

Gol Intelligent Airlines Inc.  
Form 6-K  
March 10, 2006

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

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**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 March, 2006**

**(Commission File No. 001-32221) ,**

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**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)*

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**Rua Tamoios 246  
Jardim Aeroporto  
04630-000 São Paulo, São Paulo  
Federative Republic of Brazil**  
*(Address of Registrant's principal executive offices)*

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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):

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**GOL Reports Net Revenues of R\$821mm and EPS of R\$0.88 for 4Q05**

*Brazil's Low-cost, Low-fare Airline Reports Record Quarterly Net Income of R\$171mm  
63% increase in Earnings per ADS; 21% Net Margin*

**São Paulo, March 09, 2006** GOL Linhas Aéreas Inteligentes S.A. (NYSE: GOL and Bovespa: GOLL4), Brazil's low-cost, low-fare airline, today announced financial results for the fourth quarter of 2005 (4Q05). The following financial and operating information, unless otherwise indicated, is presented pursuant to US GAAP and in Brazilian reais (R\$), and comparisons refer to the fourth quarter of 2004 (4Q04). Additionally, financial statements in BR GAAP are made available at the end of this release.

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**4Q05 Earnings Results**

**Webcasts**

Date:

Friday, March 10, 2006

**> In English (US GAAP)**

09:00 a.m US EST

11:00 a.m Brasilia Time

Phone: +1 (973) 935-2408

Replay: +1 (973) 341-3080

Code: 7087459 or GOL

**> In Portuguese (US GAAP)**

07:30 a.m. US EST

09:30 a.m. Brasília Time

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Code: GOL

**OPERATING & FINANCIAL HIGHLIGHTS**

Net income for the quarter was a record R\$170.6mm (US\$75.8mm), representing a 20.8% net margin. Earnings per share (EPS) was R\$0.88 and earnings per ADS increased 63%, to US\$0.39, slightly above average Street estimates of US\$0.37 (Source: I/B/E/S).

Full-year 2005 earnings per share was R\$2.66 (US\$1.14 per ADS). 2005 net income was a record R\$513.2mm (US\$219.3mm), representing year-over-year growth of 33.4%, on revenues of R\$2.7 billion and a 19.2% margin, and slightly above average Street estimates of US\$1.10 per ADS (Source: I/B/E/S).

Operating income decreased by 5.4% to R\$175.9mm, representing an EBIT margin of 21.4%. Fuel-neutral operating income increased by 8.7% to R\$202.1mm, representing a fuel-neutral EBIT margin of 24.6%. Cash, cash equivalents and short-term investments amounted to R\$869.0mm. GOL has one of the lowest total debt (including total off-balance sheet lease payments) to total capitalization ratios in the airline industry worldwide.

Operating cost per ASK (CASK) decreased 8.7% from 18.25 cents (R\$) in 4Q04 to 16.66 cents (R\$) in 4Q05. Non-fuel CASK decreased 19.0% to 9.92 cents (R\$). Excluding profit sharing provisions, 4Q05 CASK decreased 4.5% vs. 4Q04.

Revenue passenger kilometers (RPK) increased 62.8% from 1,762mm in 4Q04 to 2,869mm in 4Q05. Available seat kilometers (ASK) increased 60.7% from 2,407mm in 4Q04 to 3,867mm in 4Q05. Average load factor increased 1.0 percentage point to 74.2% while average passenger yields decreased 18.2% to 27.33 cents (R\$), resulting in a decrease in RASK of 18.3% to 21.23 cents (R\$). Net revenues totaled R\$821.1mm, representing growth of 31.4%. GOL's domestic regular air transportation market-share at the end of 4Q05 was 30%.

A net payout of R\$100.8mm (R\$0.51 per share and US\$0.22 per ADS), corresponding to 25% of adjusted net income in BRGAAP, was approved at the March 9, 2006, Board Meeting, to be paid as dividends and interest on shareholders' equity on April 27, 2006, to shareholders of record as of March 21, 2006.



On-time arrivals averaged 98% during the quarter, ranking GOL first in this industry index during 4Q05. Passenger complaints and lost baggage per 1,000 passengers averaged 1.05 and 0.28, respectively. GOL's website accounted for 86% of total ticket sales during the quarter.

In 4Q05, GOL added 58 new daily flight frequencies and inaugurated two new destinations: Campina Grande, in the state of Paraíba (Brazil), and Santa Cruz de la Sierra, in Bolivia. In January 2006, GOL added four new international destinations: Córdoba and Rosario in Argentina, Montevideo in Uruguay and Asuncion in Paraguay.

Four leased Boeing 737 aircraft were added during 4Q05, increasing fleet size to 42 aircraft. Three more leased aircraft will join the fleet in 1Q06. GOL aircraft order for new Boeing 737-800s is comprised of 67 firm orders and 34 purchase options, totaling 101 aircraft, with delivery commencing in July 2006. GOL plans to double its fleet by the end of 2011 to a total of 90 aircraft.

In November 2005, GOL's Board of Directors approved a ratio change in the Company's American Depositary Receipt (ADR) program from a ratio of one (1) American Depositary Share (ADS) representing two (2) preferred shares to a ratio of one (1) ADS representing one (1) preferred share in the Company. The ratio change took effect on December 13, 2005, and, from this date forward, GOL's ADSs traded at the new ratio. The purpose of the ADS ratio change was to increase liquidity in the trading of GOL ADSs on the NYSE. GOL's Board also approved management's recommendation to alter the frequency of cash dividend payments from yearly to quarterly, beginning with the first quarter of 2006, maintaining a minimum payout ratio of 25% of earnings.

In November 2005, GOL partnered with Bovespa and the Coast of Saúpe to stimulate investments in the Social Stock Exchange (SSE), an initiative supporting educational projects.

GOL was named the Best Airline in Latin America by *Global Finance Magazine*. The ranking, which was published in the November 2005 issue, evaluates companies on a number of key areas, including: revenue and profit growth, market capitalization and share price growth, product innovation, global expansion and social responsibility.

In November 2005, GOL launched the Voe Fácil ( Fly Easy ) GOL Program, which allows customers to pay for airline tickets in up to 36 monthly installments. GOL's Fly Easy Program offers an innovative new way to purchase airline tickets.

In November 2005, GOL signed a contract with Aviation Partners Boeing (Joint Venture of Aviation Partners and Boeing) for the delivery of 60 Blended Winglet Systems, in order to reduce the Company's fuel costs and significantly improve airplane performance during take-off and landing on short runways.

In December 2005, GOL's shares (GOLL4) were included in the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange (Bovespa).

At the end of 2005, GOL formalized a joint venture for the creation of a low-cost carrier (LCC) in the Mexican air transportation market, in which GOL will hold 25% of the voting capital stock and approximately 48% of the total capital stock, the remaining capital being subscribed by Mexican investors. Plans are to commence flights in late-2006.

Using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework, GOL conducted its 404 certification process during 2005. GOL is one of the first companies in Latin America to assess the effectiveness of the Company's internal control over financial reporting, and meet the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

| Financial & Operating Highlights<br>(US GAAP)     | 4Q05     | 4Q04     | %<br>Change | 3Q05     | %<br>Change |
|---|----------|----------|-------------|----------|-------------|
| RPKs (mm)   | 2,869    | 1,762    | 62.8%       | 2,629    | 9.1%        |
| ASKs (mm)   | 3,867    | 2,407    | 60.7%       | 3,565    | 8.5%        |
| Load Factor                                       | 74.2%    | 73.2%    | +1.0 pp     | 73.7%    | +0.5 pp     |
| Passenger Revenue per ASK (R\$ cents)             | 20.27    | 24.47    | -17.2%      | 18.66    | 8.6%        |
| Operating Revenue per ASK (R\$ cents)<br>( RASK ) | 21.23    | 25.97    | -18.3%      | 19.54    | 8.6%        |
| Operating Cost per ASK (R\$ cents) ( CASK )       | 16.66    | 18.25    | -8.7%       | 14.40    | 15.7%       |
| Operating Cost ex-fuel per ASK (R\$ cents)        | 9.92     | 12.24    | -19.0%      | 8.55     | 16.0%       |
| Breakeven Load Factor                             | 58.3%    | 51.4%    | +6.9 pp     | 54.3%    | +4.0 pp     |
| Net Revenues (R\$ mm)                             | 821.1    | 625.0    | 31.4%       | 696.7    | 17.9%       |
| EBITDAR (R\$ mm)                                  | 251.8    | 241.8    | 4.1%        | 253.9    | -0.8%       |
| EBITDAR Margin                                    | 30.7%    | 38.7%    | -8.0 pp     | 36.4%    | -5.7 pp     |
| Operating Income (R\$ mm)                         | 175.9    | 185.9    | -5.4%       | 183.3    | -4.0%       |
| Operating Margin                                  | 21.4%    | 29.7%    | -8.3 pp     | 26.3%    | -4.9 pp     |
| Pre-tax Income                                    | 196.7    | 190.2    | 3.5%        | 209.9    | -6.3%       |
| Pre-tax Income Margin                             | 24.0%    | 30.4%    | -6.4 pp     | 30.1%    | -6.1 pp     |
| Net Income (R\$ mm)                               | 170.6    | 123.9    | 37.6%       | 138.2    | 23.4%       |
| Net Income Margin                                 | 20.8%    | 19.8%    | +1.0 pp     | 19.8%    | +1.0 pp     |
| Earnings per Share (R\$ )                         | R\$ 0.88 | R\$ 0.66 | 33.3%       | R\$ 0.71 | 23.9%       |
| Earnings per ADS Equivalent (US\$ )               | \$0.39   | \$0.24   | 62.5%       | \$0.30   | 30.0%       |
| Weighted average number of shares, basic<br>(000) | 195,451  | 187,543  | 4.2%        | 195,269  | 0.1%        |
| Weighted average number of ADS, basic (000)       | 195,451  | 187,543  | 4.2%        | 195,269  | 0.1%        |

*Note: Historical RPK and ASK data may have immaterial alterations to match with official (final) DAC data.*

## MANAGEMENT'S COMMENTS ON 4Q05 RESULTS

GOL's performance in the fourth quarter of 2005 demonstrated the Company's ability to grow capacity significantly while reducing costs and maintaining high profitability and quality service, even during periods of extremely high fuel prices. GOL remains committed to its virtuous cycle of maintaining low costs, allowing us to offer the lowest fares and achieve the highest load factors in the Brazilian market, thereby driving industry-leading profitability, commented Constantino de Oliveira Junior, GOL's CEO. Mr. Oliveira added, "Through the addition of aircraft and flight frequencies during the quarter, GOL significantly increased its domestic market share and consolidated its position as the second-largest domestic airline in Brazil."

GOL's EPS in the fourth quarter of 2005 was slightly above average market estimates and demonstrated the benefits of increased scale, high productivity, and strict cost control. GOL continued to show the highest load factors in the Brazilian market and one of the highest aircraft utilizations in the world, while maintaining market cost leadership. During the quarter, GOL's load factor increased 1.0 percentage

point to 74.2%; aircraft utilization remained at 14 block hours per day, while operating costs per ASK decreased 19.0%, excluding fuel.

While fuel costs per available seat kilometer (ASK) increased 12.1% year-over-year, GOL's operating cost per seat kilometer (CASK) decreased by 8.7% to 16.66 cents (R\$). Cost reductions were driven by increased scale, productivity and stage length, reductions in sales, marketing and aircraft maintenance expenses, and a 19.4% appreciation of the Brazilian Real against the US dollar. The 17% increase in employees over 3Q05, related to planned capacity expansion, was compensated with higher productivity.

Demand for our passenger air transportation services grew at high rates during the quarter, stimulated by average fare reductions of 5.2% vs. the previous year. The 12.1% increase in fuel CASK (fuel CASK represented 40% of total CASK), combined with a 18.3% reduction in RASK, resulted in operating income reduction of 5.4% in the year-over-year comparison. Fuel-neutral operating income was R\$202.1mm in 4Q05, representing an EBIT margin of 24.6%. The Company has hedged approximately 55% of its fuel price exposure and 65% of its U.S. dollar exposure for 1Q06, and 21% of its fuel exposure for 2Q06-4Q06. Our absolute market cost leadership, represented by a stage-length adjusted CASK over 25% lower than our closest competitor, is key to our virtuous cycle, and allows us to provide the lowest fares and the best customer value proposition in the market, commented Richard Lark, GOL's CFO.

In terms of future perspectives, besides maintaining high levels of productivity and profitability, short-term growth will be driven by the addition of new aircraft, new destinations and new frequencies. The addition of three Boeing 737 aircraft to the fleet in the first quarter of 2006 will increase seat capacity by approximately 45% year-over-year.

GOL remains committed to its strategy of profitable expansion through a low cost structure and high quality customer service. We are very proud that more than 36 million customers have chosen to fly GOL, and we continue to make every effort to offer them the best in air travel: new planes, frequent flights in the main markets, an ever-expanding integrated route system and lower prices; all of which is delivered by our dedicated team of employees who are key to our success," stated Mr. Oliveira. By remaining focused on our business model, while continuing to grow, be innovative and provide the lowest fares, we will further create value for our customers, employees and shareholders.

## REVENUES

Net operating revenues, principally revenues from passenger transportation, increased 31.4% to R\$821.1mm, primarily due to higher revenue passenger kilometers (RPK) and a lower yield. RPK growth was driven by a 44.0% increase in departures, as well as an increase in load factor from 73.2% to 74.2%. RPKs grew 62.8% to 2,869mm, and revenue passengers grew 42.6% to 3.6mm.

Average fares decreased 5.2% from R\$235 to R\$223, principally due to our fare re-alignment in March 2005, reflecting our strategy of providing low fares. Yields declined 18.2% to 27.33 cents (R\$) per passenger kilometer, due to lower fares and a 10.6% increase in average stage length.

Complementing net operating revenues, cargo transportation activities primarily contributed to the expansion of other operating revenues, which increased from R\$36.0mm to R\$37.1mm.

The 60.7% year-over-year capacity expansion, represented by ASKs, facilitated the addition of 58 new daily flight frequencies (including 2 night flights) and two new destinations in 4Q05. The addition of a third average operating aircraft during the quarter (or from 37 to 40 aircraft) drove the ASK increase.

Operating revenue per available seat kilometer (RASK) decreased 18.3% to R\$21.23 cents in 4Q05, from R\$25.97 cents in 4Q04.

The growth in RPKs resulted in a higher domestic market share for GOL, reaching 30% in the end of 4Q05, compared to 24% in the end of 4Q04. Through its regular international flights to Buenos Aires, Argentina, and the launch of a second route, Santa Cruz de la Sierra, Bolivia, GOL achieved an international market share of 3% (share of Brazilian airline RPK) in the same period. Approximately 6% of GOL's total RPKs were related to international passenger traffic (Brazil-Buenos Aires and Brazil-Santa Cruz de la Sierra routes).

## OPERATING EXPENSES

Operating expenses per ASK decreased by 19.0%, excluding fuel, in the quarter. Total CASK decreased 8.7%, to 16.66 cents (R\$), due to higher productivity, a longer average stage length, and a greater dilution of fixed costs over a higher number of ASKs, offset by increases in aircraft fuel expenses per ASK. Total operating expenses increased 46.9%, reaching R\$645.2mm, due to high fuel prices and the expansion of our operations (fleet and employee expansion, a higher volume of landing fees and marketing activities). Fuel price increases during 4Q05 accounted for almost one-fourth of the R\$116.2mm increase in fuel expenses. Breakeven load factor increased to 58.3% versus 51.4% in 4Q04.

Results from GOL's operating expense (jet fuel and USD-related) hedging programs are accounted for in accordance with SFAS 133 (*Statement of Financial Accounting Standard No 133*), Accounting of Derivatives and Hedging Activities.

The breakdown of our costs and operational expenses for 4Q05, 4Q04 and 3Q05 is as follows:

| <b>Operating Expenses (R\$ cents / ASK)</b>                                   |              |              |               |              |               |
|---|--------------|--------------|---------------|--------------|---------------|
|   | <b>4Q05</b>  | <b>4Q04</b>  | <b>% Chg.</b> | <b>3Q05</b>  | <b>% Chg.</b> |
| Salaries, wages and benefits  | 2.14         | 2.99         | -28.4%        | 1.85         | 15.7%         |
| Aircraft fuel   | 6.74         | 6.01         | 12.1%         | 5.85         | 15.2%         |
| Aircraft rent   | 1.67         | 2.05         | -18.5%        | 1.74         | -4.0%         |
| Aircraft insurance  | 0.21         | 0.31         | -32.3%        | 0.22         | -4.5%         |
| Sales and marketing   | 2.70         | 3.60         | -25.0%        | 2.26         | 19.5%         |
| Landing fees  | 0.72         | 0.66         | 9.1%          | 0.68         | 5.9%          |
| Aircraft and traffic servicing  | 0.73         | 1.14         | -36.0%        | 0.73         | 0.0%          |
| Maintenance, materials and repairs  | 0.65         | 0.79         | -17.7%        | 0.17         | 282.4%        |
| Depreciation  | 0.29         | 0.27         | 7.4%          | 0.24         | 20.8%         |
| Other operating expenses  | 0.81         | 0.43         | 88.4%         | 0.66         | 22.7%         |
| <b>Total operating expenses</b>   | <b>16.66</b> | <b>18.25</b> | <b>-8.7%</b>  | <b>14.40</b> | <b>15.7%</b>  |
| <b>Operating expenses ex- fuel</b>  | <b>9.92</b>  | <b>12.24</b> | <b>-19.0%</b> | <b>8.55</b>  | <b>16.0%</b>  |
| <b>Total Operating Expenses Fuel-Neutral 4Q04</b><br>(using 4Q04 fuel prices) | <b>16.01</b> | <b>18.25</b> | <b>-12.3%</b> | -            | -             |
| <b>Total Operating Expenses Fuel-Neutral 3Q05</b><br>(using 3Q05 fuel prices) | <b>16.30</b> | -            | -             | <b>14.40</b> | <b>13.2%</b>  |
| <b>Total operating expenses ex-profit sharing</b>                             | <b>16.38</b> | <b>17.11</b> | <b>-4.3%</b>  | <b>14.13</b> | <b>15.9%</b>  |

| <b>Operating Expenses (R\$ million)</b> |              |              |               |              |               |
|---|--------------|--------------|---------------|--------------|---------------|
|   | <b>4Q05</b>  | <b>4Q04</b>  | <b>% Chg.</b> | <b>3Q05</b>  | <b>% Chg.</b> |
| Salaries, wages and benefits            | 82.9         | 71.9         | 15.3%         | 66.1         | 25.4%         |
| Aircraft fuel                           | 260.8        | 144.6        | 80.4%         | 208.7        | 25.0%         |
| Aircraft rent                           | 64.5         | 49.4         | 30.5%         | 62.1         | 3.9%          |
| Aircraft insurance                      | 8.2          | 7.5          | 10.0%         | 8.0          | 2.5%          |
| Sales and marketing                     | 104.6        | 86.6         | 20.8%         | 80.4         | 30.1%         |
| Landing fees                            | 27.8         | 15.9         | 74.3%         | 24.2         | 14.9%         |
| Aircraft and traffic servicing          | 28.4         | 27.4         | 3.5%          | 25.9         | 9.7%          |
| Maintenance, materials and repairs      | 25.1         | 19.1         | 31.5%         | 6.0          | 318.3%        |
| Depreciation                            | 11.4         | 6.5          | 76.5%         | 8.5          | 34.1%         |
| Other operating expenses                | 31.5         | 10.3         | 207.2%        | 23.5         | 34.0%         |
| <b>Total operating expenses</b>         | <b>645.2</b> | <b>439.1</b> | <b>46.9%</b>  | <b>513.4</b> | <b>25.7%</b>  |



|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Operating expenses ex- fuel</b>  | <b>384.4</b> | <b>294.5</b> | <b>30.5%</b> | <b>304.7</b> | <b>26.2%</b> |
| <b>Total Operating Expenses Fuel-Neutral<br/>4Q04</b><br>(using 4Q04 fuel prices) | <b>619.0</b> | <b>439.1</b> | <b>41.0%</b> | <b>-</b>     | <b>-</b>     |
| <b>Total Operating Expenses Fuel-Neutral<br/>3Q05</b><br>(using 3Q05 fuel prices) | <b>630.4</b> | <b>-</b>     | <b>-</b>     | <b>513.4</b> | <b>22.8%</b> |
| <b>Total Operating Expenses ex-profit sharing</b>                                 | <b>633.4</b> | <b>411.9</b> | <b>53.8%</b> | <b>503.7</b> | <b>25.7%</b> |

**Salaries, wages and benefits** expenses per available seat kilometer (ASK) decreased 28.4% to 2.14 cents, mainly due to a decrease of R\$15.4mm in provisions for our employee profit sharing program (R\$11.8mm in 4Q05, for a total of R\$31.7mm for the full-year 2005, versus R\$27.2mm in 4Q04 - 100% of 2004 profit sharing was provisioned in 4Q04). This was partially offset by a cost of living salary increase of 6% effected in December 2005 and a 65.2% increase in the number of full-time equivalent employees - from 3,303 to 5,456 - related to capacity expansion.

**Aircraft fuel** expenses per ASK increased 12.1% over 4Q04 to 6.74 cents (R\$), due to higher fuel prices per liter. The 11% increase in average fuel cost per liter over 4Q04 was primarily due to the 24% increase in the international price for crude oil (WTI) (and a 42% increase in Gulf Coast jet fuel prices), partially offset by the 19.4% Brazilian Real appreciation against the U.S. dollar. GOL's hedging program, in conjunction with its fuel efficient fleet and intelligent yield management, has helped to mitigate increases in jet fuel prices. The Company has hedged approximately 55% of its fuel requirements for 1Q06 at an average price of US\$61 per barrel and 21% for 2Q-4Q06 at an average price of US\$59 per barrel.

**Aircraft rent** per ASK decreased 18.5% to 1.67 cents (R\$) in 4Q05, primarily due to a high aircraft utilization rate (14 block hours per day, which produced a 5.6% increase in ASKs/aircraft versus 4Q04), and a 19.4% appreciation of the Brazilian Real during the same period. GOL's high aircraft utilization rates are attributable to a standardized Boeing fleet, which reduces complexity and turnaround times, and allows both an increase in the number of daily flights per aircraft and a 24-hour per day utilization for over 25% of the fleet.

**Aircraft insurance** expenses per ASK decreased 32.3% due to the reduction in average premium rates, the 19.4% appreciation of the Brazilian Real against the U.S. dollar, and a higher aircraft utilization rate (5.6% increase in ASKs/aircraft).

**Sales and marketing** expenses per ASK decreased 25.0% to 2.70 cents (R\$) primarily due to reductions in incentives, an increase in ticket sales on the GOL website and higher aircraft utilization rates. GOL booked a majority of its ticket sales through a combination of its website (86% during 4Q05) and its call center (9% during 4Q05). Marketing expenses totaled R\$13mm during 4Q05, mainly due to an institutional advertising campaign and the opening of four new destinations (Santa Cruz de la Sierra, São José do Rio Preto, Cordoba and Rosario).

**Landing fees** per ASK increased 9.1% to 0.72 cents (R\$), due to a 44.0% increase in departures and a 26% scheduled increase in average landing and navigation tariffs, partially offset by increased average stage length.

**Aircraft and traffic servicing** expenses per ASK decreased 36.0% to 0.73 cents (R\$), as a result of increased average stage length and a decrease in technology services.

**Maintenance, materials and repairs** per ASK decreased 17.7% to 0.65 cents (R\$), primarily due to a 19.4% appreciation of the Brazilian Real against the U.S. dollar. Main expenses during the quarter were related to the maintenance of three engines, in the amount of R\$10.0mm, the use of spare parts inventory and repair of rotatable materials, including write-offs for inventory obsolescence, in the amount of R\$6.0mm.

**Depreciation** per ASK increased 7.4% to 0.29 cents (R\$), due to higher volume of fixed assets, particularly spare parts inventory, and the increase of our technology equipment, due to our expansion of operations.

**Other operating expenses** per ASK were 0.81 cents (R\$), an 88.4% increase when compared to the same period of the previous year, due to increased lodging of flight crews, increased direct passenger expenses and interrupted flights.

### COMMENTS ON EBITDA AND EBITDAR<sup>1</sup>

The impact of a 4.74 cent (R\$) RASK decrease, partially compensated by a CASK decrease of 1.59 cents (R\$), resulted in a reduction of EBITDA per available seat kilometer to 4.86 cents (R\$) in 4Q05. Compared to 3Q05, EBITDA per ASK decreased 9.7% . EBITDA was affected by the 18.3% decrease in RASK, and totaled R\$187.3mm in the period compared to R\$192.4mm in 4Q04 (a 2.7% decrease) and R\$191.8mm in 3Q05 (a 2.3% decrease).

| EBITDAR Calculation (R\$ cents / ASK) |              |              |                |              |                |
|---------------------------------------|--------------|--------------|----------------|--------------|----------------|
|                                       | 4Q05         | 4Q04         | Chg. %         | 3Q05         | Chg. %         |
| Net Revenues                          | 21.23        | 25.97        | -18.3%         | 19.54        | 8.6%           |
| Operating Expenses                    | 16.66        | 18.25        | -8.7%          | 14.40        | 15.7%          |
| EBIT                                  | 4.57         | 7.72         | -40.8%         | 5.14         | -11.1%         |
| Depreciation & Amortization           | 0.29         | 0.27         | 7.4%           | 0.24         | 20.8%          |
| <b>EBITDA</b>                         | <b>4.86</b>  | <b>7.99</b>  | <b>-39.2%</b>  | <b>5.38</b>  | <b>-9.7%</b>   |
| <b>EBITDA Margin</b>                  | <b>22.9%</b> | <b>30.8%</b> | <b>-7.9 pp</b> | <b>27.5%</b> | <b>-4.6 pp</b> |
| Aircraft Rent                         | 1.67         | 2.05         | -18.5%         | 1.74         | -4.0%          |
| <b>EBITDAR</b>                        | <b>6.53</b>  | <b>10.04</b> | <b>-35.0%</b>  | <b>7.12</b>  | <b>-8.3%</b>   |
| <b>EBITDAR Margin</b>                 | <b>30.8%</b> | <b>38.7%</b> | <b>-7.9 pp</b> | <b>36.4%</b> | <b>-5.6 pp</b> |

| EBITDAR Calculation (R\$ million) |              |              |                |              |                |
|-----------------------------------|--------------|--------------|----------------|--------------|----------------|
|                                   | 4Q05         | 4Q04         | Chg. %         | 3Q05         | Chg. %         |
| Net Revenues                      | 821.1        | 625.0        | 31.4%          | 696.7        | 17.9%          |
| Operating Expenses                | 645.2        | 439.1        | 46.9%          | 513.4        | 25.7%          |
| EBIT                              | 175.9        | 185.9        | -5.4%          | 183.3        | -4.0%          |
| Depreciation & Amortization       | 11.4         | 6.5          | 76.5%          | 8.5          | 34.1%          |
| <b>EBITDA</b>                     | <b>187.3</b> | <b>192.4</b> | <b>-2.7%</b>   | <b>191.8</b> | <b>-2.3%</b>   |
| <b>EBITDA Margin</b>              | <b>22.8%</b> | <b>30.8%</b> | <b>-8.0 pp</b> | <b>27.5%</b> | <b>-4.7 pp</b> |
| Aircraft Rent                     | 64.5         | 49.4         | 30.5%          | 62.1         | 3.9%           |
| <b>EBITDAR</b>                    | <b>251.8</b> | <b>241.8</b> | <b>4.1%</b>    | <b>253.9</b> | <b>-0.8%</b>   |
| <b>EBITDAR Margin</b>             | <b>30.7%</b> | <b>38.7%</b> | <b>-8.0 pp</b> | <b>36.4%</b> | <b>-5.7 pp</b> |

<sup>1</sup>EBITDA (earnings before interest, taxes, depreciation and amortization) and EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) are presented as supplemental information because we believe they are useful indicators of our operating performance and are useful in comparing our performance with other companies in the airline industry. We usually present EBITDAR, in addition to EBITDA, because aircraft leasing represents a significant operating expense of our business, and we believe the impact of this expense should also be considered. However, neither figure should be considered in isolation, as a substitute for net income prepared in accordance with US GAAP, BR GAAP or as a measure of a company's profitability. In addition, our calculations may not be comparable to other similarly titled measures of other companies.



Aircraft rent represents a significant operating expense for GOL. As GOL leases all of its aircraft, we believe that EBITDAR, equivalent to EBITDA before aircraft rent expenses (which are USD-denominated) is an important measure of relative operating performance. On a per available seat kilometer basis, EBITDAR was 6.53 cents (R\$) in 4Q05, compared to 10.04 cents (R\$) in 4Q04. EBITDAR amounted to R\$251.8mm in 4Q05, compared to R\$241.8mm in the same period last year and R\$253.9mm in 3Q05.

## FINANCIAL RESULTS

Financial expenses increased R\$15.7mm due to a higher amount of short-term working capital debt, related to increased operations, and a negative variation on dollar-denominated deposits (a non-cash effect). Financial income increased R\$32.3mm, primarily due to a R\$319.3mm increase in short term investments.

| Financial Results (R\$ thousands) | 4Q05            | 4Q04           | 3Q05            |
|-----------------------------------|-----------------|----------------|-----------------|
| <b>Financial Expenses</b>         |                 |                |                 |
| Interest Expense                  | (126)           | (4,308)        | (8,812)         |
| Exchange Variation Loss           | (8,522)         | -              | (54)            |
| Other                             | (11,357)        | -              | (6,407)         |
| <b>Total Financial Expenses</b>   | <b>(20,005)</b> | <b>(4,308)</b> | <b>(15,273)</b> |
| <b>Financial Income</b>           |                 |                |                 |
| Financial Income                  | 38,110          | 8,579          | 36,710          |
| Capitalized Interest              | 2,734           | -              | 5,258           |
| <b>Total Financial Income</b>     | <b>40,844</b>   | <b>8,579</b>   | <b>41,968</b>   |
| <b>Net Financial Results</b>      | <b>20,839</b>   | <b>4,271</b>   | <b>26,695</b>   |

## NET INCOME AND EARNINGS PER SHARE

Net income in 4Q05 was R\$170.6mm, representing a 20.8% net income margin, vs. R\$123.9mm of net income in 4Q04.

Net earnings per share, basic, was R\$0.88 in 4Q05 compared to R\$0.66 in 4Q04. Basic weighted average shares outstanding were 195,450,584 in 4Q05 and 187,543,243 in 4Q04. Net earnings per share, diluted, was R\$0.88 in the 4Q05 compared to R\$0.66 in 4Q04. Fully-diluted weighted average shares outstanding were 196,226,584 in 4Q05 and 188,369,511 in 4Q04.

Net earnings per ADS, basic, was US\$0.39 in 4Q05 compared to US\$0.24 in 4Q04. Basic weighted average ADS outstanding were 195,450,584 in 4Q05 and 187,543,243 in 4Q04. Net earnings per ADS,

diluted, was US\$0.39 in 4Q05 compared to US\$0.24 in 4Q04. Fully-diluted weighted average ADS outstanding were 196,226,584 in 4Q05 and 188,369,511 in 4Q04.

Net earnings per share, basic, was R\$2.66 for the full year 2005 compared to R\$2.14 for 2004. Net earnings per share, diluted, was R\$2.65 for the full year 2005 compared to R\$2.13 for 2004.

Net earnings per ADS, basic, was US\$1.14 for the full year 2005 compared to US\$0.73 for 2004. Net earnings per ADS, diluted, was US\$1.13 for the full year 2005 compared to US\$0.73 for 2004.

GOL's bylaws provide for a mandatory dividend to common and preferred shareholders of at least 25% of annual net distributable income (i.e., net income after a 5% provisioning of net income as legal reserves) determined in accordance with Brazilian corporation law (BR GAAP). For this purpose, net income was R\$424.5mm in of the year 2005. On March 9, 2006, GOL's Board approved the payment of dividends in the amount of R\$100.8mm (R\$96.6mm of interest on shareholders' equity, net of withholding tax, and R\$4.2mm on complementary dividends), representing R\$0.51 per share, or approximately US\$0.22 per ADS. The amounts will be paid on April 24, 2006, to shareholders of record on March 17, 2006.

## CASH FLOW

Cash, cash equivalents and short-term investments increased R\$35.4mm during 4Q05. Cash from operating activities was R\$168.3mm, mainly due to increased earnings from operations (R\$170.6mm), increase in accounts payable (R\$48.2mm) and increase in air traffic liability (R\$24.1mm), partially offset by an increase in accounts receivable (R\$48.4mm). The amount deposited for future maintenance was US\$165mm at December 31, 2005.

Cash used in investing activities was R\$135.1mm, consisting primarily of advances for aircraft acquisition (R\$37.4mm) and acquisition of property and equipment (R\$98.1mm). In the first quarter of 2006, we expect capital expenditures of approximately R\$130mm, mainly due to increases in advances for aircraft acquisition.

Cash provided by financing activities during 4Q05 was R\$2.2mm.

| Cash Flow Summary (R\$ million)  | 4Q05                 | 4Q04         | %             | 3Q05                 | %              |
|--|----------------------|--------------|---------------|----------------------|----------------|
|  |                      |              | Change        |                      | Change         |
| Net cash provided by operating activities                                  | 168.3                | 117.4        | 43.4%         | 120.5                | 39.7%          |
| Net cash used in investing activities                                      | (135.1) <sup>1</sup> | 229.8        | 365.5%        | (165.9) <sup>2</sup> | -18.6%         |
| Net cash provided by financing activities                                  | 2.2                  | 27.0         | -91.8%        | (63.7)               | -103.5%        |
| <b>Net increase in cash, cash equivalents &amp; short term investments</b> | <b>35.4</b>          | <b>374.2</b> | <b>-69.3%</b> | <b>(109.1)</b>       | <b>-132.4%</b> |

1. Excluding R\$(12.7) mm of cash invested in highly-liquid short-term investments with maturities above 90 days, as defined by SFAS 115.

2. Excluding R\$4.3 mm of cash invested in highly-liquid short-term investments with maturities above 90 days, as defined by SFAS 115.

During the year 2005, cash and cash equivalents increased R\$19.9mm. Cash from operations was R\$353.7mm, mainly due to earnings from operations (R\$513.2mm) and offset by an increase in accounts receivable (R\$178.9mm) and by an increase in deposits for aircraft and engine maintenance (R\$119.7mm). Cash used in investing activities was R\$482.5mm, consisting primarily of advances for aircraft acquisition (R\$313.3mm) and acquisition of property and equipment (R\$169.4mm). Part of the Company's cash (R\$319.3mm) was invested in highly-liquid short-term instruments with maturities above 90 days. Cash provided by financing activities was R\$148.7mm, represented

primarily by R\$279.1mm from a follow-on equity and partially offset by a decrease in short term borrowings of R\$64.3mm and dividends (R\$60.7mm) .

| <b>Cash Flow Summary (R\$ million)</b>                                     | <b>Year 2005</b>     | <b>Year 2004</b> | <b>% Change</b> |
|--|----------------------|------------------|-----------------|
| Net cash provided by operating activities                                  | 353.7                | 239.9            | 47.4%           |
| Net cash used in investing activities                                      | (482.5) <sup>1</sup> | (89.7)           | 437.9%          |
| Net cash provided by financing activities                                  | 148.7                | 552.6            | -73.1%          |
| <b>Net increase in cash, cash equivalents &amp; short term investments</b> | <b>19.9</b>          | <b>702.8</b>     | <b>-97.2%</b>   |

1. Excluding R\$319.3 mm of cash invested in highly-liquid short-term investments with maturities above 90 days, as defined by SFAS 115.

## COMMENTS ON THE BALANCE SHEET

GOL's liquidity remained solid during 4Q05. The net cash position at December 31, 2005 was R\$869.0mm, an increase of R\$35.4mm vs. 3Q05. The Company's total liquidity was R\$1,433mm (cash, short-term investments and accounts receivable) at the end of 4Q05. GOL's leverage is low and its total debt (including future minimum lease payments) to total capitalization ratio is one of the lowest in the industry worldwide.

On December 31, 2005, the Company had eleven revolving lines of credit secured by receivables and promissory notes, which allowed for borrowings of up to R\$340mm. On December 31, 2005, the outstanding amount under these lines of credit was R\$54mm.

| <b>Cash Position and Debt (R\$ million)</b>     | <b>12/31/2005</b> | <b>9/30/2005</b> | <b>% Change</b> |
|---|-------------------|------------------|-----------------|
| Cash, cash equivalents & short-term investments | 869.0             | 833.6            | 4.2%            |
| Short-term debt                                 | 54.0              | 66.7             | -19.0%          |
| Long-term debt                                  | -                 | -                | -               |
| <b>Net cash</b>                                 | <b>815.0</b>      | <b>766.9</b>     | <b>6.3%</b>     |

Currently, GOL leases all of its aircraft, as well as airport terminal space, other airport facilities, office space and other equipment. On December 31, 2005, the Company leased 42 aircraft under operating leases, with initial lease term expiration dates ranging from 2006 to 2012.

Future minimum lease payments under non-cancelable operating leases are denominated in US dollars. Such leases with initial or remaining terms at December 31, 2005, were as follows:

| <b>Minimum Lease Payments Schedule (thousands)</b> | <b>R\$</b>     | <b>US\$</b>    |
|--|----------------|----------------|
| 2006   | 266,912        | 114,031        |
| 2007   | 253,479        | 108,292        |
| 2008   | 181,510        | 77,545         |
| 2009   | 131,760        | 56,291         |
| 2010   | 41,021         | 17,525         |
| 2011   | 20,252         | 8,652          |
| 2012   | 7,724          | 3,300          |
| <b>Total minimum lease payments</b>                | <b>902,658</b> | <b>385,636</b> |





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As of December 31, 2005, the Company had 65 firm orders and 36 options to purchase new Boeing 737-800 Next Generation aircraft. The firm orders had an approximate value of US\$4.5 billion (based on aircraft list price) and are scheduled to be delivered between 2006 and 2012. As of December 31, 2005, GOL has made deposits in the amount of US\$152.4mm related to the orders described below:

| <b>Aircraft Purchase Commitments (thousands)</b> |   |                   |                  |
|--|---|-------------------|------------------|
|  | <b>Expected<br/>New<br/>Aircraft<br/>Deliveries</b> | <b>R\$</b>        | <b>US\$</b>      |
| 2005   | -   | 161,508           | 69,000           |
| 2006   | 11  | 1,653,583         | 706,448          |
| 2007   | 13  | 2,012,209         | 859,661          |
| 2008   | 9   | 1,264,172         | 540,083          |
| 2009   | 10  | 1,638,900         | 700,175          |
| 2010   | 8   | 1,371,030         | 585,735          |
| 2011   | 7   | 1,234,537         | 527,422          |
| 2012   | 7   | 1,278,984         | 546,411          |
| <b>Total</b>                                     | <b>65</b>   | <b>10,614,922</b> | <b>4,534,935</b> |

GOL's expected fleet growth from 2006 to 2011 is as follows (includes firm orders only):

| <b>Aircraft</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 737-300         | 12          | 10          | 7           | 3           | -           | -           |
| 737-700         | 26          | 22          | 20          | 19          | 19          | 19          |
| 737-800         | 20          | 32          | 43          | 58          | 69          | 71          |
| <b>Total</b>    | <b>58</b>   | <b>64</b>   | <b>70</b>   | <b>80</b>   | <b>88</b>   | <b>90</b>   |
| New 737-800NG   | 11          | 25          | 34          | 45          | 53          | 60          |
| Leased 737s     | 47          | 39          | 36          | 35          | 35          | 30          |

GOL believes that continued growth of the Brazilian air travel market, in the range of 18-20% in 2006, will permit and absorption of GOL's planned 2006 capacity increases without adverse effects on the domestic market.

**OUTLOOK**

GOL will continue to invest in its successful low-cost, low-fare business model. We will continue to evaluate opportunities to expand our operations by adding new flights in Brazil, where sufficient market demand exists, and expanding into other high-traffic centers in South American countries. We expect to benefit from economies of scale and reduce our average non-fuel cost per available seat kilometer (CASK) as we add additional aircraft to a well-established and highly-efficient operating infrastructure. We anticipate a solid first quarter, thanks to the dedicated effort of our employees in improving productivity throughout the Company.

The scheduled addition of three new aircraft to our fleet in the first quarter of 2006 should allow a 50% increase in available seat capacity over the same period of 2005. For the first quarter we expect a load factor in the range of 70-72%, with yields in the range of R\$26-28 cents. We expect a stable foreign exchange rate environment for the near term, supported by good economic fundamentals in the Brazilian economy. We expect that high oil prices will continue to impact our fuel costs, but will be partially mitigated by our hedging program. For the first quarter, we expect non-fuel CASK to be in the range of R\$9-10 cents. GOL believes that continued growth of the Brazilian air travel market, in the range of 18-20% in 2006, will permit and absorption of GOL's planned 2006 capacity increases without adverse effects on the domestic market.

Guidance for 2006 is based on GOL's planned capacity expansion and the expected high demand for our passenger transportation services, driven by strong Brazilian economic fundamentals and GOL's demand-stimulating low fares. Our projections are for a 2006 full-year EPS in the range of R\$3.90 to R\$4.30, representing annual growth of over 50%. We expect an increase in full-year operating margins in the range of three to five points based on budgeted cost reductions. We plan to continue to popularize air travel in South America through expansion, technological innovation, improved operating efficiency, strict cost management, the lowest prices and high quality passenger service.

| <b>Financial Outlook (US GAAP)</b> | <b>2006 (full year)</b> |
|------------------------------------|-------------------------|
| ASK Growth                         | +/- 45%                 |
| Average Load Factor                | +/- 74%                 |
| Net Revenues (R\$ billion)         | +/- R\$ 4.1             |
| Operating Margin                   | 26% - 28%               |
| Earnings per Share                 | R\$ 3.90 R\$ 4.30       |

**GLOSSARY OF INDUSTRY TERMS**

**Revenue passengers** represents the total number of paying passengers flown on all flight segments. **Revenue passenger kilometers (RPK)** represents the numbers of kilometers flown by revenue passengers.

**Available seat kilometers (ASK)** represents the aircraft seating capacity multiplied by the number of kilometers the seats are flown.

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

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

**Aircraft utilization** represents the average number of block hours operated per day per aircraft for the total aircraft fleet.

**Block hours** refers to the elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.

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

**Passenger revenue per available seat kilometer** represents passenger revenue divided by available seat kilometers.

**Operating revenue per available seat kilometer (RASK)** represents operating revenues divided by available seat kilometers.

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

**Operating expense per available seat kilometer (CASK)** represents operating expenses divided by available seat kilometers.

**About GOL Linhas Aéreas Inteligentes**

GOL Linhas Aéreas Inteligentes, a low-cost, low-fare airline, is one of the most profitable and fastest growing airlines in the industry worldwide. GOL operates a simplified fleet with a single class of service. It also has one of the youngest and most modern fleets in the industry that results in low maintenance, fuel and training costs, with high aircraft utilization and efficiency ratios. In addition, safe and reliable services, which stimulate GOL's brand recognition and customer satisfaction, allow GOL to have the best value proposition in the market. GOL currently offers over 440 daily flights to 49 major business and travel destinations in Brazil, Argentina, Bolivia, Paraguay and Uruguay, with substantial expansion opportunities. GOL growth plans include increasing frequencies in existing markets and adding service to additional markets in both Brazil and other high-traffic South American travel destinations. GOL shares are listed on the NYSE and the Bovespa. For more information, flight times and fares, please access our site at [www.voegol.com.br](http://www.voegol.com.br) or call 0300-789-2121 in Brazil, 0810-266-3131 in Argentina, 800-1001 21 in Bolivia, or 55 11 2125-3200 from overseas. GOL: here everyone can fly!

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*This release contains forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to growth prospects of GOL. These are merely projections and, as such, are based exclusively on the expectations of GOL's management concerning the future of the business and its continued access to capital to fund the Company's business plan. Such forward-looking statements depend, substantially, on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in GOL's filed disclosure documents and are, therefore, subject to change without prior notice.*

**Operating Data**

US GAAP - Unaudited

|  | 4Q05       | 4Q04       | % Change |
|--|------------|------------|----------|
| Revenue Passengers (000)   | 3,630      | 2,545      | 42.6%    |
| Revenue Passengers Kilometers (RPK) (mm)                             | 2,869      | 1,762      | 62.8%    |
| Available Seat Kilometers (ASK) (mm)                                 | 3,867      | 2,407      | 60.7%    |
| Load factor  | 74.2%      | 73.2%      | +1.0 pp  |
| Break-even load factor   | 58.3%      | 51.4%      | +6.9 pp  |
| Aircraft utilization (block hours per day)                           | 13.9       | 13.7       | 1.5%     |
| Average fare   | R\$ 222.55 | R\$ 234.80 | -5.2%    |
| Yield per passenger kilometer (cents)                                | 27.33      | 33.43      | -18.2%   |
| Passenger revenue per available set kilometer (cents)                | 20.27      | 24.47      | -17.2%   |
| Operating revenue per available seat kilometer (RASK) (cents)        | 21.23      | 25.97      | -18.3%   |
| Operating cost per available seat kilometer (CASK) (cents)           | 16.66      | 18.25      | -8.7%    |
| Operating cost, excluding fuel, per available seat kilometer (cents) | 9.92       | 12.24      | -19.0%   |
| Number of Departures   | 34,192     | 23,746     | 44.0%    |
| Average stage length (km)  | 738        | 667        | 10.6%    |
| Avg number of operating aircraft during period                       | 40.0       | 26.3       | 52.1%    |
| Full-time equivalent employees at period end                         | 5,456      | 3,303      | 65.2%    |
| % of Sales through website during period                             | 86.3%      | 78.4%      | +7.9 pp  |
| % of Sales through website and call center during period             | 95.1%      | 92.2%      | +2.9 pp  |
| Average Exchange Rate <sup>(1)</sup>                                 | R\$ 2.25   | R\$ 2.79   | -19.4%   |
| End of period Exchange Rate <sup>(1)</sup>                           | R\$ 2.34   | R\$ 2.66   | -12.0%   |
| Inflation (IGP-M) <sup>(2)</sup>                                     | 1.0%       | 2.0%       | -1.0 pp  |
| Inflation (IPCA) <sup>(3)</sup>                                      | 0.4%       | 2.0%       | -1.6 pp  |
| WTI (avg. per barrel) <sup>(4)</sup>                                 | \$60.05    | \$48.34    | 24.2%    |

<sup>(1)</sup>Source: Brazilian Central Bank<sup>(2)</sup>Source: Fundação Getulio Vargas<sup>(3)</sup>Source: IBGE<sup>(4)</sup> Source: Bloomberg

**Consolidated Statement of Operations**

US GAAP - Unaudited

R\$ 000

|  | <b>4Q05</b>    | <b>4Q04</b>    | <b>% Change</b> |
|--|----------------|----------------|-----------------|
| <b>Net operating revenues</b>                            |                |                |                 |
| Passenger  | R\$ 783,970    | R\$ 589,064    | 33.1%           |
| Cargo and Other  | 37,135         | 35,970         | 3.2%            |
| <b>Total net operating revenues</b>                      | <b>821,105</b> | <b>625,034</b> | <b>31.4%</b>    |
| <b>Operating expenses</b>                                |                |                |                 |
| Salaries, wages and benefits                             | 82,934         | 71,907         | 15.3%           |
| Aircraft fuel  | 260,769        | 144,578        | 80.4%           |
| Aircraft rent  | 64,482         | 49,402         | 30.5%           |
| Aircraft insurance                                       | 8,208          | 7,460          | 10.0%           |
| Sales and marketing                                      | 104,626        | 86,624         | 20.8%           |
| Landing fees   | 27,773         | 15,938         | 74.3%           |
| Aircraft and traffic servicing                           | 28,359         | 27,401         | 3.5%            |
| Maintenance materials and repairs                        | 25,127         | 19,112         | 31.5%           |
| Depreciation   | 11,413         | 6,467          | 76.5%           |
| Other operating expenses                                 | 31,509         | 10,257         | 207.2%          |
| <b>Total operating expenses</b>                          | <b>645,200</b> | <b>439,146</b> | <b>46.9%</b>    |
| <b>Operating income</b>                                  | <b>175,905</b> | <b>185,888</b> | <b>-5.4%</b>    |
| <b>Other expense</b>                                     |                |                |                 |
| Financial expense  | (126)          | (4,308)        | -97.1%          |
| Financial income   | 38,110         | 8,579          | 344.2%          |
| Capitalized interest                                     | 2,734          | -              | nm              |
| Exchange variation loss                                  | (8,522)        | -              | nm              |
| Other  | (11,357)       | -              | nm              |
| <b>Income before income taxes</b>                        | <b>196,744</b> | <b>190,159</b> | <b>3.5%</b>     |
| Income taxes   | (26,165)       | (66,234)       | -60.5%          |
| <b>Net income</b>  | <b>170,579</b> | <b>123,925</b> | <b>37.6%</b>    |
| <b>Earnings per share, basic</b>                         | R\$ 0.88       | R\$ 0.66       | 33.3%           |
| <b>Earnings per share, diluted</b>                       | R\$ 0.88       | R\$ 0.66       | 33.3%           |
| <b>Earnings per ADS, basic - US Dollar</b>               | \$0.39         | \$0.24         | 62.5%           |
| <b>Earnings per ADS, diluted - US Dollar</b>             | \$0.39         | \$0.24         | 62.5%           |
| <b>Basic weighted average shares outstanding (000)</b>   | 195,451        | 187,543        | 4.2%            |
| <b>Diluted weighted average shares outstanding (000)</b> | 196,227        | 188,370        | 4.2%            |





**Consolidated Statement of Operations**

US GAAP - Audited

R\$ 000

|  | Year 2005          | Year 2004        | % Change     |
|--|--------------------|------------------|--------------|
| <b>Net operating revenues</b>                            |                    |                  |              |
| Passenger  | R\$ 2,539,016      | R\$ 1,875,475    | 35.4%        |
| Cargo and Other  | 130,074            | 85,411           | 52.3%        |
| <b>Total net operating revenues</b>                      | <b>2,669,090</b>   | <b>1,960,886</b> | <b>36.1%</b> |
| <b>Operating expenses</b>                                |                    |                  |              |
| Salaries, wages and benefits                             | 260,183            | 183,037          | 42.1%        |
| Aircraft fuel  | 808,268            | 459,192          | 76.0%        |
| Aircraft rent  | 240,876            | 195,504          | 23.2%        |
| Aircraft insurance                                       | 29,662             | 25,575           | 16.0%        |
| Sales and marketing                                      | 335,722            | 261,756          | 28.3%        |
| Landing fees   | 92,404             | 57,393           | 61.0%        |
| Aircraft and traffic servicing                           | 91,599             | 74,825           | 22.4%        |
| Maintenance materials and repairs                        | 55,373             | 51,796           | 6.9%         |
| Depreciation   | 35,014             | 21,242           | 64.8%        |
| Other operating expenses                                 | 98,638             | 54,265           | 81.8%        |
| <b>Total operating expenses</b>                          | <b>2,047,739</b>   | <b>1,384,585</b> | <b>47.9%</b> |
| <b>Operating income</b>                                  | <b>621,351</b>     | <b>576,301</b>   | <b>7.8%</b>  |
| <b>Other expense</b>                                     |                    |                  |              |
| Financial expense  | (19,383)           | (13,445)         | 44.2%        |
| Financial income   | 140,204            | 34,159           | 310.4%       |
| Capitalized interest                                     | 17,113             | 3,216            | 432.1%       |
| Exchange variation loss                                  | (8,967)            | (5,926)          | 51.3%        |
| Other  | (32,796)           | (7,025)          | 366.8%       |
| <b>Income before income taxes</b>                        | <b>717,522</b>     | <b>587,280</b>   | <b>22.2%</b> |
| Income taxes   | (204,292)          | (202,570)        | 0.9%         |
| <b>Net income</b>  | <b>R\$ 513,230</b> | <b>384,710</b>   | <b>33.4%</b> |
| <b>Earnings per share, basic</b>                         | R\$ 2.66           | R\$ 2.14         | 24.3%        |
| <b>Earnings per share, diluted</b>                       | R\$ 2.65           | R\$ 2.13         | 24.4%        |
| <b>Earnings per ADS, basic - US Dollar</b>               | \$1.14             | \$0.73           | 56.2%        |
| <b>Earnings per ADS, diluted - US Dollar</b>             | \$1.13             | \$0.73           | 54.8%        |
| <b>Basic weighted average shares outstanding (000)</b>   | 192,828            | 179,731          | 7.3%         |
| <b>Diluted weighted average shares outstanding (000)</b> | 193,604            | 180,557          | 7.2%         |



**Consolidated Balance Sheet**

US GAAP - Audited

R\$ 000

|   | December 31,<br>2005 | September 30,<br>2005 |
|---|----------------------|-----------------------|
| <b>ASSETS</b>                               | <b>2,555,843</b>     | <b>2,266,849</b>      |
| <b>Current Assets</b>                       | <b>1,540,638</b>     | <b>1,428,590</b>      |
| Cash and cash equivalents                   | 106,347              | 60,895                |
| Short-term investments                      | 762,688              | 772,731               |
| Receivables less allowance                  | 563,958              | 515,779               |
| Inventories                                 | 40,683               | 31,643                |
| Recoverable taxes and deferred tax          | 13,953               | 16,121                |
| Prepaid expenses                            | 39,907               | 26,375                |
| Other current assets                        | 13,102               | 5,046                 |
| <b>Property and Equipment, net</b>          | <b>578,600</b>       | <b>455,080</b>        |
| Pre-delivery deposits for flight equipment  | 356,765              | 319,396               |
| Flight equipment                            | 225,724              | 158,585               |
| Other property and equipment                | 75,619               | 43,907                |
| Less accumulated depreciation               | (79,508)             | (66,808)              |
| <b>Other Assets</b>                         | <b>436,605</b>       | <b>383,179</b>        |
| Deposits for aircraft leasing contracts     | 22,583               | 20,037                |
| Prepaid aircraft and engine maintenance     | 386,193              | 353,911               |
| Other                                       | 27,829               | 9,231                 |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b> | <b>2,555,843</b>     | <b>2,266,849</b>      |
| <b>Current Liabilities</b>                  | <b>646,225</b>       | <b>426,233</b>        |
| Accounts payable                            | 73,924               | 34,988                |
| Salaries, wages and benefits                | 71,638               | 60,555                |
| Sales tax and landing fees                  | 83,750               | 54,808                |
| Air traffic liability                       | 217,800              | 193,726               |
| Short-term borrowings                       | 54,016               | 66,678                |
| Dividends Payable                           | 101,482              | 673                   |
| Other accrued liabilities                   | 43,615               | 14,805                |
| <b>Long Term Liabilities</b>                | <b>87,287</b>        | <b>86,896</b>         |
| Deferred income taxes, net                  | 63,694               | 69,737                |
| Other                                       | 23,593               | 17,159                |
| <b>Shareholder's Equity</b>                 | <b>1,822,331</b>     | <b>1,753,720</b>      |
| Preferred shares (no par value)             | 843,714              | 828,215               |
| Common shares (no par value)                | 41,500               | 41,500                |
| Additional paid in capital                  | 34,634               | 49,733                |
| Deferred compensation expenses              | (2,361)              | (5,877)               |
| Appropriated retained earnings              | 39,577               | 18,352                |
| Unappropriated retained earnings            | 858,856              | 827,372               |
| Accumulated other comprehensive gain        | 6,411                | (5,575)               |

**Consolidated Statement of Cash Flows**

US GAAP - Unaudited

R\$ 000

|  | 4Q05             | 4Q04           | % Change       |
|--|------------------|----------------|----------------|
| <b>Cash flows from operating activities</b>                          |                  |                |                |
| Net income (loss)  | 170,579          | 123,925        | 37.6%          |
| Adjustments to reconcile net income provided by operating activities |                  |                |                |
| Depreciation and amortization  | 7,308            | 8,478          | -13.8%         |
| Provision for doubtful accounts receivable                           | 171              | 32             | 434.4%         |
| Deferred income taxes  | (6,574)          | 9,864          | -166.6%        |
| Changes in operating assets and liabilities                          |                  |                |                |
| Receivables  | (48,350)         | (59,565)       | -18.8%         |
| Accounts payable and long-term vendor payable                        | 48,174           | 26,631         | 80.9%          |
| Deposits for aircraft and engine maintenance                         | (32,282)         | (24,700)       | 30.7%          |
| Air traffic liability  | 24,074           | 37,401         | -35.6%         |
| Other liabilities  | 5,236            | (4,690)        | -211.6%        |
| Net cash provided by (used in) operating activities                  | <b>168,336</b>   | <b>117,376</b> | <b>43.4%</b>   |
| <b>Cash flows from investing activities</b>                          |                  |                |                |
| Deposits for aircraft leasing contracts                              | 301              | (1,891)        | -115.9%        |
| Acquisition of property and equipment                                | (98,069)         | (12,322)       | 695.9%         |
| Pre-delivery deposits  | (37,369)         | (14,816)       | 152.2%         |
| Changes in short-term securities                                     | 10,043           | 258,819        | -96.1%         |
| Net cash used in investing activities                                | <b>(125,094)</b> | <b>229,790</b> | <b>-154.4%</b> |
| <b>Cash flows from financing activities</b>                          |                  |                |                |
| Short term borrowings, net   | (12,662)         | 12,921         | -198.0%        |
| Issuance of preferred shares   | -                | -              | nm             |
| Dividends paid   | (673)            | (26,503)       | -97.5%         |
| Others, net  | 15,545           | 40,317         | nm             |
| Net cash provided by financing activities                            | <b>2,210</b>     | <b>27,005</b>  | <b>-91.8%</b>  |
| <b>Net increase in cash and cash equivalents</b>                     | <b>45,452</b>    | <b>374,171</b> | <b>-87.9%</b>  |
| Cash and cash equivalents at beginning of the period                 | 60,895           | 31,559         | 93.0%          |
| Cash and cash equivalents at end of the period                       | <b>106,347</b>   | <b>405,730</b> | <b>-73.8%</b>  |
| Cash, cash equiv. and ST invest. at beg. of the period               | <b>833,626</b>   | <b>733,740</b> | <b>13.6%</b>   |
| Cash, cash equiv. and ST invest. at end of the period                | <b>869,035</b>   | <b>849,091</b> | <b>2.3%</b>    |
| <b>Supplemental disclosure of cash flow information</b>              |                  |                |                |
| Interest paid net of amount capitalized                              | 10,459           | 3,087          | 238.8%         |
| Income taxes paid  | 24,560           | 69,962         | -64.9%         |



**Consolidated Statement of Cash Flows**

US GAAP - Audited

R\$ 000

|  | Year 2005        | Year 2004        | % Change       |
|--|------------------|------------------|----------------|
| <b>Cash flows from operating activities</b>                          |                  |                  |                |
| Net income (loss)  | 513,230          | 384,710          | 33.4%          |
| Adjustments to reconcile net income provided by operating activities |                  |                  |                |
| Depreciation and amortization  | 35,519           | 31,300           | 13.5%          |
| Provision for doubtful accounts receivable                           | 1,343            | (213)            | -730.5%        |
| Deferred income taxes  | 20,926           | 36,860           | -43.2%         |
| Changes in operating assets and liabilities                          |                  |                  |                |
| Receivables  | (178,931)        | (145,581)        | 22.9%          |
| Accounts payable and long-term vendor payable                        | 37,488           | 15,355           | 144.1%         |
| Deposits for aircraft and engine maintenance                         | (119,661)        | (104,237)        | 14.8%          |
| Air traffic liability  | 57,909           | 36,498           | 58.7%          |
| Other liabilities  | (14,078)         | (14,772)         | -4.7%          |
| Net cash provided by (used in) operating activities                  | <b>353,745</b>   | <b>239,920</b>   | <b>47.4%</b>   |
| <b>Cash flows from investing activities</b>                          |                  |                  |                |
| Deposits for aircraft leasing contracts                              | 301              | (4,263)          | -107.1%        |
| Acquisition of property and equipment                                | (169,443)        | (41,971)         | 303.7%         |
| Pre-delivery deposits  | (313,318)        | (43,447)         | 621.1%         |
| Changes in short-term securities                                     | (319,327)        | (443,362)        | -28.0%         |
| Net cash used in investing activities                                | <b>(801,787)</b> | <b>(533,043)</b> | <b>50.4%</b>   |
| <b>Cash flows from financing activities</b>                          |                  |                  |                |
| Short term borrowings, net   | (64,333)         | 79,443           | -181.0%        |
| Issuance of common and preferred shares                              | 279,080          | 470,434          | -40.7%         |
| Dividends paid   | (60,676)         | (26,503)         | 128.9%         |
| Others, net  | (5,412)          | 29,188           | nm             |
| Net cash provided by financing activities                            | <b>148,659</b>   | <b>552,562</b>   | <b>-73.1%</b>  |
| <b>Net increase in cash and cash equivalents</b>                     | <b>(299,383)</b> | <b>259,439</b>   | <b>-215.4%</b> |
| Cash and cash equivalents at beginning of the period                 | 405,730          | 146,291          | 177.3%         |
| Cash and cash equivalents at end of the period                       | <b>106,347</b>   | <b>405,730</b>   | <b>-73.8%</b>  |
| <br>   |                  |                  |                |
| Cash, cash equiv. and ST invest. at beg. of the period               | <b>849,091</b>   | <b>146,291</b>   | <b>480.4%</b>  |
| Cash, cash equiv. and ST invest. at end of the period                | <b>869,035</b>   | <b>849,091</b>   | <b>2.3%</b>    |
| <b>Supplemental disclosure of cash flow information</b>              |                  |                  |                |
| Interest paid net of amount capitalized                              | 19,383           | 12,223           | 58.6%          |
| Income taxes paid  | 168,975          | 162,663          | 3.9%           |



**Consolidated Statement of Operations**

BR GAAP - Unaudited

R\$ 000

|   | 4Q05           | 4Q04           | % Change      |
|---|----------------|----------------|---------------|
| <b>Net operating revenues</b>                             |                |                |               |
| Passenger   | 783,970        | 589,064        | 33.1%         |
| Cargo and Other   | 37,135         | 35,970         | 3.2%          |
| <b>Total net operating revenues</b>                       | <b>821,105</b> | <b>625,034</b> | <b>31.4%</b>  |
| <b>Operating expenses</b>                                 |                |                |               |
| Salaries, wages and benefits                              | 79,419         | 69,896         | 13.6%         |
| Aircraft fuel   | 260,769        | 144,578        | 80.4%         |
| Aircraft rent   | 64,482         | 49,402         | 30.5%         |
| Supplementary rent  | 34,678         | 26,278         | 32.0%         |
| Aircraft insurance  | 8,208          | 7,460          | 10.0%         |
| Sales and marketing                                       | 104,626        | 86,624         | 20.8%         |
| Landing fees  | 27,773         | 15,938         | 74.3%         |
| Aircraft and traffic servicing                            | 28,359         | 27,401         | 3.5%          |
| Maintenance materials and repairs                         | 25,128         | 19,112         | 31.5%         |
| Depreciation  | 11,858         | 6,467          | 83.4%         |
| Amortization  | 208            | 4,010          | -94.8%        |
| Other operating expenses                                  | 21,317         | 9,070          | 135.0%        |
| <b>Total operating expenses</b>                           | <b>666,825</b> | <b>466,236</b> | <b>43.0%</b>  |
| <b>Operating income</b>                                   | <b>154,280</b> | <b>158,798</b> | <b>-2.8%</b>  |
| <b>Other expense</b>                                      |                |                |               |
| Financial income (expense), net                           | (98,788)       | 10,382         | -1051.5%      |
| <b>Income before income taxes</b>                         | <b>55,492</b>  | <b>169,180</b> | <b>-67.2%</b> |
| Income taxes current                                      | (38,949)       | (56,182)       | -30.7%        |
| Income taxes deferred                                     | 17,075         | 988            | 1628.2%       |
| <b>Net income before interest on shareholder's equity</b> | <b>33,618</b>  | <b>113,986</b> | <b>-70.5%</b> |
| Reversal of interest on shareholder's equity              | 113,670        | -              | nm            |
| <b>Net income</b>   | <b>147,288</b> | <b>113,986</b> | <b>29.2%</b>  |
| <b>Net income per share</b>                               | R\$ 0.75       | R\$ 0.61       | 23.0%         |
| <b>Net income per ADS - US Dollar</b>                     | \$0.33         | \$0.22         | 50.0%         |
| <b>Number of shares by end of period (000)</b>            | 195,451        | 187,543        | 4.2%          |





**Consolidated Statement of Operations**

BR GAAP - Audited, Pro-forma

R\$ 000

|   | Year 2005        | Year 2004        | % Change     |
|---|------------------|------------------|--------------|
| <b>Net operating revenues</b>                             |                  |                  |              |
| Passenger   | 2,539,016        | 1,875,475        | 35.4%        |
| Cargo and Other   | 130,074          | 85,411           | 52.3%        |
| <b>Total net operating revenues</b>                       | <b>2,669,090</b> | <b>1,960,886</b> | <b>36.1%</b> |
| <b>Operating expenses</b>                                 |                  |                  |              |
| Salaries, wages and benefits                              | 252,057          | 172,979          | 45.7%        |
| Aircraft fuel   | 808,268          | 468,192          | 72.6%        |
| Aircraft rent   | 240,876          | 195,504          | 23.2%        |
| Supplementary rent  | 126,053          | 103,202          | 22.1%        |
| Aircraft insurance  | 29,662           | 25,575           | 16.0%        |
| Sales and marketing                                       | 335,722          | 261,756          | 28.3%        |
| Landing fees  | 92,404           | 57,393           | 61.0%        |
| Aircraft and traffic servicing                            | 91,599           | 74,825           | 22.4%        |
| Maintenance materials and repairs                         | 55,373           | 51,796           | 6.9%         |
| Depreciation  | 35,459           | 21,242           | 66.9%        |
| Amortization  | 747              | 4,758            | -84.3%       |
| Other operating expenses                                  | 90,408           | 52,629           | 71.8%        |
| <b>Total operating expenses</b>                           | <b>2,158,628</b> | <b>1,489,851</b> | <b>44.9%</b> |
| <b>Operating income</b>                                   | <b>510,462</b>   | <b>471,035</b>   | <b>8.4%</b>  |
| <b>Other expense</b>                                      |                  |                  |              |
| Financial income (expense), net                           | (33,342)         | (16,423)         | 103.0%       |
| <b>Income before income taxes</b>                         | <b>477,120</b>   | <b>454,612</b>   | <b>5.0%</b>  |
| Income taxes current                                      | (189,576)        | (165,710)        | 14.4%        |
| Income taxes deferred                                     | 23,287           | 12,898           | 80.5%        |
| <b>Net income before interest on shareholder's equity</b> | <b>310,831</b>   | <b>301,800</b>   | <b>3.0%</b>  |
| Reversal of interest on shareholder's equity              | 113,670          | -                | nm           |
| <b>Net income</b>   | <b>424,501</b>   | <b>301,800</b>   | <b>40.7%</b> |
| <b>Net income per share</b>                               | R\$ 2.17         | R\$ 1.61         | 34.8%        |
| <b>Net income per ADS - US Dollar</b>                     | \$0.69           | \$0.57           | 21.1%        |
| <b>Number of shares by end of period (000)</b>            | 195,973          | 187,543          | 4.5%         |



**Consolidated Balance Sheet**

BR GAAP - Audited

R\$ 000

December 31, 2005

|  |                  |
|--|------------------|
| <b>ASSETS</b>  | <b>2,255,856</b> |
| <b>Current Assets</b>                                  | <b>1,546,707</b> |
| Cash and cash equivalents                              | 129,304          |
| Short term investments                                 | 739,731          |
| Receivables less allowance                             | 563,958          |
| Inventories  | 40,683           |
| Recoverable taxes and deferred tax                     | 20,022           |
| Prepaid expenses                                       | 39,907           |
| Other current assets                                   | 13,102           |
| <b>Non-Current Assets</b>                              | <b>709,149</b>   |
| Deposits   | 29,618           |
| Deferred Taxes   | 62,121           |
| Investments  | 1,829            |
| Pre-delivery deposits for flight equipment             | 356,756          |
| Property and equipment                                 | 223,272          |
| Other  | 35,553           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            | <b>2,255,856</b> |
| <b>Current liabilities</b>                             | <b>653,526</b>   |
| Suppliers payable                                      | 73,924           |
| Payroll and related charges                            | 39,947           |
| Taxes and contributions payable                        | 57,186           |
| Sales tax and landing fees                             | 26,564           |
| Air traffic liability                                  | 217,800          |
| Short-term borrowings                                  | 54,016           |
| Dividends and interest on shareholder's equity payable | 101,482          |
| Profit participation                                   | 31,691           |
| Other current liabilities                              | 50,916           |
| <b>Non-current liabilities</b>                         | <b>29,415</b>    |
| Accounts payable and provisions                        | 29,415           |
| <b>Shareholders' Equity</b>                            | <b>1,572,915</b> |
| Capital  | 989,562          |
| Capital Reserves                                       | 29,187           |
| Revenue Reserves                                       | 547,755          |
| Total comprehensive income, net of taxes               | 6,411            |

**Consolidated Statements of Cash Flows**

BR GAAP - Unaudited

R\$ 000

|   | 4Q05            | 4Q04            |
|---|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                           |                 |                 |
| Net income (loss)   | 147,288         | 98,306          |
| Adjustments to reconcile net income provided by operating activities: |                 |                 |
| Depreciation and amortization   | 12,066          | 10,477          |
| Provision for doubtful accounts receivable                            | 171             | 32              |
| Deferred income taxes   | (17,075)        | (12,710)        |
| Changes in operating assets and liabilities                           |                 |                 |
| Receivables   | (48,350)        | (59,565)        |
| Inventories   | (9,040)         | (5,162)         |
| Prepaid expenses, other assets and recoverable taxes                  | (42,011)        | (8,223)         |
| Accounts payable and long-term vendor payable                         | 38,936          | 6,899           |
| Operating leases payable  | 2,583           | (1,062)         |
| Air traffic liability   | 24,074          | 37,401          |
| Taxes payable   | 25,073          | 29,427          |
| Insurance payable   | 1,311           | 24,060          |
| Payroll and related charges   | 6,573           | 24,469          |
| Provision for contingencies   | 4,735           | 985             |
| Other liabilities   | 30,204          | 17,091          |
| <br>  |                 |                 |
| Net cash provided by (used in) operating activities                   | <b>176,538</b>  | <b>162,425</b>  |
| <b>Cash flows from investing activities</b>                           |                 |                 |
| Short term borrowings, net  | 84,662          | 279,839         |
| Investments   | (80)            | (180)           |
| Deposits for aircraft leasing contracts                               | (2,902)         | (313)           |
| Pre-delivery deposits   | (80,816)        | (14,816)        |
| Acquisition of property and equipment                                 | (50,816)        | (16,292)        |
| <br>  |                 |                 |
| Net cash used in investing activities                                 | <b>(49,952)</b> | <b>248,238</b>  |
| <b>Cash flows from financing activities</b>                           |                 |                 |
| Short term borrowings, net  | (12,662)        | 12,921          |
| Goodwill special reserve  | -               | -               |
| Dividends paid  | (663)           | (26,503)        |
| Issuance of common and preferred shares                               | 400             | -               |
| Total comprehensive income, net of taxes                              | 6,411           | -               |
| <br>  |                 |                 |
| Net cash provided by financing activities                             | <b>(6,514)</b>  | <b>(13,582)</b> |
| <b>Net increase in cash and cash equivalents</b>                      | <b>120,072</b>  | <b>397,081</b>  |
| Cash and cash equivalents at beginning of the period                  | 9,232           | 8,649           |
| <br>  |                 |                 |
| Cash and cash equivalents at end of the period                        | 129,304         | 405,730         |



**Consolidated Statements of Cash Flows**

BR GAAP - Audited

R\$ 000

|   | Year 2005        | Year 2004        |
|---|------------------|------------------|
| <b>Cash flows from operating activities</b>                           |                  |                  |
| Net income (loss)   | 424,501          | 301,800          |
| Adjustments to reconcile net income provided by operating activities: |                  |                  |
| Depreciation  | 36,206           | 26,000           |
| Provision for doubtful accounts receivable                            | 1,343            | (213)            |
| Deferred income taxes   | (23,287)         | (12,898)         |
| Changes in operating assets and liabilities                           |                  |                  |
| Receivables   | (178,931)        | (145,581)        |
| Inventories   | (19,645)         | (5,802)          |
| Prepaid expenses, other assets and recoverable taxes                  | (41,358)         | (60,079)         |
| Accounts payable and long-term vendor payable                         | 28,250           | (2,931)          |
| Operating leases payable  | 1,047            | (2,202)          |
| Air traffic liability   | 57,909           | 36,498           |
| Taxes payable   | 22,092           | 29,427           |
| Insurance payable   | 1,311            | 24,060           |
| Payroll and related charges   | 16,087           | 16,082           |
| Provision for contingencies   | 11,281           | 1,781            |
| Other liabilities   | 10,763           | 13,689           |
| <b>Net cash provided by (used in) operating activities</b>            | <b>347,569</b>   | <b>219,631</b>   |
| <b>Cash flows from investing activities</b>                           |                  |                  |
| Short term borrowings, net  | (296,370)        | (443,361)        |
| Investments   | (569)            | (630)            |
| Deposits for aircraft leasing contracts                               | 3,941            | (5,298)          |
| Pre-delivery deposits   | (356,765)        | (43,447)         |
| Acquisition of property and equipment                                 | (127,364)        | (45,938)         |
| <b>Net cash used in investing activities</b>                          | <b>(777,127)</b> | <b>(538,674)</b> |
| <b>Cash flows from financing activities</b>                           |                  |                  |
| Short term borrowings, net  | (64,333)         | 79,443           |
| Goodwill special reserve  | -                | 29,187           |
| Dividends paid  | (60,676)         | (26,503)         |
| Issuance of common and preferred shares                               | 271,730          | 496,355          |
| Total comprehensive income, net of taxes                              | 6,411            | -                |
| <b>Net cash provided by financing activities</b>                      | <b>153,132</b>   | <b>578,482</b>   |
| <b>Net increase in cash and cash equivalents</b>                      | <b>(276,426)</b> | <b>259,439</b>   |
| Cash and cash equivalents at beginning of the period                  | 405,730          | 146,291          |
| Cash and cash equivalents at end of the period                        | 129,304          | 405,730          |





