 (R\$ 127,524 at December 31, 2006).

Bank Loans

In April 2007, the Company, through its subsidiary GAC Inc., obtained a loan from Credit Suisse in foreign currency with a limit of US\$ 60 million corresponding to R\$ 126,930 at the date of the agreement, guaranteed by promissory notes. The term of the loan is 2 years and 8 months, and it accrues annual interest at the rate of 3-month Libor (5.36% p.a.). At December 31, 2007, the loan principal amount repayable is R\$106,278 (R\$ 128,303 at December 31, 2006).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

11. Loans and Financings (Continued)

Other Loans and Financings

On May 29, 2006, GOL signed a long-term borrowing agreement for R\$ 75.700 with BNDES (Brazilian Development Bank). The approved BNDES credit line was used to finance a major portion of the expansion of Gol Aircraft Maintenance Center at the International Airport of Confins, in the state of Minas Gerais, for the acquisition of national equipment and materials. The loan has a term of five years with interest calculated based on TJLP plus 2.65% p.a. and is guaranteed by accounts receivable from travel agencies administrators in the amount of R\$17,930. The principal amount is amortized monthly in equal installments of R\$1,182, with a grace period of 12 months. At December 31, 2007, a balance of R\$65,775 (R\$ 54,626 at December 31, 2006) is outstanding under this arrangement.

On June 29, 2006, GOL signed a long-term borrowing agreement amounting to US\$ 50 million thousand corresponding to R\$ 108,000 at the date of the loan raising with the International Finance Corporation (IFC). The amount raised with the International Finance Corporation (IFC) has been used to acquire spare parts and working capital. The loan has a term of six years with interest calculated based on LIBOR plus 1.875% p.a. and is guaranteed by spare parts and equipment at market value at a minimum amount equivalent to 1.25 times the outstanding amount. The principal amount has been amortized semi-annually in equal amounts of R\$ 7,380, with a grace period of 18 months. At December 31, 2007, outstanding balance amounted to R\$91,604 (R\$107,150 at December 31, 2006).

On July 4, 2007, GOL entered into a long-term loan agreement for R\$ 14,000 with BDMG (Minas Gerais Development Bank), which has been used to partially finance investments and operating expenses of 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 interest calculated based on IPCA plus 6% p.a. and is guaranteed by receivables from travel agencies in the amount of R\$ 3,332. The principal amount has been amortized monthly in equal installments of R\$ 237, with a grace period of 18 months. At December 31, 2007, there was a balance of R\$14,315 outstanding under this facility.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

11. Loans and Financing (Continued)

Other Financings (Continued)

On October 15, 2007, subsidiary SKY Finance contracted a loan denominated in U.S. Dollars with eight international banks led by Calyon and the Citigroup in the amount of US\$ 310 million corresponding to R\$ 560,418 based on the exchange rate at the date of the loan raising, whose corresponding funds will be used for the payment of pre-delivery deposits of its 21 Boeing 737-800 Next Generation aircraft to be delivered in 2008 and 2009. On October 15, 2007, there was a disbursement of R\$ 273,592 for payment of obligations with Boeing (corresponding to US\$ 151 million at the date of the disbursement) and the remaining is available for use on future scheduled disbursement dates. The loan has a term of 1.6 year with interest based on the LIBOR rate plus 0.5% p.a. and is guaranteed by the purchase contract of the 21 aircraft and by GOL. At December 31, 2007, there was R\$343,612 outstanding under this facility.

Senior Notes

On March 22, 2007, subsidiary Gol Finance, issued senior notes denominated in U.S. Dollars in the amount of US\$ 225 million corresponding to R\$ 463,545 at the date of the issuance guaranteed by the Company and GOL. The Company will use the proceeds to finance the acquisition of aircraft, supplementing its own funds and the bank finance obtained and guaranteed by the U.S. Exim Bank. The senior notes mature in 2017, and bear interest at the rate of 7.50% p.a., and are considered as senior unsecured obligations of the Company and GOL. At December 31, 2007, there was a balance of R\$ 398,543 outstanding under this facility.

The fair value of senior notes at December 31, 2007, reflecting the frequent market price fluctuations of such instrument is R\$ 363,421 corresponding to US\$ 205.2 million based on the exchange rate prevailing at the date of the fiscal year closing.

Perpetual Notes

On April 5, 2006, the Company, through its subsidiary Gol Finance, issued perpetual notes denominated in U.S. Dollars in the amount of US\$ 200 million corresponding to R\$ 426,880 on the date of the issuance and guaranteed by the Company and GOL. The Company will use relevant proceeds to finance the acquisition of aircraft, supplementing its own funds and bank finances obtained and guaranteed by the U.S. Exim Bank. The perpetual notes have no established final maturity date and are redeemable at their face value after five years of their issuance. At December 31, 2007, there was a balance of R\$ 354,260 (R\$ 436,902 at December 31, 2006) outstanding under this facility.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

11. Loans and Financing (Continued)

Perpetual Notes (Continued)

The fair value of perpetual notes at December 31, 2007, reflecting the frequent market price fluctuations of such instrument is R\$ 336,658, corresponding to US\$ 190.1 million, based on the exchange rate prevailing at the date of the fiscal year closing.

Financial Covenants

At December 31, 2007, the Company was not in compliance with two financial covenants established in its loan contracts with the IFC and the BNDES totaling R\$157,379. The Company obtained from lenders the specific consent to maintain debt liquidity ratios higher than those established in each of the agreements that permit the maintenance of R\$ 124,617 as long-term. At December 31, 2006, the Company was in compliance with all financial covenants established in loan agreements.

12. Air traffic Liability

At December 31, 2007, the balance of air traffic liability of R\$ 472,860 (R\$ 335,268 at December 31, 2006) is represented by 2,211,591 (1,417,436 at December 31, 2006) of tickets sold and not yet used with 70 days of average term of use.

13. Mileage Program

At December 31, 2007, the Smiles mileage program carried 3,376,584 one-way tickets earned but not redeemed by its participants.

The changes in obligations balance of the mileage program, considering the accumulated miles number, are demonstrated as follows:

Beginning balances at April 09, 2007	70,891
Accumulated and granted miles	61,033
Redeemed and used or expired miles	(81,844)
Balances at December 31, 2007	<u>50,080</u>

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

13. Mileage Program (Continued)

The issue of awards consists in used miles for exchange into tickets or for class change on the VRG flights according to the program statute. The miles earned by participants are valid for three years, starting from the month of the redemption, while the tickets issued using miles are valid for one year.

14. Provision for Contingencies

At December 31, 2007, the Company and its subsidiaries are parties in judicial lawsuits and administrative proceedings, being 915 administrative proceedings, 6,373 civil proceedings and 1,796 labor claims, of which, 828 administrative proceedings, 5,946 civil proceedings and 289 labor claims were filed as a result of the Company's operations. The remainder is related to requests for recognition of succession by VRG of the former Varig.

The provisions recorded for civil and labor contingencies and its respective judicial deposits are demonstrated as follow:

	Consolidated			2006
	2007		Net value	
	Provision	(-) Judicial deposits		Net value
Labor	22,133	(9,364)	12,769	(298)
Civil	9,942	(69)	9,873	4,936
	32,075	(9,433)	22,642	4,638

The changes in provision for contingencies are as follows:

	Contingencies		
	Labor	Civil	Total
Balances at December 31, 2006	772	4,943	5,715
Recording of Provisions	21,361	4,999	26,360
Balances at December 31, 2007	22,133	9,942	32,075

The provisions are recorded for possible 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.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

14. Provision for Contingencies (Continued)

The Company is challenging in court the VAT (ICMS) levy on aircraft and engine imports under operating lease without purchase option in transactions carried out with lessors headquartered in foreign countries. The Company's Management understands that these transactions represent simple lease in view of the contractual obligation to return the asset subject matter of the contract, which will never be considered as Company's asset. Given that there is no circulation of goods, relevant tax triggering event is not characterized. The estimated aggregate value of lawsuits filed is R\$173,887 at December 31, 2007 (R\$ 45,248 at December 31, 2006) monetarily adjusted and not including charges on 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. The accounting practices adopted in the preparation of its financial statements, in line with international standards, do not require setting up of a provision for losses in these circumstances.

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

15. Other Obligations – Non-current

At December 31, 2007, the Company and its subsidiaries have legal obligations related to taxes under discussion in the amount of R\$ 30,768 (R\$ 22,423 at December 31, 2006) classified in non-current as other obligations.

The Company is challenging in court several aspects regarding the assessment and calculation basis for PIS and COFINS on its operations that are recorded as long-term tax obligations. In one of the legal proceedings the Company challenges the incidence of mandatory contributions named "PIS/COFINS-Import", based on the unconstitutionality of the extension of the tax base. The other significant proceeding addresses the Company's right to suspend the incidence of PIS and COFINS contributions on air cargo transportation based on the non-cumulative system.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

16. Transactions With Related Parties

GOL maintains operating agreements with related companies for passenger and luggage transportation between airports and for the transportation of employees, executed under normal market conditions.

GOL 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 March 31, 2008 and has an annual price restatement clause based on the General Market Price Index (IGP-M) variation.

The balances payable to related companies, in the amount of R\$ 482 (R\$127 in 2006) are included in the suppliers' balances together with third-party operations. The amount of expenses which affected income in 2007 is R\$ 19,526 (R\$ 4,152 in 2006).

The Company has entered into intercompany loan agreements with its subsidiaries. At December 31, 2007 balances receivable from subsidiaries GAC Inc. in the amount of R\$ 30,290, R\$ 60,252 from VRG Linhas Aéreas S.A. and R\$ 290 from GTI S.A. related to intercompany loans without any established charges, endorsements or guarantees, are classified as non-current asset and R\$ 7,926 is payable to Gol Transportes Aéreos S.A..

17. Shareholders' Equity

a) Capital stock

At December 31, 2007, the capital stock is represented by 202,300,255 shares, of which 107,590,792 common shares and 94,709,463 preferred shares. Equity interest at the Company is as follows:

	2007			2006		
	Common	Preferred	Total	Common	Preferred	Total
ASAS Fund	100.00%	37.84%	70.90%	100.00%	35.79%	71.00%
Others	-	2.74%	1.28%	-	3.04%	1.37%
Market	-	59.42%	27.82%	-	61.17%	27.63%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

17. Shareholders' Equity

a) Capital stock (Continued)

The authorized capital at December 31, 2007 is R\$ 2,000,000. Within the authorized limit, the Company may, by means of the Board of Directors' resolution, increase capital, regardless of any amendment to the Bylaws, through issue of shares, without keeping any proportion between the different classes of shares. The Board of Directors shall determine the conditions for the issue, including the payment price and period. At the discretion of the Board of Directors, the preemptive right may be excluded, or the period for its exercise be reduced, in the issue of preferred shares, when these are placed through sale on a stock exchange or by public subscription, or also through the exchange for shares, in a control acquisition public offering, as provided by the law. Issue of founders' shares is prohibited under the terms of the Company's Bylaws.

Preferred shares have no voting rights, except concerning the occurrence of specific facts allowed by the Brazilian legislation. These shares have priority in the reimbursement of capital, without premium and right to be included in the public offering arising from the sale of control, at the same price paid per share of the controlling block, being assured of dividends at least equal to those attributed to common shares.

On April 9 and 10, 2007, the Company's Board of Directors approved a capital increase amounting up to R\$ 518,100 by means of the issuance of 8,519,979 preferred shares in connection with the buy and sell agreement of the controlling interest in VRG.

On June 14, 2007, the Company increased its capital through the issue of 6,082,220 preferred shares, of which 6,049,185, amounting to R\$ 367,851, were used to increase capital in the subsidiary GTI S.A., through constitution of a capital reserve and later transferred to third parties in connection with the buy and sell agreement of the controlling interest in VRG Linhas Aéreas S.A.

The quote of the shares of Gol Linhas Aéreas Inteligentes S.A., at December 31, 2007, on the São Paulo Stock Exchange – BOVESPA, corresponded to R\$ 43.76 and US\$ 24.82 on the New York Stock Exchange – NYSE. The net asset value per share at December 31, 2007 was R\$ 11.92 (R\$ 10.54 at December 31, 2007).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

17. Shareholders' Equity (Continued)

b) Capital reserves

i. Special goodwill reserve of subsidiary

The subsidiary Gol Transportes Aéreos S.A. recorded a special goodwill reserve in the amount of R\$ 29,187, corresponding to the value of the tax benefit resulting from the goodwill amortization determined by BSSF II Holdings Ltda. and absorbed on the merger of that company. The special goodwill reserve may be capitalized at the end of each fiscal year, once the tax benefit has been realized by means of an effective decrease in the taxes paid by the subsidiary. The tax realization of this credit would benefit without distinction all the Company's shareholders on its realization dates. The tax benefit realized was R\$ 5,838 (R\$5,838 in 2006) and the accumulated realized benefit at December 31, 2007 is R\$ 21,404 (R\$ 15,566 in 2006).

ii. Goodwill in the granting of shares

The goodwill reserve was determined based on the granting of shares as a result of the appreciation of the net assets received in relation to the value contributed as capital increase and indistinctively benefits all the shareholders.

c) Revenue reserves

i. Legal Reserve

It is constituted by means of the appropriation of 5% of the net income for the year, according to the article 193 of Law No. 6,404/76.

ii. Reinvestments

The reinvestment reserve aims at meeting the investments estimated in the capital budget of the Company.

The remaining net profit portion for the 2006 fiscal year after the constitution of legal reserve reduced from dividends and interest on shareholders' equity, in the amount of R\$ 469,103, was allocated to reinvestment according to the capital budget approved by the Board of Directors and by the shareholders' approval at the Extraordinary General Meeting held on April 27, 2007.

In 2007 a portion of reinvestment reserve in the amount of R\$ 47,674 was reversed against retained earnings to fulfill the dividends proposal of the 2007 year, subject to the shareholders' approval at the Extraordinary General Meeting to be held in the current year, within the settled term by Company's' current Bylaws.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

17. Shareholders' Equity (Continued)

d) Dividends and Interest on Shareholders' Equity

In accordance with the Company's articles of incorporation, shareholders are entitled to minimum mandatory dividends of 25% of the net income for the period adjusted under the terms of article 202 of the Corporation Law.

The Board of Directors approved a Dividend Policy for 2007 whereby, without prejudice to the Company's articles of incorporation, the quarterly interim distribution of dividends in the fixed amount of R\$ 0.35 (thirty five cents of reais), per quarter, per common and preferred share of the Company, according to Law No. 9249 of December 26, 1995, was made. Based on this proposal, the Company distributed interim dividends in the amount of R\$ 302,775, of which R\$ 144,592 in the form of interest on shareholders' equity and R\$ 158,183 as dividends. The interim dividends exceeded the minimum mandatory dividends, as demonstrated below:

	<u>2007</u>	<u>2006</u>
Net income for the year	268,527	684,472
Legal reserve	(13,426)	(34,224)
Base profit for the determination of the minimum mandatory dividends	255,101	650,248
Minimum mandatory dividends, equivalent (25 %)	<u>63,775</u>	<u>162,562</u>
Proposed dividends and interest on shareholders' equity		
Interest on shareholders' equity - R\$ 71.47 per lot of 100 shares (R\$ 59.05 in 2006)	144,592	115,851
Proposed dividends - R\$ 78.19 per lot of 100 shares (R\$ 117.41 in 2006)	<u>158,183</u>	<u>57,257</u>
	<u>302,775</u>	<u>173,108</u>
Withholding income tax (IRRF) on interest on shareholders' equity	<u>(5,530)</u>	<u>(8,036)</u>
	<u>297,245</u>	<u>181,144</u>

The proposal of the Management for distribution of dividends related to the year ended December 31, 2007 is in accordance with statutorily guaranteed rights, and will be submitted by the Company's Management for approval at the Extraordinary General Meeting to be held within the term established by the prevailing Corporation Law.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

17. Shareholders' Equity (Continued)

d) Dividends and Interest on Shareholders' Equity (Continued)

The interest on shareholders' equity was attributed to dividends for the year, as provided for by the Company's articles of incorporation. Such interest was accounted for in operating income (loss), as required by tax laws, and was reversed against retained earnings, resulting in an income and social contribution tax credit in the amount of R\$ 49,161 at December 31, 2007 (R\$ 39,389 at December 31, 2006).

18. Segment Revenue Information

The Company operates domestic and international flights. The geographic information for gross revenues, presented below, was calculated based on the passenger and cargo revenues based at the place of origin of their transportation.

	2007	%	2006	%
Domestic	4,718,659	91.5	3,710,795	93.9
International	439,767	8.5	241,063	6.1
	5,158,426	100.0	3,951,858	100.0

19. Costs of Services Rendered, Sales and Administrative Expenses

	Consolidated					2006	
	2007						
	Costs of services rendered	Sales Expenses	Administrativ e Expenses	Total	%	Total	%
Salaries, wages and benefits	693,380	-	101,060	794,440	15,8	410,820	12.9
Aircraft fuel	1,898,840	-	-	1,898,840	37,8	1,227,001	38.4
Aircraft leasing	558,625	-	-	558,625	11,1	318,192	10.0
Sales and marketing	-	367,866	-	367,866	7,3	414,597	13.0
Aircraft and traffic servicing	216,929	-	131,803	348,732	6,9	199,431	6.2
Maintenance materials and repair	318,917	-	-	318,917	6,3	146,505	4.6
Landing fees	273,655	-	-	273,655	5,4	157,695	4.9
Depreciation and amortization	92,188	-	9,553	101,741	2,0	58,252	1.8
Other operating expenses	350,937	-	13,733	364,670	7,3	260,582	8.2
	4,403,438	367,866	256,182	5,027,486	100,0	3,193,075	100.0

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

19. Costs of Services Rendered, Sales and Administrative Expenses (Continued)

In 2007, aircraft fuel expenses include R\$ 33,167 (R\$ 2,464 in 2006) of gains arising from results on the transactions with derivative financial instruments represented by fuel hedge contract results expired in the year and measured as effective to hedge the expenses against fuel price fluctuations.

The management's compensation totaled R\$ 6,584 in 2007 (R\$ 3,022 in 2006).

20. Net Financial Income

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Financial Expenses:				
Interest on loans	(2)	-	(162,715)	(64,786)
Foreign exchange variations on liabilities	(131,103)	(8,781)	(92,876)	(28,972)
Losses on financial funds	-	-	(7,348)	-
Losses on financial instruments	1,408	-	(51,724)	(13,085)
CPMF tax	(1,874)	(2,158)	(15,045)	(13,922)
Monetary variations on liabilities	-	-	(5,035)	(4,901)
Other	(250)	(302)	(72,672)	(7,012)
	<u>(131,821)</u>	<u>(11,241)</u>	<u>(407,415)</u>	<u>(132,678)</u>
Financial income:				
Interest and gains on financial investments	51	389	94,667	42,568
Foreign exchange variations on assets	84,321	12,607	152,649	25,916
Gains on financial instruments	42,782	57,012	193,615	131,786
Capitalized interest	-	-	22,156	16,733
Interest on shareholders' equity	44,669	-	-	-
Monetary variations on assets	1,547	743	6,299	5,431
Financial bonus with serviced guarantee	-	167,450	-	167,450
Other	7,808	-	44,227	9,492
	<u>136,509</u>	<u>238,201</u>	<u>513,613</u>	<u>399,376</u>
Net financial income	<u>4,688</u>	<u>226,960</u>	<u>106,198</u>	<u>266,698</u>

21. Commitments

The Company and its subsidiaries lease operating aircraft and engines and rent airport terminals, other airport facilities, offices and other equipment. At December 31, 2007, the Company and its subsidiaries maintained operational lease agreements of 109 aircraft, being 78 from GOL and 31 from VRG (65 aircraft from GOL in 2006), with expiration dates from 2008 to 2019.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

21. Commitments (Continued)

The Company has a purchase contract with Boeing for the acquisition of Boeing 737-800 Next Generation aircraft. At December 31, 2007, there were 102 firm orders and 64 purchase options. The firm orders have an approximate value of R\$8,155,237 (corresponding to approximately US\$ 4.6 billions) based on the aircraft list price, including estimated amounts for contractual price escalations during the phase of the aircraft construction. The Company has been making initial payments arising from the construction phase for aircraft acquisitions using own proceeds from initial share offerings, loans and supplier financing. The commitments arising from the aircraft acquisition include the portion that will be financed by long-term financings with guarantee of the aircraft by the U.S. Exim Bank (Exim), corresponding to approximately 85% of the total cost of the aircraft.

The future commitments based on the operating lease contracts are denominated in U.S. Dollars. The Company has letters of credit in the amount of R\$ 69,757 (US\$39.4 million) for aircraft leasing contracts guarantee and R\$ 205,573 (US\$116 million) for obligations related to maintenance of leased assets.

The following table provides the current and long-term debt obligations, due to operating lease commitments and aircraft purchase commitments as of December 31, 2007:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>After 2012</u>	<u>Total</u>
Operating lease commitments	588,987	523,973	447,149	425,271	358,030	920,584	3,263,994
Pre-delivery deposits	145,128	161,479	141,191	65,472	1,529	-	514,799
Aircraft purchase commitments	<u>1,435,924</u>	<u>1,874,464</u>	<u>2,048,875</u>	<u>1,578,907</u>	<u>1,217,067</u>	-	8,155,237
Total	<u>2,170,039</u>	<u>2,559,916</u>	<u>2,637,215</u>	<u>2,069,650</u>	<u>1,576,626</u>	<u>920,584</u>	<u>11,934,030</u>

22. Employees

The Company keeps a profit sharing plan and stock option plans for its employees. The employee profit sharing plan is linked to the economic and financial results measured with basis on the Company's performance indicators that assume the achievement of the Company, its business units and individual performance goals. At December 31, 2007, the provision made based on Management's expectations and estimates is R\$44,883 (R\$ 22,867 in 2006).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

22. Employees (Continued)

At December 20, 2007, the Board of Directors, within the scope of its functions and in conformity with the Company's Stock Option Plan for 2008, 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 to be exercised in 2008 (113,379 options for the purchase of the Company's preferred shares at the price of R\$ 65.85 per share at December 31, 2006).

The stock option transactions are summarized below:

	Stock options	Weighted average price exercised
Outstanding at December 31, 2005	321,251	11.21
Granted	99,816	47.30
Exercised	(233,833)	3.04
Outstanding at December 31, 2006	187,234	40.65
Granted	113,379	65.85
Exercised	(11,569)	34.49
Forfeited	(12,135)	50.52
Outstanding at December 31, 2007	276,909	50.79
Quantity of options to be exercised at December 31, 2006	17,484	33.06
Quantity of options to be exercised at December 31, 2007	91,350	44.92

The weighted average fair value of the outstanding stock options is R\$ 25.59 at December 31, 2007 (R\$ 27.20 at December 31, 2006) and was estimated based on the Black-Scholes stock option pricing model, assuming a 2.60 % dividend payment, an estimated volatility of 49.88%, a weighted average risk free rate of 11.25 % and average maturity of 3.13 years.

The accounting practices adopted in Brazil do not require recognition of compensation expenses through the Company's stock options. If the Company had recorded in its results the compensation expenses by means of stock options, based on the fair value on the date of the options granting, the income of 2007 would have been R\$ 1,562 lower (R\$ 3,239 in 2006).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

22. Employees (Continued)

The exercise price range and the remaining weighted average maturity of the outstanding options, as well as the exercise price range for the options to be exercised at December 31, 2007 are summarized below:

Exercise price range	Outstanding Options			Options to be exercised	
	Quantity of outstanding options at 12.31.2007	Remaining weighted average maturity	Weighted average exercise price	Quantity of options to be exercised at 12.31.2007	Weighted average exercise price
33.06	74,463	2.00	33.06	39,496	33.06
47.30	93,130	3.00	47.30	33,241	47.30
65.85	109,316	4.00	65.85	18,613	65.85
33.06 - 65.85	<u>276,909</u>	3.13	50.79	<u>91,350</u>	44.92

23. Derivative Financial Instruments

The Company is exposed to several market risks arising from its operations. Such risks involve mainly the effects of changes in fuel price and foreign exchange rate risk, since its revenues are generated in Reais and the Company has significant commitments in U.S. dollars, credit risks and interest rate risks. The Company uses derivative financial instruments to minimize those risks. The Company maintains a formal risk management policy under the management of its executive officers, its Risk Policy Committee and its Board of Directors.

The management of these risks is performed through control policies, establishing limits, as well as other monitoring techniques, mainly mathematical models adopted for the continuous monitoring of exposures. The exclusive investment funds in which the Company and its subsidiary GOL are shareholders are used as means for the risk coverage contracting according to the Company's risk management policies.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

23. Derivative Financial Instruments (Continued)

a) Fuel price risk

Airlines are exposed to aircraft fuel price change effects. Aircraft fuel consumption in 2007 and 2006 represented approximately 37.8% and 38.4% of the Company's operating, selling and administrative expenses, respectively. To manage these risks, the Company periodically uses futures contracts, swaps and oil and oil-products options to manage those risks. The subject matter of fuel hedge is fuel operating expenses. As the aircraft fuel is not traded on a commodities exchange, the liquidity and alternatives for contracting hedge operations of that item are limited. However, the Company has found effective commodities to hedge aircraft fuel costs, mainly crude oil. Historically, oil prices have been highly related to aircraft fuel prices, which make oil derivatives effective in hedging oil price fluctuations, in order to provide short-term protection against sudden fuel price increases. The futures contracts are listed on NYMEX, swaps are contracted with prime international banks and the options can be either those listed on NYMEX or those traded with prime international banks.

The Company's derivatives contracts, at December 31, 2007 and 2006, are summarized as follows (in thousands, except when indicated):

	2007	2006
At December 31:		
Fair value of derivative financial instruments at year end	R\$ 23,302	R\$ (4,573)
Average term (months)	2	3
Hedged volume (barrels)	1,388,000	1,804,000
Year ended December 31:		
Gains (losses) with hedge effectiveness recognized as aircraft fuel expenses	R\$ 33,167	R\$ (8,665)
Gains (losses) on hedge ineffectiveness recognized as financial expenses	R\$ (12,182)	R\$ (1,125)
Current percentage of hedged consumption (during the year)	56%	77%

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

23. Derivative Financial Instruments (Continued)

a) Fuel price risk (Continued)

The Company utilizes derivative financial instruments for short and long-term time frames and holds positions for future months. At December 31, 2007 the Company has a combination of purchased call options, collar structures, and swap agreements in place to hedge approximately 29% and 7% of its aircraft fuel requirements for the first and second quarters of 2008, respectively, at average oil equivalent prices of approximately US\$ 85.13 and US\$ 62.88 per barrel, respectively.

The Company classifies fuel hedge as “cash flow hedge”, and recognizes the changes in fair market value of effective hedges accounted for in shareholders’ equity until the hedged fuel is consumed. The fuel hedge effectiveness is estimated based on correlation statistical methods or by the proportion of fuel purchase expense variations that are offset by the fair market value variation of derivatives. Effective hedge results are recorded as decrease or increase in the cost of acquisition of fuel, and the hedge results that are not effective are recognized as financial income/expenses. Ineffective hedges arise when the change in the value of derivatives is not between 80% and 125% of the hedged fuel value variation. When the aircraft fuel is consumed and the related derivative financial instrument is settled, the unrealized gains or losses recorded in shareholders’ equity are recognized in the statement of income adjusting aircraft fuel expenses. The Company is exposed to the risk that periodic changes in the fair value of derivative instruments contracted will not be effective to offset fuel price variations, or that unrealized gains or losses of derivative instruments contracted will no longer qualify to remain under shareholders’ equity. As derivative financial instruments become ineffective, the agreements are recognized in the statement of income for the period.

Ineffectiveness is inherent in hedging fuel with derivative instruments based on other oil related commodities, especially given the recent volatility in the prices of refined oil products. When the Company determines that specific hedges will not regain effectiveness in the time period remaining until settlement, any changes in fair value of the derivative instruments are recognized in the statement of income for the period in which the change occurs.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

23. Derivative Financial Instruments (Continued)

a) Fuel price risk (Continued)

At December 31, 2007, the Company recognized R\$ 33,167 (US\$ 18,725 thousand) of gains in fuel expenses, net, related to the effectiveness of terminated hedge contracts and R\$ 12,182 (US\$ 6,877 thousand) of net gains in financial expenses, related to the ineffectiveness of its hedges and losses in accounting of certain hedge instruments. At December 31, 2007 there was an unrealized fuel hedge gain of R\$5,051 (R\$ 3,018 in 2006) referring to the effective portion of the contracted hedges for future periods recorded in shareholders' equity.

The fair market value of swaps is estimated by discounted cash flow methods, and the fair value of the options is estimated by the Black-Scholes model adapted to commodities options.

Market risk factor: fuel price
Exchange market
Purchased futures contracts

	1Q08	2Q08	Total
Nominal volume in barrels (thousands)	1,148	240	1,388
Nominal volume in liters (thousands)	181,384	37,920	219,304
Future agreed rate per barrel (USD)*	85.13	62.88	77.15
Total in Reais **	173,108	26,729	189,681

* Weighted average between the strikes of the collars and callspreads.

** The exchange rate at 12/31/2007 was R\$ 1.7713/ US\$ 1.00 (R\$ 2.1380/ US\$ 1.00 at 12/31/2006)

b) Exchange rate risk

At December 31, 2007 the main assets and liabilities denominated in foreign currency recorded in the balance sheet are related to aircraft leasing and funding instruments to finance acquisition operations.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

23. Derivative Financial Instruments (Continued)

b) Exchange rate risk (Continued)

The Company's foreign exchange exposure at December 31, 2007 and 2006 is set forth below:

	Consolidated	
	2007	2006
Assets		
Cash, cash equivalents and financial investments	1,170,526	788,136
Accounts receivable from lease companies	149,729	203,401
Deposits for aircraft leasing contracts	14,218	69,630
IATA deposits (Compensation chamber)	22,006	-
Prepaid leasing expenses	31,928	20,223
Other	55,032	15,405
	1,443,439	1,096,795
Liabilities		
Foreign suppliers	42,334	25,249
Operating leases payable	17,169	18,270
Insurance premium payable	44,150	44,897
	103,653	88,416
Foreign exchange exposure in R\$	1,339,786	1,008,379
Total foreign exchange exposure in US\$	756,386	471,646
Obligations not recorded in the balance sheet		
Future obligations in US\$ arising from operating lease agreements	3,263,994	1,948,607
Future obligations in US\$ arising from firm orders for aircraft purchase	8,155,237	11,549,004
	11,419,231	13,497,611
Total foreign exchange exposure in R\$	12,759,017	14,505,990
Total foreign exchange exposure in US\$	7,203,194	6,784,841

The foreign exchange exposure concerning amounts payable resulting from operating leases, insurances, maintenance, and the exposure to fuel price variations caused by the foreign exchange rate are managed by hedge strategies with U.S. Dollar futures contracts and U.S. Dollar options listed on BM&F (Brazilian Mercantile and Futures Exchange). The expense accounts that are the subject matter of foreign exchange rate hedge are: fuel expenses, lease, maintenance, insurance and international IT services.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

23. Derivative Financial Instruments (Continued)

b) Exchange rate risk (Continued)

Company's Management believes that the derivatives it uses are extremely correlated to the U.S. Dollar/Real foreign exchange rate variation, thus providing short-term hedge against foreign exchange rate changes. The Company classifies hedge for exposure to U.S. Dollar variations as "cash flow hedge" and recognizes the fair market value variations of highly effective hedges in the same period in which the estimated expenses which are the subject matter of the hedge occur. The market value changes of the highly effective hedges are recorded in Financial Income or Expenses until the period the hedged item is recognized in the statement of income, when they are recognized as decrease or increase in incurred expenses. The market value changes of hedges that are not highly effective are recognized as financial income or expense. The U.S. Dollar hedge effectiveness is estimated by statistical correlation methods or by the proportion of expenses variation that are offset by the fair market value variation of the derivatives.

The fair market value of swaps is estimated by discounted cash flow method; the fair value of options is estimated by the Black-Scholes method adapted to the currency options; and the futures fair value refers to the last owed or receivable adjustment already accounted for and not settled yet.

The Company uses short-term derivative financial instruments. The following table summarizes the position of the foreign exchange derivative contracts (in thousands, except otherwise indicated):

	2007	2006
At December 31:		
Fair value of financial derivative instruments at year end	R\$ 1,049	R\$ (275)
Longest remaining term (months)	3	2
Hedged volume	202,250	180,127
Year ended December 31:		
Hedge effectiveness losses recognized in operating expenses	R\$ (14,935)	R\$ (2,868)
Hedge ineffectiveness losses recognized in financial expenses	R\$ (12,280)	R\$ (1,269)
Percentage of expenses hedged during the year	47%	51%

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

23. Derivative Financial Instruments (Continued)

b) Exchange rate risk (Continued)

At December 31, 2007, the unrealized losses of exchange rate hedge transactions measured as effective and recorded in shareholders' equity totaled R\$ 872 (R\$1,275 of gains in 2006).

Market risk factor: Exchange rate

Exchange market

Purchased futures contracts

	<u>1Q08</u>
Nominal value in dollars	146,250
Futures contracted rate	<u>1.95</u>
Total in Reais	<u><u>285,188</u></u>

c) Credit risk of financial derivative instruments

The derivative financial instruments used by the Company are conducted with top quality credit counterparts, AA+ or better rated international banks, according to Moody's and Fitch agencies or international futures exchange or the Brazilian Mercantile and Futures Exchange (BM&F). The Company management believes that the risk of not receiving the owed amounts by its counterparties in the derivative operations is not material.

d) Interest rate risk

The Company's results are affected by fluctuations in international interest rates due to the impact of such changes on expenses of operating lease agreements. At December 31, 2007, the Company contracted derivatives through swap-lock contracts to protect itself from interest rate oscillations of its aircraft leasing contracts. At December 31, 2007, the Company recognized R\$ 2,630 (US\$1,485 thousand) of net losses in financial income. The market value changes are recognized in the period as financial income (expense). These financial instruments were not considered hedge.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

23. Derivative Financial Instruments (Continued)

d) Interest rate risk (Continued)

The Company's results are also affected by changes in the interest rates prevailing in Brazil, incident on financial investments, short-term investments, local currency liabilities, and assets and liabilities indexed to US dollars. Such variations affect the market value of derivative financial instruments contracted in Brazil, market value of prefixed securities denominated in reais and the remuneration of cash and financial investments balance. The Company uses Interbank Deposit futures contracts of the Brazilian Mercantile and Futures Exchange (BM&F) to protect itself against domestic interest rate impacts on the prefixed portion of its investments. At December 31, 2007, the nominal value of Interbank Deposit futures contracts with the Brazilian Mercantile and Futures Exchange (BM&F) totaled R\$ 71,400 (R\$68,500 in 2006) with periods of up to 22 months, with a fair market value of R\$(6) (R\$ (24) in 2006), corresponding to the last owed or receivable adjustment, already determined and not yet settled. The total variations in market value, payments and receivables related to the DI futures are recognized as increase or decrease in financial income in the same period they occur.

e) Derivatives contracts used in cash management

The Company utilizes derivative financial instruments for cash management purposes. The Company enters into option contracts known as boxes with first tier banks and registered with the CETIP (Clearing House for Private Sector Securities) with the objective of investing cash at fixed rates. At December 31, 2007, the total amount invested in boxes was R\$ 66,845 with average term of 225 days. The Company utilizes swap contracts with first-tier banks to change the remuneration of part of its short-term investments to the Brazilian overnight deposit rate, the CDI. Investments in box combinations are swapped from fixed rates to a percentage of the CDI and investments in U.S. Dollar denominated securities are swapped from U.S. Dollar based remuneration to Reais plus a percentage of CDI rate. At December 31, 2007, the notional amount of fixed-rate swaps to CDI was R\$ 61,200 with a market value of R\$ 379; and the notional amount of currency swaps was R\$ 132,848 with a market value or R\$ 28,089. The changes in fair value of these swaps are reflected in the statement of income in the period in which the change occurs.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

24. Insurance Coverage

Management holds an insurance coverage in amounts that it deems necessary to cover possible accidents, due to the nature of its assets and the risks inherent to its activity, observing the limits established in lease agreements. At December 31, 2007 the insurance coverage, by nature, considering GOL's and VRG's aircraft fleet and in relation to the maximum indemnifiable amounts, is the following:

<u>Aeronautic Type</u>	<u>R\$ (000)</u>	<u>US\$ (000)</u>
Warranty – Hull	6,064,211	3,423,593
Civil Liability per occurrence/aircraft	3,099,775	1,750,000
Warranty – Hull/War	6,064,211	3,423,593
Inventories	380.930	215.000

By means of Law No. 10744, dated October 09, 2003, the Brazilian government undertook to supplement possible civil liability expenses before third parties caused by acts of war or terrorist attacks, occurred in Brazil or abroad, for which GOL and VRG may be demanded, for the amounts that exceed the insurance policy limit effective on September 10, 2001, limited to the equivalent in reais to one billion U.S. dollars.

On September 29, 2007, an aircraft performing Gol Airlines Flight 1907 from Manaus enroute to Rio with a stop in Brasilia, was involved in a mid-air collision with an ExcelAir aircraft. The Gol aircraft, a new Boeing 737-800 Next Generation, went down in the Amazon forest and there were no survivors among the 148 passengers and six crew members. The ExcelAir aircraft, a new Embraer Legacy 135 BJ, performed an emergency landing and all of its seven occupants were unharmed. The Company continues to cooperate fully with all regulatory and investigatory agencies to determine the cause of this accident. The Company maintains insurance for the coverage of these risks and liabilities 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.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006
(In thousands of reais)

25. Consolidated Quarterly Financial Information (Not audited)

The quarterly results including the fourth quarter are summarized as follows:

<u>2007</u>	<u>First quarter</u>	<u>Second quarter</u>	<u>Third quarter</u>	<u>Fourth quarter</u>
Net operating revenue	1,041,272	1,150,966	1,285,011	1,490,013
Operating income (loss)	88,423	(121,628)	(3,459)	82,638
Net income (loss) for the period	91,578	157,074	49,416	(29,541)
Earnings (Loss) per share in R\$	0.47	0.78	0.24	(0,15)
<u>2006</u>	<u>First quarter</u>	<u>Second quarter</u>	<u>Third quarter</u>	<u>Fourth quarter</u>
Net operating revenue	863,016	844,028	1,082,971	1,012,002
Operating income	184,282	115,895	234,997	216,579
Net income for the period	160,678	98,169	232,232	193,393
Earnings per share in R\$	0.82	0.50	1.18	0.99

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

APPENDIX I – ENVIRONMENTAL AND SOCIAL RELATED INFORMATION STATEMENT (NOT AUDITED) (Continued)

	2007	2006
4) <u>Staff Indicators</u> (Continued)		
Relation between the entity's highest and the lowest compensation , considering employees and managers (salary)	115	96
Number of outsourced service providers	65	49
Number of hirings in the period	6,338	4,019
Number of layoffs in the period	1,550	635
Number of interns	86	43
Number of physically challenged employees	344	299
Total employees by age:		
Less than 18 years	19	12
From 18 to 35 years	10,891	6,809
From 36 to 60 years	4,761	1,999
Above 60 years	51	20
Total of employees segregated by education level:		
Illiterate	-	-
Elementary and Junior-High	269	79
High-School	12,543	5,626
Technical School	67	-
Higher Education	2,763	3,064
Graduates	80	71
Number of women working in the Company	8,857	3,487
Percentage of women in leadership positions	28%	17%
Number of black people working in the Company	225	147
Labor claims segregated by:		
Number of claims against the Company	1,796	189
Number of cases deemed valid	253	75
Number of cases deemed invalid	36	38
Total value of indemnifications and fines paid by court order	43	243
Clients' interaction data:		
Number of complaints received directly at the entity	349	342
Number of complaints received through consumer protection and defense agencies	912	562
Number of complaints received through courts	6,204	2,421
Number of complaints responded to at each level	1,715	738
Amount of fines and indemnifications to clients, some consumer protection and defense agencies or the court	2,603	1,160
Measures taken by the Company to solve or minimize the causes of the complaints	49,818	59,524

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

**APPENDIX I – ENVIRONMENTAL AND SOCIAL RELATED INFORMATION
STATEMENT (NOT AUDITED) (Continued)**

	<u>2007</u>	<u>2006</u>
4) <u>Staff Indicators</u> (Continued)		
Environment		
Investments and expenses with maintenance of operating processes to improve the environment	171	175
Investments and expenses with the preservation and/or recovery of degraded environments	-	-
Amount of environmental, administrative and legal processes against the Company	-	-
Value of fines and indemnifications concerning environmental material, determined administratively and/or judicially	-	-
Environmental liabilities and contingencies	-	-

5) Relevant Indicators regarding the Corporate Citizenship Practice in 2007 and 2006

	<u>2007</u>	<u>2006</u>	
Total number of work injuries	167	110	
The social and environmental projects developed by the Company were defined by:	() officers	(X) officers and managers	() all employees
The work environment health and safety standards were defined by:	() officers	(X) officers and managers	() all employees

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2007 and 2006

(In thousands of reais)

**APPENDIX I – ENVIRONMENTAL AND SOCIAL RELATED INFORMATION
STATEMENT (NOT AUDITED) – Continued**

5) Relevant Indicators regarding the Corporate Citizenship Practice in 2007 and 2006
(Continued)

The profit sharing comprises:	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	officers	officers and managers	all employees
When choosing suppliers, the same ethical, environmental and social responsibility standards adopted by the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	are not considered	are suggested	are required
Regarding employees' participation in volunteering programs, the Company:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	has no involvement	supports and encourages	organizes
Client interaction indicators:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	has no involvement	supports and encourages	organizes
Environment indicators:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	has no involvement	supports and encourages	organizes