

Gol Intelligent Airlines Inc.
Form 6-K
April 20, 2007

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the month of April, 2007

(Commission File No. 001-32221) ,

GOL LINHAS AÉREAS INTELIGENTES S.A.
(Exact name of registrant as specified in its charter)

GOL INTELLIGENT AIRLINES INC.
(Translation of Registrant's name into English)

**Rua Gomes de Carvalho 1,629
Vila Olímpia
05457-006 São Paulo, São Paulo
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

*Unaudited Condensed Consolidated Interim
Financial Statements under U.S. GAAP*

GOL Linhas Aéreas Inteligentes S.A.

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

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2007 and 2006
(In thousands of Brazilian Reais)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the condensed consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of March 31, 2007 and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2007 and 2006 and the condensed consolidated statements of shareholders' equity and comprehensive income for the three-month period ended March 31, 2007. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of December 31, 2006, and the related consolidated statements of income, cash flows, shareholders' equity and comprehensive income for the year then ended not presented herein, and in our report dated January 29, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG
Auditores Independentes S.S.

Maria Helena Pettersson
Partner

São Paulo, Brazil
April 19, 2007

GOL LINHAS AÉREAS INTELIGENTES S.A.**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands of Brazilian Reais)

	March 31, 2007	December 31,
	(Unaudited)	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	R\$ 618,509	R\$ 280,977
Short-term investments	1,343,808	1,425,369
Receivables, less allowance (2007 R\$ 13,483; 2006 R\$ 10,366)	645,417	659,306
Inventories	123,262	75,165
Deposits with lessors	257,638	232,960
Recoverable taxes	57,721	60,396
Prepaid expenses	71,377	64,496
Other	10,066	12,654
Total current assets	3,127,798	2,811,323
PROPERTY AND EQUIPMENT		
Pre-delivery deposits	554,817	436,911
Flight equipment	729,043	660,861
Other	132,741	129,260
	1,416,601	1,227,032
Accumulated depreciation	(165,945)	(147,809)
Property and equipment, net	1,250,656	1,079,223
OTHER ASSETS		
Deposits with lessors	307,106	304,875
Other	72,731	63,033
Total other assets	379,837	367,908
TOTAL ASSETS	R\$ 4,758,291	R\$ 4,258,454

See accompanying notes to condensed consolidated financial statements

GOL LINHAS AÉREAS INTELIGENTES S.A.**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands of Brazilian Reais)

	March 31, 2007	December 31,
	(Unaudited)	2006
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	R\$ 176,120	R\$ 128,304
Current portion of long-term debt	43,775	41,298
Accounts payable	106,082	124,110
Salaries, wages and benefits	104,456	87,821
Sales tax and landing fees	106,254	139,394
Air traffic liability	243,884	335,268
Dividends payable	72,537	42,961
Deferred gains on sale and leaseback transactions	7,172	10,128
Deferred income taxes, net	8,355	-
Other	66,101	91,062
Total current liabilities	934,736	1,000,346
NON-CURRENT LIABILITIES		
Long-term debt	1,431,434	949,006
Deferred income taxes, net	34,349	28,064
Deferred gains on sale and leaseback transactions	49,375	48,219
Other	49,045	27,661
	1,564,203	1,052,950
SHAREHOLDERS EQUITY		
Preferred shares, no par value; 88,621,497 and 88,615,674 issued and outstanding in 2007 and 2006, respectively	848,536	846,125
Common shares, no par value; 107,590,792 issued and outstanding in 2007 and 2006	41,500	41,500
Additional paid-in capital	35,844	35,430
Appropriated retained earnings	39,577	39,577
Unappropriated retained earnings	1,289,915	1,246,848
Accumulated other comprehensive income	3,980	(4,322)
Total shareholders equity	2,259,352	2,205,158
TOTAL LIABILITIES AND SHAREHOLDERS		

EQUITY	R\$	4,758,291	R\$	4,258,454
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See accompanying notes to condensed consolidated financial statements

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GOL LINHAS AÉREAS INTELIGENTES S.A.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(In thousands of Brazilian Reais, except per share amounts)

Three-Months ended March 31,

	2007		2006
NET OPERATING REVENUES			
Passenger	R\$ 975,361	R\$	829,858
Cargo and Other	65,911		33,158
Total net operating revenues	1,041,272		863,016
OPERATING EXPENSES			
Aircraft fuel	361,298		254,306
Salaries, wages and benefits	132,065		81,484
Aircraft rent	95,331		66,487
Sales and marketing	76,555		99,330
Landing fees	54,972		30,341
Aircraft and traffic servicing	57,888		31,621
Maintenance materials and repairs	46,248		26,115
Depreciation	28,546		12,529
Other	63,309		36,968
Total operating expenses	916,212		639,181
OPERATING INCOME	125,060		223,835
OTHER INCOME (EXPENSE)			
Interest expense	(27,024)		(3,263)
Capitalized interest	4,617		3,350
Interest and investment income	88,606		33,972
Other expenses, net	(31,558)		(9,264)
Total other income	34,641		24,795
INCOME BEFORE INCOME TAXES	159,701		248,630
Income taxes	(43,119)		(68,840)
NET INCOME	R\$ 116,582	R\$	179,790

EARNINGS PER COMMON AND PREFERRED SHARE:

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Basic	R\$	0.59	R\$	0.92
Diluted	R\$	0.59	R\$	0.92

See accompanying notes to condensed consolidated financial statements.

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GOL LINHAS AÉREAS INTELIGENTES S.A.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(In thousands of Brazilian Reais)

Three months ended March 31,

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	R\$ 116,582	R\$ 179,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,546	12,529
Deferred income taxes	(1,800)	(6,830)
Allowance for doubtful accounts receivable	3,117	740
Capitalized interest	(4,617)	3,350
Changes in operating assets and liabilities:		
Receivables	10,772	(15,005)
Inventories	(48,097)	2,644
Accounts payable and other accrued liabilities	(18,028)	-
Deposits with lessors	(33,730)	(22,658)
Air traffic liability	(91,384)	(32,258)
Dividends payable	29,576	(43,470)
Other, net	(16,758)	14,967
Net cash provided by (used in) operating activities	(25,821)	93,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits for aircraft leasing contracts	6,821	(6,207)
Acquisition of property and equipment	(82,073)	(40,047)
Pre-delivery deposits	(113,289)	(62,856)
Change in available-for-sale securities, net	81,561	(13,221)
Net cash used in investing activities	(106,980)	(122,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings	6,518	50,443
Proceeds from issuance of long-term debt	526,203	-
Dividends paid	(73,515)	-
Other, net	11,127	8,638
Net cash provided by financing activities	470,333	59,081
NET INCREASE IN CASH AND CASH EQUIVALENTS	337,532	30,549
Cash and cash equivalents at beginning of the period	280,977	106,347

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Cash and cash equivalents at end of the period	R\$	618,509	R\$	136,896
Supplemental disclosure of cash flow information				
Interest paid	R\$	27,024	R\$	3,263
Income taxes paid	R\$	28,630	R\$	76,809
Non cash investing activities				
Accrued capitalized interest	R\$	(4,617)	R\$	3,350

See accompanying notes to condensed consolidated financial statements.

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GOL LINHAS AÉREAS INTELIGENTES S.A.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND
COMPREHENSIVE INCOME

(In thousands of Brazilian Reais, except for share information)

	Common Shares		Preferred Shares		Additional paid in capital	Deferred compensation	Retained Earnings		Ac con
	Shares	Amount	Shares	Amount			Appropriated	Unappropriated	
Balance at December 31, 2006	107,590,792	R\$ 41,500	88,615,674	R\$ 846,125	R\$ 39,275	R\$ (3,845)	R\$ 39,577	R\$ 1,246,848	
Comprehensive income:									
Net income	-	-	-	-	-	-	-	116,582	
Changes in fair value of derivative instruments, net									
of taxes	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	-	-	-	-	
Paid-in subscribed capital	-	-	5,823	2,411	-	-	-	-	
Deferred compensation	-	-	-	-	(15)	15	-	-	
Amortization of deferred compensation	-	-	-	-	-	414	-	-	
Dividends payable and interest on shareholders equity	-	-	-	-	-	-	-	(73,515)	
Balance at March 31, 2007 (Unaudited)	107,590,792	R\$ 41,500	88,621,497	R\$ 848,536	R\$ 39,260	R\$ (3,416)	R\$ 39,577	R\$ 1,289,915	

See accompanying notes to condensed consolidated financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In thousands of Brazilian Reais)

1. Business Overview

Acquisition. On March 28, 2007, the Company through GTI S.A., a wholly-owned subsidiary of Gol Linhas Aéreas Inteligentes, concluded an agreement for the acquisition of the total share capital of VRG Linhas Aéreas S.A. (VRG , airline that operates the VARIG brand) from VarigLog and Volo, the controlling shareholders of VRG. The total consideration for the shares of VRG is US\$ 275 million, consisting of US\$ 98 million of cash and 6,049,185 non-voting (PN) shares issued by the Company, with various sale restrictions for up to 30 months. The Company also assumed R\$ 100 million (US\$ 48 million) of debentures issued by VRG. Also on March 28, 2007, the Company increased the capital of GTI S.A. in the amount of R\$62,148 (US\$30,000), corresponding to 62,148,000 ordinary and preferred shares subscribed on October 26, 2004 at the price of R\$ 1.00 per share, as part of the payment to VarigLog and Volo. The acquisition of VRG is conditioned on approvals from the Nacional Civil Aviation Agency (ANAC) and the Brazilian Antitrust Agency (CADE). See Note 13.

2. Summary of Significant Accounting Policies

Basis of presentation. These financial statements were prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting (USGAAP), using Brazilian Reais as the functional and reporting currency. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, the consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's results for the periods presented. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates.

Consolidated quarterly information includes accounts of Gol Linhas Aéreas Inteligentes S.A. and of its wholly-owned subsidiaries Gol Transportes Aéreos S.A. (GTA), GTI S.A., GAC Inc. and Gol Finance. All significant intercompany balances have been eliminated.

The exchange rates at March 31, 2007 and March 31, 2006 were R\$ 2.0504 and R\$ 2.1724, respectively per U.S. Dollar. The average exchange rates for the first quarter of 2007 and 2006 were R\$ 2.1085 and R\$ 2.1974 respectively (these rates provided for reference purposes). The accounting principles adopted under USGAAP differ in certain respects from accounting principles generally accepted in Brazil (Brazilian GAAP), which the Company uses to prepare its statutory financial statements.

The results of the three-month period ended March 31, 2007 are not necessarily indicative of the results that might be expected for the full year ending December 31, 2007. The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2006.

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For further information, refer to the consolidated financial statements for the year ended December 31, 2006 and footnotes thereto included in the Company's financial statements filed with the SEC.

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GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(In thousands of Brazilian Reais)

3. Deposits with Lessors

Deposits with lessors include aircraft and engine maintenance deposits, security deposits for aircraft leasing contracts and other deposits which will be used to compensate the lessors for other lease related costs when due. Following is the composition of the balance:

	March 31, 2007	December 31, 2006
Aircraft and engine maintenance deposits	298,010	263,647
Security deposits	33,963	40,787
Other deposits	232,771	233,401
	564,744	537,835
Short-term	(257,638)	(232,960)
Long-term	307,106	304,875

Maintenance deposits made in the first quarter of 2007 and 2006 were R\$ 34,360 and R\$ 30,118, respectively. There were no maintenance deposits reimbursed to the Company for maintenance events during the first quarters of 2007 and 2006.

4. Short-term Borrowings

At March 31, 2007, the Company had ten revolving lines of credit with five financial institutions allowing for combined borrowings up to R\$ 432,000. One of the credit lines is secured by promissory notes and allows for borrowings up to R\$ 300,000. At March 31, 2007 and December 31, 2006, there were R\$176,120 (US\$ 85,895) and R\$ 128,304 (US\$ 60,011) outstanding borrowings under these facilities, respectively.

The weighted average annual interest rate for these reais-based short-term borrowings at March 31, 2007 and December 31, 2006 was 11.6% and 15.5%, respectively.

5. Long-term Debt

	March 31, 2007	December 31, 2006
Foreign currency:		
5.39 % Bank loan	123,500	128,304

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7.24 % IFC loan	97,589	107,150
7.50 % Senior notes	463,522	-
8.75 % Perpetual notes	412,020	436,902
	1,096,631	672,356
Local currency:		
9.15 % BNDES loan	61,449	54,626
Capital leases (note 8)	273,354	222,024
Long-term debt	1,431,434	949,006

In March 2007, the Company's wholly-owned subsidiary Gol Finance issued R\$ 463,545 (US\$ 225,000) 7.50% Senior Notes due 2017. At March 31, 2007, there was outstanding R\$ 463,522 in the long-term and R\$ 773 in the short-term under this facility.

The following table provides a summary of our principal payments of long-term debt obligations at March 31:

(in R\$ 000)	2009	2010	2011	2012	2013	Beyond 2013	Total
Long-term debt obligations							
(1)	145,881	31,318	30,626	30,687	26,225	481,323	746,060

(1) The long-term debt obligations do not include the perpetual notes.

GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(In thousands of Brazilian Reais)

6. Transactions with Related Parties

The Company has an exclusive bus transportation agreement with related companies Breda Transportes e Serviços S.A. and Expresso União Ltda. During the first quarter of 2007 and 2006, the Company paid R\$ 1,360 and R\$ 104 (R\$ 615 and R\$ 91) to these companies, respectively.

The Company also has a five-year office space lease agreement with Áurea Administração e Participações S.A. (expiring on March 31, 2008) for the lease of headquarters located at Rua Tamoios, 246 in São Paulo. The lease agreement provides for monthly payments, adjusted by the IGP-M inflation index. During both the first quarters of 2007 and 2006, the Company paid R\$ 88 to this company.

The payments to and from the related parties are in the normal course of business and were based on prevailing market rates.

7. Shareholders Equity

Brazilian corporations are allowed to attribute interest on shareholder's equity. The calculation is based on the shareholder's equity amounts as stated in the statutory accounting records and the interest rate applied may not exceed the long term interest rate (TJLP) determined by the Brazilian Central Bank (6.50% p.a. for the first quarter of 2007). For the quarter ended March 31, 2007, the Company's statutory consolidated financial statements presented a net profit of R\$ 91,578 (R\$160,678 in 2006). The Company accrued a total of R\$ 73,716 of interim dividends payable represented by R\$ 33,608 of interest on stockholder's equity and R\$ 40,108 of dividends for payment in the second quarter of 2007, which is included in current liabilities.

8. Leases

During the first quarter of 2007, the Company has entered into one lease agreement for one aircraft which is classified as capital leases under the provisions of SFAS No. 13, "Accounting For Leases". The Company had six aircraft classified as capital leases at March 31, 2007. The capital lease agreements are typically for a term of twelve years and for two aircraft the present value of the minimum lease payments exceed 90% of their fair market value at the inception of the lease and for the remaining four aircraft, the Company has bargain purchase options to buy them at the end of the lease term. The carrying value of aircraft under capital lease arrangements included in property and equipment totaled R\$ 306,180 as of March 31, 2007. Amortization of aircraft under capital lease arrangements is included in depreciation and amortization expense.

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

	Thousands of R\$	Thousands of US\$
2008	42,271	20,616
2009	42,271	20,616

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2010	42,271	20,616
2011	42,271	20,616
2012	42,884	20,915
After 2012	217,783	106,215
Total minimum lease payments	429,751	209,594
Less: Amount representing interest	127,211	62,042
Present value of net minimum lease payments	302,540	147,552
Less current portion	29,186	14,234
Long-term portion	273,354	133,318

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GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(In thousands of Brazilian Reais)

8. Leases (Continued)

The Company leases aircraft in operation, airport terminal space, other airport facilities, office space and other equipment. At March 31, 2007, the Company leased 61 aircraft under operating leases (as compared to 60 aircraft at December 31, 2006), with initial lease term expiration dates ranging from 2007 to 2018.

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

	Thousands of R\$			Thousands of US\$		
	Aircraft	Other	Total	Aircraft	Other	Total
2008	386,351	13,137	399,488	188,427	6,407	194,834
2009	325,944	9,163	335,107	158,966	4,469	163,435
2010	275,609	4,790	280,399	134,417	2,336	136,753
2011	191,772	2,110	193,882	93,529	1,029	94,558
2012	178,863	-	178,863	87,233	-	87,233
After 2012	506,455	-	506,455	247,003	-	247,003
Total minimum Lease payments	1,864,994	29,200	1,894,194	909,575	14,241	923,816

During the first quarter of 2007 the Company received two Boeing 737-800 aircraft.

9. Other Commitments

The following table provides a summary of our principal payments under aircraft purchase commitments and other obligations at March 31:

(in R\$ 000)	2008	2009	2010	2011	2012	Beyond 2012	Total
Pre-delivery deposits (1)	221,704	297,973	346,345	281,053	67,163	-	1,214,238
Aircraft purchase commitments (2)	2,044,610	1,546,451	1,886,268	2,374,736	1,990,118	1,096,361	10,938,544
Total	2,266,314	1,844,424	2,232,613	2,655,789	2,057,281	1,096,361	12,152,782

- (1) The Company makes payments for aircraft acquisitions utilizing the proceeds from equity and debt financings, cash flow from operations, short and medium-term credit lines and supplier financing. Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of Boeing 737-800 Next Generation aircraft.
- (2) The Company has a purchase contract with Boeing for 109 Boeing 737-800 Next Generation aircraft, under which the Company currently has 75 firm orders and 34 purchase options. The firm orders have an approximate value of R\$ 10,939 million (corresponding to approximately US\$ 5,335 million) based on the aircraft list price (excluding contractual manufacturer's discounts), including estimated amounts for contractual price escalations and pre-delivery deposits. Aircraft purchase commitments can be financed with long-term financing guaranteed by the U.S. Exim Bank (for approximately 85% of the total acquisition cost).

10. Financial Instruments and Concentration of Risk

At March 31, 2007 and December 31, 2006, the Company's primary monetary assets were cash equivalents, short-term investments and assets related to aircraft leasing operations. The Company's primary monetary liabilities are related to aircraft leasing operations. All monetary assets other than those related to aircraft leasing operations included in the balance sheet are stated at amounts that approximate their fair values.

GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(In thousands of Brazilian Reais)

10. Financial Instruments and Concentration of Risk (Continued)

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

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

	March 31, 2007	December 31, 2006
Assets		
Cash and cash equivalents	1,260,264	788,136
Deposits with lessors	266,224	273,031
Aircraft and engine maintenance deposits	21,271	20,223
Other	46,197	15,405
Total assets	1,593,956	1,096,795
Liabilities		
Foreign suppliers	23,306	25,249
Others	33,636	63,167
Total liabilities	56,942	88,416
Exchange exposure	1,537,041	1,008,379
Exchange exposure in thousands of U.S. dollars	749,617	471,645
Off-balance sheet transactions exposure		
Operating Leases	1,894,194	1,948,607
Aircraft commitments	10,938,544	11,549,004
Total exchange exposure	14,369,752	14,505,990
Total exchange exposure in thousands of U.S. dollars	7,008,268	6,784,841

The Company's off-balance sheet exposure represents the future obligations related to operating lease contracts and aircraft purchase contracts.

The Company utilizes financial derivative instruments with first-tier banks for cash management purposes. The Company currently has synthetic fixed income options and swap agreements to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments.

a) Fuel

Airline operations are exposed to the effects of changes in the price of aircraft fuel. Aircraft fuel consumed in the first quarter of 2007 and 2006 represented approximately 39.5% and 39.8% of the Company's operating expenses, respectively. To manage this risk, the Company periodically enters into crude oil option contracts and swap agreements. Because jet fuel is not traded on an organized futures exchange, liquidity for hedging is limited. However, the Company has found commodities for effective hedging of jet fuel costs. Historically, prices for crude oil are highly correlated to Brazilian jet fuel, making crude oil derivatives effective at offsetting jet fuel prices to provide short-term protection against a sharp increase in average fuel prices.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In thousands of Brazilian Reais)

10. Financial Instruments and Concentration of Risk (Continued)

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

	March 31, 2007	December 31, 2006
Fair value of derivative instruments at the end of the quarter	R\$ 18,756	R\$ (4,573)
Average remaining term (months)	3	3
Hedged volume (barrels)	2,366,462	1,804,000
Quarter ended March 31:	2007	2006
Hedge effectiveness gains recognized in aircraft fuel expense	-	R\$ 628
Hedge ineffectiveness net gains recognized in other income	R\$ 5,325	-
Percentage of actual consumption hedged (during quarter)	87%	55%

The Company utilizes financial derivative instruments as hedges to decrease its exposure to jet fuel price increases for short-term time frames. The Company currently has a combination of purchased call options, collar structures, and fixed price swap agreements in place to hedge approximately 60%, 25%, 25%, 10% and 10% of its jet fuel requirements for the second, third and fourth quarters 2007, and the first and second quarters of 2008, respectively, at average crude equivalent prices of approximately US\$ 68.3, US\$ 69.5, US\$ 72.3, US\$ 62.6 and US\$ 62.9 per barrel, respectively.

The Company accounts for its fuel hedge derivative instruments as cash flow hedges under SFAS 133. Under SFAS 133, all derivatives designated as hedges that meet certain requirements are granted special hedge accounting treatment. Generally, utilizing the special hedge accounting, all periodic changes in fair value of the derivatives designated as hedges that are considered to be effective, as defined, are recorded in Accumulated other comprehensive income until the underlying jet fuel is consumed. When aircraft fuel is consumed and the related derivative contract settles, any gains or losses previously deferred in other comprehensive income are recognized as aircraft fuel expense. The Company is exposed to the risk that periodic changes will not be effective, as defined, or that the derivatives will no longer qualify for special hedge accounting. Ineffectiveness, as defined, results when the change in the total fair value of the derivative instrument does not equal 80-125% of the change in the value of the aircraft fuel being hedged or the change in value of the Company's expected future cash outlay to purchase and consume jet fuel. To the extent that the periodic changes in the fair value of the derivatives are not effective, that ineffectiveness is recorded to Other gains and losses in the income statement. Likewise, if a hedge ceases to qualify for hedge accounting, those periodic changes in the fair value of derivative instruments are recorded to Other gains and losses in the income statement in the period of the change.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in other crude oil related commodities, especially given the recent volatility in the prices of refined products. Due to the volatility in markets for crude oil and related products, the Company is unable to predict the amount of ineffectiveness each period, including the loss of

hedge accounting, which could be determined on a derivative by derivative basis or in the aggregate. In specific instances, the Company has determined that specific hedges will not regain effectiveness in the time period remaining until settlement and therefore must discontinue special hedge accounting, as defined by SFAS 133. When this happens, any changes in fair value of the derivative instruments are marked to market through earnings in the period of change.

GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(In thousands of Brazilian Reais)

10. Financial Instruments and Concentration of Risk (Continued)a) Fuel (Continued)

The Company continually looks for better and more accurate methodologies in forecasting future cash flows relating to its jet fuel hedging program. These estimates are used in the measurement of effectiveness for the Company's fuel hedges, as required by SFAS 133. During second quarter 2006, the Company revised its method for forecasting future cash flows. Previously, the Company had estimated future cash flows using actual market forward prices of like commodities and adjusting for historical differences from the Company's actual jet fuel purchase prices. The Company's new methodology utilizes a statistical-based regression equation with data from market forward prices of like commodities, and will not have a material impact on the financial statements.

During the three months ended March 31, 2007, the Company recognized approximately R\$2,730 (US\$ 1,331) of additional net gains in Other (gains) losses, related to the ineffectiveness of its hedges and the loss of hedge accounting for certain hedges. Of this net total, approximately R\$ 61 (US\$ 30) was ineffectiveness expense and mark-to-market losses related to contracts that settled during first quarter of 2007. As of March 31, 2007 there was R\$ 6,020 (US\$2,936), net of taxes, on unrealized gains with jet fuel hedges recorded in comprehensive income. Also, there were derivative transactions not designated as hedges for which the change in fair value during the period was R\$2,945 which was recorded in other expenses.

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

b) Exchange rates

The Company is exposed to the effects of changes in the USD exchange rate. Exchange exposure relates to amounts payable arising from USD-denominated and USD-linked expenses and payments. To manage this risk, the Company uses USD options and futures contracts.

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

	March 31, 2007	December 31, 2006
Fair value of derivative instruments at the end of period	R\$ 4,310	R\$ (275)
Longest remaining term (months)	2	2
Hedged volume	261,500	R\$ 180,127
Quarter ended March 31:	2007	2006

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Hedge effectiveness losses recognized in operating expenses		-	R\$	(5.383)
Hedge ineffectiveness losses recognized in other expenses	R\$	(6,596)	R\$	(227)
Percentage of expenses hedged (during quarter)		50%		65%

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GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In thousands of Brazilian Reais)

10. Financial Instruments and Concentration of Risk (Continued)

The Company utilizes financial derivative instruments as hedges to decrease its exposure to increases in the USD exchange rate. The Company has utilized financial derivative instruments for short-term time frames. The Company accounts for its foreign currency futures derivative instruments as cash flow hedges under SFAS 133. As of March 31, 2007 the unrealized loss with exchange rates recorded in comprehensive income was R\$ 2,040, net of taxes.

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

c) Cash management

The Company utilizes financial derivative instruments for cash management purposes. The Company utilizes synthetic fixed income options and swaps to obtain the Brazilian overnight deposit rate from fixed-rate or dollar-denominated investments. The Company enters into synthetic fixed income option contracts with first-tier banks registered in the Brazilian CETIP clearing house. As of March 31, 2007, the total amount invested in synthetic fixed-income option contracts was R\$ 78,982 with average term of 241 days. The Company utilizes swap agreements to change