Gol Intelligent Airlines Inc.
Form 20-F
April 28, 2016

As filed with the Securities and Exchange Commission on April 28, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

_____

FORM 20-F

_____

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 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)

_____

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

Edmar Prado Lopes Neto
+55 11 5098-7872
Fax: +55 11 5098-2341
E-mail: ri@golnaweb.com.br
Praça Comandante Linneu Gomes, S/N Portaria 3,
Jardim Aeroporto
04626-020 São Paulo, São Paulo
Federative Republic of Brazil
(+55 11 2128-4700)

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

_____

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class:	**Name of each exchange on which registered:**
Preferred Shares, without par value	**New York Stock Exchange***
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one share of Preferred Stock	**New York Stock Exchange**

* Not for trading purposes, but only in connection with the trading on the New York Stock Exchange of American Depositary Shares representing those preferred shares.

_____

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

_____

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
7.50% Senior Notes Due 2017

_____

The number of outstanding shares of each class of stock of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2015:

5,035,037,140	**Shares of Common Stock**
203,383,968	**Shares of Preferred Stock**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

If this is an annual or transition report, indicate by check mark if the Registrant is not required to file pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated Filer ¨	Accelerated Filer x	Non-accelerated Filer ¨

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other ¨

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Table of Contents

Presentation of Financial and Other Data		1
Cautionary Statements about Forward-Looking Statements		2
ITEM 1.	Identity of Directors, Senior Management and Advisers	3
ITEM 2.	Offer Statistics and Expected Timetable	3
ITEM 3.	Key Information	3
A.	Selected Financial Data	3
B.	Capitalization and Indebtedness	7
C.	Reasons for the Offer and Use of Proceeds	7
D.	Risk Factors	7
ITEM 4.	Information on the Company	16
A.	History and Development of the Company	16
B.	Business Overview	17
C.	Organizational Structure	43
D.	Property, Plant and Equipment	43
ITEM 4A.	Unresolved Staff Comments	43
ITEM 5.	Operating and Financial Review and Prospects	43
A.	Operating Results	43
B.	Liquidity and Capital Resources	65
C.	Research and Development, Patents and Licenses, etc.	71
D.	Trend Information	71
E.	Off-Balance Sheet Arrangements	71
F.	Tabular Disclosure of Contractual Obligations	72
ITEM 6.	Directors, Senior Management and Employees	72
A.	Directors and Senior Management	72
B.	Compensation	77
C.	Board Practices	78
D.	Employees	80
E.	Share Ownership	81
ITEM 7.	Major Shareholders and Related Party Transactions	81
A.	Major Shareholders	81
B.	Related Party Transactions	82
C.	Interests of Experts and Counsel	86
ITEM 8.	Financial Information	86
A.	Consolidated Statements and Other Financial Information	86

B.	Significant Changes	91
ITEM 9.	The Offer and Listing	91
A.	Offer and Listing Details	91
B.	Plan of Distribution	93
C.	Markets	93
D.	Selling Shareholders	98
E.	Dilution	98
F.	Expenses of the Issue	98
ITEM 10.	Additional Information	98
A.	Share Capital	98

B.	Memorandum and Articles of Association	98
C.	Material Contracts	107
D.	Exchange Controls	108
E.	Taxation	108
F.	Dividends and Paying Agents	117
G.	Statement by Experts	117
H.	Documents on Display	117
I.	Subsidiary Information	117
ITEM 11.	Quantitative and Qualitative Disclosures about Market Risk	117
ITEM 12.	Description of Securities other than Equity Securities	118
A.	American Depositary Shares	118
ITEM 13.	Defaults, Dividend Arrearages and Delinquencies	120
ITEM 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	120
ITEM 15.	Controls and Procedures	120
ITEM 16.	Reserved	121
ITEM 16A.	Audit Committee Financial Expert	121
ITEM 16B.	Code of Ethics	121
ITEM 16C.	Principal Accountant Fees and Services	121
ITEM 16D.	Exemptions from the Listing Standards for Audit Committees	122
ITEM 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	122
ITEM 16F.	Change in Registrant's Certifying Accountant	122
ITEM 16G.	Corporate Governance	122
ITEM 16H.	Mine Safety Disclosure	124
ITEM 17.	Financial Statements	125
ITEM 18.	Financial Statements	125
ITEM 19.	Exhibits	125

Signature 128

Presentation of Financial and Other Data

The consolidated financial statements included in this annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), in *reais.*

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate such amounts in respect of the year ended December 31, 2015 was R$3.9048 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect on December 31, 2015, as reported by the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at the above rate. See "Exchange Rates" for more detailed information regarding the Brazilian foreign exchange system and historical data on the exchange rate of the *real* against the U.S. dollar.

In this annual report, we use the terms "the Registrant" to refer to Gol Linhas Aéreas Inteligentes S.A., and "Gol", "Company", "we," "us" and "our" to refer to the Registrant and its consolidated subsidiaries together, except where the context requires otherwise. The term VRG refers to VRG Linhas Aéreas S.A., a wholly owned subsidiary of the Registrant. References to "preferred shares" and "ADSs" refer to non-voting preferred shares of the Registrant and American depositary shares representing those preferred shares, respectively, except where the context requires otherwise.

The phrase "Brazilian government" refers to the federal government of the Federative Republic of Brazil, and the term "Central Bank" refers to the *Banco Central do Brasil*, or the Central Bank. The term "Brazil" refers to the Federative Republic of Brazil. The terms "U.S. dollar" and "U.S. dollars" and the symbol "US$" refer to the legal currency of the United States. The terms "*real*" and "*reais*" and the symbol "R$" refer to the legal currency of Brazil. "IFRS" refers to the international financial reporting standards as issued by the International Accounting Standards Board, or IASB. We make statements in this annual report about our competitive position and market share in, and the market size of, the Brazilian and international airline industry. We have made these statements on the basis of statistics and other information from third party sources, governmental agencies or industry or general publications that we believe are reliable. Although we have no reason to believe any of this information or these reports are inaccurate in any material respect, we have not verified the competitive position, market share and market size or market growth data provided by third parties or by industry or general publications. All industry and market data contained in this annual report is based upon the latest publicly available information as of the date of this annual report.

Certain figures included in this annual report have been rounded. Accordingly, figures shown as totals in certain tables may not be an arithmetic sum of the figures that precede them.

This annual report contains terms relating to operating performance in the airline industry that are defined as follows:

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

- "Available seat kilometers" or "ASK" represents the aircraft seating capacity multiplied by the number of kilometers flown.

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

- "Block-hours" refers to the elapsed time between an aircraft's leaving an airport gate and arriving at an airport gate.

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

- "Load factor" represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger kilometers by available seat kilometers).

- "Operating expense per available seat kilometer" or "CASK" represents operating expenses divided by available seat kilometers.

- "Operating expense excluding fuel expense per available seat kilometer" or "CASK - ex fuel" represents operating expenses less fuel expense divided by available seat kilometers.

- "Operating revenue per available seat kilometer" or "RASK" represents operating revenue divided by available seat kilometers.

- "Passenger revenue per available seat kilometer" or "PRASK" represents passenger revenue divided by available seat kilometers.

- "Revenue passengers" represents the total number of paying passengers flown on all flight segments.

- "Revenue passenger kilometers" or "RPK" represents the numbers of kilometers flown by revenue passengers.

- "Yield per passenger kilometer" or "yield" represents the average amount one passenger pays to fly one kilometer.

Cautionary Statements about Forward-Looking Statements

This annual report includes forward-looking statements, principally under the captions "Risk Factors," "Operating and Financial Review and Prospects" and "Business Overview." We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting us. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- general economic, political and business conditions in Brazil and in other South American and Caribbean markets we serve;

- the effects of global financial markets and economic crises;

- management's expectations and estimates concerning our future financial performance and financing plans and programs;

- our level of fixed obligations;

- our capital expenditure plans;

- our ability to obtain financing on acceptable terms;

- inflation and fluctuations in the exchange rate of the *real*;

- existing and future governmental regulations, including air traffic capacity controls;

- increases in fuel costs, maintenance costs and insurance premiums;

- changes in market prices, customer demand and preferences, and competitive conditions;

- cyclical and seasonal fluctuations in our operating results;

- defects or mechanical problems with our aircraft;

- our ability to successfully implement our strategy;

- developments in the Brazilian civil aviation infrastructure, including air traffic control, airspace and airport infrastructure, and

- the risk factors discussed under “Risk Factors.”

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are inter identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, and the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

A. Selected Financial Data

We present in this section the following summary financial data:

- Summary financial information derived from our audited consolidated financial statements included herein as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013; and

- Summary financial information derived from our audited consolidated financial statements not included herein as of and for the years ended December 31, 2012 and 2011.

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2015 have been translated into U.S. dollars at the commercial market rate in effect on December 31, 2015 as reported by the Central Bank of R$3.9048 to US$1.00.

Summary Financial Information

	Year Ended December 31,					
	2011	**2012**	**2013**	**2014**	**2015**	**2015**
Statements of Operations	(in thousands of R$, except per share/ADS information)					(in thousands of US$)
Operating revenue:						
Passenger	6,713,029	7,159,987	8,122,161	9,045,831	8,583,388	2,198,163
Cargo and other	826,279	943,572	834,051	1,020,383	1,194,619	305,936
Total operating revenue	**7,539,308**	**8,103,559**	**8,956,212**	**10,066,214**	**9,778,007**	**2,504,099**
Operating expenses:						
Salaries	(1,560,436)	(1,569,670)	(1,333,462)	(1,374,096)	(1,580,531)	(404,766)
Aircraft fuel	(3,060,665)	(3,742,219)	(3,610,822)	(3,842,276)	(3,301,368)	(845,464)
Aircraft rent	(505,058)	(644,031)	(699,193)	(844,571)	(1,100,086)	(281,726)
Sales and marketing	(402,568)	(426,582)	(516,059)	(667,372)	(617,403)	(158,114)
Landing fees	(395,249)	(559,421)	(566,541)	(613,153)	(681,378)	(174,498)
Aircraft, traffic and mileage servicing	(484,642)	(528,737)	(599,479)	(747,447)	(1,019,833)	(261,174)
Maintenance, materials and repairs	(434,181)	(417,990)	(460,805)	(511,045)	(603,925)	(154,662)
Depreciation and amortization	(395,807)	(519,631)	(560,966)	(463,296)	(419,691)	(107,481)

Other operating expenses	(633,634)	(600,891)	(342,896)	(495,526)	(633,628)	(162,269)
Gain on bargain purchase	88,428	-	-	-	-	-
Total operating expenses	**(7,783,812)**	**(9,009,172)**	**(8,690,223)**	**(9,558,782)**	**(9,957,843)**	**(2,550,154)**

	Year Ended December 31,					
	2011	**2012**	**2013**	**2014**	**2015**	**2015**
Statements of Operations	(in thousands of R$, except per share/ADS information)					(in thousands of US$)
Equity results	-	-	-	(2,490)	(3,941)	(1,009)
Income (loss) before financial expense, net and income taxes	(244,504)	(905,613)	265,989	504,942	(183,777)	(47,064)
Financial expense, net	(755,914)	(679,209)	(919,216)	(1,457,622)	(3,263,323)	(835,721)
Loss before income taxes	(1,000,418)	(1,584,822)	(653,227)	(952,680)	(3,447,100)	(882,785)
Income taxes	248,880	71,907	(71,363)	(164,601)	(844,140)	(216,180)
Net loss	**(751,538)**	**(1,512,915)**	**(724,590)**	**(1,117,281)**	**(4,291,240)**	**(1,098,965)**
Attributable to non-controlling interests	-	-	71,957	128,888	169,643	43,445
Attributable to equity holders of the parent	(751,538)	(1,512,915)	(796,547)	(1,246,169)	(4,460,883)	(1,142,410)
Basic loss per preferred share [(1)]	(2.78)	(5.52)	(2.88)	(4.48)	(14.76)	(3.78)
Basic loss per common share [(1)]	(0.08)	(0.16)	(0.08)	(0.13)	(0.42)	(0.11)
Basic loss per ADS [(1)(2)]	(27.80)	(55.20)	(28.80)	(44.80)	(147.60)	(37.80)
Diluted loss per preferred share [(1)]	(2.78)	(5.52)	(2.88)	(4.48)	(14.76)	(3.78)
Diluted loss per common share [(1)]	(0.08)	(0.16)	(0.08)	(0.13)	(0.42)	(0.11)
Diluted loss per ADS[(1)(2)]	(27.80)	(55.20)	(28.80)	(44.80)	(147.60)	(37.80)
Weighted average number of outstanding shares in relation to basic earnings (loss) per preferred share (in thousands)[(1)]	133,342	134,298	132,780	134,151	158,285	158,285
Weighted average number of outstanding shares in relation to basic loss per common share (in thousands)[(1)]	4,796,146	4,900,915	5,035,037	5,035,037	5,035,037	5,035,037
Weighted average number of outstanding shares in relation to diluted loss per preferred share (in thousands)[(1)]	133,342	134,298	132,780	134,151	158,285	158,285
Weighted average number of outstanding shares in relation to diluted loss per common share (in thousands)[(1)]	4,796,146	4,900,915	5,035,037	5,035,037	5,035,037	5,035,037
Dividends declared per preferred share (net of withheld income taxes)	-	-	-	-	-	-

4

	As of December 31,					
	2011	2012	2013	2014	2015	2015
Balance Sheet Data:		(in thousands of R$)				(in thousands of US$)
Cash and cash equivalents	1,230,287	775,551	1,635,647	1,898,773	1,072,332	274,619
Short-term investments	1,009,068	585,028	1,155,617	296,824	491,720	125,927
Trade receivables	354,134	325,665	324,821	352,284	462,620	118,475
Deposits	630,599	657,196	847,708	793,508	1,020,074	261,236
Total assets	10,655,141	9,027,098	10,638,448	9,976,647	10,368,397	2,655,295
Short-term debt	1,552,440	1,719,625	440,834	1,110,734	1,396,623	357,668
Long-term debt	3,439,008	3,471,550	5,148,551	5,124,505	7,908,303	2,025,277
Total equity	2,205,911	732,828	1,218,500	(332,974)	(4,322,440)	(1,106,955)
Capital stock	2,316,500	2,499,689	2,501,574	2,618,748	3,080,110	788,801

	Year Ended December 31,					
	2011	2012	2013	2014	2015	2015
Other Financial Data:		(in thousands of R$ except percentages)				(in thousands of US$)
Operating margin[3]	(3.2)%	(11.2)%	3.0%	5.0%	(1.9)%	(1.9)%
Net cash provided by (used in) operating activities	(602,520)	133,293	403,881	1,129,192	(599,467)	(153,521)
Net cash provided by (used in) investing activities	(469,168)	(590,443)	(318,936)	(431,610)	(1,259,157)	(322,464)
Net cash provided by (used in) financing activities	354,547	(4,381)	807,162	(309,584)	750,190	192,120

Summary Operational Data

	Year Ended December 31				
	2011[4]	2012	2013	2014	2015
Operating Data:					
Revenue passengers (in thousands)	36,220	39,164	36,306	39,749	38,868
Revenue passenger kilometers (in millions)[5]	34,461	36,410	34,684	38,085	38,410
Available seat kilometers (in millions) [5]	50,373	51,867	49,633	49,503	49,744
Load-factor	68.4%	70.2%	69.9%	76.9%	77.2%
Break-even load-factor	70.6%	78.0%	67.8%	73.1%	78.1%
Aircraft utilization (block hours per day)	13.0	12.1	11.2	11.5	11.1
Average fare (R$)	185	183	224	228	243
Yield per passenger kilometer (R$ cents)	19.5	19.7	23.4	23.8	23.3
Passenger revenue per available seat kilometer (R$ cents)	13.4	13.8	16.4	18.3	17.3
Operating revenue per available seat kilometer (R$ cents)	15.0	15.6	18.0	20.3	19.7
Operating expense per available seat kilometer (R$ cents)	15.5	17.4	17.5	19.3	20.0

Operating expense less fuel expense per available seat kilometer (R$ cents)	9.4	10.2	10.2	11.6	13.4
Departures	314,190	348,578	316,466	317,594	315,902
Departures per day	861	955	867	870	866
Destinations served	63	65	65	71	68
Average stage length (kilometers)	908	877	897	912	933
Full-time equivalent employees at period end	20,525	17,726	16,319	16,875	16.472
Fuel liters consumed (in thousands)	1,591,917	1,655,421	1,511,869	1,538,202	1,551,137
Percentage of sales through website during period[6]	88.4%	88.8%	87.6%	83.1%	80.7%
Percentage of sales through website and call center during period	94.5%	94.5%	92.5%	87.3%	84.5%

(1) Adjusted to reflect that the one to 35 stock split of our common shares on March 23, 2015 and that since that date our preferred shares are entitled to receive dividends per share in an amount 35 times the amount of dividends per share paid to holders of our common shares in order to account for the split of our common shares. Our preferred shares are not entitled to any fixed dividend preferences. See “Item 9. The Offer and Listing–C. Markets–Corporate Governance Practices” for further details.

(2) Adjusted to reflect the change of the ratio of our ADSs to preferred shares in February 2016 from one ADS to one preferred share to one ADS to ten preferred shares. See "Item 12. Description of Securities other than Equity Securities–A. American Depositary Shares–ADR Ratio Change."

(3) Operating margin represents operating income (loss) before financial results and income taxes divided by operating revenue.

(4) Information regarding revenue passengers, aircraft utilization, average fare, departures, departures per day, average stage length, average number of operating aircraft, fuel liters consumed, percentage of sales through website and percentage of sales through website and call center include data for Webjet as from October 1, 2011.

(5) Source: National Civil Aviation Agency (*Agência Nacional de Aviação Civil*), or ANAC.

(6) Considering sales through our website and API (*application programming interface*) systems.

Exchange Rates

Brazil's foreign exchange system allows the purchase and sale of currency and the international transfer of *reais* by any person or legal entity, regardless of amount, subject to certain regulatory procedures.

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. The exchange rate of the *real* was R$1.566 per US$1.00 in August 2008. Primarily as a result of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R$2.337 per US$1.00 at year end 2008. In 2009 and 2010, the *real* appreciated against the U.S. dollar and reached R$1.666 per US$1.00 at year end 2010. During 2011 the *real* depreciated and, on December 31, 2011, the exchange rate was R$1.876 per US$1.00. From 2012 through 2015, the *real* continued to depreciate and on December 31, 2012, 2013, 2014, and 2015, the exchange rate was R$2.044, R$2.343, R$2.656 and R$3.905 per US$1.00.

The Central Bank has intervened occasionally to combat instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise.

The following tables present the selling rate, expressed in *reais* to the U.S. dollar (R$/US$), for the periods indicated:

	Period-End	Average for Period [1]	Low	High
		(R$ per US$)		
Year				
2011	1.876	1.675	1.535	1.902
2012	2.044	1.955	1.702	2.112
2013	2.343	2.161	1.953	2.446
2014	2.656	2.353	2.197	2.740
2015	3.905	3.339	2.575	4.195
2016 (through April 26, 2016)	3.530	3.579	3.513	4.156

	Month-End	Average for Month [2]	Low	High

		(R$ per US$)		
Month				
October 2015	3.859	3.880	3.739	4.001
November 2015	3.851	3.777	3.701	3.851
December 2015	3.905	3.871	3.748	3.983
January 2016	4.043	4.052	3.986	4.156
February 2016	3.980	3.974	3.865	4.049
March 2016	3.559	3.704	3.559	3.991
April 2016 (through April 26)	3.530	3.832	3.513	3.692

_____

Source: Central Bank

(1) Represents the average of the exchange rates on the last day of each month during the period.

(2) Average of the lowest and highest rates in the month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in the ADSs or our preferred shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the ADSs could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.

Risks Relating to Brazil

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazilian political and economic conditions, could adversely affect us and the trading price of our ADSs and our preferred shares.

The Brazilian federal government has frequently intervened in the Brazilian economy and occasionally has made drastic changes in policy and regulations. The Brazilian federal government's actions to control inflation and affect other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition, results of operations and the trading price of the preferred shares and the ADSs may be adversely affected by changes in policy or regulations at the federal, state or municipal level involving or affecting factors such as:

- interest rates;
- currency fluctuations;
- monetary policies;
- inflation;
- liquidity of capital and lending markets;
- tax policies;
- labor regulations;
- energy and water shortages and rationing;

- exchange rates and exchange controls and restrictions on remittances abroad, such as those that were briefly imposed in 1989 and early 1990; and

- other political, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian federal government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian companies. These and other future developments in the Brazilian economy and governmental policies may adversely affect us and our business and results of operations and may adversely affect the trading price of our preferred shares and ADSs.

In addition and as a consequence to the above mentioned, since 2011, Brazil has been experiencing an economic slowdown. The Gross Domestic Product, or GDP, growth (contraction) rates were (3.8)% in 2015, 0.1% in 2014, 2.7% in 2013, 1.8% in 2012 and 3.9% in 2011, compared to a GDP growth of 7.5% in 2010. In 2016, analysts project that the Brazilian GDP will contract 3.7%, according to the Focus Report published by the Brazilian Central Bank on April 1, 2016.

Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of the Brazilian GDP. We cannot assure you that the GDP will increase or remain stable. Developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the use of our products and services.

Political instability may adversely affect our business and results of operations and the price of our preferred shares.

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected and continue to affect investor confidence and of the general public, which resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

Currently, Brazilian markets are experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* investigation, being conducted by the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Members of the Brazilian federal government and of the legislative branch, as well as senior officers of large state-owned companies have faced allegations of corruption. These senior officials allegedly accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. The profits of these kickbacks allegedly financed the political campaigns of political parties of the current federal government coalition that were unaccounted for or not publicly disclosed, as well as served to personal enrichment of the recipients of the bribery scheme.

As a result, a number of senior politicians, including congressman and officers of the major state-owned companies in Brazil resigned or have been arrested. Currently, senior elected officials and other public officials in Brazil are being investigated for allegations of unethical and illegal conduct identified during the *Lava Jato* investigation.

The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether such allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future. In addition, we cannot predict the outcome of any such allegations nor their effect on the Brazilian economy.

The development of such unethical conduct cases could adversely affect the Brazilian economy and, consequently, our business, financial condition and results of operations.

Developments and the perception of risk in other countries, including the United States and emerging market countries, may adversely affect the market price of Brazilian securities, including the ADSs and our preferred shares.

The market value of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States, the European Union and emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Brazil, investor's reactions to developments in other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crisis in the United States, the European Union or emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours. This could adversely affect the trading price of the ADSs or our preferred shares, and could also make it more difficult for us to gain access to the capital markets and finance our operations on acceptable terms, or at all.

Government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm us.

Historically, Brazil has experienced high inflation rates. Inflation and certain actions taken by the Central Bank to curb it have had significant negative effects on the Brazilian economy. After the implementation of the *Plano Real* in 1994, the annual rate of inflation in Brazil decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA. Inflation measured by the IPCA index was 5.9%, 6.4%, and 10.7% in 2013, 2014 and 2015, respectively and the tendency is increasing inflation for 2016. The inflation rate for the General Market Prices Index (*Índice Geral de Preços de Mercado*), or IGP-M, was 5.5%, 3.7% and 10.5% in 2013, 2014 and 2015, respectively.

Between 2004 and 2010, the Central Bank's Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*) rate, or SELIC rate, which is the base interest rate for the Brazilian banking system, varied between 19.8% and 8.6%. On December 31, 2013, 2014 and 2015, the SELIC rate was 10.0%, 11.75% and 14.25%, respectively.

Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and us. Tight monetary policies with high interest rates have restricted and may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect us and increase our indebtedness. In addition, we may not be able to adjust the fares we charge our customers to offset the effects of inflation on our cost structure.

Risks Relating to Us and the Brazilian Airline Industry

Exchange rate instability may materially and adversely affect us and the market price of the ADSs and our preferred shares.

The Brazilian currency has, during the last decades, experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. For example, the *real* was valued at R$1.67 per US$1.00 in August 2008. Following the onset of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R$2.34 per US$1.00 at the end of 2008. In 2010, the *real* appreciated against the U.S. dollar, reaching R$1.661 per US$1.00 at the end of 2010. Since 2011, the *real* depreciated against the U.S. dollar, reaching R$3.905 per US$1.00 at the end of 2015 with a 47.0% devaluation in 2015. As of April 26, 2016, the *real* reached R$3.530 per US$1.00. There can be no assurance that the *real* would not depreciate further against the U.S. dollar.

Depreciation of the *real* against the U.S. dollar creates inflationary pressures in Brazil and causes increases in interest rates, which negatively affects the growth of the Brazilian economy as a whole, curtails access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciation of the *real* against the U.S. dollar has also, as in the context of an economic slowdown, led to decreased consumer spending, deflationary pressures and reduced growth of the economy as a whole. On the other hand, appreciation of the *real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of the Brazilian foreign exchange current accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* could materially and adversely affect us.

Nearly 88.5% of our passenger revenue and other revenue are denominated in *reais* and a significant part of our operating expenses, such as fuel, aircraft and engine maintenance services, aircraft rent payments and aircraft insurance, are denominated in, or linked to, U.S. dollars. For the year ended December 31, 2015, 50.3% of our operating expenses were either denominated in or linked to the U.S. dollar. For the year ended December 31, 2015 our aircraft rent increased in *reais* 30.3%, to R$1,100.1 million in 2015 from R$844.6 million in 2014, principally driven by the 41.6% average depreciation of the *real* as compared to the U.S. dollar in 2015. In addition, the purchase price of the Boeing 737 aircraft is denominated in U.S. dollars. At December 31, 2015, R$8,028.0 million (or 86.3% of our indebtedness) was denominated in U.S. dollars, an increase of 71.9% in *reais* as compared to R$4,670.0 million at December 31, 2014, principally driven by the 47.0% depreciation of the *real* against the U.S. dollar. At the same date, we had a total of R$7,749.0 million in U.S. dollar-denominated future operating lease payment obligations, an increase of 61.6% in *reais* as compared to R$4,794.8 million at December 31, 2014, due to the same reason. In 2015, exchange rate variation in our financial expenses had a net increase of 419.7%, to R$2,267.0 million, when compared with 2014.

We are also required to maintain U.S. dollar-denominated deposits and maintenance reserve deposits under the terms of some of our aircraft operating leases. We may incur substantial additional amounts of U.S. dollar-denominated operating leases or financial obligations and U.S. dollar-denominated indebtedness and be subject to fuel cost increases linked to the U.S. dollar. While in the past we have generally adjusted our fares in response to, and to alleviate the effect of, depreciation of the *real* and increases in the price of jet fuel (which is priced in U.S. dollars) and have entered into hedging arrangements to protect us against the short-term effects of such developments, there can be no assurance we will be able to continue to do so. In addition, there is no economically viable hedging alternative for medium- and long-term depreciation of the *real*.

Depreciation of the *real* also reduces the U.S. dollar value of distributions and dividends on the ADSs and the U.S. dollar equivalent of the market price of our preferred shares and, as a result, the ADSs.

We may not be able to maintain adequate liquidity and our cash flows from operations and financings may not be sufficient to meet our current obligations unless we are able to successfully restructure certain of our contractual obligations and commitments.

While our cash flows from operations and financings have been sufficient to meet our current operating expenses, lease obligations and debt service requirements to date, our liquidity, cash flows from operations and financings may be negatively impacted by the exchange rate environment and the effects of continued negative economic conditions in Brazil on demand for air travel. These factors have materially and adversely impacted our liquidity and we expect this trend to continue. Recent cost cutting measures, such as capacity reduction, may not be sufficient to offset these effects or improve our liquidity.

We have recently announced our intention to restructure (i) our existing indebtedness from the issuance of notes and bank loans and (ii) certain of our aircraft lease obligations and key suppliers. If we are unable to successfully restructure these contractual obligations and commitments, we may not be able to maintain adequate liquidity and our cash flows from operations and financings may not be sufficient to meet these obligations.

There can be no assurance that we will be successful in effecting all or any of the measures outlined above. Unfavorable events arising with respect to negotiations with creditors, key lessors and vendors could give rise to covenant and payment defaults, including the failure to maintain specified financial ratios, under the terms of our material operating and finance leases and indebtedness. In the absence of obtaining additional capital through asset sales, consensual restructuring of debt and lease terms and/or similar measures, we may be unable to remedy such defaults and may experience additional defaults in the future, including as a result of cross-defaults. Our operating and finance leases are subject to termination in the event of default, and our indebtedness may be accelerated in the event of continuing default. Certain lenders could foreclose on our assets securing their indebtedness, including certain of our aircraft and shares in Smiles.

As a result of significant losses since 2011 our financial condition has been materially weakened. Consequently, our ability to obtain debt and equity financing has been materially weakened

Significant losses since 2011 have materially weakened our financial condition. We had net losses of R$751.5 million in 2011, R$1,513 million in 2012, R$724.6 million in 2013, R$1,117.3 million in 2014 and R$4,291.2 million in 2015. These losses were mainly a factor of items that we do not control, such as the depreciation of the *real* against the U.S. dollar, which affects a significant part of our operating expenses and our debt that is significantly denominated in U.S. dollars, and losses in fuel hedge due to volatility in international fuel prices. As a result of these losses, as of December 31, 2015, we had a negative equity of R$4,322.4 million, compared to R$333.0 million as of December 31, 2014.

The significant losses since 2011 and our substantial indebtedness have further increased our leverage, which resulted in decreases in our credit ratings. Since the end of 2012, Fitch Ratings, Moody’s and S&P have decreased our credit ratings from B, B3 and B, respectively, to CCC-, Caa1 and CCC-, respectively, as of the date of this annual report. Credit ratings affect the cost and other terms upon which we are able to obtain funding. Credit rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength. We cannot assure you that credit rating agencies will not downgrade our credit ratings any further, even absent new losses.

In light of our current credit ratings, negative shareholders' equity and leverage ratio, our ability to obtain debt and equity financing has been materially weakened, which makes us more vulnerable to unexpected events or to the deterioration of the operating environment (such as a significant increase in operating expenses).

The airline industry is particularly sensitive to changes in economic conditions and continued negative economic conditions would likely continue to adversely affect us and our ability to obtain financing on acceptable terms.

Our operations and the airline industry in general are particularly sensitive to changes in economic conditions. Unfavorable economic conditions in Brazil, as demonstrated by a low or negative GDP growth since 2012, a constrained credit market and increased business operating costs have reduced spending on both leisure and business travel as well as cargo transportation. The slowdown in Brazilian economy and political instability has adversely affected industries with significant spending in travel, including government, oil and gas, mining and construction. In addition to decreases in load factors, reduced spending on business travel also affects the quality of demand, as we are able to sell less higher yield tickets, which negatively affected our results of operation in 2015, a trend that has continued in the first months of 2016. Unfavorable economic conditions can also affect our ability to raise fares to counteract increased fuel, labor and other costs. Any of these factors may negatively affect us.

Unfavorable economic conditions, a significant decline in demand for air travel or continued instability of the credit and capital markets could also result in pressure on our debt costs, operating results and financial condition and would affect our growth and investment plans. These factors could also negatively affect our ability to obtain financing on acceptable terms and our liquidity generally.

Substantial fluctuations in fuel costs or the unavailability of fuel would harm us.

Historically, international and local fuel prices have been subject to wide price fluctuations based on geopolitical issues and supply and demand. The price of West Texas Intermediate crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, which at times in 2007 and 2008 were at historically high levels, affects our fuel costs, which constitute a significant portion of our total operating expenses, accounting for 40.2% and 33.2% of our operating expenses for the years ended December 31, 2014 and 2015, respectively. Fuel availability is also subject to periods of market surplus and shortage and is affected by demand for both home heating oil and gasoline. In the event of an international or local fuel supply shortage, our fuel prices would likely increase. Although we enter into hedging arrangements to reduce our exposure to fuel price fluctuations and have historically passed on the majority of fuel price increases by adjusting our fare structure, the price and availability of fuel cannot be predicted with any degree of certainty. Our hedging activities and fares adjustments may not be sufficient to protect us fully from fuel price increases.

Substantially all of our fuel is supplied by one source, Petrobras Distribuidora S.A., or Petrobras Distribuidora. If Petrobras Distribuidora is unable or unwilling to continue to supply fuel to us at the times and in the quantities that we require we may not be able to find a suitable replacement or to purchase fuel at the same cost, in which case we would be adversely affected. See “Item 4. Information on the Company–B. Business Overview–Airline Business–Fuel and Hedge.”

Changes to the Brazilian civil aviation regulatory framework, including rules regarding slots distribution, fare restrictions and fees associated with civil aviation, may adversely affect us.

Brazilian aviation authorities monitor and influence the developments in Brazil’s airline market. For example, in airports regulated by the Brazilian Airport Infrastructure Company (*Empresa Brasileira de Infraestrutura Aeroportuária*), or INFRAERO, INFRAERO addressed overcapacity by establishing strict criteria that must be met before new routes or additional flight frequencies are awarded. INFRAERO’s policies as well as those of other aviation supervisory authorities have in the past, and may continue to, negatively affect our operations.

For example, in July 2014, ANAC published new rules governing the allocation of slots at the main Brazilian airports, which consider operational efficiency (on-time performance and regularity) as the main criteria for the allocation of slots. Under these rules on-time performance and regularity are assessed in two annual seasons, following the IATA summer and winter calendars, between April and September and between October and March.

The minimum on-time performance and regularity targets for each series of slots in a season are 80% and 90%, respectively, at Congonhas airport (São Paulo) and 75% and 80%, respectively, for all other main airports. Airlines will forfeit any series of slots that operate below the minimum criteria in a season. Forfeited slots are redistributed 50% to new entrants, which includes airlines that operate fewer than 5 slots in the relevant airport in the given weekday, and 50% to all airlines operating in the relevant airport based on their share of slots. For the first allocation period at Congonhas, from November 2014 to March 2015, new entrants includes all airlines with less than 12% of the slots.

In October 2014, ANAC distributed new slots at Congonhas airport, in light of increased runway capacity, exclusively to airlines with less than 12% of the slots. Azul and Avianca were awarded 26 and 17 slots, respectively.

With the new allocation of slots at Congonhas airport as a result of the October 2014 distribution and the 2015 on-time performance redistributions, we and LATAM each have 43% and 44%, respectively, of the slots in terms of takeoffs and landings at Congonhas airport, after having held 47% and 48%, respectively, before October 2014, while Avianca's slots increased from 5% to 8% and Azul's increased from 0% to 5%.

Another example, in January 2015 Brazil approved a law allowing the government to grant subsidies for flights departing from or arriving at regional airports. Regional airports include any airports with fewer than 600,000 passengers per year, increased to 800,000 passengers per year in the Amazon region. The subsidy is still subject to further regulation before it may be implemented and is limited to certain airport fees and transportation costs for the lesser of 60 passengers per flight or 50% of the seats in a given flight, except in the Amazon region where the only limit is up to 60 passengers.

These and other changes to the Brazilian civil aviation regulatory framework could increase our costs and change the competitive dynamics of our industry and may adversely affect our operations, see "–We operate in a highly competitive industry.

Technical and operational problems in the Brazilian civil aviation infrastructure, including air traffic control systems, airspace and airport infrastructure may have a material adverse effect on us.

We are dependent on improvements in the coordination and development of Brazilian airspace control and airport infrastructure, which, mainly due to the large growth in civil aviation in Brazil in recent years, require substantial improvements and government investments. This dependence was underlined by the need for additional infrastructure investments for the World Cup in 2014 and for the upcoming Summer Olympics in 2016 in Brazil.

If the measures taken and investments made by the Brazilian government and regulatory authorities do not prove sufficient or effective, air traffic control, airspace management and sector coordination-related difficulties might reoccur or worsen, which might have a material adverse effect on us.

Slots at Congonhas Airport in São Paulo, the most important airport for our operations, are fully utilized. The Santos-Dumont airport in Rio de Janeiro, a highly utilized airport with half-hourly shuttle flights between São Paulo and Rio de Janeiro, has certain slot restrictions. Several other Brazilian airports, for example the Brasília, Campinas, Salvador, Confins and São Paulo (Guarulhos) international airports, have limited the number of slots per day due to infrastructural limitations at these airports. Any condition that would prevent or delay our access to airports or routes that are vital to our strategy or our inability to maintain our existing slots, and obtain additional slots, could materially adversely affect our operations. In addition, we cannot assure that any investments will be made by the Brazilian government in the Brazilian aviation infrastructure to permit a capacity increase at busy airports and consequently additional concessions for new slots to airlines.

We have significant recurring aircraft lease costs, and we will incur significantly more fixed costs that could hinder our ability to meet our strategic goals.

We have significant costs, relating primarily to leases for our aircraft and engines. As of December 31, 2015, we had commitments of R$58,886.5 million to purchase additional Boeing 737-800 Next Generation aircraft, based on aircraft list prices, although the actual price payable by us for the aircraft should be lower due to supplier discounts. We expect that we will incur additional fixed obligations and debt as we take delivery of the new aircraft and other

equipment to implement our strategy.

Having significant fixed payment obligations could:

- limit our ability to obtain additional financing to support expansion plans and for working capital and other purposes;

- divert substantial cash flow from our operations to service our fixed obligations under aircraft operating leases and aircraft purchase commitments;

- if interest rates increase, require us to incur significantly more lease or interest expense than we currently do; and

- limit our ability to react to changes in our business, the airline industry and general economic conditions.

Our ability to make scheduled payments on our fixed obligations, will depend on our operating performance and cash flow, which will in turn depend on prevailing economic and political conditions and financial, competitive, regulatory, business and other factors, many of which are beyond our control. In addition, our ability to raise our fares to compensate for an increase in our fixed costs may be limited by competition and regulatory factors.

We operate in a highly competitive industry.

We face intense competition on domestic routes in Brazil from existing scheduled airlines, charter airlines and potential new entrants in our market. Competition from other airlines has a relatively greater impact on us when compared to our competitors because we have a greater proportion of flights connecting Brazil's busiest airports, where competition is more intense. In contrast, some of our competitors have a greater percentage of flights connecting less busy airports, where there is no or only reduced competition.

In addition to competition among scheduled airlines and charter operators, the Brazilian airline industry faces competition from ground transportation alternatives, such as interstate buses. We may also face competition from international airlines as they introduce and expand flights between Brazil, other South American and Caribbean destinations. In addition, the Brazilian government and regulators could give preference to new entrants when granting new and current slots in Brazilian airports, for example, as recently occurred with respect to the new slots in the Congonhas airport.

Existing and potential new competitors may be stronger than us. They have in the past and may again undercut our fares or increase capacity on their routes in an effort to increase their market share of business traffic (high value-added customers). In any such event, we cannot assure you that our level of fares or passenger traffic would not be adversely affected.

Further consolidation in the Brazilian and global airline industry framework may adversely affect us.

As a result of the competitive environment there may be further consolidation in the Brazilian and global airline industry, whether by means of acquisitions, joint ventures, partnerships or strategic alliances. We cannot predict the effects of further consolidation on the industry. To the extent we act as consolidators, we may not be able to successfully integrate the business and operations of companies acquired, governmental approvals may be delayed, costs of integration and fleet renovation may be greater than anticipated, synergies may not meet our expectations, our costs may increase and our operational efficiency may be reduced, all of which would negatively affect us.

If we do not act as a consolidator, our competitors may increase their scale, diversity and financial strength, which would negatively affect us. Consolidation in the airline industry and changes in international alliances will continue to affect the competitive landscape in the industry and may result in the formation of airlines and alliances with increased financial resources, more extensive global networks and reduced cost structures.

We rely on one supplier for our aircraft and engines.

One of the key elements of our current business strategy is to save costs by operating a standardized aircraft fleet. After extensive research and analysis, we chose the Boeing 737-700/800 Next Generation aircraft and CFM 56-7B engines from CFM International. We expect to continue to rely on Boeing and CFM International into the foreseeable future and have made a purchase order for 60 Boeing 737 Max-7/8 aircraft (the newest generation of our current aircraft and still under development), to be delivered starting 2018. If either Boeing or CFM International were unable to perform its contractual obligations, we would have to find another supplier for a similar type of aircraft or engines.

If we had to lease or purchase aircraft from another supplier, we could lose the benefits we derive from our current fleet composition. We cannot assure you that any replacement aircraft would have the same operating advantages as the Boeing 737-700/800 Next Generation aircraft or that we could lease or purchase engines that would be as reliable and efficient as the CFM engines. This may be the case for instance with the Boeing 737 Max-7/8 aircraft. We will also incur substantial transition costs, including costs associated with retraining our employees, replacing our manuals and adapting our facilities. Our operations could also be disrupted by the failure or inability of Boeing or CFM International to provide sufficient parts or related support services on a timely basis.

We would also be significantly harmed if a design defect or mechanical problem with the Boeing 737-700/800 Next Generation aircraft or the CFM engines used on our aircraft was discovered, causing our aircraft to be grounded while any such defect or problem is being corrected, assuming it could be corrected at all. The use of our aircraft could be suspended or restricted by ANAC in the event of any actual or perceived mechanical, design or other problems while ANAC conducts an investigation. Our business would also be significantly harmed if the public avoids flying on our aircraft due to an adverse perception of the Boeing 737-700/800 Next Generation aircraft or the CFM engines because of safety concerns or other problems, whether real or perceived, or in the event of an accident involving Boeing 737-700/800 Next Generation aircraft or the CFM engines.

We have made purchase orders for new aircraft that is still being developed, any project delays or operational difficulties would adversely affect our operational costs and results of operations.

In 2012, Boeing and CFM released new aircraft and engines, the Boeing 737 Max-7/8 and LEAP-1B, to replace the Boeing 737-700/800 Next Generation. Any project delays or operational difficulties with this new aircraft and engines could create an adverse perception about our fleet, cancelations and decrease in the number of orders, therefore adversely affecting us.

In addition, when these aircraft and engines are delivered and operational, it could cause the market value of our other aircraft and engines to decrease, which would negatively affect the value of our assets and could result in us recording impairment charges.

We rely heavily on automated systems to operate our business, and any failure of these systems could harm us.

We depend on automated systems to operate our business, including our computerized airline ticket sales system, our telecommunication systems, our scheduling system and our website. Our website and ticket sales system must accommodate a high volume of traffic and deliver important flight information. Substantial or repeated website, ticket sales, scheduling or telecommunication systems failures could reduce the attractiveness of our services and could cause our customers to purchase tickets from another airline. Any disruption in these systems or their underlying infrastructure could result in the loss of important data, increase our expenses and generally harm us.

We rely on maintaining a high daily aircraft utilization rate to increase our revenues and reduce our costs.

One of the key elements of our business strategy is to maintain a high daily aircraft utilization rate. High daily aircraft utilization allows us to generate more revenue from our aircraft and dilute our fixed costs, and is achieved in part by operating with quick turnaround times at airports so we can fly more hours on average in a day. Our rate of aircraft utilization could be adversely affected by a number of different factors that are beyond our control, including, among others, air traffic and airport congestion, adverse weather conditions and delays by third-party service providers relating to matters such as fueling and ground handling.

Our reputation, operations and financial results could be harmed by events out of our control.

Accidents or incidents involving our aircraft could involve significant claims by injured passengers and others, as well as significant costs related to the repair or replacement of a damaged aircraft and its temporary or permanent loss from service. We are required by ANAC and lessors of our aircraft under our operating lease agreements to carry liability insurance. Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate and we may be forced to bear substantial losses in the event of an accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm us. Moreover, any accident or incident involving our aircraft, even if fully insured, or an accident or incident involving Boeing 737 Next Generation aircraft or the aircraft of any major airline could cause negative public perceptions about us or the air transport system, which would harm us.

We may also be affected by other events that affect travel behavior, such as the potential of epidemics or acts of terrorism. These events are out of our control and may affect us even if occurring in markets where we do not operate and/or in connection with other airlines. For example, in the second quarter of 2009 an outbreak of the H1N1 virus had an adverse impact on global air travel and on our operations to and from Argentina. Any outbreak of a disease that affects travel behavior, such as the recent outbreak of the zika virus in Brazil and other Latin American countries, could have a material adverse impact on us and the worldwide airline industry. Outbreaks of disease could also result in quarantines of our personnel or an inability to access facilities or our aircraft, which could adversely affect our operations.

Natural disasters may affect and disrupt our operations. For example, in 2011, a volcanic eruption in Chile had a prolonged adverse effect on air travel, halting flights in Argentina, Chile, Uruguay and the southern part of Brazil for several days. As a result, our operations to and from these regions were temporarily disrupted. Any natural disaster that affects air travel in the regions in which we operate could have a material adverse impact on us.

Our controlling shareholder has the ability to direct our business and affairs and its interests could conflict with yours.

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, dispositions, and the timing and payment of any future dividends, subject to minimum dividend payment requirements imposed under Law No. 6,404 of December 15, 1976, as amended, or the Brazilian corporation law. Although you are entitled to tag-along rights in connection with a change of control of our company and you will have specific protections in connection with transactions between our controlling shareholder and related parties, our controlling shareholder may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of the ADSs or our preferred shares. After the amendments to our by-laws on March 23, 2015, our controlling shareholder may continue to direct our business and affairs even after significantly reducing its ownership interest, which is currently equivalent to 61.3% of the economic interests in us. A difference in economic exposure may intensify conflicts of interests between our controlling shareholder and you. See “Item 9. The Offer and Listing–C. Markets–Corporate Governance Practices.”

Risks Relating to the ADSs and Our Preferred Shares

The relative volatility and illiquidity of the Brazilian securities markets, and securities issued by airlines in particular, may substantially limit your ability to sell the preferred shares underlying the ADSs at the price and time you desire. Recent decreases in our market capitalization have increased volatility in the trading price of our preferred shares and ADSs.

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. Accordingly, although you are entitled to withdraw the preferred shares underlying the ADSs from the depositary at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented 51.5% of the aggregate market capitalization of the BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias & Futuros (“BM&FBOVESPA”) as of December 31, 2015.

Furthermore, in recent years our market capitalization has decreased and as a result it has increased volatility in the trading price of our preferred shares and ADSs. Any further decreases in our market capitalization may further increase volatility. As a result of the decrease in the trading price of our ADSs and in order to comply with the continued listing standards of the NYSE, since February 26, 2016 our ADSs represent 10 preferred shares, as opposed to one preferred share per ADS prior to such date, which may further reduce the liquidity of our ADSs.

In addition, the trading price of shares of companies in the worldwide airline industry are relatively volatile and investors' perception of the market value of these shares, including our ADSs and preferred shares, may also be negatively impacted with additional volatility and decreases in the price of our ADSs and preferred shares.

Holders of the ADSs and our preferred shares may not receive any dividends.

According to our by-laws, we must pay our shareholders at least 25.0% of our annual net income as dividends, as determined and adjusted under Brazilian corporation law. The adjusted net income may be capitalized, used to absorb losses or otherwise appropriated as allowed under the Brazilian corporation law and may not be available to be paid as dividends. We may not pay dividends to our shareholders in any particular fiscal year if our board of directors determines that such distributions would be inadvisable in view of our financial condition.

If you surrender your ADSs and withdraw preferred shares, you risk losing the ability to remit foreign currency abroad and certain Brazilian tax advantages.

As an ADS holder, you benefit from the electronic foreign capital registration obtained by the custodian for our preferred shares underlying the ADSs in Brazil, which permits the custodian to convert dividends and other distributions with respect to the preferred shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw preferred shares, you will be entitled to continue to rely on the custodian's electronic foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the preferred shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic foreign capital registration.

If you attempt to obtain your own electronic foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our preferred shares or the return of your capital in a timely manner. The depositary's electronic foreign capital registration may also be adversely affected by future legislative changes.

Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares.

We may not be able to offer our preferred shares to "U.S. Holders" of ADSs pursuant to preemptive rights granted to holders of our preferred shares in connection with any future issuance of our preferred shares unless a registration statement under the Securities Act is effective with respect to such preferred shares and preemptive rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement relating to preemptive rights with respect to our preferred shares, and we cannot assure you that we will file any such registration statement. If such a registration statement is not filed and an exemption from registration does not exist, Citibank, N.A., as depositary, will attempt to sell the preemptive rights, and you will be entitled to receive the proceeds of such sale. However, these preemptive rights will expire if the depositary does not sell them, and U.S. Holders of ADSs will not realize any value from the granting of such preemptive rights.

ITEM 4. Information on the Company

A. History and Development of the Company

General

We were formed on March 12, 2004 as a *sociedade por ações*, a stock corporation, duly incorporated under the laws of Brazil for an unlimited term. Our material assets consist of shares of VRG, shares of Smiles, four offshore

subsidiaries, cash and cash equivalents and short-term investments. Our principal executive offices are located at Praça Comandante Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP: 04626-020, São Paulo, SP, Brazil and the telephone number of our investor relations department is +55 11 2128-4700. Our website is www.voegol.com.br and investor information may be found on our website under www.voegol.com.br/ir. Information contained on our website is not incorporated by reference herein, and will not be considered a part of this annual report.

Capital Expenditures

For a description of our capital expenditures, see below "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources."

B. Business Overview

We are one of the largest low-cost carriers in the world, according to the International Air Transport Association, or IATA, in terms of passengers transported in 2015, and the largest low-cost carrier in Latin America. We provide frequent service on routes connecting all of Brazil's major cities and from Brazil to major cities in South America and selected tourist destinations in the Caribbean.

Since the beginning of our operations in 2001, our affordable, reliable and simple service, and our focus on markets that were either underserved or did not have a lower-fare alternative, have led to a strong awareness of our brand and a rapid increase in our market share. We were the first company to successfully introduce low-cost carrier industry practices and technologies in Latin America. We have a young and standardized operating fleet of 7.7 years Boeing 737-700/800s, or Boeing 737 aircraft and our convenient flight routes offer the highest number of daily departures among airlines in Latin America. We have also since 2001 offered our air cargo services, *Gollog*.

Beginning in 2012, we increased our focus on business passengers (high value-added customers), diversifying our revenue base from leisure passengers. Our strategy is to increase our share in this market while at the same time consolidating our leadership in flight routes. We also intend to expand the *Smiles* loyalty program, one of the largest loyalty programs in Latin America with over 11 million members as of December 31, 2015, and a number of attractive ancillary businesses, such as our air cargo services, or *Gollog*. Passenger transportation revenues represented 87.8% and ancillary revenues represented 12.2% of our net revenue of R$9,778.0 million in 2015.

As of March 31, 2016, we offered approximately 860 daily flights to 65 frequent destinations connecting the most important cities in Brazil as well as key destinations in Argentina, Bolivia, Chile, Paraguay, Uruguay, and the Caribbean. We strategically focus on the Brazilian and South American markets.

Our Competitive Strengths

We Have a Leading Market Position Based on Slots at the Most Important Airports in Brazil. Since 2007, we have been the carrier with the most flights connecting the busiest airports in Brazil: Congonhas and Guarulhos (São Paulo), Santos Dumont and Galeão (Rio de Janeiro), Juscelino Kubitschek (Brasília), Confins (Belo Horizonte), Magalhães (Salvador), Salgado Filho (Porto Alegre), Gilberto Freyre (Recife) and Afonso Pena (Curitiba). Routes between these airports are among the most profitable routes in our markets, with strong yields achieved mostly from business travelers.

We Keep Our Operating Costs Low. Our operating expense per available seat kilometer (CASK), ex-fuel, for 2015 was R$13.38 cents. We believe that our CASK for 2015, adjusted for the average number of kilometers flown per flight, or adjusted by stage length, was one of the lowest among global peers, based upon our analysis of data collected from publicly available information. Our business model is based on innovation and best practices adopted to improve our operating efficiency, including:

- *Operation of a young and standardized fleet.* At December 31, 2015, our operating fleet of 142 Boeing 737 aircraft was one of Latin America's largest and youngest fleets, with an average age of 7.7 years. Advanced technology present or installed in our newer aircraft has reduced fuel consumption and helped improve our operating margins. We

plan to keep our operating fleet of Boeing 737 aircraft, until the arrival of our newly ordered Boeing 737 Max-7/8 aircraft (the newest generation of our current aircraft), which we expect will be delivered beginning in 2018. A standardized fleet reduces inventory costs, as it requires fewer spare parts, and eliminates the need to train our pilots to operate different aircraft types. It also simplifies our maintenance and operations processes.

- *State of the art maintenance.* We carry out heavy maintenance on our Boeing 737 aircraft internally at our IOSA (IATA Operational Safety Audit) certified Aircraft Maintenance Center at the Tancredo Neves International Airport located in Confins, in the State of Minas Gerais. Since April 2012, our Aircraft Maintenance Center has also been certified by ANAC to provide conventional and electrostatic painting, weighing and recalibration services for aircraft owned or operated by other airlines.

- *We have one of the largest e-commerce platforms in Brazil*. Our effective use of technology helps to keep our costs low and our operations highly scalable and efficient. Our distribution channels are streamlined and convenient, allowing our customers to interact with us via the internet. In 2015, we booked 80.8% of our ticket sales through a combination of our website and application programming interface, or API, 3.7% through our call center and 15.5% through Global Distribution Systems, or GDS.

We Are Majority Shareholders of Smiles, an Operator of One of the Largest Loyalty Programs in Latin America. With the acquisition of VRG in April 2007, we also acquired the *Smiles* loyalty program, which is available to all our passengers and which we consider a strong relationship-building tool that represents a sustainable competitive advantage. The *Smiles* loyalty program has partnerships, including hotel chains, car rental companies, restaurants, insurance companies, publishers and schools and also forms the basis for partnerships with some of Brazil and South America's largest banks and credit card companies. The *Smiles* loyalty program had over 11 million members at December 31, 2015. See "*Smiles* Loyalty Program."

We Have Strong Brand Recognition. We believe that the Gol brand has become synonymous with innovation and value in the airline industry. Our customers identify Gol as being safe, accessible, friendly, fair, intelligent and reliable and distinguish Gol in Brazil's domestic airline industry on the basis of its modern and simplified approach to air travel services. Brand and product diversification from *Smiles*, *Gollog* and *Gol+Conforto* products enhance our brand recognition across a diverse set of customers in various businesses and represent an important tool for us.

We Have High Corporate Governance Standards and Proven Management. We have three independent board members, one of whom is nominated by Delta Air Lines Inc., or Delta, pursuant to our partnership agreement. Our top managers have broad experience in many sectors of the Brazilian economy, including air and ground transportation, telecommunications and consumer products. This experience has helped us to develop the most effective elements of our low-cost model; and we expect these competitive advantages will help us further penetrate the Brazilian middle-class market, as well as the business passenger market, and generate ancillary revenues. On March 23, 2015, our shareholders approved certain amendments to our by-laws to improve corporate governance and strengthen the alignment of interest among common and preferred shareholders. Please see "Item 9. The Offer and Listing–C. Markets–Corporate Governance Practices" for further details.

Our Strategies

Our strategy is based on four main strategic pillars: increase passenger revenue, expand ancillary revenues, further reduce costs and improve our financial resilience. In order to implement our strategies we intend to:

Capitalize on Our Strong Market Position in Brazil and Latin America. We intend to increase penetration across all traveler segments by capitalizing on our strong market position, our widespread brand recognition, the greatest number of business routes and highest frequencies between the most important airports in Brazil, our consolidated flight network and the *Smiles* loyalty program. We will focus on Brazilian operations and selected South American destinations. In addition, we believe that the airline industry may experience further consolidation and therefore believe that establishing partnerships and alliances with other airlines will be a key factor to our success. In this environment we intend to play a leading role in the Latin American airline industry and to strengthen our position as a long-term player in the industry.

Improve Operating Efficiency. Reducing our operating expense per available seat kilometer (CASK) and adjusting capacity are key to improving our profitability. We aim to maintain our position as one of the lowest cost airlines in the world. We intend to adjust our strategy to focus on more profitable routes and to maintain the young and fuel-efficient fleet while maintaining high utilization rates. Our aircraft utilization rate was 11.3 block-hours per day

in 2015, as compared to 11.5 block-hours per day in 2014 and to 11.2 block-hours per day in 2013.

We seek to reduce our CASK by utilizing our aircraft efficiently, concentrating on minimizing our turnaround times at airports and maintaining a high number of daily flights per aircraft. We will continue to utilize technological innovations wherever possible to reduce our distribution costs and improve our operating efficiency.

Maintain an Adequate Cash Position. We currently seek to maintain an adequate cash position and to lengthen the maturity profile of our financial liabilities, avoiding the concentration of significant debt maturities over the next two years.

Increased Focus on Business Travelers. We intend to maintain our high on-time performance, 93% and 95% in 2014 and 2015, respectively, and regularity, 93% and 91.9% in 2014 and 2015, respectively, both key elements in impacting business traveler airline choice. We offer higher-rate fares that allow flexibility to reschedule or cancel tickets with little advance notice and no additional costs, higher mileage multiplier in the Smiles loyalty program, and our new and exclusive Gol+ Gol+Conforto on São Paulo-Rio de Janeiro shuttle flights. Gol+ seats offer additional legroom and Gol+Conforto seats, which include additional legroom and recline, are located in first rows where the middle seat is not sold and are found in aircraft specifically configured for this specific route, with a higher share of business travelers. Between 2014 and 2015 the number of business travelers on our flights decreased by 7.2% and in 2015 we were the leader in tickets sold to business travelers in domestic flights.

Strengthen the Smiles Loyalty Program. We intend to further strengthen the *Smiles* loyalty program by increasing interaction with members and adding perceived value to its members through the following initiatives:

- *Separate entity*. In 2013, we segregated the Smiles loyalty program activities into a distinct company, Smiles, with a management team fully dedicated to pursuing all business opportunities arising from the growth of this market in Brazil. In May 2013, Smiles concluded its R$1.1 billion initial public offering. Smiles had 94 full time employees as of December 31, 2015, compared to 91 as of December 31, 2014.

- *New Products*. Since 2013, we have continuously launched products that are now within the Smiles loyalty program structure. In 2013, we launched (i) Clube Smiles, a benefits club, whereby, for a R$30.00 monthly fee, members receive 1,000 miles a month plus a one-year extension of their mileage expiration date as well as other benefits, such as early access to Smiles promotions; (ii) option to purchase and reactivate miles; and (iii) the option to transfer miles. In 2014, we launched (i) the loyalty partnership with Localiza, Brazil's largest car rental company; (ii) a website specifically designed for mobile devices, the first in Brazil, which allows customers to redeem airline tickets; (iii) ticket reservations for three days, free of charge for Clube Smiles customers; and (iv) new frequent flyer program agreements with Aerolíneas Argentinas, Aeromexico, Etihad, TAP Airlines and Alitalia. In 2015, we launched (i) new Clube Smiles categories, which allow customers to earn up to 5,000 miles monthly; (ii) a partnership with Connexions Loyalty which allows customers to redeem miles for hotel stays in more than 140,000 locations worldwide; (iii) redemption of airport fees with miles, (iv) a redemption partnership with Royal Caribbean; and (v) frequent flyer agreements with Air Canada, Copa Airlines and Korean Air.

- *Partnerships*. Existing and new partnerships with large international airlines, in the form of frequent flyer program arrangements, financial institutions, retail chain-stores, car rental and insurance companies, among others, are offered to Smiles loyalty program members with more opportunities to earn and redeem miles.

Expand Our Industry Partnerships. We believe we have the best platform to expand our customer base in the markets in which we operate through partnerships. We intend to strengthen our existing industry partnerships and enter into new ones, including with large international airlines in the form of codeshare arrangements to further increase our international feeder network, load factor and profitability.

As of December 31, 2015, we had eleven codeshare agreements with: Delta, Air France-KLM, Aeromexico, Aerolíneas Argentinas, Etihad Airways, Qatar Airways, TAP, Alitalia, Korean Air, Copa Airlines, Air Canada and 77 interline agreements.

Further Innovate, Establish and Increase Our Ancillary Revenue Businesses. Our ancillary revenues are derived from *Gollog*, ticket change fees, excess baggage charges and other services. We expect further growth in these businesses, which will provide us with additional revenue at low incremental cost by:

- *Focusing on express delivery services.* Through *Gollog*, our cargo transportation service, we make efficient use of extra capacity in our aircraft by carrying cargo. On April 15, 2015, we opened a new cargo terminal at Congonhas airport. The new terminal is part of our strategy to expand *Gollog's* service network, providing more efficiency and convenience to our customers.

- *Continuously innovating and introducing new products to the Brazilian market.* We have a strong track record of innovation and introduction of new business practices in Brazil. For example, in June 2009, we were the first airline to introduce the sale of beverages and food on board (buy on board) in Brazil, generating ancillary revenue without increasing our cost structure or fare price. As of December 31, 2014, we offered buy on board service on all of our flights. More recently in 2013, we introduced the sale of the new *Gol+Conforto* seats, which are available free of charge for Smiles Diamond and Delta Air Lines Elite customers, and to customers for an additional fee, as part of our *Gol+* product. *Gol+Conforto* seats are currently available on all our flights. Expanding *Gol+* from our shuttle routes to our entire flight network is part of our standardization process, which generates revenue and increases efficiency gains.

Recent Developments

We have in recent years faced a challenging scenario, which has negatively affected our results, liquidity and capital structure. This scenario included: slowdown of the Brazilian economy, sharp devaluation of the real, decrease in demand, industry overcapacity, operating cost increases, ratings decline and accumulative losses.

Repeated efforts over the last years to address certain effects of this scenario were not sufficient, so we embarked in the past year on a series of initiatives to comprehensively address our liquidity and capital structure concerns.

The initiatives in the second half of 2015 and first months of 2016 include:

- *Equity infusion*. In September 2015, Volluto, our controlling shareholder, made an equity investment in us of R$283.9 million. Concurrently, Delta purchased additional capital stock for R$177.3 million;

- *Delta financing support*. Working closely with Delta, in August 2015, we entered into an unsecured term loan of US$300 million, fully guaranteed by Delta. Being able to offer this guarantee allowed us to secure this financing on amounts and on terms that most likely would not have been available to us otherwise. Our obligation to reimburse Delta if its guarantee is called upon is secured by a pledge to Delta of our shares in Smiles;

- *Fleet reduction*. In early 2016, we returned five aircraft under finance leases, two of them outright and the other three under sale and leaseback agreements, and sold our rights to three aircraft deliveries from Boeing in 2016, which originally would have replaced outgoing fleet aircraft; and

- *Operating cost reductions*. We implemented various operating cost-saving initiatives, including overhead reductions, introduction of part-time employees to offset reduced demand during low seasons and renegotiations with suppliers.

In the last several months we embarked on additional initiatives:

- *Advance ticket sales*. On February 26, 2016 VRG entered into a miles and tickets purchase agreement with Smiles, totaling up to R$1.0 billion, providing for advance ticket sales to Smiles in various tranches through June 30, 2017. The first tranche, of R$376.0 million, was disbursed by Smiles in February 2016 and the remaining tranches are conditioned upon certain other additional cost-savings;

- *Route network changes*. In March 2016, we changed our route network to focus on more profitable routes; we expect to reduce by year-end the number of take-offs and seats by 15% to 18% and the number of ASKs by 5% to 8%. As a result of this change, we suspended flights to eight destinations and expect to reduce our fleet by approximately 15% by year-end;

- *Supplier negotiations*. We began discussions with key suppliers to reduce our costs and adjust to the new network and fleet profiles. For example, in the first quarter of 2016 we revised our delivery schedule with Boeing so that we will not receive any new aircraft until mid-2018; and

- *Capital structure improvements.* We engaged PJT Partners to advise us in connection with measures to strengthen our capital structure and liquidity and to improve the profile of our debt. Additionally, PJT is advising us in connection with our U.S. dollar denominated unsecured bonds.

These initiatives are part of our new business plan. However, we cannot assure you that we will be successful in implementing any or all of the initiatives above or that these will be sufficient to address our current financial condition.

Airline Business

Routes and Schedules

Our operating model is a highly integrated, multiple-hub route network that is different from the point-to-point model used by other low-cost carriers worldwide. The high level of integration of flights at selected airports permits us to offer frequent, non-stop flights at low fares between Brazil's most important economic centers and ample interconnections through our network linking city pairs through a combination of two or more flights with little connecting or stop-over time. Our network also allows us to increase our load factor on our strongest city pair routes by using the airports in those cities to connect our customers to their final destinations. This strategy increases our load factor by attracting customers traveling to secondary markets who prefer to pay lower fares even if this means making one or more stops before reaching their final destination. Our operating model allows us to build our flight routes to add destinations to cities that would not, individually, be economically viable to serve in the traditional point-to-point model, but that are feasible to serve when simply added as additional points on our multiple-stop route network. We do this by offering low-fare, off-peak, minimum stay or night (red-eye) flights to lower-traffic destinations, which can be the first or last stops on our routes, allowing us to increase our aircraft utilization and generate additional revenues. By offering international flights to destinations in South America and the Caribbean (using our current Boeing 737 aircraft), with stops integrated in our network, we create opportunities for incremental traffic, feeding our network and increasing our overall load factor and our competitive advantage and supporting our strategy of expanding our network and stimulating demand for our services. For further information see "Item 4. Information on the Company–B. Business Overview–Recent Developments."

We have been adding more routes to Caribbean destinations, which we expect will give us additional growth opportunities in the Brazilian and international markets. In addition, we consider expanding to potential new destinations in Latin America in regions with medium density, represented by airports with a population of up to one million within a 200 km radius.

As of March 31, 2016, we offered over 860 daily flights to 65 destinations connecting the most important cities in Brazil as well as the main destinations in Argentina, Bolivia, Chile, Paraguay, Uruguay and the Caribbean region.

Services

Passenger Transportation

We recognize that we must offer excellent services to our corporate and leisure customers. We pay particular attention to the details that help to make for a pleasant, complication-free flying experience, including:

- ticketless travel;

- convenient online sales, check-in, seat assignment and flight change and cancellation services;
- high frequency of flights between Brazil's most important airports;
- low cancellation and high on time performance rates of our flights;

- high on-time performance rates on our flights;
- online flight status service;
- web-enabled cell phone ticket sales and check-in;
- self-check-in at kiosks at designated airports;
- designated female lavatories;
- friendly and efficient in-flight service;
- modern aircraft interiors;
- quick turnaround times at airport gates;
- free or discounted shuttle services between airports and drop-off zones on certain routes;
- buy on board services on certain flights;
- mobile check-in and boarding pass (100% paperless boarding);
- smartphone application for check-in, electronic boarding pass and *Smiles* account management;
- More space between seats and greater comfort (*GOL+ Comforto* in the domestic flights and *GOL Premium Class* in the international flights); and
- in-flight entertainment and wi-fi access (available from May 2016).

In general, flight revenues, passenger demand and profitability reach peak levels during the January and July vacation periods and in the final two weeks of December, during the Christmas holiday season. Conversely, we often witness a decrease in load factor during the week in which annual carnival celebrations take place in Brazil. Given our high proportion of fixed costs, this seasonality is likely to cause our results of operations to vary from quarter to quarter.

Ancillary Revenues and Gollog Cargo Transportation

Ancillary revenues include revenues from our *Gollog* services as well as baggage excess and ticket change fees. Buy on board and travel insurance fees are also becoming an increasingly important part of this revenue. Further development and growth of our *Gollog* services is a key part of our strategy to increase ancillary revenue and serves 3,192 cities in Brazil and more than 47 countries and 90 foreign destinations through international partnerships.

We are constantly evaluating opportunities to generate additional ancillary revenue such as sales of travel insurance, marketing activities and other services which may help us to better capitalize on the large number of passengers on our flights and the high volumes of customers using our website.

We have an integrated *Smiles* and *Gollog* platform in our air travel portal for the convenience of our customers.

We make efficient use of extra capacity in our aircraft by carrying cargo, through *Gollog*. *Gollog's* success is the result of the unique service we offer to the market: the Electronic Air Waybill that can be completed online. The *Gollog* system provides online access to air waybills and allows customers to track their shipment from any computer with Internet access. Our 65 destinations throughout Brazil, South America and the Caribbean provide access to multiple locations in each region. With our capacity of approximately 860 daily flights, operated by 142 Boeing 737-700/800 aircraft, in addition to a fleet of approximately 400 vehicles, we can guarantee quick and reliable delivery.

Our express delivery products – *Gollog* VOO CERTO, *Gollog* EXPRESS, *Gollog* ECOMMERCE and *Gollog* DOC – were developed to meet the growing demand for door-to-door deliveries, defined deadlines and additional optional services. We intend to intensify our efforts in the express delivery services by further strengthening our logistics capability, mainly by expanding our ground distribution network and further intensifying our commercial efforts.

Aircraft Fleet

On December 31, 2015, we had an operational fleet of 142 aircraft, of which two were in redelivery process, and a total fleet of 144 aircraft.

The following table sets forth the composition of our fleet at the dates indicated:

		At December 31,		
Operating Fleet	**Seats**	**2013**	**2014**	**2015**
B737-700 NG	144	36	35	36
B737-800 NG	177	17	9	5
B737-800 NG Short-Field Performance	177	88	97	103
Sub total		**141**	**141**	**144**[1]
Non-Operating Fleet				
B737-300[2]	141	8	3	-
B767-300/200	218	1	0	-
Sub total		**9**	**3**	**-**
Total		**150**	**144**	**144**

(1) Two aircraft are not operational as they are in the process of being returned under their respective leases.

(2) All B737-300 aircraft result from the acquisition of Webjet. See "—Non-operating Fleet" below.

As of December 31, 2015, of our total 144 aircraft: 98 were under operating leases and 46 were under finance leases.

As of December 31, 2015, our operating leases had an average remaining term of 71.8 months and original total terms of up to 142.8 months from the date of delivery of the relevant aircraft.

As of December 31, 2015, our finance leases had an average remaining term of 60.7 months and we had purchase options for 40 of our aircraft under finance leases.

We believe that leasing our aircraft fleet provides us with flexibility to adjust our fleet size. We make monthly rental payments, some of which are based on floating rates, but we are not required to make termination payments at the end of our leases. Under our operating lease agreements, we do not have purchase options and for some of our lease agreements we are required to maintain maintenance reserve deposits and to return the aircraft and engine in the agreed condition at the end of the lease term. Title to the aircraft remains with the lessor. We are responsible for the maintenance, servicing, insurance, repair and overhaul of the aircraft during the term of the lease.

In 2015, we received eight aircraft based on operating lease contracts. We returned five aircraft under operating leases and one aircraft under finance lease contracts.

Operating Fleet

The average age of our operating fleet of 144 Boeing 737-700/800 aircraft as of December 31, 2015, was 7.7 years. The average daily utilization rate of our operating fleet in 2015 was 11.3 block hours as compared to 11.5 block hours

in 2014.

Each Boeing 737 aircraft in our fleet is powered by two CFM International Model CFM 56-7B22 engines or two CFM International Model CFM 56-7B24 engines. All Boeing 737-800 NG Short-Field Performance are equipped with an upgrade thrust plug in each engine, which allows it to operate as a CFM 56-7B27/B3 engine with 27,000 lbs.

The Boeing 737-700 Next Generation and Boeing 737-800 Next Generation aircraft currently comprising our fleet are fuel-efficient and very reliable. They suit our cost efficient operations well for the following reasons:

- they have comparatively standardized maintenance routines;
- they require just one type of standardized training for our crews;

- they use an average of 7% less fuel than other aircraft of comparable size, according to Boeing; and
- they have one of the lowest operating costs in their class.

In addition to being cost-efficient, the Boeing 737-700/800 Next Generation aircraft are equipped with advanced technology that promotes flight stability, providing a more comfortable flying experience for our customers. We use a single type of aircraft to preserve the simplicity of our operations and the introduction of any new aircraft type to our fleet will only be done if, after careful consideration, we determine that such a step will reduce our operating costs. As such, we plan to continue keeping our operating fleet of Boeing 737-700/800 aircraft, until the arrival of our newly ordered Boeing 737 Max-7/8 aircraft (the newest generation of our current aircraft) which we expect will be delivered starting 2018.

Most of our Boeing 737-800 Next Generation aircraft are equipped with blended winglets and all Boeing 737-800 Next Generation aircraft from our purchase order will be equipped with winglets, which reduce our fuel and maintenance costs. Our experience with the new winglets has shown operating fuel consumption reductions from 3% to 5%. In addition, the winglets improve airplane performance during take-off and landing on short runways. The new Boeing 737-800 NG aircraft will be delivered with short-field performance (SFP) with technical modifications that we expect to significantly improve flight performance, the ability to operate non-stop flights, reduce noise during take-off and enable us to fly with our Boeing 737-800 Next Generation aircraft to the airport of Santos Dumont in Rio de Janeiro, an important link to the most important routes in Brazil.

All of our new aircraft are equipped with the new Sky Interior standard.

Non-operating Fleet

As of December 31, 2015, we had a non-operating fleet composed of two aircraft from our operating fleet were in redelivery process.

Fleet Plan

The following table sets forth our year-end projected operating fleet through 2020:

Projected Operating Fleet Plan	**2016**	**2017**	**2018**	**2019**	**2020**
B737-700/800 NG*	125	125	128	131	130

* Includes SFP aircraft (Short Field Performance)

The fleet plan includes the arrival of new Boeing 737-MAX aircraft, which are expected to arrive in 2018. We will revise this fleet plan according to our expectations for the growth potential in the markets in which we operate.

Sales and Distribution

Our customers can purchase tickets directly from us through a number of different channels, such as our website including our Booking Web Services (BWS), our call center, at airport ticket counters and, to a lesser extent, GDS.

Our low-cost low-fare business model utilizes website ticket sales as its main distribution channel, especially in the local market. For the year ended December 31, 2015, 80.8% of our passenger revenue, whether directly from the customer or through travel agents, were booked online, making us a global leader in this area. In the same period, 3,7% of our passenger revenue were booked through call centers, airport sales counters, and our BWS and 15.5% of

our total sales were made through the GDS.

Our customers can purchase tickets indirectly through travel agents, who are a widely-used travel service resource in Brazil and South America, Europe, North America and other regions. For the year ended December 31, 2015, travel agents provide us with approximately 11,000 distribution outlets throughout these regions.

GDS allows us access to a large number of tourism professionals who are able to sell our tickets to customers throughout the globe and enables us to enter into interline agreements with other airlines to offer more flights and connection options to our passengers and add incremental international passenger traffic, especially to our international network.

In December 2013, we reformulated our sales website in order to make online purchases easier and faster. Our customers can now filter searches by price, check flight status and register travel companions as favorites. Additionally, customers who purchase their flights online with fewer than 7 days before departure will have their check-in done automatically.

Partnerships and Alliances

General

Our strong market positioning enables us to successfully negotiate a number of arranged partnerships with supplementary major carriers worldwide, mostly in the form of codeshare agreements and interline agreements. Additional passenger inflows generated by these strategic partnerships help improve revenues at low incremental costs.

As of December 31, 2015, we had eleven codeshare agreements with: Delta, Air France-KLM, Aeromexico, Aerolíneas Argentinas, Alitalia, Etihad Airways, Qatar Airways, TAP, Korean Air, Copa Airlines, Air Canada and 77 interline agreements. In addition, we celebrated a frequent flyer program agreement with Aerolíneas Argentinas in 2014.

An interline agreement is a commercial agreement between individual airlines to handle passengers traveling on itineraries that require multiple airlines. This type of agreement allows passengers to utilize a single ticket and to check their baggage through to the passengers' final destination. Interline agreements differ from codeshare agreements in that codeshare agreements usually refer to numbering a flight with the airline's code (abbreviation) even though the flight is operated by another airline. These agreements provide for better marketing and customer recognition of the links between the airlines.

Delta Investment and Commercial Agreements

On December 7, 2011 our controlling shareholder and Delta entered into an investment agreement providing for the sale of 8,300,455 preferred shares in the form of ADSs owned by our controlling shareholder to Delta at a price per share equivalent to R$22.00, or the Delta Investment. Our controlling shareholder used the entire net proceeds from the sale of preferred shares to Delta to subscribe for new common and preferred shares in a rights offering issued by us at the same price per share paid by Delta.

Our controlling shareholder further agreed to elect a Delta representative to our board of directors as long as Delta holds at least 50% of the ADSs acquired in the investment, among other conditions.

In the context of the Delta Investment, we entered into a long-term commercial agreement with Delta that included exclusivity provisions designed to strengthen the operational cooperation and synergies between the two companies, including:

- an increase in the scope of the codeshare agreement (flight sharing). We have our own code in all Delta flights between Brazil and the United States. In addition, Delta continues to increase the use of codeshare in our flights in Brazil, South America, the United States and the Caribbean. This increases the number of flight options for passengers of both airlines, expanding our geographical reach;

- optimization of flight connections and cargo and passenger transport services through the operations working group among the nearly 400 destinations in over 62 countries served by Gol and Delta;

- the increase in passenger comfort by aligning services and benefits for members of both the *Smiles* and SkyMiles mileage programs, for example, making it possible to earn and redeem miles and get free access to *GOL+Conforto* seats, among other advantages;

- joint commercial and promotional activities, encouraging both airlines' sales forces to cooperate in Brazil, the United States and other countries, including joint sponsorship of events such as Rock in Rio; and

- the exploration of synergies in passenger services, maintenance, VIP lounges and logistical support, including Delta task force in revenue management and maintenance, the use of *Smiles* lounge by Delta Elite passengers and the use of the SkyClub by *Smiles* Diamond passengers.

We, our controlling shareholder, Fundo de Investimentos em Participações Volluto ("Volluto"), and Delta in 2015 entered into the following transactions:

- equity investments in Gol of approximately R$283.9 million and approximately R$177.3 million by Volluto and Delta, respectively (collectively, the "Equity Investment"),

- an unsecured term loan of US$300 million borrowed by Gol LuxCo and guaranteed by Delta, and

- an extension and expansion of Gol's commercial cooperation arrangements with Delta.

The transactions above are intended to allow Gol and Delta to continue to benefit from their strategic partnership and to significantly enhance Gol's financial position and liquidity.

Equity Investment

On September 4, 2015, Gol's board of directors approved a capital increase in the amount of R$461.3 million, at a subscription price of R$7.20 *reais* per share.

Pursuant to an Investment Agreement entered into among Volluto, Gol and Delta with respect to the capital increase:

- Volluto (1) invested R$283.9 and subscribed for approximately 62% of the new shares of Gol in the capital increase, and (2) assigned to Delta its preemptive rights to subscribe for any shares not subscribed for by other Gol shareholders in the capital increase.

- Delta (1) exercised its preemptive rights to subscribe for approximately 2.9% of the new shares in the capital increase and (2) exercised the preemptive rights assigned to it by Volluto, for an aggregate investment of R$177.3 million.

All holders of Gol's preferred shares, except for holders of preferred shares in the form of American Depositary Receipts, were entitled to exercise their preemptive rights to subscribe for a portion of the newly issued shares proportionate to their existing shareholdings, pursuant to our by-laws.

Term Loan Guaranteed by Delta

On August 31, 2015, Delta guaranteed a US$300 million Term Loan borrowed by Gol LuxCo from third party lenders. The Term Loan was made under a credit and guaranty agreement (the "Credit and Guaranty Agreement") among Gol LuxCo, as borrower, Gol, the Lessee and the other guarantors thereunder (collectively, the "Term Loan Guarantors") and the lenders party thereto (the "Third Party Lenders").

Under the terms of the Credit and Guaranty Agreement, Gol LuxCo's obligations thereunder are guaranteed by the Term Loan Guarantors. Pursuant to a separate guaranty agreement, Delta provided to the administrative agent under the Credit and Guaranty Agreement, and the lenders under the Credit and Guaranty Agreement, a backstop guarantee of Gol LuxCo's and the Term Loan Guarantors' respective obligations under the Credit and Guaranty Agreement (the "Delta Guaranty"). The reimbursement obligations to Delta in connection with the Delta Guaranty, which are guaranteed by Gol and VRG, are secured by a first priority security interest in favor of Delta in a portion of the shares of Smiles held by Gol.

The Term Loan bears interest at a rate of 6.50% per annum, payable semi-annually. The Term Loan matures at August 31, 2020 and is not secured by any property of Gol LuxCo or the Term Loan Guarantors.

Extension of Commercial Arrangements with Delta

Gol and Delta also agreed to extend the term of their existing strategic, long-term commercial cooperation agreements with exclusivity provisions designed to strengthen the cooperation and synergies between the two companies, and to extend their commercial arrangements relating to aircraft maintenance services.

In addition, we have also entered into an strategic MRO partnership agreement with Delta TechOps, This agreement also provides for our rendering of maintenance services to Delta aircraft with extended ground time in Brazil. See "–Maintenance."

Air France-KLM

On February 19, 2014, we entered into an exclusive long term strategic partnership for commercial cooperation with Air France-KLM. Under this agreement, Air France-KLM made payments of US$33 million and has committed to make additional payments of US$15 million for the purpose of enhancing our codesharing, connectivity and joint sale activities as well as other benefits for our customers, including the integration and improvement of products and services for our frequent flyer programs. As part of this agreement, Air France-KLM also invested US$52 million in the acquisition of a number of our newly issued preferred shares, equivalent to 1.5% of our capital stock, at an issuance price equivalent to US$12.23 per share.

The agreement further provides for the creation of an alliance committee, comprised of at least one representative of Air France-KLM, at least two members of our board of directors and at least one representative of Delta.

Pricing

Brazilian airlines are permitted to establish their own domestic fares without previous government approval. Airlines are free to offer price discounts or follow other promotion activities. Airlines must submit, 30 days after the end of each month, a file containing fares sold and quantity of passengers for each fare amount, for all markets. This file lists regular fares and excludes all contracted, corporate and private fares. The objective is to monitor the average market prices. The same procedure applies for international fares. The only difference is that all fares sold for interline itineraries are also excluded from the file sent to ANAC.

Yield Management

Yield management involves the use of historical data and statistical forecasting models to produce knowledge about our markets and guidance on how to compete to maximize our operating revenue. Yield management forms the backbone of our revenue generation strategy and is strongly linked to our route and schedule planning and our sales and distribution methods. Our yield management practices enable us to react quickly in response to market changes. For example, our yield management systems are instrumental in helping us to identify the flight times and routes for which we offer promotions. By offering lower fares for seats that our yield management indicates would otherwise remain unsold, we capture additional revenue and also stimulate customer demand.

Maintenance

According to ANAC regulation, we are directly responsible for the execution and control of all maintenance services performed on our aircraft. The maintenance performed on our aircraft can be divided into two general categories: line and heavy maintenance. Line maintenance consists of routine, scheduled maintenance checks on our aircraft, including pre-flight, daily and overnight checks and any diagnostics and routine repairs. All of our line maintenance is performed by our own highly experienced technicians at our line maintenance service bases throughout Brazil and South America. We believe that our practice of performing daily preventative maintenance helps to maintain a high aircraft utilization rate and reduces maintenance costs. Heavy maintenance consists of more complex inspections and servicing of the aircraft that cannot be accomplished overnight. Heavy maintenance checks are performed following a pre-scheduled agenda of major overhauls defined by the aircraft's manufacturer, based on the number of hours and flights flown by the aircraft. In addition, engine maintenance services are rendered in different MRO facilities. We do

not believe that our high aircraft utilization rate will necessarily result in the need to make more frequent repairs to our aircraft, given the durability of the aircraft type in our fleet. Our aircraft are covered by warranties that have an average term of 48 months for products and parts and 12 years for structural components. The warranties on the aircraft we received in 2014 and 2015 under our firm purchase order with Boeing will start expiring in 2018 and 2019, respectively.

We internalized heavy maintenance on our Boeing 737 aircraft in our Aircraft Maintenance Center at the Tancredo Neves International Airport in Confins, in the State of Minas Gerais. We use this facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. We have three hangars at our Aircraft Maintenance Center, with a capacity to perform maintenance on 6 aircraft simultaneously and painting services on one additional aircraft. We also have room to build another hangar, if needed.

We have entered into two strategic MRO partnership agreements in order to provide overhaul service for our CFM 56-7 engines, maintenance for parts and components on our fleet of Boeing 737 NG aircraft and also, consulting services related to maintenance workflow planning, materials and facility optimization and tooling support:

- with Delta TechOps, the maintenance division of Delta, for maintenance of 50% CFM 56-7 engines. Delta TechOps will also assist us with our efforts to secure FAA certification. This agreement also provides for our rendering of maintenance services to Delta aircraft with extended ground time in Brazil.

- with MTU in order to provide MRO services to the remaining 50% of our CFM 56-7 engines as well as maintenance of engine parts and components of our Boeing 737 NG aircraft.

We have been certified by ANAC under Brazilian Aeronautical Certification Regulations to perform heavy maintenance services for third parties. We have used this certification as a source for ancillary revenues, since our construction of an additional maintenance facility was completed.

Fuel and Hedging

Our fuel costs totaled R$3,301.4 million in 2015, representing 33.2% of our operating costs and expenses for the year. In 2015, we purchased substantially all of our fuel from Petrobras Distribuidora, a retail subsidiary of Petrobras, principally under an into-plane contract under which the supplier supplies fuel and also fills our aircraft tanks. In addition to Petrobras, there are two other large fuel suppliers in Brazil. In 2015, fuel prices under our contracts were re-set every 30 days and were composed of a variable and a fixed component. The variable component is defined by the refinery and follows international crude oil price fluctuations and the *real*/U.S. dollar exchange rate. The fixed component is a spread charged by the supplier and is usually a fixed cost per liter during the term of the contract. We currently operate a tankering program under which we fill the fuel tanks of our aircraft in regions where fuel prices are lower. We also provide our pilots with training in fuel management techniques, such as carefully selecting flight altitudes to optimize fuel efficiency.

The following chart summarizes our fuel consumption and costs for the periods indicated:

	Year Ended December 31,	
	2014	**2015**
Liters consumed (in thousands)	1,538,202	1,551,137
Total fuel cost (in millions)	R$3,842.3	R$3,301.4
Average price per liter	R$2.50	R$2.13
% change in price per liter	4.6%	(14.8)%
Percent of operating expenses	40.2%	33.2%

We continuously invest in initiatives to reduce fuel consumption. We started using Aircraft Communications Addressing and Reporting System, or ACARS, in 2010. ACARS is a system that permits real-time digital transmission, via satellite, of important flight data between aircraft and our bases, allowing routes and flight times to be automatically updated. We decided to increase ACARS coverage and create the CCD (Digital Communications Center) within the Operational Control area, which started operating in May 2011. We had installed ACARS in 135 aircraft by the end of 2015. The Center is responsible for monitoring aircraft in real time, as well as streamlining operations and managing various flight data. We also started using GPS Landing System in January 2010 and we fully implemented the system in all our fleet at the end of 2014. This system reduces fuel consumption during take-off and landing, increases precision and safety.

Fuel costs are extremely volatile, as they are subject to many global economic and geopolitical factors that we can neither control nor accurately predict. Because international prices for jet fuel are denominated in U.S. dollars, our fuel costs, though payable in reais, are subject not only to price fluctuations but also to exchange rate fluctuations. We maintain a fuel hedging program, based upon policies which define volume, price targets and instruments, under which we enter into fuel and currency hedging agreements with various counterparties providing for price protection in connection with the purchase of fuel. Our hedging positions cover short and long-term periods, and are adjusted weekly or more frequently as conditions require. Our hedging practices are executed by our internal risk management committee and overseen by the risk policies committee of our board of directors. The risk policies committee, which may be comprised of members of our board of directors, external consultants, and senior management, meets monthly or more often, if called, and its main responsibilities are to assess the effectiveness of our hedging policies, recommend amendments when and where appropriate and establish its views regarding fuel price trends. We use risk management instruments that have a high correlation with the underlying assets so as to reduce our exposure. We require that all of our risk management instruments be liquid so as to allow us to make position adjustments and have prices that are widely disclosed. We also avoid concentration of credit and product risk. We have not otherwise entered into arrangements to guarantee our supply of fuel and we cannot provide assurance that our hedging program is sufficient to protect us against significant increases in the price of fuel. We also use non-derivative instruments as alternative hedge conferring an additional average protection through fixed price fuel transactions for future delivery negotiated with our main fuel supplier.

We have adopted a financial instruments policy in order to protect us against market price fluctuations of fuel, foreign exchange and interest rates that can adversely affect our operations. We use Brent and heating oil zero cost collar derivative contracts as protection instruments for our fuel hedge operations. At the end of the fourth quarter of 2014, we opted to settle all our contracted put options in order to limit the downside risk given the substantial decrease in oil prices at the end of the period, only maintaining our exposure to call options.

As of December 31, 2015, we had hedged 31.7% of our fuel exposure in the next three months, which was composed of non-derivative instruments. A total of 17.1% of the next six months and 8.5% for the year were hedged by non-derivative instruments.

Safety and Security

Our most important priority is the safety of our passengers and employees. We maintain our aircraft in strict accordance with manufacturer specifications and all applicable safety regulations, and perform routine line maintenance every day. Our pilots have extensive experience, with flight captains having more than 10,000 hours of career flight time, and we conduct ongoing courses, extensive flight simulation training and seminars addressing the latest developments in safety and security issues. We closely follow the standards established by ANAC's Air Accident Prevention Program and we have installed the Flight Operations Quality Assurance System, which maximizes proactive prevention of incidents through the systematic analysis of the flight data recorder system. All of our aircraft are also equipped with Maintenance Operations Quality Assurance, a troubleshooting program that monitors performance and aircraft engine trends. The Brazilian civil aviation market follows the highest recognized safety standards in the world. We are also an active member of the Flight Safety Foundation, a foundation for the exchange of information about flight safety.

Environmental Sustainability

Since 2010, we prepare Annual Sustainability Reports based on Global Reporting Initiative (GRI) guidelines, an international standard for reporting economic, social and environmental performance. By adopting these parameters, we are reinforcing our accountability with various stakeholders through added transparency and credibility.

We also constantly invest in becoming more environmentally sustainable and have recently implemented the following actions:

- Expansion of our Aircraft Maintenance Center at the Tancredo Neves International Airport located in Confins, in the State of Minas Gerais: we have reduced costs by decreasing the necessity of flying our aircraft overseas to be serviced. We also treat all of the effluents generated in our facilities and are committed to the reuse of water. The Maintenance Center was designed to comply with environmental responsibility requirements and all of the conditions imposed by the environmental licenses and current legislation.

- We were the first Brazilian airline selected to join the Sustainable Aviation Fuel Users Group (SAFUG), an international aviation biofuel research group, and we participate in biofuel feasibility tests. On October 23, 2013, we flew the first commercial flight with biofuel in Brazil, from Congonhas to Brasília, which emitted approximately 0.5 tons less CO2.

- We have a partnership agreement with the Fuel and Carbon Services Division of GE Aviation, which envisages the creation of studies and systems to reduce fossil fuel consumption and greenhouse gas emissions.

Insurance

We maintain passenger liability insurance in an amount consistent with industry practice and we insure our aircraft against losses and damages on an "all risks" basis. We have obtained all insurance coverage required by the terms of our leasing agreements. We believe our insurance coverage is consistent with airline industry standards in Brazil and is appropriate to protect us from material loss in light of the activities we conduct. No assurance can be given, however, that the amount of insurance we carry will be sufficient to protect us from material loss.

Competition

Domestic

Airlines in Brazil compete primarily on the basis of routes, fare levels, frequency of flights, capacity, airport operating rights and presence, reliability of services, brand recognition, frequent flyer programs and customer service.

Our main competitors in Brazil are LATAM Airlines Group, or LATAM, Azul Linhas Aéreas, or Azul, and Avianca Brasil, or Avianca. LATAM is the result of a June 2012 merger between TAM Airlines of Brazil and LAN Airlines of Chile, and is a full-service scheduled carrier offering flights on domestic routes and international routes. Azul is a low-cost regional domestic carrier, which acquired another regional carrier, Trip, in 2012. Avianca was founded in Colombia, and licensed its brand in Brazil in 2010. We also face domestic competition from other domestic scheduled carriers, regional airlines and charter airlines, which mainly have regional networks.

As the growth in the Brazilian airline sector evolves, we may face increased competition from our primary competitors and charter airlines as well as other entrants into the market that reduce their fares to attract new passengers in some of our markets.

The following table sets forth the historical market shares on domestic routes, based on revenue passenger kilometers, of the significant airlines in Brazil for each of the periods indicated:

Domestic Market Share— Scheduled Airlines	**2011**	**2012**	**2013**	**2014**	**2015**
Gol	37.4%	38.7%	35.4%	36.1%	35.9%
Webjet[(1)]	5.5%	-	-	-	-
LATAM[(2)]	41.1%	40.8%	39.9%	38.1%	36.7%
Azul[(3)]	8.6%	10.1%	17.0%	16.7%	17.0%
Trip[(3)]	3.2%	4.5%	-	-	-
Avianca	3.1%	5.4%	7.1%	8.4%	9.4%
Others	0.9%	0.7%	0.6%	0.7%	1.0%

Source: ANAC

(1) On October 3, 2011, we acquired Webjet.

(2) Known as TAM Airlines prior to its June 2012 merger with LAN Airlines of Chile.

(3) In May 2012, Azul acquired Trip.

Since February 2012, the Brazilian government increased parking fees at the busiest airports, as compared to less busy airports, and at peak hours, which benefitted secondary hubs and off-peak flights in light of the differences in fees for the airlines that chose to operate in these airports or at these times. Currently, landing fees are fixed, based on the category of the airport and whether the flight is domestic or international. Navigation fees are also fixed, but consider the area overflown and whether the flight is domestic or international.

Domestically, we also face competition from ground transportation alternatives, primarily interstate bus companies. Given the absence of meaningful passenger rail services in Brazil, travel by bus has traditionally been the only low-cost option for long-distance travel for a significant portion of Brazil's population. We believe that our low-cost business model has given us flexibility in setting our fares to stimulate demand for air travel among passengers who in the past have traveled long distances primarily by bus. In particular, the highly competitive fares we have offered for travel on our night flights, which have often been comparable to bus fares for the same destinations, have had the effect of providing direct competition for interstate bus companies on these routes.

In January 2015 Brazil approved a law allowing the government to grant subsidies for flights departing from or arriving at regional airports. Regional airports include any airports with fewer than 600,000 passengers per year, increased to 800,000 passengers per year in the Amazon region. The subsidy is still subject to further regulation before it may be implemented and is limited to certain airport fees and transportation costs for the lesser of 60 passengers per flight or 50% of the seats in a given flight, except in the Amazon region where the only limit is up to 60 passengers.

International

As we expand our international services in South America and the Caribbean, our pool of competitors will increase and we will face competition from Brazilian and South American airlines that are already established in the international market and that participate in strategic alliances and codeshare arrangements. In addition, non-Brazilian airlines may decide to enter or increase their schedules in the market for routes between Brazil and other South American and Caribbean destinations. Also, we resumed flights to Santiago, Chile, in July 2014.

In 2010, ANAC approved the deregulation of international airfares for flights departing from Brazil to the United States and Europe, gradually removing the prior minimum fares. In addition, in 2010, CONAC approved the continuity of bilateral agreements providing for open skies policies with other South American countries and a new open skies policy with the United States. The agreement with the United States was signed by the parties, however is necessary to be ratified by the Brazilian Congress, to be ready to operate. A similar agreement with Europe is still in its early stages. These new regulations should increase the number of passengers in South America and grow our market. To the extent that our presence and/or the presence of our partner, Delta, increase in the South American market, this will contribute to our business. On the other hand, to the extent competition increases in the expanded South American market and we and/or Delta loose significant market share, we may be adversely affected.

Smiles Loyalty Program

Segregation of the Smiles Loyalty Program

On December 21, 2012, we approved the segregation of the activities related to the *Smiles* loyalty program, or the *Smiles* loyalty program, previously managed by us, and which began to be conducted by Smiles. On May 2, 2013, Smiles concluded its IPO in which it issued a number of common shares equivalent to 43% of its total capital for R$1.1 billion. The proceeds of this IPO were used for the purchase by Smiles of advanced tickets from us at a conditional discount rate equivalent to between 140% and 150% of the Interbank Deposit Certificate (*Certificados de Depósito Interbancário*), or CDI rate, which corresponded to a 12.49% per year discount.

General Atlantic Investment Agreement

On April 5, 2013, we entered into an investment agreement with General Atlantic Service Company LLC., or General Atlantic, providing for an investment by General Atlantic in Smiles. Under this agreement, G.A. Smiles Participações

S.A., or G.A. Smiles, an affiliate of General Atlantic, purchased in the IPO a number of Smiles common shares equivalent to R$400.0 million, or 15.8% of Smiles total capital.

In connection with G.A. Smiles' investment, on April 23, 2013, we entered into a shareholders agreement granting G.A. Smiles the right to appoint one member of Smiles' board of directors and certain veto rights regarding: amendments to the Operational Agreement or the Miles and Tickets Purchase Agreement, which set the terms and conditions for our relationship with Smiles, certain related party transactions in excess of R$2.0 million, and certain advance ticket purchases.

In April 2013, we granted G.A. Smiles an option, exercisable within 12 months of the IPO (as of May 2, 2013), to purchase from us an additional number of Smiles common shares equivalent to 20% of G.A. Smiles' initial investment, at the same price per share set in the IPO as adjusted by the CDI rate. On February 27, 2014, General Atlantic exercised this option and purchased a total amount of 3,443,476 common shares, or 2.8% of Smiles' total capital stock, for R$80 million.

In April 2015, we executed an amendment to the shareholders' agreement with General Atlantic, modifying the duration and conditions for its termination. One hypothesis of termination of the agreement was General Atlantic coming to hold an equity interest of less than 7.5%. This threshold has been modified to 2.5%, with the added specification that the agreement shall only be terminated 12 months after the date on which General Atlantic comes to hold an equity interest of less than 2.5%.

On May 26, 2015, G.A. announced that they had fully divested from Smiles and initiated the 12 months term for the termination of the shareholders' agreement. From May 26, 2016, the shareholders' agreement will no longer be valid.

Merger of G.A. Smiles Participações S.A. into Smiles

On December 31, 2013, G.A. Smiles Participações S.A., or G.A. Smiles, merged into Smiles. The equity interest previously held by G.A. Smiles on Smiles was transferred to G.A. Smiles' sole shareholder, G.A. Brasil Fundo do Investimento em Participações.

Overview

Smiles is one of the largest coalition loyalty programs in Brazil, with over 11 million members as of December 31, 2015. Its business model is based on developing a pure coalition loyalty program consisting of a single platform for accumulating and redeeming miles through a broad network of commercial and financial partners.

The *Smiles* loyalty program was originally launched by Varig in 1994 as a frequent flyer program and was acquired by us in 2007, together with other assets of the Varig business. Beginning in 2008, the *Smiles* loyalty program, which had been essentially inactive for years, underwent a complete restructuring and revitalization and, since then, the program has gained significant market share. The *Smiles* loyalty program has been transformed from a stand-alone program into an independent coalition loyalty program.

Currently, *Smiles* loyalty program allows members to accumulate miles through: (1) flights with Gol and our international partners, (2) all the significant Brazilian commercial banks that issue credit cards, including through co-branded cards issued by Bradesco and Banco do Brasil, (3) a broad network of retail partners, including Localiza, the largest car rental agency in Brazil, Accor Hotels (Le Club), a global hotel chain, among others, (4) direct purchases of miles by customers and (5) purchase of miles and benefits through *Clube Smiles* (or Smiles Club). We are Smiles' primary redemption partner but members may also redeem miles for products and services from commercial partners.

The agreements that govern our commercial relationship with Smiles allow unrestricted access to seats on our flights.

Products and Services

Smiles' main business is the sale of miles. Its commercial partners purchase miles to distribute to *Smiles* members when members purchase products or services from these partners. Members accumulate miles, which are redeemed in exchange for rewards, which in turn are acquired from Gol and other commercial partners.

Smiles earns revenue mainly by (1) selling miles to its commercial partners and (2) providing loyalty program management services to commercial partners, including our loyalty program.

To become eligible to earn miles, individuals enroll in the *Smiles* loyalty program through its website. Members have a single account for accumulating and redeeming miles, and are not currently required to transfer miles or pay additional redemption fees.

A *Smiles* loyalty program account permits members to accumulate miles by purchasing products or using services offered by its commercial partners. Members may redeem and convert their miles into travel or non-travel rewards. Our current policy is to cancel all miles in member accounts when they expire, which varies from three to five years, with promotional miles that can expire in shorter periods.

Miles Redemption

Travel rewards represented the majority of redemptions as of December 31, 2015. However, with the option of redeeming miles through *Smiles* Shopping, a platform through which redemption commercial partners offer a variety of reward products, we expect that the proportion of redemptions for products other than airline travel may increase.

Miles Sales to Members, Smiles Club and Smiles and Money

Smiles was the first Brazilian loyalty program to sell miles directly to members to allow them to add miles to their account balances in order to facilitate redemption of higher value rewards. Currently, members may purchase miles through its website. Miles purchases are automatically credited to member accounts and can later be used for reward tickets or reward products through *Smiles* Shopping.

Smiles and Money allows members to redeem rewards using a combination of miles and money. We believe that *Smiles and Money* and miles sales encourage member engagement, as it expands access to rewards.

Smiles Club is a benefit club eligible for all members, through which customers receive a typical amount of 1,000 miles with access to promotions in advance, compared to non-club members. Customers who join the club pay a monthly fee for the miles received.

Commercial Partners

As of the date of this annual report, the Smiles network of commercial partners is composed of airlines, financial institutions, travel agencies, hotels, car rental agencies, gas stations, bookstores, media companies, drugstores, restaurants and parking lot operators, among others.

- *Airlines*. We are Smiles' most important commercial partner in terms of miles and rewards volumes. We purchase miles from Smiles to distribute to our passengers. Additionally, Smiles offers redemptions with our airline partners, which are currently Delta, Alitalia, Aerolineas Argentinas, Aeromexico, Air France-KLM, Etihad, Qatar Airways, TAP Airlines, Korean Air, Copa Airlines and Air Canada.
- *Financial Institutions*. Smiles has commercial partnership agreements with all significant Brazilian commercial banks, including more than 80% of the largest Brazilian commercial banks in terms of total assets as of December 31, 2015, according to the Central Bank. Smiles sells miles to these commercial partners, which distribute them proportionately to credit card spending by cardholders who are *Smiles* loyalty program members. Smiles also sells miles for co-branded credit cards issued by Bradesco and Banco do Brasil.
- *Travel Companies, Hotels and Car Rental Agencies*. Currently, Smiles has partnership agreements with well-known domestic and international travel companies, hotels and car rental companies. These partners include Accor Hotels, Hilton HHonors Marriott International, Starwood Hotels and Resorts Worldwide Inc, Othon Hotels, Sheraton Hotels, Atlantica Hotels International (Brasil) Ltda, and Sauípe S.A. (a tourism complex in Brazil). This network allows *Smiles* loyalty program members to accumulate miles at a variety of locations worldwide and throughout the course of their trips.

- *Brazilian Retailers and Distributors*. Smiles has commercial agreements with important Brazilian retailers, including Polishop (a domestic electronics and merchandise retailer), the newspapers Jornal o Globo and Jornal Valor Econômico, Fastshop Electronics (a premium electronics retailer), Editora Abril S.A. (one of the largest Brazilian publishing companies), Ri Happy (a toy online retailer), Centauro (a sports clothing and equipment retail chain) and Magazine Luiza (the largest online retailer in Brazil).

Competition

Smiles faces the following types of competition in Brazil: (i) frequent flyer programs, (ii) the loyalty programs of financial institutions and similar entities and (iii) other loyalty programs in general. The first group includes Multiplus, the current market leader, and other players such as the *Tudo Azul* program and Avianca's *Programa Amigo*. The second group includes a variety of large financial institutions and similar entities that have their own loyalty programs, such as the SuperBônus Program of Banco Santander (Brasil) S.A., the Bradesco Loyalty Card Program of Banco Bradesco S.A., the Sempre Presente Program of Banco Itaú Unibanco S.A., the American Express Membership Rewards Program and Livelo, a joint venture program between Banco do Brasil and Banco Bradesco. The majority of these programs allow members to transfer accumulated reward points to programs like the *Smiles* loyalty program. The third group of competitors includes companies such as Dotz and Netpoints, among others.

If foreign loyalty programs such as Aeroplan or Air Miles enter the Brazilian market, Smiles may face additional competition. However, entry of foreign loyalty programs would also present new opportunities for commercial partnerships.

Agreements with Smiles

Operating Agreement

On December 28, 2012, we entered into an operating agreement with Smiles, or the Operating Agreement, that establishes the terms and conditions of our relationship. This agreement went into effect on January 1, 2013, when Smiles began to manage and operate the *Smiles* loyalty program.

The Operating Agreement established the terms of the transfer of *Smiles* loyalty program management to Smiles. In the context of the transfer, we divided reward costs as follows: the cost of rewards redeemed with legacy miles (i.e., those earned through December 31, 2012) is supported by us, while the cost of rewards redeemed with new miles (i.e., those earned beginning January 1, 2013) is supported by Smiles.

Pursuant to the Operating Agreement, the Smiles program will be our sole loyalty program. We are currently Smiles' sole partner in the air transportation industry in Brazil, but Smiles is free to establish new partnerships in this industry with our prior authorization. We may require Smiles to enter into a partnership agreement with new partners in the air transportation industry or with a global alliance of airlines in the event we become a party to one.

We have a preference to enter into partnerships in certain segments, such as travel agencies (including on-line travel agencies), rental cars and travel insurance. However, Smiles may establish partnerships in these industries with our prior authorization.

Outside of the air transportation industry and certain segments in the travel industry, Smiles does not need to inform or request our authorization to establish partnerships. We may establish partnerships outside the air transportation industry as long as such partnerships do not involve miles or benefits accumulation in a frequent flyer program other than the *Smiles* loyalty program.

The 20-year Operating Agreement will be automatically renewed for successive five-year periods if neither party objects at least two years prior to its expiration. If a party is given notice of non-renewal, it may terminate the Operating Agreement early by providing written notification to the other party six months prior to the termination date.

We pay Smiles a monthly fee for managing our frequent flyer program. This fee will be adjusted on each anniversary of the Operating Agreement in accordance with our gross monthly miles purchases. For 2014 and 2015, the management fee was 6.0% of gross miles sales. From 2016 on, this fee may range between 3.5% and 6.0%, depending on our gross miles purchases.

2012 Miles and Tickets Purchase Agreement

On December 28, 2012, we entered into a miles and tickets purchase agreement with Smiles, or the Miles and Tickets Purchase Agreement, that establishes the terms and conditions of our purchases of miles and our sales of tickets.

In order to govern pricing and availability of reward tickets and satisfy customer demand, the agreement establishes three seating classes: standard, commercial and promotional for ticketing purposes.

- *Standard seats*: Pricing will take into account the variation of the economic cost of the fare over the last 12 months and the characteristics of each route. The economic cost is equivalent to the sum of (i) the opportunity cost of not selling a ticket to a traveler when the flight is full – or displacement; (ii) the opportunity cost of a passenger redeeming a reward ticket who would have purchased the ticket using cash, had he or she not had available miles – or dilution; and (iii) the direct cost that we incur in transporting an additional passenger on a given flight – or marginal cost. The availability of standard seating on planes is limited and controlled by us, although Smiles is assured a minimum aggregate number of standard seats out of total seats on all flights.
- *Commercial seats*: Pricing is subject to the same price and/or discount applied by us to third parties (subject to the conditions and characteristics of each product). The availability of commercial seats on flights is unrestricted, but limited to the capacity of the flight, pursuant to applicable restrictions.
- *Promotional seats*: Pricing is determined by an established discount table agreed upon by us and Smiles on a case-by-case basis, which may be revised, suspended or revoked at any time at our discretion. There is no minimum availability obligation for promotional seats.

The price that we pay for miles will be calculated based on the economic cost specified above, minus a portion of the breakage rate, which is the expected percentage of miles that will expire without being redeemed.

Pursuant to the Miles and Tickets Purchase Agreement, any material change to our miles accumulation policy must be discussed in advance by a loyalty committee whose members will be appointed by Smiles and us, proportionally. Smiles must notify us of material changes to miles redemption policy relating to reward tickets and hold discussions of such changes in the loyalty committee. The loyalty committee will be an advisory committee with no decision-making power.

Smiles may sell miles directly to its customers, subject to certain limits on miles sold per client and per period, minimum prices and the length of redemption periods.

The 20-year Miles and Tickets Purchase Agreement will be automatically renewed for successive five-year periods if neither party objects at least two years prior to its expiration. If a party is given notice of non-renewal, it may terminate the agreement early by providing written notification to the other party six months prior to the termination date.

The parties will annually review the contract's compliance conditions according to certain parameters established in the agreement, and may amend these conditions in order to reestablish the originally agreed-upon economic balance. In extraordinary circumstances, the parties may also amend the agreement in the event of significant changes to (i) the economic cost of flights (including changes in the average occupancy rate of our flights or ticket prices); (ii) our destinations; or (iii) applicable law or regulation.

On December 30, 2015, we, along with Smiles and VRG, made adjustments in the prices of standard airline tickets and miles sold for VRG, representing an increase of 3.0% and 3.2%, respectively, based on the composition of the airline tickets issued in the preceding period.

2016 Miles and Tickets Purchase Agreement

On February 26, 2016, VRG entered into an advance air ticket sale agreement with Smiles, totaling up to R$1.0 billion in advance ticket sales.

This advance purchase will consist of various tranches through June 30, 2017. The first tranche was disbursed by Smiles in February 2016 in the amount of R$376.0 million.

The remaining tranches are conditioned upon certain measures to strengthen VRG's liquidity, including the ones described below, but not limited to:

- The reduction in the number of landings and take-offs by at least 6%;
- The suspension of seven destinations operated on December 31, 2015;
- The return of five aircraft under finance leases;
- The change in the delivery schedule of new aircraft between 2016 and 2017 from 15 to one; and
- Certain Smiles' minimum liquidity conditions.

The payments made by Smiles will be governed by the agreements already existing between VRG and Smiles, with certain changes. The advances by Smiles will be remunerated at a minimum rate of 132% of the CDI, which may be increased according to market conditions at each payment date. In addition, Smiles will benefit from some measures to strengthen its competitiveness.

We cannot ensure that we will be able to take all the measures to fulfill the conditions to the disbursements under this advance purchase, which, to some extent, depend on third parties. In addition, we cannot ensure the exact timing for the remaining tranches.

Back Office Services Agreement

On December 28, 2012, we entered into a back office services agreement with Smiles, or the Back Office Services Agreement, that contains the terms, conditions and levels of certain services to be provided to Smiles by us. These services will be provided in connection with certain back office activities including controllership, accounting, internal controls and auditing, finance, information technology, call center, human resources, inventory and legal matters. The amount recognized by Smiles as expenses in 2015 and 2014 totaled R$24.3 million and R$19.8 million, respectively.

The three-year Back Office Services Agreement will be automatically renewed for successive three-year periods if neither party objects 12 months prior to its expiration. Smiles may terminate portions of the Back Office Services Agreement at any time by providing prior written notice to us.

Corporate Governance

On June 10, 2013, Smiles' by-laws were amended to provide that certain related party transactions will require the approval of an independent committee or all members of its board of directors. These related party transactions include: amendments to the Operational Agreement or the Miles and Tickets Purchase Agreement and certain advance ticket purchases, among other transactions.

Industry Overview

According to the International Air Transport Association, or IATA, Brazil is the fourth largest domestic aviation market in the world and, according to ANAC, there were 96 million domestic enplanements and 8 million international enplanements on Brazilian carriers in Brazil (which excludes international carriers) in 2015, out of a total population of over 204 million, according to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE. In contrast, according to the U.S. Department of Transportation, the United States

had 700 million domestic enplanements and 105 million international enplanements in 2015, out of a total population of over 323 million, based on the latest United States census estimates.

The business travel segment is the largest component of Brazilian air transportation demand and the most profitable in the market. According to company data, business travel represented around 58% of the total demand for domestic air travel in 2015, which we believe is significantly higher than the business travel portion of domestic air travel in the global aviation sector. According to the latest data collected by ANAC, flights between Rio de Janeiro and São Paulo accounted for 4% of all domestic passengers in 2014. The ten busiest routes accounted for 61.7% of all domestic air passengers in 2014, while the ten busiest airports accounted for 69.1% in 2014

In light of economic growth, the consumer domestic market (A, B and C classes) has significantly increased in the last years. According to ANAC, there were 96 million passengers in 2015 in line with 2014. Due to increased passenger volume, in addition to the World Cup in 2014 and the upcoming Summer Olympic Games (2016) in Brazil, domestic airport infrastructure has required substantial improvements.

In 2009, CONAC proposed to the Brazilian government a change to the regulatory limit of foreign ownership in Brazilian airline companies from 20% to 49% or higher. In March 2016 the Brazilian government issued a Provisional Measure increasing this limit to 49%. Although the reduced limit is current valid, if the Provisional Measure is not converted into law by July 2016, the prior limit will be reinstated.

In August 2011, the Brazilian government privatized the Natal airport, which construction was completed in mid-2014. In February 2012, the Brazilian government privatized the Guarulhos, Brasília and Campinas international airports, which will be operated by the winners of the privatization auction for periods of 20 to 30 years. In November 2013, the Brazilian government privatized Galeão (Rio de Janeiro) and Confins (Belo Horizonte) airports. Other airports are also expected to be privatized.

Brazilian Civil Aviation Market Evolution

Since 1970, Brazil has for the most part experienced stable growth in revenue passenger kilometers. From 1970 to 2009, domestic revenue passenger kilometers grew at a compound annual rate of 8.9%. In the past 40 years, the domestic market generally experienced year-over-year growth in revenue passenger kilometers except in times of significant economic or political distress, such as the petroleum crisis in the 1970s, the Brazilian sovereign debt crisis in the early 1980s and the economic and political distress in Brazil in the early 1990s.

From 2011 to 2015, the compound annual growth rate in industry passenger traffic, in terms of domestic revenue passenger kilometers, was 3.75%, versus a compound annual growth rate in available industry domestic capacity, in terms of available seat kilometers, of 0.46%. Domestic industry load factor, calculated as revenue passenger kilometers divided by available seat kilometers, averaged 79.8% over the same period. In 2015, Brazil was the fourth largest market in domestic revenue passenger kilometers. The table below shows the figures of domestic industry passenger traffic and available capacity for the periods indicated:

	2011	**2012**	**2013**	**2014**	**2015**
		(in millions, except percentages)			
Available Seat Kilometers	116,080	119,337	115,886	117,001	118,230
Available Seat Kilometers Growth	13.1%	2.8%	(2.9)%	0.9%	1.0%
Revenue Passenger Kilometers	81,452	87,047	88,226	93,367	94,381
Revenue Passenger Kilometers Growth	16.0%	6.9%	1.4%	5.8%	1.1%
Load Factor	70.2%	72.9%	76.1%	79.8%	79.8%

Source: *ANAC, Dados Comparativos Avançados.*

The 2015 traffic figures reflect the industry's current trend of controlling domestic supply through the main airlines, in response to the new cost level, as well as the sluggish growth of Brazil's economy.

Regulation of the Brazilian Civil Aviation Market

The Brazilian Aviation Authorities and Regulation Overview

Air transportation services are considered a public service and are subject to extensive regulation and monitoring by CONAC and ANAC. Air transportation services are also regulated by the Brazilian Federal Constitution and the Brazilian Aeronautical Code. The Brazilian civil air transportation system is controlled by several authorities. ANAC is responsible for the regulation of the airlines; and the Department of Air Space Control (*Departamento de Controle do Espaço Aéreo*), or DECEA, is responsible for airspace control.

The following chart illustrates the main regulatory bodies, their responsibilities and reporting lines within the Brazilian governmental structure.

In March 2011, the Civil Aviation Secretary (*Secretaria de Aviação Civil*), or SAC, was created to supervise civil aviation in Brazil. SAC oversees ANAC and INFRAERO and reports directly to the Brazilian President. SAC is also responsible for implementation of the airport infrastructure concession plan and the development of strategic planning for civil aviation.

In August 2011, the National Commission of Airport Authorities (*Comissão Nacional de Autoridades Aeroportuárias*), or CONAERO, was created as a commission of SAC to coordinate the different entities and public agencies related to airports. This commission shall have a normative role in the search for efficiency and security in airports operations.

CONAERO is composed by the following individuals and representatives of entities: (i) SAC, which chairs the commission; (ii) the Brazilian president's chief of staff; (iii) Agriculture, Livestock and Supplies Ministry; (iv) Defense Ministry; (v) Finance Ministry; (vi) Justice Ministry; (vii) Planning, Budget and Administration Ministry; (viii) Health Ministry; and (ix) ANAC.

ANAC is currently responsible for guiding, planning, stimulating and supporting the activities of public and private civil aviation companies in Brazil. ANAC also regulates flying operations and economic issues affecting air transportation, including matters relating to air safety, certification and fitness, insurance, consumer protection and competitive practices.

The DECEA reports indirectly to the Brazilian Minister of Defense which is responsible for planning, administrating and controlling activities related to airspace, aeronautical telecommunications and technology. This includes approving and overseeing the implementation of equipment as well as of navigation, meteorological and radar systems. The DECEA also controls and supervises the Brazilian Airspace Control System.

With respect to non-privatized airports, INFRAERO, a state-controlled corporation reporting to SAC, is in charge of managing, operating and controlling federal airports, including some control towers and airport safety operations. With respect to the recently privatized airports (Natal, Galeão, Confins, Guarulhos, Viracopos and Brasília), although INFRAERO still holds a minority stake in each of them, INFRAERO is no longer in charge of operations, which are now handled by their respective private operators. See "Regulation of the Brazilian Civil Aviation Market–Airport Infrastructure" below.

CONAC is an advisory body of the President of Brazil and its upper level advisory board is composed of the Minister of Defense, the Minister of Foreign Affairs, the Minister of Treasury, the Minister of Development, Industry and International Trade, the Minister of Tourism, the Brazilian president's chief of staff, the Minister of Planning, Budget and Management, the Minister of Justice, the Minister of Transportation and the Commandant of the Air Force. CONAC has the authority to establish national civil aviation policies that may be adopted and enforced by the High Command of Aeronautics and by ANAC. CONAC establishes guidelines relating to the proper representation of Brazil in conventions, treaties and other actions related to international air transportation, airport infrastructure, the granting of supplemental funds to be used for the benefit of airlines and airports based on strategic, economic or tourism-related aspects, the coordination of civil aviation, air safety, the granting of air routes and concessions, as well as permission for the provision of commercial air transportation services.

The Brazilian Aeronautical Code sets forth the main rules and regulations relating to airport infrastructure and operation, flight safety and protection, airline certification, lease structuring, burdening, disposal, registration and licensing of aircraft; crew training, concessions, inspection and control of airlines, public and private air carrier services, civil liability of airlines and penalties in case of infringements.

In February 2009, the Brazilian government approved the new Civil Aviation National Policy (*Política Nacional de Aviação Civil*), or PNAC. Although the PNAC does not establish any immediate measure, it contains the main guidelines for the national civil aviation system. It encourages the Ministry of Defense, CONAC and ANAC to issue regulations on strategic matters such as safety, competition, environmental and consumer issues, as well as to inspect, review and evaluate the activities of all operating companies.

The Brazilian government recognized and ratified, and must comply with, the Warsaw Convention of 1929, the Chicago Convention of 1944 and the Geneva Convention of 1948, the three leading international conventions relating to worldwide commercial air transportation activities.

Route Rights

Domestic routes. For the granting of new routes and changes to existing ones, ANAC evaluates the actual capacity of the airport infrastructure where such route is or would be operated. In addition, route frequencies are granted subject to the condition that they are operated on a frequent basis. Any airline's route frequency rights may be terminated if the airline (a) fails to begin operation of a given route for a period exceeding 15 days, (b) fails to maintain at least 75% of flights provided for in its air transportation schedule (*Horário de Transporte Aéreo*), or HOTRAN, for any 90-day period or (c) suspends its operation for a period exceeding 30 days. ANAC approval of new routes or changes to existing routes is given in the course of an administrative procedure and requires no changes to existing concession agreements.

Once routes are granted, they must be immediately reflected in the HOTRAN, which is the official schedule report of all routes that an airline can operate. The HOTRAN provides not only for the routes but also the times of arrival at and departure from certain airports, none of which may be changed without the prior consent of ANAC. According to Brazilian laws and regulations, an airline cannot sell, assign or transfer its routes to another airline.

International routes. In general, requests for new international routes, or changes to existing routes, must be filed by each interested Brazilian airline that has been previously qualified by ANAC to provide international services, with the International Relations Superintendence of ANAC, or SRI, which, based on the provisions of the applicable bilateral agreement and general policies of the Brazilian aviation authorities, will submit a non-binding recommendation to ANAC's president, who will decide on approval of the request. International route rights for all countries, as well as the corresponding transit rights, derive from bilateral air transport agreements negotiated between

Brazil and foreign governments. Under such agreements, each government grants to the other the right to designate one or more of its domestic airlines to operate scheduled service between certain destinations in each country. Airlines are only entitled to apply for new international routes when they are made available under these agreements. For the granting of new routes and changes to existing ones, ANAC has the authority to approve Brazilian airlines to operate new routes, subject to the airline having filed studies satisfactory to ANAC demonstrating the technical and financial viability of such routes and fulfilling certain conditions in respect of the concession for such routes. Any airline's international route frequency rights may be terminated if the airline fails to maintain at least 80% of flights provided for in its air transportation schedule HOTRAN for any 180-day period or suspends its operation for a period exceeding 180 days.

In 2010, ANAC approved the deregulation of international airfares for flights departing from Brazil to the United States and Europe, gradually removing the prior minimum fares. In addition, in 2010, CONAC approved the continuity of bilateral agreements providing for open skies policies with other South American countries and a new open skies policy with the United States. The agreement with the United States was signed by the parties, however is necessary to be ratified by the Brazilian Congress, to be ready to operate. A similar agreement with Europe is still in its early stages. These new regulations should increase the number of passengers in South America and grow our market. To the extent that our presence and/or the presence of our partner, Delta, increase in the South American market, this will contribute to our business. On the other hand, to the extent competition increases in the expanded South American market and we and/or Delta loose significant market share, we may be adversely affected.

Slots Policy

Domestic. Under Brazilian law, a domestic slot concession derives from a flight concession by ANAC, which is reflected in the airline's HOTRAN. Each HOTRAN represents the authorization for an airline to depart from and arrive at specific airports within a predetermined timeframe. Such period of time is known as an "airport slot" and provides that an airline can operate at the specific airport at the times established in the HOTRAN. An airline must request an additional slot from ANAC with a minimum of two months' prior notice.

Congonhas airport in the city of São Paulo is a "coordinated" airport, where slots must be allocated to an airline company before it may begin operations there. Although it is difficult to obtain a slot in Congonhas airport, on March 8, 2010, ANAC reallocated 202 idle Congonhas' slots. The Santos-Dumont airport in Rio de Janeiro, a highly utilized airport with half-hourly shuttle flights between São Paulo and Rio de Janeiro, also presents certain slot restrictions. ANAC has imposed schedule restrictions on several Brazilian airports from which we operate. Operating restrictions, including the prohibition of international flights' operations and the prohibition of civil aircraft's operation after 11:00 p.m. and before 6:00 a.m., were imposed for Congonhas airport (São Paulo), one of the busiest Brazilian airports and the most important airport for our operations. No assurance can be given that these or other government measures will not have a material adverse effect on us.

CONAC has taken certain measures to minimize recent technical and operational problems at São Paulo's airports, including the redistribution of air traffic from Congonhas airport (São Paulo) to the international airport in Guarulhos. CONAC has also mentioned its intention to adjust tariffs for the use of busy airport hubs to encourage further redistribution of air traffic.

In July 2014, ANAC published new rules governing the allocation of slots at the main Brazilian airports, which consider operational efficiency (on-time performance and regularity) as the main criteria for the allocation of slots. Under these rules on-time performance and regularity are assessed in two annual seasons, following the IATA summer and winter calendars, between April and September and between October and March.

The minimum on-time performance and regularity targets for each series of slots in a season are 80% and 90%, respectively, at Congonhas airport (São Paulo) and 75% and 80%, respectively, for all other main airports. Airlines will forfeit any series of slots that operate below the minimum criteria in a season. Forfeited slots are redistributed 50% to new entrants, which includes airlines that operate fewer than 5 slots in the relevant airport in the given weekday, and 50% to all airlines operating in the relevant airport based on their share of slots. For the first allocation period at Congonhas, from November 2014 to March 2015, new entrants includes all airlines with less than 12% of the slots.

In addition, in October 2014, ANAC distributed new slots at Congonhas airport, in light of increased runway capacity, exclusively to airlines with less than 12% of the slots. Azul and Avianca were awarded 26 and 14 slots, respectively.

With this new allocation of slots, we have 43% and LATAM 44% of the slots in terms of takeoffs and landings at Congonhas airport, after having held 47% and 48%, respectively, before the capacity increase, while Avianca's slots increased from 5% to 8% and Azul's increased from 0% to 5%.

Airport Infrastructure

INFRAERO, a state-controlled corporation, is in charge of managing, operating and controlling federal airports, including some control towers and airport safety operations.

Smaller, regional airports may belong to states or municipalities within Brazil and, in such cases, are often managed by local governmental entities. At most important Brazilian airports, INFRAERO performs safety and security activities, including passenger and baggage screening, cargo security measures and airport security.

The use of areas within federal airports, such as hangars and check-in counters, is subject to a concession by INFRAERO. If there is more than one applicant for the use of a specific airport area, INFRAERO may conduct a public bidding process for the granting of the concession. For recently privatized airports (Natal, Galeão, Confins, Guarulhos, Viracopos and Brasília), operators may freely negotiate all commercial areas according to their own criteria; there is no requirement that a public bidding must be held in the event there is more than one applicant for the use of a specific airport area.

We have renewable concessions with terms varying from one to five years from INFRAERO to use and operate all of our facilities at each of the major airports that we serve. Our concession agreements for our terminals' passenger service facilities, which include check-in counters and ticket offices, operations support areas and baggage service offices, contain provisions for periodic adjustments of the lease rates and the extension of the concession term.

All of the 60 Brazilian airports managed by INFRAERO at the end of 2015 are scheduled to receive some infrastructure investments and upgrades within the next three years. In addition, under the regional aviation development program, 270 current or new regional airports may receive investments in the next few years. These airport upgrade plans do not require contributions or investments by the Brazilian airlines and are not expected to be accompanied by increases in landing fees or passenger taxes on air travel.

Until 2010, parking, landing and navigation fees charged in Brazilian airports were similar in all airports independent of whether they were busy or not. From 2011 until February 2012, the Brazilian government increased parking fees at the busiest airports, as compared to less busy airports, and at peak hours, which benefitted secondary hubs and off-peak flights in light of the differences in fees for the airlines that chose to operate in these airports or at these times. Currently, landing fees are fixed, based on the category of the airport and whether the flight is domestic or international. Navigation fees are also fixed, but consider the area overflown and whether the flight is domestic or international.

In August 2011, the Brazilian government privatized the Natal airport, which construction was completed in mid-2014. In February 2012, the Brazilian government privatized the Guarulhos, Brasília and Campinas international airports, which will be operated by the winners of the privatization auction for periods of 20 to 30 years. In November 2013, the Brazilian government privatized Galeão (Rio de Janeiro) and Confins (Belo Horizonte) airports. Other airports are also expected to be privatized in this year, for example, in Fortaleza, Salvador, Florianópolis and Porto Alegre International Airports.

The airports auctioned were:

	Cumbica (Guarulhos)	**Viracopos (Campinas)**	**Juscelino Kubitschek (Brasília)**	**Galeão (Rio de Janeiro)**	**Confins (Belo Horizonte)**
State	São Paulo	São Paulo	Distrito Federal	Rio de Janeiro	Minas Gerais
Grant	R$ 16.2 billion	R$ 3.8 billion	R$ 4.5 billion	R$ 19 billion	R$1.8 billion
Concession term	20 Years	30 Years	25 Years	25 Years	30 Years
Minimum investment	R$ 4.7 billion	R$ 8.7 billion	R$ 4.7 billion	R$4.8 billion	R$1.1 billion
Additional fee					

10% of Annual Gross Revenue	5% of Annual Gross Revenue	2% of Annual Gross Revenue	5% of Annual Gross Revenue	5% of Annual Gross Revenue

Source: SAC

Concession for Air Transportation Services

According to the Brazilian Federal Constitution, the Brazilian government is responsible for public services related to airspace, as well as airport infrastructure, and may provide these services directly or through third parties under concessions or authorizations. According to the Brazilian Aeronautical Code and regulations issued by CONAC, the application for a concession to operate regular air transportation services is subject to a license granted by ANAC to operate an airline and to explore regular air transportation services. The applicant is required by ANAC to have met certain economic, financial, technical, operational and administrative requirements in order to be granted such license. Additionally, a concession applicant must be an entity incorporated in Brazil, duly registered with the Brazilian Aeronautical Registry (*Registro Aeronáutico Brasileiro*), or RAB, must have a valid airline operating certificate (*Certificado de Homologação de Empresa de Transporte Aéreo*), or CHETA, and must also comply with certain ownership restrictions. See "—Restrictions to the Ownership of Shares Issued by Concessionaires of Air Transportation Services." ANAC has the authority to revoke a concession for failure by the airline to comply with the terms of the Brazilian Aeronautical Code, the complementary laws and regulations and the terms of the concession agreement.

Our concession was granted on January 2, 2001 by the High Command of Aeronautics of the Ministry of Defense. The concession agreement can be terminated if, among other things, we fail to meet specified service levels, cease operations or declare bankruptcy.

The Brazilian Aeronautical Code and the regulations issued by CONAC and ANAC do not expressly provide for public bidding processes and currently it is not necessary to conduct public bidding processes prior to granting of concessions for the operation of air transportation services. Due to the intense growth of the civil aviation sector, this rule may be changed by the government, in order to allow more competition or to achieve other political purposes.

Import of Aircraft into Brazil

The import of civil or commercial aircraft into Brazil is subject to prior certification of the aircraft by ANAC. Import authorizations usually follow the general procedures for import of goods into Brazil, after which the importer must request the registration of the aircraft with the RAB.

Registration of Aircraft

The registration of aircraft in Brazil is governed by the Brazilian Aeronautical Code, under which no aircraft is allowed to fly in Brazilian airspace, or land in or take off from Brazilian territory, without having been properly registered. In order to be registered and continue to be registered in Brazil, an aircraft must have a certificate of registration (*certificado de matrícula*) and a certificate of airworthiness (*certificado de aeronavegabilidade*), both of which are issued by the RAB after technical inspection of the aircraft by ANAC. A certificate of registration attributes Brazilian nationality to the aircraft and is evidence of its enrollment with the competent aviation authority. A certificate of airworthiness is generally valid for six years from the date of ANAC's inspection and authorizes the aircraft to fly in Brazilian airspace, subject to continuing compliance with certain technical requirements and conditions. The registration of any aircraft may be cancelled if it is found that the aircraft is not in compliance with the requirements for registration and, in particular, if the aircraft has failed to comply with any applicable safety requirements specified by ANAC or the Brazilian Aeronautical Code.

All information relating to the contractual status of an aircraft, including purchase and sale agreements, operating leases and mortgages, must be filed with the RAB in order to provide the public with an updated record of any amendments made to the aircraft certificate of registration.

Restrictions on the Ownership of Shares Issued by Concessionaires of Air Transportation Services

According to the Brazilian Aeronautical Code, in order to be eligible for a concession for operation of regular services, the entity operating the concession must have at least 80% of its voting stock held directly or indirectly by Brazilian citizens and must have certain management positions entrusted to Brazilian citizens. In March 2016 the Brazilian government issued a Provisional Measure decreasing this limit to 51%. Although the reduced limit is current valid, if the Provisional Measure is not converted into law by July 2016, the prior limit will be reinstated.

The Brazilian Aeronautical Code also imposes certain restrictions on the transfer of capital stock of concessionaires of air transportation services, such as VRG, including the following:

- the voting shares have to be nominative and non-voting shares cannot be converted into voting shares;

41

- prior approval of the Brazilian aviation authorities is required for any transfer of shares, regardless of the nationality of the investor, which results in the change of the company's corporate control, causes the assignee to hold more than 10% of the company's capital stock or represents more than 2% of the company's capital stock;

- the airline must file with ANAC, in the first month of each semester, a detailed shareholder chart, including a list of shareholders, as well as a list of all share transfers effected in the preceding semester; and

- based on its review of the airline's shareholder chart, ANAC has the authority to subject any further transfer of shares to its prior approval.

We hold substantially all of the shares of VRG, which are public concessionaires of air transportation services in Brazil. Under the Brazilian Aeronautical Code, the restrictions on the transfer of shares described above apply only to companies that hold concessions to provide regular air transportation services. Therefore, the restrictions do not apply to us.

Environmental Regulation

Brazilian airlines are subject to various federal, state and municipal laws and regulations relating to the protection of the environment, including the disposal of materials and chemical substances and aircraft noise. These laws and regulations are enforced by various governmental authorities. Non-compliance with such laws and regulations may subject the violator to administrative and criminal sanctions, in addition to the obligation to repair or to pay damages caused to the environment and third parties. As far as civil liabilities are concerned, Brazilian environmental laws adopt the strict and joint liability regime. In this regard we may be liable for violations by third parties hired to dispose of our waste. Moreover, pursuant to Brazilian environmental laws and regulations, the piercing of the corporate veil of a company may occur in order to ensure enough financial resources to the recovery of damages caused against the environment.

We adopted several Environmental Management System, or EMS, procedures with our suppliers and use technical audits to enforce compliance. We exercise caution, and may reject goods and services from companies that do not meet our environmental protection parameters unless confirmation of compliance is received.

We are monitoring and analyzing the developments regarding amendments to Kyoto protocol and emissions regulations in the United States and Europe and may be obliged to acquire carbon credits for the operation of our business. No legislation on this matter has yet been enacted in Brazil.

Pending Legislation

The Brazilian congress is currently discussing a draft bill that would replace the current Brazilian Aeronautical Code (*Código Brasileiro de Aeronáutica*). In general, this draft bill deals with matters related to civil aviation, including airport concessions, consumer protection, limitation of airlines' civil liability, compulsory insurance, fines and the increase of limits to foreign ownership in voting stock of Brazilian airlines. This draft bill is still under discussion in the House of Representatives and, if approved, must be submitted for approval to the Senate, before being sent for presidential approval. If the Brazilian civil aviation framework changes, or ANAC implements increased restrictions, the Brazilian airline industry could be negatively affected.

In January 2015 Brazil approved a law allowing the government to grant subsidies for flights departing from or arriving at regional airports. Regional airports include any airports with fewer than 600,000 passengers per year, increased to 800,000 passengers per year in the Amazon region. The subsidy is still subject to further regulation

before it may be implemented and is limited to certain airport fees and transportation costs for the lesser of 60 passengers per flight or 50% of the seats in a given flight, except in the Amazon region where the only limit is up to 60 passengers.

Aircraft Financing by Export Credit Agencies

In 2010, the U.S. Ex-Im Bank agreed on a common approach with European export-credit agencies on offering export credits for U.S. commercial aircraft. Among other things, the new Sector Understanding on Export Credits for Civil Aircraft, or the ASU, sets forth minimum guarantee premium rates applicable to aircraft delivered on or after January 1, 2013, or under firm contracts entered into after December 31, 2010 and also changes the maximum amount that may be financed.

In light of our current credit ratings and the introduction of the ASU, our minimum guaranty premium rate applicable to aircraft delivered on or after January 1, 2013 increased substantially. As a consequence, finance leases have become significantly more expensive and we have therefore entered nearly exclusively into operating leases since 2012.

Aircraft Repossession

The Cape Town treaty is an international treaty intended to standardize transactions involving movable property. The treaty creates international standards for registration of ownership, security interests (liens), leases and conditional sales contracts and various legal remedies for default in financing agreements, including repossession and the effect of particular states' bankruptcy laws. As of December 31, 2015, the convention had been ratified by more than 81 countries, including Brazil.

C. Organizational Structure

We are a holding company that directly or indirectly own shares of seven subsidiaries: VRG; Webjet; Smiles; four offshore subsidiaries: Gol Finance Inc., or Gol Finance; GAC Inc., or GAC; Gol LuxCo S.A.; and Gol Dominicana Lineas Aereas Sas., or GOLD. VRG is our operating subsidiary, under which we conduct our air transportation business. Webjet was acquired in 2011 and we announced the winding up its activities at the end of 2012. We are the majority shareholder of Smiles, which conducts the *Smiles* loyalty program. Gol Finance, GAC and Gol LuxCo are off-shore companies established for the purpose of facilitating cross-border general and aircraft financing transactions. GOLD is a company incorporated in the Dominican Republic and is currently pre-operational.

D. Property, Plant and Equipment

Our primary corporate offices are located in São Paulo. Our commercial, operations, technology, finance and administrative staff is based primarily at our headquarters. We have concessions to use other airport buildings and hangars throughout Brazil, including a part of a hangar at Congonhas airport where we perform aircraft maintenance. As of December 31, 2015, we had finance lease agreements for 46 Boeing 737s, 40 of which had a purchase option at the end of the contract term. We own a state-of-the-art Aircraft Maintenance Center in Confins, in the State of Minas Gerais. The certification of our aircraft maintenance center authorizes airframe maintenance services for Boeing 737-300s and Boeing Next Generation 737-700 and 800s. We have three hangars at our Aircraft Maintenance Center, with a capacity to perform maintenance on six aircraft simultaneously and painting services on one additional aircraft. We also have room to build more hangars, if needed. We use the new facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. See also "Item 4—Business Overview—Aircraft" and Note 14 to our consolidated financial statements included herein.

ITEM 4A. Unresolved Staff Comments

None.

ITEM 5. Operating and Financial Review and Prospects

You should read this discussion in conjunction with our consolidated financial statements, related notes and other financial information included elsewhere in this annual report.

A. Operating Results

Revenues

We derive our revenues primarily from transporting passengers on our aircraft. In 2015, 87.8% of our net revenues came from passenger transportation revenues, and the remaining 12.2% came from ancillary revenues, principally from our cargo business, which utilizes cargo space on our passenger flights. Nearly all of our revenue is denominated in *reais*. Passenger revenue, including the part of the revenue of the *Smiles* loyalty program which relates to the redemption of miles for GOL flight tickets, is recognized either when transportation is provided or when the unused ticket expires. Cargo revenue is recognized when transportation is provided. Other ancillary revenue consists primarily of ticket change fees, excess baggage charges and interest on installment sales. Passenger revenues are based upon our capacity, load factor and yield. Our capacity is measured in terms of available seat kilometers (ASK), which represents the number of seats we make available on our aircraft multiplied by the number of kilometers the seats are flown. Load factor, or the percentage of our capacity that is actually used by paying customers, is calculated by dividing revenue passenger kilometers by available seat kilometers. Yield is the average amount that one passenger pays to fly one kilometer.

The following table demonstrates our main operating performance indicators in 2013, 2014 and 2015:

	Year Ended December 31,		
	2013	**2014**	**2015**
Operating Data:			
Load-factor	69.9%	76.9%	77.2%
Break-even load-factor	67.8%	73.1%	78.1%
Aircraft utilization (block hours per day)	11.2	11.5	11.1
Yield per passenger kilometer (cents)	23.4	23.8	22.3
Passenger revenue per available seat kilometer (cents)	16.4	18.3	17.3
Operating revenue per available seat kilometer (cents)	18.0	20.3	19.7
Number of departures	316,466	317,594	315,902
Average number of operating aircraft	121	126	129

Our revenues are net of ICMS and federal social contribution taxes, including *Programa de Integração Social*, or PIS, and the *Contribuição Social para o Financiamento da Seguridade Social*, or COFINS. ICMS does not apply to passenger revenues. The average rate of ICMS on cargo revenues varies by state from 0% to 19%. As a general rule, PIS and COFINS combined are imposed at rates of 3.65% of passenger revenues.

We have one of the largest e-commerce platforms in Brazil and we generate most of our revenue from ticket sales through our website.

ANAC and the aviation authorities of other countries in which we operate may influence our ability to generate revenues. In Brazil, ANAC approves the concession of flights, and consequently slots, entry of new companies, launch of new routes, increases in route frequencies and lease or acquisition of new aircraft. Our ability to grow and increase revenues is dependent on receiving approval from ANAC for new routes, increased frequencies and additional aircraft.

Operating Expenses

We seek to lower our operating expenses by operating a young and standardized fleet, having one of the newest fleets in the industry, utilizing our aircraft efficiently, using and encouraging low-cost ticket sales and distribution processes. The main components of our operating expenses include aircraft fuel, aircraft rent, aircraft maintenance, sales and marketing, and salaries including provisions for our profit sharing plan.

Our aircraft fuel expenses are higher than those of low-cost airlines in the United States and Europe because production, transportation and storage of fuel in Brazil depends on expensive and underdeveloped infrastructure, especially in the north and northeast regions of the country. In addition, taxes on jet fuel are high and are passed along to us. Our aircraft fuel expenses are variable and fluctuate based on global oil prices. The price of West Texas Intermediate crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, varies significantly. The price per barrel was US$98.83, US$91.82 and US$98.42 at year-end of 2011, 2012 and 2013, respectively. In the second half of 2014, fuel prices dropped significantly due to a slowdown in demand and global economic growth, particularly in China, coupled with an increase in supply and production, principally in the United States. The price per barrel at December 31, 2015 was US$48.8 and at April 26, 2016 was US$35.2 Since global oil prices are U.S. dollar-based, our aircraft fuel costs are also linked to fluctuations in the exchange rate of the *real* versus the U.S. dollar. In 2015, fuel costs represented 33.2% of our total operating costs and expenses, as compared to 40.2% in 2014. We currently enter into short-term arrangements to partially hedge against

increases in oil prices and foreign exchange fluctuations.

Our aircraft rent expenses are in U.S. dollars and we use short-term arrangements to hedge against exchange rate exposure related to our lease payment obligations. In addition, leases for seven of our aircraft are subject to floating-rate payment obligations that are based on fluctuations in international interest rates. We currently have hedging policies in place to manage our interest rate exposure.

Our maintenance, material and repair expenses consist of light (line) and scheduled heavy (structural) maintenance of our aircraft. Line maintenance and repair expenses are charged to operating expenses as incurred. Structural maintenance for aircraft leased under finance leases is capitalized and amortized over the life of the maintenance cycle. Since the average age of our operating fleet was 7.7 years for 144 operating Boeing 737-700/800 aircraft at December 31, 2015, and most of the parts on our aircraft are under multi-year warranties, our aircraft have required a low level of maintenance and therefore we have incurred low maintenance expenses. Our aircraft are covered by warranties that have an average term of 48 months for products and parts and 12 years for structural components. The warranties on the aircraft we received in 2015 under our firm purchase order with Boeing will start expiring in 2019. Thus, with regard to the accounting for aircraft maintenance and repair costs, our current and past results of operations may not be indicative of future results. Our Aircraft Maintenance Center in Confins, in the State of Minas Gerais, is certificated for the maintenance services for Boeing 737-300s and Boeing Next Generation 737-700 and 800s. We currently use this facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. We believe that we have an advantage compared to industry peers in maintenance, materials and repairs expenses due to our in-house maintenance. We believe that this advantage will continue in the foreseeable future.

Our sales and marketing expenses include commissions paid to travel agents, fees paid for our own and third-party reservation systems and agents, fees paid to credit card companies and advertising. Our distribution costs are lower than those of other airlines in Brazil on a per available seat kilometer (ASK) basis because a higher proportion of our customers purchase tickets from us directly through our website instead of through traditional distribution channels, such as ticket offices, and we have comparatively fewer sales made through higher cost global distribution systems. We generated 80.7% of our consolidated sales through our website and API systems in 2015 and 83.1% in 2014, including internet sales through travel agents. For these reasons, we believe that we have an advantage compared to industry peers in sales and marketing expenses and expect this advantage will continue in the foreseeable future.

Salaries paid to our employees include annual cost of living adjustments and provisions made for our profit sharing plan.

Aircraft, traffic and mileage servicing expenses include ground handling and the cost of airport facilities. Other operating expenses consist of general and administrative expenses, purchased services, equipment rentals, passenger refreshments, communication costs, supplies and professional fees.

Operating Segments

We have two operating segments:

- flight transportation; and
- *Smiles* loyalty program.

Our two segments have a number of transactions between each other in light of the nature of the agreements between VRG and Smiles and because the vast majority of miles redeemed are exchanged for tickets in flights operated by VRG. These transactions are more relevant in connection with net revenue, costs and finance result for each segment,

as follows:

Net revenue: a significant portion of the miles redeemed revenue is eliminated when we consolidate VRG and Smiles, as they relate to tickets purchased by Smiles from VRG and revenue is ultimately recognized as passenger transportation in our flight transportation segment.

Costs: a significant portion of redemption costs in the Smiles loyalty program segment is eliminated when we consolidate VRG and Smiles as they relate to tickets purchased by Smiles from VRG and ultimately recorded as flight transportation costs in our flight transportation segment.

Finance result: under the agreements between VRG and Smiles, Smiles makes certain advance ticket purchases at a discount. This discount is recognized as a financial expense in our flight transportation segment and as a financial income in our Smiles loyalty program segment, both of which are eliminated when we consolidate VRG and Smiles.

See "–Results of Operations– Segment Results of Operations" for more information on our operating segments.

Brazilian Economic Environment

As most of our operations are domestic, we are affected by Brazilian general economic conditions. While our growth since 2001 has been primarily driven by our expansion into new markets and increased flight frequencies, we have also been affected by macroeconomic conditions in Brazil. We believe the rate of growth in Brazil is important in determining our future growth capacity and our results of operations. Our revenue passenger kilometer in the domestic market increased by 0.5% in 2015 against an increase of 8.0% in 2014. This increase was primarily due to a higher load factor in 2015 as compared to 2014, even in light of a domestic capacity stable in the same period in response to Brazil's economic slowdown starting in 2012 and to a new industry-wide cost environment in place since 2011, caused by new exchange rate levels much higher than those of previous periods and additional airport fees. Compared to 2014, our passenger revenue per available seat kilometer (PRASK) decreased by 5.6%, due to a combination of lower yields in 5.9% and a 0.3 percentage point increase in load factor.

We are materially affected by currency fluctuations. The vast majority of our revenues are denominated in reais while a significant part of our operating expenses are either payable in or affected by the U.S. dollar, such as our aircraft operating lease payments, related maintenance reserves and deposits, and jet fuel expenses. In 2015, 50.3% of our operating expenses (including aircraft fuel) were denominated in, or linked to, U.S. dollars and therefore varied with the *real*/U.S. dollar exchange rate within the year. We believe that our foreign exchange and fuel hedging programs partially protect us against short-term swings in the *real*/U.S. dollar exchange rate and jet fuel prices. See "Item 3. Risk Factors— Risks Relating to Us and the Brazilian Airline Industry."

Inflation has also affected us and will likely continue to do so. In 2015, 49.3% of our operating expenses (excluding aircraft fuel, operating leases and maintenance) were denominated in *reais*, and the suppliers and service providers of these expense items generally attempt to increase their prices to reflect Brazilian inflation.

The following table shows data for real GDP growth (contraction), inflation, interest rates, the U.S. dollar exchange rate and crude oil prices for and as of the periods indicated.

	December 31,		
	2013	**2014**	**2015**
Real growth (contraction) in gross domestic product	2.3%	0.1%	(3.8)%
Inflation (IGP-M)[(1)]	5.5%	3.7%	10.5%
Inflation (IPCA)[(2)]	5.9%	6.4%	10.7%
CDI rate[(3)]	9.8%	11.6%	14.1%
LIBOR rate[(4)]	0.3%	0.3%	0.6%
Depreciation of the *real* vs. U.S. dollar	10.5%	9.1%	41.6%
Period-end exchange rate—US$1.00	R$2.343	R$ 2.656	R$ 3.905
Average exchange rate—US$1.00[(5)]	R$2.161	R$ 2.353	R$ 3.338
Period-end West Texas intermediate crude (per barrel)	US$98.42	US$53.27	US$37.04
Period-end Increase (decrease) in West Texas intermediate crude (per barrel)	7.2%	(45.9)%	(30.5)%
Average period West Texas Intermediate crude (per barrel)	US$97.97	US$93.04	US$48.80

Average period increase (decrease) in West Texas Intermediate crude (per barrel)	3.9%	(4.7)%	(44.0)%

Sources: Fundação Getúlio Vargas, the Central Bank and Bloomberg

(1) Inflation (IGP-M) is the general market price index measured by the Fundação Getúlio Vargas.

(2) Inflation (IPCA) is a broad consumer price index measured by the Instituto Brasileiro de Geografia e Estatística.

(3) The CDI rate is average of inter-bank overnight rates in Brazil (as of the last date of the respective period).

(4) Three-month U.S. dollar LIBOR rate as of the last date of the period. The LIBOR rate is the London inter-bank offer rate.

(5) Represents the average of the exchange rates on the last day of each month during the period.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with IFRS requires our management to adopt accounting policies and make estimates and judgments to develop amounts reported in our consolidated financial statements and related notes. We strive to maintain a process to review the application of our accounting policies and to evaluate the appropriateness of the estimates that are required to prepare our consolidated financial statements. We believe that our estimates and judgments are reasonable; however, actual results and the timing of recognition of such amounts could differ from those estimates. In addition, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Critical accounting policies and estimates are those that are reflective of significant judgments and uncertainties, and potentially result in materially different outcomes under different assumptions and conditions. For a discussion of these and other accounting policies, see Note 2 to our consolidated financial statements.

Property, *Plant and Equipment*. Property, plant and equipment, including reusable parts, are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. 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 reusable 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 under the agreements with Boeing for the purchase of Boeing 737-800 Next Generation and 737-800 MAX aircraft and include interest and finance charges incurred during the manufacture of aircraft and the leasehold improvements.

Under IAS 16 “Property, Plant and Equipment,” major 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. All other replacement spares and costs relating to maintenance of fleet assets are charged to the income statement on consumption or as incurred. Interest costs incurred on debts 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.

In estimating the useful life and expected residual values of our aircraft, we have primarily relied upon actual experience with the same or similar types of aircraft and recommendations from Boeing. Aircraft estimated useful life is based on the number of “cycles” flown (one-take-off and landing). We have made a conversion of cycles into years based on both our historical and anticipated future utilization of the aircraft. Subsequent revisions to these estimates, which can be significant, could be caused by changes to our maintenance program, changes in utilization of the aircraft (actual cycles during a given period of time), governmental regulations related to aging aircraft and changing market prices of new and used aircraft of the same or similar types. We evaluate estimates and assumptions each reporting period and, when warranted, adjust these estimates and assumptions. These adjustments are accounted for on a prospective basis through depreciation and amortization expense, as required by IFRS.

We evaluate annually whether there is any indicator that our property, plant and equipment may be impaired. Factors that would indicate potential impairment may include, but are not limited to, significant decreases in the market value of the long-lived asset(s), a significant change in the long-lived asset(s) physical condition and operating or cash flow losses associated with the use of our long-lived asset(s). As of December 31, 2015 and 2014, we have recorded an impairment on property, plant and equipment assets of R$28.9 million and R$33.4 million, respectively, mainly related to replacement and spare parts. In 2015, we evaluated the impairment of our aircraft and no impairment or write-off was required to be recorded.

Lease Accounting. Aircraft lease agreements are accounted for as either operating or capital leases (finance leases). When the risks and rewards of the lease are transferred to us, as lessee, the lease is classified as a capital lease. Capital leases are accounted for as an acquisition of the asset through a financing, with the aircraft recorded as a fixed asset and a corresponding liability recorded as a debt. Capital leases are recorded based on the lesser of the fair value of the aircraft or the present value of the minimum lease payments, discounted at an implicit interest rate, when it is clearly identified in the lease agreement, or market interest rate. The aircraft is depreciated through the lesser of its useful life or the lease term. Interest expense is recognized through the effective interest rate method, based on the implicit interest rate of the lease. Lease agreements that do not transfer the risks and rewards to us are classified as operating leases. Operating lease payments are accounted for as rent and lease expense is recognized using the straight line method through the lease term.

Sale-lease back transactions that result in a subsequent operating lease have different accounting treatments depending on the fair value of the asset, the price and the cost of the sale. If the fair value of the asset is less than its carrying amount, the difference is immediately recognized as a loss. When the sale gives rise to a gain it is recognized up to the fair value, with the excess deferred and amortized throughout the term of the lease. When the sale results in a loss and the carrying amount is not greater than fair value, the loss is deferred if compensated by future lease payments. If the carrying amount is greater than fair value, it is written down to fair value and if there is still a loss it is deferred if compensated by future lease payments.

Lease accounting is critical for us because it requires an extensive analysis of the lease agreements in order to classify and measure the transactions in our financial statements. Changes in the terms of our outstanding lease agreements and the terms of future lease agreements may affect how we account for our lease transactions and our future financial position and results of operations.

Goodwill and Intangible Assets. We have allocated goodwill and intangible assets with indefinite lives acquired through business combinations, for the purposes of impairment testing, to the cash-generating units, the operating subsidiaries VRG and Smiles, since segregation of their operations. Goodwill is tested for impairment annually by comparing the carrying amount to the recoverable amount of the cash-generating unit, that has been measured on the basis of its value-in-use, by applying cash flow projections in the functional currency based on our approved business plan covering a five-year period followed by the long-term growth rate of 3.5%. The pre-tax discount rate applied to the cash flow projections was 17.21 % for the VRG's cash-generating unit and 19.84% for the Smiles' cash-generating unit, at December 31, 2015. 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 our impairment evaluations are consistent with internal projections and operating plans. Airport operating rights acquired as part of the acquisition of VRG and Webjet 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 values of the airport operating rights are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that carrying values may not be recoverable. 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. We assess at each balance sheet date whether intangibles with indefinite useful lives are impaired using discounted cash flow analyses, which considers the creditworthiness of the issuer of the security. In 2015, no impairment or write-off was recognized for intangible assets. We believe none of our cash-generating units was at risk of having its value in use being less than its carrying value at the date of your most recent impairment analysis.

Derivative Financial Instruments. We account for derivative financial instruments in accordance with IAS 39. In executing our risk management program, management uses a variety of financial instruments to protect against sharp changes in market prices and to mitigate the volatility of its expenditures related to these prices. We do not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognized at fair value and subsequently the change in fair value is recorded in profit or loss, unless the derivative meets the strict criteria for cash flow hedge accounting.

For hedge accounting purposes, according to IAS 39, the hedge instrument is classified as: (i) a cash flow hedge when it protects against exposure to fluctuations in cash flows that are attributable to a particular risk associated with an asset or liability recognized regarding an operation that is highly likely to occur or to an exchange rate risk for an

unrecognized firm commitment, and (ii) a fair value hedge when it protects from the results of a change in the fair value of a recognized liability, or a part thereof, that could be attributed to exchange risk.

At the beginning of a hedge transaction, we designate and formally document the item covered by the hedge, as well as the objective of the hedge and the risk policies strategy. Documentation includes identification of the hedge instrument, the item or transaction to be protected, the nature of the risk to be hedged and how the entity will determine the effectiveness of the hedge instrument in offsetting exposure to variations in the fair value of the item covered or the cash flows attributable to the risk covered. The foregoing is performed with a view to ensuring that such hedge instruments will be effective in offsetting the changes in fair value or cash flows, and these are quarterly appraised to determine if they really have been effective throughout the entire period for which they have been designated.

Amounts classified in equity are transferred to profit or loss each period in which the hedged transaction affects profit or loss. If the hedged item is the cost of non-financial asset, the amounts classified in equity are transferred to the initial carrying amount of the non-financial asset.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the designation as a hedge is revoked, amounts previously recognized in equity are recognized in profit or loss.

We measure quarterly the effectiveness of the hedge instruments in offsetting changes in prices. Derivative financial instruments are effective if they offset between 80% and 125% of the changes in price of the item for which the hedge has been contracted. Any gain or loss resulting from changes in the fair value of the derivative financial instruments during the quarter in which they are not qualified for hedge accounting, as well as the ineffective portion of the instruments designated for hedge accounting, are recognized as other finance income (expenses).

Aircraft maintenance and repair costs. Our aircraft lease agreements specifically provide that we, as lessee, are responsible for maintenance of the leased aircraft and engines, and we must meet specified airframe and engine return conditions upon lease expiration. Under certain of our existing lease agreements, we pay maintenance deposits to aircraft and engine lessors that are to be applied to future maintenance events. These deposits are calculated based on a performance measure, such as flight hours or cycles, and are available for reimbursement to us upon the completion of the maintenance of the leased aircraft. If there are sufficient funds on deposit to reimburse us for our maintenance costs, such funds are returned to us. The maintenance deposits paid under our lease agreements do not transfer either the obligation to maintain the aircraft or the cost risk associated with the maintenance activities to the aircraft lessor. In addition, we maintain the right to select any third-party maintenance provider or to perform such services in-house. Therefore, we record these amounts as a deposit on our balance sheet and recognize maintenance expense when the underlying maintenance is performed, in accordance with our maintenance accounting policy. Certain of our lease agreements provide that excess deposits at the end of the lease term are not refundable to us. Such excess could occur if the amounts ultimately expended for the maintenance events were less than the amounts on deposit. Any excess amounts held by the lessor or retained by the lessor upon the expiration of the lease, which are not expected to be significant, would be recognized as additional aircraft rental expense at the time it is no longer probable that such amounts will be used for maintenance for which they were deposited. The amount of aircraft and engine maintenance deposits expected to be utilized in the next twelve months is classified in current assets.

We follow IAS 16 – “Property, Plant and Equipment” and perform the capitalization of the costs relating to engine overhauls. This practice establishes that costs on major maintenance (including replacement parts and labor) should be capitalized only when there is an extension of the estimated useful life of the engine. Such costs are capitalized and depreciated until the next stop for major maintenance. The expense recognized directly in the income statement refers to maintenance costs of other aircraft components or even maintenance of engines that do not extend their useful life.

In addition, certain of our lease agreements do not require maintenance deposits; instead letters of credit are issued on behalf of the lessor, which can be claimed if the aircraft maintenance does not occur as established in the review schedule. As of December 31, 2015, no letters of credit had been executed.

Our initial estimates of the maintenance expenses regarding the leases are equal to or in excess of the amounts required to be deposited. This demonstrates it is probable the amounts will be utilized for the maintenance for which they are to be deposited and the likelihood of an impairment of the balance is remote. There has been no impairment of our maintenance deposits.

49

A summary of activity in the Aircraft and Engine Maintenance Deposits is as follows:

	2014	2015
	(in millions of *reais*)	
Beginning of year	**412.5**	**343.7**
Amounts paid in	100.9	37.2
Reimbursement of expense incurred	(219.6)	(252.1)
Exchange variation	49.9	132.3
End of year	**343.7**	**261.1**

Revenue Recognition. Passenger revenue is recognized when transportation is provided. Tickets sold but not yet used are recorded as advance ticket sales that represent primarily deferred revenue for tickets sold for future travel dates. We recognize a portion of advance ticket sales as revenue based on historical data relating to the percentage of tickets sold that are not going to be used prior to the expiration date ("breakage"). The balance of deferred revenue is then reviewed on a monthly basis based on actual tickets that have expired and adjusted when necessary.

Mileage Program. The obligation created by the issuance of miles is measured based on the price that the miles were sold to its airline and non-airline partners, classified by us as the fair value of the transaction. The revenue recognition on the consolidated income or loss occurs when the Smiles Program participant, after redeeming the miles and exchanging it for flight tickets, is transported.

Our policy is to cancel miles outstanding in the accounts of customers for longer than 3 years and 11 months. The associated value for mileage credits estimated to be cancelled is recognized as revenue. We calculate the expiration estimate and non-use based on historical data. Future opportunities can significantly alter customer profile and the historical patterns. Such changes may result in material changes to the deferred revenue balance, as well as revenues recognized from that program.

Share-Based Payments. We measure the fair value of equity-settled transactions with employees at the grant date using the Black & Scholes 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 change in cumulative expense since the previous balance sheet date is recognized in the income statement prospectively over the remaining vesting period of the instrument.

Provisions. Provisions are recognized when we have 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 we expect 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.

Aircraft and engines return provision: in aircraft operating leases, we are contractually required to return the equipment with a predefined level of operational capability; as a result we recognize a provision based on the aircraft return costs as set forth in the agreement. The aircraft's return provisions costs are estimated based on expenditures incurred in aircraft reconfiguration (interior and exterior), license and technical certification, painting, and other costs,

according to the return agreement. Engine return provisions are estimated based on an evaluation and minimum contractual conditions that the equipment should be returned to the lessor, considering not only the historical costs incurred, but also the equipment conditions at the time of the evaluation.

Deferred taxes. Deferred taxes are calculated based on tax losses, temporary differences arising on differences between tax bases and carrying amounts for financial reporting purposes of our assets and liabilities.

Even though unused tax losses and temporary differences have no expiration date in Brazil, deferred tax assets are recorded when there is evidence that future taxable profit will be available to use such tax credits. We record our deferred tax assets based on projections for future taxable profits, which considers a number of assumptions for revenue increases, for operating costs such as jet fuel prices, leasing expenses, etc. Our business plan is revised annually in order to reevaluate the amounts to be recorded as deferred tax assets.

The use of deferred taxes is a critical accounting policy for us because it requires a number of assumptions and is based on our best estimate of our projections related to future taxable profit. In addition, because the preparation of our business plan is subject to a variety of market conditions, the results of our operations may vary significantly from our projections and as such, the amounts recorded as deferred tax assets may be impacted significantly.

As of December 31, 2015, we had R$4.2 billion of tax loss carryforwards and negative basis of social contribution mainly as a result of the acquisition of VRG in 2007 and Webjet in 2011 and accumulated losses. Under Brazilian tax laws we may only use our tax loss carryforwards to offset taxes payable up to 30% of the taxable income for each year. Thus, despite having a balance of tax loss carryforwards, we will have to pay income taxes on any taxable income in excess of this 30% compensation limit.

In 2015, as a result of an increase in our net losses, fluctuations of the U.S. dollar exchange rate, and the instability of the political and economic environment in Brazil, we reassessed the recognition of tax credits on net operating losses carryforward and other temporary differences, and Gol and VRG wrote-off R$52.7 million and R$385.6 million, respectively, of deferred tax assets from net operating losses carryforward and VRG also limited the recognition of tax credits on other temporary differences based on the expected realization of the deferred tax liabilities. Accordingly, Gol and VRG have not recognized the net amount of R$52.7 million and R$732.4 million of deferred tax assets, respectively, and Webjet has not recognized tax credits of R$296.0 million.

Results of Operations

Consolidated Results of Operations

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Demand in the Brazilian airline market, as measured in revenue passenger kilometers (RPK), increased by 1.1% in 2015 as compared to 2014, while capacity in Brazil, as measured by available seat kilometers (ASK), increased by 1.0% in the same period. These figures reflect the capacity rationalization that have been in place in the Brazilian market since 2013.

During the course of 2014 and 2015, we concentrated on tailoring our operations to the current economic environment, becoming a more efficient airline by maintaining domestic capacity and focusing on established, profitable routes. In 2015, as compared to 2014, our passenger revenue per available seat kilometer (PRASK) decreased by 5.6%, reflecting a more challenging demand environment.

In 2015, our total available seat kilometers (ASK) decreased by 0.5% while our total revenue passenger kilometers (RPK) increased by 0.9%, when compared to 2014, reflecting our capacity management flexibility, which allowed us to adjust our capacity in line with market seasonality.

In 2015, our domestic seat supply remained stable, increasing 0.2% as compared to 2014, while domestic demand increased by 0.5%, leading to a load factor of 77.2%, 0.3 percentage points higher than in 2014. Also in 2015, our international market demand and capacity increased by 3.6% and 2.7%, respectively, as compared to 2014, as a result of several new flights and routes established during 2014, however in the last months of 2015 we suspended several destinations, such as Caracas (Venezuela), Miami and Orlando (U.S.) and Aruba (Caribbean), due to a more competitive landscape and a devaluation of the real against the US dollar, which impacted tourism from Brazil to these destinations.

51

The table below presents certain data from our results of operations for the periods indicated:

	Year Ended December 31,	
	2014	2015
	(in millions of *reais*)	
Operating revenue		
Passenger	9,045.8	8,583.4
Cargo and other	1,020.4	1,194.6
Total operating revenue	**10,066.2**	**9,778.0**
Operating expenses		
Salaries	(1,374.1)	(1,580.5)
Aircraft fuel	(3,842.3)	(3,301.4)
Aircraft rent	(844.6)	(1,100.1)
Sales and marketing	(667.4)	(617.4)
Landing fees	(613.2)	(681.4)
Aircraft, traffic and mileage servicing	(747.4)	(1,019.8)
Maintenance, materials and repairs	(511.0)	(603.9)
Depreciation and amortization	(463.3)	(419.7)
Other operating expenses	(495.5)	(633.6)
Total operating expenses	**(9,558.8)**	**(9,957.8)**
Equity results	(2.5)	(3.9)
Income (loss) before financial expense, net and income taxes	**504.9**	**(183.8)**
Financial expense, net	(1,457.6)	(3,263.3)
Loss before income taxes	**(952.7)**	**(3,447.1)**
Income taxes	(164.6)	(844.1)
Net loss	**(1,117.3)**	**(4,291.2)**

Operating Revenue

Operating revenue decreased by 2.9%, from R$10,066.2 million in 2014 to R$9,778.0 million in 2015. On a unit basis, revenue per available seat kilometer (RASK) decreased by 3.3%, from R$20.3 cents in 2014 to R$19.7 cents in 2015. This was primarily due to a combination of lower yields in 5.9% and a 0.3 percentage point increase in load factor.

	Year Ended December 31,		
	2014	2015	Change %
	(in millions of *reais*, except percentages)		
Operating revenue	**10,066.2**	**9,778.0**	**(2.9)%**
Passenger	9,045.8	8,583.4	(5.1)%
Cargo and other	1,020.4	1,194.6	17.1%

Passenger operating revenue decreased by 5.1%, from R$9,045.8 million in 2014 to R$8,583.4 million in 2015. This variation was primarily due to the reduced economic activity and consequent lower volume of passengers as well as a 5.9% decrease in yield, mainly due to softer demand from business travelers.

Cargo and other revenue (flight booking, excess baggage, on board sales, etc.), or ancillary revenue, which accounted for 12.2% of our operating revenue in 2015, increased by 17.1%, from R$1,020.4 million in 2014 to R$1,194.6 million in 2015. This increase was primarily due to revenues generated by the “GOL+ Conforto” product in the domestic market and was also a reflection of our increased focus on cargo services.

Operating Expenses

Operating expenses increased by 4.2%, from R$9,558.8 million in 2014 to R$9,957.8 million in 2015, as discussed below.

The following table sets forth our total operating expenses for the periods indicated:

	Year Ended December 31,		
	2014	2015	Change %
	(in millions of *reais*, except percentages)		
Salaries	(1,374.1)	(1,580.5)	15.0%
Aircraft fuel	(3,842.3)	(3,301.4)	(14.1)%
Aircraft rent	(844.6)	(1,100.1)	30.3%
Sales and marketing	(667.4)	(617.4)	(7.5)%
Landing fees	(613.2)	(681.4)	11.1%
Aircraft, traffic and mileage servicing	(747.4)	(1,019.8)	36.4%
Maintenance, materials and repairs	(511.0)	(603.9)	18.2%
Depreciation and amortization	(463.3)	(419.7)	(9.4)%
Other operating expenses	(495.5)	(633.6)	27.9%
Total operating expenses	**(9,558.8)**	**(9,957.8)**	**4.2%**

On a per unit basis, our operating expense per available seat kilometer (CASK) increased by 3.7%, from R$19.31 cents in 2014 to R$20.02 cents in 2015, mainly due the increase in expenses as discussed below.

The following table sets forth certain of our CASK components as a percentage of total operating expenses for the periods indicated:

	Year Ended December 31,		
Operating Expenses per Available Seat Kilometer Breakdown	**2014**	**2015**	**Change %**
Fuel	40.2%	33.2%	(17.5)%
Salaries	14.4%	15.9%	10.4%
Rent	8.8%	11.0%	25.0%
Maintenance	5.3%	6.1%	13.4%
Other	31.3%	27.9%	22.7%

The following table sets forth certain of our CASK components for the periods indicated:

	Year Ended December 31,		
Operating Expenses per Available Seat Kilometer	**2014**	**2015**	**Change %**
	(in cents of *reais*, except percentages)		
Salaries	(2.78)	(3.18)	14.5%
Aircraft fuel	(7.76)	(6.64)	(14.5)%
Aircraft rent	(1.71)	(2.21)	29.6%
Sales and marketing	(1.35)	(1.24)	(7.9)%
Landing fees	(1.24)	(1.37)	10.6%
Aircraft, traffic and mileage servicing	(1.51)	(2.05)	35.8%
Maintenance, materials and repairs	(1.03)	(1.21)	17.6%
Depreciation and amortization	(0.94)	(0.84)	(9.8)%
Other operating expenses	(1.00)	(1.27)	27.3%
Operating expenses per available seat kilometer (CASK)	**(19.31)**	**(16.84)**	**1.9%**
CASK excluding fuel expenses	**(11.55)**	**(10.20)**	**16.3%**

Aircraft fuel expenses decreased by 14.1%, from R$3,842.3 million in 2014 to R$3,301.4 million in 2015, largely due to the 44.0% decrease in international fuel prices, partially offset by the 41.6% depreciation of the *real* against the U.S. dollar. In per available seat kilometer terms, aircraft fuel decreased by 14.5%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Salaries increased by 15.0%, from R$1,374.1 million in 2014 to R$1,580.5 million in 2015, mainly due to customary annual pay raises and benefits paid to the employees. In per available seat kilometer terms, salaries increased by 14.5%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Aircraft rent increased by 30.3%, from R$844.6 million in 2014 to R$1,100.1 million in 2015, due to the 41.6% average period depreciation of the *real*. However, this was partially offset by renegotiations of lease contracts that took place at the end of 2014. In per available seat kilometer terms, aircraft rent increased by 29.6%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Sales and marketing expenses decreased by 7.5%, from R$667.4 million to R$617.4 million in 2015, mainly due to the reduction in losses from our direct sales channel, which was partially offset by the increase in advertising and marketing expenses. In per available seat kilometer terms, sales and marketing expenses decreased by 7.9%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Landing fees increased by 11.1%, from R$613.2 million in 2014 to R$681.4 million in 2015. This increase was largely due to the new calculation methodology for Infraero airport fees. In per available seat kilometer terms, landing fees expenses increased by 10.6%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Aircraft, traffic and mileage servicing expenses increased by 36.4%, from R$747.4 million in 2014 to R$1,019.8 million in 2015, mainly due to (i) an increase in IT services in the domestic and international bases, (ii) the implementation of a government mandated risk premium for employees from third party companies providing handling services, (iii) purchase costs of Smiles products and (iv) an increase in the number of tickets purchased through peer airlines that will be reversed in future revenue. In per available seat kilometer terms, aircraft, traffic and mileage servicing expenses increased by 35.8%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Maintenance, materials and repairs increased by 18.2%, from R$511.0 million in 2014 to R$603.9 million in 2015, due to the 41.6% depreciation of the *real* against the U.S. dollar. This increase was partially offset by the lower number of engines in maintenance. In per available seat kilometer terms, maintenance, materials and repairs increased by 17.6%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Depreciation and amortization expenses decreased by 9.4%, from R$463.3 million in 2014 to R$419.7 million in 2015, mainly due to (i) the lower number of engines maintenance capitalized in the period, in line with our maintenance schedule and (ii) the expiration of the depreciation period of certain existing engines throughout 2015 without the need for a new maintenance cycle yet. In per available seat kilometer terms, depreciation and amortization decreased by 9.8%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Other operating expense (mainly crew travel and accommodation expenses, direct passenger expenses, equipment leasing and general and administrative expenses) increased by 27.9%, from R$495.5 million in 2014 to R$633.6 million in 2015. This increase was mainly due to reduced revenues from sale leaseback operations; and, to a lesser extent, to (i) higher expenses with travel and accommodation (ii) increased expenses with on-board service. In per available seat kilometer terms, other operating expense increased by 27.3%, due to the reasons discussed above in light of our stable total supply of available seat kilometer, which increased by 0.5%.

Financial expense, net

Our net financial expense increased by 123.9%, from R$1,457.6 million in 2014 to R$3,263.3 million in 2015, primarily as a result of losses from (i) the net exchange rate variation of R$2,267.0 million in 2015 due to the devaluation of the *real* against the U.S. dollar, (ii) higher interest rates in the local debt due to the increase of 2.57 p.p. in the interest rate (DI), which is the reference rate for most of our indebtedness denominated in *reais* and (iii) 41.6% devaluation of the real against the US dollar, which impacted our liabilities and expenses denominated in US dollar.

	Year Ended December 31,		
	2014	2015	Change %
	(in millions of *reais*)		
Interest on short and long-term debt	(592.4)	(885.6)	49.5%
Exchange rate variation, net	(436.2)	(2,267.0)	419.7%
Derivative net results	(459.2)	50.2	N/A
Income from short-term investments	148.6	178.1	(19.9)%
Other financial expenses	(118.4)	(338.7)	186.1%
Financial expense, net	(1,457.6)	(3,263.3)	123.9%

Interest on short and long-term debt increased by 49.5% from 2014 to 2015 principally due to the depreciation of the *real* against the U.S. dollar and, to a lesser extent, an increase in the interest rate on our indebtedness denominated in *reais*.

Exchange rate variation, net expenses had an increase of 419.7% mainly due to an increase in our net liabilities denominated in U.S. dollars and to the 47.0% depreciation of the *real* against of the U.S. dollar**.** In addition to this variation, we also recorded a foreign exchange loss of R$469.6 million in the cash held in Venezuela.

In 2015, we recognized a derivative gain of R$50.2 million compared to loss of R$459.2 million in 2014, as a result of a R$102.7 million gain in foreign exchange hedge transactions due to the depreciation of the *real*, which was partially offset by (i) R$30.0 million losses in fuel hedge transactions and (ii) R$22.5 million losses in interest rate swap transactions.

Income from short-term investments decreased by 19.9% from 2014 to 2015. The variation is explained by our strategy to keep a portion of our cash in U.S. dollars, in order to mitigate the impact of exchange rate variations on our financial liabilities and create a natural hedge for the expenses in foreign currency.

Other financial expenses increased by 186.1%, from R$118.4 million in 2014 to R$338.7 million in 2015, mainly due to the increase in bank fees occurred by new funding, Term Loan and Debentures VI issuances.

Income Taxes

Income taxes expenses increased from R$164.6 million in 2014 to R$844.1 million in 2015, mainly impacted by the write-off of deferred tax credits from net operating losses carryforward during 2015.

Net Loss

As a result of the foregoing, we had a net loss of R$4,291.2 million in 2015 as compared to a net loss of R$1,117.3 million in 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Demand in the Brazilian airline market, as measured in revenue passenger kilometers (RPK), increased by 5.6% in 2014 as compared to 2013, while capacity in Brazil, as measured by available seat kilometers (ASK), increased by 0.4% in the same period. These figures reflect the capacity rationalization that have been put in place in the Brazilian market since 2012.

During the course of 2013 and 2014, we concentrated on tailoring our operations to the current economic environment, becoming a more efficient airline by expanding domestic capacity and focusing on established, profitable routes. In 2014, as compared to 2013, our passenger revenue per available seat kilometer (PRASK) increased by 11.7%.

In 2014, our ASK decreased by 0.3% while our RPK increased by 9.8%, when compared to 2013, reflecting our capacity management flexibility, which allowed us to adjust our capacity in line with market seasonality.

In 2014, our domestic seat supply decreased by 1.7% as compared to 2013, while domestic demand increased by 8.0%, leading to a load factor of 76.9%, 7.0 percentage points higher than in 2013. Also in 2014, our international market demand and capacity increased by 25.7% and 11%, respectively, as compared to 2013, as a result of several new flights during the year, including São Paulo to Santiago (Chile), Fortaleza (Ceará) to Buenos Aires (Argentina) and Campinas to Miami (Florida), as well as to Punta Cana (Dominican Republic) from São Paulo, Belo Horizonte (Minas Gerais) and Brasília.

The table below presents certain data from our results of operations for the periods indicated:

	Year Ended December 31,	
	2013	2014
	(in millions of *reais*)	
Operating revenues		
Passenger	8,122.2	9,045.8
Cargo and other	834.1	1,020.4
Total operating revenue	**8,956.3**	**10,066.2**
Operating expenses		
Salaries	(1,333.5)	(1,374.1)
Aircraft fuel	(3,610.8)	(3,842.3)
Aircraft rent	(699.2)	(844.6)
Sales and marketing	(516.1)	(667.4)
Landing fees	(566.5)	(613.2)
Aircraft, traffic and mileage servicing	(599.5)	(747.4)
Maintenance, materials and repairs	(460.8)	(511.0)
Depreciation and amortization	(561.0)	(463.3)
Other operating expenses	(342.9)	(495.5)
Total operating expenses	**(8,690.3)**	**(9,558.8)**
Equity results	-	(2.5)
Income before financial expense, net and income taxes	**266.0**	**504.9**
Financial expense, net	(919.2)	(1,457.6)
Loss before income taxes	**(653.2)**	**(952.7)**
Income taxes	(71.4)	(164.6)
Net loss	**(724.6)**	**(1,117.3)**

Operating Revenue

Operating revenue increased by 12.4%, from R$8,956.3 million in 2013 to R$10,066.2 million in 2014. On a unit basis, revenue per available seat kilometer (RASK) increased by 12.7%, from R$18.0 cents in 2013 to R$20.3 cents in 2014. This was primarily due to the higher load factor levels in light of increased market demand even in light of our stable total supply.

	Year Ended December 31,		
	2013	2014	Change %
	(in millions of *reais*, except percentages)		
Operating revenue	**8,956.3**	**10,066.2**	**12.4%**
Passenger	8,122.2	9,045.8	11.4%
Cargo and other	834.1	1,020.4	22.3%

Passenger operating revenue increased by 11.4%, from R$8,122.2 million in 2013 to R$9,045.8 million in 2014. This variation was primarily due to the increase in load factor, as described above. Passenger revenue per ASK increased by 11.7% year-over-year.

Cargo and other revenue, which accounted for 10.1% of our operating revenue in 2014, increased by 22.3%, from R$834.1 million in 2013 to R$1,020.4 million in 2014. This increase was primarily due to revenues generated by the "GOL+ Conforto" product in the domestic market and also a reflection of increased focus on the cargo services.

Operating Expenses

Operating expenses increased by 10.0%, from R$8,690.3 million in 2013 to R$9,558.8 million in 2014, as discussed below.

The following table sets forth our total operating expenses for the periods indicated:

	Year Ended December 31,		
	2013	2014	Change %
	(in millions of *reais*, except percentages)		
Salaries	(1,333.5)	(1,374.1)	3.0%
Aircraft fuel	(3,610.8)	(3,842.3)	6.4%
Aircraft rent	(699.2)	(844.6)	20.8%
Sales and marketing	(516.1)	(667.4)	29.3%
Landing fees	(566.5)	(613.2)	8.2%
Aircraft, traffic and mileage servicing	(599.5)	(747.4)	24.7%
Maintenance, materials and repairs	(460.8)	(511.0)	10.9%
Depreciation and amortization	(561.0)	(463.3)	(17.4)%
Other operating expenses	(342.9)	(495.5)	44.5%
Total operating expenses	**(8,690.3)**	**(9,558.8)**	**10.0%**

On a per unit basis, our operating expense per available seat kilometer (CASK), likewise, increased by 10.3%, from R$17.51 cents in 2013 to R$19.31 cents in 2014, mainly due to a 0.3% reduction in the supply and the increase in expenses as discussed below.

The following table sets forth certain of our CASK components as a percentage of total operating expenses for the periods indicated:

	Year Ended December 31,		
Operating Expenses per Available Seat Kilometer Breakdown	**2013**	**2014**	**Change %**
Fuel	41.6%	40.2%	(3.4)%
Salaries	15.3%	14.4%	(5.9)%
Rent	8.0%	8.8%	10.0%
Maintenance	5.3%	5.3%	0.0%
Other	29.8%	31.3%	5.0%

The following table sets forth certain of our CASK components for the periods indicated:

	Year Ended December 31,		
Operating Expenses per Available Seat Kilometer	**2013**	**2014**	**Change %**
	(in cents of *reais*, except percentages)		
Salaries	(2.69)	(2.78)	3.3%
Aircraft fuel	(7.28)	(7.76)	6.7%
Aircraft rent	(1.41)	(1.71)	21.1%
Sales and marketing	(1.04)	(1.35)	29.7%

Landing fees	(1.14)	(1.24)	8.5%
Aircraft, traffic and mileage servicing	(1.21)	(1.51)	25.0%
Maintenance, materials and repairs	(0.93)	(1.03)	11.2%
Depreciation and amortization	(1.13)	(0.94)	(17.2)%
Other operating expenses	(0.69)	(1.00)	44.9%
Operating expenses per available seat kilometer (CASK)	**(17.51)**	**(19.31)**	**10.3%**
CASK excluding fuel expenses	**(10.24)**	**(11.55)**	**12.8%**

Salaries increased by 3.0%, from R$1,333.5 million in 2013 to R$1,374.1 million in 2014, mainly due to customary annual pay raises. In per available seat kilometer terms, salaries increased by 3.3%, due to the reason discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Aircraft fuel expenses increased by 6.4%, from R$3,610.8 million in 2013 to R$3,842.3 million in 2014, largely due to the 4.6% period upturn in the average per-liter fuel price and the increase in consumption as a result of the 7.0 percentage point improvement in the load factor over the previous year. In per available seat kilometer terms, aircraft fuel increased by 6.7%, due to the same reasons discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Aircraft rent increased by 20.8%, from R$699.2 million in 2013 to R$844.6 million in 2014, due evenly to (i) the increase in the average leasing price in U.S. dollars over the previous year due to the return of certain Boeing 737-700 aircraft in our fleet and the introduction of additional Boeing 737-800 Next Generation aircraft which have a higher leasing price and (ii) the 9.1% appreciation of the U.S. dollar against the *real* in 2014 compared to 2013. In per available seat kilometer terms, aircraft rent increased by 21.1%, due to the same reasons discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Sales and marketing expenses increased by 29.3%, from R$516.1 million to R$667.4 million in 2014, due to higher expenses with marketing and advertising and losses from direct sales channels. In per available seat kilometer terms, sales and marketing expenses increased by 29.7%, due to the same reasons discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Landing fees increased by 8.2%, from R$566.5 million in 2013 to R$613.2 million in 2014. This increase was largely due to new international routes and a new governmental passenger connection fee (fully implemented as of July 2013) in all airports in which we operate in Brazil. In per available seat kilometer terms, landing fees expenses increased by 8.5%, due to the same reasons discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Aircraft, traffic and mileage servicing expenses increased by 24.7%, from R$599.5 million in 2013 to R$747.4 million in 2014, mainly due to (i) the addition of a government mandated risk premium to employees from third party companies providing handling services; (ii) IT services in the domestic and international bases; and (iii) the increase in the number of tickets purchased from partner airlines. In per available seat kilometer terms, aircraft, traffic and mileage servicing expenses increased by 25.0%, due to the same reasons discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Maintenance, materials and repairs increased by 10.9%, from R$460.8 million in 2013 to R$511.0 million in 2014, primarily due to the 9.1% average period appreciation of the U.S. dollar. In per available seat kilometer terms, maintenance, materials and repairs increased by 11.2%, due to the same reasons discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Depreciation and amortization expenses decreased by 17.4%, from R$561.0 million in 2013 to R$463.3 million in 2014, mainly due to (i) the lower number of engines capitalized in the period in line with our maintenance schedule and (ii) by the expiration of the depreciation period of certain existing engines throughout 2014. In per available seat kilometer terms, depreciation and amortization decreased by 17.2%, due to the same reasons discussed above partially offset by our stable total supply of available seat kilometer, which decreased by 0.3%.

Other operating expense (mainly crew travel and accommodation expenses, direct passenger expenses, equipment leasing and general and administrative expenses) increased by 44.5%, from R$342.9 million in 2013 to R$495.5

million in 2014. This increase was mainly due to reduced gains from sale leaseback operations (nine aircraft in 2014 versus 13 in 2013); and, to a lesser extent, due to (i) higher expenses with travel and accommodation due to additional costs during the World Cup; (ii) introduction of new international frequencies; and (iii) increased expenses with on-board service. In per available seat kilometer terms, other operating expense increased by 44.9%, due to the same reasons discussed above combined with our stable total supply of available seat kilometer, which decreased by 0.3%.

Financial expense, net

Our net financial expense increased by 58.6%, from R$919.2 million in 2013 to R$1,457.6 million in 2014, primarily as a result of losses from oil derivatives totaling R$370.2 million due to (i) the substantial slide in oil prices in the fourth quarter of 2014, and (ii) the net exchange rate variation of R$436.2 million due to the devaluation of the *real* against the U.S. dollar, which had no immediate cash effect on our long-term debt.

	Year Ended December 31,		
	2013	**2014**	**Change %**
	(in millions of *reais*)		
Interest on short and long-term debt	(532.1)	(592.4)	11.3%
Exchange rate variation, net	(490.1)	(436.2)	(11.0)%
Derivative net results	49.6	(459.2)	NA
Income from short-term investments	149.5	148.6	(0.6)%
Other financial expenses	(96.1)	(118.4)	23.2%
Financial expense, net	**(919.2)**	(1,457.6)	58.6**%**

Interest on short and long-term debt increased by 11.3% from 2013 to 2014 largely due to the depreciation of the *real* against the U.S. dollar and the interest expenses on the R$600 million debentures issued by Smiles in July 2014 to finance part of its R$1 billion capital reduction in the third quarter of 2014.

Exchange rate variation, net decreased by 11.0% mainly due to a decrease in our net liabilities denominated in U.S. dollar, which was partially offset by the 13.4% appreciation of the U.S. dollar against the *real*.

In 2014, we recognized derivative net loss of R$459.2 million compared to a net gain of R$49.6 million in 2013, mainly as a result of:

- fuel consumption hedge transactions, which are effected through derivative contracts related to crude oil and its by-products (WTI, Brent and heating oil), generated losses of R$370.2 million in 2014 driven by the sudden and significant decrease in oil prices in the last quarter of 2014;

- foreign exchange hedge transactions generated losses of R$24.7 million in 2014; and

- interest rate swap transactions contracted to hedge aircraft leasing against increases in interest rates generated losses of R$61.5 million in 2014.

Income from short-term investments were stable from 2013 to 2014. There was an increase in the Brazilian interbank deposit rate from 9.8% in 2013 to 10.8% in 2014, which impacted our income from short-term investments, and was partially offset by a decrease in the amount of short-term investments in *reais* as a result of our decision to maintain part of our cash in U.S. dollars in order to mitigate the impact of exchange variations on our financial liabilities and create a natural hedge for our foreign-currency exposure.

Other financial expenses increased by 23.2%, from R$96.1 million in 2013 to R$118.4 million in 2014, mainly due to the premium paid on the two tender offer transactions we launched to repurchase our 2017, 2020 and 2023 senior notes.

Income Taxes

Income taxes increased from an expense of R$71.4 million in 2013 to an expense of R$164.6 million in 2014 mainly due to the increase in taxable income from Smiles.

Net Loss

As a result of the foregoing, we had a net loss of R$1,117.3 million in 2014 as compared to a net loss of R$724.6 million in 2013.

Segment Results of Operations

We have two operating segments:

- flight transportation; and
- *Smiles* loyalty program.

The segment information below is presented in the format of the statements of operations that are presented in our statutory financial statements filed with the CVM in Brazil, which is different from the format of our consolidated statements of operations included in this annual report. This is the form of statements of operations that is presented to our chief operating decision maker, or CODM. Our CODM does not use gross profit as the profit/loss measure for purposes of making decisions about allocating resources to the segment and assessing its performance, but rather uses net income (loss) for this purpose.

	Year ended December 31, 2015				
	Flight transportation	**Smiles loyalty program**	**Combined information**	**Eliminations**	**Total consolidated**
	(in millions of *reais*)				
Net revenue					
Passenger	8,294.5	-	8,294.5	288.9	**8,583.4**
Cargo and other	941.9	47.2	989.1	(19.2)	**969.9**
Miles revenue	-	1,172.3	1,172.3	(947.6)	**224.7**
Costs	(8,260.4)	(676.5)	(8,936.9)	676.5	**(8,260.4)**
Gross profit	**976.0**	**543.0**	**1,519.1**	**(1.4)**	**1,517.7**
Operating expenses					
Sales and marketing	(884.8)	(87.2)	(972.0)	(69.1)	**(1,041.0)**
Administrative expenses	(678.0)	(40.0)	(717.9)	35.8	**(682.1)**
Other operating income, net	25.7	-	25.7	-	**25.7**
	(1,537.0)	**(127.2)**	**(1,664.2)**	**(33.3)**	**(1,697.5)**
Equity results	179.4	(5.9)	173.4	**(177.4)**	**(3.9)**
Finance results	(3,402.0)	138.7	(3,263.3)	-	(3,263.3)
Income (loss) before income taxes	**(3,783.6)**	**548.6**	**(3,235.0)**	**(212.1)**	**(3,447.1)**
Income taxes	(677.2)	(178.7)	(855.9)	11.8	(844.1)
Net income (loss)	**(4,460.9)**	**369.9**	**(4,091.0)**	**(200.3)**	**(4,291.2)**
Attributable to equity holders of the parent	(4,460.9)	200.3	(4,260.6)	(200.3)	(4,460.9)
Attributable to non-controlling interests	-	169.6	169.6	-	169.6

	Year ended December 31, 2014				
	Flight transportation	**Smiles loyalty program**	**Combined information**	**Eliminations**	**Total consolidated**
	(in millions of *reais*)				
Net revenue					
Passenger	8,848.7	-	8,848.7	197.1	**9,045.8**

Cargo and other	939.8	-	939.8	(18.3)	**921.5**
Miles revenue	-	808.1	808.1	(709.2)	**98.9**
Costs	(8,147.2)	(430.9)	(8,578.2)	430,9	**(8,147.2)**
Gross profit	**1,641.4**	**377.1**	**2,018.5**	**(99.5)**	**1,919.0**

Operating expenses					
Sales and marketing	(898.6)	(65.1)	(963.7)	86.6	**(877.1)**
Administrative expenses	(570.9)	(35.1)	(606.1)	(0.7)	**(606.7)**
Other operating income, net	72.3	0.4	72.7	(0.4)	**72.3**
	(1,397.3)	**(99.8)**	**(1,497.1)**	**85.5**	**(1,411.6)**
Equity results	1.3	(3.8)	(2.5)	**-**	**(2.5)**
Finance results	(1,600.6)	143.0	(1,457.6)	-	(1,457.6)
Income (loss) before income taxes	**(1,355.2)**	**416.5**	**(938.7)**	**(14.0)**	**(952.7)**
Income taxes	(36.8)	(132.6)	(169.3)	4.7	(164.6)
Net income (loss)	**(1,392.0)**	**283.9**	**(1,108.1)**	**(9.2)**	**(1,117.3)**
Attributable to equity holders of the parent	(1,392.0)	155.1	(1,237.0)	(9.2)	(1,246.2)
Attributable to non-controlling interests	-	128.9	128.9	-	128.9

	Year ended December 31, 2013				
	Flight transportation	**Smiles loyalty program**	**Combined information**	**Eliminations**	**Total consolidated**
	(in millions of *reais*)				
Net revenue					
Passenger	8,077.7	-	8,077.7	44.4	8,122.2
Cargo and other	784.1	-	784.1	(11.0)	773.0
Miles revenue	-	573.3	573.3	(512.3)	61.0
Costs	(7,559.5)	(304.0)	(7,863.5)	387.1	(7,476.4)
Gross profit	**1,302.3**	**269.3**	**1,571.6**	**(91.8)**	**1,479.8**
Operating expenses					
Sales and marketing	(703.8)	(51.5)	(755.3)	29.8	(725.4)
Administrative expenses	(601.2)	(37.7)	(638.9)	33.8	(605.1)
Other operating income, net	116.7	-	116.7	-	116.7
	(1,188.3)	**(89.2)**	**(1,277.5)**	**63.6**	**(1,213.8)**
Finance results	(1,048.4)	129.3	(919.1)	-	(919.2)
Income (loss) before income taxes	**(934.4)**	**309.4**	**(625.0)**	**(28.2)**	**(653.2)**
Income taxes	20.6	(101.6)	(81.0)	9.6	(71.4)
Net income (loss)	**(913.8)**	**207.8**	**(706.0)**	**(18.6)**	**(724.6)**
Attributable to equity holders of the parent	(913.8)	135.9	(777.9)	(18.6)	(796.5)
Attributable to non-controlling interests	-	71.9	71.9	-	71.9

Flight Transportation Segment Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Operating revenue

Passenger revenue decreased by R$554.2 million, or 6.3%, from R$8,848.7 million in 2014 to R$8,294.5 million in 2015. This was primarily due to the lower number of passenger transported, as discussed above.

Cargo and other revenue increased by R$2.1 million, or 0.2%, from R$939.8 million in 2014 to R$941.9 million in 2015. This increase was primarily due to revenues generated by the "GOL+ Conforto" product in the domestic market and also a reflection of more focus on the cargo business.

Operating costs and expenses

Operating costs and expenses increased by R$252.9 million, or 2.6%, from R$9,544.5 million in 2014 to R$9,797.4 million in 2015, primarily due to the reasons discussed above.

Financial expense, net

Our net financial expense increased by R$1,801.4 million, or 112.5%, from R$1,600.6 million in 2014 to R$3,402.0 million in 2015, mainly as a result of losses from the net exchange variation as discussed above.

Income taxes

Income taxes expenses increased R$640.4 million from R$36.8 million in 2014 to an expense of R$677.2 million in 2015, mainly impacted by the write-off of deferred tax credits from net operating losses carryforward during 2015.

Net loss

As a result of the foregoing, our flight transportation segment had a net loss of R$4,460.9 million in 2015 as compared to a net loss of R$1,392.0 million in 2014.

Smiles Loyalty Program Segment Year December 31, 2015 Compared to Year December 31, 2014

In 2015, Smiles' members accumulated 44.4 billion miles, an increase of 4.7% over 2014. The increase is related to client engagement initiatives, consistently closer relationship with our commercial partners and relative market share gains.

In 2015, 39.2 billion miles were redeemed, an increase of 16.6% when compared to 2014, mainly due to the growth presented in the number of accumulated miles, partially offset by the decrease in the burn/earn ration of the program by 5.7 p.p. for the same period. The burn/earn ratio is the ratio between the number of miles redeemed and accumulated.

Operating revenue

Smiles' operating revenue are mainly derived from redemptions, which are recognized when customers exchange their miles for flight tickets, goods or services from Smiles' airline and commercial partners. Operating revenue also includes breakage, as result of miles which are expected to expire.

The following table sets forth Smiles' operating revenue for the periods indicated:

	Year Ended December 31,		
	2014	2015	Change %
	(in millions of *reais*, except percentages)		
Miles redemption revenue	540.7	823.4	52.3%
Money revenue (Smiles & Money)	263.2	349.0	32.6%

Breakage revenue	68.8	150.9	119.3%
Other revenue	17.9	20.9	16.8%
Taxes on revenue	(82.6)	(124.6)	50.8%
Total operating revenue	**808.1**	**1,219.5**	**50.9%**

Miles redemption revenue increased 52.3%, from R$540.7 million in 2014 to R$823.4 million in 2015. This increase resulted from significant miles redemption growth over the year, combined with higher participation of the new miles (accrued after January 1, 2013) compared to the total redeemed miles in the program (from 77.2% in 2014 to 91.9% in 2015).

Smiles and money revenue increased 32.6% from R$263.2 million in 2014 to R$349.0 million in 2015, mainly due to an increase in sales of the Smiles & Money product, which is a relatively new product, launched in 2013. A greater number of Smiles & Money options were made available to customers through the course of 2015.

Breakage revenue, derived from the expected expiration of miles, increased 119.3% from R$68.8 million in 2014 to R$150.9 million in 2015, as a result of the improvement in the breakage calculation and also as a result of the growth in the number of miles accumulated and redeemed by customers.

Other revenue remained stable from R$17.9 million in 2014 to R$20.9 million in 2015.

Operating costs and expenses

Operating costs and expenses increased by 51.4%, from R$530.7 million in 2014 to R$803.7 million in 2015, mainly due to the significant increase in redemptions costs, which increased 57.0% from R$430.9 million in 2014 to R$676.5 million in 2015, as a consequence of the robust growth of miles redeemed and redemption revenue.

Net financial income

Our net financial income decreased by 3.0%, from R$143.0 million in 2014 to R$138.7 million in 2015, primarily as a result of the decrease in average balance of advances to suppliers, which decreased the amount of discount recognized in financial income, partially offset by the decrease in interest expenses in 2015 related to the debentures issued in July 2014 and repaid in July 2015.

Income taxes

Income taxes expenses increased 34.8% from R$132.6 million in 2014 to R$178.7 million in 2015 mainly due to the increase in Smiles taxable income in 2015.

Net income

As a result of the foregoing, our Smiles loyalty program segment had a net income of R$369.9 million in 2015 as compared to R$283.9 million in 2014, representing an increase of 30.3%, or R$86.0 million.

Flight Transportation Segment Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Operating revenue

Passenger revenue increased by R$771.0 million, or 9.5%, from R$8,077.7 million in 2013 to R$8,848.7 million in 2014. This was primarily due to our increased load factor, as discussed above.

Cargo and other revenue increased by R$155.7 million, or 19.9%, from R$784.1 million in 2013 to R$939.8 million in 2014. This increase was primarily due to revenues generated by the “GOL+ Conforto” product in the domestic market and also a reflection of more focus on the cargo business.

Operating costs and expenses

Operating costs and expenses increased by R$796.7 million, or 9.1%, from R$8,747.8 million in 2013 to R$9,544.5 million in 2014, primarily due to the reasons discussed above.

Financial expense, net

Our net financial expense increased by R$552.2 million, or 52.7%, from R$1,048.4 million in 2013 to R$1,600.6 million in 2014, primarily as a result of losses from fuel hedges, totaling R$370.2 million.

Income taxes

Income taxes changed from a credit of R$20.6 million in 2013 to an expense of R$36.8 million in 2014, mainly due to the realization of deferred taxes on temporary differences and recognition of deferred tax assets up to the amounts considered recoverable.

Net loss

As a result of the foregoing, our flight transportation segment had a net loss of R$1,392.0 million in 2014 as compared to a net loss of R$913.8 million in 2013.

Smiles Loyalty Program Segment Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

In 2014, Smiles' members accumulated 41.7 billion miles, an increase of 7.4% over 2013. Considering only our commercial partners (excluding VRG), members accumulated 33.9 billion miles, representing an increase of 16.1% when compared to 2013. The increase is related to client engagement initiatives, consistently closer relationship with our commercial partners and increase in volume of credit cards transactions.

In 2014, 33.6 billion miles were redeemed, an increase of 9.4% when compared to 2013, mainly due to changes in the burn/earn ratio, which increased 1.4 p.p. as compared to 2013. The burn/earn ratio is the ratio between the number of miles redeemed and accumulated.

Operating revenue

Smiles' operating revenue are mainly derived from redemptions, which are recognized when customers exchange their miles for flight tickets, goods or services from Smiles' airline and commercial partners. Operating revenue is also composed of breakage, as result of miles which expired.

The following table sets forth the Smiles' operating revenue for the periods indicated:

	Year Ended December 31,		
	2013	**2014**	**Change %**
	(in millions of *reais*, except percentages)		
Miles redemption revenue	307.5	540.7	75.8%
Money revenue (Smiles & Money)	237.4	263.2	10.9%
Breakage revenue	74.3	68.8	(7.4)%
Other revenue	12.9	17.9	38.8%
Taxes on revenue	(58.8)	(82.6)	40.5%
Total operating revenue	**573.3**	**808.1**	**41.0%**

Miles redemption revenue increased 75.8%, from R$307.5 million in 2013 to R$540.7 million in 2014. This increase resulted from significant miles redemption growth over the year, combined with higher participation of the new miles (accrued after January 1, 2013) compared to the total redeemed miles in the program (from 47.6% in 2013 to 77.2% in 2014).

Smiles & Money revenue increased 10.9% from R$237.4 million in 2013 to R$263.2 million in 2014, mainly due to an increase in sales of the Smiles & Money product, which is a relatively new product, launched in 2013.

Breakage revenue, derived from the expected expiration of miles, decreased 7.4% from R$74.3 million in 2013 to R$68.8 million in 2014, as a result of the decrease in expected breakage rate.

Other revenue remained stable from R$12.9 million in 2013 to R$17.9 million in 2014.

Operating costs and expenses

Operating costs and expenses increased by 35.0%, from R$393.2 million in 2013 to R$530.8 million in 2014, mainly due to the significant increase in redemptions costs, which increased 41.7% from R$304.0 million in 2013 to R$430.9 million in 2014, as a consequence of the robust growth of miles redeemed.

Net financial income

Our net financial income increased by 10.7%, from R$129.3 million in 2013 to R$143.0 million in 2014, primarily as a result of the increase in income from discounts related to anticipated purchases of tickets from VRG under the terms of our agreement, partially offset by interest expenses of the debentures issued in July 2014 in the amount of R$600.0 million.

Income taxes

Income taxes expenses increased 30.5% from R$101.6 million in 2013 to R$132.6 million in 2014 mainly due to the 34.6% increase in income before income taxes.

Net income

As a result of the foregoing, our *Smiles* loyalty program segment had a net income of R$283.9 million in 2014 as compared to R$207.8 million in 2013, representing an increase of 36.6%, or R$76.1 million.

B. Liquidity and Capital Resources

Cash Flow Analysis

Operating Activities. Our strategy is to rely primarily on cash flows from operations to provide working capital for current and future operations. In 2015 we had a net cash used in the operating activities of R$599.5 million, compared a net cash generated by operating activities in 2014 and 2013 of R$1,129.2 million and R$403.9 million, respectively.

In 2015, cash from operating activities was negatively impacted by the exchange rate variation due to the Real depreciation of 47.0% and the decrease in the revenues and increase in the costs as a result of the slowdown in the macroeconomic activity.

In 2014, cash generated by operating activities was positively impacted principally by utilization of short-term investments in our working capital, and, to a lesser extent, our improved operating results.

In 2013, cash generated by operating activities was positively impacted by (i) R$396.6 million in advance ticket sales, which can be explained by an increase in our average yields and (ii) R$163.0 million related to our mileage program. These were partially offset by (i) the R$116.3 million decrease in cash deposits and (ii) the R$570.6 million decrease in financial investments.

Investing Activities. In 2015, 2014 and 2013, our net cash used in investing activities totaled R$1,259.2 million, R$431.6 million and R$318.9 million, respectively, as a result of the acquisition of property, plant and equipment, which were R$391.7 million, R$199.2 million and R$238.0 million in 2015, 2014 and 2013, respectively, primarily due to pre-delivery deposits for the acquisition of new Boeing 737 aircraft and the reduced level of new aircraft deliveries. We also had an increase in restricted cash in 2015 from R$77.1 million in 2014 to R$403.9 million in 2015.

Financing Activities. In 2015 and 2013, we had a net cash generated by financing activities of R$750.2 million and R$807.2 million, respectively, compared to a net cash used by financing activities of R$309.6 million in 2014

In 2015, the net cash generated by financing activities was mainly due to (i) the capital increase in the amount of R$461.3 million by our Controlling shareholder and Delta and (ii) an increase of R$316.0 million in issuances of new debts.

In 2014, the net cash used was mainly due to (i) the capital decrease by Smiles in the amount of R$456.1 million paid to its minority shareholders and (ii) R$255.9 million in payments of finance leases, which was partially offset by the issuance of debt, net of repayments, of R$355.2 million.

In 2013, net cash generated by financing activities totaled R$807.2 million and consisted primarily of: (i) a R$1,096.0 million capital increase related to Smiles' IPO; and (ii) R$404.0 million in funding operations closed during the year. These proceeds were partially offset by the R$676.6 million in aircraft lease and debt payments.

Liquidity

In managing our liquidity, we take into account our cash and cash equivalents, short-term investments and short and long-term restricted cash, as well as, our accounts receivable balances. Our accounts receivable balance is affected by the payment terms of our credit card receivables. Our customers can purchase seats on our flights using a credit card and pay in installments, typically creating a one, or two, month lag between the time that we pay our suppliers and expenses and the time that we receive payment for our services. When necessary, we obtain working capital loans, which can be secured by our receivables, to finance the sale-to-cash collection cycle.

Our cash position as of December 31, 2015 was equivalent to 23.5% of our trailing 12 months' operating revenue. We are also committed to having no significant financial debt maturities (excluding finance leases) coming due within any two-year horizon.

Due to the increase on political instability and negative economic scenario in Venezuela during the year ended December 31, 2015, we reassessed the amounts expected to be repatriated from the cash held in Venezuela of VEF 728.3 million, and concluded that its presents low expectation of repatriation under the currency rates previously established of CADIVI (VEF 6.30) and SICADI (VEF 11.50). Accordingly, we recognized losses based on the prevailing exchange rate on the market (SIMADI) of VEF 200 per US$1.00. As a result of this devaluation, the cash balance recorded in Venezuela as of December 31, 2015 was R$14.3 million.

The following table sets forth certain key liquidity data at the dates indicated:

	At December 31,	
	2014	**2015**
	(in millions of *reais*)	
Real denominated	**1,890.1**	**1,733.0**
Cash and cash equivalents, short-term investments and short and long-term restricted cash	1,572.9	1,327.5
Short-term receivables	317.2	405.5
Foreign exchange denominated	**1,445.5**	**1,652.9**
Cash and cash equivalents and short-term investments	954.2	972.0
Short-term receivables	35.1	57.1
Advances for acquisition of aircraft	456.2	623.8
Total	**3,335.6**	**3,385.9**

As of December 31, 2015, cash and cash equivalents, short-term investments and short and long-term restricted cash totaled R$2,299.5 million, consisting of R$1,072.3 million in cash and cash equivalents, R$491.7 million in short-term investments and R$735.4 million in restricted cash.

As of December 31, 2015, we had R$623.8 million deposited with Boeing as advances for aircraft acquisitions, an increase of 36.7% as compared to December 31, 2014, mainly due to the higher number of new aircraft to be delivered by Boeing under the terms of our fleet plan for the next 24 months, as previously planned.

Indebtedness

The following table sets forth our loans and financings at December 31, 2015 and 2014:

	At December 31,	
	2014	2015
	(in millions of *reais*)	
Loans and financing	3,469.4	5,463.3
Aircraft finance lease	2,224.7	2,994.1
Interest accrued	65.6	148.5
Perpetual bonds	475.5	699.0
Total loans and financing	**6,235.2**	**9,304.9**

As of December 31, 2015, our total debt was R$9,304.9 million, with an average term of 4.0 years (excluding aircraft financial leasing and perpetual notes) and an average interest rate of 18.3% for obligations in local currency and of 7.4% for U.S. dollar-denominated obligations. Our loans and financing were negatively affected by the period end depreciation of the *real* against the U.S. dollar of 47.0% between 2014 and 2015.

Loans and Financing

The following tables sets forth our short-term and long-term loans as of December 31, 2014 and 2015:

	At December 31,	
	2014	2015
Short-Term Debt	(in millions of *reais*)	
Local currency	**544.1**	**299.9**
Safra	16.4	33.6
Safra - Working capital	-	116.0
BNDES- loan	3.1	3.1
Debentures IV	167.0	-
Debentures VI	-	125.2
Debentures Smiles	347.5	-
Interest	10.2	22.0
Foreign currency (U.S. Dollars)	**566.7**	**1,096.7**
JP Morgan	54.2	72.1
Engine facility (Cacib)	14.0	20.9
FINIMP[(1)]	117.6	389.3
Finance lease	325.3	487.9
Interest	55.5	126.5
Total Short-Term Debt	**1,110.7**	**1,396.6**

Long-Term Debt		
Local Currency	**1,021.2**	**977.0**
BNDES loan[(3)]	4.9	1.8
Safra	82.6	49.6
Debentures IV	443.1	-
Debentures V	490.6	-
Debentures VI	-	925.6
Foreign currency (U.S. Dollars)	**4,103.3**	**6,931.3**
JP Morgan	13.6	64.7
Senior Notes	1,556.5	2,319.9
Term Loan	-	1,128.8
Engine facility (Cacib)	158.4	212.8
Perpetual bonds	475.5	699.0
Finance lease	1,899.4	2,506.2
Total long-term debt	**5,124.5**	**7,908.3**
Total loans and financing	**6,235.2**	**9,304.9**

_____

(1) Credit line with Banco de Desenvolvimento de Minas Gerais (Minas Gerais State Development Bank) used to finance the development of our Confins maintenance center.

(2) Credit line with Banco do Brasil used to finance import of rotables parts.

(3) Credit line with Banco Nacional de Desenvolvimento Econômico e Social (the Brazilian Development Bank), or BNDES, used to finance the development of our Confins maintenance center.

On August 31, 2015, we entered into a 6.5% 5-year senior unsecured term loan in the amount of US$300 million. See “Item 4. Information on the Company—Term Loan Guaranteed by Delta.” In this context, we pledged to Delta our common shares in Smiles. The measurement of the collateral is done by comparing the market value of the Smiles shares with the related debt outstanding under the facility. If the debt exceeds the market value, we are required to provide additional collateral in the form of Smiles shares. On December 31, 2015, due to the volatility of the market value of the Smiles shares, the requirement for additional collateral with Delta was R$48.8 million.

On September 23, 2015, we issued debentures in a total amount of R$1.05 billion. The debentures bear interest equivalent to 132% of the CDI rate, have 4 annual amortization payments and mature on September 29, 2019. The proceeds from these debentures were used to prepay the Debentures IV and V issuances.

Aircraft Finance Leases

The following table sets forth our aircraft finance lease as of December 31, 2014 and 2015:

	As of December 31,	
	2014	**2015**
Short-Term Debt (Foreign Currency - U.S. Dollars)	**(in millions of *reais*)**	
Finance lease	325.3	487.9

Long-Term Debt (Foreign Currency - U.S. Dollars)		
Finance lease	1,899.4	2,506.2
Total Aircraft Finance Lease	**2,224.7**	**2,994.1**

On December 31, 2015, aircraft finance lease totaled R$2,994.1 million, including aircraft finance lease paid in monthly installments with funds generated from our operations. Financial expenses related thereto are booked as financial expenses in the statement of operations.

Total short-term debt at December 31, 2015 totaled R$1,396.6 million consisting of aircraft finance lease of R$487.9 million, interest of R$148.5 million and loans of R$760.2 million. Long-term debt totaled R$7,908.3 million, consisting of aircraft finance leases of R$2,506.2 million, perpetual bonds of R$699.0 million and loans of R$4,703.1 million.

The following table sets forth the maturities and interest rates of our indebtedness:

	Maturity	Contractual Interest p.a.	Currency
BNDES	jul/17	TJLP + 1.40%	*Real*
Debentures VI	sep/19	132.0% of CDI	*Real*
Debentures Smiles	jul/15	115.0% of CDI	*Real*
Safra	may/18	128.0% of CDI	*Real*
Finimp	nov/15	3.52%	U.S. dollar
J.P. Morgan (IV)	mar/18	0.90%	U.S. dollar
Engine Facility	jun/21	Libor 3M + 2.25%	U.S. dollar
Term Loan	aug/20	6.50%	U.S. dollar
Senior Notes 2017	apr/17	7.50%	U.S. dollar
Senior Notes 2020	jul/20	9.25%	U.S. dollar
Senior Notes 2022	jan/22	8.875%	U.S. dollar
Senior Notes 2023	feb/23	10.75%	U.S. dollar
Perpetual Bonds	n/a	8.75%	U.S. dollar

The following table sets forth our payment schedule, in millions of *reais*, for our loans and financings (excluding aircraft financings):

	2017	2018	2019	2020	There after	Without maturity	Total
***Real* Denominated**	**185.1**	**416.2**	**375.6**	**-**	**-**	**-**	**977.0**
BNDES	1.8	-	-	-	-	-	**1.8**
Safra	33.3	16.2	-	-	-	-	**49.6**
Debentures VI	150.0	400.0	375.6	-	-	-	**925.6**
U.S. Dollar Denominated	**396.1**	**32.9**	**20.9**	**1,767.0**	**1,509.3**	**699.0**	**4,425.1**
J.P. Morgan	52.8	12.0	-	-	-	-	**64.7**
Engine Facility	20.9	20.9	20.9	20.9	129.2	-	**212.8**
Senior Notes 2017	322.4	-	-	-	-	-	**322.4**
Senior Notes 2020	-	-	-	617.4	-	-	**617.4**
Senior Notes 2022	-	-	-	-	128.2	-	**128.2**
Senior Notes 2023	-	-	-	-	1,251.9	-	**1,251.9**
Perpetual Bonds	-	-	-	-	-	699.0	**699.0**
Term Loan	-	-	-	1,128.8	-	-	**1,128.8**
Total*	**581.2**	**449.1**	**396.5**	**1,767.0**	**1,509.3**	**699.0**	**5,402.1**

* excludes interest and finance leases.

For further information on our financing activities, see Note 16 to our consolidated financial statements included elsewhere herein.

Covenant Compliance

Our long-term financings contain customary covenants and our Debentures VI and Term Loan have restrictions that require us to comply with specific debt liquidity and interest expense coverage ratios.

On December 31, 2015, the Debentures VI and Term Loan had the following restrictive covenants: (i) net debt/EBITDA below 7.76 times and (ii) debt coverage ratio (ICD) of at least 1.56 times. The first mandatory measurement of these ratios will occur on June 30, 2016.

Other Financing Sources and Measures

We did not declare dividends for the fiscal years ended December 31, 2015, 2014 and 2013.

On February 19, 2014, we entered into an exclusive long term strategic partnership for commercial cooperation with Air France-KLM. Under this agreement, Air France-KLM has made a US$33 million payment and has committed to make additional payments of US$15 million for the purpose of enhancing our codesharing, connectivity and joint sale activities as well as other benefits for our customers, including the integration and improvement of products and services for our frequent flyer programs. As part of this agreement, Air France-KLM also invested US$52 million in the acquisition of a number of our newly issued preferred shares, equivalent to 1.5% of our capital stock, at an issuance price equivalent to US$12.23 per share. The agreement further provides for the creation of an alliance committee, comprised of at least one representative of Air France-KLM, at least two members of our board of directors and at least one representative of Delta, to coordinate efforts to improve the benefits of these partnerships.

On March 23, 2015 our shareholders approved certain amendments to our by-laws that increased our equity financing capacity. Prior to the amendments above mentioned, we were unable to issue additional preferred shares without simultaneously issuing common shares due to legal and regulatory restrictions. The amendments represent a long-term structural solution to improve our capacity to raise equity capital. The amendments, especially the common stock split, will enable us to issue new preferred shares without issuing common shares, thereby allowing it to finance its operations more effectively. Consequently, we will not depend on the controlling shareholder to raise equity capital. Please see “Item 9. The Offer and Listing–C. Markets–Corporate Governance Practices” for further details.

On September 04, 2015, in connection with our strategic agreement with Delta, we increased our capital by R$461.3 million. This capital increase was equivalent to the issuance of 64,065,611 preferred shares at an issuance price of R$7.20 per share. See “Item 4. Information on the Companyâ€”Equity Investment.”

Capital Resources

We typically finance our leased aircraft through operating and finance leases. Although we believe that debt or operating lease financings should be available for our future aircraft deliveries, we cannot assure you that we will be able to secure financings on terms attractive to us, if at all. To the extent we cannot secure financing, we may be required to modify our aircraft acquisition plans or incur higher than anticipated financing costs. We expect to continue to require working capital investment due to the use of credit card installment payments by our customers. We expect to meet our operating obligations as they become due through available cash and internally generated funds, supplemented as necessary by short-term credit lines.

Our plans contemplate operating 125 aircraft by the end of 2016. As of December 31, 2015, we had 124 outstanding firm purchase orders with Boeing for 737-800 Next Generation and MAX aircraft.

As of December 31, 2015, committed expenditures for these aircraft, based on aircraft list price and including estimated amounts for contractual price escalations and pre-delivery deposits, are US$342.6 million in 2016, zero in 2017, US$548.4 million in 2018, US$895.3 million in 2019 and US$13,294.2 million beyond 2018. The firm aircraft orders are a significant financial commitment.

We expect to meet our pre-delivery deposits by using long term loans from private financial institutions guaranteed by first tier financial institutions and capital markets financing such as long term and perpetual bonds.

Pending the application of the proceeds from financing activities, we have invested these proceeds in overnight deposits and deposit certificates with highly-rated Brazilian banks and short-term investments, mainly highly-rated Brazilian government bonds.

Another important factor that impacted the terms of our financings in recent years is the Sector Understanding on Export Credits for Civil Aircraft, or the ASU. In 2010, the Ex-Im Bank agreed on a common approach with European export-credit agencies on offering export credits for commercial aircraft. Among other things, the ASU sets forth minimum guarantee premium rates applicable to aircraft delivered on or after January 1, 2013, or under firm contracts entered into after December 31, 2010 and also changes the maximum amount that may be financed.

In light of our current credit ratings and the introduction of the ASU, our minimum guaranty premium rate applicable to aircraft delivered on or after January 1, 2013 increased substantially. As a consequence, finance leases have become significantly more expensive and we have therefore entered nearly exclusively into operating leases since 2012.

Recent Accounting Pronouncements

As of the date of our consolidated financial statements included elsewhere in this annual report we had adopted all new and revised standards and interpretations without any material impact on us.

The standards and interpretations issued, but not yet effective to the financial statements included herein, are being evaluated by us, such as IFRS 9 – Financial Instruments, IFRS 15 – Revenue from Contracts with Customers and IFRS 16 - Leases. See Note 2.2 to our financial statements included elsewhere in this annual report.

C. Research and Development, Patents and Licenses, etc.

We believe that the Gol brand has become synonymous with innovation and value in the Brazilian airline industry. We have filed requests for registration of the trademarks "GOL" and "GOL LINHAS AÉREAS INTELIGENTES," with trademark offices in Brazil and in other countries, and have already been granted final registration of these trademarks in, for example: Argentina, Aruba, Bolivia, Chile, Colombia, Dominican Republic, the European Union, the United States, Paraguay and Uruguay.

D. Trend Information

For 2016, we revised the profile of our route network to focus on more profitable routes and expect to reduce by year-end the number of take-offs and seats by between 15% and 18% and the number of ASKs by between 5% and 8%. As a result of the change in network profile, we suspended flights to eight destinations and expect to reduce our fleet by approximately 15% by year-end.

For the industry, we expect a mid-single digit decline in the domestic market seat supply, due to the macroeconomic scenario in Brazil measured by GDP which is expected to contract 3.7%, according to the Focus Report published by the Brazilian Central Bank on April 1, 2016.

E. Off-Balance Sheet Arrangements

None of our 98 operational aircraft recognized as operating lease obligations is reflected on our balance sheet. At December 31, 2015, we had 46 aircraft recognized as finance leases on our balance sheet. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft; however, we have not made any residual value or other guarantees to our lessors.

F. Tabular Disclosure of Contractual Obligations

Our main non-cancelable contractual obligations as of December 31, 2015 included the following:

	Total	2016	2017	2018	2019	2020	Thereafter	Without Maturity
				(in millions of *reais*)				
Non-derivative financial instruments								
Operating leases	7,749.0	1,270.3	1,127.8	1,001.2	904.6	854.7	2,590.5	-
Finance leases[(1)]	3,392.5	629.5	559.7	550.4	460.8	328.5	863.6	-
Long-term debt	6,310.9	908.7	581.2	449.1	396.5	1,767.1	1,509.3	699.0
Total non-derivative financial instruments	**17,452.5**	**2,808.4**	**2,268.7**	**2,000.7**	**1,761.9**	**2,950.3**	**4,963.4**	**699.0**
Total finance leases interest	(398.4)	(141.5)	(91.7)	(68.8)	(47.8)	(32.1)	(16.5)	-
Total non-derivative financial instruments excluding total finance leases interest	**17,054.1**	**2,666.9**	**2,177.1**	**1,931.9**	**1,714.1**	**2,918.2**	**4,946.9**	**699.0**
Derivative financial instruments								
Fuel derivative	-	-	-	-	-	-	-	-
Foreign exchange derivative	-	-	-	-	-	-	-	-
Interest rate swaps	141.4	14.4	107.3	19.7	-	-	-	-
Total derivative financial instruments	**141.4**	**14.4**	**107.3**	**19.7**	**-**	-	-	-
Aircraft commitments								
Pre-delivery deposits	7,380.5	6.7	343.7	579.3	789.5	1,001.0	4,660.4	-
Aircraft purchase commitments	58,886.5	1,337.8	-	2,141.5	3,495.9	5,357.0	46,554.3	-
Total aircraft commitments	**66,267.0**	**1,344.4**	**343.7**	**2,720.8**	**4,285.4**	**6,358.0**	**51,214.7**	**-**
Total	**83,462.4**	**4,025.7**	**2,628.0**	**4,672.4**	**5,999.5**	**9,276.2**	**56,161.5**	**699.0**

_____

(1) Includes finance leaser interest.

In connection with the initiatives discussed under “Item 4. Information on the Company–B. Business Overview–Recent Developments,” we expect some of the amounts above to change in connection with certain measures we intend to implement to reverse recent negative trends.

ITEM 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Under our by-laws, we are managed by our *Conselho de Administração*, or board of directors, which is composed of at least five members and at most ten members, and our *Diretoria*, or board of executive officers, which is composed

of at least two and at most seven members. According to the Differentiated Corporate Governance Practices Level 2 introduced by BM&FBOVESPA, at least 20% of the members of our board of directors shall be "independent directors," as defined by the BM&FBOVESPA.

Our management and board of directors is supported and advised by a number of committees which comprise highly specialized and qualified individuals. These committees actively participate in the strategic and other key decisions of our management and we believe they add substantial value to our business. We currently have the following Committees and Sub Committees: i) People Management and Corporate Governance Committee; ii) Financial Policy Committee; iii) Accounting and Tax Policies and Financial Statements Sub Committee; iv) Risk Policies Committee; v) Alliances Committee and vi) Audit Committee. The Audit Committee is a permanent advisory body to the Board of Directors and has the responsibilities set under CVM Rule no. 308/99, as amended. A permanent Governance Committee shall be installed if the controlling shareholder holds an economic interest in our company equal to or less than 35%.

We are committed to achieving and maintaining high standards of corporate governance. In working towards this goal, we have established a committee to monitor and make recommendations with respect to corporate governance "best practices" to our board of directors. In addition, in connection with listing as a Level 2 company on the BM&FBOVESPA, we agreed with the BM&FBOVESPA to grant certain additional rights not required of Level 2 companies to our shareholders, such as tag-along rights offering our preferred shareholders 35 times the price paid per common share of controlling block shareholders. We conduct our business with a view towards transparency and the equal treatment of all of our shareholders. We have implemented policies to help to ensure that all material information that our shareholders require to make informed investment decisions is made available to the public promptly and that we at all times accurately reflect the state of our operations and financial position through press releases, filings with the SEC and Brazilian Securities Commission ("CVM"), and by keeping the investor relations section of our website current and complete. We have also adopted formal policies that restrict trading in our preferred shares by company insiders.

In addition, according to the Level 2 practices, the company shall require all new members of the board of directors, board of executive officers and fiscal board to sign a statement of consent in which they undertake to comply with the regulations of the Differentiated Corporate Governance Practices Level 2. Also, the members of the board of directors, board of executive officers and fiscal board must sign a statement of consent in which they undertake to refer to arbitration under the auspices of the BM&FBOVESPA Arbitration Chamber, including any disputes and/or controversies arising out of the application of the listing rules of the Differentiated Corporate Governance Practices Level 2, the listing agreement with BM&FBOVESPA, the regulations of the BM&FBOVESPA, the provisions of the Brazilian corporation law, guidelines issued by the Brazilian authorities and the other rules applicable to the capital markets in general, involving the company, the shareholders, the managers and the members of the fiscal board.

Board of directors

Our board of directors is dedicated to providing our overall strategic guidelines and, among other things, is responsible for establishing our general business policies and for electing our executive officers and supervising their management. Currently, our board of directors is comprised of 8 members, 3 of whom qualify as independent based upon New York Stock Exchange criteria. The board of directors meets an average of 5 times per year or whenever requested by the chairman or three members of our board of directors.

Under the Brazilian corporation law, each director must be elected by the holders of our common shares at the *Assembleia Geral Ordinária*, or the annual general meeting of shareholders. There are no provisions in our by-laws restricting (i) a director's power to vote on a proposal, arrangement or contract in which such director is materially interested, or (ii) the borrowing powers exercisable by our directors from us. However, under the Brazilian corporation law, a director is prohibited from voting on any matter in which such director has a conflict of interest with our company.

Additionally, under the Brazilian corporation law, shareholders of publicly traded companies, such as we are, who together hold non-voting or voting-right restricted preferred shares representing at least 10% of our total share capital for at least three months are entitled to appoint one member of our board of directors.

Under our by-laws, the members of the board of directors are elected by the holders of our common shares at the annual general meeting of shareholders. Recent amendments to our by-laws estipulate that if the controlling shareholder at any time holds an economic interest in our company equal to or less than 35% and greater than 15%, at least 40% of the directors shall be independent and the preferred shareholders shall have the right to elect one of the independent directors. Also, if the controlling shareholder at any time holds an economic interest in our company equal to or less than 15% and greater than 7.5%, at least 50% of the directors shall be independent and the preferred

shareholders shall have the right to elect two of the independent directors. If the controlling shareholder at any time holds an economic interest in our company equal to or less than 7.5%, at least 60% of the directors shall be independent and the preferred shareholders shall have the right to elect two of the independent directors.

Members of our board of directors serve simultaneous one-year terms and may be re-elected. The term of our current directors expires at the end of April 2016. Our by-laws do not provide for a mandatory retirement age for our directors.

The following table sets forth the name, age and position of each member of our board of directors. A brief biographical description of each member of our board of directors follows the table.

Name	Age	Position
Constantino de Oliveira Junior	47	Chairman
Henrique Constantino	44	Vice-Chairman
Antonio Kandir*	62	Director
Joaquim Constantino Neto	51	Director
Luiz Kaufmann*	70	Director
Edward H. Bastian	58	Director
Ricardo Constantino	53	Director
Richard F. Lark*	49	Director

_____

* Denotes an independent director

Constantino de Oliveira Junior has been a member of Gol's board of directors since we were founded in 2001 and is currently the chairman of the board of directors. He was also Gol's chief executive officer from 2001 to 2012. Mr. Constantino de Oliveira Junior introduced the "low-cost, low-fare" concept to the Brazilian airline industry and was named "Most Valuable Executive" by the Brazilian newspaper *Valor Econômico* in 2001 and 2002. He was also elected the leading executive in the logistics sector by the readers of *Gazeta Mercantil*, a Brazilian financial newspaper, in 2003, and in 2008, was named a "Distinguished Executive" in the Air Transportation category at the Latin American Aeronautics Gallery, or GALA, awards, sponsored by IATA. From 1994 to 2000, he served as a director of a passenger land transportation company. Mr. de Oliveira studied Business Administration at the *Universidade do Distrito Federal* and attended the Executive Program on Corporate Management for Brazil conducted by the Association for Overseas Technical Scholarships. In addition to being on the board of the directors, he is a member of our People Management and Corporate Governance Committee, Financial Policy Committee, Risk Policies Committee and Alliances Committee.

Henrique Constantino has been a member of our board of directors since March 2004 and became our vice-chairman of the board in June 2010. He helped found Gol and served as its chief financial officer from January 2001 to March 2003, when he became a member of the board. Mr. Henrique Constantino is also a member of the board of directors of Providência S.A. and BR Vias S.A. Mr. Constantino has a law degree from *CEUB—Centro de Ensino Unificado de Brasília* and has a post-graduate degree in Business Administration from *EAESP—FGV (Fundação Getúlio Vargas—São Paulo)*. Mr. Henrique Constantino is also a member of People Management and Corporate Governance Committee and Alliances Committee.

Antonio Kandir has been a member of our board of directors since August 2004. Mr. Kandir is an economic consultant. In the last ten years, Mr. Kandir has participated in Board of Directors and have managed several investments funds. Currently, Mr. Kandir is a member of the Board of Directors of AEGEA, Marisol, FCC Group and CSU. Mr. Kandir served in the Brazilian government as a Federal Lower House Representative for two terms of office, during which he served as Planning and Budget Minister and Secretary of Economic Policy and President of

the Privatization Council. He has a bachelor degree in production engineering from the *Escola Politécnica* at *Universidade de São Paulo* and bachelors, masters and doctoral (PhD) degrees in Economics from *Universidade Estadual de Campinas*. Mr. Kandir is an independent member of our board of directors under the requirements of the SEC and NYSE listing standards and is a member of our audit committee. Mr. Kandir is also a member of our People Management and Corporate Governance Committee.

Joaquim Constantino Neto has been a member of our board of directors since March 2004. He has been the chief operations officer of the Comporte group since 1994. From 1984 to 1990, he was in charge of operations of Empresas Reunidas Paulista de Transportes Ltda. Since 1990, he has served as the president of Breda Serviços, a bus transportation company. He is also a member of the Board of Directors of CMP Participações, a company that manages 2,000 buses in São Paulo and Paraná.

Luiz Kaufmann has been a member of our board of directors since December 2004. Mr. Kaufmann is the Managing Partner of L. Kaufmann Consultores Associados, CEO of El Tejar and member of the Board of Directors of PACCAR Inc. in the USA. Mr. Kaufmann is a member of the Advisory Board of Endeless Mobile and Nubank. Mr. Kaufmann has presided over several companies, such as Aracruz Celulose S.A., Medial Saúde, Kroton Educacional, Petropar, Grupo Multiplic, Arthur D. Little, and was a partner at GP Investimentos. He was a member of several companies' board of directors, including Pioneer Hi-Bred International, América Latina Logística and Lojas Americanas. He was a member of the Global Corporate Governance Advisory board, which consisted of 20 internationally renowned business leaders from 16 different countries and was established to enhance knowledge of the roles and responsibilities of boards of directors of international companies. Mr. Kaufmann is an independent member of our board of directors under the requirements of the SEC and NYSE listing standards. He is a member of our Risk Policies Committee, Financial Policy Committee and Audit Committee and is our audit committee financial expert as defined by the current SEC rules.

Edward H. Bastian has been a member of our board of directors since April 2012. Mr. Bastian was appointed pursuant to our partnership agreement with Delta Air Lines, Inc., or Delta. He has been President of Delta since 2007 and previously held the positions of vice chief executive officer and controller in 1998 and chief financial officer in 2005. Since February 2010, Mr. Bastian has also been a member of Delta's board of directors. He is also a member of the Boards of Directors of Aeromexico and Virgin Atlantic Airways. Between 2008 and 2009, Mr. Bastian was the chief executive officer of Northwest Airlines. Mr. Bastian also worked for PepsiCo and Frito-Lay and was partner at PricewaterhouseCoopers in New York. Mr. Bastian is also a member of the board of directors of Habitat for Humanity and Woodtruff Arts Center, both based in Atlanta. Mr. Bastian holds a bachelor's degree in business administration from St. Bonaventure University, class of 1979. He is also a member of our Alliances Committee.

Ricardo Constantino has been a member of our board of directors since March 2004. Additionally, he has been the chief technical and maintenance officer of the Comporte group since 1994. He is also a member of the board of directors of BRVias S.A., Valmari Desmocosméticos and Global Aviation S.A. He is the chief officer of Agrodiesel S.A., a company that provides supplies to all of Comporte Group.

Richard F. Lark has been a member of our board of directors since June 2008. Mr. Lark served as our executive vice president, chief financial and investor relations officer from April 2003 to June 2008. He is the founder and managing partner of Endurance Capital Partners, a private equity management firm (member of Anbima and ABVCAP). From 2000 to 2003, Mr. Lark served as chief financial officer of Americanas.com, one of the leading Brazilian e-commerce companies. Prior to joining Americanas.com, Mr. Lark was an executive in the investment banking divisions of Morgan Stanley & Co., Citicorp and The First Boston Corporation. Mr. Lark is a member of the board of the Kellogg Institute for International Studies and Associação Vida Jovem, and served as president of the American Society of São Paulo. Mr. Lark holds a Master in Business Administration degree from the UCLA Anderson School of Management and bachelor degrees in finance and business economics and philosophy from the University of Notre Dame. He is a Portfolio Manager authorized by the CVM and an associate of the Brazilian Institute of Corporate Governance (IBGC). Mr. Lark is a member of our Financial Policy Committee, Risk Policies Committee and Audit Committee. Mr. Lark is an independent member of our board of directors under the requirements of the SEC and NYSE listing standards.

Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino are brothers. Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino control our major shareholder, Fundo de Investimento em Participações Volluto, on an equal basis.

Executive Officers

Our executive officers have significant experience in the domestic and international passenger transportation industries, and we have been able to draw upon this extensive experience to develop our low-cost operating structure. The executive officers are responsible for our day-to-day management. The executive officers have individual responsibilities established in our by-laws and by our board of directors. The business address of each of our executive officers is the address of our principal executive office.

Under our by-laws, we must have at least two and at most seven executive officers that are elected by the board of directors for a one-year term. Any executive officer may be removed by the board of directors before the expiration of his term. The current term of all our executive officers ends in February 2017.

The following table sets forth the name, age and position of each of our executive officers. A brief biographical description of each of our executive officers follows the table.

Name	Age	Position
Paulo Sergio Kakinoff	41	President and Chief Executive Officer
Edmar Prado Lopes Neto	51	Investor Relations Officer and Chief Financial Officer
Eduardo José Bernardes Neto	42	Vice-President and Chief Commercial Officer
Celso Guimarães Ferrer Junior	33	Vice-President and Chief Planning Officer
Sergio Quito	62	Vice-President and Chief Operations Officer

Paulo Sergio Kakinoff is currently our president and chief executive officer and was a member of our board of directors from 2010 to 2012. Mr. Kakinoff took office as our Chief Executive Officer on July 2, 2012. Prior to that, he served as an independent member of our Board of Directors from January 2010 to June 2012. He held the position of CEO at Audi Brazil until June 2012, having served in the auto industry for 18 years as the Sales & Marketing Officer at Volkswagen Brasil and as the Executive Officer for South America at the Volkswagen Group's head offices in Germany. He is a member of our People Management and Corporate Governance, Risk Policies, and Financial Policy Committees. Mr. Kakinoff also served as the Vice President of the Brazilian Association of Importers of Motor Vehicles (ABEIVA) and was a member of the Board of Directors of Volkswagen Participações until June 2012. He holds a bachelor's degree in Business Administration from Mackenzie University, in São Paulo.

Edmar Prado Lopes Neto has been our officer since July 2012. In 2013, Mr. Lopes Neto also became our Chief Financial Officer. Mr. Lopes Neto has been in our company since 2011, when he joined as a capital markets officer. Mr. Lopes Neto worked at Organizações Globo for 13 years, having served as Net Serviços de Comunicação S.A.'s treasury officer from 1998 to 2005 and as the Roberto Marinho Foundation's planning manager. Mr. Lopes Neto is a member of our Financial Policies Committee and the Accounting and Tax Policies and Financial Statements Subcommittee. With more than 25 years of experience in the financial sector, Mr. Lopes Neto has worked for both national and multinational companies and graduated in civil engineering from the *Universidade Federal do Rio de Janeiro*. Mr. Lopes Neto is Chairman of the board of directors of the Brazilian Investors Relations Institution (*Instituto Brasileiro de Relações com Investidores*), or IBRI.

Eduardo José Bernardes Neto has been our commercial officer since February 2015. He took over the position of Vice-President Officer of our company on February 03, 2015. Mr. Bernardes joined our company in February 2001 as an account manager in our commercial area, and since 2007, has occupied the position of commercial officer. Mr. Bernardes has a degree in Business Administration from *Faculdade Ibero-Americana* with a focus in foreign trade. Mr. Bernardes is also a member of the board of directors of UATP. Mr. Bernardes coordinated the opening of several of our national and international facilities.

Celso Guimarães Ferrer Junior has been our planning executive officer since February 2015 and is responsible for our profitability (yield management), network planning and aeronautical asset management departments as well as for the coordination of our strategic planning and aeronautical assets areas. Mr. Ferrer is also a pilot of Boeing 737-700 and Boeing 737-800 Next Generation aircraft. Mr. Ferrer has a degree in Economics from *the Universidade de São Paulo* and in international relations from the *Pontifícia Universidade Católica de São Paulo*.

Sérgio Quito has been our Operations Executive Officer since February 2016, responsible for operations, maintenance, airports and operational safety. He leads teams of over 13,000 employees dedicated to the achievement and maintenance of high levels of operational quality and safety. He has over 40 years of experience in the airline industry, having worked for companies including VARIG, Lider, VASP and Pão de Açúcar and worked for 11 years as a Boeing 737-800 NG pilot and executive at GOL. He has worked in quality and operational safety, leading projects such as IOSA certification and the implementation of SGSO. He holds a degree in International Relations from the *Catholic University of São Paulo* (PUC-SP), and is also an Operational Security Agent certified by CENIPA – the Research Centre of Aeronautical Accidents of the Brazilian Air Force. Mr. Quito also serves as Vice Chairman of the Operations and Safety Committee of IATA (Safety and Operations Committee - SFO), with a term terminating in July 2017.

Other Key Executives

In addition to our statutory executive officers, the following key executives are also responsible for our day-to-day management. These executive officers are appointed by our chief executive officer and have no term of office.

Name	Age	Position
Alberto Fajerman	71	Institutional Relations Officer

Alberto Fajerman has been our institutional relations officer since February 2014 and is responsible for our Corporate Communications, Alliances and Sustainability departments. Mr. Fajerman joined us in 2008, after 38 years at Varig and TAM, where he occupied several different positions, including vice president of planning. Mr. Fajerman has a degree in mechanical engineering from the *Universidade Federal do Rio de Janeiro* and holds a master degree in air transport from the Cranfield Institute of Technology.

B. Compensation

Under our by-laws, our shareholders are responsible for establishing the aggregate amount we pay to the members of our board of directors and our executive officers. Once our shareholders establish an aggregate amount of compensation for our board of directors and executive officers, the members of our board of directors are then responsible for setting individual compensation levels in compliance with our by-laws.

For the year ended December 31, 2015, the aggregate compensation, including cash and benefits-in-kind but excluding stock options, that we paid to the members of our board of directors and executive officers was R$8.8 million.

Stock Option Plan and Restricted Share Plan

Our stock option plan was approved by our shareholders on December 9, 2004 and amended on April 30, 2010 and October 19, 2012. On October 19, 2012 our shareholders also approved a restricted share plan. Both plans are valid for 10 years. The plans aim to encourage management and employees to contribute to our success. The plans are managed by both our People Management and Corporate Governance Committee and our board of directors.

Participants in the plans are selected by the People Management and Corporate Governance Committee, provided that they have been either president or vice-president, eligible for both plans, directors, eligible for the stock option plan, or other selected employees, eligible for the restricted share plan. Both the stock option plan and the restricted shares awarded relate only to our preferred shares. The number of outstanding options granted and restricted shares combined may not, at any time, exceed 5% of our shares. The People Management and Corporate Governance Committee establishes each year the strike price of the options to be granted, which must be equal to the average price of the preferred shares recorded in the last 60 trading sessions prior to the granting date.

The vesting period of the stock options is five years for the options granted until 2009, vesting 20% each year, and three years for the options granted since 2010, vesting 20% in the first year, 30% in the second year and 50% in the third year. Restricted shares awarded vest after three years.

In case of termination of our legal relationship with the option holder, with or without cause (except in the case of permanent disability or death) all options that have been granted to the participant, and which were not yet exercisable, automatically expire. Options already vested on the termination date may be exercised within 90 days, in

case of termination without cause, or on the termination date, in case of termination with cause or at the beneficiary's request.

In case of termination of our legal relationship with the restricted share award beneficiary without cause (except in the case of permanent disability or death), restricted shares awarded and not yet unrestricted, vest proportionally to the number of months elapsed since the award date, and, in case of termination with cause or at the beneficiary's request, all restricted shares awarded and not yet vested automatically expire.

We have granted 3,386,270 stock options in the last three years, which represented 0.1% of our total shares or 1.7% of our preferred shares, as of December 31, 2015. Of these options, 2,722,313 are currently outstanding. During the last three years, 211,489 stock options were exercised between 2013 and 2015.

We currently have 5,359,460 stock options outstanding, which represented 1.5% economic interest in our company as of December 31, 2015. See below a description of our stock options granted.

Year of the grant	Date of the board meeting	Total options granted	Exercise price of the option (in *reais)*	Option term (in years)	Outstanding options as of 12/31/2015
2006	01/02/2006	99,816	47.30	10	13,220
2007	12/31/2006	113,379	65.85	10	14,962
2008	12/20/2007	190,296	45.46	10	41,749
2009	02/04/2009	1,142,473	10.52	10	20,414
2010	02/02/2010	2,774,640	20.65	10	1,097,811
2011	12/20/2010	2,722,444	27.83	10	947,172
2012	10/19/2012	778,912	12.81	10	501,819
2013	05/13/2013	802,296	12.76	10	572,616
2014	08/12/2014	653,130	11.31	10	529,467
2015	08/11/2015	1,930,844	9.35	10	1,620,230
		11,208,230			5,359,460

Additionally, we have granted 2,723,742 restricted shares in the last three years, which represented 0.8% economic interest in our company or 1.3% of our preferred shares, as of December 31, 2015.

We currently have 2,009,193 restricted shares outstanding, which represented 0.8% economic interest in our company, as of December 31, 2015. See below a description of our restricted share awards.

Year of the grant	Date of the board meeting	Total restricted shares granted	Fair price on grant date (in *reais)*	Outstanding restricted shares as of 12/31/2015
2012	11/13/2012	589,304	9.70	-
2013	05/13/2013	712,632	12.76	432,373
2014	08/13/2014	804,073	11.31	575,035
2015	04/30/2015	1,207,037	9.35	1,001,785
		3,313,046		2,009,193

Restricted shares are transferrable after the end of the third year from the grant date, assuming all vesting conditions are met.

In 2015, we transferred 463,199 of restricted shares of the 2012 grant, once the vesting condition was fully met.

C. Board Practices

Currently, our board of directors is comprised of 8 members. The terms of our current directors will expire in April 2016. See "—Board of Directors."

Fiscal Board

Under the Brazilian corporation law, the fiscal board (*Conselho Fiscal*) is a corporate body independent of management and of our independent auditors. The fiscal board may be either permanent or non-permanent, in which case it is appointed by the shareholders to act during a specific fiscal year. A fiscal board is not equivalent to, or comparable with, a U.S. audit committee. The primary responsibility of the fiscal board is to review management's activities and the company's financial statements, and to report its findings to the company's shareholders. The Brazilian corporation law requires fiscal board members to receive as remuneration at least 10% of the average annual amount paid to a company's executive officers. The Brazilian corporation law requires a fiscal board to be composed of a minimum of three and a maximum of five members and their respective alternates.

Under the Brazilian corporation law, the fiscal board may not contain members that (i) are on our board of directors, (ii) are on the board of executive officers, (iii) are employed by us or a controlled company, or (iv) are spouses or relatives of any member of our management, up to the third degree. Our by-laws provide for a non-permanent fiscal board to be elected only by our shareholders' request at a general shareholders' meeting. The fiscal board, if elected, will be comprised of a minimum of three and a maximum of five members and an equal number of alternate members. In 2015, our shareholders did not request the election of a fiscal board.

Committees of the Board of Directors and Board of Executive Officers

Our board of directors also has Audit, People Management and Corporate Governance, Financial Policies, Alliances and Risk Policies Committees and an accounting and tax policies and financial statements subcommittee. Our board of executive officers has management, executive, budget, investment, corporate governance and risk management committees. In most cases, members of the committees do not need to be members of our board of directors or board of executive officers. The responsibilities and composition of these committees are described below.

Audit Committee. Our audit committee is a permanent advisory body to the Board of Directors. It provides assistance to our board of directors on matters involving accounting, internal controls, financial reporting and compliance. The audit committee coordinates the appointment of our independent auditors to our board of directors and reviews the compensation of our independent auditors and helps supervise their activities. It also evaluates the effectiveness of our internal financial and legal compliance controls. Currently, the audit committee also performs the roles of an audit committee under U.S. laws, especially the Sarbanes-Oxley Act of 2002. It is comprised by at least three members elected by the board of directors for a term of up to ten years. The current members of our audit committee are Richard F. Lark. Jr., Antonio Kandir and Luiz Kaufmann. All members meet the independent membership requirements of the SEC and NYSE as well as other NYSE requirements. Luiz Kaufmann is the committee's "financial expert" within the scope of the SEC rules covering the disclosure of financial experts on audit committees in periodic filings pursuant to the U.S. Securities Exchange Act of 1934.

Financial Policy Committee. Our Financial Policy Committee is responsible for: (i) reviewing and adopting actions for protection of our cash flow, balance sheet, profits and losses against volatility in fuel prices, exchange rates, domestic and international interest rates; (ii) assessing periodically the effectiveness of all the actions contemplated in item (i) and recommending changes, as necessary; (iii) preparing and approving our corporate finance policies, as well as monitoring and reviewing the effectiveness and implementation thereof; (iv) reviewing, from time to time, our investment plan and the financial plan, as well as recommending the necessary transactions to our board of directors; (v) reviewing, from time to time, the impact of our investment plan and of the financing plan on our capital structure and the consequences thereof on our income, as well as recommending the necessary changes to our board of directors; and (vi) setting out parameters with a view to keeping the desired capital structure and liquidity, besides monitoring the application thereof and approving the policies to be adopted in the subsequent quarter. The financial policies committee is comprised of five members, appointed by our board of directors which are our: chief executive officer, chief financial officer and three directors, for terms-of-office of one year, re-election being permitted. The financial policies committee currently consists of Constantino de Oliveira Junior, Edmar Prado Lopes Neto, Paulo Sergio Kakinoff, Richard F. Lark and Luiz Kaufmann.

Risk Policies Committee. Our Risk Policies Committee is responsible for: (i) reviewing and approving our risk policies, as well as monitoring and analyzing their implementation; (ii) reviewing, from time to time, the impacts on assets, especially regarding exposure to U.S. dollars and fuel, as well as recommending the necessary transactions to our board of directors; (iii) reviewing, from time to time, our revenues and expenses, focusing on the impact to our income, and recommending necessary actions to our board of directors; and (iv) preparing, approving and evaluating the risk policies used by us in the short and long-term, and approving the policies to be used and to monitor their

implementation. The Risk Policies Committee is comprised of up to five members, appointed by our board of directors, whether they are directors or not, for terms-of-office of one year, re-election being permitted. The Risk Policies Committee currently consists of Paulo Sergio Kakinoff, Constantino de Oliveira Junior, Richard F. Lark and Luiz Kaufmann.

People Management and Corporate Governance Committee. The people management and corporate governance committee is responsible for the coordination, implementation and periodic review of best corporate governance practices and for monitoring and keeping our board of directors informed on legislation and market recommendations addressing corporate governance. It also reviews and recommends to our board of directors human resources policies, forms of compensation, including salary, bonus and stock options, to be paid to our employees, as well as analyzing management's career and succession plans. The committee consists of up to six members elected by our board of directors for a one-year term, with the right to re-election, comprising the chairman and the vice-chairman of the board of directors, three members of the board of directors, two outside specialists and the management and human resources officer. The people management and corporate governance committee currently consists of Constantino de Oliveira Junior, Antonio Kandir, Henrique Constantino, Paulo Sergio Kakinoff, Betânia Tanure de Barros and Paulo Cézar Aragão.

Accounting, *Tax and Financial Statement Policy Subcommittee*. The accounting and tax policies and financial statements subcommittee conducts periodic reviews of, and evaluates and monitors the company's accounting policies and financial statements and makes observations and recommendations to the board of directors on these matters. The subcommittee meets on a bimonthly basis and consists of three members elected by the board of directors for a one-year term with the right to re-election, comprising the company's financial vice-president or one executive officer with similar duties and two independent experts, as special technical members. The committee currently consists of Edmar Prado Lopes Neto, Marcos da Cunha Carneiro and Natan Szuster.

Alliances Committee. The Alliances Committee evaluates opportunities for partnerships and alliances, and possible investments in this context, by the Company and other airlines, as well as seeks to maximize the benefit of existing partnerships, through the optimization of resources and opportunities. It also holds quarterly presentations on the subjects covered by the Committee. The Alliances Committee is composed of at least three (03), and a maximum of five (05) members elected by the Board of Directors, at least two (02) of whom must be members of the Company's Board of Directors, with term of office of one (1) year, re-election permitted. The current members are Constantino de Oliveira Junior, Henrique Constantino, Edward H. Bastian and Pieter Elbers.

Also, a permanent corporate governance committee shall be installed if the controlling shareholder holds an economic interest in our company of less than 35%.

D. Employees

We believe that our growth potential and the achievement of our results-oriented corporate goals are directly linked to our ability to attract and maintain the best professionals available in the airline business. We place great emphasis on the selection and training of enthusiastic employees with potential to add value to our business and who we believe fit in with and contribute to our business culture.

As of December 31, 2015, we had 16,472 active employees. We invest significant resources promoting the well-being of our employees. In 2015, we spent R$333.9 million on health and safety matters, training, social contributions, employee meals, transportation and profit sharing.

We train our own pilots. We also provide extensive ongoing training for our pilots, flight attendants and customer service representatives. In addition to the required technical training, which follows the strictest international standards, we also provide comprehensive managerial training to our pilots and flight attendants through Crew Resource Management and Line Oriented Flight Training programs, emphasizing the importance of resource management to provide the best service to our passengers. In February 2011, we launched the *Gol Institute* located in our Confins Maintenance Center, in the state of Minas Gerais, aiming to provide technical training, promoting social

inclusion and improving the learning of the professionals in the aviation sector. We expect to reduce the cost and average time of training for mechanics and co-pilots.

In order to help retain our employees, we encourage open communication channels between our employees and management and offer career development opportunities in the company and periodic evaluations. Our compensation strategy reinforces our determination to retain talented and highly motivated employees and is designed to align the interests of our employees with our shareholders. Our compensation packages include competitive salaries and participation in our profit sharing program. We have agreements with medical and insurance companies to offer affordable health and pension plan options to our employees.

A national aviators' union represents Brazil's pilots and flight attendants, and other regional aviation unions represent ground employees of air transportation companies. Approximately 26% of our employees are members of unions. Negotiations in respect of cost of living wage and salary increases are conducted annually between the workers' unions and a national association of airline companies. There is no salary differential or seniority pay escalation among our pilots. Work conditions and maximum work hours are regulated by government legislation and are not the subject of labor negotiations. Since the commencement of our operations, we have not had a work stoppage by our employees and we believe that our relationship with our employees is good.

To motivate our employees and align their interests with our results of operations, we provide an annual profit sharing program to all of our employees. Under Brazilian law, companies may provide profit sharing programs that define mechanisms for distributing a portion of a company's profits based upon the achievement of pre-defined targets established by the company. Our annual profit sharing programs are negotiated with a commission formed by our employees and approved by labor unions for the benefit of all of our unionized and non-unionized employees. For the purposes of our profit sharing program, a portion of profit sharing distributions are based upon the achievement of corporate profit targets and a portion of the distributions are based on the achievement of operational targets set for each of our departments. We have established a stock option plan for our management and employees vesting over a three year period.

E. Share Ownership

The members of our board of directors and our executive officers, on an individual basis and as a group, directly own approximately 1.1% of our preferred shares. See "Item 7A. Major Shareholdings and Related Party Transactions—Major Shareholders." Fundo de Investimento em Participações Volluto is a fund directly controlled by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino.

For a description of stock options granted to our board of directors and our executive officers, see "—Compensation—Stock Option Plan and Restricted Share Plan."

ITEM 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our common shares and preferred shares as of March 31, 2016, by each person known by us to beneficially own 5% or more of our common shares or preferred shares and all our directors and officers as a group.

Each shareholder's percentage ownership in the following table is based on the 5,035,037,140 common shares and 203,383,968 preferred shares outstanding as of the date hereof.

	Common Shares		Preferred Shares[2]		Total Shares		Economic Interest
	Shares	(%)	Shares	(%)	Shares	(%)	(%)
Fundo de Investimento em Participações Volluto [1]	5,035,036,580	100.0%	68,915,078	33.9%	5,103,951,658	97.4%	61.3%
Executive officers and directors	560	0.0%	2,153,931	1.1%	2,154,491	0.1%	0.6%
Treasury shares	–	–	1,495,120	0.7%	1,495,120	0.0%	0.5%
Delta Air Lines Inc	–	–	32,926,025	16.2%	32,926,025	0.6%	9.5%
Free float[3]	–	–	97,893,814	48.1%	97,893,814	1.9%	28.1%

Total	**5,035,037,140**	**100.0%**	**203,383,968**	**100.0%**	**5,174,355,497**	**100.0%**	**100.0%**

_____

(1) Fundo de Investimento em Participações Volluto (formerly named Fundo de Investimento em Participações Asas) is controlled equally by Constantino de Oliveira Junior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino.

(2) Preferred shares are entitled to a dividend 35 times the dividend paid per common share. See “Description of Capital Stock.”

(3) Disconsidering Delta Air Lines Inc.

According to our internal share record, which contains information regarding the ownership of our shares and the ADSs as filed by the holders of such shares and ADS, at December 31, 2015, 60.6% of our free float was traded in the United States.

During 2015, our executive officers exercised 3,000 stock options.

On March 23, 2015, shareholders representing 81.7% of our capital stock approved certain amendments (equivalent to more than 99% of votes cast) to our by-laws that increased our equity financing capacity by increasing our ability to issue more preferred shares without needing to issue common shares simultaneously, as the transfer and ownership of common shares are subject to restrictions under Brazilian airline industry laws and regulations. The approval of the proposal represents a long-term structural solution to improve our capacity to raise equity capital, enabling us to compete on even terms in this regard.

The amendments also intended to improve corporate governance and strengthen the alignment of interest among common and preferred shareholders and included, among other items:

- A split of common shares in the ratio of 35 to one;
- An increase in economic rights of preferred shares in the ratio of 35 to one;
- An increase in the representation of preferred shareholders on the Board of Directors depending on the percentage of economic rights held by the controlling shareholder;
- Enhancing our audit committee by making it a permanent statutory body;
- A separate vote for preferred shareholders in extraordinary meetings on certain matters, as detailed in our by-laws;
- Restrictions on the sale of shares held by the controlling shareholder; and
- The mandatory public tender offer for all shares if any person acquires 30% or more of our economic rights.

Please see “Item 9. The Offer and Listing–C. Markets–Corporate Governance Practices” for further details.

Prior to the amendments above mentioned, we were unable to issue additional preferred shares without simultaneously issuing common shares due to legal and regulatory restrictions. The amendments represent a long-term structural solution to improve our capacity to raise equity capital. The amendments, especially the common stock split, will enable us to issue new preferred shares without issuing common shares, thereby allowing us to finance our operations more effectively. Consequently, we will not depend on our controlling shareholder to raise equity capital.

On September 4, 2015, in connection with our strategic agreement with Delta, we increased our capital by R$461.3 million. This capital increase was equivalent to the issuance of 64,065,611 preferred shares at an issuance price of R$7.20 per share. See “Item 4. Information on the Company—Equity Investment.”

Shareholders’ Agreement

No shareholders' agreements have been filed with us.

B. Related Party Transactions

According to the Level 2 regulations, we shall forward and disclose to BM&FBOVESPA the information regarding every and any agreement entered by and between Gol and its affiliates and associate companies, its administrators, its controlling shareholder, as the case may be, as well as other corporations that make a group with any such persons, whether factual or by law, whenever they reach, with a single agreement or with successive agreements, with or without the same purpose, at any period of one year, an amount of R$0.2 million or more, or a value of 1% or more over our net equity, whichever is higher.

Such announced information shall describe the scope of the agreement, the term, the price, the termination or completion conditions and any possible influence of the agreement upon administration or company business conducting.

We have engaged in a number of transactions with related parties, none of which have involved the issuance of guarantees.

Agreements with Smiles

2016 Miles and Tickets Purchase Agreement

On February 26, 2016, VRG entered into an advance air ticket sale agreement with Smiles, totaling up to R$1.0 billion in advance ticket sales.

This advance purchase will consist of various tranches through June 30, 2017. The first tranche was disbursed by Smiles in February 2016 in the amount of R$376.0 million.

The remaining tranches are conditioned upon certain measures to strengthen VRG's liquidity, including the ones described below, but not limited to:

- The reduction in the number of landings and take-offs by at least 6%;
- The suspension of seven destinations operated on December 31, 2015;
- The return of five aircraft under finance leases;
- The change in the delivery schedule of new aircraft between 2016 and 2017 from 15 to one; and
- Certain Smiles' minimum liquidity conditions.

The payments made by Smiles will be governed by the agreements already existing between VRG and Smiles, with certain changes. The advances by Smiles will be remunerated at a minimum rate of 132% of the CDI, which may be increased according to market conditions at each payment date. In addition, Smiles will benefit from some measures to strengthen its competitiveness.

We cannot ensure that we will be able to take all the measures to fulfill the conditions to the disbursements under this advance purchase, which, to some extent, depend on third parties. In addition, we cannot ensure the exact timing for the remaining tranches.

Operating Agreement

On December 28, 2012, we entered into an operating agreement with Smiles, or the Operating Agreement, that establishes the terms and conditions of our relationship. This agreement went into effect on January 1, 2013, when Smiles began to manage and operate the Smiles loyalty program.

The Operating Agreement established the terms of the transfer of Smiles loyalty program management to Smiles. In the context of the transfer, we divided reward costs as follows: the cost of rewards redeemed with legacy miles (i.e., those earned through December 31, 2012) is supported by us, while the cost of rewards redeemed with new miles (i.e., those earned beginning January 1, 2013) is supported by Smiles.

Pursuant to the Operating Agreement, the Smiles program will be our sole loyalty program. We are currently Smiles' sole partner in the air transportation industry, but Smiles is free to establish new partnerships in this industry with our

prior authorization. We may require Smiles to enter into a partnership agreement with new partners in the air transportation industry or with a global alliance of airlines in the event we become part of one.

We have a preference to enter into partnerships in certain segments, such as travel agencies (including on-line travel agencies), rental cars and travel insurance. However, Smiles may establish partnerships in these industries with our prior authorization.

Outside of the air transportation industry and certain segments in the travel industry, Smiles does not need to inform or request our authorization to establish partnerships. We may establish partnerships outside the air transportation industry as long as such partnerships do not involve miles or benefits accumulation in a frequent flyer program other than the Smiles loyalty program.

The 20-year Operating Agreement will be automatically renewed for successive five-year periods if neither party objects at least two years prior to its expiration. If a party is given notice of non-renewal, it may terminate the Operating Agreement early by providing written notification to the other party six months prior to the termination date.

We pay Smiles a monthly fee for managing our frequent flyer program. This fee will be adjusted on each anniversary of the Operating Agreement in accordance with our gross monthly miles purchases. For 2013, the management fee was 6.0% of gross miles sales. After 2013, this fee will remain between 3.5% and 6.0%, depending on our gross miles purchases.

2012 Miles and Tickets Purchase Agreement

On December 28, 2012, we entered into a miles and tickets purchase agreement with Smiles, or the Miles and Tickets Purchase Agreement, that establishes the terms and conditions of our purchases of miles and our sales of tickets.

In order to govern pricing and availability of reward tickets and satisfy customer demand, the agreement establishes three seating classes: standard, commercial and promotional for ticketing purposes.

- *Standard seats*: Pricing will take into account the variation of the economic cost of the fare over the last 12 months, ending September 2014, and the characteristics of each route. The economic cost is equivalent to the sum of (i) the opportunity cost of not selling a ticket to a traveler when the flight is full – or displacement; (ii) the opportunity cost of a passenger redeeming a reward ticket who would have purchased the ticket using cash, had he or she not had available miles – or dilution; and (iii) the direct cost that we incur in transporting an additional passenger on a given flight – or marginal cost. The availability of standard seating on planes is limited and controlled by us, although Smiles is assured a minimum aggregate number of standard seats out of total seats on all flights.
- *Commercial seats*: Pricing is subject to the same price and/or discount applied by us to third parties (subject to the conditions and characteristics of each product). The availability of commercial seats on flights is unrestricted, but limited to the capacity of the flight, pursuant to applicable restrictions.
- *Promotional seats*: Pricing is determined by an established discount table agreed upon by us and Smiles on a case-by-case basis, which may be revised, suspended or revoked at any time at our discretion. There is no minimum availability obligation for promotional seats.

The price that we pay for miles will be calculated based on the economic cost specified above, minus a portion of the breakage rate, which is the expected percentage of miles that will expire without being redeemed.

Pursuant to the Miles and Tickets Purchase Agreement, any material change to our miles accumulation policy must be discussed in advance by a loyalty committee whose members will be appointed by Smiles and us, proportionally. Smiles must notify us of material changes to miles redemption policy relating to reward tickets and hold discussions of such changes in the loyalty committee. The loyalty committee will be an advisory committee with no decision-making power.

Smiles may sell miles directly to its customers, subject to certain limits on miles sold per client and per period, minimum prices and the length of redemption periods.

The 20-year Miles and Tickets Purchase Agreement will be automatically renewed for successive five-year periods if neither party objects at least two years prior to its expiration. If a party is given notice of non-renewal, it may terminate the agreement early by providing written notification to the other party six months prior to the termination date.

The parties will annually review the contract's compliance conditions according to certain parameters established in the agreement, and may amend these conditions in order to reestablish the originally agreed-upon economic balance. In extraordinary circumstances, the parties may also amend the agreement in the event of significant changes to (i) the economic cost of flights (including changes in the average occupancy rate of our flights or ticket prices); (ii) our destinations; or (iii) applicable law or regulation.

Back Office Services Agreement

On December 28, 2012, we entered into a back office services agreement with Smiles, or the Back Office Services Agreement, that contains the terms, conditions and levels of certain services to be provided to Smiles by us. These services will be provided in connection with certain back office activities including controllership, accounting, internal controls and auditing, finance, information technology, call center, human resources, inventory and legal matters.

The three-year Back Office Services Agreement will be automatically renewed for successive three-year periods if neither party objects 12 months prior to its expiration. Smiles may terminate portions of the Back Office Services Agreement at any time by providing prior written notice to us.

Corporate Governance

On June 10, 2013, Smiles' by-laws were amended to provide that certain related party transactions will require the approval of an independent committee or all members of its board of directors. These related party transactions include: amendments to the Operational Agreement or the Miles and Tickets Purchase Agreement and certain advance ticket purchases, among other transactions.

Transportation, Graphic and Consultancy Agreements with Entities Controlled by Our Controlling Shareholder.

We have exclusive bus transportation agreements with Expresso União Ltda. and Breda Transportes e Serviços S.A. for the transportation of our employees, our passengers and their luggage. The transportation agreement with Expresso União Ltda expires in August 2016 and the agreement with Breda Transportes e Serviços S.A. expired in January 2016 and was renewed through May 2016. We also have a contract with related party Vaud Participações S.A. to provide executive administration and management services, which expires in October 2016. We also have a contract with related party Pax Participações S.A. to provide consulting and advisory services, which expires in April 2016. These entities are controlled by our controlling shareholder. In September 2011, we entered into agreements with Pássaro Azul Táxi Aéreo Ltda. and Viação Piracicabana Ltda. to allow these entities to access the Universal Air Transportation Plan System.

In 2013, 2014 and 2015, we recorded expenses of R$12.7 million, R$13.3 million and R$16.1 million, respectively, under these operating agreements.

Engine Maintenance Agreement with Delta TechOps

In February 2011, we entered into a strategic MRO partnership agreement with Delta TechOps, the maintenance division of Delta, one of our shareholders, which provides overhaul service for approximately 50% of our CFM 56-7 engines, maintenance for parts and components on our fleet of Boeing 737 NG aircraft and also, consulting services related to maintenance workflow planning, materials and facility optimization and tooling support. In 2013, 2014 and 2015, the expenses under this agreement were R$95.6 million, R$115.6 million and R$307.7 million, respectively.

Term Loan Guaranteed by Delta

On August 31, 2015, Delta guaranteed a US$300 million Term Loan borrowed by Gol LuxCo from third party lenders. Under the terms of the Credit and Guaranty Agreement, Gol LuxCo's obligations thereunder are guaranteed by the Term Loan Guarantors. Pursuant to a separate guaranty agreement, Delta provided to the administrative agent under the Credit and Guaranty Agreement, and the lenders under the Credit and Guaranty Agreement, a backstop guarantee of Gol LuxCo's and the Term Loan Guarantors' respective obligations under the Credit and Guaranty Agreement. The reimbursement obligations to Delta in connection with the Delta Guaranty, which are guaranteed by Gol and VRG, are secured by a first priority security interest in favor of Delta in a portion of the shares of Smiles held by Gol.

The Term Loan bears interest at a rate of 6.50% per annum, payable semi-annually. The Term Loan matures at August 31, 2020 and is not secured by any property of Gol LuxCo or the Term Loan Guarantors.

Agreement with Air France-KLM

On February 19, 2014, we entered into an exclusive long term strategic partnership for commercial cooperation with Air France-KLM. Under this agreement, Air France-KLM has made a US$33 million payment and has committed to make additional payments of US$15 million for the purpose of enhancing our codesharing, connectivity and joint sale activities as well as other benefits for our customers, including the integration and improvement of products and services for our frequent flyer programs. As part of this agreement, Air France-KLM also invested US$52 million in the acquisition of a number of our newly issued preferred shares, equivalent to 1.5% of our capital stock, at an issuance price equivalent to US$12.23 per share. The agreement further provides for the creation of an alliance committee, comprised of at least one representative of Air France-KLM, at least two members of our board of directors and at least one representative of Delta, to coordinate efforts to improve the benefits of these partnerships. In 2014, we received R$74.5 million related to the first installment and in 2015, we received R$17.7 million under this agreement.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information

A. Consolidated Statements and Other Financial Information

See “Item 3. Key Information—Selected Financial Data” and “Item 18. Financial Statements.”

Legal Proceedings

In the ordinary course of our business, we are party to various legal actions, which we believe are incidental to our operations, in the large part linked to the routine demands related to the rights of consumers. As of December 31, 2015, we were parties in 26,708 lawsuits and administrative proceedings, including 18,064 civil claims and 8,644 labor claims. We believe that the outcome of the proceedings to which we are currently a party will not have a material adverse effect us.

We have established provisions for all amounts in dispute that represent a probable loss in the view of our legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or court rulings that have proven to be unfavorable.

We are party to 17,733 civil proceedings (16,479 lawsuits and 1,254 administrative procedures) arising from the normal course of our business, which includes mainly flight delays or cancellations and baggage loss or damage. The vast majority of these proceedings involve minor cases relating to customer relations and 331 civil proceedings (329 lawsuits and 2 administrative procedures) are related to obligations allegedly arising from our acquisition of VRG. As of December 31, 2015, we had established provisions for civil proceedings in the total amount of R$ 69.9 million.

We are party to 5,612 labor proceedings (5,396 lawsuits and 216 administrative procedures) arising from the normal course of our business, which includes overtime, hazardous work premium, health exposure allowance and differences in salary and 3.032 labor proceedings (3.030 judicial proceedings and 2 administrative procedures) related to the

request of recognition from the succession of VARIG. At December 31, 2015, we have established provisions for labor proceedings in the total amount of R$ 74.3 million.

In 2001, we commenced proceedings against the Brazilian state revenue service, in which we claim an exemption from the payment of Brazilian value added tax (ICMS) due on imported aircraft, parts and engines. On May 30, 2007, the STF, in a similar case, ruled in favor of the position we defend. A number of other proceedings relating to this matter are still pending. On September 11, 2014, STF (*Superior Tribunal Federal*) decided and settled this issue in general repercussion (applicable to all similar cases on this matter) the non-levy of ICMS on import of goods made by the lease agreements.

In 2007, we commenced an arbitration before the International Chamber of Commerce against the sellers of VRG and their controlling shareholders relating to a purchase price adjustment. In January 2011, the arbitral tribunal ruled in our favor and granted us an award of R$93.0 million plus interest and costs against the sellers of VRG and their controlling shareholders. We brought enforcement proceedings to collect the award amount in U.S. federal courts. However, the US federal courts refused to enforce the arbitral award and we may not be able to collect the judgment. We believe that the chance of success in enforcing the award is now remote.

We are questioning the applicability of social contribution taxes (PIS and COFINS) in the amount of R$50.7 million on revenue earned as interest attributable to shareholders' equity from 2006 to 2008. Based on the opinion of our legal counsel, we believe that these lawsuits represent a possible risk of loss. As of December 31, 2015, we had no provisions for these lawsuits.

We are also questioning the applicability of tax on services (ISS) in the amount of R$17.1 million on revenue from certain of our activities related to agreements with partners from 2007 to 2010. Based on the opinion of our legal counsel, we believe that these lawsuits represent a possible risk of loss. As of December 31, 2015, we had no provisions for these lawsuits.

In addition, we are questioning the applicability of a fine imposed by Brazilian customs in the amount of R$18.3 million for the alleged breach of certain rules regarding the temporary import of aircraft. Based on the opinion of our legal counsel, we believe that these lawsuits represent a possible risk of loss. As of December 31, 2015, we had no provisions nor judicial deposits for these lawsuits.

In addition, we are also questioning infraction notices regarding goodwill from BSSF Air Holdings, in the amount of R$45.3 million. Although the outcome of these lawsuits and proceedings cannot be anticipated, our management understands that the final decisions on these lawsuits will not have any material adverse impact on our financial position, operating results and cash flows. As of December 31, 2015, we had no provisions for these lawsuits and judicial deposits related to these lawsuits.

We are also questioning ICMS in the amount of R$20.4 million arising from alleged underreporting (or incomplete declaration) amounts related to air transport revenue to the tax authorities of the state of Ceará in 2014.

We are also questioning tax on Industrialized Products (IPI) allegedly levied on the importation of aircraft in the amount of R$101.4 million.

We are also questioning infraction notices regarding goodwill from VRG, in the amount of R$65.9 million. Although the outcome of these lawsuits and proceedings cannot be anticipated, our management understands that the final decisions on these lawsuits will not have any material adverse impact on our financial position, operating results and cash flows. As of December 31, 2015, we had no provisions for these lawsuits nor judicial deposits related to these lawsuits.

On October 10, 2012, the Brazilian Antitrust Authority, or CADE, approved, without restrictions, the acquisition of Webjet by VRG. The approval was subject to the execution of a term of undertaking (*Termo de Compromisso de Desempenho*) among VRG, Webjet and CADE whereby we have agreed to maintain a minimum regularity rate of 85% , for the period of four years as of October 2012, on scheduled flights from the Santos Dumont airport in Rio de Janeiro. We retained all of the VRG and Webjet capacity in this airport.

On December 3, 2012, a Rio de Janeiro labor court issued an injunction requiring that we rehire all 850 Webjet employees we had laid off on November 23, 2012 subject to a daily penalty for non-compliance. We have appealed that decision and are currently awaiting final judgment. On September 12, 2013, we obtained an injunctive relief from the labor prosecutor that suspended execution of prior injunctions until final judgment is granted on this matter. On December 4, 2015, the parties reached an agreement and the injunction was dismissed.

For further information on our legal proceedings and contingencies, see Note 21(b) to our consolidated financial statements.

Dividends and Dividend Policy

Amounts Available for Distribution

At each annual general shareholders' meeting, our board of directors is required to propose how our earnings for the preceding fiscal year are to be allocated. For purposes of Brazilian corporation law, a company's non-consolidated net income after federal income tax and social contribution on net income for such fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to employees' and management's participation in earnings represents its "income" for such fiscal year. In accordance with the Brazilian corporation law, an amount equal to the company's "income," as adjusted (the "distributable amount"), will be available for distribution to shareholders in any particular year. The distributable amount will be affected by the following:

- reduced by accumulated losses;
- reduced by amounts allocated to the legal reserve;
- reduced by amounts allocated to the statutory reserve, if any;
- reduced by amounts allocated to the contingency reserve, if any;
- reduced by amounts allocated to the unrealized profits reserve established by the company in compliance with applicable law (as discussed below);
- reduced by amounts allocated to the reserve for investment projects (as discussed below); and
- increased by reversals of reserves recorded in prior years.

Our by-laws do not provide for statutory or contingency reserves. Under the Brazilian corporation law and according to our by-laws, we are required to maintain a "legal reserve" to which we must allocate 5% of our "income" for each fiscal year until the amount of the reserve equals 20% of paid-in capital. We are not required to make any allocations to our legal reserve in respect of any fiscal year in which such reserve, when added to our capital reserves, exceeds 20% of our capital stock. Accumulated losses, if any, may be charged against the legal reserve. Other than that, the legal reserve can only be used to increase our capital. The legal reserve is subject to approval by the shareholders voting at the annual shareholders' meeting and may be transferred to capital but is not available for the payment of dividends in subsequent years. Our calculation of net income and allocations to reserves for any fiscal year are determined on the basis of our non-consolidated financial statements prepared in accordance with the Brazilian corporation law.

Under the Brazilian corporation law, a portion of a corporation's "income" may be allocated for discretionary appropriations for expansion and other fixed or working capital investment projects, the amount of which is based on a capital budget previously presented by management and approved by the shareholders in a general shareholders' meeting. After completion of the relevant capital projects, the company may retain the appropriation until shareholders vote to transfer all or a portion of the reserve to capital or retained earnings. The Brazilian corporation law provides that, if a project to which the reserve for investment projects account is allocated has a term exceeding one year, the budget related to the project must be submitted to the shareholders' meeting each fiscal year until the relevant investment is completed.

Under the Brazilian corporation law, the amount by which the mandatory distribution exceeds the “realized” portion of net income for any particular year may be allocated to the unrealized profits reserve and the mandatory distribution may be limited to the “realized” portion of net income. The “realized” portion of net income is the amount by which “income” exceeds the sum of (i) our net positive results, if any, from the equity method of accounting for earnings and losses of our subsidiaries and certain affiliates, and (ii) the profits, gains or income obtained on transactions maturing after the end of the following fiscal year. As amounts allocated to the unrealized income reserve are realized in subsequent years, such amounts must be added to the dividend payment relating to the year of realization.

Under the Brazilian corporation law, any company may create a "statutory" reserve, which reserve must be described in the company's by-laws. Those by-laws which authorize the allocation of a percentage of a company's net income to the statutory reserve must also indicate the purpose, the criteria for allocation and the maximum amount of the reserve. The Brazilian corporation law provides that all discretionary allocations of "income," including the unrealized profits reserve and the reserve for investment projects, are subject to approval by the shareholders voting at the general shareholders' meeting and may be transferred to capital or used for the payment of dividends in subsequent years. The fiscal incentive reserve and the legal reserve are also subject to approval by the shareholders voting at the general shareholders' meeting and may be transferred to capital or used to absorb losses, but are not available for the payment of dividends in subsequent years.

The amounts available for distribution may be further increased by a reversion of the contingency reserve for anticipated losses constituted in prior years but not realized. Allocations to the contingency reserve are also subject to approval by the shareholders voting at the general shareholders' meeting. The amounts available for distribution are determined on the basis of our non-consolidated statutory financial statements.

The balance of the profit reserve accounts, except for the contingency reserve and unrealized profits reserve, may not exceed the share capital. If this happens, a shareholders' meeting must resolve whether the excess will be applied to pay in the subscribed and unpaid capital, to increase and pay in the subscribed stock capital or to distribute dividends.

Pursuant to the Brazilian corporation law, net income unallocated to the accounts mentioned above must be distributed as dividends.

Mandatory Distribution

The Brazilian corporation law generally requires that the by-laws of each Brazilian corporation specify a minimum percentage of the amounts available for distribution by such corporation for each fiscal year that must be distributed to shareholders as dividends, also known as the mandatory distribution.

The mandatory distribution is based on a percentage of adjusted non-consolidated net income, not lower than 25%, rather than a fixed monetary amount per share. If the by-laws of a corporation are silent in this regard, the percentage is deemed to be 50%. Under our by-laws, at least 25% of our adjusted non-consolidated net income for the preceding fiscal year must be distributed as a mandatory annual dividend. Adjusted net income means the net income after any deductions for the legal reserve and contingency reserves and any reversals of the contingency reserves created in previous fiscal years. The Brazilian corporation law, however, permits a publicly held company, such as we are, to suspend the mandatory distribution of dividends in any fiscal year in which the board of directors reports to the shareholders' meeting that the distribution would be inadvisable in view of the company's financial condition. The suspension is subject to the approval at the shareholders' meeting and review by members of the fiscal board, if in place. While the law does not establish the circumstances in which payment of the mandatory dividend would be "inadvisable" based on the company's financial condition, it is generally agreed that a company need not pay the mandatory dividend if such payment threatens the existence of the company as a going concern or harms its normal course of operations. In the case of publicly held corporations, the board of directors must file a justification for such suspension with the CVM within five days of the relevant general meeting. If the mandatory dividend is not paid and funds are available, those funds shall be attributed to a special reserve account. If not absorbed by subsequent losses, those funds shall be paid out as dividends as soon as the financial condition of the company permits.

The board of directors can also decide to make the mandatory dividend distribution in the form of interest attributable to shareholders' equity, which is deductible when calculating income and social contribution taxes.

Payment of Dividends

We are required by the Brazilian corporation law to hold an annual general shareholders' meeting by no later than April 30 of each year, at which time, among other things, the shareholders have to decide on the payment of an annual dividend. Additionally, interim dividends may be declared by the board of directors. Any holder of record of shares at the time of a dividend declaration is entitled to receive dividends. Dividends on shares held through depositaries are paid to the depositary for further distribution to the shareholders.

Under the Brazilian corporation law, dividends are generally required to be paid to the holder of record on a dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which such dividend was declared. Pursuant to our by-laws, unclaimed dividends do not bear interest, are not monetarily adjusted and revert to us three years after dividends were declared. See "Item 10.B. Memorandum and Articles of Associationâ€"Description of Capital Stock."

Our board of directors may declare interim dividends or interest attributable to shareholders' equity based on income verified in semi-annual financial statements. The board of directors may also declare dividends based on financial statements prepared for shorter periods, provided that the total dividends paid in each six-month period do not exceed the capital reserves amount required by Brazilian corporation law. The board of directors may also pay interim dividends or interest attributable to shareholders' equity out of retained earnings or income reserves recorded in the last annual balance sheet. Any payment of interim dividends may be set off against the amount of mandatory dividends relating to the net income earned in the year in which the interim dividends were paid.

Our by-laws do not require that we adjust the amount of any dividend payment for inflation.

In general, shareholders who are not residents of Brazil must register their equity investment with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted outside Brazil. The preferred shares underlying the ADSs are held in Brazil by Banco ItaÃº S.A., also known as the custodian, as agent for the depositary, that is the registered owner on the records of the registrar for our shares. The current registrar is Banco ItaÃº. The depositary registers the preferred shares underlying the ADSs with the Central Bank and, therefore, is able to have dividends, sales proceeds or other amounts with respect to registered preferred shares remitted outside Brazil.

Payments of cash dividends and distributions, if any, are made in *reais* to the custodian on behalf of the depositary, which then converts such proceeds into U.S. dollars and causes such U.S. dollars to be delivered to the depositary for distribution to holders of ADSs. In the event that the custodian is unable to convert immediately the Brazilian currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by depreciation of the Brazilian currency that occur before the dividends are converted. Under the current Brazilian corporation law, dividends paid to persons who are not Brazilian residents, including holders of ADSs, will not be subject to Brazilian withholding tax, except for dividends declared based on profits generated prior to December 31, 1995, which will be subject to Brazilian withholding income tax at varying tax rates. See "Taxationâ€"Material Brazilian Tax Considerations."

Holders of ADSs have the benefit of the electronic registration obtained from the Central Bank, which permits the depositary and the custodian to convert dividends and other distributions or sales proceeds with respect to the preferred shares represented by ADSs into foreign currency and remits the proceeds outside Brazil. In the event the holder exchanges the ADSs for preferred shares, the holder will be entitled to continue to rely on the depositary's registration for five business days after the exchange. Thereafter, in order to convert foreign currency and remit outside Brazil the sales proceeds or distributions with respect to the preferred shares, the holder must obtain a new registration in its own name that will permit the conversion and remittance of such payments. See "Item 10.B. Memorandum and Articles of Associationâ€"Description of Capital Stockâ€"Regulation of Foreign Investment."

Under current Brazilian legislation, the federal government may impose temporary restrictions of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments.

Interest Attributable to Shareholders' Equity

Under Brazilian tax legislation effective January 1, 1996, Brazilian companies are permitted to pay "interest" to holders of equity securities and treat such payments as an expense for Brazilian income tax purposes and, beginning in 1997, for social contribution purposes. The purpose of the tax law change is to encourage the use of equity investment, as opposed to debt, to finance corporate activities. Payment of such interest may be made at the discretion of our board of directors, subject to the approval of the shareholders at a general shareholders' meeting. The amount of any such notional "interest" payment to holders of equity securities is limited in respect of any particular year to the daily pro rata variation of the Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, as determined by the Central Bank from time to time, and may not exceed the greater of:

- 50% of net income (after social contribution on net profits but before taking into account the provision for income tax and the interest attributable to shareholders' equity) for the period in respect of which the payment is made; or

- 50% of the sum of retained earnings and profit reserves as of the beginning of the year in respect of which such payment is made.

Payment of interest to a holder that is not domiciled in Brazil for Brazilian tax and regulatory purposes (a "non-Brazilian holder") is subject to withholding income tax at the rate of 15%, or 25% if the non-Brazilian holder is domiciled in a country or location that does not impose income tax or where the income tax rate is lower than 20% ("Low or Nil Tax Jurisdiction") or where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a non-Brazilian holder. These payments may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest attributable to shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

Under current Brazilian legislation, the sum of the amount distributed as interest attributable to shareholders' equity and as dividends must be at least equal to the mandatory dividend. For IFRS accounting purposes, the interest is deducted from shareholders' equity in a manner similar to a dividend. Any payment of interest in respect of preferred shares (including the ADSs) is subject to Brazilian withholding income tax at the rate of 15%, or 25% in the case of a shareholder domiciled in a Low or Nil Tax Jurisdiction or where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a non-Brazilian holder (see "Taxation—Material Brazilian Tax Considerations"). If such payments are accounted for, at their net value, as part of any mandatory dividend, the tax is paid by the company on behalf of its shareholders, upon distribution of the interest. In case we distribute interest attributed to shareholders' equity in any year, and that distribution is not accounted for as part of mandatory distribution, Brazilian income tax would be borne by the shareholders.

Under our by-laws, interest attributable to shareholders' equity may be treated as a dividend for purposes of the mandatory dividend. In 2011, 2012, 2013, 2014 and 2015, we did not distribute dividends.

Dividend Policy

We declare and pay dividends and/or interest attributable to shareholders' equity, as required by the Brazilian corporation law and our by-laws. The declaration of annual dividends, including dividends in excess of the mandatory distribution, requires approval by the vote of the majority of the holders of our common shares. The amount of any distributions will depend on many factors, such as our results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by our board of directors and shareholders. Within the context of our tax planning, we may continue determining that it is to our benefit to distribute interest attributed to shareholders' equity.

B. Significant Changes

None.

ITEM 9. The Offer and Listing

A. Offer and Listing Details

In the United States, our preferred shares trade in the form of ADS. In February 2016 we changed the ratio of our ADSs to preferred shares from one ADS to one preferred share to one ADS to ten preferred shares. Therefore, since February 2016, each ADS represents ten preferred shares, issued by Citibank, N.A., as Depositary pursuant to a Deposit Agreement. Our ADSs commenced trading on the NYSE on June 24, 2004. As of December 31, 2015, the ADSs represented 32.6% of our preferred shares and 67.7% of our current global public float.

The following table sets forth the reported high and low closing sales prices for the ADSs on the NYSE for the periods indicated:

	US$ per ADS		
	Low	**High**	**Average[(1)]**
2011			
Annual	5.18	16.17	10.67
2012			
Annual	3.87	9.04	5.66
2013			
Annual	2.78	7.61	5.12
2014			
Annual	3.79	6.84	5.38
First quarter	3.79	5.01	4.52
Second quarter	4.92	6.84	5.86
Third quarter	4.81	6.81	5.98
Fourth quarter	4.36	5.75	5.13
2015			
Annual	0.56	5.47	2.19
First quarter	2.43	5.47	3.91
Second quarter	2.31	2.94	2.57
Third quarter	0.56	2.28	1.47
Fourth quarter	0.56	1.13	0.85
Last Six Months			
October 2015	0.85	1.13	0.95
November 2015	0.81	0.93	0.88
December 2015	0.56	0.88	0.74
January 2016	0.25	0.58	0.36
February 2016	0.41	5.78	0.74
March 2016	5.75	10.08	8.33
April 2016 (through April 26)	6.35	7.54	6.99

_____

Source: Bloomberg

(1) Calculated as average of closing prices for the period.

Our preferred shares began trading on the São Paulo Stock Exchange on June 24, 2004. The following table sets forth the reported high and low closing sale prices for our preferred shares on the BM&FBOVESPA, for the periods indicated:

	Reais per Preferred Share		
	Low	**High**	**Average[(1)]**
2011			
Annual	9.12	26.56	17.41
2012			
Annual	7.73	15.19	10.87
2013			
Annual	6.14	15.00	10.69
2014			
Annual	9.29	15.25	12.56
First quarter	9.29	11.54	10.53
Second quarter	11.01	15.19	12.98
Third quarter	11.68	15.23	13.57
Fourth quarter	10.64	15.25	13.08
2015			
Annual	2.39	15.21	6.84
First quarter	7.82	15.21	11.08
Second quarter	7.35	8.41	7.82
Third quarter	2.39	7.12	5.12
Fourth quarter	2.39	4.40	3.45
Last Six Months			
October 2015	3.48	4.40	3.79
November 2015	3.41	3.80	3.55
December 2015	2.39	3.57	3.04
January 2016	1.16	2.41	1.50
February 2016	1.80	2.32	2.05
March 2016	2.25	3.80	3.08
April 2016 (through April 26)	2.29	2.72	2.49

_____

Source: Bloomberg

(1) Calculated as average of closing prices for the period.

B. Plan of Distribution

Not applicable.

C. Markets

Trading on the BM&FBOVESPA

In 2000, the São Paulo Stock Exchange was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Under the memoranda, all securities are now traded only on the São Paulo Stock Exchange, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

On May 8, 2008, the São Paulo Stock Exchange and the Brazilian Mercantile and Futures Exchange merged, creating BM&FBOVESPA. Together, the companies have formed one of the largest exchanges worldwide in terms of market value, the second largest in the Americas, and the leading exchange in Latin America.

When shareholders trade in common and preferred shares on the BM&FBOVESPA, the trade is settled in three business days after the trade date without adjustment of the purchase price for inflation. The seller is ordinarily required to deliver the shares to the exchange on the second business day following the trade date. Delivery of and payment for shares are made through the facilities of the clearinghouse, *Companhia Brasileira de Liquidação e CustÃ³dia*, or CBLC.

The BM&FBOVESPA is a for-profit listed company that has regulatory authority over its trading markets. Trading on the BM&FBOVESPA is limited to member brokerage firms and a limited number of authorized nonmembers. The BM&FBOVESPA has two open outcry trading sessions each day from 10:00 a.m. to 5:00 p.m., São Paulo time, for all securities traded on all markets, except during daylight savings time in Brazil. During daylight savings time in Brazil, usually the sessions are from 11:00 a.m. to 6:00 p.m., São Paulo time, to closely mirror the NYSE trading hours. Trading is also conducted between 11:00 a.m. and 6:00 p.m., or between 10:00 a.m. and 5:00 p.m. during daylight savings time in the United States, on an automated system known as the Computer Assisted Trading System (*Sistema de Negociação Assistida por Computador*) on the BM&FBOVESPA and on the National Electronic Trading System (*Sistema EletrÃ´nico de Negociação Nacional*). This system is a computerized system that links electronically with the seven smaller regional exchanges. The BM&FBOVESPA also permits trading from 5:45 p.m. to 7:00 p.m., São Paulo time, or from 6:45 p.m. to 7:30 p.m. during daylight savings time in Brazil, on an online system connected to traditional and Internet brokers called the "after market." Trading on the aftermarket is subject to regulatory limits on price volatility and on the volume of shares transacted through Internet brokers. There are no specialists or officially recognized market makers for our shares in Brazil.

In order to better control volatility, the BM&FBOVESPA adopted a "circuit breaker" system pursuant to which trading sessions may be suspended for a period of 30 minutes or one hour whenever the indices of the BM&FBOVESPA falls below the limits of 10% or 15%, respectively, in relation to the index registered in the previous trading session.

The BM&FBOVESPA is significantly less liquid than the NYSE or other major exchanges in the world. As of December 31, 2015, the aggregate market capitalization of the BM&FBOVESPA was equivalent to R$1.9 trillion and the 10 largest companies listed on the BM&FBOVESPA represented approximately 51.5% of the total market capitalization of all listed companies. In contrast, as of December 31, 2015, the aggregate market capitalization of the NYSE was US$10.2 trillion. Although any of the outstanding shares of a listed company may trade on the BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, by government entities or by one principal shareholder. See "Item 3. Risk Factorsâ€"Risks Relating to the ADSs and Our Preferred Sharesâ€"The relative volatility and illiquidity of the Brazilian securities markets, and securities issued by airlines in particular, may substantially limit your ability to sell the preferred shares underlying the ADSs at the price and time you desire."

Trading on the BM&FBOVESPA by a non-Brazilian holder, is subject to certain limitations under Brazilian foreign investment legislation. With limited exceptions, non-Brazilian holders may only trade on Brazilian stock exchanges in accordance with the requirements of Resolution No. 2,689, of January 26, 2000, of the National Monetary Council (*Conselho Monetário Nacional*), or CMN, or Resolution No. 2,689. Resolution No. 2,689 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions and be registered with a clearinghouse. Such financial institutions and clearinghouses must be duly authorized to act as such by the Central Bank and the CVM. In addition, Resolution No. 2,689 requires non-Brazilian holders to restrict their securities trading to transactions on Brazilian stock exchanges or qualified over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments made under Resolution No. 2,689 to other non-Brazilian holders through a private transaction. See "Taxationâ€"Material Brazilian Tax Considerationsâ€"Taxation of Gains" for a description of certain tax benefits extended to non-Brazilian holders who qualify under Resolution No. 2,689.

Corporate Governance Practices

In 2000, the São Paulo Stock Exchange introduced three special listing segments, known as Level 1 and 2 of Differentiated Corporate Governance Practices and New Market (*Novo Mercado*), aiming at fostering a secondary market for securities issued by Brazilian companies with securities listed on the BM&FBOVESPA, by prompting

such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily undertaking to abide by corporate governance practices and disclosure requirements in addition to those already imposed by Brazilian law. These rules generally increase shareholders' rights and enhance the quality of information provided to shareholders.

To become a Level 2 (*Nível 2*) company, in addition to the obligations imposed by current Brazilian law, an issuer must agree to: (a) comply with all of the listing requirements for Level 1 companies, being: (i) ensure that shares of the issuer representing 25% of its total capital are effectively available for trading, (ii) adopt offering procedures that favor widespread ownership of shares whenever making a public offering, (iii) comply with minimum quarterly disclosure standards including cash flow statements, (iv) follow stricter disclosure policies with respect to transactions made by controlling shareholders, directors and officers involving securities issued by the issuers, (v) submit any existing shareholders' agreements and stock option plans to the BM&FBOVESPA and (vi) make an annual calendar announcing scheduled corporate events, bringing information on the company, the event, date and time it is going to take place; any changes in the schedule shall be promptly forwarded to BM&FBOVESPA and published, (b) grant tag-along rights for all shareholders in connection with a transfer of control of the company, offering the same price paid per share for controlling block common shares and 80% of the price paid per share for controlling block preferred shares, (c) grant voting rights to holders of preferred shares in connection with certain corporate restructurings and related party transactions, such as: (i) any transformation of the company into another corporate form, (ii) any merger, consolidation or spin-off of the company, (iii) approval of any transactions between the company and its controlling shareholder, including parties related to the controlling shareholder, (iv) approval of any valuation of assets to be delivered to the company in payment for shares issued in a capital increase, (v) appointment of an independent company, with renowned expertise, to ascertain the economic value of the company in connection with any deregistration and delisting tender offer and (vi) any changes to these voting rights, (d) have a board of directors comprised of at least five members, of which at least 20% shall be "independent," as defined by the BM&FBOVESPA, with a term limited to two years, (e) if it elects to delist from the Level 2 segment, hold a tender offer by the company's controlling shareholder (the minimum price of the shares to be offered will be the economic value determined by an appraisal process) and, for the same purposes, in the case of companies with diffuse control (controlling power exercised by the shareholder holding less than 50% of the voting capital and per group of shareholders who are not signatories of voting agreements and which is not under a common control and does not act as a representative of a common interest) to comply with complementary rules to be issued by BM&FBOVESPA, (f) disclose: (i) quarterly financial statements in English or prepared in accordance with U.S. GAAP or IFRS and (ii) annual financial statements in English, including cash flow statements, prepared in accordance with U.S. GAAP or IFRS, in U.S. dollars or *reais* and (g) adhere exclusively to the rules of the BM&FBOVESPA Arbitration Chamber for resolution of disputes involving the controlling shareholders, the managers and the members of the fiscal board.

In May 2004, we entered into an agreement with the BM&FBOVESPA to comply with the requirements to become a Level 2 company. In addition to complying with Level 2 requirements, we have granted tag-along rights that entitle our preferred shareholders to receive thirty five times the price paid per common share of controlling block shareholders in connection with a transaction resulting in a transfer of control of our company. Furthermore, we prepare quarterly financial statements in accordance with IFRS. We were included in the following indexes: (a) since 2005: IbrX-100 (*Ã ndice Brasil*, *Index Brazil*), IGC (*Ã ndice de Ações com Governança Corporativa Diferenciada*, *Special Corporate Governance Index*), ITAG (*Ã ndice de Ações com Tag Along Diferenciado*, *Special Tag Along Stock Index*) and MSCI (*Morgan Stanley Capital International Index*), (b) since 2006: IbrX-50 (*Ã ndice Brasil 50*, *Index Brazil 50*): and (c) since 2007: *Ã ndice BM&FBOVESPA*, all of which reflect our increased market capitalization and liquidity of our preferred shares.

On March 23, 2015, our shareholders approved certain amendments to our by-laws that increased our equity financing capacity. The amendments also intended to improve corporate governance and strengthen the alignment of interest among common and preferred shareholders and included, among other items:

- A split of our common shares in the ratio of 35 to one;
- An increase in economic rights of preferred shares in the ratio of 35 to one;

- An increase in the representation of preferred shareholders on the Board of Directors depending on the percentage of economic rights held by the controlling shareholder;

- Enhancing our audit committee by making it a permanent statutory body;

- A separate vote for preferred shareholders in Extraordinary Meetings on certain matters, as detailed in our by-laws;

- Restrictions on the sale of shares held by the controlling shareholder; and

- The mandatory public tender offer for all of our shares if any person acquires 30% or more of our economic rights.

Regulation of the Brazilian Securities Market

The Brazilian securities markets are regulated by the CVM, which has regulatory authority over the stock exchanges and securities markets, as well as by the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions. The Brazilian securities markets are governed by Law No. 10,198 dated February 14, 2001, Law No. 10,303 dated October 31, 2001, or Law No. 10,303, and Law No. 10,411 dated February 26, 2002, which introduced new concepts and several changes to Law No. 6,385 dated December 7, 1976, as amended and supplemented, the principal law governing the Brazilian securities markets, through Brazilian corporation law and regulations issued by the CVM, the CMN and the Central Bank. These laws and regulations, among others, provide for disclosure requirements applicable to issuers of traded securities, criminal sanctions for insider trading and price manipulation, and protection of minority shareholders. They also provide for licensing and oversight of brokerage firms and governance of Brazilian stock exchanges. However, the Brazilian securities markets are not as highly regulated and supervised as U.S. securities markets.

Under the Brazilian corporation law, a company is either publicly held, (*companhia aberta*) or privately held (*companhia fechada*). All listed companies are registered with the CVM and are subject to reporting and regulatory requirements. A company registered with the CVM may trade its securities either on the BM&FBOVESPA or in the Brazilian over-the-counter market. Shares of companies listed on the BM&FBOVESPA may not simultaneously trade on the Brazilian over-the-counter market. The shares of a listed company may also be traded privately, subject to several limitations. To be listed on the BM&FBOVESPA, a company must apply for registration with the BM&FBOVESPA and the CVM.

The trading of securities on the BM&FBOVESPA may be halted at the request of a company in anticipation of a material announcement. Trading may also be suspended on the initiative of the BM&FBOVESPA or the CVM, among other reasons, based on or due to a belief that a company has provided inadequate information regarding a significant event or has provided inadequate responses to inquiries by the CVM or the BM&FBOVESPA.

Trading on the BM&FBOVESPA by non-residents of Brazil is subject to limitations under Brazilian foreign investment and tax legislation. The Brazilian custodian for the preferred shares underlying the ADSs must, on behalf of the depositary for the ADSs, obtain registration from the Central Bank to remit U.S. dollars abroad for payments of dividends, any other cash distributions or upon the disposition of the shares and sales proceeds thereof. If you exchange your ADSs for preferred shares, you will be entitled to continue to rely on the custodian's electronic foreign capital registration for five business days after the exchange. Thereafter, you may not be able to obtain and remit abroad non-Brazilian currency upon the disposition of or distributions relating to the preferred shares and will be subject to a less favorable tax treatment on gains with respect to the preferred shares, unless you obtain a new electronic foreign capital registration in your own name. See "Item 10.B. Memorandum and Articles of Associationâ€"Description of Capital Stockâ€"Regulation of Foreign Investment."

Disclosure Requirements

According to Law No 6,385, a publicly held company must submit to CVM and BM&FBOVESPA certain periodic information, including annual and quarterly reports prepared by management. This legislation also requires us to file with CVM our shareholders' agreements, notices of shareholders' meetings and copies of the related minutes.

Pursuant to CVM Rule No. 358, of January 3, 2002, as amended, the CVM revised and consolidated the requirements regarding the disclosure and use of information related to material facts and acts of publicly held companies, including the disclosure of information in the trading and acquisition of securities issued by publicly held companies.

Such requirements include provisions that:

- establish the concept of a material fact that gives rise to reporting requirements. Material facts include decisions made by the controlling shareholders, resolutions of the general meeting of shareholders and management of the company, any other facts related to the company's business (whether occurring within the company or otherwise somehow related thereto) that may influence the price of its publicly traded securities or the decision of investors to trade such securities or to exercise any of such securities' underlying rights;

- specify examples of facts that are considered to be material, which include, among others, the execution of agreements providing for the transfer of control, the entry or withdrawal of shareholders that maintain any managing, financial, technological or administrative function with or contribution to the company, and any corporate restructuring undertaken among related companies;

- oblige the officer of investor relations, controlling shareholders, other officers, directors, members of the audit committee and other advisory boards to disclose material facts;

- require simultaneous disclosure of material facts to all markets in which the corporation's securities are admitted for trading;

- require the acquirer of a controlling stake in a corporation to publish material facts, including its intentions as to whether or not to de-list the corporation's shares, within one year;

- establish rules regarding disclosure requirements in the acquisition and disposal of a material stockholding stake; and

- forbid trading on the basis of insider information.

In addition to the disclosure requirements under the Brazilian corporation law and the CVM regulations, we must also observe the following disclosure requirements:

- we must disclose our consolidated financial statements at the end of each quarter (except for the last quarter of each year) and at the end of each fiscal year, including a statement of cash flows which must indicate, at least, the changes in cash and cash equivalents and is separated into operating, financing and investing activities;

- we must, no later than four months after the end of the fiscal year, disclose our financial statements and consolidated financial statements in accordance with IFRS, in *reais* or U.S. dollars, which must be fully disclosed, in English, together with a management report, explanatory notes that shall include the net income and shareholders' equity calculated at the end of such fiscal year, the proposal for distribution or other use of net income and the independent auditors' report; and

- within no longer than 15 days following the term established by the Brazilian corporation law for disclosure of our quarterly information, we must also disclose our quarterly information translated into English.

CVM Rule No. 480, as amended, provides for periodical information that shall be submitted to the market. For instance the submission of the following documents: (i) financial statements, (ii) standard form and (iii) *Formulário de ReferÃªncia*, an annual report that replaced IAN.

The *Formulário de ReferÃªncia* shall be annually presented until the fifth month following the termination of the fiscal year. Additionally, whenever the company decides to make a public offering, an updated *Formulário de ReferÃªncia* shall be filed. In addition, category A issuers, which includes us, shall always update their *Formulário de ReferÃªncia* within seven business days from the occurrence of one of the following events:

(i) change of any of company's managers or member of the Audit Committee;

(ii) change of the corporate capital of the company;

(iii) issuance of securities;

(iv) change of the rights and advantages of the issued securities;

(v) change of the majority shareholder or variation in its position equal or superior to 5%;

(vi) whenever a shareholder achieves a participation equal or superior to 5% of shares of the same class, considering that the issuer knows it;

(vii) change or disclosure of new projections or estimates;

(viii) consolidation, merger of shares, merger and spin-off involving the company;

(ix) execution, change or termination of the shareholders agreement; or

(x) file for reorganization or petition for bankruptcy.

CVM Rule No. 481, as amended, which sets forth (i) the procedures relating to the public solicitation of proxies for the exercise of voting rights at shareholders' meetings of public held companies; and (ii) disclosure requirements to be followed by public held companies before the shareholders' meetings. It provides that: (i) shareholders that own 0.5% or more of the company's corporate capital may indicate members to the board of directors and to the fiscal board in public solicitation of proxies conducted by the company's management, being thus required that the shareholders be able to vote on the referred candidates; (ii) the companies that accept digital proxies must allow shareholders who hold 0.5% or more of their corporate capital to make public solicitation of proxies through their referred system; and (iii) the publicly held companies that do not accept digital proxies must pay part of the costs of the public solicitation of proxies made by shareholders that own 0.5% or more of their corporate capital.

In addition, all information that shall be disclosed jointly with the call notice for general shareholders' meetings of publicly held companies must be made available to shareholders through the CVM website and that the following documents shall be disclosed at least with thirty days in advance of the general shareholders' meeting:

(i) the management report on the corporation's affairs and major administrative events of the last fiscal year;

(ii) copies of the accounts and financial statements;

(iii) the opinion of the independent auditors, if any;

(iv) comments of the managers in the terms provided in Section 10 of the *Formulário de Referência*; and

(v) the Audit Committee report, if any.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We were formed on March 12, 2004 as a *sociedade por ações*, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. We were registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under NIRE 35.300.314.441.

Description of Capital Stock

General

As of December 31, 2015, our capital structure consisted of 5,035,037,140 common shares and 203,383,968 preferred shares, each with no par value. We are a stock corporation (*sociedade anÃ´nima*) incorporated under the laws of Brazil. In 2015, we had a capital increase of R$461.3 million, represented by 64,065,611 preferred shares, in connection with the subscription by Volluto and Delta.

On March 23, 2015 our shareholders approved, among other amendments to our by-laws intended to improve corporate governance, the split of 143,858,204 common shares, in the proportion of 35 common shares for each common share, upon the issuance of 4,891,178,936 new common shares, without modification to our capital stock. Thus, our capital stock, at the total value of R$2,618.8 million became comprised of 5,035,037,140 common shares and 139,318,357 preferred shares, all registered and with no face value.

Issued Share Capital

Under our by-laws, our authorized capital as of December 31, 2015 was R$4.0 billion, and can be increased by the issuance of preferred or common shares, after approval by our board of directors. Our shareholders must approve any capital increase that exceeds our authorized capital. Under our by-laws and the Brazilian corporation law, if we issue additional shares in a private transaction, the existing shareholders have preemptive rights to subscribe for shares on a pro rata basis according to their holdings. See “Description of Capital Stockâ€”Preemptive Rights.”

Regulation of Foreign Investment

There are no general restrictions on ownership of our preferred shares or common shares by individuals or legal entities domiciled outside Brazil, except for those regarding airline companies (see “Item 4B. Business Overviewâ€”Regulation of the Brazilian Civil Aviation Market”). However, the right to convert dividend payments and proceeds from the sale of preferred shares or common shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, the registration of the relevant investment with the Central Bank.

Foreign investors may register their investment under Law No. 4,131 dated September 3, 1962, or Law No. 4,131, or Resolution No. 2,689 of January 26, 2000 of the CMN, or Resolution No. 2,689. Registration under Law No. 4,131 or under Resolution No. 2,689 generally enables foreign investors to convert into foreign currency dividends, other distributions and sales proceeds received in connection with registered investments and to remit such amounts abroad. Resolution No. 2,689 affords favorable tax treatment to foreign investors who are not residents in a Low or Nil Tax Jurisdiction, which is defined under Brazilian tax laws as a country or location or other jurisdiction that does not impose tax or where the maximum income tax rate is lower than 20%.

Under Resolution No. 2,689, foreign investors may invest in almost all financial assets and engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with Resolution No. 2,689, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities that are domiciled or headquartered abroad. Investors may not transfer the ownership of investments made under Resolution No. 2,689 to other non-Brazilian holders through private transactions.

Pursuant to Resolution No. 2,689, foreign investors must:

- appoint at least one representative and a custodian in Brazil with powers to perform actions relating to the foreign investment;

- complete the appropriate foreign investor registration form;

- register as a foreign investor with the CVM;

- register the foreign investment with the Central Bank;

- appoint a tax representative in Brazil; and

- obtain a taxpayer identification number from the Brazilian federal tax authorities.

Amounts invested in our preferred shares by a non-Brazilian holder who qualifies under Resolution 2,689 and obtains registration with the CVM, or by the depositary representing an ADS holder, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our preferred shares. The registered capital per preferred share purchased in the form of an ADS, or purchased in Brazil and deposited with the depositary in exchange for an ADS, will be equal to its purchase price (stated in U.S. dollars). The registered capital per preferred share withdrawn upon cancellation of an ADS will be the U.S. dollar equivalent of (i) the average price of a preferred share on the Brazilian stock exchange on which the most preferred shares were traded on the day of withdrawal or (ii) if no preferred shares were traded on that day, the average price on the Brazilian stock exchange on which the most preferred shares were traded in the 15 trading sessions immediately preceding such withdrawal. The U.S. dollar equivalent will be determined on the basis of the average rates quoted by the Central Bank on these dates.

A non-Brazilian holder of preferred shares may experience delays in effecting Central Bank registration, which may delay remittances abroad. This delay may adversely affect the amount in U.S. dollars, received by the non-Brazilian holder.

A registration has been obtained in the name of the depositary with respect to the ADSs and is maintained by the custodian on behalf of the depositary. Pursuant to the registration, the custodian and the depositary are able to convert dividends and other distributions with respect to the preferred shares represented by our ADSs into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADSs exchanges such ADSs for preferred shares, such holder will be entitled to continue to rely on the depositary's registration for five business days after such exchange, following which, such holder must seek to obtain its own registration with the Central Bank.

Thereafter, any holder of preferred shares may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to such preferred shares, unless the holder is a duly qualified investor under Resolution No. 2,689.

If the shareholder does not qualify under Resolution No. 2,689 by registering with the CVM and the Central Bank and appointing a representative and a custodian in Brazil, the holder will be subject to less favorable Brazilian tax treatment than a holder of ADSs. Regardless of qualification under Resolution No. 2,689, residents in a Low or Nil Tax Jurisdiction are subject to less favorable tax treatment than other foreign investors. See "Taxationâ€"Material Brazilian Tax Considerations."

Under current Brazilian legislation, the federal government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately six months in 1989 and early 1990, the Brazilian government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors, in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with federal government directives. There can be no assurance that the Brazilian government will not impose similar restrictions on foreign repatriations. See "Item 3. Risk Factorsâ€"Risks Relating to Brazil."

Description of Preferred Shares

According to our by-laws, our preferred shares are non-voting and have the right to receive dividends per share equal to 35 times the value of the dividends received per common share. However, under certain limited circumstances

provided for in the Brazilian corporation law and as described in this section, holders of our preferred shares may be entitled to vote. Upon liquidation, holders of preferred shares are entitled to receive distributions prior to the holders of our common shares and at value of 35 times the value attributable to each common share.

According to our by-laws, holders of our preferred shares are entitled to be included in a public tender offer in case our controlling shareholder sells its controlling stake in us and the minimum price to be offered for each preferred share is 35 times the price paid per share of the controlling stake.

Under Brazilian law, the protections afforded to minority shareholders are different from those in the United States. In particular, judicial guidance with respect to shareholder disputes is less established under Brazilian law than U.S. law and there are different procedural requirements for bringing shareholder lawsuits, such as shareholder derivative suits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a U.S. company.

Redemption and Rights of Withdrawal

Under the Brazilian corporation law, a dissenting or non-voting shareholder has the right to withdraw from a company and be reimbursed for the value of the preferred or common shares held whenever a decision is taken at a general shareholders' meeting by a vote of shareholders representing at least 50% of the total outstanding voting capital to:

- create a new class of preferred shares or increase disproportionately an existing class of preferred shares relative to the other classes of shares, unless such action is provided for or authorized by our by-laws (our by-laws allow us to do so);

- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares or create a new class with greater privileges than the existing classes of preferred shares;

- reduce the mandatory distribution of dividends;

- merge or consolidate us with another company;

- participate in a group of companies as defined in the Brazilian corporation law and subject to the conditions set forth therein;

- change our corporate purpose, including a sale of the voting control to a third party;

- transfer all of our shares to another company or receive shares of another company in order to make the company whose shares were transferred a wholly owned subsidiary of such company, known as *incorporação de ações*;

- conduct a spin-off that results in (a) a change of our corporate purposes, except if the assets and liabilities of the spin-off company are contributed to a company that is engaged in substantially the same activities, (b) a reduction in the mandatory dividend or (c) any participation in a centralized group of companies, as defined under the Brazilian corporation law; or

- dissolution of the company or terminating a state of liquidation.

In the event that the entity resulting from a merger, consolidation, or *incorporação de ações*, or spin-off of a listed company fails to become a listed company within 120 days of the shareholders' meeting at which such decision was taken, the dissenting or non-voting shareholders may also exercise their withdrawal right.

If there is a resolution to (a) merge or consolidate us with another company; (b) conduct a *incorporação de ações*; (c) participate in a group of companies, as defined under the Brazilian corporation law; or (d) acquire control of another company, the withdrawal rights are exercisable only if our shares do not satisfy certain tests of liquidity and dispersal of the type or class of shares in the market at the time of the general meeting.

Only holders of shares adversely affected by the changes mentioned in the first and second items above may withdraw their shares.

The right of withdrawal lapses 30 days after publication of the minutes of the relevant general shareholders' meeting that approved the corporate actions described above. In the case of the changes mentioned in items (a) and (b) above, the resolution is subject to confirmation by the preferred shareholders, which must be obtained at a special meeting held within one year. In those cases, the 30-day term is counted from the date of publication of the minutes of the special meeting. We would be entitled to reconsider any action triggering appraisal rights within 10 days following the expiration of such rights if the redemption of shares of dissenting or non-voting shareholders would jeopardize our financial stability. Shares to be purchased by us from the dissenting or non-voting shareholders exercising appraisal rights will be valued at an amount equal to the lesser of the portion attributable to such shares of our shareholders' equity as shown on the last balance sheet approved at a general shareholders' meeting (book value) and the portion attributable to such shares of the economic value of the company, pursuant to an appraisal report produced in accordance with the provisions of the Brazilian corporation law. If more than 60 days have elapsed since the date of such balance sheet, dissenting shareholders may require that the book value of their shares be calculated on the basis of a new balance sheet. As a general rule, shareholders who acquire their shares after the first notice convening the general shareholders' meeting or after the relevant press release concerning the meeting is published will not be entitled to appraisal rights.

For purposes of the right of withdrawal, the concept of "dissenting shareholder," under the Brazilian corporation law, includes not only those shareholders who vote against a specific resolution, but also those who abstain from voting, who fail to attend the shareholders' meeting or who do not have voting rights.

Preemptive Rights

Each of our shareholders generally has a preemptive right to subscribe for shares or convertible securities in any capital increases, in proportion to its shareholdings. A minimum period of 30 days, unless a shorter period is established by our board of directors, following the publication of notice of the capital increase is allowed for the exercise of the right and the right is negotiable. In the event of a capital increase which would maintain or increase the proportion of capital represented by preferred shares, holders of ADSs or preferred shares would have preemptive rights to subscribe only to newly issued preferred shares.

In the event of a capital increase which would reduce the proportion of capital represented by preferred shares, holders of ADSs or preferred shares would have preemptive rights to subscribe for preferred shares, in proportion to their shareholdings, and for common shares, only to the extent necessary to prevent dilution of their equity participation. (See "Risks Relating to the ADSs and Our Preferred Shares - Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares"). Our by-laws provide that our board of directors may, within the limit of our authorized capital, withdraw preemptive rights to existing shareholders in connection with an increase in share capital through sale in stock exchanges, public offerings or public exchange offers. In addition, Brazilian corporation law provides that the granting or exercise of stock options pursuant to certain stock option plans is not subject to preemptive rights.

Voting Rights

Each common share entitles its holder to one vote at our shareholders' meetings. Preferred shares have no voting rights, except that each preferred share entitles its holder to one vote at our shareholders' meeting to decide on certain specific matters, such as:

- any transformation of the company into another corporate type;
- any merger, consolidation or spin-off of the company;
- approval of any transactions between the company and its controlling shareholder or parties related to the controlling shareholder;
- approval of any evaluation of assets to be delivered to the company in payment for shares issued in a capital increase;
- appointment of an expert to ascertain the fair value of the company in connection with any deregistration and delisting tender offer;
- changes to the rights attributable to preferred shares approved by shareholders on March 23, 2015;
- any changes to these voting rights; and
- approval of a change of our corporate purpose.

In case our controlling shareholder holds our shares that represent an economic interest equal to or less than 50%, the approval of the certain matters referred to above will depend on the prior approval by an extraordinary meeting.

Holders of preferred shares are entitled to attend shareholders' meetings and to participate in the discussions. The Brazilian corporation law provides that non-voting shares, such as preferred shares, may acquire voting rights if the company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends. (See "Risks Relating to the ADSs and Our Preferred Shares - Holders of the ADSs and our preferred shares may not receive any dividends").

According to the Brazilian corporation law, any change in the preferences or rights of our preferred shares, or the creation of a class of shares having priority over our preferred shares, unless such change is authorized by our by-laws, would require the approval of our preferred shareholders in a special shareholders' meeting in addition to approval by a majority of the holders of our outstanding voting shares. The holders of preferred shares would vote as a class at the special meeting.

The Brazilian corporation law grants (i) holders of preferred shares without voting rights (or with restricted voting rights) representing 10% of the total issued capital stock and (ii) holders of our common shares that are not part of the controlling group, and represent at least 15% of the voting capital stock, the right to appoint a member to the board of directors, by voting during the annual shareholders' meeting. If none of our non-controlling holders of common or preferred shares meets the respective thresholds described above, holders of preferred or common shares representing at least 10% of the share capital would be able to combine their holdings to appoint one member and an alternate to our board of directors. Such rights may only be exercised by those shareholders who prove that they have held the required stake with no interruption during at least the three months directly preceding our annual shareholders' meeting.

Holders of common shares are entitled to certain rights that cannot be amended by changes in the by-laws or at a general shareholders' meeting, which include (i) the right to vote at general shareholders' meetings; (ii) the right to participate in distributions of dividends and interest attributable to shareholders' equity and to share in the remaining assets of the company in the event of liquidation; (iii) preemptive rights in certain circumstances and (iv) the right to withdraw from the company in certain cases. In addition to those rights, the by-laws or a majority of the voting shareholders may establish additional rights and, likewise, remove them. The Level 2 of Differentiated Corporate Governance Practices, which we comply with, provides for the granting of voting rights to holders of preferred shares in connection with certain matters, including corporate restructurings, mergers and related party transactions.

Controlling shareholders may nominate and elect a majority of the members of the board of directors of Brazilian companies. In a Brazilian company, management is not entitled to nominate directors for election by the shareholders. Non-controlling shareholders and holders of non-voting shares are entitled to elect representatives to the board, as described above. Holders of a threshold percentage of the voting shares may also request, up to 48 hours prior to any general shareholders' meeting, that the election of directors be subject to cumulative voting. The threshold percentage required for cumulative voting for a corporation such as ours is currently 5% of the outstanding shares. Shareholders who vote to elect a representative of the non-controlling shareholders may not cast cumulative votes to elect other members of the board.

Also, recent amendments to our by-laws estipulate that if the controlling shareholder at any time holds an economic interest in us equal to or less than 35% and greater than 15%, at least 40% of the directors shall be independent and the preferred shareholders shall have the right to elect one of the independent directors. Also, if the controlling shareholder at any time holds an economic interest in us equal to or less than 15% and greater than 7.5%, at least 50% of the directors shall be independent and the preferred shareholders shall have the right to elect two of the independent directors. If the controlling shareholder at any time holds an economic interest in us equal to or less than 7.5%, at least 60% of the directors shall be independent and the preferred shareholders shall have the right to elect two of the

independent directors.

Conversion Right

Our shareholders may, at any time, convert common shares into preferred shares, at the rate of 35 common shares to one preferred share, to the extent such shares are duly paid and provided that the amount of preferred shares does not exceed 50% of the total amount of shares outstanding. Any request for conversion must be delivered to our board of executive officers and, once accepted by the board of executive officers, must be confirmed by our board of directors at the first meeting after the date of the request for conversion. The conversion is subject to transfer restrictions, as explained below.

Transfer Restrictions

The controlling shareholder, as established on March 23, 2015, shall observe the following restrictions concerning the transfer of preferred shares held on March 23, 2015:

a) 31,463,850 preferred shares must be held by the controlling shareholder until March 23, 2016; and

b) After March 23, 2016, the controlling shareholder shall hold at least 15,731,925 (preferred shares, being permitted to transfer 15,731,925, without any restriction.

Until March 23, 2017, the controlling shareholder, shall only be allowed to transfer the preferred shares held on March 23, 2015 in private transactions, outside of a stock exchange or organized over-the-counter market, to acquirers who agree to comply with the same restriction. Any subsequent private transfer of preferred shares initially transferred by the controlling shareholder, shall only occur if the new acquirer of these preferred shares agrees to comply with the restrictions above.

The transfer restrictions of preferred shares provided above shall not apply to preferred shares derived from the conversion of common shares or that are acquired by the controlling shareholder after March 23, 2015.

The transfer of common shares owned by the controlling shareholder or of preferred shares resulting from the conversion of common shares, shall be subject to the restrictions below:

a) The transfer of common shares owned by the controlling shareholder or of preferred shares resulting from the conversion of common shares, in one or more private transactions, outside of an exchange or organized over-the-counter market, shall only be allowed, independently of the percentage of common shares or preferred shares subject to such transaction, if the acquirer of those common shares or preferred shares agrees not to transfer the acquired shares on an exchange or organized over-the-counter market for 12 months commencing on the date of the transaction. In these cases, the controlling shareholder shall not make a new private transfer, outside of a stock exchange or a block trade, of common shares or preferred shares resulting from the conversion of common shares for six months commencing on the date of the transaction.

b) Any subsequent private transfer of the shares initially transferred by the controlling shareholder pursuant to the terms of item (a) above within the 12 month period shall only occur if the new acquirer agrees not to transfer such shares on an exchange or organized over-the-counter market until the end of the 12 months commencing on the date that such shares were transferred by the controlling shareholder.

c) Except in the case of an organized sale process, as provided below, the controlling shareholder shall not transfer, in any transaction on an exchange or organized over-the-counter market, a number of preferred shares that represents an economic interest greater than 3%. Any sale on an exchange or organized over-the-counter market shall automatically impede the controlling shareholder from making a new transfer of preferred shares, on an exchange or organized over-the-counter market, for at least six months commencing on the date such sale occurs.

d) The transfer of preferred shares that represent an economic interest greater than 3% shall only be made through a public offering registered with the CVM. In this case, the controlling shareholder will be subject only to the transfer restrictions that are part of the public offering.

All transfer restrictions above shall cease definitively and immediately at the moment in which (a) a public tender offer for the acquisition of shares occurs as a result of the transfer of control of our company; or (b) the controlling

shareholder holds an amount of shares in our company that represents an economic interest equal to or less than 15%.

Special and General Meetings

Unlike the laws governing corporations incorporated under the laws of the State of Delaware, the Brazilian corporation law does not allow shareholders to approve matters by written consent obtained as a response to a consent solicitation procedure. All matters subject to approval by the shareholders must be approved in a general meeting, duly convened pursuant to the provisions of Brazilian corporation law. Shareholders may be represented at a shareholders' meeting by attorneys-in-fact who are (i) shareholders of the corporation, (ii) a Brazilian attorney, (iii) a member of management or (iv) a financial institution.

General and special shareholders' meetings may be called by publication of a notice in the *Diário Oficial do Estado de São Paulo* and in a newspaper of general circulation in our principal place of business at least 15 days prior to the meeting. Special meetings are convened in the same manner as general shareholders' meetings and may occur immediately before or after a general meeting.

At duly called and convened meetings, our shareholders are empowered to take any action regarding our business. Shareholders have the exclusive right, during our annual shareholders' meetings required to be held within 120 days of the end of our fiscal year, to approve our financial statements and to determine the allocation of our net income and the distribution of dividends related to the fiscal year immediately preceding the meeting. The members of our board of directors are generally elected at annual shareholders' meetings. However, according to Brazilian corporation law, they can also be elected at extraordinary shareholders' meetings. At the request of shareholders holding a sufficient number of shares, a fiscal board can be established and its members elected at any shareholders' meeting.

An extraordinary shareholders' meeting may be held concurrently with the annual shareholders' meeting and at other times during the year. Our shareholders may take the following actions, among others, exclusively at shareholders' meetings:

- election and dismissal of the members of our board of directors and our fiscal board, if the shareholders have requested the set-up of the latter;

- approval of the aggregate compensation of the members of our board of directors and board of executive officers, as well as the compensation of the members of the fiscal board, if one has been established;

- amendment of our by-laws;

- approval of our merger, consolidation or spin-off;

- approval of our dissolution or liquidation, as well as the election and dismissal of liquidators and the approval of their accounts;

- granting stock awards and approval of stock splits or reverse stock splits;

- approval of stock option plans for our management and employees, as well as for the management and employees of other companies directly or indirectly controlled by us;

- approval, in accordance with the proposal submitted by our board of directors, of the distribution of our net income and payment of dividends;

- authorization to delist from the Level 2 of Differentiated Corporate Governance Practices and to become a private company, except if the cancellation is due to a breach of the Level 2 regulations by management, and to retain a specialized firm to prepare a valuation report with respect to the value of our shares, in any such events;

- approval of our management accounts and our financial statements;

- approval of any primary public offering of our shares or securities convertible into our shares; and

- deliberate upon any matter submitted by the board of directors.

Anti-Takeover Provisions

Our by-laws require any party that acquires our control to extend a tender offer for common and preferred shares held by non-controlling shareholders to the controlling shareholder. The price of the public tender offer (a) shall be the price paid per share of the block of control, for the holders of our common shares, and (b) shall be equal to 35 times the price paid for the block of control for the owners of our preferred shares.

Arbitration

In connection with our listing with Level 2 of Differentiated Corporate Governance Practices, we and our controlling shareholder, directors, officers and members of our fiscal board have undertaken to refer to arbitration any and all disputes arising out of the Level 2 rules or any other corporate matters. See "Market Information." Under our by-laws, any disputes among us, our shareholders and our management with respect to the application of Level 2 rules, the Brazilian corporation law or the application of the rules and regulations regarding Brazilian capital markets, will be resolved by arbitration conducted pursuant to the BM&FBOVESPA Arbitration Chamber. Any disputes among shareholders, including holders of ADSs, and disputes between us and shareholders, including holders of ADSs, will be submitted to arbitration in accordance with the BM&FBOVESPA Arbitration Chamber.

Going Private Process

Pursuant to our by-laws, we may become a privately-held company only if we, our controlling shareholder or our group of controlling shareholders make a public tender offer for all outstanding shares.

According to the Level 2 regulations and our by-laws, the minimum price of the shares in the public tender offer required to be made in case we go private shall be equivalent to the economic value determined in the appraisal report prepared by a specialized and independent company, with renowned expertise, to be selected at the annual shareholders' meeting from among the three companies suggested by the board of directors.

In addition to the requirements set out in the Level 2 regulations and our by-laws, according to the Brazilian corporation law, our registration as a publicly held company with shares traded on stock exchanges will be canceled only if we or our direct or indirect controlling shareholder make a public tender offer for the total outstanding shares in the market (which may be the same tender offer required by Level 2 regulations and our by-laws), at a fair value, for a price at least equal to our evaluation, determined based on the following criteria, separately or jointly adopted: (i) shareholders' equity book value, shareholders' equity at market price, (ii) discounted cash flow, (iii) multiple comparisons and (iv) market price of our shares or any other criteria accepted by the CVM. Shareholders holding at least 10% of our outstanding shares may require our management to review the price offered for the shares and, in this event, our management shall call a special shareholders` meeting to determine whether to perform another valuation using the same or a different valuation method. Such request must be made within 15 days following the disclosure of the price to be paid for the shares in the public tender offer, and shall be duly justified. The shareholders who make such request, as well as those who vote in its favor, shall reimburse us for any costs involved in preparing the new valuation if the valuation price is lower than or equal to the original valuation price. If the new valuation price is higher than the original valuation price, the public tender offer must be made at the new valuation price.

Delisting from Differentiated Corporate Governance Practices Level 2

We may, at any time, delist our shares from the Level 2 segment, provided that this is approved by shareholders representing the majority of our voting share capital at an annual shareholders' meeting and that we provide written notice to the BM&FBOVESPA at least 30 days in advance. If we decide to delist from the Level 2 segment, in order to make our shares available to be traded outside the Level 2 segment, our controlling shareholder must conduct a public tender offer for the acquisition of our shares within the legal timeframe, based on the economic value calculated in the appraisal report prepared by a specialized and independent company, to be selected at an annual shareholders' meeting from among three companies suggested by the board of directors. The public tender offer notice must be communicated to the BM&FBOVESPA and immediately disclosed to the market after the shareholder's meeting during which the delisting was approved. If the delisting from the Level 2 segment is a result of the cancellation of our registration as a publicly held company, our controlling shareholder must follow the other

requirements applicable to going private.

The delisting from the Level 2 segment does not imply the cancellation of the trading of our shares on the BM&FBOVESPA.

If our share control is transferred within the 12 months subsequent to the delisting from the Level 2, the selling controlling shareholder and the buyer shall offer to our other shareholders the acquisition of their shares at the price and conditions provided to the controlling shareholder selling the shares, adjusted for inflation.

After delisting from the Level 2 segment, we may not request the listing of our shares in the Level 2 segment for two years subsequent to the cancellation, except if there is a change of our share control after delisting from the Level 2 segment.

30% Tender Offer

Any person or group of persons who acquires or becomes the beneficial owner of our shares that represents an economic interest equal to or greater than 30%, independent of whether the shareholder was a shareholder of our company prior to the specific transaction that results in the ownership of these shares, shall launch a public tender offer for the acquisition of all shares of our company.

Form and Transfer

Because our preferred shares are in registered book-entry form, Banco Itaú S.A., as registrar, must effect any transfer of shares by an entry made in its books, in which it debits the share account of the transferor and credits the share account of the transferee. When our shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the records of our registrar by a representative of a brokerage firm or the stock exchange's clearing system. Transfers of shares by a foreign investor are executed in the same way by that investor's local agent on the investor's behalf except that, if the original investment were registered with the Central Bank pursuant to Resolution No. 2,689, the foreign investor should also seek amendment through its local agent, if necessary, of the electronic registration to reflect the new ownership. The BM&FBOVESPA operates a clearinghouse through CBLC. The fact that such shares are subject to custody with the relevant stock exchange will be reflected in our registry of shareholders. Each participating shareholder will, in turn, be registered in the register of our beneficial shareholders that is maintained by CBLC and will be treated in the same way as registered shareholders.

American Depositary Receipts

Citibank, N.A., as depositary, has executed and delivered the ADRs representing our preferred shares. Each ADR is a certificate evidencing a specific number of American Depositary Shares, also referred to as ADSs. After our 1:10 ADS ratio change in February 2016, discussed below, each ADS represents ten preferred shares (or a right to receive ten preferred shares) deposited with the principal São Paulo office of Banco Itaú S.A., as custodian for the depositary in Brazil. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADRs are administered is located at 399 Park Avenue, New York, New York 10043.

You may hold ADSs either directly (by having an ADR registered in your name) or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADR holder. We do not treat ADR holders as our shareholders and ADR holders have no shareholder rights. Brazilian law governs shareholder rights. The depositary is the holder of the preferred shares underlying the ADSs. Holders of ADRs have ADR holder rights. A deposit agreement among us, the depositary and you, as an ADR holder, and the beneficial owners of ADRs sets out ADR holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADRs.

C. Material Contracts

Our material contracts are directly related to our operating activities, such as contracts relating to aircraft leasing and fuel supply as well as contracts relating to our concession to operate as a commercial airline. We do not have material contracts that are not related to our operating activities.

Aircraft General Terms Agreement between The Boeing Company and VRG Linhas Aéreas S.A.

In 2004, we entered into an agreement, as amended, with Boeing for the purchase of aircraft, installation of buyer furnished equipment provided by us, customer support services and product assurance. In addition to the aircraft supplied, Boeing will provide maintenance training and flight training programs, as well as operations engineering support.

Commercial Sale Promise Agreement between Petrobras Distribuidora S.A. and VRG Linhas Aéreas S.A.

In 2015, we entered into a commercial sale promise agreement for the purchase of fuel from Petrobras Distribuidora. We agreed to purchase fuel exclusively from Petrobras Distribuidora in all of the airports where Petrobras Distribuidora maintains aircraft fueling facilities. Petrobras Distribuidora, in turn, agreed to provide us with all of our fuel needs in the supplying airports.

Reservation Services and Software License Use Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A

On May 1, 2004, we entered into an agreement, as amended and updated, with Navitaire Inc. for host reservation services and obtained a license to use the Navitaire software to provide reservation services to our customers. Navitaire provides a number of ancillary services in addition to the host reservation services, including data center implementation services, network configuration and design services, system integration services, customer site installation services and initial training services.

D. Exchange Controls

The right to convert dividend or interest payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investments have been registered with the Central Bank and the CVM. Such restrictions on the remittance of foreign capital abroad may hinder or prevent the custodian for our preferred shares represented by our ADSs or the holders of our preferred shares from converting dividends, distributions or the proceeds from any sale of these preferred shares into U.S. dollars and remitting the U.S. dollars abroad. Holders of our ADSs could be adversely affected by delays in, or refusal to grant any, required government approval to convert Brazilian currency payments on the preferred shares underlying our ADS and to remit the proceeds abroad.

Resolution No. 1,927 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADR holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs are entitled to favorable tax treatment under certain circumstances. See “Taxation—Material Brazilian Tax Considerations.”

E. Taxation

The following discussion addresses the material Brazilian and U.S. federal income tax consequences of acquiring, holding and disposing of our preferred shares or ADSs.

This discussion is not a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase our preferred shares or ADSs and is not applicable to all categories of investors, some of which may be subject to special rules, and does not specifically address all of the Brazilian and U.S. federal income tax considerations applicable to any particular holder. It is based upon the tax laws of Brazil and the United States as in effect on the date of this annual report, which are subject to change, possibly with retroactive effect, and to differing interpretations. Each prospective purchaser is urged to consult its own tax advisor about the particular Brazilian and U.S. federal income tax consequences to it of an investment in our preferred shares or ADSs. This discussion is also based upon the representations of the depositary and on the assumption that each obligation in the deposit agreement among us, Citibank, N.A., as depositary, and the registered holders and beneficial owners of our ADSs, and any related documents, will be performed in accordance with its terms.

Although there presently is no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. We cannot assure you, however, as to whether or when a treaty will enter into force or how it will affect holders of our preferred shares or ADSs.

Material Brazilian Tax Considerations

The following discussion addresses the material Brazilian tax consequences of the acquisition, ownership and disposition of our preferred shares or ADSs by a non-Brazilian holder.

This discussion is based on Brazilian law as currently in effect, which are subject to change, possibly with retroactive effect, and to differing interpretations. Any change in such law may change the consequences described below. This discussion does not address all Brazilian tax considerations that may be applicable to any particular non-Brazilian holder and, therefore, each non-Brazilian holder should consult his or her own tax adviser concerning the Brazilian tax consequences of an investment in the preferred shares or ADSs.

Taxation of Dividends.

Dividends, including dividends in kind, paid by us to the depository in respect of the preferred shares underlying the ADSs or to a non-Brazilian holder of preferred shares will not be subject to Brazilian withholding income tax, provided that such amounts are related to profits earned after January 1, 1996.

Taxation of Gains.

According to Law No. 10,833, dated December 29, 2003, or Law No. 18,333, capital gains realized on the disposition of assets located in Brazil by a non-Brazilian holder are subject to taxation in Brazil, regardless of whether the sale or the disposition is made by a non-Brazilian holder to another non-Brazilian resident or to a Brazilian resident.

With respect to the disposition of preferred shares, as they are assets located in Brazil, the non-Brazilian holder will be subject to income tax on the gains assessed, following the rules described below, regardless of whether the disposition is conducted in Brazil or with a Brazilian resident.

With respect to the ADSs, arguably the gains realized by a non-Brazilian holder on the disposition of ADSs to another non-Brazilian resident are not taxed in Brazil, based on the argument that ADSs would not constitute assets located in Brazil for purposes of Law No. 10,833. However, we cannot assure you how Brazilian courts would interpret the definition of assets located in Brazil in connection with the taxation of gains realized by a non- Brazilian holder on the disposition of ADSs to another non-Brazilian resident. As a result, gains on a disposition of ADSs by a non-Brazilian holder to a Brazilian resident, or even to a non-Brazilian holder in the event that courts determine that ADSs would constitute assets located in Brazil, may be subject to income tax in Brazil according to the rules described ahead. It is important to clarify that, for purposes of Brazilian taxation, the income tax rules on gains related to disposition of preferred shares or ADSs vary depending on the domicile of the non-Brazilian holder, the form by which such non-Brazilian holder has registered its investment with the Central Bank and/or how the disposition is carried out, as described below.

The deposit of preferred shares in exchange for ADSs may be subject to Brazilian tax on capital gains at the rate of 15%, or 25% in the case of investors domiciled in a Low or Nil Tax Jurisdiction, as defined below, if the acquisition cost of the preferred shares is lower than (a) the average price per preferred share on a Brazilian stock exchange on which the greatest number of such shares were sold on the day of deposit or (b) if no preferred shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred shares were sold in the 15 trading sessions immediately preceding such deposit. In such case, the difference between the acquisition cost and the average price of the preferred shares calculated as described above, may be considered to be a capital gain subject to taxation. In some circumstances, there may be arguments to sustain that such taxation is not applicable in the case of a non-Brazilian holder that is a 4,373 Holder (as defined below) and is not resident in a Low or Nil Tax

Jurisdiction, as defined below.

The withdrawal of ADSs in exchange for preferred shares should not be considered as giving rise to a capital gain subject to Brazilian income tax, provided that on the receipt of the underlying preferred shares, the non-Brazilian holder complies with the regulatory rules observed in respect to the registration of the investment before the Central Bank.

Gains assessed on the disposition of the preferred shares carried out on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market) are:

- exempt from income tax, when assessed by a non-Brazilian holder that (i) has registered its investment in Brazil with the Central Bank under the rules of Resolution No. 4,373 ("4,373 Holder") and (ii) is not resident in a Low or Nil Tax Jurisdiction, as defined below; or

- subject to income tax at a rate of 15% in any other case, including the gains assessed by a non-Brazilian holder that is not a 4,373 Holder and/or is a resident in a Low or Nil Tax Jurisdiction, as defined below. In these cases, a withholding income tax of 0.005% shall be applicable and can be offset with the eventual income tax due on the capital gain.

Any other gains assessed on the disposition of the preferred shares that are not carried out on the Brazilian stock exchange are subject to income tax at a rate of 15%, except for a resident of a Low or Nil Tax Jurisdiction, as defined below, or yet where local regulations impose restrictions on disclosure of share ownership and identity of beneficiary holders which, in this case, is subject to income tax at a rate of 25%. If these gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable and can be offset against the eventual income tax due on the capital gain.

In the case of a redemption of preferred shares or ADSs or a capital reduction by a Brazilian corporation, the positive difference between the amount received by the non-Brazilian holder and the acquisition cost of the preferred shares or ADSs redeemed is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the rate of 15%, or 25%, as the case may be.

As a general rule, the gains realized as a result of a disposition transaction of preferred shares or ADSs are determined by the difference between the amount realized on the sale or exchange of the shares or ADSs and their acquisition cost.

There can be no assurance that the current preferential treatment for non-Brazilian holder of ADSs and 4,373 Holder of preferred shares will continue.

Any exercise of preemptive rights relating to the preferred shares or ADSs will not be subject to Brazilian income tax. Any gain on the sale or assignment of preemptive rights relating to preferred shares or the ADSs by a non-Brazilian holder will be subject to Brazilian income taxation according to the same rules applicable to the sale or disposition of preferred shares.

Distributions of Interest Attributable to Shareholders' Equity.

In accordance with Law No. 9,249, dated December 26, 1995, as amended, Brazilian corporations may make payments to shareholders characterized as distributions of interest on the company's shareholders' equity as an alternative to making dividend distributions. Such interest is calculated by reference to the TJLP as determined by the Central Bank from time to time and, for tax purposes, cannot exceed the greater of:

- 50% of net income (after social contribution on profits and before taking such distribution and the provision for corporate income tax into account) for the period in respect of which the payment is made; or

- 50% of the sum of retained profits and profits reserves, as of the date of the beginning of the period in respect of which the payment is made.

Distributions of interest attributable to shareholders' equity in respect of the preferred shares paid to shareholders who non-Brazilian holders, including non-Brazilian holders of ADSs, are subject to Brazilian withholding income tax at the rate of 15%, or 25% in case of a resident of a Low or Nil Tax Jurisdiction, as defined below, or where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a non-Brazilian holder. The distribution of interest attributable to shareholders' equity may be determined by our board of directors. We cannot assure you that our board of directors will not determine that future distributions of profits may be made by means of interest attributable to shareholders' equity instead of by means of dividends.

The amounts paid as distribution of interest attributable to shareholders' equity are deductible for corporate income tax and social contribution on net profit purposes, both of which are taxes levied on our profits, as far as the limits and rules described above are observed by us.

Low or Nil Taxation Jurisdictions.

On June 4, 2010, Brazilian tax authorities enacted Normative Ruling No. 1,037 listing (i) the countries and jurisdictions considered as Low or Nil Taxation Jurisdiction or where the local legislation does not allow access to information related to the shareholding composition of legal entities, to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents and (ii) the privileged tax regimes, which definition is provided by Law No. 11,727, of June 23, 2008. On December 12, 2014 the Brazilian Revenue Service issued Rule 488 reducing the concept of Tax Favorable Jurisdictions to those that tax the income below the rate of 17% (previous concept adopted a 20% maximum rate for that purpose), which will probably result in an amendment to the list provided under Normative Ruling No. 1,037. However, please note that Rule 488 does not apply to 4,373 Holders.

Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned "privileged tax regime" concept should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a "privileged tax regime" provided by Law No. 11,727 will also apply to a Non-Brazilian Holder on payments of interest attributable to shareholders' equity.

Notwithstanding the above, we recommend that you consult your own tax advisors regarding the consequences of the implementation of Law No. 11,727, Normative Ruling No. 1,037, Rule 488. If the Brazilian tax authorities determine that the concept of "privileged tax regime" applies to withholding taxes levied on payments made to a non-Brazilian Holder, the withholding taxes applicable to such payments could be assessed at a rate up to 25.0%.

Other Relevant Brazilian Taxes

There are no Brazilian federal inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of preferred shares or ADSs by a non-Brazilian holder. Gift and inheritance taxes, however, may be levied by some states of Brazil on gifts made or inheritances bestowed by the non-Brazilian holder to individuals or entities resident or domiciled within such states in Brazil. There are non-Brazilian stamp, issue, registration or similar taxes or duties payable by a non-Brazilian holder of preferred shares or ADSs.

Tax on foreign exchange transactions

Pursuant to Decree No. 6,306/07, the conversion into foreign currency or the conversion into Brazilian currency of the proceeds received or remitted by a Brazilian entity from a foreign investment in the Brazilian securities market, including those in connection with the investment by a non-Brazilian holder in the preferred shares and ADSs may be subject to the Tax on Foreign Exchange Transactions, or IOF/Exchange. Currently applicable rate for most foreign currency exchange transactions is 0.38%. However, currency exchange transactions carried out for the inflow of funds in Brazil by a 4,373 Holder are subject to IOF/Exchange at (i) 0% rate in case of variable income transactions carried out on the Brazilian stock, futures and commodities exchanges, as well as in the acquisitions of shares of Brazilian publicly-held companies in public offerings or subscription of shares related to capital contributions, provided that the issuer company has registered its shares for trading in the stock exchange (ii) 0% for the outflow of resources from Brazil related to these type of investments, including payments of dividends and interest attributable to shareholders' equity and the repatriation of funds invested in the Brazilian market. Furthermore, the IOF/Exchange is currently levied at a 0% rate on the withdrawal of ADSs into shares. In any case, the Brazilian government is permitted to

increase at any time the rate to a maximum of 25%, but only in relation to future transactions.

Tax on Bonds and Securities Transactions

Pursuant to Decree 6,306/07, the Tax on Bonds and Securities Transactions ("IOF/Bonds") may be imposed on any transactions involving bonds and securities even if the transactions are performed on a Brazilian stock exchange. The rate of IOF/Bonds applicable to transactions involving preferred or common shares is currently zero. In particular, the IOF/Bonds also levies at a zero percent rate on the transfer of shares traded on the Brazilian stock exchange with the purpose of the issuance of depositary receipts to be traded outside Brazil. The Brazilian government may increase such rate up to 1.5% per day, but only with respect to future transactions.

Registered Capital

The amount of an investment in preferred shares held by a non-Brazilian holder who qualifies under Resolution No. 4,373 and obtains registration with the CVM, or by the depositary, as the depositary representing such holder must be registered with the Central Bank. Such registration allows the remittance from Brazil of any proceeds of distributions on the shares, and amounts realized with respect to disposition of such shares. The registered capital for preferred shares purchased in the form of ADSs or purchased in Brazil, and deposited with the depositary in exchange for ADSs will be equal to their purchase price (in U.S. dollars) to the purchaser. The registered capital for preferred shares that are withdrawn upon surrender of ADSs, as applicable, will be the U.S. dollar equivalent of the average price of preferred shares, as applicable, on a Brazilian stock exchange on which the greatest number of such preferred shares, as applicable, was sold on the day of withdrawal. If no preferred shares, as applicable, were sold on such day, the registered capital will refer to the average price on the Brazilian stock exchange on which the greatest number of preferred shares, as applicable, were sold in the 15 trading sessions immediately preceding such withdrawal. The U.S. dollar value of the preferred shares, as applicable, is determined on the basis of the average rate quoted by the Central Bank on such date or, if the average price of preferred shares is determined under the last preceding sentence, the average of such average quoted rates on the same 15 dates used to determine the average price of the preferred shares.

A non-Brazilian holder of preferred shares may experience delays in effecting such Central Bank registration, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder.

Material U.S. Federal Income Tax Consequences

The following discussion describes the material U.S. federal income tax consequences of purchasing, holding and disposing of our preferred shares or ADSs. This discussion applies only to beneficial owners of ADSs or preferred shares that are U.S. Holders (as defined below). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing final, temporary and proposed Treasury Regulations, administrative pronouncements by the U.S. Internal Revenue Service, or IRS, and judicial decisions, all as currently in effect and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This summary does not describe any state, local or non-U.S. tax law considerations or any aspect of U.S. federal tax law (such as the estate tax, gift tax, the alternative minimum tax or the Medicare tax on net investment income) other than income taxation. U.S. Holders should consult their own tax advisors regarding these matters.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular U.S. Holder and you are urged to consult your own tax advisor regarding your specific tax situation. The discussion applies only to U.S. Holders who hold preferred shares or ADSs as "capital assets" (generally, property held for investment) under the Code and does not address the tax consequences that may be relevant to U.S. Holders in special tax situations including, for example:

- insurance companies;
- tax-exempt organizations;
- broker-dealers;
- traders in securities that elect to mark to market;
- regulated investment companies;

- real estate investment trusts;
- banks or other financial institutions;
- investors liable for alternative minimum tax;
- partnerships and other pass-through entities;
- U.S. Holders whose functional currency is not the U.S. dollar;
- U.S. expatriates;
- U.S. Holders that hold our preferred shares or ADSs as part of a hedge, straddle, conversion or other integrated transaction; or
- U.S. Holders that own, directly, indirectly, or constructively, 10% or more of the total combined voting power, if any, of our voting stock.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. See “Material U.S. Federal Income Tax Consequencesâ€”Passive Foreign Investment Company Rules.”

You are a “U.S. Holder” if you are a beneficial owner of preferred shares or ADSs and, for U.S. federal income tax purposes, you are:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust (or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a U.S. person).

If a partnership (or any other entity taxable as a partnership for U.S. federal income tax purposes) holds preferred shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partnership that holds our preferred shares or ADSs and partners in such partnerships should consult their own tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of our preferred shares or ADSs.

For U.S. federal income tax purposes, a U.S. Holder of an ADS will generally be treated as the beneficial owner of the preferred shares represented by the ADS. See “Material U.S. Federal Income Tax Consequencesâ€”Distributions on Preferred Shares or ADSs.”

Distributions on Preferred Shares or ADSs

Cash distributions (including amounts withheld to pay Brazilian withholding taxes and distributions of notional interest payments on shareholders' equity, but excluding distributions in redemption of the preferred shares treated as exchanges or sales under the Code) made by us to or for the account of a U.S. Holder with respect to preferred shares or ADSs generally will be taxable to such U.S. Holder as ordinary dividend income when such distribution is paid, actually or constructively, out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of our current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing such U.S. Holder's adjusted tax basis in the preferred shares or ADSs. Any distribution in excess of such U.S. Holder's adjusted tax basis will be treated as capital gain and will be long-term capital gain if the U.S. Holder held the preferred shares or ADSs for more than one year. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. Holders should assume all distributions are made out of earnings and profits and constitute dividend income. As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions (including a minimum holding period requirement), to claim a U.S. foreign tax credit in respect of any Brazilian withholding taxes imposed on dividends received on preferred shares or ADSs. U.S. Holders who do not elect to claim a foreign tax credit with regard to any foreign income taxes paid or accrued during the taxable year may instead claim a deduction in respect of such withholding taxes. Dividends received with respect to the preferred shares or ADSs will be treated as foreign source income, which may be relevant in calculating such U.S. Holder's U.S. foreign tax credit limitation. For purposes of the U.S. foreign tax credit limitation, foreign source income is separated into different "baskets," and the credit for foreign taxes on income in any basket is limited to the U.S. federal income tax allocable to such income. Dividends paid with respect to our preferred shares or ADSs should generally constitute "passive category income" for most U.S. Holders. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit in their particular circumstances. The U.S. Treasury has expressed concern that intermediaries in connection with depository arrangements may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. persons who are holding depositary shares. Accordingly, investors should be aware that the discussion above regarding the ability to credit Brazilian withholding tax on dividends and the availability of the reduced tax rate for dividends received by certain non-corporate holders described below could be affected by actions taken by parties to whom the ADSs are released and the IRS.

Dividends paid by us generally will not be eligible for the dividends received deduction available under the Code to certain U.S. corporate shareholders. Subject to the above-mentioned concerns by the U.S. Treasury and certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by certain U.S. Holders (including individuals), with respect to the ADSs will be subject to taxation at a maximum rate of 20% if the dividends represent "qualified dividend income." Dividends paid on the ADSs will be treated as qualified dividend income if (i) the ADSs are readily tradable on an established securities market in the United States, (ii) the U.S. Holder meets the holding period requirement for the ADSs (generally more than 60 days during the 121-day period that begins 60 days before the ex-dividend date), and (iii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Our ADSs are listed on the New York Stock Exchange, and therefore the ADSs will qualify as readily tradable on an established securities market in the United States so long as they are so listed. However, no assurances can be given that the ADSs will be or will remain readily tradable. Subject to the discussion of PFIC rules below, based upon the nature of our current and projected income, assets and activities, we do not believe the preferred shares or the ADSs have been (for our 2015 taxable year), nor do we expect them to be (for our 2016 taxable year), shares of a PFIC for U.S. federal income tax purposes.

Based on existing guidance, it is not entirely clear whether dividends received with respect to the preferred shares (to the extent not represented by ADSs) will be treated as qualified dividends, because the preferred shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury Department has announced its intention to promulgate rules pursuant to which holders of ADSs or preferred stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, we are not certain that we will be able to comply with them. U.S. Holders of ADSs and preferred shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

The amount of any cash distribution paid in Brazilian currency will equal the U.S. dollar value of the distribution, calculated by reference to the exchange rate in effect at the time the distribution is received by the depositary (in the case of ADSs) or by the U.S. Holder (in the case of preferred shares held directly by such U.S. Holder), regardless of whether the payment is in fact converted to U.S. dollars at that time. A U.S. Holder should not recognize any foreign currency gain or loss in respect of such distribution if such Brazilian currency is converted into U.S. dollars on the date received. If the Brazilian currency is not converted into U.S. dollars on the date of receipt, however, gain or loss

may be recognized upon a subsequent sale or other disposition of the Brazilian currency. Such foreign currency gain or loss, if any, will be U.S. source ordinary income or loss.

Because our preferred shares will not be treated as "preferred stock" for purposes of Section 305 of the Code, distributions to U.S. Holders of additional shares of our "non-preferred stock" or preemptive rights relating to such "non-preferred stock" with respect to their preferred shares or ADSs that are made as part of a pro rata distribution to all shareholders in most instances will not be subject to U.S. federal income tax. However, if the holders of ADSs are restricted in their ability to participate in the exercise of preemptive rights, the distribution of preemptive rights may give rise to a deemed distribution to holders of the preferred shares under Section 305 of the Code. Any deemed distribution will be taxable as a dividend to the extent of our earnings and profits as discussed above.

Sale or Exchange or Other Taxable Disposition of Preferred Shares or ADSs

Deposits and withdrawals of preferred shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

A U.S. Holder who owns preferred shares or ADSs during any taxable year that we are a PFIC in excess of certain de minimums amounts and fails to qualify for certain other exemptions would be required to file IRS Form 8621. In addition, under certain circumstances, temporary regulations also require a "United States person" (as such term is defined under the Code) that indirectly owns preferred shares through another United States person to file Form 8621 for a taxable year during which such indirect shareholder is treated as receiving an excess distribution in connection with the ownership or disposition of the preferred shares, or reports income pursuant to a mark-to-market election, as described below among other circumstances. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to our preferred shares or ADSs and the application of the recently enacted legislation to their particular situation.

If a Brazilian tax is withheld on the sale, exchange or other taxable disposition of a preferred share or ADS, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of the Brazilian tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of a preferred share or ADS generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, in the case of a sale, exchange or other taxable disposition of a preferred share or ADS that is subject to Brazilian tax imposed on the gain (or, in the case of a deposit, in exchange for an ADS or preferred share, as the case may be, that is not registered pursuant to Resolution No. 2,689, on which a Brazilian capital gains tax is imposed (see above under "Material Brazilian Tax Considerationsâ€"Taxation of Gains"), the U.S. Holder may not be able to benefit from the foreign tax credit for that Brazilian tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources in the appropriate income category. Alternatively, if available, the U.S. Holder may take a deduction for the Brazilian tax if it does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year.

Passive Foreign Investment Company Rules

In general, a foreign corporation is a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder holds stock in the foreign corporation, at least 75% of its gross income is passive income or at least 50% of the value of its assets (determined on the basis of a quarterly average) produce passive income or are held for the production of passive income. In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least 25% interest (by value) is taken into account. For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties and gains from the disposition of investment assets (subject to various exceptions). Based upon the nature of our current and projected income, assets and activities, we do not believe the preferred shares or ADSs are, nor do we expect them to be, shares of a PFIC for U.S. federal income tax purposes. However, the determination of whether the preferred shares or ADSs constitute shares of a PFIC is a factual determination made annually and thus may be subject to change. Because these determinations are based on the nature of our income and assets from time to time, and involve the application of complex tax rules, no assurances can be provided that we will not be considered a PFIC for the current or any past or future tax year.

If, contrary to the discussion above, we are treated as a PFIC, a U.S. Holder would be subject to special rules (and may be subject to increased U.S. federal income tax liability and form filing requirements) with respect to (a) any gain realized on the sale, exchange or other disposition of preferred shares or ADSs and (b) any "excess distribution" made by us to the U.S. Holder (generally, any distribution during a taxable year in which distributions to the U.S. Holder on

the preferred shares or ADSs exceed 125% of the average annual distributions the U.S. Holder received on the preferred shares or ADSs during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the preferred shares or ADSs). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the preferred shares or ADSs, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which we were a PFIC would be subject to U.S. federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which we were a PFIC.

In general, if we are treated as a PFIC, the rules described above can be avoided by a U.S. Holder that elects to be subject to a mark-to-market regime for stock in a PFIC. A U.S. Holder may elect mark-to-market treatment for its preferred shares or ADSs, provided the preferred shares or ADSs, for purposes of the PFIC rules, constitute "marketable stock" as defined in U.S. Treasury regulations. The ADSs will be "marketable stock" for this purpose if they are regularly traded on the New York Stock Exchange, other than in de minimis quantities on at least 15 days during each calendar quarter. A U.S. Holder electing the mark-to-market regime generally would compute gain or loss at the end of each taxable year as if the preferred shares or ADSs had been sold at fair market value. Any gain recognized by the U.S. Holder under mark-to-market treatment, or on an actual sale, would be treated as ordinary income, and the U.S. Holder would be allowed an ordinary deduction for any decrease in the value of preferred shares or ADSs as of the end of any taxable year, and for any loss recognized on an actual sale, but only to the extent, in each case, of previously included mark-to-market income not offset by previously deducted decreases in value. Any loss on an actual sale of preferred shares or ADSs would be a capital loss to the extent in excess of previously included mark-to-market income not offset by previously deducted decreases in value. A U.S. Holder's adjusted tax basis in preferred shares or ADSs would increase or decrease by gain or loss taken into account under the mark-to-market regime. A mark-to-market election is generally irrevocable. If we are determined to be a PFIC, a U.S. Holder may be treated as indirectly holding any subsidiary of ours that is itself a PFIC (a lower-tier PFIC) and may be subject to the PFIC rules on indirect distributions or sales of the lower-tier PFIC, even if the U.S. Holder does not receive of the proceeds of such distribution or sales. In addition, a mark-to-market election with respect to preferred shares or ADSs would not apply to any lower-tier PFIC, and a U.S. Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that lower-tier PFIC. Consequently, the PFIC rules could apply with respect to income of a lower-tier PFIC, the value of which would already have been taken into account indirectly via mark-to-market adjustments in respect of preferred shares or ADSs.

If we are deemed to be a PFIC for a taxable year, dividends on our ADSs would not be "qualified dividend income" subject to preferential rates of Unites States federal income tax, as described above. See "â€" Distributions on Preferred Shares or ADSs."

Backup Withholding and Information Reporting

In general, dividends on preferred shares or ADSs, and payments of the proceeds of a sale, exchange or other disposition of preferred shares or ADSs, paid within the United States or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding of U.S. federal income tax at a current maximum rate of 28% unless the U.S. Holder (i) is a corporation or other exempt recipient or (ii) provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. The amount of any backup withholding tax from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by timely filing a refund claim with the IRS.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S. $50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their U.S. Federal income tax returns. "Specified foreign financial assets" generally include any financial accounts maintained by foreign financial institutions as well as any of the following, but only if they are not held in accounts maintained by

financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our preferred shares or ADSs and the application of this legislation to their particular situation.

Other Brazilian Taxes

You should note that any Brazilian IOF/Exchange Tax or IOF/Bonds tax may not be treated as a creditable foreign tax for U.S. federal income tax purposes, although you may be entitled to deduct such taxes, subject to applicable limitations under the Code. You should consult your tax advisors regarding the U.S. federal income tax consequences of these taxes.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, which is also known as the Exchange Act. Accordingly, we are required to file reports and other information with the Commission, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information to be filed with the Commission at the public reference facilities maintained by the Commission at 100 F Street, N.W., Washington D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago Illinois 60661, and 233 Broadway, New York, New York 10279. Copies of the materials may be obtained from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. In addition, the Commission maintains an Internet website at http://www.sec.gov, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. However, we furnish our shareholders with annual reports containing financial statements audited by our independent auditors and make available to our shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. We furnish quarterly financial statements with the Commission within two months of the end of the first three quarters of our fiscal year, and we file annual reports on Form 20-F within the time period required by the Commission, which is currently four months from December 31, the end of our fiscal year.

We will send the depositary a copy of all notices that we give relating to meetings of our shareholders or to distributions to shareholders or the offering of rights and a copy of any other report or communication that we make generally available to our shareholders. The depositary will make all these notices, reports and communications that it receives from us available for inspection by registered holders of ADSs at its office. The depositary will mail copies of those notices, reports and communications to you if we ask the depositary to do so and furnish sufficient copies of materials for that purpose.

We also file financial statements and other periodic reports with the CVM located at Rua Sete de Setembro, 111, Rio de Janeiro, State of Rio de Janeiro 20159-900, Brazil.

I. Subsidiary Information

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures about Market Risk

The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes to the price of fuel, the *real*/U.S. dollar exchange rate and interest rates. We purchase jet fuel at prevailing market prices, but seek to manage market risk through execution of a documented hedging program. We incur a portion of our operating costs and expenses in U.S. dollars. We have a fleet of 144 aircraft, 98 of which were under operating leases, 46 were under finance leases and three were owned by us. However, fixed rate leases are not considered market sensitive financial instruments and, therefore, are not included in the interest rate sensitivity analysis below.

Aircraft Fuel

Our results of operations are affected by changes in the price of aircraft fuel required to operate our aircraft fleet. To manage the price risk, we have entered, and my enter in the future, into crude oil and heating oil derivative contracts in the past. And we actually utilize crude oil and heating oil contracts with our supplier in our functional currency. All existing contracts settle on a monthly basis and we do not purchase or hold instruments for trading purposes. At December 31, 2015, we had fuel hedge derivatives of 31.7% of our expected fuel consumption from January 2016 to March 2016. We acquire substantially all of our fuel from one supplier.

Foreign Currencies

A significant part of our operating costs and expenses, such as aircraft and engine maintenance services, aircraft lease payments and aircraft insurance, are denominated in U.S. dollars. In addition, a portion of our debt, all of our finance leases and some of our cash and cash equivalents and short-term investments are also denominated in U.S. dollars. To manage exchange rate risk, we enter into derivative contracts to protect against a possible depreciation of the *real*in relation to the U.S. dollar. At December 31, 2015, we had U.S. dollar currency derivative contracts outstanding to hedge 12.9% of our expected operational expenses in the next 3 months exposure linked to the U.S. dollar. As a measure of our market risk with respect to our foreign currency exposure, a hypothetical 10% appreciation or depreciation of the *real*against the U.S. dollar would have resulted in a decrease or an increase, in our results of operations, respectively, of (i) approximately R$732.0 million in our financial results with exchange rate variation, due to our net exposure to foreign currencies of R$7,319.6 million as of December 31, 2015, and (ii) approximately R$127.0 million in aircraft rent, as a result of our commitments for 2016 with non-cancelable operating lease contracts, which are not registered in the statements of financial position, of R$1,270.3 million as of December 31, 2015.

Interest Rates

Our results are affected by changes in interest rates mainly due to the impact those changes have on interest expense from variable-rate leasing contracts. At December 31, 2015, leases for eight aircraft had floating-rate rent payments. A hypothetical 10% increase or decrease in international market interest rates in 2015 would have resulted in an increase or a decrease, respectively, in our aircraft financial leasing expenses of R$25.7 million. These amounts are determined considering the effects of the hypothetical international interest rates on our variable-rate leasing contracts at December 31, 2015.

ITEM 12. Description of Securities other than Equity Securities

A. American Depositary Shares

In the United States, our preferred shares trade in the form of ADS. The ADSs commenced trading on the NYSE on June 24, 2004. Since February 2016, each ADS represents ten preferred shares, issued by Citibank, N.A., as Depositary pursuant to a Deposit Agreement.

We do not treat ADR holders as our shareholders and ADR holders have no shareholder rights. Brazilian law governs shareholder rights. The depositary is the holder of the preferred shares underlying the ADSs. Holders of ADRs have

ADR holder rights

ADR Ratio Change

On October 26, 2015, we were informed by the New York Stock Exchange that we were not in compliance with NYSE's continued listing standard that require average closing prices of listed securities not fall below US$1.00 per share for any consecutive 30 trading-day period.

On February 26, 2016, we received the approval from CVM to change the ratio of our ADSs to preferred shares from one ADS to one preferred share to one ADS to ten preferred shares.

On April 1, 2016, we received a letter from NYSE confirming that the average stock price for the 30-trading days ended March 31, 2016 indicated that the our stock price was above NYSE's minimum requirement of US$1.00 based on a 30-trading day average and no longer was being considered below the US$1.00 continued listing criterion.

Fees and Expenses

The following table summarizes the fees and expenses payable by holders of ADRs:

Persons depositing preferred shares or ADR holders must pay:	***For:***
US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of preferred shares or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
US$0.02 (or less) per ADS (to the extent not prohibited by the rules of any stock exchange on which the ADSs are listed for trading)	Any cash distribution to you
A fee equivalent to the fee that would be payable if securities distributed to you had been preferred shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR holders
US$0.02 (or less) per ADS per calendar year (to the extent the depositary has not collected a cash distribution fee of $0.02 per ADS during the year)	Depositary services
Registration or transfer fees	Transfer and registration of preferred shares on our preferred share register to or from the name of the depositary or its agent when you deposit or withdraw preferred shares.
Expenses of the depositary in converting foreign currency to U.S. dollars	
Expenses of the depositary	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or preferred share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	No charges of this type are currently made in the Brazilian market

Payment of Taxes

The depositary may deduct the amount of any taxes owed from any payments to you. It may also sell deposited securities, by public or private sale, to pay any taxes owed. You will remain liable if the proceeds of the sale are not sufficient to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Reimbursement of Fees

Citibank, N.A., as depositary, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the

ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the depositary has agreed to provide additional payments to us based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Reimbursement of Fees Incurred in 2015

During 2015 we received US$0.6 million from the depositary for standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls), any applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies

None.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

ITEM 15. Controls and Procedures

Disclosure Controls and Procedures. We maintain control and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this report conducted by our management, with the participation of the chief executive and chief financial officers, after evaluating together with other members of management the effectiveness of our disclosure controls and procedures (as defined in the U.S. Securities Exchange Act of 1934 under Rule 13a-15(e)) have concluded that our disclosure controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management assessed the effectiveness of the our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control—Integrated Framework (2013). Based on this assessment, management believes that, as of December 31, 2015, the our internal control over financial reporting is effective based

on those criteria.

Attestation Report of the Independent Registered Public Accounting Firm. The effectiveness of internal controls over financial reporting as of December 31, 2015 has been audited by Ernst & Young Auditores Independentes S.S., or EY, the independent registered public accounting firm who also audited our consolidated financial statements for the year then ended. EY's report on the our internal controls over financial reporting is included herein.

Changes in internal control over financial reporting. There was no change in our internal control over financial reporting that occurred in the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. Reserved

ITEM 16A. Audit Committee Financial Expert

Our board of directors has determined that Luiz Kaufmann, a member of our audit committee, is an audit committee financial expert, as defined by current SEC rules and meets the independence requirements of the SEC and the NYSE listing standards. For a discussion of the role of our audit committee, see "Item 6C. Board Practices—Audit Committee."

ITEM 16B. Code of Ethics

Our board of directors has adopted a Code of Ethics applicable to our directors, officers and employees, including our principal executive officer and principal financial officer. The Code of Ethics can be found at www.voegol.com.br under the heading "Investor Relations." Information found at this website is not incorporated by reference into this document.

ITEM 16C. Principal Accountant Fees and Services

The following table sets forth by category of service the total fees for services performed by our principal accountants during the fiscal years ended December 31, 2014 and 2015. Ernst & Young Auditores Independentes S.S. has been our principal accountant for the fiscal years ended December 31, 2015 and 2014:

	2014	**2015**
	(in thousands of R$)	
Audit Fees	4,752.4	4,330.8
Audit-Related Fees	669.9	980.8
Tax Fees	-	-
All Other Fees	-	-
Total	**5,422.3**	**5,311.6**

Audit Fees

Audit fees include the audit of our consolidated annual financial statements and internal controls, the audit of our IFRS financial statements, review of our quarterly reports and required statutory audits and regulatory filings such as the *formulário de referência*.

Audit-Related Fees

Audit-related fees include fees for the preparation and issuance of comfort letters in connection with our notes offering, due diligence and assurance of our sustainability report.

Tax Fees

There were no tax advisory services provided by our principal accountant in 2015 and 2014.

121

All Other Fees

There were no other services provided by our principal accountants in 2015 and 2014.

Pre-Approval Policies and Procedures

Our audit committee approves all audit, audit-related services, tax services and other services provided by our principal accountant. Any services provided by our principal accountant that are not specifically included within the scope of the audit must be pre-approved by the audit committee in advance of any engagement. Pursuant to Rule 2-01 of Regulation S-X, audit committees are permitted to approve certain fees for audit-related services, tax services and other services pursuant to a *de minimis* exception prior to the completion of an audit engagement. In 2014 and 2015, none of the fees paid to EY were approved pursuant to the *de minimis* exception.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees

None.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 16F. Change in Registrant's Certifying Accountant

None.

ITEM 16G. Corporate Governance

Significant Differences between our Corporate Governance Practices and NYSE Corporate Governance Standards

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than the standards applied to U.S. listed companies. Under the NYSE rules, we are required only to: (a) have an audit committee or audit board, pursuant to an applicable exemption available to foreign private issuers, that meets certain requirements, as discussed below, (b) provide prompt certification by our chief executive officer of any material non-compliance with any corporate governance rules and (c) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

Majority of Independent Directors

The NYSE rules require that a majority of the board must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, both the Brazilian corporation law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's executive officers and directors. While our directors meet the qualification requirements of the

Brazilian corporation law and the CVM, we do not believe that a majority of our directors would be considered independent under the NYSE test for director independence. The Brazilian corporation law requires that our directors be elected by our shareholders at a general shareholders' meeting. All of our directors are elected by our controlling shareholder and five of our directors represent our controlling shareholder.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. The Brazilian corporation law does not have a similar provision. According to the Brazilian corporation law, up to one-third of the members of the board of directors can be elected from management. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors on our board do not typically meet in executive session.

Fiscal Board

Under the Brazilian corporation law, the fiscal board is a corporate body independent of management and independent auditors. The fiscal board may be either permanent or non-permanent, in which case it is appointed by the shareholders to act during a specific fiscal year. A fiscal board is not equivalent to, or comparable with, a U.S. audit committee. The primary responsibility of the fiscal board is to review management's activities and the company's financial statements, and to report its findings to the company's shareholders. The Brazilian corporation law requires fiscal board members to receive as remuneration at least 10% of the average annual amount paid to the company's executive officers. The Brazilian corporation law requires a fiscal board to be composed of a minimum of three and a maximum of five members and their respective alternates.

Under the Brazilian corporation law, the fiscal board may not contain members that (i) are on our board of directors, (ii) are on the board of executive officers, (iii) are employed by us or a controlled company or (iv) are spouses or relatives of any member of our management, up to the third degree. Our by-laws provide for a non-permanent fiscal board to be elected only by our shareholders' request at a general shareholders' meeting. The fiscal board, when elected, will be comprised of a minimum of three and a maximum of five members and an equal number of alternate members. In 2015 and 2014, our shareholders did not request the election of a fiscal board.

Audit Committee

NYSE rules require that listed companies have an audit committee that (i) is composed of a minimum of three independent directors who are all financially literate, (ii) meets the SEC rules regarding audit committees for listed companies, (iii) has at least one member who has accounting or financial management expertise and (iv) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. However, as a foreign private issuer, we need only to comply with the requirement that the audit committee meet the SEC rules regarding audit committees for listed companies to the extent compatible with Brazilian corporation law. Our permanent audit committee, which is currently comparable with a U.S. audit committee, provides assistance to our board of directors on matters involving accounting, internal controls, financial reporting and compliance. The audit committee coordinates the appointment of our independent auditors to our board of directors and reviews the compensation of our independent auditors and helps supervise their activities. It also evaluates the effectiveness of our internal financial and legal compliance controls. Currently, the audit committee also performs the roles of an audit committee under U.S. laws, especially the Sarbanes-Oxley Act of 2002. It is comprised by three members elected by the board of directors for a term of up to ten years. The current members of our audit committee are Antonio Kandir, Richard F. Lark and Luiz Kaufmann. All members meet the independent membership requirements of the SEC and NYSE as well as other NYSE requirements. Luiz Kaufmann is the committee's "financial expert" within the scope of the SEC rules covering the disclosure of financial experts on audit committees in periodic filings pursuant to the U.S. Securities Exchange Act of 1934.

Nomination/Corporate Governance and Compensation Committees

NYSE rules require that listed companies have a nominating/corporate governance committee and a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. Required responsibilities for the nominating/corporate governance committee include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. Required responsibilities for the compensation committee include, among other things, reviewing corporate goals relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending to the board non-chief executive officer compensation, incentive

compensation and equity based plans.

We are not required under applicable Brazilian law to have a nomination/corporate governance committee or compensation committee. Under the Brazilian corporation law, the total amount available for compensation of our directors and executive officers and for profit-sharing payments to our executive officers is established by our shareholders at the general shareholders' meeting. The board of directors is then responsible for determining the individual compensation and profit-sharing of each executive officer, as well as the compensation of our board and committee members. In making such determinations, the board reviews the performance of the executive officers, including the performance of our chief executive officer, who typically excuses himself from discussions regarding his performance and compensation.

Our People Management and Corporate Governance Committee is responsible for the coordination, implementation and periodic review of best corporate governance practices and for monitoring and keeping our board of directors informed of legislation and market recommendations addressing corporate governance. It also reviews and recommends to our board of directors human resources policies, forms of compensation, including salary, bonus and stock options, to be paid to our employees, as well as analyzing management's career and succession plans. The committee consists of up to five members elected by our board of directors for a one-year term, with the right to re-election, comprising the chairman of the board of directors, one member of the board of directors, two outside specialists and the management and human resources officer. The People Management and Corporate Governance Committee currently consists of Constantino de Oliveira Júnior, Henrique Constantino, Antonio Kandir, Paulo Sergio Kakinoff, Betânia Tanure de Barros and Paulo César Aragão.

Shareholder Approval of Equity Compensation Plans

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. Under the Brazilian corporation law, shareholders must approve all stock option plans. In addition, any issuance of new shares that exceeds our authorized share capital is subject to shareholder approval.

Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We have not adopted any formal corporate governance guidelines beyond those required by applicable Brazilian law. We have adopted and observe a disclosure policy, which requires the public disclosure of all relevant information pursuant to guidelines set forth by the CVM, as well as an insider trading policy, which, among other things, establishes black-out periods and requires insiders to inform management of all transactions involving our securities.

Code of Business Conduct and Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. We have adopted a Code of Ethics and Conduct applicable to our officers, directors and employees worldwide, including at the subsidiary level. We believe this code addresses the matters required to be addressed pursuant to the NYSE rules. For a further discussion of our Code of Ethics and Conduct, See "Code of Ethics."

Internal Audit Function

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. Our internal audit and compliance department was created in 2004 under the supervision of our chief financial officer and our audit committee and is responsible for our compliance with the requirements of Section 404 of the U.S. Sarbanes-Oxley Act of 2002 regarding internal control over financial reporting. The internal audit and compliance department reports to our chief executive officer and the audit committee.

ITEM 16H. Mine Safety Disclosure

Not applicable.

124

PART III

ITEM 17. Financial Statements

See “Item 18. Financial Statements.”

ITEM 18. Financial Statements

See our consolidated financial statements beginning on Page F-1.

ITEM 19. Exhibits

1.1 * By-laws of the Registrant (English translation).
2.1 Form of Amended and Restated Deposit Agreement among the Registrant, Citibank, N.A., as depositary, and the Holders from time to time of American Depositary Shares issued thereunder, including the form of American Depositary Receipts, incorporated herein by reference from our Registration Statement on Form F-6, filed August 2, 2011.
4.1 * Agreement, dated as of April 15, 2015, between the Registrant and Petrobras Distribuidora S.A., including
+ Amendment 1 thereto.
4.2 Navitaire Hosted Services Agreement, dated May 1, 2004, between Navitaire Inc. and Gol Transportes Aéreos S.A., including amendments 1 through 7 thereto incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2006, as filed on February 28, 2007.
4.3 Amendments 8 through 10 to Navitaire Hosted Services Agreement between Navitaire Inc. and Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2007, as filed on April 22, 2008.
4.4 Amendments 11 through 15 to Navitaire Hosted Services Agreement, between Navitaire Inc. and Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2008, as filed on May 8, 2009.
4.5 Amendments 16 and 17 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2009, as filed on March 31, 2010.
4.6 Amendments 18 through 20 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2010, as filed on April 8, 2011.
4.7 Amendment 21 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2011, as filed on April 11, 2012.
4.8 Amendments 22 through 26 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2012, as filed on April 30, 2013.

4.9		Amendments 27 through 29 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2013, as filed on April 28, 2014.
4.10		Amendments 30 through 34 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A. , incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2014, as filed on April 30, 2015.
4.11	* +	Amendments 35, 36 and 38 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A.
4.12		Aircraft Purchase Agreement, dated as of May 17, 2004 between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Registration Statement on Form F-1, filed June 1, 2004, as amended on June 17, 2004 and June 23, 2004, File No. 333-116054.
4.13		Supplemental Agreements 1 through 4 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Registration Statement on Form F-1, filed March 28, 2004, as amended on April 11, 2005 and April 26, 2005, File No. 333-123625.
4.14		Supplemental Agreements 5 through 9 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2005, as filed on March 20, 2006 and as amended on May 2, 2006.
4.15		Supplemental Agreements 10 and 11 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2006, as filed on February 28, 2007.
4.16		Supplemental Agreements 12 and 13 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2007, as filed on April 22, 2008.
4.17		Supplemental Agreement 14 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2008, as filed on May 8, 2009.
4.18		Supplemental Agreements 15 through 17 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2009, as filed on March 31, 2010.
4.19		Supplemental Agreements 18 through 20 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2010, as filed on April 8, 2011.
4.20		Supplemental Agreement 21 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2012, as filed on April 30, 2013.
4.21		Supplemental Agreements 22 through 24 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2013, as filed on April 25, 2014.

4.22	* +	Supplemental Agreements 25 and 26 to Purchase Agreement, dated as of May 17, 2004, between Gol Transportes Aéreos S.A. and The Boeing Company.
4.23		Aircraft Purchase Agreement, dated as of October 1, 2012, between GAC Incorporated and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2012, as filed on April 30, 2013.
4.24		Supplemental Agreements 1 and 2 to the Aircraft Purchase Agreement, dated as of October 1, 2012 between GAC Incorporated and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2013, as filed on April 28, 2014.
4.25	* +	Supplemental Agreements 3 through 5 to the Aircraft Purchase Agreement, dated as of October 1, 2012 between GAC Incorporated and The Boeing Company.
8.1	*	List of Subsidiaries.
12.1	*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
12.2	*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
13.1	*	Section 1350 Certification of Chief Executive Officer.
13.2	*	Section 1350 Certification of Chief Financial Officer.

* Filed herewith.

\+ Certain portions of the exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

Signature

The Company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: /s/ *Paulo Sergio Kakinoff*
Name: Paulo Sergio Kakinoff
Title: Chief Executive Officer

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: /s/ *Edmar Prado Lopes Neto*
Name: Edmar Prado Lopes Neto
Title: Chief Financial Officer

Dated: April 28, 2016

GOL Linhas Aéreas Inteligentes S.A.

Consolidated financial statements

December 31, 2015, 2014 and 2013

Contents

Report of Independent Registered Public Accounting Firm	F-1
Report of Independent Registered Public Accounting Firm	F-2
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	F-3
Statements of financial position	F-4
Statements of operations	F-6
Statements of comprehensive loss	F-7
Statements of changes in equity	F-8
Statements of cash flows	F-9
Notes to the consolidated financial statements	F-10

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Gol Linhas Aéreas Inteligentes S.A.

We have audited the accompanying consolidated statements of financial position of Gol Linhas Aéreas Inteligentes S.A. (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years ended December 31, 2015 and 2014, in conformity with International Financial Reporting Standards - IFRS as issued by the International Accounting Standards Board - IASB.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gol Linhas Aéreas Inteligentes S.A.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 28, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG

Auditores Independentes S.S.

Luiz Carlos Passetti
Accountant CRC-1SP144343/O-3

São Paulo, Brazil

April 28, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

São Paulo - SP, Brazil

We have audited the accompanying consolidated statements of operations, comprehensive loss, changes in shareholder´s equity, and cash flows of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries (the "Company") for the year ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) - PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated statements of operations, comprehensive loss, changes in shareholder´s equity, and cash flows present fairly, in all material respects, the results of operations of Gol Linhas Aéreas Inteligentes S.A. and subsidiaries and their cash flows for the year ended December 31, 2013, in conformity with International Financial Reporting Standards - IFRS as issued by the International Accounting Standards Board - IASB.

/s/ DELOITTE TOUCHE TOHMATSU

Auditores Independentes

São Paulo, Brazil

April 25, 2014 (April 30, 2015, as to the effects of the stock split described in Note 13 to the financial statements)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Gol Linhas Aéreas Inteligentes S.A.

We have audited Gol Linhas Aéreas Inteligentes S.A.'s (the "Company") internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Gol Linhas Aéreas Inteligentes S.A.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Gol Linhas Aéreas Inteligentes S.A. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2015 and 2014 and the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years ended December 31, 2015 and 2014 and our report dated April 28, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG

Auditores Independentes S.S.

Luiz Carlos Passetti
Accountant CRC-1SP144343/O-3

São Paulo, Brazil

April 28, 2016

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of financial position

As of December 31, 2015 and 2014

(In thousands of Brazilian Reais - R$)

	Note	12/31/2015	12/31/2014
Current assets			
Cash and cash equivalents	3	**1,072,332**	1,898,773
Short-term investments	4	**491,720**	296,824
Restricted cash	5	**59,324**	58,310
Trade receivables	6	**462,620**	352,284
Inventories	7	**199,236**	138,682
Recoverable taxes	8.1	**58,074**	81,245
Derivatives	27	**1,766**	18,846
Other current assets		**116,494**	141,234
		2,461,566	2,986,198
Noncurrent assets			
Deposits	9	**1,020,074**	793,508
Restricted cash	5	**676,080**	273,240
Recoverable taxes	8.1	**73,385**	70,334
Deferred taxes	8.2	**107,788**	486,975
Other noncurrent assets		**39,861**	41,689
Investments	12	**18,424**	8,483
Property, plant and equipment	14	**4,256,614**	3,602,034
Intangible assets	15	**1,714,605**	1,714,186
		7,906,831	6,990,449
Total assets		**10,368,397**	9,976,647

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of financial position

As of December 31, 2015 and 2014

(In thousands of Brazilian Reais - R$)

	Note	12/31/2015	12/31/2014
Liabilities and equity			
Current liabilities			
Short-term debt	16	**1,396,623**	1,110,734
Suppliers		**900,682**	686,151
Salaries	17	**250,635**	255,440
Taxes payable	18	**118,957**	100,094
Landing fees		**313,656**	315,148
Advance ticket sales	19	**1,206,655**	1,101,611
Mileage program	20	**770,416**	220,212
Advances from customers		**13,459**	3,196
Provisions	21	**206,708**	207,094
Derivatives	27	**141,443**	85,366
Other current liabilities		**222,774**	127,600
		5,542,008	4,212,646
Noncurrent liabilities			
Long-term debt	16	**7,908,303**	5,124,505
Provisions	21	**663,565**	278,566
Mileage program	20	**221,242**	559,506
Deferred taxes	8.2	**245,355**	-
Taxes payable	18	**39,054**	34,807
Other noncurrent liabilities		**71,310**	99,591
		9,148,829	6,096,975
Equity			
Capital stock	22	**3,080,110**	2,618,748
Advance for future capital increase		**-**	51
Share issuance costs		**(155,223)**	(150,214)
Treasury shares		**(22,699)**	(31,357)
Capital reserves		**98,861**	103,366
Share-based payments reserve	11	**103,126**	93,763
Equity valuation adjustments		**(178,939)**	(138,713)
Gains on change in investment		**690,379**	687,163
Accumulated losses		**(8,162,077)**	(3,701,194)

Equity (deficit) attributable to equity holders of the parent	**(4,546,462)**	(518,387)
Non-controlling interests	**224,022**	185,413
Total equity (deficit)	**(4,322,440)**	(332,974)
Total liabilities and equity (deficit)	**10,368,397**	9,976,647

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 of December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais - R$, except loss per share)

	Note	2015	2014	2013
Net revenue				
Passenger		**8,583,388**	9,045,831	8,122,161
Cargo and other		**1,194,619**	1,020,383	834,051
	23	**9,778,007**	10,066,214	8,956,212
Operating costs and expenses				
Salaries		**(1,580,531)**	(1,374,096)	(1,333,462)
Aircraft fuel		**(3,301,368)**	(3,842,276)	(3,610,821)
Aircraft rent		**(1,100,086)**	(844,571)	(699,193)
Aircraft insurance		**(29,791)**	(22,411)	(20,222)
Sales and marketing		**(617,403)**	(667,372)	(516,061)
Landing fees		**(681,378)**	(613,153)	(566,542)
Aircraft, traffic and mileage servicing		**(1,019,833)**	(747,447)	(599,480)
Maintenance, materials and repairs		**(603,925)**	(511,045)	(460,807)
Depreciation and amortization		**(419,691)**	(463,296)	(560,966)
Other operating expenses		**(603,837)**	(473,115)	(322,674)
		(9,957,843)	(9,558,782)	(8,690,223)
Equity results	12	**(3,941)**	(2,490)	-
Income (loss) before financial expense, net and income taxes		**(183,777)**	504,942	265,989
Financial expense, net				
Financial income		**332,567**	407,716	602,524
Financial expenses		**(1,328,891)**	(1,429,131)	(1,031,644)
Exchange rate variation, net		**(2,266,999)**	(436,207)	(490,096)
	24	**(3,263,323)**	(1,457,622)	(919,216)
Loss before income taxes		**(3,447,100)**	(952,680)	(653,227)
Current income taxes		**(196,140)**	(120,784)	(96,807)
Deferred income taxes		**(648,000)**	(43,817)	25,444
	8.2	**(844,140)**	(164,601)	(71,363)
Net loss for the year		**(4,291,240)**	(1,117,281)	(724,590)

Net loss attributable to equity holders of the parent		**(4,460,883)**	(1,246,169)	(796,547)
Net loss attributable to non-controlling interests		**169,643**	128,888	71,957
Weighted average number of outstanding shares in relation to basic loss per common share				
(in thousands)		**5,035,037**	5,035,037	5,035,037
Weighted average number of outstanding shares in relation to basic loss per preferred share				
(in thousands)		**158,285**	134,151	132,780
Basic loss per common share	13	**(0.422)**	(0.128)	(0.082)
Basic loss per preferred share	13	**(14.764)**	(4.482)	(2.879)
Diluted loss per common share	13	**(0.422)**	(0.128)	(0.082)
Diluted loss per preferred share	13	**(14.764)**	(4.482)	(2.880)

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

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of comprehensive loss

For the years ended December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais - R$)

	Note	2015	2014	2013
Net loss for the year		**(4,291,240)**	(1,117,281)	(724,590)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	27			
Cash flow hedges		**(60,949)**	(182,653)	76,395
Tax effect		**20,723**	62,102	(25,975)
		(40,226)	(120,551)	50,420
Total comprehensive loss for the year		**(4,331,466)**	(1,237,832)	(674,170)
Comprehensive loss for the year attributable to:				
Equity holders of the parent		**(4,501,109)**	(1,366,720)	(746,127)
Non-controlling interests		**169,643**	128,888	71,957

A roll forward of other comprehensive loss in total unrealized gains (losses) for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Cash flow hedges	Income tax	Total unrealized gain (losses)
Balances as of December 31, 2012	(103,912)	35,330	(68,582)
Realized income (losses) from financial instruments transferred to net loss for the year	(25,358)	8,622	(16,736)
Fair value variation	101,753	(34,597)	67,156
Balances as of December 31, 2013	(27,517)	9,355	(18,162)
Realized income (losses) from financial instruments transferred to net loss for the year	417,437	(141,929)	275,508

Fair value variation	(600,090)	204,031	(396,059)
Balances as of December 31, 2014	(210,170)	71,457	(138,713)
Realized income (losses) from financial instruments transferred to net loss for the year	**66,253**	**(22,526)**	**43,727**
Fair value variation	**(127,201)**	**43,248**	**(83,953)**
Balances as of December 31, 2015	**(271,118)**	**92,179**	**(178,939)**

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

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of changes in equity

For the years ended of December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais - R$)

		Capital reserves									
	Note	Capital stock	Advance for future capital increase	Share issuance cost	Treasury shares	Goodwill on transfer of shares	Special goodwill reserve of subsidiaries	Share-based payments	Unrealized hedge gain (losses)	Gains on change in investment	Accu lo
Balances as of December 31, 2012		2,499,689	-	(145,279)	(35,164)	32,200	29,127	79,275	(68,582)	-	(1
Other comprehensive income (loss), net		-	-	-	-	-	-	-	50,420	-	
Net loss for the year		-	-	-	-	-	-	-	-	-	
Stock options exercised		1,885	-	-	-	-	-	-	-	-	
Share-based payments		-	-	-	-	-	6,183	-	-	-	
Gains on change in investment		-	-	-	-	-	-	-	-	611,130	
Dividends and interest attributable to shareholders' equity		-	-	-	-	-	-	-	-	-	
Capital reserves		-	-	-	-	-	41,792	-	-	-	
		-	-	-	3,048	187	-	-	-	-	

Treasury shares sold										
Balances as of December 31, 2013		2,501,574	-	(145,279)	(32,116)	32,387	70,573	85,438	(18,162)	611,130	(2
Other comprehensive income (loss), net		-	-	-	-	-	-	-	(120,551)	-	
Net loss for the year		-	-	-	-	-	-	-	-	-	(1
Stock options exercised		771	51	-	-	-	-	-	-	-	
Capital decrease in subsidiary		-	-	-	-	-	-	-	-	-	
Share-based payments	22	-	-	-	-	-	9,084	-	-	-	
Capital increase	22	116,403	-	-	-	-	-	-	-	-	
Share issuance costs		-	-	(4,935)	-	-	-	-	-	-	
Gains on change in investment		-	-	-	-	-	-	-	-	2,063	
Gains on investment sold - G.A.		-	-	-	-	-	-	-	-	73,970	
Dividend paid		-	-	-	-	-	-	-	-	-	
Dividends declared		-	-	-	-	-	-	-	-	-	
Interest attributable to shareholders' equity		-	-	-	-	-	-	-	-	-	
Restricted shares transferred		-	-	-	759	-	(759)	-	-	-	
Balances as of December 31, 2014		2,618,748	51	(150,214)	(31,357)	32,387	70,379	93,763	(138,713)	687,163	(3
Other comprehensive income (loss), net		-	-	-	-	-	-	-	(40,226)	-	
Net loss for the year		-	-	-	-	-	-	-	-	-	(4
Stock options exercised	22	89	(51)	-	-	-	-	-	-	-	
Capital increase	22	461,273	-	-	-	-	-	-	-	-	

Share issuance costs	-	-	(5,009)	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	13,516	-	-	-
Gains on change in investment	-	-	-	-	-	-	-	3,216	
Restricted shares transferred	-	-	-	8,658	(4,505)	(4,153)	-	-	
Interest attributable to shareholders' equity	-	-	-	-	-	-	-	-	
Dividends declared	-	-	-	-	-	-	-	-	
Balances as of December 31, 2015	3,080,110	-	(155,223)	(22,699)	27,882	70,379	(178,939)	690,379	(8

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

Gol Linhas Aéreas Inteligentes S.A.

Statements of cash flows

For the years ended December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais - R$)

	2015	2014
Operating activities		
Net loss for the year	**(4,291,240)**	(1,117,281)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	**419,691**	463,296
Allowance for doubtful accounts	**39,287**	17,143
Provisions for legal proceedings	**44,460**	12,245
Provision (reversal) for inventory obsolescence	**(414)**	631
Deferred taxes	**648,000**	43,817
Equity results	**3,941**	2,490
Share-based payments	**14,352**	10,338
Exchange and monetary variations, net	**1,723,441**	636,637
Interest on debt and finance leases	**600,410**	446,636
Unrealized hedge results	**18,475**	15,901
Provision for profit sharing	**10,633**	27,000
Mileage program	**-**	-
Write-off property, plant and equipment and intangible assets	**25,069**	5,418
Transaction effect between shareholders	**-**	(366)
Impairment losses	**-**	-
	(743,895)	563,905
Changes in assets and liabilities:		
Trade receivables	**(149,623)**	(44,606)
Short-term investments	**309,749**	1,019,303
Inventories	**(60,140)**	(22,169)
Deposits	**21,077**	138,561
Insurance and tax recoverable	**736**	(21,478)
Other assets	**26,568**	(8,969)
Suppliers	**210,474**	183,231
Advance ticket sales	**105,044**	(118,191)
Mileage program	**211,940**	127,493
Advances from customers	**10,263**	(168,210)
Salaries	**(15,438)**	(5,144)
Landing fees	**(1,492)**	43,814
Tax obligations	**233,930**	125,789
Derivatives	**(6,267)**	(67,199)
Provisions	**(61,386)**	(151,423)
Other assets (liabilities)	**71,321**	85,899
Interest paid	**(548,773)**	(427,698)
Income taxes paid	**(213,555)**	(123,716)
Net cash flows (used in) from operating activities	**(599,467)**	1,129,192

Investing activities		
Restricted cash	**(403,854)**	(77,094)
Short-term investments	**(254,416)**	(160,510)
Dividends received from subsidiary	**1,302**	-
Investment acquisition	**-**	(25,791)
Investment sale, net of tax effects	**-**	65,703
Advances for property, plant and equipment acquisition, net	**(167,646)**	11,566
Cash from merger	**-**	-
Property, plant and equipment	**(391,731)**	(199,176)
Intangible assets	**(42,812)**	(46,308)
Net cash flows used in investing activities	**(1,259,157)**	(431,610)
Financing activities		
Loan funding, net of issuance costs	**2,468,531**	2,152,544
Loan payments	**(1,632,039)**	(1,797,308)
Finance lease payments	**(409,519)**	(255,903)
Dividends and interest attributable to shareholders' equity	**-**	-
Proceeds from sale of treasury shares	**-**	-
Advances for future capital increase	**-**	-
Capital increase on subsidiary by non-controlling interests	**-**	-
Capital decrease on subsidiary to non-controlling interests	**-**	(456,144)
Shares to be issued	**-**	51
Capital increase	**465,048**	119,520
Share issuance cost	**(5,009)**	(4,935)
Interest attributable to shareholders' equity paid by subsidiary to non-controlling interests	**(17,566)**	-
Dividend paid by subsidiary to non-controlling interests	**(119,256)**	(67,409)
Net cash flows from (used in) financing activities	**750,190**	(309,584)
Foreign exchange variation on cash held in foreign currencies	**281,993**	(124,872)
Net increase in cash and cash equivalents	**(826,441)**	263,126
Cash and cash equivalents at beginning of the year	**1,898,773**	1,635,647
Cash and cash equivalents at the end of the year	**1,072,332**	1,898,773

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

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

1. 1. General information

Gol Linhas Aéreas Inteligentes S.A. (the “Company” or “GLAI”) is a publicly-listed company established on March 12, 2004, in accordance with the Brazilian Corporate Laws. The Company is engaged in controlling its subsidiaries: (i) VRG Linhas Aéreas S.A. (“VRG”), which essentially explores (a) the regular and non-regular flight transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the competent authorities; and (b) complementary activities of flight transport services provided in its by-laws; and (ii) Smiles S.A. (“Smiles”), which mainly operates (a) the development and management of its own or third party’s customer loyalty program, and (b) sale of redemption rights of awards related to the loyalty program.

Additionally, the Company is the direct parent Company of the wholly-owned subsidiaries GAC Inc. (“GAC”), Gol Finance Inc. (“Gol Finance”), Gol LuxCo S.A. (“Gol LuxCo”), Gol Dominicana Lineas Aereas SAS (“Gol Dominicana”) and indirect parent Company of Webjet Linhas Aéreas S.A. ("Webjet").

The Company’s registered office is at Praça Comandante Linneu Gomes, s/n, concierge 3, building 24, Jardim Aeroporto, São Paulo, Brazil.

The Company’s shares are traded on the BM&FBOVESPA and on the New York Stock Exchange (“NYSE”). The Company adopted Level 2 Differentiated Corporate Governance Practices from BM&FBOVESPA and is included in the Special Corporate Governance Stock Index (“IGC”) and the Special Tag Along Stock Index (“ITAG”), which were created to identify companies committed to the differentiated corporate governance practices.

1.1 Short-term business plan

The Company has in recent years faced a challenging scenario, which has negatively affected its results, liquidity and capital structure. This scenario included: slowdown of the Brazilian economy, sharp devaluation of the real, decrease in demand, industry overcapacity, operating cost increases, ratings decline and accumulative losses.

In response, the Company embarked on a series of initiatives to comprehensively address its liquidity and capital structure concerns.

The initiatives in the first months of 2016 include:

- *Fleet reduction. In early 2016, the Company returned five aircraft under finance leases, two of them outright and the other three under sale and leaseback agreements, and sold its rights to three aircraft deliveries from Boeing in 2016, which originally would have replaced outgoing fleet aircraft;*

- *Operating cost reductions. The Company implemented various operating cost-saving initiatives, including overhead reductions, introduction of part-time employees to offset reduced demand during low seasons and renegotiations with suppliers;*

- *Advance ticket sales. On February 26, 2016, VRG entered into a miles and tickets purchase agreement with Smiles, totaling up to R$1.0 billion, providing for advance ticket sales to Smiles in various tranches through June 30, 2017. The first tranche, of R$376.0 million, was disbursed by Smiles in February 2016 and the remaining tranches are conditioned upon certain other additional cost-savings;*

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

- *Route network changes. In March 2016, the Company changed its route network to focus on more profitable routes; the Company expects to reduce by year-end the number of take-offs and seats by 15% to 18% and the number of ASKs by 5% to 8%. As a result of this change, the Company suspended flights to eight destinations and expect to reduce its fleet by approximately 15% by year-end;*

- *Supplier discussions. The Company began discussions with key suppliers to reduce costs and adjust to the new network and fleet profiles. For example, in the first quarter of 2016, the Company revised its delivery schedule with Boeing so that it will not receive any new aircraft until mid-2018;*

- *Leasing contract negotiations. The Company engaged SkyWorks Capital and began discussions with all its lessors to renegotiate certain commercial terms of lease agreements, including returning aircraft, deferring and reducing aircraft return cost obligations and reduced lease payments; and*

- *Capital structure improvements. The Company engaged PJT Partners to advise in connection with measures to strengthen its capital structure and liquidity and to improve the profile of its debt. Additionally, PJT is advising the Company in connection with the U.S. dollar denominated unsecured bonds.*

2. 2. Approval and summary of significant accounting policies applied in preparing the financial statements

The Company’s consolidated financial statements were authorized for issue by Management on April 28, 2016.

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).

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 and investments measured using the equity method.

The Company's consolidated financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 were prepared based on the going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

Except for Gol Dominicana, which the functional currency is U.S. dollar, the Company and its subsidiaries have the Real as their functional currency. The reporting currency of these financial statements is the Brazilian Real.

Certain comparative amounts were reclassified to conform to the current year presentation.

The summary of significant accounting policies adopted by the Company is as follows:

a) Basis of consolidation

The consolidated financial statements comprise Gol Linhas Aéreas Inteligentes S.A., its direct and indirect subsidiaries, jointly controlled and associate, as presented below:

					% equity interest	
Entity	**Date of constitution**	**Location**	**Operational activity**	**Type of control**	**12/31/2015**	**12/31/2014**
GAC	03/23/2006	Cayman Islands	Aircraft acquisition	Direct	100.0	100.0
Gol Finance	03/16/2006	Cayman Islands	Financial funding	Direct	100.0	100.0
Gol LuxCo	06/21/2013	Luxemburg	Financial funding	Direct	100.0	100.0
VRG	04/09/2007	Brazil	Flight transportation	Direct	100.0	100.0
Webjet	08/01/2011	Brazil	-	Indirect	100.0	100.0
Smiles	06/10/2012	Brazil		Direct	54.1	54.3

Gol Dominicana	02/28/2013	Dominican Republic	Frequent flyer program Pre-operational phase	Direct	100.0	100.0
Jointly controlled:						
SCP Trip	04/27/2012	Brazil	Flight magazine		60.0	60.0
Associate:						
Netpoints	11/08/2013	Brazil	Frequent flyer program		21.2	21.2

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

b) Cash and cash equivalents

Cash and cash equivalents include bank deposits and short-term investments with maturities of three months or less (or with no restriction period for redemption) which have high liquidity and are readily convertible into an known amount of cash and have an insignificant risk of change in value.

c) Short-term investments

Short-term investments are represented by financial investments with first-tier financial institutions and include exclusive investment funds.

d) Restricted cash

Restrict cash comprises deposits in guarantee and linked to securities, and short and long term debt.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

e) Trade receivables

Trade receivables are measured based on cost, less allowances for doubtful accounts, which approximates its fair value, due to their short-term nature.

An allowance for doubtful accounts is recorded 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 original book value and amount considered recoverable. 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. Additionally, in some cases, the Company performs an individual analysis of overdue balances.

f) Inventories

Inventories are composed primarily of maintenance and spare parts and materials, and are stated at the lower of cost and net realizable value. The costs of inventories are determined under the average cost method and include expenses incurred in their acquisition and transportation to their current location. The provision for inventory obsolescence is recorded when losses are probable.

g) Financial assets and liabilities

Financial assets

After initial recognition, these are measured in each balance sheet with the pre-defined classification, based on the purposes for which they were acquired or issued, as described below:

i. Financial assets at fair value through profit or loss: include financial assets held for trading (i.e., acquired primarily for the purpose of sale in the short term) and financial assets designated upon initial recognition at fair value through profit or loss. Interest, inflation adjustment, foreign exchange changes and changes arising from the adjustment to fair value are recognized in profit or loss under financial income or financial expenses, when earned or incurred. The Company has cash equivalents, short-term investments and restricted cash classified under this category.

ii. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. These are measured at amortized cost after initial recognition under the effective interest method, less possible impairment losses, when applicable, and changes are recognized in profit or loss, as financial income or financial expenses, when earned or incurred. The Company does not have financial assets classified under this category.

iii. Loans and receivables: with fixed or determinable payments that are not quoted in an active market which are measured at amortized cost after initial recognition under the effective interest method. Interest, inflation adjustment, foreign exchange changes, less impairment losses, when applicable, are recognized in profit or loss under financial income or financial expenses, when earned or incurred. The Company has mainly bank deposits and trade receivables classified under this category.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

iv. Available for sale financial assets: include financial assets not classified under the categories above, measured at fair value, and the respective gains and losses resulted by market adjustments are recognized in “Other comprehensive income (loss)” in equity until the investment is sold, and any gains and losses previously accumulated are reclassified to profit or loss. The Company does not hold financial assets under this category.

Financial liabilities

i. Financial liabilities at fair value through profit or loss: include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss, except those designated as hedge instruments. They are remeasured at fair value at every balance sheet date. Interest, inflation adjustment, foreign exchange changes and changes arising from measurement at fair value, when applicable, are recognized in the profit or loss when incurred. The Company classifies under this category derivatives not designated as hedging instruments.

ii. Loans and borrowings: financial liabilities that are not regularly traded before maturity. After initial recognition, they are remeasured at amortized cost using the effective interest method. Interest, inflation adjustment and foreign exchange changes, if applicable, are recognized in profit or loss when incurred. The Company recognized under this category current and noncurrent short and long term debt (including finance leases) and trade accounts payable.

Derivatives: Changes on aircraft fuel, interest rate and foreign expose the Company and its subsidiaries to risks that may affect its financial performance. In order to mitigate these risks, the Company uses financial instruments that may or may not be designated as hedge accounting, and, if designated, are classified as cash flow hedges or fair value hedges.

- Not designated as hedge accounting: the Company may use derivative financial instruments as not designated as hedge accounting when the objectives of the risk Management do not require such classification. The non-designated operations have movements in fair value directly recognized in financial results.

- Designated as cash flow hedge: hedge the income or expenses from the fluctuations on exchange rates. The effectiveness is based on statistical correlation methods and the ratio between gains and losses on the financial instruments used as hedge, and the cost and expense fluctuation of the hedged items. The instruments are considered as effective when the fluctuation in the value of derivatives offsets between 80% and 125% the impact of the price fluctuation on the cost or expense of the hedged item. The balance of the actual fluctuations in the fair values of the derivatives are classified in equity (under “Other comprehensive income (loss”) and the ineffective gains or losses are recognized in profit or loss (under “Financial results”), until the revenue recognition or hedged expense under the same item of profit or loss in which the item is recognized.

- Designated as fair value hedge: the fair value of the derivative financial instruments is determined based on available market information and valuation methodologies. The Company uses the international practices for fair value hedge accounting in counterpart under profit or loss, and possible changes in fair value of the asset or liability hedged that are attributable to the hedged risk. As of December 31, 2015, there were no fair value hedges agreements.

Derecognition: the Company writes off a financial asset only when the contractual rights to the cash flows from the asset expire, or transfers the asset and substantially all the risks and benefits of ownership to a third party. If the Company does not transfer nor retains substantially all the risks and benefits of ownership of the financial asset, but continues to control the transferred asset, the Company recognizes the participation retained and its liabilities on the values that it will have to pay. If the Company retains substantially all the risks and benefits of ownership of the financial asset transferred, the Company continues recognizing this asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

The hedge register is discontinued prospectively when the Company (i) cancel the hedge operation; (ii) the derivative matures or is sold, terminated, or exercised, or (iii) when no longer qualifies as hedge accounting. If the operation is discontinued, any gains or losses previously registered and accumulated in equity in “Other comprehensive income (loss)” until that date are registered on statement of operations as the operation is registered. When the Company expects that the hedge operation no longer occurs, the accumulated and deferred gains or losses in equity are immediately registered in profit or loss, under the same line that was previously registered.

Offsetting of financial instruments: financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

h) Deposits

Aircraft and engine maintenance deposits: refer to payments made in U.S. dollars by the Company to commercial lease companies to be used in future aircraft and engine maintenance work. The realization of these assets occurs substantially by utilization of the deposits to pay the maintenance services and the receipts of funds, according to the renegotiations with the lessors. The exchange rate variations arising from payments, net of uses for maintenance, are recognized as an expense or revenue in the financial

results. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated financial position are recoverable.

Certain lease agreements establish that when the amounts previously used in maintenance services are lower than the amounts deposited, the existing deposits are not refundable. Any excess amounts retained by the lessor upon the lease contract termination date, which are not considered material, are recognized as additional aircraft lease expense.

Additionally, the Company maintains agreements with some lessors to replace deposits by letters of credit, which can be claimed by the lessor if the aircraft maintenance does not occur as established with the scheduled review. Many of the aircraft lease agreements do not require maintenance deposits and have the letters of credit as a guarantee that the maintenance periods will be executed as scheduled. Until December 31, 2015, no letter of credit had been executed.

Deposits in guarantee and collaterals for lease agreements: the deposits in guarantee and collaterals are denominated in U.S. dollars, and are updated monthly by the foreign currency rate variation, with no interest and are reimbursable to the Company upon termination of the agreements.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

i) Leases

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, or meet the following conditions:

i. the lease transfers ownership of the asset to the lessee at the end of the lease agreement

ii. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, is reasonably certain that the option will be exercised

iii. the lease term is the most part of the economic asset life, even if the title is not transferred

iv. at the beginning of the lease, the present value of minimum lease payments represents substantially all the fair value of the leased asset

v. the leased assets are of such a specialized nature such that only the lessee can use them without major modifications.

The difference between the present value and the total amount of falling due installments is charged to profit or loss as financial expenses. 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 market price valuations. All other aircraft recorded in 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 agreement. The other leases are classified as operating leases and are recognized as an expense in profit or loss on a straight–-line basis over the term of the lease agreement.

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term in “Aircraft leases”. Future payments are not recognized in the financial statements but are future commitments undertaken are presented on Note 26.

j) Sale-leaseback transactions

Gains or losses related to sale-leaseback transactions classified as an operating lease after the sale are accounted as follows:

- Immediately recorded in profit or loss 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 immediately recognized as other (expense) income, however if the loss is compensated by future lease payments at below market price (the gains or losses are deferred and amortized in proportion to the lease payments during the period that the assets will be used);
- In the event of the sale price being higher than the fair value of the asset, the value exceeding the fair value is deferred and amortized during the period when the asset is expected to be used. The amortization of the gain is recorded as a reduction in lease expenses.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

The amount of deferred losses is registered as other current or noncurrent assets, and the amount of deferred gains is registered as other liabilities. The breakdown between short and long-term is in accordance with the lease term.

If the sale-leaseback transactions results in finance lease, any excess proceeds over the carrying amount shall be deferred and amortized over the lease term. The Company did not enter into any sale-leaseback transaction that resulted in a financial lease during the years ended December 31, 2015, 2014 and 2013.

k) Property, plant and equipment

Property, plant and equipment, including rotable parts, are recorded at acquisition or construction costs, including interest 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. The estimated useful life for property and equipment, for depreciation purposes, is disclosed in Note 14.

The estimated market value at the end of its useful life is a premise for measuring the residual value of the Company's property, plant and equipment. Except for aircraft with purchase option at the end of the agreements, the other items have no residual value. The residual value and the useful life of assets are reviewed annually and adjusted, if necessary.

The carrying amount of the property, plant and equipment is analyzed in order to verify possible impairment losses when events or changes in circumstances indicate that the book amount is higher than the estimated recoverable amount.

A write-off of a property, plant and equipment item occurs after disposal or when there is no future economic benefits resulting from continued use of the asset. Any gains or losses on property, plant and

equipment sales or write-offs are determined by the difference between the values received in the sale and the asset's book value, and are recognized in the statement of operations.

Additionally, the Company adopts the following treatment for the items below:

Advances for aircraft acquisition: refer to prepayments made based on the agreements entered into with Boeing for the purchase of Boeing 737-800 Next Generation and 737- MAX aircraft. The advances are recorded by historical exchange rate at the conversion date.

Lease agreements: assets held through finance leases, when the risks and rewards are transferred to the Company, the asset is registered on the balance sheet. At the beginning of the lease agreement, the Company registers the financial lease as asset and the liability at fair value, or, if lower, the present value of the minimum lease payments.

The leased asset is depreciated over the useful life of the asset. However, when the Company does not hold the certainty that will obtain the asset property at the end of the lease agreement, the asset is depreciated along with its expected useful life or the contractual lease term period, the lower of both.

The other engine and aircraft leases classified as operating leases and are registered as expenses on the statement of operations on a straight-line basis for the agreement maturity period.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

Expenses due to aircraft and engine return: the Company registers provision for aircraft return based on the return requirements, considering the costs regarding the return conditions on engines held under operating leases as described in Note 14. After the initial recognition, the asset is linearly depreciated over the terms of the contract.

Capitalization of the costs from major maintenances: costs on major maintenance (including replacement and labor parts) are capitalized only when there is an extension of the estimated useful life of the engine. Such costs are capitalized and depreciated until the next major maintenance. Incurred costs that do not extend the useful life of the engine, or related to other components of the aircraft are recognized directly in profit or loss.

l) Intangible assets

Intangible assets are non-monetary assets without physical property, whose book value of intangible assets with indefinite life is reviewed annually as to its recoverable amount, or when strong evidence of changes in circumstances indicates that the carrying amount may not be recoverable.

Goodwill: The goodwill value is tested annually by comparing the balance amount to fair value recoverable from the cash-generating units (VRG and Smiles). Management exercises considerable judgment to assess the impact of operating and macroeconomic changes in order to estimate the future cash flows and measure the recoverable amount of that asset.

Airport operating rights: airport operating rights were acquired as part of the acquisition of VRG and of Webjet, and were capitalized at fair value at the acquisition date and are not amortized. Those rights are considered to have an indefinite useful life due to several factors and considerations, including requirements and necessary permits to operate within Brazil and limited slot availability in the most important airports in terms of traffic volume. The carrying value of these rights is evaluated annually as to its recoverable amount or in case of changes in circumstances indicates that carrying values may not be

recoverable. No impairment has been recorded until the present date.

Software: The costs related to the acquisition or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period on a straight-line basis in accordance with the software agreement.

m) Income taxes

The income tax and social contribution expenses are represented by the sum of current and deferred income taxes.

Current income taxes: the provision for income tax and social contribution is based on the taxable income. The provisions for income and social contribution taxes are calculated individually for each company in the group based on effective rates at the end of the year.

Deferred income taxes: deferred income taxes are recognized on temporary differences and net operating losses carryforward at the end of the reporting date between the balances of assets and liabilities recorded in the financial statements and their tax basis used in calculation of taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is not probable that sufficient taxable income will be incurred to allow all or part of the deferred tax asset to be realized.

Deferred tax related to items recognized directly in equity also has its deferred tax recognized in equity and not in the statement of operations. Deferred tax items are recognized in accordance with the transaction that gave rise to deferred tax in other comprehensive income (loss) or directly in equity.

The tax credits from net operating losses carryforward are registered based on the future taxable income expected for each company, in accordance with legal limitations.

The forecasts of future taxable income are prepared based on the business plan, and are annually reviewed and approved by the Company's Board of Directors.

n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation.

Provision for aircraft return: for aircraft operating leases, the Company is contractually required to return the equipment in a predefined level of operational capability. In these cases, the Company accrues the cost of returning, since these are present obligations arising from past events that will generate future disbursements, whose measurement is made with reasonable assurance. These costs are primarily related to expenses of aircraft reconfiguration (interior and exterior), obtaining licenses and certifications techniques, painting, etc. according to return agreement clauses. The estimated cost is initially recorded at present value and the consideration of the provision for aircraft return is made under "Aircraft

reconfigurations/overhauling" of property, plant and equipment (see Note 14). After initial recognition, the asset is depreciated on a straight-line basis and liabilities updated according to the discount rate with the result shown in financial result. Any changes in the estimated costs to be incurred are recorded prospectively.

Provision for engine return: the provision is estimated based on the minimum contractual conditions that the equipment must have when returned to the lessor, considering the historical costs incurred and the conditions of the equipment at the time of evaluation. These provisions are recorded in profit or loss from the time that the minimum contract requirements are reached and the next maintenance is scheduled for a date later than the date set for the return of the engine. The Company estimated the provision for engine return in accordance with the expenditure that is intended be incurred, and, when the effect of the money value over time is considerate relevant, the provision amount will be the present value of the expenses that are expected to settle the obligation. The agreement maturity will be based on the date that the return of aircraft leased is expected, i.e., or the lease term.

Provision for legal proceedings: Provisions are registered for all the lawsuits that represent probable loss according to its individual assessment, considering the estimated financial outflow. If the Company expects that some or all of the provision to be reimbursed, the reimbursement is registered as a separate asset. The expense related to any provision is presented in the statement of operations, net of any reimbursement.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

o) Revenue recognition

The passenger revenue is recognized when air transportation services are actually provided to the passenger. Tickets sold but not yet used are recognized as advance ticket sales and correspond to deferred revenue from tickets sold to be transported in a future date, net of tickets that will expire in accordance with the Company's expectations (breakage). Breakage consists of the statistical calculation, on a historical basis, of unused, expired tickets, i.e., passengers to be transported that have a high probability of not flying. The Company periodically records adjusted deferred revenues based on tickets which have actually expired.

Revenues from cargo shipment are recognized when transportation is provided. Other revenues include charter services, onboard sales services, tickets exchange rates, and other additional services, and are recognized when the service is provided.

p) Deferred revenue

The "Smiles Loyalty Program" is designed to retain its customers through the grant of mile credits to its participants. The obligation created by the issuance of miles is measured based on the price that the miles were sold to its airline and non-airline partners, classified by the Company as the fair value of the transaction. The revenue recognition occurs when the miles are redeemed by the Smiles Program participants to exchange the rewards with its partners.

The Company's policy is to cancel all miles held in the accounts of customers for longer than 3 years and 11 months. The associated value for mileage credits estimated to be cancelled is recognized as revenue. The Company calculates the expiration estimate and nonuse based on historical data. Future opportunities can significantly alter customer profile and the historical patterns. Such changes may result in material changes to the deferred revenue balance, as well as revenues recognized from that program.

In the consolidated financial statements, the revenue due to exchange of miles from the program and the flight tickets sales is only recognized when the flight transportation is provided.

q) Share-based payments

Stock options: the fair value of stock options granted to executives is estimated at the grant date using the Black-Scholes pricing model and the expense is recognized in profit or loss during the period that the right is acquired (vesting period), based on estimates which granted shares will be acquired, with a corresponding entry in equity.

Restricted shares: the transfer of restricted shares to its beneficiaries is made at the end of three years from the grant date, provided that the recipient has maintained its employment during that period. This transfer takes place through treasury shares, whose value per share is determined by the market price on the date of transfer to the beneficiary. Gains related to differences in the fair value of the share at the grant date and the value on the date of transfer of restricted shares are recorded in equity in capital reserves under "Goodwill on transfer of shares".

The impact of the review of the amounts of the restricted shares or shares to be acquired in comparison with the original estimates, if any, is recognized in profit or loss, such as the cumulative expense reflects the revised estimate, with a corresponding adjustment in equity.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

r) Segment information

The Company has two reportable segments, as described below:

Flight transportation: the operations are derived from VRG and consist in provide air transportation services and the major assets earning revenue are its aircraft. Other revenues primarily arise from cargo, excess baggage charges and cancellation fares, all directly attributable to flight transportation services.

Smiles loyalty program: the operations in this segment are represented by miles sales transactions to airline and non-airline partners. Under this context, the program management, marketing and rights of redemption of prizes and creating and managing the database of individuals and corporations.

s) Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time that the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are subsequently calculated based on the conversion using the exchange rate at the balance sheet date and differences resulting from the currency calculated based on conversion are recognized in profit or loss in financial results under “Exchange rate variation, net”.

t) Main accounting estimates and assumptions adopted

The process of preparing these financial statements often requires that Management adopts assumptions, judgments and estimates that may affect the application of the policies and amounts of assets and

liabilities, revenues and expenses. The actual results may differ from the adopted estimates, since such use historical experience and some assumptions that are believed to be appropriate under the circumstances. The reviews of accounting estimates are recognized in the same period in which the assumptions are reviewed and the effects are recognized on a prospective basis.

The estimates and assumptions that have a significant risk of material adjustments on the amounts of assets and liabilities are discussed below:

Impairment of financial assets: the Company estimates any impairment losses at every balance sheet date, or when there are evidences that the carrying amounts may not be recoverable. Problems in repatriation or usage of financial assets in other countries are indicative for impairment tests.

Impairment of non-financial assets: the Company assesses if there are indications of impairment for all non-financial assets at every balance sheet date, or when there is evidence that the carrying amount may not be recoverable. The recoverable values of the cash-generating unit were determined using its value-in-use. The value-in-use is determined based on the assumption of discounted cash flows.

Income taxes: The Company believes that the tax positions taken are reasonable. However, it recognizes that the authorities may question the positions taken which may result in additional liabilities for taxes and interest. The Company recognizes provisions that involve considerable judgment of the management. The provisions are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax authorities, additional exposures based on identification of new issues or court decisions affecting a particular tax issue. Actual results can differ from estimates.

Breakage: As part of the process of revenue recognition, flight tickets issued that will not be used and miles issued that will not be redeemed are estimated and recognized as revenue at the moment of the sale and issuance, respectively. These estimates, referred to as breakage, are reviewed annually and are based on historical data of expired flight tickets and expired miles.

Allowance for doubtful accounts: the allowance for doubtful accounts is recorded in the amount considered sufficient by the management in order to cover possible losses on trade receivables arising from receivables, considering the risks involved. The Company periodically evaluates its receivables and, based on historical data, combined with risk analysis per customer, registers the allowance for losses.

Provision for legal proceedings: provisions are recorded for all lawsuits that represent probable losses, according to the loss probability, which includes the assessment of available evidence, including the legal consultants' opinion, internal and external, the proceedings nature and past experiences. Additionally, the provisions are periodically reviewed and the management believes that the provisions recorded are sufficient, based on the probability of loss. However, significant changes in judicial decisions can have significant impacts on the Company's financial statements.

Provision for aircraft return: the Company estimates the provision for aircraft returns considering the costs in accordance with returns conditions agreements as set out in the return conditions in the lease agreements.

Provision for engine return: the Company records the provision for engine return based on an estimate of the agreement obligation of each engine return and recorded in the statement of operations only in the period between the last maintenance and the date of return of the components.

Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are based on observable markets, when possible; however, when this is

not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

2.2. New standards, amendments and interpretations

a) Issued by the IASB, not effective until the date of these financial statements and have not been early adopted by the Company:

IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 – "*Financial Instruments*", that replaces the IAS 39 – "*Financial Instruments: Recognition and Measurement*" and all previous versions of IFRS 9. The standard introduces new requirements on classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, not causing, however, any impact on the classification and measurement of financial liabilities.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15 applies to all revenue contracts and provides a model for the recognition and measurement of gains or losses on the sale of certain non-financial assets that are not related to the regular activities of the entity (i.e. real estate sales, installations and equipment or intangibles). Extensive disclosures are also required by this standard. This Statement shall be applied for annual periods beginning on or after January 1, 2017, with earlier application permitted.

IFRS 16 Leases: In January 2016, the IASB issued the final version of IFRS 16 – “Leases", which establishes the principles for recognition, measurement, presentation and disclosure of lease operations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. IFRS 16 requires that, for the majority of leases, the lessor records an asset related to the right of use of the leased item and a liability related to the lease. The Company is evaluating the impact of this new standard on its financial statements and due to the current proportion of leases classified as operating leases, considers that the changes resulting from the adoption of this standard will be relevant.

New standards, amendments and interpretations were issued by IASB that could be applied to the Company’s financial statements:

Annual improvements 2010-2012 cycle - Applicable for annual periods beginning on or after July 1, 2014:

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*: The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applicable prospectively for annual periods beginning on or after January 1, 2016.

Amendments to IAS 27: *Equity Method in Separate Financial Statements*: The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are applicable prospectively for annual periods beginning on or after January 1, 2016.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

Annual improvements 2010-2014 cycle - Applicable for annual periods beginning on or after July 1, 2016;

IFRS 7 *Financial Instruments: Disclosures*: clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and the applicability of the amendments to IFRS 7 to condensed interim financial statements. This amendment must be applied retrospectively.

IAS 34 Interim Financial Reporting: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included with the interim financial report. This amendment must be applied retrospectively.

Amendments to IAS 1 – Disclosure Initiative: The amendments are applicable prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

The Company intends to adopt these standards and amendments when these become effective and disclose and recognize the impacts in the financial statements that may occur on application of these standards.

There are no other standards and interpretations issued but not yet adopted that, in Management's opinion, have a significant impact on the Company’s results or equity.

3. 3. Cash and cash equivalents

	12/31/2015	12/31/2014
Cash and bank deposits	**629,638**	507,248
Cash equivalents	**442,694**	1,391,525

	1,072,332	1,898,773

The breakdown of cash equivalents is as follows:

	12/31/2015	**12/31/2014**
Private bonds	**207,997**	1,130,462
Investment funds	**234,697**	261,063
	442,694	1,391,525

As of December 31, 2015, cash equivalents were comprised by private bonds (Bank Deposit Certificates - “CDBs”), buy-back transactions and time deposits remunerated at post fixed rates between 75% and 103% (85% and 102% as of December 31, 2014) of the Interbank Deposit Certificate rate (“CDI”) on the onshore investments.

The investment funds classified as cash equivalents have high liquidity and, according to the Company assessment, are readily convertible to a known amount of cash with insignificant risk of change in value.

Cash in Venezuela: as a result of political and economic deterioration scenario in Venezuela during the year ended December 31, 2015, the Company reassessed the expected repatriation of the amounts held in cash and cash equivalents in Venezuela of VEF 728,297 and concluded that its presents low expectation of repatriation under the currency rates previously established by CADIVI (VEF6.30 per US$1.00) and SICADI (VEF11.50 per US$1.00). Accordingly, the Company recognized losses based on the prevailing exchange rate on the market (SIMADI) of VEF200 per US$1.00. As a result of this devaluation, the balance of cash and cash equivalents in Venezuela as of December 31, 2015 was R$14,312 (R$325,831 as of December 31, 2014).

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

4. 4. Short-term investments

	12/31/2015	12/31/2014
Private bonds	**196,283**	74,127
Government bonds	**11,211**	66,030
Investment funds	**284,226**	156,667
	491,720	296,824

As of December 31, 2015, the private bonds were represented by debentures and financial letters with first-rate financial institutions, remunerated at a weighted average rate of 110% (102% as of December 31, 2014) of the CDI rate on onshore investments.

Government bonds are primarily represented by LFT and NTN remunerated at a weighted average of 98% (101% as of December 31, 2014) of the CDI rate.

Investment funds include private and government bonds remunerated at a weighted average of 83% (102% as of December 31, 2014) of the CDI rate.

5. 5. Restricted cash

	12/31/2015	12/31/2014
Margin deposits for hedge transactions (a)	**101,075**	82,025
Deposits in guarantee of letter of credit (b)	**359,604**	42,040
Escrow deposits (c)	**63,978**	70,820
Escrow deposits - Leases (d)	**158,835**	72,672
Escrow deposits - Debentures (e)	**-**	58,303
Escrow deposits - Citibank (f)	**48,810**	**-**

Other deposits	**3,102**	5,690
	735,404	331,550
Current	**59,324**	58,310
Noncurrent	**676,080**	273,240

(a) Denominated in U.S. dollars, remunerated by Libor rate (average remuneration of 0.5% p.a.).

(b) From the total amount, R$116,035 is related to VRG's working capital loan agreements, R$104,155 is related to labor/legal guarantees, R$63,334 is related to the guarantee of the Safra's loan of Webjet and R$41,250 is related to Finimp agreements (see Note 16).

(c) Includes R$20,062 related to a contractual guarantee for STJs related to PIS and Cofins on interest attributable to shareholders' equity paid to GLAI as described in Note 21b. The other amounts relate to guarantees of VRG letters of credit.

(d) Related to a letter of credit for of aircraft operating leases from VRG.

(e) Related to debentures issued by Smiles and it was fully redeemed on July 6, 2015. For further information, see Note 16.

(f) Additional escrow deposits with Delta Air Lines Inc. ("Delta") related to the Term Loan guarantee, described in Note 16.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

6. 6. Trade receivables

	12/31/2015	12/31/2014
Local currency		
Credit card administrators	**115,236**	72,116
Travel agencies	**248,644**	176,244
Installment sales (a)	**-**	43,730
Cargo agencies	**31,916**	35,536
Airline partners companies	**21,812**	29,044
Other (b)	**52,651**	67,228
	470,259	423,898
Foreign currency		
Credit card administrators	**32,725**	18,502
Travel agencies	**9,704**	10,151
Cargo agencies	**321**	89
	42,750	28,742
	513,009	452,640
Allowance for doubtful accounts (a)	**(50,389)**	(83,837)
Total trade receivables	**462,620**	368,803
Current	**462,620**	352,284
Noncurrent	**-**	16,519

(a) Amount related to installment sales “Voe Fácil” overdue above 360 days, which was fully provisioned and written off on April 30, 2015.

(b) Includes the amount of R$29,286 as of December 31, 2015 (R$33,801 as of December 31, 2014), related to the commercial cooperation strategic partnership with Air France-KLM, to be received in June 2016. For further information, see Note 10.5.

The aging list of trade receivables is as follows:

	12/31/2015	12/31/2014
Not yet due	**420,194**	278,311

Overdue until 30 days	**14,253**	14,480
Overdue 31 to 60 days	**7,500**	6,748
Overdue 61 to 90 days	**3,376**	3,606
Overdue 91 to 180 days	**10,071**	10,775
Overdue 181 to 360 days	**21,199**	34,434
Overdue above 360 days	**36,416**	104,286
	513,009	452,640

The average collection period of installment sales from credit card administrators, travel agencies and cargo agencies is 4 months and monthly interest of 8.99% (six months and monthly interest of 6.99% as of December 31, 2014) is charged on overdue balances, recognized in financial results. The average collection period of the other receivables is 128 days as of December 31, 2015 (127 days as of December 31, 2014).

The changes in the allowance for doubtful accounts are as follows:

	2015	**2014**
Balance at beginning of the year	**(83,837)**	(85,101)
Additions	**(39,287)**	(17,143)
Unrecoverable amounts	**57,514**	9,624
Recoveries	**15,221**	8,783
Balance at the end of the year	**(50,389)**	(83,837)

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

7. 7. Inventories

	12/31/2015	12/31/2014
Consumables	**28,677**	26,020
Parts and maintenance materials	**176,804**	117,748
Advances to suppliers	**-**	322
Others	**6,199**	7,450
Provision for obsolescence	**(12,444)**	(12,858)
	199,236	138,682

The changes in the provision for obsolescence are as follows:

	2015	2014
Balances at the beginning of the year	**(12,858)**	(12,227)
Addition	**(2,273)**	(3,968)
Write-off and reversal	**2,687**	3,337
Balances at the end of the year	**(12,444)**	(12,858)

8. 8. Deferred and recoverable taxes

8.1. Recoverable taxes

	12/31/2015	12/31/2014
ICMS (1)	**1,252**	39,321
Prepaid income taxes	**78,775**	64,750
Withholding income tax (IRRF) (2)	**6,803**	14,594
PIS and COFINS (3)	**17,465**	2,472
Withholding tax of public institutions	**14,378**	16,845
Value added tax – IVA (4)	**11,252**	12,280
Others	**1,534**	1,317
Total	**131,459**	151,579

Current assets	**58,074**	81,245
Noncurrent assets	**73,385**	70,334

(1) ICMS: State tax on sales of goods and services. The Company evaluated the expected utilization of ICMS credits and recorded a write-off of R$39,844 in the year ended December 31, 2015, due to the generation of credits from the purchase of fuel which exceeded the credits consumed in operating cargos.

(2) IRRF: withholding income tax levied on financial income from financial investments.

(3) Contributions to Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS).

(4) IVA: Value added tax on sales of goods and services abroad.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

8.2. Deferred tax assets (liabilities) - Long term

	12/31/2015	12/31/2014
Net operating losses carryforward		
Income tax losses	**5,122**	330,924
Negative basis of social contribution	**1,844**	119,132
Temporary differences:		
Mileage program	**5,422**	46,853
Allowance for doubtful accounts and other credits	**13,980**	96,603
Provision for losses on VRG's acquisition	**143,350**	143,350
Provision for legal proceedings and tax liabilities	**12,518**	42,852
Aircraft return	**39,731**	102,524
Derivatives transactions not settled	**92,180**	71,458
Derivative transactions not settled	**(4,454)**	16,620
Tax benefit due to goodwill incorporation (a)	**43,765**	58,353
Flight rights	**(353,226)**	(353,226)
Depreciation of engines and parts for aircraft maintenance	**(167,577)**	(164,391)
Reversal of goodwill amortization		
on VRG's acquisition	**(127,659)**	(127,659)
Aircraft leases	**75,051**	73,412
Other	**82,386**	30,170
Total deferred taxes, net	**(137,567)**	486,975
Deferred tax assets – noncurrent	**107,788**	486,975
Deferred tax liabilities – noncurrent	**(245,355)**	-

(a) Related to the tax benefit from the reverse merger of G.A. Smiles Participações S.A. by Smiles. Under the terms of the current tax legislation, the goodwill amortization for tax purposes will be a deductible expense on the taxable income calculation.

The Company, VRG and Webjet have net operating losses carryforward, represented by income tax losses and negative basis of social contribution. The net operating losses carryforward have no expiration period,

however, the compensation is limited to 30% of the annual taxable income. The unused balances of net operating losses carryforward are as follows:

	GLAI		VRG		Webjet	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**	**12/31/2015**	**12/31/2014**
Income tax losses	**175,583**	189,522	**3,202,891**	2,801,620	**870,646**	818,159
Negative basis of social contribution	**175,583**	189,522	**3,202,891**	2,801,620	**870,646**	818,159

As of December 31, 2015, the tax credits from tax losses carryforward were recorded based on the reasonably expected generation of future taxable income of GLAI and its subsidiaries, subject to legal limitations. The forecast of future taxable income to utilize the net operating losses carryforward were prepared based on the business plan approved by the Board of Directors on February 18, 2016.

The Company’s Management considers that the deferred assets recognized as of December 31, 2015 arising from temporary differences will be realized in connection with the deferred tax liabilities and future results.

The analysis of the realization of deferred taxes assets was prepared on a company basis as follows:

GLAI: the Company has tax credits of R$60,683, of which R$59,698 is related to net operating losses carryforward and R$985 is related to temporary differences, with realization supported by the long term plan of the Company. However, for the year ended December 31, 2015, the Company assessed the projections of results and did not recognize the amount of R$52,731 related to credits from net operating losses carryforward.

VRG: VRG has tax credits on net operating losses carryforward of R$1,088,983. However, in view of recent events on the political scenario in Brazil, instability of the economic environment, constant fluctuations in the U.S. dollar exchange rate and other variables that significantly affect the projections of future results, as well as, the history of losses in recent years, the Company has reassessed the recognition of tax credits on net operating losses carryforward, resulting in a write-off of R$385,618 in the year ended December 31, 2015. Additionally, the Company analyzed the realization of deferred tax assets on temporary differences and limited the recognition based on the expected realization of deferred tax liabilities on temporary differences. As a result, the Company did not recognize the net amount of R$732,439 of deferred tax assets on temporary differences.

The deferred tax credits recorded under “Other comprehensive income (loss)” that will affect taxable income only at the moment of its realization remain fully recorded in total equity.

Smiles: Smiles does not have net operating losses carryforward. The deferred tax credit is composed only by temporary differences which, according to the history and projections of taxable results, has an expectation of realization.

Webjet: the forecast did not present sufficient taxable income to be realized over future periods, and as a result, tax credits of R$296,020 has not been recorded.

The reconciliation of income taxes expense for the years ended December 31, 2015, 2014 and 2013, is as follows:

	2015	2014	2013
Loss before income taxes	**(3,447,100)**	(952,680)	(653,227)
Combined tax rate	**34%**	34%	34%
Income tax credits at the combined tax rate	**1,172,014**	323,911	222,097
Adjustments to calculate the effective tax rate:			
Equity results	**(1,340)**	(846)	-
Tax losses from wholly-owned subsidiaries	**(83,702)**	(56,882)	(9,157)
Income tax on permanent differences and other	**1,920**	(8,716)	(13,512)
Nontaxable revenues (nondeductible expenses), net	**(111,828)**	(164,330)	(119,208)
Interest attributable to shareholders' equity	**4,673**	11,848	2,655
Exchange variation on foreign investments	**(502,938)**	(75,224)	(41,150)
Benefit on tax losses and temporary differences not constituted	**(1,322,939)**	(216,884)	(110,001)
Other	**-**	22,522	(3,087)
Income taxes expense	**(844,140)**	(164,601)	(71,363)
Current income taxes	**(196,140)**	(120,784)	(96,807)
Deferred income taxes	**(648,800)**	(43,817)	25,444
	(844,140)	(164,601)	(71,363)

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

10 9. Deposits

	12/31/2015	12/31/2014
Judicial deposits (a)	329,248	266,686
Maintenance deposits (b)	261,182	343,688
Deposits in guarantee for lease agreements (c)	429,644	183,134
	1,020,074	793,508

(a) Judicial deposits

Judicial deposits and blocked escrows represent guarantees of lawsuits related to tax, civil and labor claims deposited in escrow until the resolution of the related claims. Part of the blocked amount in escrow is related to civil and labor claims arising on the succession orders on claims against Varig S.A. and proceedings filed by employees that are not related to the Company or any related party (third-party claims). As the Company is not correctly classified as the defendant of these lawsuits, whenever such blockages occur, the exclusion of such is requested in order to release the resources. As of December 31, 2015 the blocked amounts regarding the Varig' succession and the third-party lawsuits were R$92,496 and R$75,406, respectively (R$85,558 and R$66,970 as of December 31, 2014, respectively).

(b) Maintenance deposits

The Company and its subsidiaries VRG and Webjet made deposits in U.S. dollars for maintenance of aircraft and engines that will be used in future events as set forth in some lease contracts.

The maintenance deposits do not exempt the Company and its subsidiaries, as lessee, neither from the contractual obligations relating to the maintenance of the aircraft nor from the risk associated with maintenance activities. The Company and its subsidiaries hold the right to select any of the maintenance service providers or to perform such services internally. The amount in U.S. dollars as of December 31, 2015 was US$66,887 (US$129,391 as of December 31, 2014).

(c) Deposits in guarantee for lease agreements

As required by some lease agreements, the Company and its subsidiaries hold guarantee deposits in U.S. dollars on behalf of the leasing companies, whose full refund occurs upon the contract expiration date. As of December 31, 2015, the deposits totaled US$110,030 (US$68,946 as of December 31, 2014).

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

11 10. Transactions with related parties

10.1. Transportation and consulting services with entities controlled by the controlling shareholder

All the agreements related to transportation and consulting services are held by VRG. The related parties for these services are:

Breda Transportes e Serviços S.A. provides passenger and luggage transportation services between airports, and transportation of employees, the agreement is renewable every 12 months for additional equal terms through an amendment signed by the parties, annually adjusted based on the IGP-M fluctuation (General Market Price Index from Getulio Vargas Foundation). The agreement expired on January 31, 2016.

Expresso União Ltda. provides transportation to employees, and the agreement expires on August 1, 2016.

Serviços Gráficos S.A. provided printing services. The agreement expired on July 1, 2015.

Pax Participações S.A. provides consulting and advisory services, and the agreement expires on April 30, 2016.

Vaud Participações S.A. provides executive administration and management services, and the agreement expires on October 1, 2016.

VRG recognized total expense related to these services of R$16,106, R$13,319 and R$12,774 for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015 and 2014, the balance payable to the related parties was R$2,085 and R$3,286, respectively, and was mainly related to services provided by Breda Transporte e Serviços S.A.

10.2. Contracts account opening UATP (“Universal Air Transportation Plan”) to grant credit limit

In September 2011, VRG entered into agreements with the related parties Pássaro Azul Taxi Aéreo Ltda. and Viação Piracicabana Ltda., both with no expiration date, with the purpose of the issuance of credits in the amounts of R$20 and R$40, respectively, to be used in the UATP (Universal Air Transportation Plan) system. The UATP account (virtual card) is accepted as a payment method on the purchase of airline tickets and related services, seeking to simplify the billing and facilitate the payment between participating companies.

10.3. Financing contract for engine maintenance

VRG has a line of funding for maintenance of engines services, which disbursement occurs through the issuance of Guaranteed Notes. As of December 31, 2015, VRG holds two series of Guaranteed Notes for maintenance of engines, issued on February 14, 2014 and March 13, 2015, maturing up to three years. Delta is the guarantor of the Guaranteed Notes.

As of December 31, 2015, the balance of engine maintenance funding recorded in "Debt" was R$136,885 (R$67,779 as of December 31, 2014), as described in Note 16.

During the year ended December 31, 2015, the engine maintenance expenses conducted by Delta was R$307,658 (R$115,653 in 2014 and R$95,647 in 2013).

10.4. Term loan guarantee

On August 31, 2015, Gol LuxCo issued a term loan in the amount of US$300,000 through Morgan Stanley, with a term of 5 years and effective interest rate of 6.5% p.a. The term loan has an additional guarantee provided by Delta. For additional information, see Notes 5 and 16.2.

10.5. Financing contract for engine maintenance

On February 19, 2014, the Company signed an exclusive strategic partnership for long-term business cooperation with Air France-KLM with the purpose of the sales activities improvements and codeshare expansion and mileage programs benefits between the companies for the customers in the Brazilian and European markets.

The agreement provides for the incentive investment in the Company in the amount of R$112,152, which payment is divided in three installments: the first installment in the amount of R$74,506 was received in June 2014, the second installment in the amount of R$17,679 was received in June 2015 and the third installment in the amount of R$29,286 will be received in June 2016, and the outstanding amount is updated by the current exchange rate. The agreement will mature within 5 years and the installments will be amortized on a monthly basis. As of December 31, 2015, the Company has deferred revenue in the amount of R$28,130 and R$48,599 recorded in “Other liabilities” in the current and noncurrent liabilities, respectively (R$22,430 and R$71,030 as of December 31, 2014, in the current and noncurrent liabilities, respectively).

10.6. Agreements with Smiles

Operating Agreement: under the operating agreement entered into on December 28, 2012, between VRG and Smiles, effective on January 1, 2012, when Smiles began to manage and operate the Smiles loyalty program, which is the sole VRG's customer loyalty program. Additionally, the agreement also specifies VRG as the exclusive partner in the Smiles' air transportation industry in Brazil and establishes guidelines for the program management by Smiles.

Miles and tickets purchase agreement: this agreement sets the prices and the terms and conditions for the purchase of miles and sales of tickets. The agreement was entered on December 28, 2012 and has a term of 20 years, and is automatically renewed for successive five– year periods, unless the Company, VRG or Smiles decides otherwise and gives prior notice of such decision.

Back office services agreement: under the back– office service agreement entered into on December 28, 2012, VRG will provide certain administrative services to Smiles for which Smiles will pay a fixed monthly amount for each service, subject to annual renegotiation. This agreement is effective for three –year period and Smiles may terminate porting of the back– office services agreement at any time by providing prior written notice.

All the balances and transactions between the Company, VRG and Smiles were eliminated in the consolidated financial statements.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

10.7. Remuneration of key management personnel

	2015	2014	2013
Salaries and benefits	**27,605**	28,976	32,679
Related taxes and charges	**5,352**	4,388	2,486
Share-based payments	**10,469**	4,363	4,836
	43,426	37,727	40,001

As of and for the years ended December 31, 2015, 2014 and 2013, the Company did not offer post-employment benefits, and there were no severance benefits or other long-term benefits for the Management or other employees.

12 11. Share-based payments

The Company has two share-based payment plans offered to its management personnel: the Stock Option Plan and the Restricted Shares Plan. Both plans stimulate and promote the alignment of the Company's goals with management and employees, mitigate risks for the Company resulting from the loss of executives and strengthen the commitment and productivity of these executives to long-term results.

11.1. GLAI

a) Stock Options Plan

The beneficiaries of the Company’s stock option plan are allowed to purchase the Company’s shares after three years from the grant date, with an exercise period of up to ten years and an acquisition condition that the beneficiary maintains its employment relationship up to the end of this period.

The stock options become vested 20% as from the first year, an additional 30% as from the second year, and the remaining 50% as from the third year. All stock options may also be exercised within 10 years after the grant date. For stock options granted, the expected volatility of the options is based on the historical volatility of 252 working days of the Company’s shares traded on BM&FBOVESPA, and the fair value of the stock options granted was estimated on the grant date using the Black Scholes pricing model.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

		Stock Options Plan							
Year	Date of the Board meeting	Total options granted	Number of options outstanding as of 12/31/2015	Exercise price of the option (In Reais)	The fair value of the option at grant date (In Reais)	Estimate volatility of share price	Expected dividend yield	Risk-free return rate	Average remaining maturity (in years)
2006	01/02/2006	99,816	13,220	47.30	51.68	39.87%	0.93%	18.00%	1
2007	12/31/2006	113,379	14,962	65.85	46.61	46.54%	0.98%	13.19%	2
2008	12/20/2007	190,296	41,749	45.46	29.27	40.95%	0.86%	11.18%	3
2009	02/04/2009	1,142,473	20,414	10.52	8.53	76.91%	-	12.66%	4
2010	02/02/2010	2,774,640	1,097,811	20.65	16.81	77.95%	2.73%	8.65%	5
2011	12/20/2010	2,722,444	947,172	27.83	16.07 (a)	44.55%	0.47%	10.25%	6
2012	10/19/2012	778,912	501,819	12.81	5.32 (b)	52.25%	2.26%	9.00%	7
2013	05/13/2013	802,296	572,616	12.76	6.54 (c)	46.91%	2.00%	7.50%	8
2014	08/12/2014	653,130	529,467	11.31	7.98 (d)	52.66%	3.27%	11.00%	9
2015	08/11/2015	1,930,844	1,620,230	9.35	3.37 (e)	55.57%	5.06%	13.25%	10
		11,208,230	**5,359,460**	**16.35**					**7.55**

(a) The fair value is calculated by the average value from R$16.92, R$16.11 and R$15.17 for the respective periods of vesting (2011, 2012 and 2013).

(b) The fair value is calculated by the average value from R$6.04, R$5.35 and R$4.56 for the respective periods of vesting (2012, 2013 and 2014).

(c) The fair value is calculated by the average value from R$7.34, R$6.58 and R$5.71 for the respective periods of vesting (2013, 2014 and 2015).

(d) The fair value is calculated by the average value from R$8.20, R$7.89 and R$7.85 for the respective periods of vesting (2014, 2015 and 2016).

(e) The fair value is calculated by the average value from R$3.60, R$3.30 and R$3.19 for the respective periods of vesting (2015, 2016 and 2017).

The movement in the stock options outstanding for the year ended December 31, 2015 is as follows:

	Number of stock options	**Weighted average exercise price**
Options outstanding as of December 31, 2014	3,861,742	19.44
Options granted	1,930,844	9.35
Options cancelled and adjustments in estimated prescribed rights	(433,126)	19.19
Options outstanding as of December 31, 2015	**5,359,460**	**16.35**
Number of options exercisable as of December 31, 2014	3,235,562	20.93
Number of options exercisable as of December 31, 2015	**4,079,448**	**18.43**

b) Restricted Shares

The Company's Restricted Shares Plan was approved on the Extraordinary Shareholders Meeting held on October 19, 2012, and the first grant was approved at the Board of Directors' meeting on November 13, 2012.

The transfer of restricted shares will be at the end of the third year from the grant date, assuming the employee relationship up to the end of this period as a condition to acquire the shares.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

Year	Date of the Board Meeting	Total shares granted	Number of shares outstanding as of 12/31/2015	Fair value of the share at grant date (in Reais)
2012	11/13/2012	589,304	-	9.70
2013	05/13/2013	712,632	432,373	12.76
2014	08/13/2014	804,073	575,035	11.31
2015	04/30/2015	1,207,037	1,001,785	9.35
		3,313,046	**2,009,193**	

The movement in the restricted shares for the year ended December 31, 2015 is as follows:

	Total of restricted shares
Restricted shares outstanding as of December 31, 2014	1,559,335
Restricted shares granted	1,207,037
Restricted shares transferred (*)	(463,199)
Restricted shares cancelled and adjustments in estimated expired rights	(293,980)
Restricted shares outstanding as of December 31, 2015	**2,009,193**

(*) The amount related to transferred shares is R$4,153.

11.2. Smiles

a) Smiles Stock Option Plan

		Stock Options Plan							
Option year	**Board Meeting**	**Total options granted**	**Number of options outstanding as of 12/31/2015**	**Exercise price of the option (In Reais)**	**Fair value of the option at grant date (In Reais)**	**Estimate volatility of share price**	**Expected dividend yield**	**Risk-free return rate**	**Length of the option (in years)**
2013	08/08/2013	1,058,043	138,868	21.70	4.25 (a)	36.35%	6.96%	7.40%	10
2014	02/04/2014	1,150,000	648,050	31.28	4.90 (b)	33.25%	10.67%	9.90%	10
		2,208,043	**786,918**						

(a) The fair value calculated for the stock options was R$4.84, and R$4.20 for the vesting periods in 2013 and 2014, and R$3.73 for the vesting periods in 2015 and 2016.

(b) The fair value calculated for the stock options was R$4.35, R$4.63, R$4.90, R$5.15 and R$5.37 for the respective periods of vesting from 2014 to 2018.

The movement of the stock options outstanding for the year ended December 31, 2015 is as follows:

	Total of stock options	**Weighted average exercise price**
Options outstanding as of December 31, 2014	1,347,926	28.75
Options exercised	(561,008)	14.56
Options outstanding as of December 31, 2015	**786,918**	**29.59**

For the years ended December 31, 2015, 2014 and 2013, the Company recorded in equity a result from share-based payments of R$13,516, R$9,084 and R$6,183, respectively, attributable to equity holders of the parent, and R$836, R$1,254 and R$905, respectively, related to non-controlling interests, for the plans presented above, with a corresponding entry in profit or loss in Salaries.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

13 12. Investments

The amount of the investments is related to 21.2% of the capital of Netpoints Fidelidade S.A., hold by Smiles, and to SCP Trip, hold by VRG, both registered as investments accounted under the equity method.

The financial information of the Company`s investees and the changes in investments during the year ended December 31, 2015 is as follows:

	SCP Trip		Netpoints	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Relevant information of the Company's investees:				
Total number of shares	**-**	-	**60,492,408**	60,492,404
Capital stock	**1,318**	1,318	**63,451**	63,451
Interest	**60.0%**	60.0%	**21.2%**	21.3%
Total equity	**4,636**	3,488	**2.159**	30,072
Adjusted equity (*)	**2,781**	2,092	**459**	6,391
Net income (loss) for the year	**3,318**	2,170	**(28.278)**	(44,513)
Net income (loss) for the year attributable to the Company's interest (*)	**1,991**	1,302	**(5.932)**	(3,791)

Changes on investments:	**SCP Trip**	**Netpoints**	**Total**
Balances as of December 31, 2013	**-**	-	**-**
Equity results	1,302	(3,791)	(2,489)
Capital decrease	(8)	-	(8)
Dividends received	630	-	630
Dividends to receive	168	-	168
Fair value of the acquired investment	-	10,182	10,182
Balances as of December 31, 2014	2,092	6,391	8,483
Equity results	**1,991**	**(5,932)**	**(3,941)**

Dividends	**(1,302)**	**-**	**(1,302)**
Goodwill on investment acquisition	**-**	**15,184**	**15,184**
Balances as of December 31, 2015	**2,781**	**15,643**	**18,424**

(*) Reflects the Company's interest on the total equity and net income (loss) of the respective investee.

14 13. Loss per share

Although there are differences between common and preferred shares in terms of voting rights and priority in case of liquidation, the Company's preferred shares are not entitled to receive any fixed dividends. The preferred shareholders are entitled to receive dividends per share in the same amount of the dividends per share paid to common shareholders. Therefore, the Company understands that, substantially, there is no difference between preferred shares and common shares, and accordingly, basic and diluted result per share is calculated using the same method for both shares.

Consequently, result per share is calculated by dividing the net income or loss by the weighted average number of all classes of shares outstanding during the period. Diluted earnings or loss per share are computed including stock options granted to key management and employees using the treasury shares method when the effect is dilutive. The antidilutive effect of all potential shares is disregarded in calculating diluted earnings or loss per share.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2015		**2014**		**2013**	
	Common	**Preferred**	**Common**	**Preferred**	**Common**	**Preferred**
Numerator						
Net loss for the year attributable to equity holders of the parent	**(2,123,945)**	**(2,336,938)**	(644,841)	(601,328)	(414,222)	(382,325)
Diluted securities effect - Smiles (a)	**118**	**129**	(172)	(162)	(63)	(59)
	(2.124.060)	**(2.337.070)**	(645,013)	(601,490)	(414,285)	(382,384)
Denominator						
Weighted average number of outstanding shares (in thousands) (b)	**5,035,037**	**158,285**	5,035,037	134,151	5,035,037	132,780
Adjusted weighted average number of outstanding shares and diluted presumed conversions (in thousands) (b)	**5,035,037**	**158,285**	5,035,037	134,151	5,035,037	132,780
Basic loss per share	**(0.422)**	**(14.764)**	(0.128)	(4.482)	(0.082)	(2.879)
Diluted loss per share	**(0.422)**	**(14.764)**	(0.128)	(4.482)	(0.082)	(2.880)

(a) Smiles granted the Stock Options Plan to its employees on August 8, 2013. These equity instruments have a dilutive effect on earnings per share of this subsidiary, impacting, therefore, the net loss considered on the calculation of Company’s diluted result per share.

(b) The weighted average considers the split of common shares approved at the Extraordinary Shareholders Meeting held on March 23, 2015, in accordance with IAS 33. Earnings per share presented herein reflects the economic rights of each class of shares.

Diluted loss per share is calculated by the weighted average number of outstanding shares, in order to assume the conversion of all potential dilutive shares. Diluted result per share is calculated based on considering the instruments that may have a potential dilutive effect in the future, such as share-based payment instruments, described in Note 11. However, due to the losses reported for the years ended December 31, 2015, 2014 and 2013, these instruments issued have anti-dilutive effect and, therefore, were

not considered in the weighted average number of outstanding shares for the computation of diluted loss per share.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

15 14. Property, plant and equipment

		12/31/2015			12/31/2014
	Average annual depreciation rate	Cost	Accumulated depreciation	Net Amount	Net amount
Flight equipment					
Aircraft held under finance leases (a)	4%	**3,174,259**	**(1,092,286)**	**2,081,973**	2,079,724
Sets of replacement parts and spares engines	4%	**1,234,945**	**(411,070)**	**823,875**	755,640
Aircraft reconfigurations/overhauling	30%	**1,486,249**	**(875,181)**	**611,068**	198,359
Aircraft and safety equipment	20%	**1,075**	**(352)**	**723**	840
Tools	10%	**26,426**	**(13,592)**	**12,834**	13,751
		5,922,954	**(2,392,481)**	**3,530,473**	3,048,314
Impairment losses (b)	-	**(28,904)**	**-**	**(28,904)**	(33,381)
		5,894,050	**(2,392,481)**	**3,501,569**	3,014,933
Property, plant and equipment in use					
Vehicles	20%	**10,999**	**(9,174)**	**1,825**	1,709
Machinery and equipment	10%	**54,878**	**(30,580)**	**24,298**	25,647
Furniture and fixtures	10%	**22,353**	**(14,501)**	**7,852**	7,091
Computers and peripherals	20%	**41,183**	**(31,819)**	**9,364**	10,940
Communication equipment	10%	**2,520**	**(1,655)**	**865**	1,032
Facilities	10%	**4,535**	**(4,090)**	**445**	724
Maintenance center - Confins	10%	**107,633**	**(57,854)**	**49,779**	58,954
Leasehold improvements	20%	**59,581**	**(44,829)**	**14,752**	10,297
Construction in progress	-	**22,022**	**-**	**22,022**	14,510
		325,704	**(194,502)**	**131,202**	130,904
		6,219,754	**(2,586,983)**	**3,632,771**	3,145,837
Advances for aircraft acquisition	-	**623,843**	**-**	**623,843**	456,197
		6,843,597	**(2,586,983)**	**4,256,614**	3,602,034

(a) The aircraft held under finance leases with a purchase option at the end of the agreement are depreciated on a straight line basis over the estimated useful life until its residual value of 20%, estimated based on market values.

(b) Refers to impairment losses recorded by the Company in order to present its assets according to the actual capacity for the generation of economic benefits.

Changes in property, plant and equipment balances are as follows:

	Property, plant and equipment under finance lease	**Other flight equipment**	**Advances for acquisition of property, plant and equipment**	**Others**	**Total**
Balances as of January 1, 2014	2,175,697	987,310	467,763	141,389	3,772,159
Additions	60,679	189,917	482,911	18,064	751,571
Disposals	(304)	(5,064)	(494,477)	(46)	(499,891)
Depreciation	(156,348)	(236,954)	-	(28,503)	(421,805)
Balances as of December 31, 2014	2,079,724	935,209	456,197	130,904	3,602,034
Additions	**141,524**	**730,460**	**608,660**	**32,500**	**1,513,144**
Disposals	**-**	**(23,280)**	**(441,014)**	**(1,789)**	**(466,083)**
Depreciation	**(139,275)**	**(222,793)**	**-**	**(30,413)**	**(392,481)**
Balances as of December 31, 2015	**2,081,973**	**1,419,596**	**623,843**	**131,202**	**4,256,614**

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

16 15. Intangible assets

	Goodwill	Airport operating rights	Software	Total
Balances as of January 1, 2014	542,302	1,038,900	112,988	1,694,190
Additions	15,183	-	46,308	61,491
Disposals	-	-	(4)	(4)
Amortization	-	-	(41,491)	(41,491)
Balance as of December 31, 2014	557,485	1,038,900	117,801	1,714,186
Additions	-	-	42,812	42,812
Transfer	(15,183)	-	-	(15,183)
Amortization	-	-	(27,210)	(27,210)
Balances as of December 31, 2015	**542,302**	**1,038,900**	**133,403**	**1,714,605**

Goodwill and other intangible assets were subject to impairment tests as of December 31, 2015 and 2014 using the discounted cash flows for each cash generating unit to calculate the value in use.

The Company performs the allocation of goodwill in two cash-generating units: VRG and Smiles. And the amount of airport operating rights, as follows:

	Goodwill – VRG	Goodwill – Smiles	Airport operating rights
As of December 31, 2015			
Book value	325,381	216,921	1,038,900
Book value – CGU	3,248,245	141,101	1,038,900
Value in use	6,339,072	5,678,811	6,168,302
Pre-tax discount rate	17.21%	19.84%	18.65%
Perpetuity growth rate	3.50%	3.50%	8.50%

As of December 31, 2014			
Book value	325,381	232,104	1,038,900
Book value – CGU	5,068,000	248,300	1,038,900
Value in use	11,168,414	7,712,374	5,571,674
Pre-tax discount rate	14.03%	15.12%	14.03%
Perpetuity growth rate	3.50%	3.50%	3.50%

The amount of value in use was compared to the carrying amount of each cash generating unit and, as a result, the Company did not recognized impairment losses.

The assumptions used in the impairment tests of intangible assets are consistent with internal projections, for a five-year period and after five-year period it was considered a perpetuity growth rate, and operating plans, both reviewed and approved by the Company's Management. The discounted cash flows that determined the value in use of the cash generating units was prepared in accordance with the Company's business plan approved on February 18, 2016.

The main assumptions used by the Company to determine the value in use of the cash generating units are:

Capacity and fleet: consider the use, the capacity of the aircraft used in each route and the projection of the fleet size in operation.

Demand: market efficiency is the key input for the projection of the Company's growth in demand. Management believes that market efficiency is the ratio of market share and its participation in the load factor.

Revenue per passenger: considers the average price charged by Gol and the effects of market variables (see variables used below).

Operating costs associated with the business: based on historical cost and updated by indicators such as inflation, related to the supply, demand and variation of the U.S. dollar.

The Company also considered market variables such as GDP (source: Brazilian Central Bank), U.S. dollar (source: Brazilian Central Bank), kerosene barrel (source: National Brazilian Petroleum Agency - ANP) and interest rates (source: Bloomberg).

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

17 16. Short and long-term debt

	Maturity of the contract	Interest rate	12/31/2015	12/31/2014
Short-term debt				
Local currency:				
BNDES (a)	Jul. 2017	TJLP+1.40% p.a.	**3,111**	3,111
Debentures IV and V (b)	Sep. 2018	128% of DI	**-**	166,974
Debentures Smiles (c)	Jul. 2015	115% of DI	**-**	347,484
Debentures VI (n)	Sep. 2019	132% of DI	**125,194**	-
Safra (d)	May 2018	128% of DI	**33,571**	16,357
Safra working capital (m)	Mar. 2016	111% of DI	**116,035**	-
Interest accrued	-	-	**22,026**	10,153
Foreign currency (US$):				
J. P. Morgan (e)	Feb. 2016	0.90% p.a.	**72,141**	54,213
Finimp (f)	Nov. 2016	3.52% p.a.	**389,275**	117,598
Engine Facility (Cacib) (g)	Jun. 2021	Libor 3m+2.25% p.a.	**20,920**	14,048
Interest accrued	-	-	**126,462**	55,470
			908,735	785,408
Finance leases	Jul. 2025	4.97% p.a.	**487,888**	325,326
Total short-term debt			**1,396,623**	1,110,734

Long-term debt				
Local currency:				
BNDES (a)	Jul. 2017	TJLP+1.40% p.a.	**1,813**	4,904
Debentures IV (b)	Sep. 2018	128% of DI	**-**	443,076
Debentures V (b)	Jun. 2017	128% of DI	**-**	490,625
Debentures VI (n)	Sep. 2019	132% of DI	**925,623**	-
Safra (d)	May 2018	128% of DI	**49,562**	82,585
Foreign currency (US$):				
J.P. Morgan (e)	Mar. 2018	0.90% p.a.	**64,744**	13,566
Engine Facility (Cacib) (g)	Jun. 2021		**212,758**	158,447

		Libor 3m+2.25% p.a.		
Senior Bonds I (h)	Apr. 2017	7.50% p.a.	**322,407**	223,543
Senior Bonds II (i)	Jul. 2020	9.25% p.a.	**617,376**	408,663
Senior Bond s III (j)	Feb. 2023	10.75% p.a.	**128,195**	82,970
Senior Bonds IV (k)	Jan. 2022	8.87% p.a.	**1,251,902**	841,313
Perpetual Bonds (l)	-	8.75% p.a.	**698,959**	475,460
Term loan (o)	Aug. 2020	6.5% p.a.	**1,128,757**	-
			5,402,096	3,225,152
Finance leases	Jul. 2025	4.97% p.a.	**2,506,207**	1,899,353
Total long-term debt			**7,908,303**	5,124,505
Total debt			**9,304,926**	6,235,239

(a) Credit line obtained on June 27, 2012 for the expansion of the aircraft maintenance center.

(b) Full early settlement of debentures from VRG on September 30, 2015, repaid with funds raised through issuance of Debentures VI.

(c) Debentures issued by Smiles, repaid on July 6, 2015.

(d)The total amount of the financing as of December 31, 2015 was R$83,133 with guaranteed deposits of R$63,334 as mentioned in Note 5.

(e) Issuance of 3 series of Guaranteed Notes to finance engine maintenance. For further information, see Note 10

(f) Credit line with Banco do Brasil and Safra of import financing for purchase of spare parts and aircraft equipment.

(g)Credit line raised on September 30, 2014 with Credit Agricole.

(h)Issuance of bonds by Gol Finance on March 22, 2007, which was used on pre-payments of financing for purchase of aircraft.

(i) Issuance of bonds by Gol Finance on July 13, 2010 in order to repay debts held by the Company.

(j) Issuance of bonds by VRG on February 7, 2013 in order to finance the repayment of debts. The total amount of bonds was transferred to Gol LuxCo, along with the financial investments acquired on the date of issuance, and a portion of the loan was prepaid.

(k) Issuance of bonds by Gol LuxCo on September 24, 2014 in order to finance the repurchase of the Senior Bonds I, II and III.

(l) Issuance of bonds by Gol Finance on April 05, 2006 to finance aircraft purchase and repayment of loans.

(m) Working capital loan raised by VRG with Safra.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

(n)Issuance of 105,000 debentures by VRG on September 30, 2015, in order to finance the settlement of Debentures IV and V.

(o)Issuance of term loan by Gol LuxCo on August 31, 2015 in order to finance the acquisition of aircraft and repayment of loans, with third party guarantee from Delta (for further information, see item 17.2).

The total debt includes debt issuance costs of R$106,450 (R$66,376 as of December 31, 2014), which will be amortized over the maturity of the related debt.

The maturities of long-term debt as of December 31, 2015 are as follows:

	2017	2018	2019	2020	Thereafter	Without maturity date	Total
Local currency:							
BNDES	1,813	-	-	-	-	-	1,813
Debentures VI	150,000	400,000	375,623	-	-	-	925,623
Safra	33,333	16,229	-	-	-	-	49,562
Foreign currency (US$):							
J.P. Morgan	52,766	11,978	-	-	-	-	64,744
Engine Facility (Cacib)	20,886	20,886	20,886	20,886	129,214	-	212,758
Senior Bonds I	322,407	-	-	-	-	-	322,407
Senior Bonds II	-	-	-	617,376	-	-	617,376
Senior Bonds III	-	-	-	-	128,195	-	128,195
Senior Bonds IV	-	-	-	-	1,251,902	-	1,251,902
Perpetual Bonds	-	-	-	-	-	698,959	698,959
Term loan	-	-	-	1,128,757	-	-	1,128,757
Total	**581,205**	**449,093**	**396,509**	**1,767,019**	**1,509,311**	**698,959**	**5,402,096**

The fair value of senior and perpetual bonds as of December 31, 2015 is as follows:

	Book value	Fair value
Senior Bonds	2,319,880	1,203,214
Perpetual Bonds	698,959	236,240

Senior and Perpetual Bonds' fair values are obtained through the current market quotations.

16.1. Covenants

Long-term debt (excluding perpetual bonds and finance leases) in the total amount of R$4,703,129 as of December 31, 2015 (R$2,749,692 as of December 31, 2014), have restrictive covenants, including but not limited to those that require the Company to maintain the liquidity requirements and the coverage of expenses with interest.

The Company has restrictive covenants on the Term Loan and Debentures VI with the following financial institutions: Bradesco and Banco do Brasil, with semi-annual measurements. The restrictive covenants are: (i) net debt/EBITDAR below 7.76, and (ii) debt coverage ratio of at least 1.56. The next measurement will occur on June 30, 2016.

16.2. New loans in the year ended December 31, 2015

During the year ended December 31, 2015, the Company raised new loans and issued Debentures and Term Loan, as described below:

Import financing (Finimp): VRG raised funds through financing over the period and with promissory note as guarantee. This operation is part of credit line maintained by the Company for import financing in order to purchase spare parts and aircraft equipments. The funding operations during the year are as follows:

Issuance date	Bank	Principal amount (US$)	Principal amount (R$)	Interest rate	Maturity date
02/06/2015	Safra	11,327	32,601	3.32% a.a.	02/01/2016
02/13/2015	Banco do Brasil	6,557	18,872	2.97% a.a.	02/05/2016
02/24/2015	Banco do Brasil	10,744	30,923	2.98% a.a.	02/22/2016
03/09/2015	Banco do Brasil	6,019	19,309	2.86% a.a.	03/03/2016
03/30/2015	Safra	8,156	26,164	4.05% a.a.	03/24/2016
05/18/2015	Banco do Brasil	4,274	13,586	3.13% a.a.	05/13/2016
07/06/2015	Banco do Brasil	9,638	32,711	3.18% a.a.	07/01/2016
07/23/2015	Banco do Brasil	7,822	26,548	3.23% a.a.	07/18/2016
07/28/2015	Banco do Brasil	10,436	35,420	3.22% a.a.	07/22/2016
07/31/2015	Citbank	10,696	36,302	4.71% a.a.	07/25/2016
09/04/2015	Safra	10,534	41,851	4.35% a.a.	08/29/2016
10/30/2015	Banco do Brasil	2,694	10,396	3.63% a.a.	11/04/2016

Engine maintenance financing (J.P. Morgan): On March 13, 2015, VRG obtained financing for engine maintenance in the amount of R$130,795 (US$40,539 at the issuance date), with quarterly amortization and interest payments and issuance costs of R$4,198 (US$1,334 at the issuance date) and financial guarantee from the Export-Import Bank of the United States ("Ex-Im Bank").

Working capital loan with Safra: on June 30, 2015, VRG obtained a new credit line with Safra for working capital purposes in the amount of R$120,000, with principal and interest maturity on September 28, 2015, with issuance costs of R$1,200 and fiduciary assignment as guarantee.

Term loan: on August 31, 2015, Gol LuxCo issued a term loan in the amount of US$300,000 (R$1,191,870 on the issuance date) and issuance costs of R$48,700 (US$12,258 on the issuance date), with a term of 5 years and effective interest rate of 6.5% p.a. The Term loan has an additional third party guarantee granted

by Delta. The Company granted to Delta the pledge of common shares from Smiles, held by the Company. The evaluation of the guarantee is done by comparing the market value of the Smiles' shares with the actual debt and, if the debt exceeds the market value of the shares, the Company is required to make a deposit in guarantee. On December 31, 2015, due to the volatility of the market value of the Smiles shares, the additional guarantee with Delta was R$48,810 (US$12,500 as of December 31, 2015), see Notes 5 and 10.4.

Issuance of debentures: on September 30, 2015, VRG issued 105,000 debentures, non-convertible into shares, from the 6th series in the amount of R$1,050,000 and issuance costs of R$28,382. The funds raised were used for the repayment of Debentures IV and IV, which had its outstanding issuance costs fully written off in the results.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

16.3. Finance leases

The future payments of finance agreements indexed to U.S. dollar are detailed as follows:

	12/31/2015	**12/31/2014**
2015	**-**	417,149
2016	**629,340**	399,179
2017	**559,721**	369,429
2018	**550,431**	363,110
2019	**460,848**	302,171
Thereafter	**1,192,153**	698,898
Total minimum lease payments	**3,392,493**	2,549,936
Less total interest	**(398,398)**	(325,257)
Present value of minimum lease payments	**2,994,095**	2,224,679
Less current portion	**(487,888)**	(325,326)
Noncurrent portion	**2,506,207**	1,899,353

The discount rate used to calculate the present value of the minimum lease payments was 4.91% as of December 31, 2015 (5.00% as of December 31, 2014). There are no significant differences between the present value of minimum lease payments and the fair value of these financial liabilities.

The Company extended the maturity date of the financing for some of its aircraft leased for 15 years using the SOAR framework (mechanism for extending financing amortization and repayment), which enables the performance of calculated withdrawals to be settled at the end of the lease agreement. As of December 31, 2015, the amounts of withdrawals for the repayment at maturity date of the lease agreements totaled R$276,851 (R$164,446 as of December 31, 2014).

18 17. Salaries

	12/31/2015	12/31/2014
Salaries	**162,612**	158,216
INSS and FGTS payable	**56,302**	67,189
Profit sharing plan	**10,633**	24,984
Other	**21,088**	5,051
	250,635	255,440

19 18. Taxes payable

	12/31/2015	12/31/2014
PIS and COFINS	**75,811**	36,277
ICMS installments (Refis)	**1,107**	-
Withholding income tax on salaries	**27,606**	27,841
ICMS	**39,234**	36,212
Tax on import	**3,467**	3,467
CIDE	**2,538**	1,480
IRPJ and CSLL payable	**-**	15,791
Other	**8,248**	13,833
	158,011	134,901
Current	**118,957**	100,094
Noncurrent	**39,054**	34,807

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

On April 1, 2015, the federal government established the increase in PIS/PASEP and COFINS tax rates on financial income from 0% to 4.65% through Act No. 8,426/15. Given this fact, the Company began to calculate such taxes on financial income as from July 1, 2015, including exchange variation gains. On December 31, 2015, the balance payable was R$43,114.

On January 1, 2015, the Company adopted the Law No. 12,973/14, which promoted changes in the legislation in order to adapt the tax rules to the new accounting rules introduced by Law No. 11,638/ 07, for VRG and Webjet. This adoption did not result in significant effects on the financial statements for the year ended December 31, 2015. GLAI and Smiles made adherence to the law in the year ended December 31, 2014.

20 19. Advance ticket sales

As of December 31, 2015, the balance of transport to perform classified in current liabilities was R$1,206,655 (R$1,101,611 as of December 31, 2014) and is represented by 4,464,876 tickets sold and not yet used (5,382,145 as of December 31, 2014) with an average use of 36 days (40 days as of December 31, 2014).

21 20. Mileage program

As of December 31, 2015, the balance of Smiles loyalty program deferred revenue was R$770,416 (R$220,212 as of December 31, 2014) and R$221,242 (R$559,506 as of December 31, 2014) classified in the current and noncurrent liabilities, respectively, and the number of outstanding miles as of December 31, 2015 amounted to 44,424,598,123 (42,412,047,693 as of December 31, 2014).

22 21. Provisions

	Insurance provision	Provision for aircraft and engine return (a)	Provision for legal proceedings (b)	Total
Balances on December 31, 2014	21,916	361,651	102,093	485,660
Additional provisions recognized	**2,666**	**259,673**	**44,460**	**306,799**
Utilized provisions	**(22,050)**	**(59,186)**	**(2,200)**	**(83,436)**
Foreign exchange variation	**(1,790)**	**163,038**	**2**	**161,250**
Balances on December 31, 2015	**742**	**725,176**	**144,355**	**870,273**
As of December 31, 2014				
Current	21,916	185,178	-	207,094
Noncurrent	-	176,473	102,093	278,566
	21,916	361,651	102,093	485,660
As of December 31, 2015				
Current	**742**	**205,966**	**-**	**206,708**
Noncurrent	**-**	**519,210**	**144,355**	**663,565**
	742	**725,176**	**144,355**	**870,273**

a) Provision for aircraft and engines return

The provision for aircraft and engine return considers the costs that meet the contractual conditions for the return of engines maintained under operating leases, as well as the costs to reconfigure the aircraft without purchase option, as described in the return conditions of the lease contracts, and which is capitalized in property, plant and equipment (aircraft reconfigurations/overhauling), as described in Note 14.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

b) Provision for legal proceedings

As of December 31, 2015 the Company and its subsidiaries are parties to 26,708 (8,644 labor and 18,064 civil) lawsuits and administrative proceedings. The lawsuits and administrative proceedings are classified into Operational (those arising from the Company's normal course of operations), and Succession (those arising from the succession of former Varig S.A. obligations).

Under this classification, the number of proceedings is as follows:

	Operational	**Succession**	**Total**
Civil lawsuits	16,479	329	**16,808**
Civil proceedings	1,254	2	**1,256**
Labor lawsuits	5,396	3,030	**8,426**
Labor proceedings	216	2	**218**
	23,345	**3,363**	**26,708**

The civil lawsuits are primarily related to compensation claims generally related to flight delays and cancellations, baggage loss and damage. The labor claims primarily consist of discussions related to overtime, hazard pay, and wage differences.

The provisions related to civil and labor suits, whose likelihood of loss is assessed as probable are as follows:

	12/31/2015	**12/31/2014**
Civil	**69,892**	55,097

Labor	**74,293**	46,996
Taxes	**170**	151
	144,355	102,244

Provisions are reviewed based on the progress of the proceedings and history of losses based on the best current estimate for labor and civil lawsuits.

There are other civil and labor lawsuits assessed by management and its legal counsel as possible risk of loss, in the estimated amount as of December 31, 2015 of R$22,176 for civil claims and R$53,764 for labor claims (R$15,786 and R$2,341 as of December 31, 2014 respectively), for which no provisions are recognized.

In August 2015, the Superior Labor Court (“TST”) declared unconstitutional the monetary adjustments of the labor claims by Reference Rate (“TR”), which was replaced by IPCA-E (Amplified Consumer Price Index), which is applicable to proceedings triggered as from June 30, 2009. On October 14, 2015, the Federal Supreme Court (STF) granted an injunction suspending the effects of the decision previously communicated by the TST. The Company, along with its internal and external legal advisors, believes that, in the current scenario, the risk of obligation to update the labor claims by IPCA-E is remote.

The tax lawsuits below were evaluated by the Company's management and its legal counsels as being relevant and with possible risk of loss as of December 31, 2015:

- GLAI is discussing the non-incidence of taxation of PIS and COFINS on revenues generated by the interest attributable to shareholders' equity in the amount of R$50,683 (R$37,750 as of December 31, 2014), related to the years from 2006 to 2008, paid by its subsidiary GTA Transportes Aéreos S.A., succeeded by VRG on September 25, 2008. According to the opinion of the Company's legal counsel and based on the jurisprudence occurred in recent events, the Company classified this case as possible loss, without a provision registered for the related amount. Additionally, the Company maintains escrow deposits with Bic Banco with a partial guarantee on the lawsuit of R$20,062 (R$21,579 as of December 31, 2014) as disclosed in Note 5.

- Tax on Services (ISS), the amount of R$17,091 (R$16,470 as of December, 31 2014) arising from assessment notices issued by the Municipality of São Paulo against the Company, in the period from January 2007 to December 2010 regarding a possible ISS taxation on partnerships. The classification of the possible risk of loss is a result from the matters under discussion and are interpretative, and involves discussions of factual and evidential materials, and has no final positioning of the Superior Courts.

- Customs Penalty in the amount of R$18,283 (R$33,956 as of December, 31 2014) relating to assessment notices issued against the Company for alleged breach of customs rules regarding procedures for temporary import of aircraft. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.

- BSSF goodwill (BSSF Air Holdings), in the amount of R$45,292 (R$43,246 as of December, 31 2014) related to infraction notices due to the deductibility of the goodwill allocated to future profitability. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.

- VRG's goodwill in the amount of R$65,929 (R$17,894 as of December, 31 2014) resulted from assessment notice related to the deductibility of the goodwill classified as future profitability. The classification of possible risk of loss arises from the absence of a final opinion from the Superior Courts.

- ICMS in the amount of R$20,384 from assessment notice issued for alleged understated (or incomplete declaration) amounts related to air transportation revenue to the tax authorities of the State of Ceará in 2014.

- Tax on Industrialized Products (IPI): supposedly levied on the importation of aircraft in the amount of R$101,448.

There are other lawsuits considered by the Company's Management and its legal counsels as possible risk, in the estimated amount of R$58,151 (R$27,538 as of December, 31 2014) which added to the lawsuits mentioned above, totaled R$364,078 as of December 31, 2015 (R$176,854 as of December 31, 2014).

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

23 22. Equity

22.1. Capital stock

As of December 31, 2015, the Company's capital stock wasR$3,080,110 (R$2.618,748 as of December 31, 2014) and represented by 5,238,421,108 shares, comprised by 5,035,037,140 common shares and 203,383,968 preferred shares. The Extraordinary Shareholders Meeting held on March 23, 2015 approved the stock split of the Company's common shares, in the ratio of one to 35 shares, without changes in the shareholders' ratio. The Fundo de Investimento em Participações Volluto ("Fundo Volluto") is the Company's controlling shareholder, which is equally controlled by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto, and Ricardo Constantino.

The Company's shares are held as follows:

	12/31/2015			**12/31/2014**		
	Common	**Preferred**	**Total**	**Common**	**Preferred**	**Total**
Fundo Volluto	**100.00%**	**33.88%**	**61.28%**	100.00%	21.16%	61.22%
Delta Air Lines, Inc.	**-**	**16.19%**	**9.48%**	-	5.96%	2.93%
Fidelity Investments	**-**	-	-	-	5.05%	2.48%
Treasury shares	**-**	**0.75%**	**0.44%**	-	1.50%	0.74%
Other	**-**	**1.05%**	**0.61%**	-	1.33%	0.65%
Free float	**-**	**48.13%**	**28.19%**	-	65.00%	31.98%
	100.00%	**100.00%**	**100.00%**	100.00%	100.00%	100.00%

The authorized capital stock was R$4.0 billion, as of December 31, 2015. Within the authorized limit, the Company can, once approved by the Board of Directors, increase its capital regardless of any amendment to its by-laws, by issuing shares, without necessarily maintaining the proportion between the different types of shares. Under the law terms, in case of capital increase, the Board of Directors will define the issuance conditions, including pricing and payment terms.

On February 3, 2015, the Board of Directors approved the capital increase of R$89 from subscription of 7,000 preferred shares from exercise of stock options.

On September 4, 2015, the Board of Directors approved the capital increase of R$461,273 from subscription of 64,065,611 common shares, nominatives, without nominal value, by the price per share of R$7.20 for Delta and Fundo Volluto, which share issuance costs totaled R$5,009.

22.2. Dividends

The Company's by-laws provide for a mandatory minimum dividend to be paid to common and preferred shareholders, at least 25% of annual adjusted net income after allocation to reserves in accordance with the Brazilian Corporate Law.

22.3. Treasury shares

During the year ended December 31, 2015, the Company transferred 557,106 restricted shares to its beneficiaries, amounting R$8,658 (62,850 restricted shares in the amount of R$759 as of December 31, 2014), which amount of R$4,505 is related to the difference between the average value of the treasury shares and the fair value of the expenses allocated.

As of December 31, 2015, the Company had 1,526,769 treasury shares, totaling R$22,699, with a market value of R$3,847 (2,083,875 treasury shares, totaling R$31,357 with a market value of R$31,633 as of December 31, 2014),

22.4. Share-based payments

As of December 31, 2015 and 2014, the balance of share-based payments reserve was R$103,126 and R$93,763, respectively. The Company recorded a share-based payment expense of R$13,516, R$9,084 and R$6,183 related to equity holders of the parent in the years ended December 31, 2015, 2014 and 2013, respectively, and R$836, R$1,254 and R$905 related to non-controlling interests in the years ended December 31, 2015, 2014 and 2013, respectively , with a corresponding expense classified in Salaries under the statements of operations.

22.5. Other comprehensive income (loss)

The fair value measurement of financial instruments designated as cash flow hedges is recognized in Other comprehensive income (loss), net of tax effects. The balance as of December 31, 2015 corresponds to a net loss of R$178,939 (net loss of R$138,713 as of December 31, 2014).

22.6. Share issuance costs

As of December 31, 2015 the balance of share issuance costs was R$155,223 (R$150,214 as of December 31, 2014).

24 23. Revenue

	2015	2014	2013
Passenger transportation	**8,954,034**	9,432,810	8,399,652
Cargo	**318,573**	332,464	332,059
Miles revenue	**421,348**	191,719	109,073
Other revenue (*)	**690,044**	695,549	639,537
Gross revenue	**10,383,999**	10,652,542	9,480,321
Related tax	**(605,992)**	(586,328)	(524,109)
Net revenue	**9,778,007**	10,066,214	8,956,212

(*) Includes revenues from unused passenger tickets, reissued tickets and cancellation of flight tickets of R$ 449,263, R$463,043 and R$404,017, for the years ended December 31, 2015, 2014 and 2013, respectively.

The revenues are net of federal, state and municipal taxes, which are paid and transferred to the appropriate government entities.

Revenue by geographical location is as follows:

	2015	%	2014	%	2013	%
Domestic	**8,670,023**	**88.7**	8,871,325	88.1	8,140,302	90.9
International	**1,107,984**	**11.3**	1,194,889	11.9	815,910	9.1
Net revenue	**9,778,007**	**100.0**	10,066,214	100.0	8,956,212	100.0

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

25 24. Financial income (expense)

	2015	2014	2013
Financial income			
Income from derivatives	**174,693**	225,481	413,319
Income from short-term investments	**178,147**	148,639	149,505
Monetary variation	**14,531**	22,423	15,198
Other	**12,784**	11,173	24,502
Taxes on financial income (a)	**(47,588)**	-	-
	332,567	407,716	602,524
Financial expenses			
Losses from derivatives	**(124,536)**	(684,712)	(363,736)
Interest on short and long-term debt	**(885,947)**	(592,443)	(532,078)
Bank charges and expenses	**(60,760)**	(28,006)	(53,521)
Monetary variation	**(3,921)**	(3,606)	(3,514)
Other	**(253,727)**	(120,364)	(78,795)
	(1,328,891)	(1,429,131)	(1,031,644)
Exchange rate variation, net (b)	**(2,266,999)**	(436,207)	(490,096)
Total	**(3,263,323)**	(1,457,622)	(919,216)

(a) Relative to taxes on financial income (PIS and COFINS), according to the Decree nº8,426 from April 1, 2015.

(b) Includes a loss of R$ 469,574 in 2015 from transactions in Venezuela that were converted using the exchange rate from SIMADI of VEF200/US$1.00.

26 25. Segments

Operating segments are defined as business activities from which it may earn revenues and incur expenses, which operating results are regularly reviewed by the relevant decision makers to evaluate performance and allocate resources to the segments. The Company holds two operating segments: the flight transportation and the Smiles loyalty program.

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements. Additionally, the Company has distinct natures between the two reportable segments, so there are no common costs and revenues between operating segments.

The Company is the controlling shareholder of Smiles, and the non-controlling interests of Smiles was 45.9%, 45.7% and 42.7% as of December 31, 2015, 2014 and 2013, respectively.

The statements of operations by segment are presented in the same format of our statutory financial statements that are filed with the Brazilian Securities Commission, which is different from the format of the consolidated statements of operations. This is the format of the statements of operations that is presented to our chief operating decision maker (“CODM”). However, the CODM does not use gross profit as the profit or loss measure for purposes of making decisions about allocating resources to the segment and assessing its performance. Our CODM uses net income (loss) for this purpose.

The information below presents the summarized financial position related to reportable segments as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

25.1. Assets and liabilities of the operating segment

	12/31/2015				
	Flight transportation	**Smiles loyalty program**	**Combined information**	**Eliminations**	**Total consolidated**
Assets					
Current	1,717,370	1,447,318	**3,164,688**	(703,122)	**2,461,566**
Noncurrent	7,850,454	217,950	**8,068,404**	(161,573)	**7,906,831**
Total assets	9,567,824	1,665,268	**11,233,092**	(864,695)	**10,368,397**
Liabilities					
Current	5,325,604	954,746	**6,280,350**	(738,342)	**5,542,008**
Noncurrent	8,788,682	222,582	**9,011,264**	137,565	**9,148,829**
Total equity (deficit)	(4,546,462)	487,940	**(4,058,522)**	(263,918)	**(4,322,440)**
Total liabilities and equity	9,567,824	1,665,268	**11,233,092**	(864,695)	**10,368,397**

	12/31/2014				
	Flight transportation	**Smiles loyalty program**	**Combined information**	**Eliminations**	**Total consolidated**
Assets					
Current	2,783,212	734,355	**3,517,567**	(531,369)	**2,986,198**
Noncurrent	7,061,616	832,848	**7,894,464**	(904,015)	**6,990,449**
Total assets	9,844,828	1,567,203	**11,412,031**	(1,435,384)	**9,976,647**
Liabilities					
Current	3,992,760	708,292	**4,701,052**	(488,406)	**4,212,646**
Noncurrent	6,370,455	452,874	**6,823,329**	(726,354)	**6,096,975**
Total equity (deficit)	(518,387)	406,037	**(112,350)**	(220,624)	**(332,974)**
Total liabilities and equity	9,844,828	1,567,203	**11,412,031**	(1,435,384)	**9,976,647**

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

25.2. Income and expenses of the operating segment

	Flight transportation	Smiles loyalty program	2015 Combined information	Eliminations	Total consolidated
Net revenue					
Passenger (a)	8,294,463	-	**8,294,463**	288,925	**8,583,388**
Cargo and other (a)	941,928	47,199	**989,127**	(19,198)	**969,929**
Miles revenue (a)	-	1,172,322	**1,172,322**	(947,632)	**224,690**
Costs (b)	(8,260,355)	(676,506)	**(8,936,861)**	676,504	**(8,260,357)**
Gross profit	976,036	543,015	**1,519,051**	(1,401)	**1,517,650**
Operating (expenses)					
Sales and marketing	(884,773)	(87,207)	**(971,980)**	(69,061)	**(1,041,041)**
Administrative expenses	(677,961)	(39,953)	**(717,914)**	35,774	**(682,140)**
Other operating income, net	25,695	-	**25,695**	-	**25,695**
	(1,537,039)	**(127,160)**	**(1,664,199)**	(33,287)	**(1,697,486)**
Equity results	179,377	(5,932)	**173,445**	(177,386)	**(3,941)**
Finance results	(3,402,013)	138,690	**(3,263,323)**	-	**(3,263,323)**
Income (loss) before income taxes	(3,783,639)	548,613	**(3,235,026)**	(212,074)	**(3,447,100)**
Current and deferred income taxes	(677,244)	(178,691)	**(855,935)**	11,795	**(844,140)**
Net income (loss)	(4,460,883)	369,922	**(4,090,961)**	(200,279)	**(4,291,240)**
Attributable to equity holders of the parent	(4,460,883)	200,279	**(4,260,604)**	(200,279)	**(4,460,883)**
	-	169,644	**169,643**	-	**169,643**

Attributable to non-controlling interests

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	Flight transportation	Smiles loyalty program	2014 Combined information	Eliminations	Total consolidated
Net revenue					
Passenger (a)	8,848,749	-	8,848,749	197,082	**9,045,831**
Cargo and other (a)	939,829	-	939,829	(18,341)	**921,488**
Miles revenue (a)	-	808,058	808,058	(709,163)	**98,895**
Costs	(8,147,202)	(430,949)	(8,578,151)	430,949	**(8,147,202)**
Gross profit	**1,641,376**	**377,109**	**2,018,485**	**(99,473)**	**1,919,012**
Operating income (expenses)					
Sales and marketing	(898,635)	(65,062)	(963,697)	86,557	**(877,140)**
Administrative expenses	(570,924)	(35,138)	(606,062)	(673)	**(606,735)**
Other operating income, net	72,295	366	72,661	(366)	**72,295**
	(1,397,264)	**(99,834)**	**(1,497,098)**	**85,518**	**(1,411,580)**
Equity results	1,302	(3,791)	(2,489)	(1)	**(2,490)**
Finance results	**1,600,629**	**147,007**	**1,457,622**	**-**	**1,457,622**
Net income (loss) before income taxes	**(1,355,215)**	**416,491**	**(938,724)**	**(13,956)**	**(952,680)**
Current and deferred income taxes	**(36,796)**	**(132,551)**	**(169,347)**	**4,746**	**(164,601)**
Net income (loss)	**(1,392,011)**	**283,940**	**(1,108,071)**	**(9,210)**	**(1,117,281)**
Attributable to equity holders of the parent	**(1,392,011)**	**155,052**	**(1,236,959)**	**(9,210)**	**(1,246,169)**
Attributable to non-controlling interests	**-**	**128,888**	**128,888**	**-**	**128,888**

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	Flight transportation	Smiles loyalty program	2013 Combined information	Eliminations	Total consolidated
Net revenue					
Passenger (a)	8,077,709	-	**8,077,709**	44,452	**8,122,161**
Cargo and other (a)	784,086	-	**784,086**	(11,060)	**773,026**
Miles revenue (a)	-	573,346	**573,346**	(512,321)	**61,025**
Costs (b)	(7,559,496)	(304,004)	**(7,863,500)**	387,091	**(7,476,409)**
Gross profit	1,302,299	269,342	**1,571,641**	(91,838)	**1,479,803**
Operating income (expenses)					
Sales and marketing	(703,824)	(51,452)	**(755,276)**	29,837	**(725,439)**
Administrative expenses	(601,187)	(37,719)	**(638,906)**	33,821	**(605,085)**
Other operating income, net	116,710	-	**116,710**	-	**116,710**
Finance results	(1,048,443)	129,227	**(919,216)**	-	**(919,216)**
Income (loss) before income taxes	(934,445)	309,398	**(625,047)**	(28,180)	**(653,227)**
Current and deferred income taxes	20,607	(101,554)	**(80,947)**	9,584	**(71,363)**
Net income (loss)	(913,838)	207,844	**(705,994)**	(18,596)	**(724,590)**
Attributable to equity holders of the parent	(913,838)	135,887	**(777,951)**	(18,596)	**(796,547)**
Attributable to non-controlling interests	-	71,957	**71,957**	-	**71,957**

(a) The eliminations are related to transactions between VRG and Smiles.

(b) Include depreciation and amortization expenses of R$419,691 in the year ended December 31, 2015, comprised by R$416,856 in flight transportation and R$2,835 in Smiles loyalty program (R$460,072 and R$3,224, respectively, in the year ended December 31, 2014, and R$560,836 and R$130, respectively, in the year ended December 31, 2013).

In the individual financial statements of Smiles, which represents the segment Smiles Loyalty Program and in the information provided to the relevant decision makers, the revenue recognition occurs upon redemption of the miles by the participants. Under the perspective of Smiles, this measurement is appropriate given that this is when the revenue recognition cycle is complete. At this point, Smiles has transferred to its suppliers the obligation to provide services or deliver products to its customers.

However, from a consolidated perspective, the revenue recognition cycle related to miles exchanged for flight tickets is only complete when the passengers are effectively transported. Therefore, for purposes of reconciliation with the consolidated assets, liabilities and income and expenses, as well as for purposes of equity method of accounting and for consolidation purposes, the Company performed, in addition to eliminations entries, consolidating adjustments to adjust the accounting practices related to Smiles' revenues. In this case, under the perspective of the consolidated financial statements, the mileages that were used to redeem airline tickets are only recognized as revenue when passengers are transported, in accordance with accounting practices and policies adopted by the Company.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

27 26. Commitments

As of December 31, 2015, the Company had 124 firm orders for aircraft acquisitions with Boeing. These aircraft acquisition commitments include estimates for contractual price increases during the construction phase. As of December 31, 2015, the approximate amount of firm orders, not including the contractual discounts, was R$58,886,473 (US$15,080,534) and are segregated according to the following years:

	12/31/2015	**12/31/2014**
2015	**-**	1,323,818
2016	**1,337,753**	1,385,110
2017	**-**	2,132,740
2018	**2,141,509**	1,456,740
2019	**3,495,921**	4,465,348
Thereafter	**51,911,290**	28,678,089
	58,886,473	39,441,845

As of December 31, 2015, from the total orders mentioned above, the Company had the amount of R$7,380,493 (US$1,890,108) related to advances for aircraft acquisition, to be disbursed in accordance with the following schedule:

	12/31/2015	**12/31/2014**
2015	**-**	289,945
2016	**6,672**	154,216
2017	**343,657**	267,898
2018	**579,313**	651,124
2019	**789,479**	694,958
Thereafter	**5,661,372**	3,234,741
	7,380,493	5,292,882

The installment financed by long-term debt with aircraft guarantee through the U.S. Ex-Im Bank corresponds approximately to 85% of the aircraft total cost. Other establishments finance the acquisitions with equal or higher percentages, reaching up to 100%.

The Company performs payments related to aircraft acquisition through its own funds, short and long-term debt, cash provided by operating activities, short and medium-term line of credit and supplier financing.

The Company leases its entire aircraft fleet through a combination of operating and finance leases. As of December 31, 2015, the total fleet leased was comprised of 144 aircraft, of which 98 were under operating leases and 46 were recorded as finance leases. The Company holds 40 aircraft under finance leases with purchase option. During the year ended December 31, 2015, the Company received 9 aircraft and returned 6 aircraft under operating lease contracts.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

26.1. Operating leases

The future payments of non-cancelable operating lease contracts are denominated in U.S. dollars, and are as follows:

	12/31/2015	**12/31/2014**
2015	**-**	785,052
2016	**1,270,284**	697,744
2017	**1,127,820**	632,899
2018	**1,001,212**	539,329
2019	**904,590**	482,752
Thereafter	**3,445,126**	1,657,034
Total minimum lease payments	**7,749,032**	4,794,810

26.2. Sale-leaseback transactions

The Company, during the years 2006 to 2009, recorded gains and losses from sale-leaseback transactions of aircraft 737-800 Next Generation. These gains and losses were deferred, and are being amortized proportionally to the payments of the operating lease agreements over the contract term of 120 months. The amounts registered as of December 31, 2015 and 2014 are as follows:

	Other assets				**Other liabilities**			
	Current		**Noncurrent**		**Current**		**Noncurrent**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Deferred losses (*)	**8,171**	8,280	**10,075**	18,245	**-**	-	**-**	-
Deferred gains (**)	**-**	-	**-**	-	**1,334**	1,783	**-**	1,337

(*) Related to 11 aircraft from transactions from 2006 to 2009.

(**) Related to 2 aircraft from transactions in 2006.

Additionally, during the year ended December 31, 2015, the Company recorded a net gain of R$32,191 resulting from 6 aircraft received during the year (R$81,224 related to 9 aircraft received during the year ended December 31, 2014) that were used as sale-leaseback transactions and resulted in operating leases. Given that the gains and losses from sale-leaseback transactions will not be offset against future lease payments and were negotiated at fair value, such gain was recognized directly in profit or loss.

28 27. Financial instruments and risk management

The Company and its subsidiaries have financial asset and financial liability transactions, which consist in part of derivative financial instruments. The financial derivative instruments are used to hedge against the inherent risks related to the Company’s operations. The Company and its subsidiaries consider as most relevant risks: fuel price, foreign currency and interest rate. These risks can be mitigated by using exchange swap derivatives, futures and options contracts based on oil, U.S. dollar and interest markets. The contracts may be held by exclusive investment funds, as described in the Company’s Risk Management Policy.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

Management follows a documented guideline when managing its financial instruments, set out in its Risk Management Policy, which is periodically revised by the Risk Committee, and approved by the Board of Directors. The Risk Committee sets the guidelines and limits, monitors controls, including the mathematical models adopted for a continuous monitoring of exposures and possible financial effects and also prevents the execution of speculative financial instruments transactions.

The Company does not hedge its total risk exposure, and is, therefore, subject to market fluctuations for a significant portion of its exposed assets and liabilities. Decisions on the portion to be protected consider the financial risks and the costs for such protection and are determined and reviewed at least quarterly in line with the strategies of the Risk Committee. The results from operations and the application of controls for risk management are part of the monitoring process by the Risk Committee and have been satisfactory to the proposed objectives.

The description of the consolidated account balances and the categories of financial instruments included in the statements of financial position as of December 31, 2015 and 2014 is as follows:

	Measured at fair value through profit or loss		**Measured at amortized cost (c)**	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
Assets				
Cash and cash equivalents	**737,343**	1,796,605	**334,989**	102,168
Short-term investments (a)	**227,628**	287,148	**264,092**	9,676
Restricted cash	**735,404**	273,247	**59,324**	58,303
Derivative assets	**1,766**	18,846	**-**	-
Trade receivables	**-**	-	**462,620**	352,284
Deposits (b)	**-**	-	**690,826**	526,822
Other assets	**-**	-	**156,355**	182,923
Liabilities				
Debt	**-**	-	**9,304,926**	6,235,239
Suppliers	**-**	-	**900,682**	686,151

Derivative liabilities	**141,443**	85,366	**-**	-

(a) The Company manages its financial investments as held for trading to pay its short-term operational expenses.

(b) Excludes judicial deposits, as described in Note 9.

(c) Items classified as amortized cost refer to credits, debt with private institutions which, in any early settlement, there are no substantial changes in relation to the values recorded, except the amounts related to Perpetual Bonds and Senior Notes, as disclosed on Note 16. The fair values approximate to the book values, according to the short term maturity period of these assets and liabilities.

As of December 31, 2015, the Company did not have financial assets classified as available for sale.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

The derivative financial instruments were recognized as follows:

Movement of assets and liabilities	**Fuel**	**Foreign currency**	**Interest rate**	**Derivatives of equity instruments**	**Total**
Asset (liability) as of December 31, 2013	22,873	-	34,874	(30,315)	**27,432**
Fair value variations:					
Net losses recognized in results (a)	(14,263)	(24,722)	(1)	(15,901)	**(54,887)**
Losses recognized in other comprehensive income (loss)	(359,829)	-	(240,261)	-	**(600,090)**
Settlements during the year	351,238	39,856	123,715	-	**514,809**
Exercise of purchase option by General Atlantic	-	-	-	46,216	**46,216**
Asset (liability) as of December 31, 2014 (*)	19	15,134	(81,673)	**-**	**(66,520)**
Fair value variations:					
Net losses recognized in results (c)	492	102,696	72	**-**	**103,260**
Losses recognized in other comprehensive income (loss)	(30,712)	-	(96,489)	**-**	**(127,201)**
Settlements during the year	30,201	(116,064)	36,647	**-**	**(49,216)**
Asset (liability) as of December 31, 2015 (*)	**-**	**1,766**	**(141,443)**	**-**	**(139,677)**

Movement of other comprehensive results	**Fuel**	**Foreign currency**	**Interest rate**	**Derivatives of equity instruments**	**Total**
Balances as of December 31, 2013	**2,739**	**-**	**(20,901)**	**-**	**(18,162)**
Fair value adjustments during the year	(359,829)	-	(240,261)	-	(600,090)
Reversal, net to profit or loss (b)	355,933	-	61,504	-	417,437
Tax effect	1,325	-	60,777	-	62,102
Balances as of December 31, 2014	168	-	(138,881)	**-**	**(138,713)**

Fair value adjustments during the year	(30,712)	-	(96,489)	**-**	**(127,201)**
Net reversal to profit or loss (c)	30,456	-	35,797	**-**	**66,253**
Tax effects	88	-	20,631	**-**	**20,719**
Balances as of December 31, 2015	-	-	(178,942)	**-**	**(178,942)**
Effects on the 2015 results (c+d)	**(29,964)**	**102,696**	**(35,725)**	**-**	**37,007**
Operating costs and expenses	-	-	(13,150)		**(13,150)**
Financial income (expense)	**(29,964)**	**102,696**	(22,575)		**50,157**
Effects on the 2014 results (a+b)	**(370,196)**	**(24,722)**	**(61,505)**	**(15,901)**	**(472,324)**
Operating costs and expenses	**-**	**-**	**(13,093)**	**-**	**(13,093)**
Financial income (expense)	**(370,196)**	**(24,722)**	**(48,412)**	**(15,901)**	**(459,231)**

(*) Classified as "Derivatives assets" if the amount results in an asset or "Derivatives liabilities" if the amount results in a liability.

The Company adopts the hedge accounting for the derivatives contracted to hedge interest rate risk classified as "cash flow hedge". As of December 31, 2015, the Company records as cash flow hedge the interest rate hedge and the other derivatives for fuel and foreign currency as economic hedge. The cash flow hedge is programmed to be recycled to profit or loss in the periods stated bellow:

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2016	2017	2018	2019	2020	Thereafter
Recycle expectation	**(10,632)**	**(10,607)**	**(10,379)**	**(10,664)**	**(9,872)**	**(126,788)**

The Company has deposits in guarantee for derivative transactions as described in Note 5.

In April 2013, the Company entered into an investment agreement with General Atlantic Service Company LLC. ("G.A.") that established the grant by the Company of an option to purchase its Smiles shares enabling the secondary acquisition by G.A. (or other person designated by it), of Smiles' shares held by the Company. These options were exercised on February 27, 2014 and, in the year ended December 31, 2014, the Company registered a loss in derivative instruments on the financial result in the amount of R$15,901 related to the derivative market pricing. As of December 31, 2014, the Company derecognized this derivative obligation against equity in the amount of R$46,216.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

a) Market risks

i. Fuel price risk

The aircraft fuel price fluctuates both in the short and in the long-term, in line with crude oil and oil by product price fluctuations. To mitigate the risk of fuel price, the Company contracts derivative financial instruments referenced mainly to crude oil and, eventually, to their derivatives, also contracted, directly with the local supplier, for future fuel deliveries to aircraft at predetermined prices. During the year ended December 31, 2015, the Company recognized a loss on fuel hedging transactions in the amount of R$29,964 (R$370,196 in 2014).

ii. Foreign currency risk

Foreign risk derives from the possibility of unfavorable fluctuation of foreign currencies to which the Company's liabilities or cash flows are exposed. To mitigate the foreign currency risk, the Company contracts derivative financial instruments that are referenced to the U.S. dollar. For the year ended December 31, 2015, the Company recognized a gain on foreign currency derivatives in the amount of R$102,969 (loss of R$24,722 in 2014).

The Company's foreign currency exposure as of December 31, 2015 and 2014 is as follows:

	12/31/2015	12/31/2014
Assets		
Cash and cash equivalents and short-term investments	**971,986**	954,227

Trade receivables	**57,104**	35,095
Deposits	**690,827**	526,822
Derivatives	**1,766**	18,846
Other assets	**4,202**	53,665
Total assets	**1,725,885**	1,588,655
Liabilities		
Foreign suppliers	**113,280**	69,733
Short and long-term debt	**5,033,900**	2,445,291
Finance leases	**2,994,094**	2,224,679
Other leases payable	**179,030**	56,837
Provision for aircraft and engine return	**725,176**	361,651
Other liabilities	**-**	227
Total liabilities	**9,045,480**	5,158,418
Exchange exposure in R$	**7,319,595**	3,569,763
Commitments not recorded in the statements of financial position		
Future commitments resulting from operating leases	**7,749,032**	4,794,810
Future commitments resulting from firm aircraft orders	**58,886,473**	39,441,845
Total	**66,635,505**	44,236,655
Total foreign currency exposure - R$	**73,955,100**	47,806,418
Total foreign currency exposure - US$	**18,939,536**	17,998,049
Exchange rate (R$/US$)	**3.9048**	2.6562

iii. Interest rate risk

The Company is mainly exposed to lease transactions indexed to variations in the Libor rate until the aircraft is received. To mitigate such risks, the Company has derivative financial instruments of interest rate (Libor) swaps. During the year ended December 31, 2015, the Company recognized a total loss with interest hedging transactions in the amount of R$35,725 (R$61,505 in 2014).

As of December 31, 2015, the Company and its subsidiaries had interest rate swap derivatives recorded as hedge accounting.

b) Credit risk

The credit risk is inherent in the Company’s operating and financing activities, mainly represented by trade receivables, cash and cash equivalents, and short-term investments. Trade receivables credit risk consists of amounts falling due from the largest credit card companies, with credit risk better than or equal to those of the Company and its subsidiaries, and receivables from travel agencies, installment sales, and government sales, with a small portion exposed to risks from individuals or other entities.

As defined in the Risk Management Policy, the Company is required to evaluate the counterparty risks in financial instruments and diversify the exposure. Financial instruments are contracted with counterparties rated at least as investment grade by S&P and Moody’s. The financial instruments are mostly contracted on commodities and futures exchanges (BM&FBOVESPA and NYMEX), which substantially mitigate the credit risk, derivative transactions contracted on the OTC market (OTC) have counterparts with a minimum rating of "investment grade". The Company’s Risk Management Policy establishes a maximum limit of 20% per counterparty for short-term investments.

c) Liquidity risk

Liquidity risk takes on two distinct forms: market and cash flow liquidity risk. The first is related to current market prices and varies in accordance with the types of assets and the markets where they are traded. Cash flow liquidity risk, however, is related to difficulties in meeting the contracted operating obligations at the maturity dates. That are uncertainty on the companies solvency and the business plan to mitigate those uncertainties is disclosed in Note 1.1. In order to mitigate the liquidity risk, the Company invests its funds according to the Cash Flow Policy, which states that the term of the debt must be higher than the investment portfolio term.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

The schedule of financial liability hold by the Company as of December 31, 2015 and 2014 is as follows:

	12/31/2015					
	Current	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Short and long-term debt	148,488	188,176	1,059,959	3,110,282	4,798,021	**9,304,926**
Suppliers	460,235	336,889	103,558	-	-	**900,682**
Salaries	96,037	89,710	64,888	-	-	**250,635**
Taxes payable	-	118,957	-	39,054	-	**158,011**
Landing fees	-	313,656	-	-	-	**313,656**
Derivative liabilities	-	141,443	-	-	-	**141,443**
Provisions	-	33,710	172,998	220,754	442,811	**870,273**
Other liabilities	48,145	107,227	67,402	48,483	22,827	**294,084**
	752,905	**1,329,768**	**1,468,805**	**3,418,573**	**5,263,659**	**12,233,710**

	12/31/2014					
	Current	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Short and long-term debt	-	53,735	872,866	1,600,879	3,707,759	**6,235,239**
Suppliers	222,732	367,027	87,754	8,638	-	**686,151**
Salaries	107,678	28,250	119,512	-	-	**255,440**
Taxes payable	-	100,094	-	34,807	-	**134,901**
Landing fees	-	315,148	-	-	-	**315,148**
Derivative liabilities	-	85,366	-	-	-	**85,366**
Provisions	-	176,757	30,337	192,049	86,517	**485,660**
Other liabilities	31,900	51,040	44,660	59,755	39,836	**227,191**
	362,310	**1,177,417**	**1,155,129**	**1,896,128**	**3,834,112**	**8,425,096**

d) Capital management

The Company seeks alternatives to capital in order to meet its operational needs, aiming a capital structure that takes into account suitable parameters for the financial costs, the maturities of funding and its

guarantees. The Company monitors its financial leverage ratio, which corresponds to net debt, including short and long-term debt, divided by total equity (deficit).

The table below shows the Company’s capital management as of December 31, 2015 and 2014:

	12/31/2015	**12/31/2014**
Short and long-term debt	**9,304,926**	6,235,239
(-) Cash and cash equivalents	**(1,072,332)**	(1,898,773)
(-) Short-term investments	**(491,720)**	(296,824)
(-) Restricted cash	**(735,404)**	(331,550)
Net debt	**7,005,470**	3,708,092
Total equity (deficit)	**(4,322,440)**	(332,974)
Total capital and net debt	**2,683,030**	3,375,118

The Company remains committed to maintaining high liquidity and an amortization profile without pressure on the short-term refinancing.

e) Sensitivity analysis of financial instruments

The Company also analyzes the impact of the financial instrument fluctuation on the profit or loss and total equity considering:

- Increase and decrease by 25% and –50% in fuel prices, by keeping all the other variables constant
- Increase and decrease by 25% and –50% in the U.S. dollar exchange rate, by keeping all the other variables constant
- Increase and decrease by 25% and –50% in the Libor interest rate, by keeping all the other variables constant.

The estimates presented do not necessarily reflect the amounts to be reported in future financial statements. The use of different methodologies and/ or assumptions may have a material effect on the estimates presented.

The tables below show the sensitivity analysis of foreign currency exposure, derivatives position and the interest rates on December 31, 2015 to market risks considered relevant by management. In the tables, positive values are displayed as asset exposures (assets higher than liabilities) and negative values are exposed liabilities (liabilities higher than assets).

i) Fuel risk

As of December 31, 2015, the Company does not have fuel derivative contracts.

ii) Foreign currency risk

As of December 31, 2015, the Company have U.S. dollar derivative contracts with notional value of US$52,750, with maturities until February 2016, and a net exchange exposure liability of R$7,319,432. As of December 31, 2015, the Company adopted the closing exchange rate of R$3.9048/US$ as a likely scenario, and the impact of the change of 25% and 50% over that rate, is as follows:

	Exposure	**-50%**	**-25%**	**+ 25%**	**+50%**
Instruments	**amount (*)**	**R$1.9524/USD**	**R$2.9286/USD**	**R$4.8810/USD**	**R$5.8572/USD**
Liabilities, net	(7,319,432)	1,463,886	2,439,811	(1,463,886)**	(2,439,811)**
Derivatives	1,766	(353)**	(589)**	353	589
	(7,317,666)	**1,463,533**	**2,439,222**	**(1,463,533)****	**(2,439,222)****

(*) The Company believes that the likely values of the liabilities exposed to the U.S. dollar correspond to the amounts recorded at December 31, 2015.

(**) Negative values correspond to net losses expected in the case of U.S. dollar appreciation.

III) Interest risk factor

As of December 31, 2015, the Company holds financial investments and financial liabilities indexed to several rates, and Libor interest. In the sensitivity analysis of non-derivative financial instruments it was considered the impacts on yearly interest of the exposed values as of December 31, 2015, arising from fluctuations in interest rates according to the scenarios presented below:

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

			Possible Adverse Scenario	Adverse Scenario Remote
		Exposure		
Instruments	**Risk**	**amount**	**25%**	**50%**
Short and long-term debt, net of short-term investments (*)	Increase in the CDI rate	(21,106)	(16,420)	(32,839)
Derivatives	Decrease in the Libor rate	(141,443)	(51,577)	(103,353)

(*) Refers to the sum of the values invested and raised in the market and indexed to CDI, the negative amounts means more debt than investments.

Measurement of the fair value of financial instruments

In order to comply with the disclosure requirements for financial instruments measured at fair value, the Company and its subsidiaries must classify its instruments in Levels 1 to 3, based on observable fair value levels:

- Level 1: Fair value measurements are calculated based on quoted prices (without adjustment) in active market or identical liabilities;

- Level 2: Fair value measurements are calculated based on other variables besides quoted prices included in Level 1, that are observable for the asset or liability directly (such as prices) or indirectly (derived from prices); and

- Level 3: Fair value measurements are calculated based on valuation methods that include the asset or liability but that are not based on observable market variables (unobservable inputs).

The following table shows a summary of the Company's and its subsidiaries' financial instruments measured at fair value, including their related classifications of the valuation method, as of December 31, 2015 and 2014:

	12/31/2015		**12/31/2014**	
Financial instrument	**Book value**	**Other significant observable factors (Level 2)**	**Book value**	**Other significant observable factors (Level 2)**
Cash and cash equivalents	**737,343**	**737,343**	334,989	334,989
Short-term investments	**227,628**	**227,628**	264,092	264,092
Restricted cash	**735,404**	**735,404**	59,324	59,324
Derivative assets	**1,766**	**1,766**	18,846	18,846
Derivative liabilities	**(141,443)**	**(141,443)**	(85,366)	(85,366)

29 28. Non-cash transactions

In the year ended December 31, 2015, the Company increased its property, plant and equipment in the amount of R$512,752, of which R$259,673 (R$69,484 in the year ended December 31, 2014) is related to an increase of the provision for aircraft return, R$107,592 refers to financing by FINIMP and R$145,487 is related to aircraft acquisition under finance leases.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

30 29. Insurance

As of December 31, 2015, the insurance coverage by nature, considering the aircraft fleet and related to the maximum reimbursable amounts indicated in U.S. dollars (in thousands), is as follows:

Aeronautical Type	**In *Reais***	**In U.S. dollars**
Guarantee - hull/war	17,336,109	4,439,692
Civil liability per event/aircraft (*)	2,928,600	750,000
Inventories (*)	546,672	140,000

(*) Values per incident and annual aggregate.

Pursuant to Law No. 10,744, of October 9, 2003, the Brazilian government assumed the commitment to complement any civil liability expenses related to third parties caused by war or terrorist events, in Brazil or abroad, which VRG may be required to pay, for amounts exceeding the limit of the insurance policies effective since September 10, 2001, limited to the amount in Brazilian *Reais* equivalent to US$1.0 billion.

31 30. Subsequent events

On February 26, 2016, the Management of Smiles recommended the additional dividends distribution based on the net income for the year ended December 31, 2015. The proposal to distribute the additional amount of R$269,574 will be submitted to approval on the Ordinary Shareholders Meeting schedule to April 19, 2016.

On February 26, 2016, Smiles approved the execution of an advance airline ticket sale agreement to acquire credits for the future acquisition of air tickets issued by VRG, in an amount of up to R$1.0 billion. Under the terms of the agreement, Smiles shall pay VRG, initially, R$376,000 on the closing date of the agreement.

32 31. Condensed consolidated financial information of guarantor subsidiaries

The following condensed consolidated financial information, prepared in accordance with IFRS, is presented in lieu to provide the separate audited financial statements for the guarantor subsidiary VRG, which is 100% owned by the Company, in connection with its full and unconditional guarantee, on a joint and several basis, of the obligation to pay principal and interest under the 8.75% Perpetual Notes, 7.50% Senior Bond I, and 9.25% Senior Bond II, issued by the Company's wholly owned subsidiary Gol Finance, and 8.87% Senior Bond IV, issued by the Company's wholly owned subsidiary Gol LuxCo. The 10.75% Senior Bond III, originally issued by VRG, is guaranteed by the Company.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	12/13/2015					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidating adjustments	Consolidated
Assets						
Current assets						
Cash and cash equivalents	17,432	26,643	349,941	678,316	-	**1,072,332**
Short-term investments	-	-	120,129	459,385	(87,794)	**491,720**
Restricted cash	10,514	-	-	48,810	-	**59,324**
Trade receivables	-	-	268,993	192,422	1,205	**462,620**
Inventories	-	-	199,236	-	-	**199,236**
Other current assets	33,585	-	168,755	664,022	(690,028)	**176,334**
	61,531	**26,643**	**1,107,054**	**2,042,955**	**(776,617)**	**2,461,566**
Noncurrent assets						
Credits with related parties	212,951	2,178,370	36,421	3,038,304	(5,466,046)	**-**
Other noncurrent assets	85,280	-	1,727,099	196,848	(92,039)	**1,917,188**
Investments	213,800	-	2,782	15,643	(213,801)	**18,424**
Property, plant and equipment	-	-	3,272,169	984445	-	**4,256,614**
Intangible assets	-	-	1,700,693	13,912	-	**1,714,605**
	512,031	**2,178,370**	**6,739,164**	**4,249,152**	**(5,771,886)**	**7,906,831**
Total assets	**573,562**	**2,205,013**	**7,846,218**	**6,292,107**	**(6,548,503)**	**10,368,397**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	12/31/2015					
	Parent company (GLAI)	**Issuer subsidiary (Gol Finance)**	**Subsidiary guarantor (VRG)**	**Non-guarantor subsidiaries (*)**	**Consolidation adjustments**	**Consolidated**
Liabilities						
Current liabilities						
Short-term debt	-	47,472	1,274,819	80,126	(5,794)	**1,396,623**
Suppliers	6,839	-	857,286	84,106	(47,549)	**900,682**
Advance ticket sales	-	-	1,115,268	-	91,387	**1,206,655**
Provisions	-	-	206,708	-	-	**206,708**
Other current liabilities	580	-	1,606,447	872,054	(647,741)	**1,831,340**
	7,419	**47,472**	**5,060,528**	**1,036,286**	**(609,697)**	**5,542,008**
Noncurrent liabilities						
Long-term debt	-	1,720,744	3,760,707	2,518,038	(91,186)	**7,908,303**
Related parties	5,016	795,232	883,453	3,773,973	(5,457,674)	**-**
Provision for loss on investments	5,107,589	-	-	-	(5,107,589)	**-**
Other noncurrent liabilities	-	-	1,143,933	222,582	(125,989)	**1,240,526**
	5,112,605	**2,515,976**	**5,788,093**	**6,514,593**	**(10,782,438)**	**9,148,829**
Equity attributable to equity holders of the parent	(4,546,462)	(358,435)	(3,002,403)	(1,482,794)	4,843,632	**(4,546,462)**
Non-controlling interests	-	-	-	224,022	-	**224,022**
Total equity (deficit)	**(4,546,462)**	**(358,435)**	**(3,002,403)**	**(1,258,772)**	**4,843,632**	**(4,322,440)**

Total equity and liabilities	**573,562**	**2,205,013**	**7,846,218**	**6,292,107**	**(6,548,503)**	**10,368,397**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2015					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Statement of operations						
Net revenue	-	-	9,234,659	1,221,259	(677,911)	**9,778,007**
Operating costs and expenses						
Salaries	(4,974)	-	(1,535,692)	(39,866)	1	**(1,580,531)**
Aircraft fuel	-	-	(3,301,368)	-	-	**(3,301,368)**
Aircraft rent	-	-	(1,106,583)	6,497	-	**(1,100,086)**
Aircraft insurance	-	-	(29,791)	-	-	**(29,791)**
Sales and marketing	(349)	-	(565,980)	(51,074)	-	**(617,403)**
Landing fees	-	-	(681,378)	-	-	**(681,378)**
Aircraft, traffic and mileage servicing	(8,648)	(99)	(948,052)	(706,252)	643,218	**(1,019,833)**
Maintenance, materials and repairs	-	-	(603,918)	(7)	-	**(603,925)**
Depreciation and amortization	-	-	(416,767)	(2,924)	-	**(419,691)**
Other operating expenses	(2,302)	(12)	(611,344)	9,814	7	**(603,837)**
	(16,273)	**(111)**	**(9,800,873)**	**(783,812)**	**643,226**	**(9,957,843)**
Equity results	(3,562,470)	-	1,991	(5,932)	3,562,470	**(3,941)**
Financial expenses, net	(811,019)	(16,649)	(2,323,332)	(112,323)	-	**(3,263,323)**
Income (loss) before income taxes	**(4,389,762)**	**(16,760)**	**(2,887,555)**	**319,192**	**3,527,785**	**(3,447,100)**
Income taxes	(71,121)	-	(606,121)	(178,692)	11,794	**(844,140)**

Net income (loss) for the year	**(4,460,883)**	**(16,760)**	**(3,493,676)**	**140,500**	**3,539,579**	**(4,291,240)**
Net income (loss) attributable to equity holders of the parent	**(4,460,883)**	**(16,760)**	**(3,493,676)**	**140,500**	**3,369,936**	**(4,460,883)**
Net income attributable to non-controlling interests	**-**	**-**	**-**	**-**	**169,643**	**169,643**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2015					
	Parent company (GLAI)	**Issuer subsidiary (Gol Finance)**	**Subsidiary guarantor (VRG)**	**Non-guarantor subsidiaries (*)**	**Consolidation adjustments**	**Consolidated**
Net income (loss) for the year	**(4,460,883)**	**(16,760)**	**(3,493,676)**	**140,500**	**3,539,579**	**(4,291,240)**
Other comprehensive income (loss) to be reversed to profit or loss in subsequent periods						
Cash flow hedges	(60,949)	-	(60,949)	-	60,949	(60,949)
Tax effect	20,723	-	20,723	-	(20,723)	20,723
	(40,226)	**-**	**(40,226)**	**-**	**40,226**	**(40,226)**
Comprehensive income (loss) for the year	**(4,501,109)**	**(16,760)**	**(3,533,902)**	**140,500**	**3,579,805**	**(4,331,466)**
Comprehensive income (loss) for the year attributable to						
Equity holders of the parent	**(4,501,109)**	**(16,760)**	**(3,533,902)**	**140,500**	**3,410,162**	**(4,501,109)**
Non-controlling interests	**-**	**-**	**-**	**-**	**169,643**	**169,643**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2015					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net cash flows from (used in) operating activities	(437,449)	62,513	(1,509,671)	1.214,532	70,608	**(599,467)**
Investing activities						
Acquisition of property, plant and equipment, net	-	-	(437,713)	(123,279)	1,615	**(559,377)**
Intangible assets	-	-	(41,035)	-	(1,777)	**(42,812)**
Restricted cash	(11,952)	-	(401,396)	9,494	-	**(403,854)**
Short-term investments	-	-	-	(254,416)	-	**(254,416)**
Related parties	141,765	130,218	-	(1,003,157)	731,174	**-**
Other	(417,880)	-	1,302	8,171	409,709	**1,302**
Net cash flows from (used in) investing activities	**(288,067)**	**130,218**	**(878,842)**	**(1,363,187)**	**1,140,721**	**(1,259,157)**
Financing activities						
Issuance of debt, net of payments and issuance costs	1,117,771	(53,368)	(291,243)	(362,642)	16,455	**426,973**
Related parties	(1,811,297)	-	945,009	1,655,421	(789,133)	**-**
Capital increase, net of issuance costs	456,302	-	567,702	11,366	(579,068)	**456,302**
Other	(2)	-	-	(290,962)	157,879	**(133,085)**
Net cash flows from (used in) financing activities	**(237,226)**	**(53,368)**	**1,221,468**	**1,013,183**	**(1,193,867)**	**750,190**
Foreign exchange variation on cash held in	978,235	(116,506)	180,669	(742,943)	(17,462)	**281,993**

foreign currencies						
Net increase (decrease) in cash and cash equivalents	**15,493**	**22,857**	**(986,376)**	**121,585**	**-**	**(826,441)**
Cash and cash equivalents at beginning of the year	1,939	3,786	1,336,317	556,731	-	**1,898,773**
Cash and cash equivalents at the end of the year	17,432	26,643	349,941	678,316	-	**1,072,332**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	12/31/2014					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidating adjustments	Consolidated
Assets						
Current assets						
Cash and cash equivalents	1,939	3,786	1,336,317	556,731	-	**1,898,773**
Short-term investments	611	-	298,066	65,556	(67,409)	**296,824**
Trade receivables	-	-	274,506	104,771	(26,993)	**352,284**
Inventories	-	-	138,682	-	-	**138,682**
Other current assets	44,712	-	237,915	526,255	(509,247)	**299,635**
	47,262	3,786	2,285,486	1,253,313	(603,649)	**2,986,198**
Noncurrent assets						
Credits with related parties	155,658	1,493,621	151,408	1,128,089	(2,928,776)	**-**
Other noncurrent assets	133,231	-	1,430,883	813,295	(711,663)	**1,665,746**
Investments	194,015	-	2,092	21,575	(209,199)	**8,483**
Property, plant and equipment	-	-	2,738,058	863,976	-	**3,602,034**
Intangible assets	-	-	1,684,375	14,628	15,183	**1,714,186**
	482,904	1,493,621	6,006,816	2,841,563	(3,834,455)	**6,990,449**
Total assets	**530,166**	**1,497,407**	**8,292,302**	**4,094,876**	**(4,438,104)**	**9,976,647**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	12/31/2014					
	Parent company (GLAI)	**Issuer subsidiary (Gol Finance)**	**Subsidiary guarantor (VRG)**	**Non-guarantor subsidiaries (*)**	**Consolidation adjustments**	**Consolidated**
Liabilities						
Current liabilities						
Short-term debt	-	32,337	703,885	375,661	(1,149)	**1,110,734**
Suppliers	437	-	728,322	40,294	(82,902)	**686,151**
Advance ticket sales	-	-	1,046,225	-	55,386	**1,101,611**
Provisions	766	-	206,328	-	-	**207,094**
Other current liabilities	393	-	1,253,144	318,770	(465,251)	**1,107,056**
	1,596	32,337	3,937,904	734,725	(493,916)	**4,212,646**
Noncurrent liabilities						
Long-term debt	-	1,163,446	3,092,556	934,764	(66,261)	**5,124,505**
Related parties	6,519	526,792	53,431	2,342,688	(2,929,430)	**-**
Provision for loss on investments	1,040,438	-	-	-	(1,040,438)	**-**
Other noncurrent liabilities	-	-	1,244,613	454,211	(726,354)	**972,470**
	1,046,957	1,690,238	4,390,600	3,731,663	(4,762,483)	**6,096,975**
Equity attributable to equity holders of the parent	(518,387)	(225,168)	(36,202)	(371,512)	632,882	**(518,387)**
Non-controlling interests	-	-	-	-	185,413	**185,413**
Total equity (deficit)	(518,387)	(225,168)	(36,202)	(371,512)	818,295	**(332,974)**
Total equity and liabilities	**530,166**	**1,497,407**	**8,292,302**	**4,094,876**	**(4,438,104)**	**9,976,647**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2014					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Statement of operations						
Net revenue	-	-	9,788,591	807,488	(529,865)	**10,066,214**
Operating costs and expenses						
Salaries	(6,104)	-	(1,335,933)	(32,059)	-	**(1,374,096)**
Aircraft fuel	-	-	(3,842,276)	-	-	**(3,842,276)**
Aircraft rent	-	-	(844,571)	-	-	**(844,571)**
Aircraft insurance	-	-	(22,411)	-	-	**(22,411)**
Sales and marketing	(776)	-	(629,916)	(36,680)	-	**(667,372)**
Landing fees	-	-	(613,153)	-	-	**(613,153)**
Aircraft, traffic and mileage servicing	(4,238)	-	(800,315)	(458,793)	515,899	**(747,447)**
Maintenance, materials and repairs	-	-	(511,042)	(3)	-	**(511,045)**
Depreciation and amortization	-	-	(460,040)	(3,256)	-	**(463,296)**
Other operating expenses	(1,148)	-	(540,350)	68,370	13	**(473,115)**
	(12,266)	-	(9,600,007)	(462,421)	515,912	**(9,558,782)**
Equity results	(1,077,220)	-	1,302	(3,791)	1,077,219	**(2,490)**
Financial income (expense), net	(174,121)	(41,357)	(1,191,416)	(50,729)	1	**(1,457,622)**
Income (loss) before income taxes	(1,263,607)	(41,357)	(1,001,530)	290,547	1,063,267	**(952,680)**
Income taxes	17,438	-	(54,233)	(132,550)	4,744	**(164,601)**
	(1,246,169)	(41,357)	(1,055,763)	157,997	1,068,011	**(1,117,281)**

Net income (loss) for the year						
Net income (loss) attributable to equity holders of the parent	(1,246,169)	(41,357)	(1,055,763)	157,997	939,123	**(1,246,169)**
Net income attributable to non-controlling interests	-	-	-	-	128,888	**128,888**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2014					
	Parent company (GLAI)	**Issuer subsidiary (Gol Finance)**	**Subsidiary guarantor (VRG)**	**Non-guarantor subsidiaries (*)**	**Consolidation adjustments**	**Consolidated**
Net income (loss) for the year	(1,246,169)	(41,357)	(1,055,763)	157,997	1,068,011	**(1,117,281)**
Other comprehensive income (loss) to be reversed to profit or loss in subsequent periods						
Cash flow hedges	(182,653)	-	(182,653)	-	182,653	**(182,653)**
Tax effect	62,102	-	62,102	-	(62,102)	**62,102**
	(120,551)	-	(120,551)	-	120,551	**(120,551)**
Comprehensive income (loss) for the year	(1,366,720)	(41,357)	(1,176,314)	157,997	1,188,562	**(1,237,832)**
Comprehensive income (loss) for the year attributable to						
Equity holders of the parent	(1,366,720)	(41,357)	(1,176,314)	157,997	1,059,674	**(1,366,720)**
Non-controlling interests	-	-	-	-	128,888	**128,888**

(*) The non-guarantor subsidiaries are comprised of the entities GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2014					
	Parent company (GLAI)	**Issuer subsidiary (Gol Finance)**	**Subsidiary guarantor (VRG)**	**Non-guarantor subsidiaries (*)**	**Consolidation adjustments**	**Consolidated**
Net cash flows from (used in) operating activities	209,816	42,916	261,673	443,325	171,462	**1,129,192**
Investing activities						
Acquisition of property, plant and equipment, net	-	-	(215,206)	(775)	28,371	**(187,610)**
Intangibles	-	-	(28,680)	(17,370)	(258)	**(46,308)**
Restricted cash	(1,811)	-	(16,980)	(58,303)	-	**(77,094)**
Financial investments, net	-	-	-	58,303	(218,813)	**(160,510)**
Related parties	(134,214)	92,631	-	41,338	245	**-**
Other	(119,684)	-	(791)	(16,721)	177,108	**39,912**
Net cash flows from (used in) investing activities	(255,709)	92,631	(261,657)	6,472	(13,347)	**(431,610)**
Financing activities						
Issuance of debt, net of payments and issuance costs	(132,562)	(114,455)	(211,910)	323,663	490,500	**355,236**
Related parties	(129,572)	-	(34,529)	614,992	(450,891)	**-**
Other	112,290	-	570,296	(1,149,944)	(197,462)	**(664,820)**
Net cash flows from (used in) financing activities	(149,844)	(114,455)	323,857	(211,289)	(157,853)	**(309,584)**
Foreign exchange variation on cash held in foreign currencies	173,587	(27,031)	(124,872)	(146,295)	(261)	**(124,872)**
	(22,150)	(5,939)	199,001	92,213	-	**263,126**

Net increase (decrease) in cash and cash equivalents						
Cash and cash equivalents at beginning of the year	24,088	9,725	1,137,316	464,519	-	**1,635,647**
Cash and cash equivalents at the end of the year	1,938	3,786	1,336,317	556,732	-	**1,898,773**

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2013					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Statement of operations						
Net revenue	-	-	8,862,358	573,346	(479,492)	8,956,212
Operating costs and expenses						
Salaries	(7,705)	-	(1,295,148)	(30,609)	-	(1,333,462)
Aircraft fuel	-	-	(3,610,822)	-	-	(3,610,822)
Aircraft rent	-	-	(699,193)	-	-	(699,193)
Aircraft insurance	-	-	(20,222)	-	-	(20,222)
Sales and marketing	(293)	-	(487,042)	(28,724)	-	(516,059)
Landing fees	-	-	(566,541)	-	-	(566,541)
Aircraft, traffic and mileage servicing	(8,231)	(69)	(708,157)	(334,000)	450,978	(599,479)
Maintenance materials and repairs	-	-	(460,803)	(2)	-	(460,805)
Depreciation	-	-	(575,473)	(130)	14,637	(560,966)
Other operating expenses	(4,364)	-	(413,317)	110,284	(15,277)	(322,674)
Total operating costs and expenses	(20,593)	(69)	(8,836,718)	(283,181)	450,338	(8,690,223)
Equity results	(619,072)	-	-	-	619,072	-
Financial income (expense), net	(159,931)	(19,722)	(752,979)	12,186	1,230	(919,216)
Income (loss) before income taxes	(799,596)	(19,791)	(727,339)	302,351	591,148	(653,227)
Income taxes	3,049	-	17,565	(101,555)	9,578	(71,363)

Net income (loss) for the year	(796,547)	(19,791)	(709,774)	200,796	600,726	(724,590)
Net income (loss) attributable to equity holders of the parent	(796,547)	(19,791)	(709,774)	200,796	528,769	(796,547)
Net income attributable to non-controlling interests	-	-	-	-	71,957	71,957

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2013					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net income (loss) for the year	(796,547)	(19,791)	(709,774)	200,796	600,726	(724,590)
Other comprehensive income to be reversed to profit or loss in subsequent periods						
Cash flow hedges	76,395	-	76,395	-	(76,395)	76,395
Tax effect	(25,975)	-	(25,975)	-	25,975	(25,975)
	50,420	-	50,420	-	(50,420)	50,420
Comprehensive income (loss) for the year	(746,127)	(19,791)	(659,354)	200,796	550,306	(674,170)
Comprehensive income (loss) for the year attributable to						
Equity holders of the parent	(746,127)	(19,791)	(659,354)	200,796	478,349	(746,127)
Non-controlling interests	-	-	-	-	71.957	71,957

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2015, 2014 and 2013

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

	2013					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (VRG)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net cash flows from (used in) operating activities	188,719	(69,735)	1,016,190	(713,848)	(17,445)	403,881
Investing activities						
Acquisition of property, plant and equipment, net	-	-	(233,506)	(1,434)	(3,042)	(237,982)
Intangibles	-	-	(50,833)	-	(202)	(51,035)
Restricted cash	(19,945)	-	(9,987)	-	-	(29,932)
Financial investments, net	-	-	-	(228,489)	228,502	13
Related parties	925	111,206	452,251	(492,200)	(72,182)	-
Other	(235,836)	-	-	8,930	226,906	-
Net cash flows from (used in) investing activities	(254,856)	111,206	157,925	(713,193)	379,982	(318,936)
Financing activities						
Debt issuance	-	-	397,725	-	6,259	403,984
Debt payment	-	(15,000)	(669,942)	-	8,308	(676,634)
Related parties	-	-	(483,968)	652,403	(168,435)	-
Proceeds from sale of treasury shares	3,235	-	-	-	-	3,235
Other	1,755	-	222,990	1,060,442	(208,610)	1,076,577
Net cash flows from (used in) financing activities	4,990	(15,000)	(533,195)	1,712,845	(362,478)	807,162
Foreign exchange variation on cash held in foreign currencies	20,031	(20,041)	(32,011)	69	(59)	(32,011)

Net increase (decrease) in cash and cash equivalents	(41,116)	6,430	608,909	285,873	-	860,096
Cash and cash equivalents at beginning of the year	65,204	3,295	528,406	178,646	-	775,551
Cash and cash equivalents at the end of the year	24,088	9,725	1,137,315	464,519	-	1,635,647

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.