

Gol Intelligent Airlines Inc.
Form 6-K
November 01, 2005

**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 October, 2005

(Commission File No. 001-32221) ,

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

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

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

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

Form 20-F Form 40-F

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

Yes No

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

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

GOL Linhas Aéreas Inteligentes S.A.

***September 30, 2005 and December 31, 2004
with report of Independent Registered Public
Accounting Firm***

GOL LINHAS AÉREAS INTELIGENTES S.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the condensed consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of September 30, 2005 and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2005 and 2004, the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2005 and 2004 and the condensed consolidated statements of shareholders equity for the nine-month period ended September 30, 2005. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries as of December 31, 2004, and the related consolidated statements of income, cash flows and shareholders equity for the year then ended not presented herein, and in our report dated February 22, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG
Auditores Independentes S.S.

Maria Helena Pettersson
Partner

São Paulo, Brazil
October 14, 2005

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

(In thousands of Brazilian Reais)

| | September 30, 2005 | December 31, 2004 |
|---|-----------------------------------|------------------------------|
| ASSETS | (Unaudited) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 60,895 | 405,730 |
| Short-term investments | 772,731 | 443,361 |
| Receivables, less allowance (2005 R\$ 4,719; 2004 R\$ 3,547) | 515,779 | 386,370 |
| Inventories | 31,643 | 21,038 |
| Recoverable taxes and current deferred tax | 16,121 | 10,657 |
| Prepaid expenses | 26,375 | 34,184 |
| Other current assets | 5,046 | 3,389 |
| Total current assets | 1,428,590 | 1,304,729 |
| PROPERTY AND EQUIPMENT | | |
| Pre-delivery deposits | 319,396 | 43,447 |
| Flight equipment | 158,585 | 102,197 |
| Other property and equipment | 43,907 | 29,703 |
| | 521,888 | 175,347 |
| Less accumulated depreciation | (66,808) | (43,989) |
| Property and equipment, net | 455,080 | 131,358 |
| OTHER ASSETS | | |
| Deposits for aircraft leasing contracts | 20,037 | 22,884 |
| Prepaid aircraft and engine maintenance | 353,911 | 266,532 |
| Other | 9,231 | 8,781 |
| Total other assets | 383,179 | 298,197 |
| TOTAL ASSETS | 2,266,849 | 1,734,284 |

See accompanying notes to Condensed Consolidated Interim Financial Statements.

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------------------|------------------------------|
| LIABILITIES AND SHAREHOLDERS EQUITY | (Unaudited) | |
| CURRENT LIABILITIES | | |
| Accounts payable | 34,988 | 36,436 |
| Air traffic liability | 193,726 | 159,891 |
| Payroll and related charges | 60,555 | 51,041 |
| Operating leases payable | 10,285 | 10,107 |
| Short-term borrowings | 66,678 | 118,349 |
| Sales tax and landing fees | 54,808 | 51,515 |
| Insurance premium payable | - | 24,060 |
| Dividends payable | 673 | 60,676 |
| Other current liabilities | 4,520 | 5,739 |
| Total current liabilities | 426,233 | 517,814 |
| OTHER LIABILITIES | | |
| Long-term vendor payable | - | 9,238 |
| Deferred income taxes, net | 69,737 | 44,493 |
| Provisions for contingencies | 12,008 | 10,351 |
| Other liabilities | 5,151 | 3,935 |
| | 86,896 | 68,017 |
| Commitments and Contingencies | | |
| SHAREHOLDERS EQUITY | | |
| Preferred shares, Class A and Class B, no par value, 85,820,557 shares issued and outstanding at September 30, 2005 (78,094,746 at December 31, 2004) | 828,215 | 564,634 |
| Common shares, no par value, 109,448,497 shares authorized, issued and outstanding at September 30, 2005 and December 31, 2004 | 41,500 | 41,500 |
| Additional paid in capital | 49,733 | 49,305 |
| Deferred compensation expenses | (5,877) | (10,059) |
| Appropriated retained earnings | 18,352 | 18,352 |
| Unappropriated retained earnings | 827,372 | 484,721 |
| Accumulated other comprehensive loss | (5,575) | - |
| Total shareholders equity | 1,753,720 | 1,148,453 |
| TOTAL LIABILITIES AND SHAREHOLDERS | | |

EQUITY

2,266,849

1,734,284

See accompanying notes to Condensed Consolidated Interim Financial Statements.

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

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

| | Three-Months ended 2005 | September 30, 2004 | Nine-Months ended 2005 | September 30, 2004 |
|-----------------------------------|--|-----------------------------------|---------------------------------------|-----------------------------------|
| NET OPERATING REVENUES | | | | |
| Passenger | 665,374 | 497,757 | 1,755,046 | 1,286,411 |
| Cargo and Other | 31,284 | 19,477 | 92,939 | 49,441 |
| Total net operating revenues | 696,658 | 517,234 | 1,847,985 | 1,335,852 |
| OPERATING EXPENSES | | | | |
| Salaries, wages and benefits | 66,060 | 42,632 | 177,249 | 111,130 |
| Aircraft fuel | 208,711 | 123,978 | 547,499 | 314,614 |
| Aircraft rent | 62,135 | 49,429 | 176,394 | 146,102 |
| Aircraft insurance | 8,025 | 6,281 | 21,454 | 18,115 |
| Sales and marketing | 80,439 | 67,275 | 231,096 | 175,132 |
| Landing fees | 24,190 | 14,597 | 64,631 | 41,455 |
| Aircraft and traffic servicing | 25,869 | 14,692 | 63,240 | 47,424 |
| Maintenance materials and repairs | 5,951 | 12,944 | 30,246 | 32,684 |
| Depreciation | 8,523 | 5,463 | 23,601 | 14,775 |
| Other operating expenses | 23,532 | 17,920 | 67,129 | 44,008 |
| Total operating expenses | 513,435 | 355,211 | 1,402,539 | 945,439 |
| OPERATING INCOME | 183,223 | 162,023 | 445,446 | 390,413 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest expense | (8,812) | (4,814) | (19,257) | (9,137) |
| Capitalized interest | 5,258 | - | 14,379 | - |
| Exchange variation loss | (54) | - | (445) | - |
| Financial income | 36,710 | (10,525) | 102,094 | 15,845 |
| Other | (6,407) | - | (21,439) | - |
| INCOME BEFORE INCOME TAXES | 209,918 | 146,684 | 520,778 | 397,121 |
| Income taxes current | 64,222 | 46,488 | 150,627 | 109,340 |
| Income taxes deferred | 7,506 | 3,296 | 27,500 | 26,996 |
| NET INCOME | 138,190 | 96,900 | 342,651 | 260,785 |
| EARNINGS PER SHARE: | | | | |
| Earnings per share, basic | 0.7077 | 0.5167 | 1.7850 | 1.4723 |
| Earnings per share, diluted | 0.7049 | 0.5144 | 1.7774 | 1.4655 |

See accompanying notes to Condensed Consolidated Interim Financial Statements.

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

(In thousands of Brazilian Reais)

| | Nine months ended September 30, | |
|--|--|-------------|
| | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | 342,651 | 260,785 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Amortization of deferred compensation | 4,610 | 8,047 |
| Depreciation | 23,601 | 14,775 |
| Provision for doubtful accounts receivable | 1,172 | (245) |
| Deferred income taxes | 27,500 | 26,996 |
| Changes in operating assets and liabilities | | |
| Receivables | (130,581) | (86,016) |
| Inventories | (10,605) | (2,306) |
| Prepaid expenses, other assets and recoverable taxes | (2,490) | 2,643 |
| Accounts payable and long-term vendor payable | (10,686) | (11,276) |
| Deposits for aircraft and engine maintenance | (87,379) | (79,537) |
| Operating leases payable | 178 | 307 |
| Air traffic liability | 33,835 | (903) |
| Payroll and related charges | 9,514 | (8,387) |
| Sales tax and landing fees, insurance premium payable and other liabilities | (15,911) | (2,339) |
| Net cash provided by operating activities | 185,409 | 122,544 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Deposits for aircraft leasing contracts | - | (2,372) |
| Acquisition of property and equipment | (71,374) | (29,649) |
| Pre-delivery deposits | (275,949) | (28,631) |
| Purchase of short-term securities | (329,370) | - |
| Net cash used in investing activities | (676,693) | (60,652) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Short term borrowings, net | (51,671) | 66,522 |
| Issuance of preferred shares | 258,123 | 459,305 |
| Obligations with related parties | - | (270) |
| Dividends Paid | (60,003) | - |

| | | |
|---|------------------|---------|
| Net cash provided by financing activities | 146,449 | 525,557 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (344,835) | 587,449 |
| Cash and cash equivalents at beginning of the period | 405,730 | 146,291 |
| Cash and cash equivalents at end of the period | 60,895 | 733,740 |
| Supplemental disclosure of cash flow information | | |
| Interest paid net of amount capitalized | 8,924 | 9,136 |
| Income tax paid | 144,415 | 92,701 |
| Disclosure of non cash transactions | | |
| Tax benefit contributed by shareholders | - | 29,188 |

See accompanying notes to Condensed Consolidated Interim Financial Statements.

**Total
comprehensive
income**

337,076

See accompanying notes to Condensed Consolidated Interim Financial Statements.

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

(Unaudited)

(In thousands of Brazilian Reais)

1. Business Overview

GOL Linhas Aéreas Inteligentes S.A. (the Company or GLAI) is the parent company of GOL Transportes Aéreos S.A. (GOL), a low-fare, low-cost airline operating in Brazil providing frequent service on routes between all of Brazil's major cities. GOL focuses on increasing the growth and profitability of its business by popularizing air travel and stimulating and meeting demand for simple, safe and affordable air travel in South America for both business and leisure passengers, while maintaining the lowest costs in the airline industry worldwide.

GOL commenced operations on January 15, 2001 and, as of September 30, 2005, had a fleet of 38 aircraft, consisting of 21 Boeing 737-700, 8 Boeing 737-800 Next Generation and 9 Boeing 737-300 aircraft. During the quarter ended September 30, 2005, the Company inaugurated 1 new destination – Boa Vista (RO) – increasing the number of cities served to 41 (September 30, 2004 – 33) and airports served to 43 (September 30, 2004 – 35), in Brazil and Argentina.

In January 2005, the Company obtained authorization by the Comissão de Estudos Relativos à Navegação Aérea (CERNAI) to operate regularly-scheduled flights from Brazil to Santa Cruz de La Sierra, Bolivia, which are expected to begin during the fourth quarter of 2005. In May 2005, the Company obtained authorization from the CERNAI to operate regularly-scheduled flights from Brazil to Asunción, Paraguay and Montevideo, Uruguay, which are expected to begin during the fourth quarter of 2005.

On April 28, 2005 the Company successfully completed a global public offering of preferred shares as further detailed in note 7.

The following table sets forth the ownership and percentages of the Company's voting (common) and non-voting (preferred) shares as at September 30, 2005:

| | Common | Preferred | Total |
|-----------------------------|---------------|------------------|--------------|
| Aeropar Participações S.A. | 100,00% | 36,70% | 72,18% |
| Comporte Participações S.A. | - | 3,90% | 1,72% |
| Public Market | - | 59,40% | 26,10% |
| | 100,00% | 100,00% | 100,00% |

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

2. Basis of Presentation of the Condensed Consolidated Interim Financial Statements

These unaudited condensed consolidated interim financial statements were prepared in accordance with accounting principles generally accepted in the United States (US GAAP), using Brazilian Reais as functional and reporting currency. The average exchange rates for the third quarter of 2005 and 2004 were R\$2.3434 and R\$2.9783, respectively, per US dollar. The exchange rate at September 30, 2005 was R\$ 2.2222 and R\$ 2.6544 at December 31, 2004. The accounting principles adopted under USGAAP differ in certain respects from accounting principles generally accepted in Brazil (Brazilian GAAP), which the Company uses to prepare its statutory financial statements.

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring nature, considered necessary for a fair presentation, have been included.

The results of the three and nine-month periods ended September 30, 2005 are not necessarily indicative of the results that might be expected for the full year ending December 31, 2005. The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2004.

For further information, refer to the consolidated financial statements for the year ended December 31, 2004 and footnotes thereto included in the Company's financial statements filed with the SEC.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

3. Significant Accounting Policies

The more significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the audited consolidated financial statements as of December 31, 2004.

Cash and cash equivalents and short-term investments. The Company's short-term investment portfolio consists of traditional fixed maturities securities, which are readily convertible into cash and are primarily highly liquid in nature. Certain of the investments which have original maturities of 90 days or less, when purchased, are classified as cash and cash equivalents. Other short-term investments are classified as trading securities, as defined by the FASB Statement 115, "Accounting for Certain Investments in Debt and Equity Securities," and are carried at their fair values based upon the quoted market prices at period end. Accordingly, changes in values of such investments are included in interest income.

Advertising. Advertising costs, which are included in sales and marketing expenses, are expensed as incurred. Advertising expense for the nine-month period ended September 30, 2005 and 2004 amounted to R\$ 19,626 and R\$ 16,448 respectively.

Stock options. The Company currently expects to adopt SFAS 123R effective January 1, 2006. In addition, the Company has not yet determined the financial statement impact of adopting SFAS 123R for periods beyond 2005.

The following table illustrates the effect on net income and earnings per common and preferred share as if the fair value method to measure stock-based compensation had been applied as required under the disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation, as amended:

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

3. Significant Accounting Policies (Continued)

| | Nine months ended | September 30, |
|--|----------------------|------------------|
| | 2005 | 2004 |
| Net income, as reported | 342,651 | 260,785 |
| Add: Stock-based employee compensation expense using intrinsic value | 4,610 | 8,047 |
| Deduct: Stock-based employee compensation expense determined under the fair value method | (4,713) | (10,083) |
| Pro forma net income | 342,548 | 258,749 |
| Earnings per common and preferred shares: | | |
| Basic as reported | 1.7850 | 1.4723 |
| Basic pro forma | 1.7844 | 1.4608 |
| Diluted as reported | 1.7774 | 1.4655 |
| Diluted pro forma | 1.7769 | 1.4540 |

The fair value for these stock options was estimated at the date of grant using the Black Scholes option-pricing model assuming an expected dividend yield of 2%, expected volatility of approximately 39%, weighted average risk-free interest rate of 17%, and an expected average life of 1.5 years.

Derivative financial instruments. The Company accounts for derivative financial instruments utilizing Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, as amended. To help mitigate the Company's overall foreign currency and fuel volatility risks, the Company primarily uses foreign exchange and fuel contracts. These instruments primarily consist of purchased call options, collar structures, and fixed-price swap agreements, and are accounted for as cash-flow hedges, as defined by SFAS 133. Since there is not a futures market for Brazilian jet fuel prices, the Company uses crude oil derivatives to hedge its exposure to the volatility of fuel prices. The Company believes there is strong correlation between crude oil and Brazilian jet fuel prices and measures the effectiveness of the hedging instruments in offsetting changes to those prices, as required by SFAS 133. The fair value of fuel derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option value models with assumptions about commodity prices based on those observed in underlying markets. All changes in fair value that are considered to be effective, as defined, are recorded in Accumulated other comprehensive income until the underlying exchange exposure is realized and fuel is consumed. See Note 10 for further information on SFAS 133 and financial derivative instruments.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

3. Significant Accounting Policies (Continued)

Comprehensive Income. Comprehensive income includes changes in the fair values of derivatives instruments, which qualify for hedge accounting in accordance with SFAS 133.

4. Cash and Cash Equivalents and Short-Term Investments

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------------------|------------------------------|
| Cash and cash equivalents | | |
| Cash on hand | 9,232 | 7,275 |
| Investments in local currency | | |
| Financial investment funds | 2,538 | 32,482 |
| Managed account | 49,125 | 199,170 |
| Bank Deposit Certificates - CDBs | - | 140,233 |
| | 51,663 | 371,885 |
| Investments in foreign currency | | |
| Financial Investment Funds and Public Securities | - | 26,570 |
| Total cash and cash equivalents | 60,895 | 405,730 |
| Short-term investments | | |
| Managed account | 772,731 | 443,361 |
| Total short-term investments | 772,731 | 443,361 |
| | 833,626 | 849,091 |

The Company's short-term investment in Bank Deposit Certificates (CDBs) has average earnings of approximately 1.45% per month, net of taxes, based on the CDI variation (Interbank Deposit Certificate), the redemption of which may occur at any time.

Investment funds have average earnings of approximately 1.50% per month, net of taxes. Earnings of the quotas redeemed in less than 30 days, before income tax levy, as from the investment date, are subject to Tax on Financial Operations (IOF).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

4. Cash and Cash Equivalents and Short-Term Investments (Continued)

The managed account offers daily liquidity. This managed account invests in other investment funds that adopt strategies with derivatives as an integral part of their investment policy. The breakdown of the managed account portfolio is as follows:

| | September 30, 2005 | December 31, 2004 |
|---------------------------------------|-----------------------------------|------------------------------|
| Cash and cash equivalent | 49,125 | 199,170 |
| Short-term investment | | |
| Bank Deposit Certificates CDB | 281,430 | 146,048 |
| Public securities (LFT, LTN and LFTO) | 491,301 | 286,930 |
| Overnight | - | 10,383 |
| | 772,731 | 443,361 |
| Total | 821,856 | 642,531 |

5. Receivables

Receivables are summarized as follows:

| | September 30, 2005 | December 31, 2004 |
|-----------------------------------|-----------------------------------|------------------------------|
| Credit cards net of commissions | 449,099 | 348,306 |
| Account holders cargo and tickets | 5,298 | 4,573 |
| Travel agencies | 58,440 | 33,013 |
| Other | 7,661 | 4,025 |
| | 520,498 | 389,917 |
| Allowance for doubtful accounts | (4,719) | (3,547) |
| | 515,779 | 386,370 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

6. Short-term Borrowings

At September 30, 2005, the Company had seven revolving lines of credit. One of the revolving lines of credit is secured by the Company's credit card receivables and allows for borrowings of up to R\$50,000. As of September 30, 2005, there were no outstanding borrowings under this facility. The remaining credit facilities allow for combined borrowings of up to R\$ 261,000.

The outstanding amounts under the Company's credit facilities as of September 30, 2005 and December 31, 2004 are as follows:

| Contract | Interest rate | Guarantee | Credit Limit | September, 30 2005 | December 31, 2004 |
|-----------------|---------------|-----------------------|-----------------|--------------------------|-------------------------|
| Banco Safra | 107 % do CDI | Promissory notes | 140,000 | 60,268 | 91,507 |
| Banco Santander | 109 % do CDI | - | 55,000 | 6,194 | 20,746 |
| Unibanco | 109% do CDI | Promissory notes | 20,000 | 216 | 1,019 |
| Unibanco | 109% do CDI | - | 30,000 | - | - |
| Banco do Brasil | 108 % do CDI | Promissory notes | 2,000 | - | 5,077 |
| Banco Bradesco | 104% do CDI | Receivables (Visa) | 50,000 | - | - |
| Banco Bradesco | 104% do CDI | Promissory notes | 14,000 | - | - |
| | | | | 66,678 | 118,349 |

7. Shareholders' Equity***Dividends***

The Company's bylaws provide for a mandatory minimum dividend to common and preferred shareholders in the aggregate of at least 25% of annual net distributable income determined in accordance with Brazilian corporation law. The dividends for the year ended December 31, 2004 was R\$60,676 (R\$26,503 in 2003). The proposed dividends were ratified for payment at the annual shareholders meeting held on April 11, 2005 and were fully paid during April 2005. Net income determined in accordance with accounting practices adopted in Brazil for the nine month period ended September 30, 2005 was R\$ 277,213 (R\$ 141,483 for the period ended September 30, 2004).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

8. Stock Option Plans

At shareholders meetings held on May 25 and December 9, 2004, the Company's shareholders approved an executive stock option plan for key senior executive officers. On April 25, 2004, the Company issued to executive officers stock options to purchase up to 937,412 of its preferred shares at an exercise price of R\$3.04 per share (determined based on the book value of GOL before the creation of GLAI). Fifty percent of the options vested on October 25, 2004, with the remaining 50% vesting at the end of each quarter ending subsequent to October 25, 2004, on a pro rata basis, through the second quarter of 2006. Each option will expire two years after the vesting date. The fair value of share at the date of the grant was R\$24.50. In connection with the initial grant of preferred stock options, the Company recorded deferred stock compensation of R\$20,117, representing the difference between the exercise price of the options and the deemed fair value of the preferred stock.

On December 9, 2004, the Company's shareholders approved a stock option plan for employees. Under this plan the stock options granted to employees cannot exceed 5% of total outstanding shares. Initially, 87,418 of the Company's preferred shares have been reserved for issuance under this plan. On January 19, 2005, the Company issued stock options to 17 key employees to purchase up to 87,418 of its preferred shares at an exercise price of R\$33.06 per share, (the volume weighted average price for the 60 previous trading days). The options vest at a rate of 1/5 per year, and can be exercised up to 10 years after the grant date. The fair value of each share at the date of the grant was R\$ 37.96. In connection with the initial grant of preferred stock options, the Company recorded deferred stock compensation of R\$ 428, representing the difference between the exercise price of the options and the deemed fair value of the preferred stock.

Transactions are summarized as follows:

| | Stock Option | Weighted-Average Exercise Price |
|--|-------------------------|--|
| Outstanding at December 31, 2004 | 937,412 | 3.04 |
| Granted | 87,418 | 33.06 |
| Outstanding at September 30, 2005 | 1,024,830 | 19.05 |
| Shares exercisable at December 31, 2004 | 468,706 | 3.04 |
| Shares exercisable at September 30, 2005 | 683,530 | 3.04 |

The weighted-average fair values at the date of grant for options granted, as of December 31, 2004 and September 30, 2005, were R\$ 21.27 and R\$ 25.65, respectively, and were estimated using the Black Scholes option-pricing model assuming an expected dividend yield of 2%, expected volatility of approximately 39%, weighted average risk-free interest rate of 17%, and an expected average life of 1.5 years.

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
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9. Lease and Other Commitments

The Company leases all aircraft, as well as airport terminal space, other airport facilities, office space and other equipment. At September, 2005, the Company leased 38 aircraft under operating leases (as compared to 27 aircraft at December 31, 2004), with initial lease term expiration dates ranging from 2006 to 2011.

Future minimum lease payments under non-cancelable operating leases are denominated in US dollars. Such leases with initial or remaining terms in excess of one year at September 30, 2005 in thousands of US dollars were as follows:

| | R\$ | | | US\$ | | |
|---------------------------------|----------|--------|---------|----------|--------|---------|
| | Aircraft | Other | Total | Aircraft | Other | Total |
| 2005 | 56,854 | 3,109 | 59,963 | 25,585 | 1,399 | 26,984 |
| 2006 | 223,182 | 10,991 | 234,173 | 100,433 | 4,946 | 105,379 |
| 2007 | 212,186 | 9,927 | 222,113 | 95,485 | 4,467 | 99,952 |
| 2008 | 145,512 | 8,276 | 153,788 | 65,481 | 3,724 | 69,205 |
| 2009 | 104,273 | 4,329 | 108,602 | 46,923 | 1,948 | 48,871 |
| After 2009 | 56,634 | 2,138 | 58,772 | 25,486 | 962 | 26,448 |
| Total minimum Lease payments | 798,641 | 38,770 | 837,411 | 359,393 | 17,446 | 376,839 |

In the third quarter of 2005, the Company received four new Boeing 737-300 aircraft according to contracts signed during the previous quarter.

The Company has a purchase contract with Boeing for 101 Boeing 737-800 Next Generation aircraft, under which the Company has 60 firm orders and 41 purchase options. The firm orders have an approximate value of R\$ 9,506 million based on the aircraft list price (corresponding to approximately US\$ 4,278 million).

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
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9. Lease and Other Commitments (Continued)

| | Expected Firm Order Deliveries | In thousands of Brazilian Reais | Translation into thousands of US\$ |
|--------------|---|--|---|
| 2005 | - | 196,309 | 88,340 |
| 2006 | 11 | 1,569,869 | 706,448 |
| 2007 | 13 | 1,910,339 | 859,661 |
| 2008 | 8 | 1,201,850 | 540,838 |
| 2009 | 6 | 939,986 | 422,998 |
| 2010 | 8 | 1,301,620 | 585,735 |
| 2011 | 7 | 1,172,037 | 527,422 |
| 2012 | 7 | 1,214,235 | 546,411 |
| Total | 60 | 9,506,245 | 4,277,853 |

As of September 30, 2005 the Company has made deposits in the amount of R\$ 269,664 (US\$ 121,350 million) related to the orders described above. The Company makes payments for aircraft acquisition utilizing the proceeds from equity financings, cash flow from operations, short-term credit lines and supplier financing.

The estimated future annual payments for the 101 aircraft, including both firm orders and options, based on the aircraft list price, at September 30, 2005, and calculated at the quarter-end exchange rate, is as follows:

| | In thousands of Brazilian Reais | Translation into thousands of US\$ |
|--------------|--|---|
| 2005 | 327,681 | 147,458 |
| 2006 | 2,642,589 | 1,189,177 |
| 2007 | 3,215,710 | 1,447,084 |
| 2008 | 2,023,098 | 910,403 |
| 2009 | 1,582,298 | 712,041 |
| 2010 | 2,191,043 | 985,979 |
| 2011 | 1,972,911 | 887,819 |
| 2012 | 2,043,944 | 919,784 |
| Total | 15,999,274 | 7,199,745 |

The Company has the option to finance up to 85% of the value of purchased aircraft with long-term financing guaranteed by the U.S. Exim Bank.

The Company has a non-cancelable agreement for the use of the Open Skies system for selling tickets. This agreement expires in 2014, and can be extended at the Company's option. The total future payment under this agreement is dependent upon the number of passengers transported and has a minimum annual payment of R\$ 327. In the three-month period ended September 30, 2005, the amount paid related to the use of the Open Skies was R\$ 4,191 (R\$ 4,885 in September 30, 2004).

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
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10. Financial Instruments and Concentration of Risk

At September 30, 2005 and December 31, 2004, the Company's primary monetary assets were cash equivalents, short-term investments and assets related to aircraft leasing operations. The Company's primary monetary liabilities are related to aircraft leasing operations. All monetary assets other than those related to aircraft leasing operations included in the balance sheet are stated at amounts that approximate their fair values.

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

The Company's revenue is generated in Brazilian reais (and a small portion in Argentine pesos from flights between Argentina and Brazil), however its liabilities, particularly those related to aircraft leasing, are US dollar-denominated. The Company's currency exchange exposure at September 30, 2005 is as set forth below:

| | September 30, 2005 | December 31, 2004 |
|--|-----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | (4,576) | (27,020) |
| Guarantee deposits on aircraft leasing contracts | (26,716) | (33,559) |
| Prepaid expenses of leasing | (12,113) | (9,885) |
| Advances to suppliers | (32,228) | (5,984) |
| Total obligation in U.S. dollars | (75,633) | (76,448) |
| Liabilities | | |
| Foreign suppliers | 4,643 | 8,218 |
| Leasing payable | 12,508 | 14,044 |
| Insurance premium payable | - | 24,060 |
| Other | - | 2,600 |
| | 17,151 | 48,922 |
| Exchange exposure | (58,482) | (27,526) |
| Exchange exposure in thousands of U.S. dollars | (26,317) | (10,369) |
| Off-balance sheet transactions exposure | | |
| Operating Leases for all remaining | 837,411 | 759,304 |
| Aircraft commitments | 9,506,245 | 2,997,000 |
| Total exchange exposure | 10,285,174 | 3,728,778 |

| | | |
|--|------------------|-----------|
| Total exchange exposure in thousands of U.S. dollars | 4,628,375 | 1,404,754 |
|--|------------------|-----------|

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

GOL LINHAS AÉREAS INTELIGENTES S.A.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(Unaudited)
(In thousands of Brazilian Reais)**10. Financial Instruments and Concentration of Risk (Continued)**a) Fuel

The Company is exposed to the effect of changes in the price and availability of aircraft fuel. To manage these risks, the Company enters into crude oil option and swap agreements. Prices for crude oil are highly correlated to Brazilian jet fuel, making crude oil derivatives effective at offsetting jet fuel prices to provide short-term protection against a sharp increase in average fuel price. The Company accounts for its fuel hedge derivative instruments as cash flow hedges under SFAS 133. The change in fair value of the Company's financial derivative instruments at September 30, 2005, related to contracts to buy up to 180,000 barrels of crude oil in the nominal amount of approximately US\$ 12.4 million, with longest remaining term of one month, was a net liability of approximately R\$ 1.0 million, which was classified in other current liabilities in the Balance Sheet.

Due to the volatility in markets for crude oil and crude oil related products, the Company is unable to predict the amount of ineffectiveness each period, which may result in increased volatility in the Company's results. During the three months ended September 30, 2005, the Company recognized approximately R\$ 4.0 million gain recorded in operating expense related to fuel derivative contracts in accordance with SFAS 133.

b) Exchange rates

The Company is exposed to the effect of changes in the USD exchange rate. Exchange exposure relates to amounts payable arising from USD-denominated and USD-linked expenses and payments. To manage these risks, the Company uses USD options and futures contracts. The Company accounts for its foreign currency futures derivative instruments as cash flow hedges under SFAS 133. The change in the fair value of the Company's financial derivative instruments at September 30, 2005, related to option and future contracts of U.S. dollar currency in the nominal amount of US\$ 19.3 million, with a longest remaining term of nine months, was a net reduction of current assets of R\$ 4.6 million (equivalent to US\$ 2.1 million) classified in other current assets.

During the three months ended September 30, 2005, R\$ 1.7 million in exchange rate hedging activities were recorded as other expense in accordance with SFAS 133.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
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11. Income Taxes

a) Deferred income taxes

The deferred income taxes computation is summarized as follows:

| | September 30, | | December 31, | |
|--|----------------------|------------------|---------------------|----------|
| | 2005 | | 2004 | |
| Deferred tax assets | | | | |
| Deferred tax benefit contributed by shareholders | R\$ | 20,918 | R\$ | 25,296 |
| Contingencies | | 4,710 | | 3,519 |
| Allowance for doubtful accounts | | 1,605 | | 2,943 |
| Preferred shares issuance costs | | 12,869 | | 11,589 |
| Temporary differences | | 8,920 | | 244 |
| Total deferred tax assets | | 49,022 | | 43,591 |
| Deferred tax liabilities | | | | |
| Property and equipment | | - | | (1,093) |
| Maintenance deposits | | (118,059) | | (86,991) |
| Others | | (700) | | - |
| Total deferred tax liabilities | | (118,759) | | (88,084) |
| Net deferred tax liabilities | R\$ | (69,737) | R\$ | (44,493) |

b) Income statement

The following current and deferred income taxes amounts were recorded in the statement of operations:

| | | Nine-month ended September 30, | | |
|------------------|------------|---------------------------------------|-------------|---------|
| | | 2005 | 2004 | |
| Current | R\$ | 150,627 | R\$ | 109,340 |
| Deferred expense | | 27,500 | | 26,996 |
| | R\$ | 178,127 | R\$ | 136,336 |

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The reconciliation of the reported income tax and social contribution and the amount determined by applying the composite fiscal rate at September 30, 2005 and September 30, 2004, is as follows:

| | | Nine-month ended September 30, | |
|--------------------------------|------------|---------------------------------------|-------------|
| | | 2005 | 2004 |
| Income before income taxes | R\$ | 520,778 | R\$ 397,121 |
| Nominal composite rate | | 34% | 34% |
| Income tax by the nominal rate | | 177,064 | 135,021 |
| Other permanent differences | | 1,063 | 1,315 |
| Income taxes expense | R\$ | 178,127 | R\$ 136,336 |

GOL LINHAS AÉREAS INTELIGENTES S.A.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(In thousands of Brazilian Reais)

12. Earnings per Share

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

| | Three-month ended September 30, | | Nine-month ended September 30, | |
|---|--|-------------|---|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| Numerator | | | | |
| Net income applicable to common and preferred shareholders for basic and diluted earnings per share | 138,190 | 96,900 | 342,651 | 260,785 |
| Denominator | | | | |
| Weighted-average shares outstanding for basic earnings per share | 195,269,054 | 187,543,243 | 191,966,211 | 177,126,576 |
| Effective of dilutive securities: | | | | |
| Executive stock options | 781,363 | 826,268 | 814,413 | 826,268 |
| Adjusted weighted-average shares outstanding and assumed exercise for diluted earnings per shares | 196,050,417 | 188,369,511 | 192,780,624 | 177,952,844 |

