Gol Intelligent Airlines Inc.
Form 6-K
February 24, 2011

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 February, 2011
(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)

R. Tamoios, 246
Jd. Aeroporto
04630-000 São Paulo, São Paulo
Federative Republic of Brazil
(Address of Regristrant'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 ___X___ 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 ___X___

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

Gol Linhas Aéreas
Inteligentes S.A.

Financial Statements for the Year Ended

December 31, 2010 and

Independent Auditors Report

Deloitte Touche Tohmatsu Auditores Independentes

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated Financial Statements

December 31, 2010 and 2009

(In thousands of Brazilian Reais)

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GOL LINHAS AÉREAS INTELIGENTES S.A.

Corporate Taxpayer s ID (CNPJ): 06.164.253/0001-87

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT REPORT

GOL Linhas Aéreas Inteligentes S.A. (GLAI) hereby submits to its shareholders its Management Report and the corresponding Financial Statements, in addition to the independent auditors report for the fiscal years ended December 31, 2010 and 2009, in accordance with International Financial Reporting Standards (IFRS) and accounting practices adopted in Brazil.

Message from Management

2010 was a year of considerable achievement for the Company thanks to the dedication of its almost 19,000 employees (the Team of Eagles), who did everything possible to capture the preference of clients and shareholders, and who are determined to ensure that GOL continues as one of the most profitable and rapidly-growing airlines in the world, while at the same time seeking to democratize access to air transportation in Brazil and South America.

In its first ten years of operations, completed on January 15, 2011, GOL surpassed the mark of 160 million passengers carried, offered a series of new services and entered into several partnerships, strengthening its relations with customers and ensuring their satisfaction so that GOL became their first airline of choice.

In 2010, air traffic demand in Brazil grew by 23.5%, chiefly fueled by the expansion of the country s emerging middle class, which led a greater number of people to opt for air transport. In this context, GOL s low-cost structure, highest flight frequency among Brazil s main airports, wide range of services and benefits, innovation and focus on the customer were crucial for the Company s consistent growth plan.

GOL added more new destinations than any other Brazilian airline in 2010: Bauru, Montes Claros, Caruaru, Mossoró, St. Maarten, Punta Cana, Bridgetown in Barbados, Aeroparque Jorge Newbery in Buenos Aires, Marília, Ribeirão Preto, São José de Rio Preto, Barreiras, Vitória da Conquista (BA) and Ji-Paraná (RO).

The year was also marked by two new code-share agreements, the first of which with Delta AirLines, the world s largest airline in terms of numbers of passengers and fleet size, with which GOL also established a partnership that allowed passengers of both companies to accumulate miles in GOL's SMILES and Delta s SkyMiles mileage programs. The second was with Qatar Airways, the flag carrier of the State of Qatar, which operates direct flights between Doha (the country s capital) and São Paulo. Both companies are also considering signing a mileage agreement, allowing SMILES and Qatar s Privilege Club participants to accumulate and redeem miles on all flights operated by both airlines. The Company also entered into regional agreements with NOAR and Passaredo, increasing its number of destinations, including Ribeirão Preto and Caruaru (the most populous city in Pernambuco state).

GOLLOG, GOL s cargo division, opened a new terminal in Congonhas airport in São Paulo, which is three times bigger than its previous installations and will offer all the services available in the store network, ensuring greater convenience and speed in regard to urgent product and document deliveries throughout Brazil. The cargo division has recorded substantial growth and accounted for 4% of the Company s total net revenue in 2010.

Following the acquisition of VRG, the Company began to revitalize SMILES, its mileage program, a process that continued throughout 2010. SMILES closed the year with more than 7.4 million registered members and more than 180 partners and is now one of the most comprehensive mileage programs in the world, with a wide range of benefits and services, which in turn attract more partners and commercial agreements, thereby increasing the advantages for GOL s clients.

In addition to launching new partnerships and services, the Company also focuses on maintaining its position as one of the safest and most efficient airlines in the world, at the same time as strengthening its low-cost structure.

The Company also returned eleven B737-300 aircraft and continued with its fleet renewal and modernization program as part of its growth plan. It also entered into agreements to acquire up to 30 B737-800 NGs from Boeing. At year-end, it had 100 firm orders, 10 purchase rights and 40 purchase options. GOL s fleet is composed predominantly of Boeing 737 Next Generation aircraft, which are modern, safe and comfortable, with reduced maintenance costs, low fuel consumption and an excellent operational efficiency ratio.

In order to achieve our goals, have a more flexible operation and safely lead with exogenous factors, we will continue to lower the level of the Company's indebtedness and strengthen its cash balance. With this in mind, it established an initial 2010 cash position target of at least 25% of net revenue, which it achieved as early as the second quarter.

The numbers in the closing months of the year were already partially reflecting these initiatives, which are totally related to our strategic low-cost and low-fare DNA, which will certainly maintain our history of generating positive results, with profitability and innovation, while ensuring the satisfaction of our customers and employees.

These achievements were only possible thanks to the efforts of a dedicated team to ensure that GOL becomes the best airline to travel with, work for and invest in.

Constantino de Oliveira Junior

Founder and Chief Executive Officer

ECONOMIC AND SECTOR SCENARIO

In 2010, the aviation sector was marked by several important events. The improved economic scenario in Brazil and South America as a whole, especially from the consumer confidence point of view, was one of the main factors behind the increase in domestic demand for air transport, which grew by 23.5% over 2009. Since the announcement that Brazil would host the 2013 Confederations Cup and the 2014 World Cup and that Rio de Janeiro would hold the 2016 Olympics, the government has been focusing its attention on the country s airport infrastructure, a major concern due to growing demand and the coming events. In 2010, Infraero announced investments of around R$6.0 billion to renovate and expand 16 airports in the 12 World Cup host cities, a major boost for the Brazilian airline sector and the country s overall economy.

Other highlights included the agreement between Brazil and the EU governing certain aspects of air services, December s Memorandum of Understanding proposing open skies between Brazil and the United States, and the beginning of open skies negotiations between Brazil and Europe. These initiatives will undoubtedly increase competitiveness in Latin America s aviation sector.

OPERATING PERFORMANCE

Fleet expansion

Fleet: GOL concluded its fleet renewal program in 2010 and now consists exclusively of Boeing 737-700 and 737-800 New Generation aircraft, allowing the Company to provide its customers with better-quality service and improve its financial performance by reducing maintenance and fuel consumption costs. Also in 2010, it returned all its 737-300s thereby diluting fixed leasing costs. At year-end, it had 100 firm orders, 10 purchase rights and 40 purchase options for Boeing 737 NGs, for delivery between 2011 and 2016, out of a total order for 177 Boeing aircraft.

Maintenance Center: GOL maintains an Aircraft Maintenance Center in the Tancredo Neves international airport, in Confins, Minas Gerais, which opened in 2006 and is considered the most advanced complex of its kind in Latin America. Here the Company undertakes heavy fuselage maintenance, preventive maintenance, aircraft painting and internal aircraft configuration for GOL and VARIG s combined fleet. In recent years, the Center has been expanded to ensure top-quality maintenance procedures and reduce maintenance costs, as well as provide services for other airlines, thereby increasing ancillary revenues. The latest expansion, in March 2010, added a new hangar, offices, a storeroom, warehouses and additional support areas, as well as increasing the yard area. Further construction is also likely, in order to anticipate the future needs envisaged in the fleet expansion plan. In addition to creating jobs, GOL also invests in increasing the skills of its employees, who regularly attend courses and training programs to improve their technical knowledge of such topics as aircraft clearance restrictions and practical inspection procedures, focusing on comprehensive damage evaluation and the preparation of reports.

At the beginning of 2011, GOL signed a partnership with Delta TechOps, maintenance division of Delta Air Lines, with a long term strategic agreement in MRO (maintenance). This partnership aims to improve the low cost structure of GOL, as well as the quality of its maintenance state of the art equipment located in Brazil.

IOSA certification: GOL became a member of the International Air Transportation Association (IATA), the global airline industry s most representative institution, which defines the regulations governing airline operations, chiefly in order to ensure passenger safety. It is recognized as the global standard for evaluating airlines operational safety and control management procedures. As a result, the Company now has a global voice in decisions concerning the development of the commercial aviation industry, actively participating in forums and keeping up with the latest studies and indicators. The Company is also entitled to vote in the Association s decisions.

Route network: In 2010, the Company began operations on several new routes, including Jorge Newbery Airport in Buenos Aires, Bridgetown in Barbados and Punta Cana in the Dominican Republic, as well as Bauru and Montes Claros. It also added new connections through commercial agreements with the regional airlines, NOAR and Passaredo, including Marília, Ribeirão Preto, São José de Rio Preto and Caruaru. With its extensive route network and high-frequency flights between the country s main airports, GOL has become the domestic aviation benchmark.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Given that it was founded at a time when social and environmental issues were a major concern, GOL s business plan incorporated sustainable development and an operational structure, obtaining strategic investments that have generated substantial gains in terms of operating profitability, environmental efficiency and passenger service quality.

The Company s business strategy, together with its commitment to the sustainability and structure of its operations, processes and activities, has ensured that they are economically viable, socially just and ecologically correct. In addition to guaranteeing the Company s longevity and long-term profitability, its processes are designed to minimize impact, benefiting the environment and fostering social development.

In accordance with its mission of bringing people together with safety and intelligence, GOL builds increasingly consistent relations with its customers, employees, partners and investors, based on ethical conduct, transparency and social and environmental responsibility.

The Company s fleet is composed of modern aircraft that generate less noise pollution and have already met the CO_2 emission reduction targets required by law in 2014. In addition, since 2006 the Company has been implementing selective waste disposal, which, in 2009, led to the recycling of 32% of total waste, including paper, cardboard, plastic, aircraft parts, kerosene oil and paint. The company also uses an electrostatic painting method which reduces aircraft weight by 300 kg, saving paint and reducing CO_2 emissions.

GOL has developed its own program for the management of aircraft maintenance waste in its operational bases. Apart from being environmentally correct and in line with its environmental responsibility policies, this program gave GOL greater control over the consumption and use of materials. The Company is also involved in ongoing research programs aimed at developing cleaner technology and ensuring long-term fuel availability.

In its Maintenance Center, GOL maintains strict environmental standards: all oil and chemical effluents produced during maintenance procedures are treated before disposal to avoid environmental damage. The Center also has a filter-equipped exhaust system which results in a healthier working environment and reduces atmospheric emissions by 60% due to the retention of particulate matter and volatile organic compounds.

When cleaning inside aircraft, the Company uses industrial towels cleaned by specialized companies to avoid any type of waste. For the outside of the aircraft GOL has adopted a dry-cleaning method since 2003, which use only 10% of water normally used in ordinary washing. The volume of water saved per aircraft is enough to cover the daily needs of a family of two adults and two children.

Thanks to these efforts and a constant focus on its objectives, GOL was the only Brazilian airline selected to join SAFUG (the Sustainable Aviation Fuel Users Group), an international aviation biofuel research group.

GOL develops several projects to encourage volunteer work by employees and engage them in social and environmental issues, some of the most important of which are *Campanha Amigos do Mundo* (Friends of the World Campaign), *Copa Social* (Social Cup), *Projeto Colaborador Cidadão* (Citizen Employee Program), *Ashoka,* and *Educador Nota 10* (Premium Educator), plus a range of cultural and sporting projects. With a focus on raising its employees awareness of the importance of sustainable development, exchanging experience, strengthening and developing Brazil s educational system, building the foundations for future professionals and promoting the spread of culture, the Company creates and supports various social inclusion and development projects in the educational area geared to the exact sciences and children s health.

REGULATORY MATTERS

Air transportation services are considered to be in the public interest and are therefore subject to extensive regulation and monitoring by the Aeronautical Command of the Ministry of Defense, the Civil Aviation Board (CONAC) and the Brazilian Civil Aviation Authority (ANAC), as well as the Federal Constitution and the Brazilian Aviation Code. The Brazilian air transportation system is controlled by several different authorities. ANAC is responsible for regulating the airlines, the Airspace Control Department (DECEA) for controlling the country s airspace and INFRAERO for managing the airports.

Financial Statements

In order to comply with sections 302 and 404 of the Sarbanes-Oxley Act, the internal control framework governing relevant processes that may pose a risk to the financial statements is evaluated, documented and tested in accordance with the requirements of the Public Companies Audit Oversight Board (PCAOB) using internationally-recognized methods and criteria.

AWARDS

In recognition of its 2010 performance, GOL received several important institutional awards, including: Best Managed LATAM - 2010 , in the Airline category from *Euromoney* magazine; Best Corporate Governance Practices and Best Investor Relations Website , in the 12th edition of the IR Global Rankings 2010 (IRGR); Most Progress in Investor Relations among those companies with the highest market cap in Brazil, from IR Magazine Awards Brazil 2010; Best Company in the Transportation Service Sector , awarded by *Istoé Dinheiro* magazine; Best Company for Shareholders 2010 , in the R$5bn to R$15bn market cap category, awarded by *Capital Aberto* magazine; 2010 National Teleservices Award awarded by the Brazilian Teleservices Association, in the categories: Customer/Consumer Communication Channels with the case Home Based: the VIP lounge for the GOL customer and GOL for the customer ; and Companies with the Most Respect for Consumers in the Airline Category 2010 , awarded by *Consumidor Moderno* magazine.

EMPLOYEES

The Company could not have achieved everything it has without the dedication of its 18,776 employees (the Team of Eagles), who have striven tirelessly and efficiently to achieve this success story by providing our passengers with the best possible service. As a result, the Company believes that high-quality, low-cost services are the key to reaching its goal of generating returns for all those who believed in and contributed to its success.

FINANCIAL PERFORMANCE

Net operating revenue totaled R$ R$6,979.5mm in 2010, 15.8% up in the previous year, fueled by increased demand for domestic flights thanks to the healthy economic scenario, in addition to GOL s: (i) dominant position and the most frequent flights between the Country s main airports; (ii) exceptionally sound operating indicators (punctuality, regular customer service and safety); (iii) dynamic fare management, which combined stronger quarterly yields with encouraging demand for tourist flights; (iv) growth of the Smiles mileage program; and (v) a focus on short-haul flights lasting up to three hours, benefiting business travelers. Consolidated demand increased by 19.2% over the year before 17.0% on the domestic market and 46.2% on the international market, due to the introduction of new routes in the Southern Cone and Caribbean regions and the addition of new regional destinations in Brazil, as well as the markets operated by our regional airline partners, with whom we entered into commercial agreements. The consolidated load factor averaged 67.1% in 2010, 3.5 percentage points higher than the 63.6% recorded in 2009, primarily due to the fact that the 12.9% increase in ASK (available seat-kilometers) lagged the 19.2% upturn in RPK (revenue passenger kilometers).

Operating costs totaled R$6,281.7mm, 11.9% up on the R$5,612.1mm recorded in 2009, chiefly due to: (i) the 26.2% increase in fuel expenses, in turn caused by the 28.9% upturn in the average WTI per-barrel oil price; (ii) the 13.8% increase in salaries, wages and benefits, impacted by the 4.5% period expansion of the workforce and the partial 6% application of the total pay rise of 8.75% agreed upon with the union in January 2011; and (iii) non-recurring maintenance expenses resulting from the fleet renewal program that occurred on the first semester with the return of 11 Boeing 737-300s and the reactivation of 5 Boeing 767s to meet growing demand for long-haul charter flights and subleasing operations. Operating costs per ASK (CASK) fell 1.8%, from 14.03 cents (R$), in 2009, to R$13.78 cents (R$), mainly due to: (i) the 12.9% increase in seat supply; (ii) the upturn in the aircraft utilization rate to around 13 block-hours/day, versus around 12 hours in 2009; (iii) the 1.9% increase in the average stage length and; (iv) lower unit costs from aircraft leasing and maintenance, advertising and marketing, and other operating expenses.

The annual operating result totaled R$697.8mm, with a margin of 10.0%, versus R$413.1mm and a margin of 6.9% in 2009, reflecting the better use of assets due to the increase of aircraft occupation and utilization rate, and control of operating costs.

The net financial result was an expense of R$311.3mm, versus income of R$342.8mm in 2009, chiefly due to the depreciation of the Real against the Dollar on the Company s foreign-currency debt and higher interest expenses from the senior notes issued in July 2010 and maturing in 2020 and the 4th debenture issue in September 2010.

As a result of all the above, the Company posted **2010 net income of R$214.2mm**, versus R$890.8mm in 2009.

Liquidity and indebtedness: GOL successfully strengthened its balance sheet and maintained a cash position equivalent to at least 25% of net revenue in the last 12 months. As a result, it closed the year with a cash balance (cash and cash equivalents and short-term financial investments) of R$1,978.6mm, representing 28.3% of annual net revenue, 11.9% up on the previous quarter and 37.2% more than at the end of 4Q09, demonstrating GOL s ability to generate operational cash flow while at the same time reducing its leverage and liquidity risks, putting it among the most solid airlines in the world in terms of balance and profitability. GOL also successfully deleveraged its balance sheet and extended its financial commitments, eliminating the risk of having to refinance debt maturing within the next three years. At year-end, total loans and financings came to R$3,741.1mm, with an average maturity of 8.6 years, 79,5% of which in foreign currency and the remainder in Reais.

Capex: The Company invested approximately R$462mm in 2010, 63% of which in the prepayment of aircraft as part of the fleet expansion plan. The remainder was allocated to rotable and spare parts, the Confins maintenance center, airports and the opening of stores in South America.

Corporate Governance: GOL conducts its business in line with the best corporate governance practices in Brazil and worldwide and is recognized by the market as one of those companies employing exemplary governance standards. Since its IPO in 2004, the Company s shares have been traded in the Level 2 Corporate Governance segment of the São Paulo Stock Exchange (BOVESPA), as well as on the New York Stock Exchange (NYSE). GOL complies with the Sarbanes Oxley Act and has introduced several important initiatives to benefit its shareholders, including 100% tag along rights for preferred shareholders, the election of four independent Board members (one of whom is the Chairman), and the constitution of a series of Board committees in which these independent members play an active role.

CAPITAL MARKET

The Company s capital stock is composed of 270.3 million common and preferred shares. The preferred shares have been traded on the São Paulo (GOLL4) and the New York (GOL) Stock Exchanges since 2004. The free float comprises 35.1% of the total shares and 71.3% of the preferred shares. GOL is one of the most liquid companies in Brazil and is included in the Ibovespa (Bovespa Index), ITAG (Special Tag Along Stock Index), MSCI and IBRX 50 (Brazil Index 50). Daily traded volume averaged R$30mm in 2010 a whole and R$28mm in the second half on the BM&F Bovespa alone. GOL s shares closed 2010 at R$25.10 per share, 0.6% down on the R$25.25 reported at the end of 2009.

RELATIONS WITH THE INDEPENDENT AUDITORS

The Company's policy when contracting the independent auditors for services which are unrelated to the external audit is grounded in principles that preserve their independence. In accordance with internationally-accepted standards, these precepts are: (a) the auditors shall not audit their own work; (b) the auditors shall not occupy a managerial position in their client s company; and (c) the auditors shall not legally represent the interests of their clients.

In accordance with Item III, article 2 of CVM Instruction 381/03, the Company and its subsidiaries always consult their Audit Committee before contracting professional services other than those related to the external audit, in order to ensure that the provision of these services will not affect the independence and objectivity necessary for the performance of independent audit services. The auditors are also required to provide formal declarations attesting to their independence when providing services not related to the audit. In 2010, the Company did not contract any services from its independent auditors beyond those related to the audit of its financial statements.

COMMITMENT CLAUSE ADHERENCE TO THE ARBITRATION CHAMBER

The Commitment Clause refers to the arbitration clause, through which the Company, its shareholders, senior management and the Bovespa undertake to resolve, by means of arbitration, any and all disputes or controversies that may arise between them related to or arising from, especially, the application, validity, effectiveness, interpretation, violation, and their effects, of the provisions of Brazilian Corporate Law, the Company s Bylaws, the regulations of the National Monetary Council, the Brazilian Central Bank and the Brazilian Securities and Exchange Commission, and all other regulations governing the functioning of the securities market in general, as well as those in the Bovespa Listing Rules, the Arbitration Rules and the Level 2 Listing Rules.

2011 OUTLOOK

For 2011, the company estimates a growth in domestic demand in the airline industry in 2011 from 2.5 times to 3.0 times the growth of Brazilian GDP (from 10.0% to 15.0%), based on historical demand growth in recent years and the prospects of the financial market to Brazilian GDP growth between 4% to 5% in 2011, combined with the continued expansion of market potential in Brazil, due to the accelerated growth of the Brazilian middle class and tourism in South America and the Caribbean. For 2011, the company also aims to increase capacity at a proportionally lower rate than demand growth on its route network. Given this scenario, yields should remain flat over 2010, with an average load factor of around 70%, resulting in an operating margin of between 11.5% and 14%.

ACKNOWLEDGMENTS

We would like to thank our employees, clients, suppliers, partners and travel agents, as well as those authorities related to our operations, the representatives of the Brazilian Civil Aviation Authority (ANAC), the Airspace Control Department (DECEA) and the Ministry of Tourism for their dedication to the development of the Brazilian aviation industry.

INDEPENDENT AUDITORS REPORT

To the Board of Directors and Shareholders of

Gol Linhas Aéreas Inteligentes S.A.

São Paulo - SP - Brazil

We have audited the accompanying consolidated financial statements of Gol Linhas Aéreas Inteligentes S.A. (the Company) and subsidiaries, which comprise the financial position as of December 31, 2010 and the statements of operations, changes in shareholders equity, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards - IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of December 31, 2010, and of their financial performance and their cash flows for the year then ended, in accordance with IFRSs.

São Paulo, February 22, 2011

DELOITTE TOUCHE TOHMATSU	José Domingos do Prado
Auditores Independentes	Contador
CRC nº 2 SP 011609/O-8	CRC nº 1 SP 185087/O-0

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian Reais)

	Note	12/31/10	12/31/09
ASSETS			
Current assets			
Cash and cash equivalents	3	**1,955,858**	1,382,408
Restricted cash	4	**-**	18,820
Short-term investments	5	**22,606**	40,444
Trade and other receivables	6	**303,054**	519,308
Inventories	7	**170,990**	137,959
Recoverable taxes	8	**88,143**	86,125
Prepaid expenses	9	**123,003**	124,728
Deposits	10	**-**	50,429
Other current assets		**41,198**	42,983
		2,704,852	2,403,204
Non-current assets			
Deposits	10	**715,377**	805,140
Prepaid expenses	9	**54,201**	63,574
Restricted cash	4	**34,500**	7,264
Deferred income tax	8	**817,545**	866,136
Other non-current assets		**9,227**	17,304
Property, plant and equipment	13	**3,460,968**	3,325,713
Intangible assets	14	**1,267,177**	1,231,785
		6,358,995	6,316,916
Total assets		**9,063,847**	8,720,120

The accompanying notes are an integral part of these consolidated financial statements.

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GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian Reais)

	Note	12/31/10	12/31/09
LIABILITIES			
Current liabilities			
Short-term debt	15	**346,008**	591,695
Accounts payable		**215,792**	362,382
Salaries, wages and benefits		**205,993**	233,162
Tax obligations	19	**58,197**	57,277
Sales taxes and landing fees		**85,140**	76,331
Advance ticket sales	16	**517,006**	561,347
Dividends payable	21	**51,450**	186,416
Smiles deferred revenue	17	**26,200**	92,541
Advances from customers	18	**24,581**	126,059
Provisions	20	**55,967**	66,259
Other current liabilities		**73,530**	85,789
		1,659,864	2,439,258
Non-current liabilities			
Long-term debt	15	**3,395,080**	2,542,167
Deferred taxes	8	**642,185**	562,303
Provisions	20	**88,911**	76,834
Smiles deferred revenue	17	**181,456**	221,414
Advances from customers	18	**33,262**	64,087
Tax obligations	19	**99,715**	88,642
Other non-current liabilities		**34,205**	115,429
		4,474,814	3,670,876
Shareholders' equity	21		

Issued capital	**2,183,133**	2,062,272
Capital reserves	**60,263**	60,263
Retained earnings	**642,860**	596,627
Share-based payment	**43,727**	18,984
Treasury shares	**(11,887)**	(11,887)
Other comprehensive income	**11,073**	818
Accumulated losses	**-**	(117,091)
	2,929,169	2,609,986
Total shareholders' equity and liabilities	**9,063,847**	8,720,120

The accompanying notes are an integral part of these consolidated financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	Note	**2010**	**2009**
Operating revenues			
Passenger		**6,277,657**	5,306,530
Cargo and other		**701,790**	718,852
Total operating revenues	23	**6,979,447**	6,025,382
Cost of services rendered	22	**(5,376,884)**	(4,697,612)
Gross revenue		**1,602,563**	1,327,770
Operating (expenses) revenues	22		
Sales and marketing		**(602,850)**	(474,792)
Administrative		**(301,596)**	(452,324)
Other operating (expenses) revenues		**(322)**	12,638
		(904,768)	(914,478)
Operating income		**697,795**	413,292
Finance income (expenses)			
Interest on loans		**(297,256)**	(275,466)
Short term investments		**44,330**	10,423
Net income from financial derivatives instruments		**(117,022)**	(80,332)
Exchange variation, net		**46,549**	708,240
Other		**12,100**	(20,021)
		(311,299)	342,844

Income before income taxes		**386,496**	756,136
Income taxes			
Current		**(53,855)**	(609)
Deferred		**(118,444)**	135,305
	8	**(172,299)**	134,696
Net income for the year		**214,197**	890,832
Adjusted wheigthted-average shares		**268,954**	227,472
Basic earnings per share	12	**0.798**	3.916
Diluted earnings per share	12	**0.796**	3.914

The accompanying notes are an integral part of these consolidated financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of Brazilian Reais)

	2010	**2009**
Income for the year	**214,197**	890,832
Other comprehensive income (loss)		
Available for sale financial assets	**(2,497)**	4,137
Cash flow hedges	**18,035**	19,779
Income tax	**(5,283)**	(6,725)
	10,255	17,191
Total comprehensive income for the year	**224,452**	908,023

Transactions shown in comprehensive income for the years ended on December 31, 2010 and 2009 are provided below:

	Financial assets available for sale	Cash flow hedges	Income tax	Total comprehensive income (loss)
Balance on December 31, 2009	2,135	(1,995)	678	818
Realized losses from financial instruments transferred to the income	**(2,497)**	**20,571**	**(6,994)**	**13,577**
Fair value variation	**-**	**(2,536)**	**1,711**	**(3,322)**
Balance on December 31, 2010	**(362)**	**16,040**	**(4,605)**	**11,073**

The accompanying notes are an integral part of these consolidated financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousand of Brazilian Reais)

	Note	Issued Capital Shares	Issued Capital Amount	Treasury shares Shares	Treasury shares Amount	Capital reserves	Share-based payment	Oth Investmen revaluatio reserve
Balance at December 31, 2008		**202,300,591**	**1,250,618**	**(1,574,200)**	**(41,180)**	**89,556**	**14,444**	**(2,0**
Total of other comprehensive income		-	-	-	-	-	-	4,1
Capital increase (net of issuance costs of R$19,194)		64,098,722	811,654	-	-	-	-	
Cancelled treasury shares		(1,119,775)	-	1,119,775	29,293	(29,293)	-	
Net income for the year		-	-	-	-	-	-	
Dividends payable		-	-	-	-	-	-	
Share-based payment		-	-	-	-	-	4,540	
Balance at December 31, 2009		**265,279,538**	**2,062,272**	**(454,425)**	**(11,887)**	**60,263**	**18,984**	**2,1**
Net income for the year		**-**	**-**	**-**	**-**	**-**	**-**	
Mandatory minimum		**-**	**-**	**-**	**-**	**-**	**-**	

dividends proposed								
Total of other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**(1,6**
Capital increase	21	**5,057,130**	**120,861**	**-**	**-**	**-**	**-**	
Share-based payment	11	**-**	**-**	**-**	**-**	**-**	**24,743**	
Balance at December 31, 2010		**270,336,668**	**2,183,133**	**(454,425)**	**(11,887)**	**60,263**	**43,727**	**4**

The accompanying notes are an integral part of these consolidated financial statements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(Em milhares de reais R$)

	12/31/10	12/31/09
Cash flows from operating activities		
Net income for the year	**214,197**	890,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**281,604**	142,853
Allowance for doubtful accounts	**7,728**	7,701
Litigation	**18,842**	13,000
Provision (reversion of provision) for onerous contracts	**(445)**	2,080
Provision for inventory obsolescence	**8,402**	4,327
Deferred income taxes	**118,444**	(135,305)
Share-based payments	**24,743**	4,540
Net foreign exchange fluctuations and interests	**(46,549)**	(708,240)
Interests on loans and other, net	**297,256**	275,466
Net income from financial derivatives instruments	**117,022**	80,332
Other provision	**108,106**	13,113
Smiles deferred revenues	**(106,299)**	(38,714)
Other items	**3,037**	(8,832)
Changes in operating assets and liabilities:		
Trade and other receivables	**208,526**	(182,082)
Inventories	**(41,433)**	45,878
Deposits	**78,369**	(124,196)
Prepaid expenses, recoverable taxes and other credits	**64,950**	25,444
Other assets	**9,865**	47,771
Accounts payable	**(146,590)**	78,663
Advance ticket sales	**(44,341)**	(11,226)
Advances from customers	**(162,150)**	190,146
Salaries, wages and benefits	**(27,168)**	86,357
Sales tax and landing fees	**8,809**	(20,879)
Tax obligations	**16,549**	65,249
Provisions	**(124,722)**	(127,191)
Other liabilities	**(4,650)**	(13,250)
Cash provided by operating activities	**882,102**	603,837

Interest paid	**(123,019)**	(115,422)
Income tax paid	**(35,186)**	(31,156)
Net cash provided by operating activities	**723,897**	457,259
Cash flows from investing activities		
Short term investments	**17,938**	205,140
Investments in restricted cash, net	**(8,416)**	(37,812)
Payment for property, plant and equipment	**(230,469)**	(130,475)
Payment for intangible assets	**(58,512)**	(31,431)
Net cash used in (provided by) investing activities	**(279,459)**	5,422
Cash flows from financing activities		
Proceeds	**638,638**	-
Payments	**(433,760)**	(42,416)
Dividends paid	**(185,839)**	-
Capital increase	**120,861**	811,654
Net cash provided by financing activities	**139,900**	769,238
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(10,888)**	(18,841)
Net increase in cash and cash equivalents	**573,450**	1,213,078
Cash and cash equivalents at the beginning of the year	**1,382,408**	169,330
Cash and cash equivalents at the end of the year	**1,955,858**	1,382,408

The accompanying notes are an integral part of these consolidated financial statements.

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GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

1. Corporate information

Gol Linhas Aéreas Inteligentes S.A. (Company or GLAI) is a public-listed company incorporated in accordance with Brazilian Corporate Laws, organized on March 12, 2004. The objective of the Company is through its operating wholly-owned subsidiary VRG Linhas Aéreas S.A. (VRG) to exploit (i) regular and non-regular air transportation services of passengers, cargo and mail bags, domestically or internationally, according to the concessions granted by the competent authorities; (ii) complementary activities of chartering air transportation of passengers.

GLAI is the direct parent company of the wholly-owned subsidiaries GAC Inc (GAC), Gol Finance (Finance) and indirect parent company of SKY Finance II (SKY II).

GAC was established on March 23, 2006, according to the laws of Cayman Islands, and its activities are related to the aircraft acquisition for its single shareholder GLAI, which provides a finance support for its operational activities and settlement of obligations. GAC is the parent company of SKY Finance and SKY II, established on August 28, 2007 and November 30, 2009, respectively, both located in Cayman Islands, which activities are related to obtaining funds to finance aircraft acquisition. Sky Finance was closed in June, 2010. The closure of SKY Finance occurred after the payment of all funds raised by the company, considering that it was created with the specific objective of obtaining such funds.

Finance was established on March 16, 2006, according to the laws the Cayman Islands, and its activities are related to obtaining funds for aircraft acquisition.

On April 9, 2007, the Company acquired VRG, a low-cost and low-fare airline company, which operates domestic and international flights with GOL and VARIG brands, providing regular and non-regular air transportation services among the main destinations in Brazil, South America and the Caribbean.

The Company s shares are traded in the New York Stock Exchange (NYSE) and on the São Paulo Stock Exchange (BM&FBOVESPA). The Company has entered into an Agreement for Adoption of Level 2 Differentiated Corporate Governance Practices with BM&FBOVESPA, and integrates the indices of Shares with Differentiated Corporate Governance IGC and Shares with Differentiated Tag Along ITAG, created to identify companies committed to the adoption of differentiated corporate governance practices.

2. Basis of preparation and summary of significant accounting policies

The Company s consolidated financial statements for the year ended December 31, 2010 were authorized for issue by the Board of Directors on February 22, 2011. The registered office is located at Rua Tamoios, 246, Jd. Aeroporto, São Paulo, Brazil.

2.1 Compliance Statement

The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

2.2 Basis of preparation

These financial statements were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value in accordance with accounting practices described below.

These Consolidated Financial Statements were prepared using Brazilian Reais as the functional and reporting currency.

The summary of significant accounting policies adopted by the Company and its subsidiaries are as follows:

a) Basis of consolidation

The consolidated financial statements comprise the accounts of GLAI and its direct and indirect subsidiaries presented below:

			% of capital stock	
	Location	**Type of control**	**2010**	**2009**
VRG	Brazil	Direct	100%	100%
GAC Inc.	Cayman Islands	Direct	100%	100%
Gol Finance	Cayman Islands	Direct	100%	100%
SKY Finance	Cayman Islands	Indirect	-	100%
SKY Finance 2	Cayman Islands	Indirect	100%	100%

The accounting policies were applied consistently in all the consolidated entities and are consistent with those used in previous years. All the transactions, balances, incomes and expenses between the entities are full eliminated in the consolidated financial statements.

The investments that its subsidiary VRG has in its off-shore subsidiaries (South America, Europe and U.S.) are fully eliminated.

b) Cash and cash equivalents

Consists primarily of cash balances classified as loans granted and receivables, and short term investments that are measured at fair value through profit and loss. The short term investments have maturities of three months or less (or with no fixed time for redemption) with immediate liquidity, and are subject to an insignificant risk of changes in value.

c) Restricted cash

Consists on investments measured at fair value through profit and loss.

d) Financial assets and liabilities

The non-derivative financial instruments includes investments in marketable securities, debt instruments and equities, accounts receivable and other receivables, loans and financings, other accounts payable and other debts. The financial assets and liabilities are initially recognized at their fair value plus the costs directly attributable to their purchase or issue, except those classified under the category of instruments appraised at their fair market value based on results, for which the costs are booked in the statements of operations. Subsequent to initial recognition, the financial non-derivative assets and liabilities are measured as of each balance sheet date according to their classification, which is defined upon initial recognition based on the purposes for which they were acquired or issued, as described below:

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

i. Financial assets measured at fair value through profit and loss: these include financial assets acquired for sale (acquired primarily to be sold in the short term), or designated upon initial recognition at fair value through profit and loss. Interest, monetary restatement, exchange variation and variations resulting from fair value measurement, are recognized in profit or loss as financial revenues or expenses, when incurred. The Company has investment classified as cash equivalents in this category.

ii. Financial assets held to maturity: these include non-derivative financial instruments with fixed or determinable payments with defined maturities, for which the Company has the intention and capacity to hold to maturity. After the initial recognition, they are measured at the amortized cost based on the effective interest rate method less losses in recoverable value, when applicable, and the variations are recognized in profit or loss as financial revenues or expenses, when incurred. The Company has no financial assets in this category.

iii. Loans granted and receivable: these include non-derivative financial assets with fixed or determinable payments that are not quoted on an active market which, after initial recognition are measured based on the amortized cost under the effective interest rate method. The interest, monetary and exchange variation, less losses in recoverable value, when applicable, are recognized in profit or loss as financial revenues or expenses, when incurred. The Company has Bank deposits and accounts receivables in this category.

iv. Available for sale: these include non-derivative financial assets that do not match the above categories, measured at their fair value. After initial recognition, available for sale financial assets are measured at fair value, with gains or losses recognized in other comprehensive income in the shareholder s equity until the investment is sold and the cumulative gain or loss previously reported in profit or loss. The balance of short-term investments is composed of assets available for sale, and correspond to investments funds in receivables (FIDC) and certificates of deposits abroad (time deposits). These assets have maturities exceeding 90 days from the date of application and their amounts are subject to significant variations. The Company does not invest in speculative securities.

The principal financial assets recognized by the Company are cash and cash equivalents, short-term investments, and accounts receivable.

Financial liabilities are classified according to the following categories based on the nature of the financial instruments contracted or issued:

i. Financial liabilities measured at fair value through profit and loss: these include financial liabilities normally traded prior to maturity, liabilities designated upon initial recognition at fair value, except those designated as hedge instruments. They are remarked to fair value at each balance sheet date. The interest, monetary and exchange variations and variations resulting from the fair value, when applicable, are recognized in profit or loss, when incurred. In this category, the Company has derivatives not designated as hedge instruments.

ii. Financial liabilities not marked at fair value: non-derivative financial liabilities that are not normally traded prior to maturity. After initial recognition they are measured on the amortized cost based on the effective interest rate method. The interest, monetary updating and exchange variation, when applicable, are recognized in profit or loss when incurred. The Company has short and long-term debt (that includes the leasing) and accounts payable to suppliers.

e) Trade and other receivables

Trade and other receivables are stated at cost less allowances made for doubtful receivables, which approximates fair value given their short term nature. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable through risk analysis and taking into account the historical analysis of the recovery of arrears. The allowance for doubtful receivables is the difference between the book value and recoverable amount. The provision is made for all accounts overdue for more than 90 days for installment sales, travel and cargo agencies, and 180 days in respect of airline partners.

f) Inventories

The inventories are valued at the lower of cost and net realizable value. The costs of inventories are determined by the weighted average cost method. The net realizable value represents the estimated selling price of the inventory, less costs to completion and costs necessary to complete the sale.

g) Lease accounting

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

The assets held under a finance lease are valued at the lower of the following two amounts: the present value of the minimum lease payments under the lease arrangement or the leased asset s fair value determined at inception of the lease. Lease payments are allocated between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding obligation to the lessor is accounted for as short and long-term debt. The aircraft held under finance leases, which have a purchase option at the end of the contract, are depreciated on a straight-line basis over the useful life at rates calculated to write down the cost to the estimated residual value of 20% based on the Company experience and market price valuations. All other aircraft recorded on property, plant and equipment, when there is no reasonable certainty that the Company will obtain ownership of the property at the end of the contractual term, are depreciated over the shorter of the useful life of the assets and the lease term.

Gains or losses related to sale-leaseback transactions followed byclassified as an operating lease after the sale, is accounted for as follows:

They are recognized immediately when it is clear that the transaction is established at fair value;

If the sale price is below fair value, any profit or loss is recognized immediately. However, if the loss is compensated for by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the contractual lease term;

If the sale price is above fair value, the excess is deferred and amortized over the asset s expected useful life, with the amortization recorded as a reduction of the lease expense.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

In 2009 the Company had sale-leaseback transactions below the fair-value, being the loss compensated with future payments of lease below the market price. In 2010 it had transactions at fair-value whose profits and losses had been recognized directly to the profit and loss.

If the sale-leaseback transactions results in financial leasing, any excess proceeds over the carrying amount shall be deferred and amortized over the lease term. The Company did not have any sale-leaseback transaction that resulted in financial lease.

h) Prepaid expenses

Prepaid expenses and other assets primarily consist of prepayments for aircraft and engine rentals under operating lease agreements, premium payments of option contracts designated as hedge, sales commissions, deferred losses arising on sale-leaseback transactions, and prepayments for insurance.

i) Property, plant and equipment

Property, plant and equipment, including rotable parts, are recorded at acquisition costs, including interests and other financial charges. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotable spares purchased separately, are carried as fixed assets and generally depreciated in line with the fleet to which they relate. Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of Boeing 737-800 Next Generation aircraft and includes interest incurred during the manufacture of aircraft.

The estimated useful lives for property and equipment is disclosed at Note 13.

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

At the end of each year, the Company reviews the carrying value of fixed assets to determine whether there is some indication that those assets suffered any loss on the impairment. If there s any such indication, the recoverable amount the asset is estimated in order to measure the amount of such loss, if any. On December 31, 2010 and 2009 was not identified, need to recognize a loss on the impairment.

j) Intangible assets

i. Goodwill

Goodwill is tested for impairment annually by comparing the carrying amount to the recoverable amount at the cash-generating unit level which is considered the operating wholly-owned subsidiary VRG. Considerable judgment is necessary to evaluate the impact of operating and macroeconomic changes to estimate future cash flows and to measure the recoverable amount. Assumptions in the Company s impairment evaluations are consistent with internal projections and operating plans. No losses of recoverable amount has been recorded until the present date.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

ii. Airport operating rights

Airport operating rights were acquired as part of the acquisition of Varig and were capitalized at fair value at that date and are not amortized. Those rights are considered to have an indefinite useful life due to several factors and considerations, including requirements for necessary permits to operate within Brazil and limited slot availability in the most important airports in terms of traffic volume. The carrying value of those rights is tested for impairment annually or on a more frequent basis when events or changes in circumstances indicate that carrying values may not be recoverable. No impairment has been recorded to until the present date.

iii. Tradenames

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

iv. Software

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

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

k) Impairment of financial assets

The Company evaluates at each balance sheet date whether a financial asset is impaired using discounted cash flow analysis, which considers the credit worthiness of the issuer of the security, as further described in Note 23.

l) Deposits

Are represented by maintenance deposits for aircraft and engines, deposits in guarantee and collaterals of lease agreements and judicial deposits of contingent liabilities relating to labor and tax claims.

The Maintenance deposits refer to payments made by the Company to commercial lease companies to be used in future aircraft and engine maintenance work. The deposits are recorded at historical value of the original payment, recognized as maintenance costs when actually incurred, in accordance with the accounting policy spending on maintenance. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated balance sheet are recoverable.

The deposits in guarantee and collaterals are represented by amounts deposited to lessors of the lease monthly payments, as required at the inception of the lease agreements. The deposits in guarantee and collaterals are denominated in U.S. Dollars, do not bear interest and are reimbursable to the Company upon termination of the agreements.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

m) Foreign currency transactions

The functional currency used for preparation and presentation of the financial statements of the Company and its subsidiaries is the Brazilian Real. Transactions in foreign currencies are translated into the Company s functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rate at the balance sheet date. Any differences resulting from the currency translation are recognized in the statements of operations.

n) Derivative financial instruments and hedge accounting

The Company and its subsidiaries designates certain financial derivatives as hedge to risks related to the changes in oil prices (fuel), foreign exchange risk, interest rate as fair value hedges and cash flow hedge. Hedges for risk of variations in exchange rates on firm commitments are accounted for as cash flow hedges of risks and variations in the exchange rates of finance leases as fair value hedges. Hedges for risk variations in fuel price and interest rate are accounted for as cash flow hedges.

At the beginning of the hedge transaction, the Company and its subsidiaries have documented the relationship between the hedge instrument and the hedge item with the goals in risk management and its strategy to take on various hedge transactions. Additionally, at the beginning of the hedge and on a continuous basis, the Company and its subsidiaries are documenting the hedge instrument used in a hedge relationship is highly effective in offsetting changes in fair value or cash flows of the hedged item attributable to subject to hedge risk.

The Note 25 gives further details on the fair value of derivative instruments used for hedge purposes.

Fair value hedges

Changes in fair value of derivatives designated and qualify as fair value hedge are recognized in income. The changes in fair value of hedge instruments and hedge item attributable to the hedge risk are recognized in the income statement item related to the hedge item.

The hedge accounting is discontinued prospectively when the Company and its subsidiaries cancel the hedge operating, the hedge instrument is sold or expires, terminated or executed, or when no longer qualify as hedge accounting. The fair value adjustment of the hedge item derived from the risk of hedge, is recorded in income from that date.

Cash flow hedges

The effective part of changes in fair value of derivatives that are designated and qualify as cash flow hedge is recognized in other comprehensive income and accumulated under the heading comprehensive income in shareholder s equity. The gains or losses that are related to the ineffective portion are recognized immediately in income in other gains and losses.

The amounts previously recognized in other comprehensive income and accumulated in shareholder s equity are reclassified to income in the period that the hedge item is recognized as an income, in the same section of the income statement in which is recognized.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

The hedge accounting is discontinued when the Company and its subsidiaries cancel the hedge relationship, the hedge instrument is sold or expires, terminated or executed, or does not qualify as hedge accounting anymore. Any gains or losses recognized in other comprehensive income and accumulated in equity at that time remains in shareholder s equity and are recognized when the forecast transaction is ultimately recognized in income. When the occurring of the forecasted transaction are not expected anymore, the gains or losses accumulated in equity are deferred and recognized in income immediately.

o) Share-based payments

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

The fair value of options granted at determinate date is recorded on the straight as an expense in the income statement during the period in which the right is acquired, based on estimates of Company about granted options on what will eventually be acquired, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimates of the amount of equity instruments that will be acquired. The impact of the review in relation to original estimates, if any, is recognized in earnings of the period, so that the cumulative expense reflects the revised estimates with a corresponding adjustment to shareholder s equity in the Deferred Compensation account reserve, which reported the benefits to employees.

p) Provisions

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

Other provisions are substantially related to legal proceedings and are made for losses considered probable in the trial of the Administration, related to labor and civil causes.

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

q) Revenue recognition

Passenger revenue is recognized either when transportation is provided or when the unused ticket expires. Tickets sold but not yet used are recorded as advance ticket sales that represents primarily deferred revenue for tickets sold for future travel dates. and also estimated refunds and exchanges of tickets sold for past travel dates. Estimated refunds and exchanges included in the advance ticket sales account are compared with actual refund and exchange activities every month to monitor their reasonableness. These estimates are based on historical data and experience.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The balance of deferred revenue is also comprised by unused tickets ("no show"). The portion of the no show that the Company estimates, based on historical data, which will not be rescheduled by the passengers, is recognized as revenue.

Revenue from cargo shipments is recognized when transportation is provided. Other revenue includes charter services, ticket change fees and other incidental services, and is recognized when the service is performed.

r) Mileage program

Since the acquisition of VRG, the Company operates a frequent flyer program, (Smiles Program) that provides travel and other awards to members based on accumulated mileage credits. The obligations assumed under the Smiles Program were valued at the acquisition date at estimated fair value that represents the estimated price the Company would pay to a third party to assume the obligation for miles expected to be redeemed under the Smiles Program.

The fair value of mileage credits, net of estimated non-use of miles (breakage) is determined by the weighted average according to (i) the average amount charged per seat by VRG to airlines that participate in the loyalty program divided by the amount of miles required to issue a ticket using miles and (ii) the average sale price of miles sold to airlines that participate in the loyalty program Smiles. This fair value is updated every six months.

Miles awarded are valued at fair value described above and the miles redeemed are moved based on the weighted average of the balance of miles that had been deferred. A portion of revenue on the sale of miles above the fair value of miles is recognized as revenue of marketing (as other income) when the transport runs.

The Company s policy for accounts that are inactive for a period of 36 consecutive months is to cancel all miles contained in those accounts at the end of the period of inactivity. The associated value for mileage credits which the

Company estimates are not likely to be redeemed (breakage) is recognized as revenue. The Company calculates its breakage estimate based on historical redemption patternsdata. Future program redemption opportunities can significantly alter customer behavior from historical patterns with respect to inactive accounts. Such changes may result in material changes to the deferred revenue balance, as well as recognized revenues from that program.

s) Segment information

The IFRS 8 requires that operations by segment are identified based on internal reports that are regularly reviewed by decision makers in order to allocate resources to segments and assessing their performance.

The Company s operations are derived from its wholly-owned subsidiary VRG and consist in to provide air transportation services within South America and Caribbean, where it operates domestic and international flights. The Company s Management decision maker makes resource allocation decisions to maximize the Company s consolidated financial results. The major revenue earning assets of the Company are its aircraft, which are registered in Brazil and therefore all profits accrue principally in the same country. Other revenues primarily arises from cargo, Smiles mileage program, installment sales, excess baggage charges and cancellation fares, all directly attributable to air transportation services.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

Based on the way the Company treats the network and the manner in which resource allocation decisions are made, the Company has only one operating segment for financial reporting purposes. The Company s primary reporting segments comprise of net revenue geographic segments which is presented in Note 23.

t) <u>Income taxes</u>

i. Current income tax

The provision for income tax and social contribution is based on taxable profit for the year. Taxable income differs from earnings presented in the income statement because it excludes revenues or expenses taxable or deductible in other years, and exclude items not taxable nor deductible permanently.

The provision for income tax and social contribution is calculated for each company based on the rates prevailing at the end of the year.

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

ii. Deferred income tax

Income tax and social contribution are recognized on temporary differences at the end of each reporting period between the balances of assets and liabilities recognized in financial statements and tax bases used in the calculation of taxable income, including net tax losses, when applicable. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, only when it is probable that the company will present future taxable income in an amount sufficient to bring such deductible temporary differences can be used. Deferred tax assets or liabilities are not recognized on temporary differences arising from goodwill or from initial recognition (except for business combination) of other assets and liabilities in a transaction that does not affect the taxable profit nor the accounting profit.

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

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

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

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Brazilian Reais, except when indicated otherwise)

u) Key accounting estimates and judgments

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

i. Impairment of non-financial assets

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

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

ii. Impairment of available-for-sale financial assets

The Company classifies certain financial assets as available-for-sale and recognizes changes in their fair value in shareholders equity. When the fair value declines, Management evaluates the decline in value to determine whether it is an impairment that should be recognized in the statements of operations.

iii. Income taxes

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

iv. Property, plant and equipment

During 2009, the Company revised the depreciation rates used for aircraft under financial leases, aircraft reconfiguration and spare parts, from 5% to 4%, for better compatibility with the useful life of these assets it s supported by technical studies approved by the Company's Management. This change in economic useful life was applied prospectively in the financial statements since April 1st, 2009. The related reduction of depreciation arising from the change in economic useful life ion the year ended December 31, 2009 amounted approximately to R$12,000.

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v) New and revised standards and interpretations not yet adopted

The Company and its subsidiaries have not early adopted the new standards and interpretations IFRSs reviewed below in the financial statements for the period ended December 31, 2010, required their applications for annual periods beginning after January 1st, 2011, or annual subsequent periods when indicated otherwise, but it is evaluating its applicability and potential impacts.

IFRS 9 - Financial Instruments: Introduces new requirements for the classification, measurement and low assets and liabilities. It establishes that all financial assets recognized that are inserted in the scope of IAS 39 - Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Required from the period beginning on or after January 1st, 2013.

Alteration of IFRS 3 Business Combinations, bring the following requirements:

i. **Measurement of non-controlling participations** - Specifies that the option to measure the non-controlling interests, both at their fair value as the proportionate share of non-controlling interest on the acquiree's identifiable net assets at the acquisition date, is only applicable to the non-controlling that are effective and warrant holders a proportionate share of net assets acquired in the event of a liquidation. All other components of the non-controlling interests should be measured at their fair value at the acquisition date, unless another measurement basis is required by IFRSs.

ii. **Payment of share-based awards not replaced or replaced voluntarily** - Specifies that the current requirements of the awards measure buyer to replace the share-based payments of acquired, in accordance with IFRS 2 on the purchase date (market-based measurement) are applicable to transactions of share-based payments of the acquiree that are not replaced. Specifies that the current requirements for placement of the measurement of market-based awards replaced between the consideration transferred in a business combination and compensation expense in the period after the business combination is applicable to all prizes being replaced, regardless of whether the buyer is obliged to replace them or if he does voluntarily.

iii. **Requirements transition to compensatory quotas of a business combination that occurred prior to mandatory adoption of IFRS 3 (2008)** - Clarifies that IAS 32 - Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures are not applicable to compensatory quotas which arose from business combinations whose acquisition date is prior to the application of IFRS 3 (2008).

Modification of IFRS 7 Financial Instruments: Disclosures **-** Encourages qualitative disclosures in the context of quantitative disclosures required to assist users to form an overview of the nature and extent of risks arising from financial instruments. Clarifies the required level of disclosures about credit risk and collateral held and provides exemption for disclosures of loans renegotiated.

Amendment of IAS 34 **-** Interim Financial Reporting - Gives emphasis to the principle in IAS 34 that the disclosures about significant events and transactions in interim periods should update the relevant information that has been presented in most recent annual financial statements. Explains how to appl