

(Free translation into English from the original previously issued in Portuguese)

**Individual and Consolidated
Financial Statements**
VRG Linhas Aéreas S.A.

December 31, 2015
and Independent Auditor's Report

VRG Linhas Aéreas S.A.

Individual and Consolidated Financial statements December 31, 2015

Contents

Independent auditor's report on the financial statements.....	01
Individual and consolidated financial statements for the year ended December 31, 2015	
Statements of financial position	03
Statements of operations.....	05
Statements of comprehensive loss.....	06
Statements of changes in equity	07
Statements of cash flows.....	08
Statements of value added.....	09
Notes to the financial statements	10

A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders, Board of Directors and Officers of
VRG Linhas Aéreas S.A.
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of VRG Linhas Aéreas S.A. ("the Company"), identified as individual and consolidated, respectively, which comprise the balance sheet as at December 31, 2015, and the related income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil, and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the aforementioned individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of VRG Linhas Aéreas S.A. at December 31, 2015, the individual and consolidated performance of its operations and the respective cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2015, prepared under the responsibility of Management, the presentation of which is required by the Brazilian Corporation Law for publicly held companies, and as supplementary information under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

São Paulo, March 28, 2016.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Luiz Carlos Passetti
Accountant CRC-1SP144343/O-3

VRG Linhas Aéreas S.A.**Statements of Financial Position – Assets****December 31, 2015 and 2014**

(In thousands of Brazilian Reais – R\$)

		Individual		Consolidated	
	Note	2015	2014	2015	2014
Current assets					
Cash and cash equivalents	3	350,174	1,335,253	349,941	1,336,317
Short-term investments	4	120,127	298,066	120,129	298,066
Trade receivables	6	269,114	270,815	268,993	274,506
Inventories	7	199,236	138,682	199,236	138,682
Recoverable taxes	8.1	56,852	72,686	56,856	72,686
Prepaid expenses	9	81,122	104,977	81,122	104,977
Derivatives	28	1,766	18,846	1,766	18,846
Other current assets		26,944	38,382	29,011	41,406
		1,105,335	2,277,707	1,107,054	2,285,486
Noncurrent assets					
Deposits	10	986,577	765,552	988,588	766,758
Restricted cash	5	652,623	251,226	652,623	251,226
Recoverable taxes	8.1	41,068	38,814	56,102	50,940
Deferred taxes	8.2	-	501,088	-	338,651
Other noncurrent assets		29,786	23,307	29,786	23,308
Related-party transactions	11	66,446	181,433	36,421	151,408
Investments	12	197,925	202,917	2,782	2,092
Property, plant and equipment	14	3,272,169	2,734,567	3,272,169	2,738,058
Intangible assets	15	1,222,768	1,206,290	1,700,693	1,684,375
		6,469,362	5,905,194	6,739,164	6,006,816
Total assets		7,574,697	8,182,901	7,846,218	8,292,302

See accompanying notes.

VRG Linhas Aéreas S.A.
Statements of Financial Position – Liabilities
December 31, 2015 and 2014

(In thousands of Brazilian Reais – R\$)

	Note	Individual		Consolidated	
		2015	2014	2015	2014
Current liabilities					
Short-term debt	16	1,241,008	686,914	1,274,819	703,885
Suppliers		856,999	726,229	857,286	728,322
Salaries	17	220,890	245,171	237,283	245,581
Taxes payable	18	111,041	82,003	111,162	82,062
Landing fees		313,656	315,148	313,656	315,148
Advance ticket sales	19	1,115,268	1,045,940	1,115,268	1,046,225
Mileage program	20	25,883	29,366	25,883	29,366
Advances from customers	21	588,161	396,986	588,161	396,986
Provisions	22	206,078	206,328	206,708	206,328
Derivatives	28	141,443	85,366	141,443	85,366
Other current liabilities		188,885	98,111	188,859	98,635
		5,009,942	3,917,562	5,060,528	3,937,904
Noncurrent liabilities					
Long-term debt	16	3,711,144	3,009,970	3,760,707	3,092,556
Provisions	22	653,289	271,627	662,226	278,103
Mileage program	20	-	108,437	-	108,437
Advances from customers	21	126,186	726,354	126,186	726,354
Deferred taxes	8.2	82,918	-	245,355	-
Taxes payable	18	39,054	34,807	39,054	34,807
Related-party transactions	11	883,453	53,431	883,453	53,431
Other noncurrent liabilities		71,114	96,915	71,112	96,912
		5,567,158	4,301,541	5,788,093	4,390,600
Equity (deficit)					
Capital stock	23	3,911,083	3,343,381	3,911,083	3,343,381
Capital reserves		1,114,159	1,114,159	1,114,159	1,114,159
Equity valuation adjustments		(178,939)	(138,712)	(178,939)	(138,712)
Accumulated losses		(7,848,706)	(4,355,030)	(7,848,706)	(4,355,030)
		(3,002,403)	(36,202)	(3,002,403)	(36,202)
Total liabilities and equity (deficit)					
		7,574,697	8,182,901	7,846,218	8,292,302

See accompanying notes.

VRG Linhas Aéreas S.A.

Statements of Operations

For the years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais – R\$)

	Note	Individual		Consolidated	
		2015	2014	2015	2014
Net revenue					
Passenger		8,294,447	9,021,674	8,294,447	9,021,674
Cargo and other		940,058	768,022	940,212	766,917
	24	9,234,505	9,789,696	9,234,659	9,788,591
Operating costs and expenses	25	(8,257,001)	(8,219,983)	(8,257,001)	(8,219,983)
Gross profit		977,504	1,569,713	977,658	1,568,608
Sales expenses					
Marketing expenses	25	(886,192)	(857,627)	(886,192)	(857,627)
General and administrative expenses	25	(628,530)	(508,054)	(657,680)	(522,397)
		(1,514,722)	(1,365,681)	(1,543,872)	(1,380,024)
Equity results	12	(41,602)	(30,335)	1,991	1,302
Income (loss) before financial expenses, net and income taxes		(578,820)	173,697	(564,223)	189,886
Financial result	26				
Financial income		277,209	365,009	280,138	365,062
Financial expenses		(1,135,073)	(1,269,650)	(1,152,516)	(1,284,929)
Exchange rate variation, net		(1,450,871)	(270,586)	(1,450,954)	(271,549)
		(2,308,735)	(1,175,227)	(2,323,332)	(1,191,416)
Loss before income taxes		(2,887,555)	(1,001,530)	(2,887,555)	(1,001,530)
Current income taxes		(1,393)	3,078	(1,393)	3,078
Deferred income taxes		(604,728)	(57,311)	(604,728)	(57,311)
	8	(606,121)	(54,233)	(606,121)	(54,233)
Net loss for the year		(3,493,676)	(1,055,763)	(3,493,676)	(1,055,763)
Basic loss per share (in R\$)	12	(795.02)	(291.37)	(795.02)	(291.37)
Diluted loss per share (in R\$)		(795.02)	(291.37)	(795.02)	(291.37)

See accompanying notes.

VRG Linhas Aéreas S.A.

Statements of Comprehensive Loss

For the years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais – R\$)

	Note	Individual and Consolidated	
		2015	2014
Net loss for the year		(3,493,676)	(1,055,763)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Cash flow hedges	28	(60,949)	182,652
Tax effect		20,722	(62,102)
		(40,227)	120,550
Total comprehensive loss for the year		(3,533,903)	(935,212)

A roll forward of other comprehensive loss in total unrealized gains (losses) for the years ended December 31, 2015 and 2014 is shown below:

	Cash flow hedges	Income tax	Total unrealized gain (losses)
Balance as of December 31, 2014	(211,018)	72,306	(138,712)
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)
Balance as of December 31, 2015	(271,966)	93,028	(178,938)

	Cash flow hedges	Income tax	Total unrealized gain (losses)
Balance as of December 31, 2013	(28,366)	10,204	(18,162)
Realized income (losses) from financial instruments transferred to net loss for the year	417,437	(141,929)	275,508
Fair value variation	(600,089)	204,031	(396,058)
Balance as of December 31, 2014	(211,018)	72,306	(138,713)

See accompanying notes.

VRG Linhas Aéreas S.A.

Statements of Changes in Equity - Individual and Consolidated

For the years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais – R\$)

	Note	Capital stock	Advance for future capital increase	Capital reserves		Equity valuation adjustments		Accumulated losses	Total equity (déficit)
				Special goodwill reserve of subsidiary	Goodwill on transfer of shares	Unrealized hedge gain (losses)			
Balance as of January 01, 2014		2,294,192	222,990	1,070,755	43,404	(18,162)		(3,299,267)	313,912
Other comprehensive income (loss), net		-	-	-	-	(120,550)		-	(120,550)
Capital increase		826,199	-	-	-	-		-	826,199
Advance for future capital increase	23	222,990	(222,990)	-	-	-		-	-
Net loss for the year		-	-	-	-	-		(1,055,763)	(1,055,763)
Balance as of December 31, 2014		3,343,381	-	1,070,755	43,404	(138,712)		(4,355,030)	(36,202)
Other comprehensive income (loss), net		-	-	-	-	(40,227)		-	(40,227)
Capital increase	23	567,702	-	-	-	-		-	567,702
Net loss for the year		-	-	-	-	-		(3,493,676)	(3,493,676)
Balance as of December 31, 2015		3,911,083	-	1,070,755	43,404	(178,939)		(7,848,706)	(3,002,403)

See accompanying notes.

VRG Linhas Aéreas S.A.

Statements of Cash Flows – Indirect Method

For the years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$)

	Individual		Consolidated	
	2015	2014	2015	2014
Net loss for the year	(3,493,676)	(1,055,763)	(3,493,676)	(1,055,763)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	413,115	458,819	416,767	458,819
Allowance for doubtful accounts	38,590	16,454	38,590	16,404
Provisions for legal proceedings	38,847	9,910	43,414	11,847
Provision (reversal) for inventory obsolescence	(414)	631	(414)	631
Deferred taxes	604,728	57,311	604,728	57,311
Equity results	41,602	30,335	(1,991)	(1,302)
Exchange and monetary variations, net	983,534	409,143	983,516	409,313
Interest on debt and finance leases	323,696	269,015	325,111	269,444
Unrealized hedge results	18,475	-	18,475	-
Provision for profit sharing	641	-	641	-
Provision for additional payment	-	20,012	-	20,012
Write-off property, plant and equipment	24,306	4,938	24,305	5,111
Adjusted net gains (losses) for the year	(1,006,556)	220,805	(1,040,534)	191,827
Changes in operating assets and liabilities:				
Trade receivables	(36,889)	4,557	(33,077)	6,004
Short-term investments	177,939	678,389	177,937	678,389
Inventories	(60,140)	(22,545)	(60,140)	(22,430)
Deposits	26,600	145,426	25,813	145,139
Insurance and tax recoverable	35,486	(69,144)	32,575	(68,749)
Other assets	4,960	(14,348)	5,916	1,182
Suppliers	130,770	181,707	128,964	182,720
Advance ticket sales	69,328	(132,673)	69,043	(132,673)
Advances from customers	(408,993)	(263,158)	(408,993)	(263,160)
Salaries	(24,922)	8,123	(8,939)	7,929
Landing fees	(1,492)	43,814	(1,492)	43,814
Tax obligations	76,641	1,432	76,703	90
Mileage program	(111,920)	(140,256)	(111,920)	(140,256)
Derivatives	(6,267)	(67,198)	(6,267)	(67,198)
Provisions	(83,347)	(138,855)	(85,452)	(152,078)
Other assets	64,971	102,959	64,423	97,605
Cash flows from (used in) operating activities	(1,153,831)	539,035	(1,175,440)	508,155
Interest paid	(297,201)	(258,183)	(298,443)	(258,183)
Income tax paid	(35,788)	-	(35,788)	-
Net cash flows from (used in) operating activities	(1,486,820)	280,852	(1,509,671)	249,972
Restricted cash	(401,396)	(16,980)	(401,396)	(16,980)
Dividends received from subsidiaries	1,302	-	1,302	-
Advances for property, plant and equipment acquisition, net	(37,912)	-	-	-
Investment acquisition	-	(30,278)	-	(791)
Property, plant and equipment	(437,712)	(215,217)	(437,713)	(213,985)
Intangible assets	(41,036)	(28,500)	(41,035)	(28,680)
Net cash flows used in investing activities	(916,754)	(290,975)	(878,842)	(260,436)
Loan funding, net of issuance costs	1,399,006	337,997	1,399,315	339,086
Loan payments	(1,264,372)	(540,516)	(1,281,039)	(540,516)
Finance lease payments	(409,519)	(255,903)	(409,519)	(255,903)
Advances for future capital increase	567,702	826,199	567,702	826,199
Related party transactions	945,009	(34,529)	945,009	(34,529)
Net cash flows from financing activities	1,237,826	333,248	1,221,468	334,337
Foreign exchange variation on cash held in foreign currencies	180,669	(124,872)	180,669	(124,872)
Net increase in cash and cash equivalents	(985,079)	198,253	(986,376)	199,001
Cash and cash equivalents at beginning of the year	1,335,253	1,137,000	1,336,317	1,137,316
Cash and cash equivalents at the end of the year	350,174	1,335,253	349,941	1,336,317

VRG Linhas Aéreas S.A.

Statements of Value Added

(In thousands of Brazilian Reais – R\$)

	Individual		Consolidated	
	2015	2014	2015	2014
Revenues				
Transportation of passengers, cargo and other	9,717,078	10,314,387	9,717,363	10,314,123
Other operational revenue	1,480,558	-	1,484,800	-
Allowance for doubtful accounts	33,170	1,233	36,744	1,233
Costs of goods and services purchased (including ICMS and IPI)				
Fuel and lubricants	(3,373,404)	(3,892,855)	(3,373,404)	(3,893,048)
Supplies, power, outsourced services and other	(4,304,487)	(2,494,689)	(4,316,578)	(2,500,551)
Aircraft insurance	(29,791)	(22,376)	(29,791)	(22,411)
Sales and advertising	(603,016)	(631,557)	(603,020)	(631,563)
Gross value added	2,920,108	3,274,143	2,916,114	3,267,783
Retentions				
Depreciation and amortization	(413,115)	(458,819)	(416,767)	(460,040)
Net added value produced by the Company	2,506,993	2,815,324	2,499,347	2,807,743
Value added received in transfer				
Equity in subsidiary	(41,602)	(30,335)	1,991	1,302
Financial income	3,219,238	1,536,487	3,222,843	1,538,684
Total wealth for distribution	5,684,629	4,321,476	5,724,181	4,347,729
Wealth for distribution				
Salaries	1,202,097	1,021,448	1,222,318	1,024,394
Benefits	157,546	133,752	157,841	134,384
F.G.T.S.	98,908	90,350	99,179	90,561
Employees	1,458,551	1,245,550	1,479,338	1,249,339
Federal taxes	1,112,065	562,791	1,112,344	562,949
State taxes	29,536	25,679	29,536	25,679
Municipal taxes	1,473	1,407	1,473	1,407
Taxes	1,143,074	589,877	1,143,353	590,035
Interest	5,317,880	2,670,840	5,336,055	2,689,154
Rent	1,093,048	827,487	1,093,360	831,479
Other	165,752	43,485	165,751	43,485
Third-party equity compensation	6,576,680	3,541,812	6,595,166	3,564,118
Loss for the year	(3,493,676)	(1,055,763)	(3,493,676)	(1,055,763)
Equity compensation	(3,493,676)	(1,055,763)	(3,493,676)	(1,055,763)
Total wealth for distribution	5,684,629	4,321,476	5,724,181	4,347,729

1. General information

VRG Linhas Aéreas S.A. ("Company" or "VRG") is a fully-subsidiary of Gol Linhas Aéreas Inteligentes S.A. (GLAI) and is engaged in essentially exploring: (i) regular and non-regular air transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the competent authorities; (ii) additional passenger air chartering services.

The Company's registered Office is at Praça Comandante Linneu Gomes, s/n, portaria 3, prédio 24, Jardim Aeroporto, São Paulo, Brazil.

1.1. Short-term bussiness plan

The Company has been significantly affected by the devaluation of the Brazilian currency, as in the year 2015, approximately 50% of the Company's costs and 10% of the Company's revenues are denominated in U.S. Dollars. In addition, factors such as the slowdown of the Brazilian economy, excessive supply on the market and the worsening economic crisis resulting in the decrease in demand of corporate and government clients, have negatively impacted the Company's operations.

Under this context, the Company reassessed its business plan and incorporated strategies that, once implemented, should be sufficient to ensure the continuity of the Company's operations. Among the short-term strategies, it highlights four pillars to recovering the operating margin for the periods 2016 and 2017, as well as the solvency maintenance:

(a) Liquidity initiatives: negotiation with customers and strategic suppliers to maintain solvency in the short term, among which some key initiatives include: the postponement of aircraft delivery agreements for the next few years, the advance purchase airline tickets agreement with subsidiary Smiles and the renegotiation of the maturity of supplier agreements and collections of receivables from customers.

(b) The Company will redesign its flight route network in order to focus on the most profitable routes under the operation. The readjustment of the flight network, which has already been approved by the regulatory agencies, will occur from May, 2016.

(c) As a result of the readjustment of flight network, the Company is also working on readjusting and reducing the number of aircraft held in the operation, which will result in the reduction of available seats, providing alignment between supply and demand inside the domestic market. Company's forecast is that at least 19 aircrafts will be returned. These measures will provide a substantial decrease in costs for maintaining the current fleet. These measures aim to readjust the Company' structure to sustainable levels.

(d) Readjustment of the debt structure and leasing for the purpose of reviewing the amounts related to lease agreements that are part of the Company's debt structure. For the implementation of these initiatives, financial and technical support were hired to perform contractual review and analysis of possible opportunities to reduce financing costs. As part of the plan, the Company announced the hiring of Sky Works to review existing lease agreements.

It is highlighted that, even the business plan presenting actions that are likely to be implemented, the uncertainty of the political and economic scenarios in Brazil may impact the effectiveness of the return expected. Additionally, the high volatility of macroeconomic variables raises uncertainties that could compromise the generation of future results and the maintenance of the cash position.

Management believes that the business plan prepared, submitted and approved by the Board of Directors on February 18, 2016 shows strong elements in accordance with the continued operation. Management

believes that its plans are feasible and that, once completed, should lead the Company to a level of strength required to respond more effectively to the high volatility of the conditions and/or adverse events. The Management believes that the non-implementation of the measures previously provided can compromise the profitability and solvency of the operation and thus reinforces its commitment to implement all the necessary measures to ensure implementation of the plan and implement the necessary efforts to ensure the expected return.

2. Approval and summary of significant accounting policies applied in preparing the financial statements

The financial statements were authorized for issuance at the Board of Directors' meeting held on March 28, 2016.

2.1. Declaration of conformity

The Company's consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by International Financial Reporting Interpretations Committee ("IFRIC"), settled in Brazil through Comitê de Pronunciamentos Contábeis ("CPC") and its technical accounting interpretations ("ICPC") and guidelines ("OCPC"), approved by the Brazilian Securities Commission - Comissão de Valores Mobiliários ("CVM").

The Company, during the preparation of its financial statements, uses the following criteria: (i) regulatory requirements; (ii) relevance and specificity of information of operations users; (iii) information needed of users of financial statements; and (iv) information from other entities inserted in the same sector, mainly in the international market. Thus, the Management confirms that all relevant information has been presented in these financial statements, and they correspond to those used by it in its Management.

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 individual and consolidated financial statements for the years ended December 31, 2015 and 2014 were prepared based on the going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

The functional currency of the Company and its subsidiaries is the Brazilian Real. The presentation currency of these financial statements is the Brazilian Real.

The summary of significant accounting policies adopted by the Company is as follows:

a) Basis of consolidation

The consolidated financial statements comprise VRG Linhas Aéreas S.A., and its direct subsidiaries, as presented below:

Entity	Location	Type of control	% equity interest	
			2015	2014
Webjet	Brazil	Direct	100.0	100.0
SCP Trip	Brazil	Joint operation	60.0	60.0

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

For the joint operations, assets, liabilities, and results of subsidiaries located in South America, the Central America, and the United States are recognized line by line according to the percentage of the Company's interest.

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 entities are fully eliminated in the consolidated financial statements.

b) Cash and cash equivalents, short-term investments and restricted cash

Cash and cash equivalents include bank deposits and short term investments which have high liquidity and are readily convertible into an amount of cash and have an insignificant risk of value changes. Restricted cash primary consists of financial applications measured at fair value through profit or loss, as guarantees related to financial instruments and short and long-term financing. Financial applications include exclusive investment funds, which are fully consolidated.

c) Trade receivable

Trade receivables are measured based on cost (less allowances for doubtful accounts), which approximates its fair value, due to their short-term natures. An allowance for doubtful accounts provision is made for all accounts overdue for more than 90 days for installment sales by travel and cargo agencies, and 180 days for airline partners. Additionally, in some cases, the Company performs individual analysis of overdue balances.

d) Inventories

Inventories are composed primarily of maintenance and spare parts and materials. 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.

e) Financial assets and liabilities

Initially, the Company measures financial assets and liabilities at fair value. The subsequent measurement of certain asset and liability depends on the instrument classification, which is determined at initial recognition and annually reviewed according with the Company's plans. The instruments include: financial instruments, investment in debt instruments, accounts receivable and other receivables, loans and financing, other payables and other debts, and derivative contracts.

Measured at amortized cost: financial instruments with fixed or ascertainable payments that are not regularly traded before maturity are measured at amortized cost after initial recognition under the effective interest rate method. Inflation adjustment, interest and foreign exchange changes, net of impairment losses (if applicable), are recognized in statement of operations as financial income or financial expenses, when earned or incurred. The main assets that the Company holds under this category are accounts receivable, deposits and other credits, short and long-term debts (including finance leases) and trade accounts payable.

Measured at fair value through profit or loss or available for sale: interest, inflation adjustment, foreign exchange changes and changes arising from the adjustment to fair value are recognized in statement of operations, as financial income or financial expenses. The Company holds short-term investments, cash equivalents and restricted cash classified under this category.

Derivatives: Changes on aircraft fuel, interest and foreign exchange rates expose the Company and its subsidiaries to risks that may affect its financial performance. In order to mitigate those risks, the Company uses financial instruments that may or may not be designated as hedge accounting, and, if designated, are classified as cash flow hedge or fair value hedge.

- 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 a classification. The non-designated operations have movements in fair value variation 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 as profit or loss for the period (under "Financial result"), 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 interest retained and the related liability in 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 as "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 on equity are immediately registered on profit or loss, under the same line that was previously registered.

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

f) 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 the 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 result. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated balance sheet 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 generation and are reimbursable to the Company upon termination of the agreements.

g) Operational leasing

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 27.

h) Property, plant and equipment

The property, plant and equipment items, including rotatable 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 and adjusted, if necessary, annually.

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.

Leasing 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 leasing agreement, the Company registers the finance lease as asset and liability at fair value, or, if lower, the present value of the minimum leasing payments. The liability, initially recognized, is classified as financing.

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 leasing agreement, the asset is depreciated along with its expected useful life or the contractual lease term period, the lower of the two.

The other engine and aircraft leases are classified as operating leases and are registered as expenses on the statement of operations on a straight-line basis for the agreement maturity period.

Expenses due to aircraft reconfiguration: the Company records provisions for aircraft return based on the return requirements, considering the costs regarding the return conditions on engines held under operating leases (see 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. Other costs that do not extend the useful life of the engines, or are related to other components of aircraft are recognized directly in profit or loss.

i) Intangible assets

Intangible assets are non-monetary assets without physical property, whose book values are 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 unit (VRG). 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.

j) 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 year's taxable income and tax loss carryforwards. 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 bases 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.

k) Provisions

Provisions are recognized when the Company has a present obligation (legal or presumed) 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: are 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 engine return provision 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.

Provisions for legal proceedings: Provisions are registered for all the lawsuits that represent probable loss according to its individual assessment, considering the estimated financial expense. 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.

l) 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 sold tickets 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.

m) Mileage Program

The "Smiles Program" is designed to retain its customers through the granting of mileage credits to 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.

n) 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 expense is recognized in profit or loss during the period that the right is acquired (vesting period), with 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 under the caption "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.

o) Segment information

The Company has one reportable operating segment: flight transportation.

p) 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 under "exchange rate variation, net".

q) Statement of value added ("DVA")

The purpose of this statement is to disclose the wealth created by the Company and its distribution during the year, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as supplemental information to the consolidated financial statements, since this statement is not expected nor required by IFRS. DVA was prepared based on information obtained in the accounting records, in accordance with CPC 09 - "Statement of added value."

r) Main accounting estimates and assumptions adopted

The process of preparing the Financial Statements often requires that Management adopt 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 whether 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, primarily for property, plant and equipment and intangibles. The recoverable amounts are determined by calculating its value in use based on a period of five years, using discounted cash flow assumptions. Any amounts below the carrying amount of the asset should be recognized as an impairment loss in the statement of operations when occurred. For details, see Note 15.

The assumptions used in the impairment tests of intangible assets are consistent with internal projections and operating plans, both reviewed and approved by Management. The main assumptions that drive the value in use of the cash generating unit are: GDP, U.S. Dollar, kerosene barrel and interest rates. These assumptions are based on market sources, and, based on these, Management prepares a long-term plan with forecasts for: capacity, demand, fleet, revenue per

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

passenger and operating costs associated with the business, based on its historical cost and updated indicators, such as inflation and fluctuation of the U.S. currency. Management emphasizes that even though reliable external market sources were used, the forecasts are still subject to short-term volatility without anticipation of their material effects in the long run.

Income tax: 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, the flight tickets issued that will not be used and the 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 accounts receivable arising from receivables, considering the risks involved. The Company periodically evaluates its receivables and, based on historical data, combined with risk analysis per client, 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 of financial instruments: when the fair value of financial assets and 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 discounted cash flow method. The inputs to these models are based on observable markets, when possible; however, when this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Change in assumptions relating to these factors could affect the reported fair value of financial instruments.

2.3. New accounting estimates, changes and assumptions of 2015

- 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 January 1, 2018, with early adoption 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. Early adoption of previous versions of IFRS 9 (2009, 2010 and 2013) is allowed if the initial application date is earlier than February 1, 2015. 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 the financial liabilities of the Company.
 - **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 01, 2017, with earlier application permitted.
 - **IFRS 16 Leases:** In January 2016, the IASB issued the final version of "IFRS 16 - Leases", which establish 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. Internationally, early adoption is permitted only for entities that are also applying IFRS 15 - Revenue from contracts with customers, but this policy does not apply for Brazil. 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, considers that the changes resulting from the adoption of the standard will be relevant and the rise of potential assets and liabilities at the date of adoption.

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 July 01, 2014 or thereafter:

- **Amendments to IAS 16 and IAS 38 Explanation of acceptable methods of depreciation and amortization:** The amendments are applicable prospectively for annual periods beginning on January 01, 2016 or thereafter.
- **Amendments to IAS 27 – Equity method in separate financial statements:** The amendments are applicable prospectively for annual periods beginning on January 01, 2016 or thereafter.

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

Annual improvements 2010-2014 cycle - Applicable for annual periods beginning on July 01, 2016 or thereafter:

- **IFRS 7 Financial instruments - disclosure:** (i) clarifies that a service contract that includes a fee can constitute continuing involvement in a financial asset and (ii) the applicability of amendments to IFRS 7 for condensed interim financial statements. This amendment must be applied retrospectively.
- **IAS 34 Interim Financial Reporting:** This amendment must be applied retrospectively.
- **Amendments to IAS 1 – Disclosure initiative:** The amendments are applicable prospectively for annual periods beginning on January 01, 2016 or thereafter, 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 those 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. Cash and cash equivalents

	Individual		Consolidated	
	2015	2014	2015	2014
Cash and bank deposits	255,014	471,967	254,781	473,031
Cash equivalents	95,160	863,286	95,160	863,286
	350,174	1,335,253	349,941	1,336,317

The cash equivalents breakdown is as follows:

	Individual		Consolidated	
	2015	2014	2015	2014
Private bonds	92,559	624,293	92,559	624,293
Government bonds	-	48,044	-	48,044
Investment funds	2,601	190,949	2,601	190,949
	95,160	863,286	95,160	863,286

As of December 31, 2015, the cash equivalents were represented by private bonds (Bank Deposit Certificates - "CDBs"), and buy-back transactions paid at post fixed rates ranging between 90% to 101% (85% to 102% as of December 31, 2014) of the Interbank Deposit Certificate rate ("CDI") on the onshore investments.

The investment funds were mainly represented by government bonds paid at weighted average rate 93% (102% as of December 31, 2014) of CDI rate.

The investment funds classified as cash equivalents have high liquidity and, according to the Company analysis, readily convertible to a known amount of cash with insignificant risk of change in its value.

Cash in Venezuela: Due to the political deterioration and economic scenario in Venezuela during the year ended December 31, 2015, the Company reassessed the amounts that were expected to be repatriated from the cash held in Venezuela of VEF728,297 and concluded that its presents low expectation of repatriation under the currency rates previously established of CADIVI (VEF6.30 per US\$1.00) and SICADI (VEF11.50 per US\$1.00). Thus, the Company recognized estimated losses based on the prevailing exchange rate on the market (SIMADI) of VEF200 per US\$1.00. As a result of this devaluation, the cash balance recorded in Venezuela as of December 31, 2015 was R\$14,312 (R\$325,831 as of December 31, 2014).

4. Short-term investments

	Individual		Consolidated	
	2015	2014	2015	2014
Private bonds	88,785	77,305	88,785	77,305
Government bonds	11,183	66,030	11,183	66,030
Investment funds	20,159	154,731	20,161	154,731
	120,127	298,066	120,129	298,066

As of December 31, 2015, the private bonds were represented by debentures and financial letters with first-rate financial institutions, paid at a weighted average rate of 113% of the CDI rate on onshore investments.

The government bonds are represented primarily by LFT and NTN, paid at a weighted average of 97% (101% of December 31, 2014) of CDI rate.

5. Restricted cash

	Individual and Consolidated	
	2015	2014
Margin deposits for hedge transactions (a)	101,075	82,025
Deposits in guarantee of letter of credit (b)	356,470	42,040
Escrow deposits (c)	33,401	49,241
Escrow deposits - Leasing (d)	158,835	72,672
Other deposits	2,842	5,248
	652,623	251,226

(a) Denominated in U.S. Dollar, 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 the guarantee of the Safra's loan of the subsidiary Webjet and R\$41,250 is related to Finimp agreements (for further information, see Note 16).

(c) It is related to letters of credit for aircraft maintenance.

(d) It is related to letters of credit for operating aircraft leases.

6. Trade receivable

	Individual		Consolidated	
	2015	2014	2015	2014
<u>Local currency:</u>				
Credit card administrators	31,403	38,857	31,403	38,857
Travel agencies	135,033	118,396	135,033	119,929
Installment sales (a)	-	43,730	-	43,730
Cargo agencies	31,916	34,575	31,916	35,536
Airline partners companies	21,812	28,991	21,812	29,044
Other (b)	56,541	57,406	56,420	62,124
	276,705	321,955	276,584	329,220
<u>Foreign currency:</u>				
Credit card administrators	32,199	18,502	32,199	18,502
Travel agencies	10,109	10,151	10,109	10,151
Cargo agencies	321	89	321	89
	42,629	28,742	42,629	28,742
	319,334	350,697	319,213	357,962
Allowance for doubtful accounts	(50,220)	(79,882)	(50,220)	(83,456)
	269,114	270,815	268,993	274,506
Current	269,114	270,815	268,993	274,506
Noncurrent	-	-	-	-

(a) The amount of related to installment sales "Voe Fácil" overdue above 360 days was fully provisioned and written off on April 30, 2015.

(b) Includes the amount of R\$29,286, related to commercial cooperation strategic partnership with Air France-KLM to be received in June, 2016. For further information, see Note 11.5.

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

The aging list of accounts receivable is as follows:

	Individual		Consolidated	
	2015	2014	2015	2014
Not yet due	228,094	182,702	227,973	182,702
Overdue until 30 days	13,988	13,568	13,988	13,568
Overdue 31 to 60 days	6,860	6,562	6,860	6,562
Overdue 61 to 90 days	3,268	3,461	3,268	3,461
Overdue 91 to 180 days	9,752	10,644	9,752	10,644
Overdue 181 to 360 days	21,167	34,319	21,167	34,319
Overdue above 360 days	36,205	99,441	36,205	106,706
	319,334	350,697	319,213	357,962

The average collection period of installment sales is 4 months and a monthly interest of 8.99% is charged on the overdue balances, recognized in financial result. The average collection period of the other receivables is 128 days as of December 31, 2015 (127 days of December 31, 2014).

The changes in the allowance for doubtful accounts are as follows:

	Individual		Consolidated	
	2015	2014	2015	2014
Balance at beginning of the year	(79,882)	(81,182)	(83,456)	(84,806)
Additions	(38,612)	(16,454)	(38,612)	(16,404)
Unrecoverable amounts	53,961	9,624	57,535	9,624
Recoveries	14,313	8,130	14,313	8,130
Balance at the end of the year	(50,220)	(79,882)	(50,220)	(83,456)

7. Inventories

	Individual and Consolidated	
	2015	2014
Consumables	36,221	26,356
Parts and maintenance materials	176,468	117,412
Advances to suppliers	-	322
Others	(1,009)	7,450
Provision for obsolescence	(12,444)	(12,858)
	199,236	138,682

The changes in the provision for obsolescence are as follows:

	Individual and Consolidated	
	2015	2014
Balance at the beginning of the year	(12,858)	(12,227)
Additions	(2,273)	(3,968)
Write-off and reversal	2,687	3,337
Balance at the end of the year	(12,444)	(12,858)

VRG Linhas Aéreas S.A.

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

8. Deferred and recoverable taxes

8.1. Recoverable taxes

	Individual		Consolidated	
	2015	2014	2015	2014
ICMS	1,252	39,321	1,252	39,321
Prepaid income taxes	47,418	30,807	60,445	40,926
Withholding taxes (IRRF)	6,637	11,251	6,637	11,251
PIS and COFINS	15,457	465	17,463	2,471
Withholding tax of public institutions	14,373	16,845	14,378	16,845
Value added tax - IVA	11,252	12,153	11,251	12,153
Income tax on imports	71	77	71	77
Others	1,460	581	1,461	582
Total	97,920	111,500	112,958	123,626
Current assets	56,852	72,686	56,856	72,686
Noncurrent assets	41,068	38,814	56,102	50,940

8.2. Deferred tax assets (liabilities) - long term

	Individual		Consolidated	
	2015	2014	2015	2014
Income tax losses	-	283,543	-	283,543
Negative basis of social contribution	-	102,075	-	102,075
Temporary differences:				
Mileage program	5,422	46,853	5,422	46,853
Allowance for doubtful accounts and other credits	13,817	95,874	13,817	95,874
Provision for losses on VRG's acquisition	143,350	143,350	143,350	143,350
Provision for legal proceedings and tax liabilities	11,076	41,827	11,076	41,827
Aircraft return	39,731	102,524	39,731	102,524
Derivative transactions not settled	87,726	88,078	87,726	88,078
Flight rights	(190,789)	(190,789)	(353,226)	(353,226)
Maintenance deposits	-	(116,873)	-	(116,873)
Depreciation of engines and parts for aircraft maintenance	(167,577)	(164,391)	(167,577)	(164,391)
Reversal of goodwill amortization on VRG's acquisition	(127,659)	(127,659)	(127,659)	(127,659)
Aircraft leases	75,051	73,412	75,051	73,412
Others	26,934	123,264	26,934	123,264
Total deferred tax and social contribution - noncurrent	(82,918)	501,088	(245,355)	338,651

The Company has 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:

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

	Direct Control (VRG)		Indirect Control (Webjet)	
	2015	2014	2015	2014
Income tax losses	3,202,891	2,801,620	870,646	818,159
Negative basis of social contribution	3,202,891	2,801,620	870,646	818,159

As of December 31, 2015, the tax credits from tax loss carry forwards were recorded based on the reasonably expected generation of future taxable income of the parent Company 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 and 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 credits was described on a company basis as follows:

VRG: VRG has tax credits on net operating losses carryforward and negative basis of social contribution in the amount of R\$1,081,112. However, due to recent political events, the instability in the economic condition, the Brazilian Real depreciation and other facts that affect the forecast of future results and the requirements of the accounting standard CPC 32 – Income Taxes (IAS 12), the Company 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\$348,876 of deferred tax assets on temporary differences.

By exception, the deferred tax credits recorded under “other comprehensive income” that will affect the taxable income only at the moment of its realization, in accordance with CPC 26 – Presentation of Financial Statements, remain recorded under equity.

Management will continue monitoring the external factors, aiming to reflect on its books only the assets and liability that have been realized according to projected results.

Webjet: the forecast did not present suficiente taxable income to be realized over future periods, and as a result, tax credits of R\$284,342 have not been recorded.

The reconciliation of effective income tax rate and social contribution for the year ended December 31, 2015 and 2014 is shown as follows:

VRG Linhas Aéreas S.A.

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

	Individual		Consolidated	
	2015	2014	2015	2014
Loss before income tax and social contribution	(2,887,555)	(1,001,530)	(2,887,555)	(1,001,530)
Combined tax rate	34%	34%	34%	34%
Income tax credits at the combined tax rate	981,769	340,520	981,769	340,520
Adjustments to calculate the effective tax rate:				
Equity results	(14,145)	(10,314)	677	443
Tax losses from wholly-owned subsidiaries	317,638	-	317,638	-
Income tax on permanent differences and other	(1,257,037)	(226,400)	(1,271,604)	(236,874)
Nontaxable revenues (nondeductible expenses), net	(423,908)	(154,759)	(424,163)	(155,042)
Exchange variation on foreign investments	(210,438)	(16,204)	(210,438)	(16,204)
Benefit on tax losses and temporary differences	-	12,924	-	12,924
Income tax and social contribution expense	(606,121)	(54,233)	(606,121)	(54,233)
Current income tax and social contribution	(1,393)	3,078	(1,393)	3,078
Deferred income tax and social contribution	(604,728)	(57,311)	(604,728)	(57,311)
	(606,121)	(54,233)	(606,121)	(54,233)
Effective tax rate	-	5.42%	-	5.42%

9. Prepaid expenses

	Individual and Consolidated	
	2015	2014
Prepaid lease	-	44,093
Prepaid insurance	26,199	20,749
Prepaid commissions	21,766	16,204
Other	33,157	23,931
	81,122	104,977

10. Deposits

	Individual		Consolidated	
	2015	2014	2015	2014
Judicial deposits (a)	295,792	238,768	297,765	239,936
Maintenance deposits (b)	261,182	343,650	261,182	343,650
Deposits in guarantee for lease agreements (c)	429,603	183,134	429,641	183,172
	986,577	765,552	988,588	766,758

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 are 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 makes deposits in U.S. Dollars for maintenance of aircraft and engines that will be used in future events as set forth in some leasing 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.

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.

11. Transactions with related parties**11.1. Loan agreements - Noncurrent assets and liabilities**

The Company maintains shared assets and liabilities with GLAI, GAC, Smiles and Webjet, without interest, maturity dates or guarantees prescribed, as set forth in the following table:

	Asset		Liability	
	2015	2014	2015	2014
GLAI	10,686	-	61,708	52,778
Luxco	-	-	722,845	-
GAC (*)	25,735	151,408	98,085	-
Smiles	-	-	815	653
Total consolidated	36,421	151,408	883,453	53,431
Webjet	30,025	30,025	-	-
Total individual	66,446	181,433	883,453	53,431

(*) The amounts VRG holds with GAC and Luxco, are exposed to foreign exchange rate fluctuations.

11.2. Transportation and consulting services with entities controlled by the controlling shareholder

- **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 instrument signed by the parties, annually adjusted based on the IGP-M fluctuation (General Market Price Index from Getulio Vargas Foundation). The agreement was expired on January 31, 2016.
- **Expresso União Ltda.:** provides transportation to employees, and the agreement expires on August 1, 2016.
- **Serviços Gráficos S.A.:** provides graphic printing services, the agreement expired on July 1, 2015.
- **Pax Participações S.A.:** provides consulting and advisory services, the agreement expires on April 30, 2016.

- **Vaud Participações S.A.:** provides executive administration and management services, the agreement expires on October 01, 2016.

During the year ended on December 31, 2015, VRG recognized the total expenses related to these services of R\$16,106 (R\$13,319 as of December 31, 2014). On the same date, the balance payable to related parties amounted to R\$2,085 (R\$3,286 as of December 31, 2014) and was mainly related to services provided by Breda Transportes e Serviços S.A..

11.3. Contracts account opening UATP (“Universal Air Transportation Plan”) to grant credit limit

In September 2011, the Company entered into agreements with 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.

11.4. Financing contract for engine maintenance

The Company has a line of funding for maintenance of engines services, which disbursement occurs through the issuance of Guaranteed Notes. As of December 31, 2015, the company holds two series of Guaranteed Notes for maintenance of engines, issued on February 14, 2014 and March 13, 2015, maturing up to 3 years.

During the year ended December 31, 2015 the spending on engine maintenance conducted by Delta Air Lines was R\$136,885 (R\$115,653 as of December 31, 2014).

As of December 31, 2015 the balance of engine maintenance funding recorded in “Debt” was R\$307,658 (R\$67,779 as of December 31, 2014), as described in Note 16.

11.5. Strategic commercial partnership contracts

On February 19, 2014, the Company signed an exclusive strategic partnership for long-term business cooperation with Airfrance-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 market.

The agreement provides the incentive investment in the Company in the amount of R\$112,152, which payment is divided in three installments: the first installments in the amount of R\$74,506 was received during the year ended December 31, 2014, the second installment in the amount of R\$17,679 was received during the period ended June 30, 2015 and the last one in the amount of R\$29,797 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 registered as “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).

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

11.6. Remuneration of key management personnel

	Consolidated	
	2015	2014
Salaries and benefits	18,700	19,795
Related taxes and charges	3,584	2,897
Share-based payments	9,049	3,064
	31,333	25,756

As of December 31, 2015 and 2014 the Company did not offer post employment benefits, and there are no severance benefits or other long-term benefits for the Management or other employees.

11.7. Share-based payments

Through its parent company, GLAI, VRG provides additional remuneration to its management through the granting of stock options and restricted shares. Both these plans are offered in order to stimulate and promote the alignment of the goals of the Company, management and employees, mitigate the risks in value created for the Company resulting from the loss of their executives and strengthen the commitment and productivity of these executives to long-term results. The equity instruments granted to the beneficiaries are issued by GLAI and their amounts are recorded by the Company under personnel expenses. On December 31, 2015, the amount payable to GLAI related to granted options to the Company's employees was R\$10,520 and the expenses related to the plans for the year were R\$8,697.

12. Investments

Due to the changes in Law 6,404/76 introduced by Law 11,638/07, investments in foreign subsidiaries were considered as an extension and consolidated on a line by line basis.

The change in investments during the year ended December 31, 2015 is as follows:

**Relevant information of the Company's investees as of
December 31, 2015:**

	Individual	Consolidated
Total number of shares	85,100,000	-
Capital stock	714,633	1,318
Interest	100.0%	60.0%
Total equity	(120,175)	4,636
Net income (loss) for the year	(43,593)	3,318

Changes on investments:

Balance as of December 31, 2014	202,917	2,093
Equity results	(41,602)	1,991
Dividends	(1,302)	(1,302)
Advances for future capital increase - Webjet	37,912	-
Balance as of December 31, 2015	197,925	2,782

VRG Linhas Aéreas S.A.

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

13. Losses per share

	Individual and Consolidated	
	2015	2014
Numerator		
Net loss for the year attributable to equity holders of the parent	(3,493,676)	(1,055,763)
Denominator		
Weighted average number of outstanding shares (in thousands)	4,394	3,623
Basic loss per share	(795.02)	(291.37)
Diluted loss per share	(795.02)	(291.37)

14. Property, plant and equipment

14.1. Individual

	Average annual depreciation rate	2015		2014	
		Cost	Accumulated depreciation	Net amount	Net amount
Flight equipment					
Aircraft under finance leases	4%	2,746,959	(1,092,286)	1,654,673	1,652,423
Sets of replacement parts and spares engines	4%	1,198,636	(375,703)	822,933	747,420
Aircraft reconfigurations/overhauling	30%	1,467,852	(856,785)	611,067	198,358
Aircraft and safety equipment	20%	1,048	(325)	723	840
Tools	10%	25,282	(12,986)	12,296	13,098
		5,439,777	(2,338,085)	3,101,692	2,612,139
Impairment losses (*)	-	(26,076)	-	(26,076)	(26,076)
		5,413,701	(2,338,085)	3,075,616	2,586,063
Property, plant and equipment in use					
Vehicles	20%	10,238	(8,523)	1,715	1,512
Machinery and equipment	10%	52,592	(29,582)	23,010	24,196
Furniture and fixtures	10%	20,898	(13,864)	7,034	6,509
Computers and peripherals	20%	36,018	(27,063)	8,955	10,296
Communication equipment	10%	2,485	(1,636)	849	1,015
Facilities	10%	4,519	(4,077)	442	720
Maintenance center (Confins)	10%	107,633	(57,854)	49,779	58,954
Leasehold improvements	20%	56,043	(41,923)	14,120	8,982
Construction in progress	-	22,325	-	22,325	14,511
		312,751	(184,522)	128,229	126,695
		5,726,452	(2,522,607)	3,203,845	2,712,758
Advances for aircraft acquisition	-	68,324	-	68,324	21,809
		5,794,776	(2,522,607)	3,272,169	2,734,567

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

Changes in property, plant and equipment balances are as follows:

	Property, plant and equipment under finance lease	Other flight equipment (a)	Advances for acquisition of property, plant and equipment	Others	Total
As of January 01, 2014	1,748,397	986,109	4,232	136,901	2,875,639
Additions	60,678	189,577	17,577	16,869	284,701
Disposals	(304)	(4,609)	-	(25)	(4,938)
Depreciation	(156,348)	(237,437)	-	(27,050)	(420,835)
As of December 31, 2014	1,652,423	933,640	21,809	126,695	2,734,567
Additions	141,525	730,421	46,515	32,004	950,465
Disposals	-	(23,281)	-	(1,025)	(24,306)
Depreciation	(139,275)	(219,837)	-	(29,445)	(388,557)
As of December 31, 2015	1,654,673	1,420,943	68,324	128,229	3,272,169

14.2. Consolidated

	Average annual depreciation rate	2015		2014	
		Cost	Accumulated depreciation	Net amount	Net amount
Flight equipment					
Aircraft under finance leases	4%	2,746,959	(1,092,286)	1,654,673	1,652,423
Sets of replacement parts and spares engines	4%	1,234,553	(411,071)	823,482	753,538
Aircraft reconfigurations/overhauling	30%	1,486,249	(875,181)	611,068	198,359
Aircraft and safety equipment	20%	1,048	(325)	723	840
Tools	10%	26,426	(13,592)	12,834	13,751
		5,495,235	(2,392,455)	3,102,780	2,618,911
Impairment losses (*)	-	(28,904)	-	(28,904)	(31,634)
		5,466,331	(2,392,455)	3,073,876	2,587,277
Property, plant and equipment in use					
Vehicles	20%	10,784	(9,060)	1,724	1,566
Machinery and equipment	10%	54,841	(30,572)	24,269	25,614
Furniture and fixtures	10%	21,899	(14,475)	7,424	6,970
Computers and peripherals	20%	39,796	(30,777)	9,019	10,619
Communication equipment	10%	2,546	(1,682)	864	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%	58,474	(44,354)	14,120	8,982
Construction in progress	-	22,325	-	22,325	14,511
		322,833	(192,864)	129,969	128,972
		5,789,164	(2,585,319)	3,203,845	2,716,249
Advances for aircraft acquisition	-	68,324	-	68,324	21,809
		5,857,488	(2,585,319)	3,272,169	2,738,058

(*) Refers to provisions recorded by the Company in order to present its assets according to the potential of monetary benefit generation.

VRG Linhas Aéreas S.A.

Notes to the financial statements

December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

Changes in property, plant and equipment balances are as follows:

	Property, plant and equipment under finance lease	Other flight equipment (a)	Advances for acquisition of property, plant and equipment	Others	Total
As of January 01, 2014	1,754,373	981,317	4,230	140,270	2,880,190
Additions	54,702	195,555	17,579	16,854	284,690
Disposals	(304)	(4,782)	-	(25)	(5,111)
Depreciation	(156,348)	(237,236)	-	(28,127)	(421,711)
As of December 31, 2014	1,652,423	934,854	21,809	128,972	2,738,058
Additions	141,525	730,417	46,515	32,009	950,466
Disposals	-	(23,281)	-	(1,024)	(24,305)
Depreciation	(139,275)	(222,787)	-	(29,988)	(392,050)
As of December 31, 2015	1,654,673	1,419,203	68,324	129,969	3,272,169

(a) Additions primarily represent: (i) total estimated costs to be incurred relating to the reconfiguration of the aircraft when returned and, (ii) capitalized costs related to engines major overhaul.

15. Intangible assets

15.1. Individual

	Goodwill (*)	Airport operating rights	Software	Total
Balance as of January 01, 2014	542,302	560,842	112,630	1,215,774
Additions	-	-	28,500	28,500
Amortizations	-	-	(37,984)	(37,984)
Balance as of December 31, 2014	542,302	560,842	103,146	1,206,290
Additions	-	-	41,036	41,036
Amortizations	-	-	(24,558)	(24,558)
Balance as of December 31, 2015	542,302	560,842	119,624	1,222,768

15.2. Consolidated

	Goodwill (*)	Airport operating rights	Software	Total
Balance as of January 01, 2014	542,302	1,038,900	112,822	1,694,024
Additions	-	-	28,680	28,680
Amortizations	-	-	(38,329)	(38,329)
Balance as of December 31, 2014	542,302	1,038,900	103,173	1,684,375
Additions	-	-	41,035	41,035
Amortizations	-	-	(24,717)	(24,717)
Balance as of December 31, 2015	542,302	1,038,900	119,491	1,700,693

(*) Refers to the goodwill from the VRG acquisition on April 9, 2007.

Goodwill and other intangible assets are subject to impairment test as of December 31, 2015 and 2014 using the discounted cash flow for each cash generating unit, giving the value in use.

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

For the purposes of impairment valuation, the assets are classified at the lowest levels for which there are separately identifiable cash flows (cash-generating units - "CGU"). To determine the carrying amount of each CGU, the Company considers not only the recorded intangible, but all the necessary tangible assets, that must be used in conjunction for the Company to generate economic benefit.

The Company performs the allocation of goodwill recognized arising from operating rights at airports as shown below:

	Goodwill	Airport operating rights
December 31, 2015		
Book value	325,381	1,038,900
Book value – UGC	3,248,245	-
Value in use	6,339,072	6,168,302
Pre-tax discount rate	17.21%	18.65%
Perpetuity growth rate	3.50%	8.50%
December 31, 2014		
Book value	325,381	1,038,900
Book value – UGC	5,068,000	-
Value in use	11,168,414	5,571,674
Pre-tax discount rate	14.03%	14.03%
Perpetuity growth rate	3.50%	3.50%

The value in use amount was compared to the carrying amount of each cash generating unit and as a result, the Company did not recognize any 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 flow 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 cash generating units are:

Capacity and fleet: consider the use, the capacity of the aircraft used in each section and the projection of the fleet size in operation.

Demand: market efficiency is the key input for the projection of the Company's demand growth. Management believes that market efficiency is the ratio of market share (market share) and its participation in the load factor (seat share). This indicator reflects how efficiently the company employs its share in the total market supply due to its demand capture by air transport.

Revenue per passenger: considers the average price charged by Gol and the effects of market variables (see variable used below).

Operating costs associated with the business: based on historical cost and updated by indicators such as

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

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).

16. Short and long-term debt

	Maturity of the contract	Interest rate	Individual		Consolidated	
			2015	2014	2015	2014
Short-term debt						
<u>Local currency:</u>						
BNDES (a)	Jul, 2017	TJLP+1.40% p.a.	3,111	3,111	3,111	3,111
Debentures IV and V (b)	Sept, 2018	128% of DI	-	166,974	-	166,974
Debentures VI (c)	Sept, 2019	132% of DI	125,194	-	125,194	-
Safra (d)	May, 2018	128% of DI	-	-	33,571	16,357
Safra working capital (e)	Mar, 2016	111% of DI	116,035	-	116,035	-
Interest accrued	-	-	21,785	5,644	22,026	6,259
			266,125	175,729	299,937	192,701
<u>Foreign currency (in US\$):</u>						
J. P. Morgan (f)	Feb, 2016	0.90% p.a.	72,141	54,213	72,141	54,213
Finimp (g)	Nov, 2016	3.52% p.a.	389,275	117,598	389,275	117,598
Engine Facility (Cacib)	Jun, 2021	Libor 3m+2.25%	20,920	14,047	20,920	14,047
Interest accrued	-	-	4,659	-	4,658	-
			486,995	185,858	486,994	185,858
			753,120	361,587	786,931	378,559
Finance leases	Jul, 2025	4.97% p.a.	487,888	325,327	487,888	325,326
Total short-term debt			1,241,008	686,914	1,274,819	703,885
Long-term debt						
<u>Local currency:</u>						
BNDES (a)	Jul, 2017	TJLP+1.40% p.a.	1,813	4,904	1,813	4,904
Debentures IV (b)	Sept, 2018	128% of DI	-	443,076	-	443,076
Debentures V (b)	Jun, 2017	128% of DI	-	490,625	-	490,625
Debentures VI (c)	Sept, 2019	132% of DI	925,623	-	925,623	-
Safra (d)	May, 2018	128% of DI	-	-	49,563	82,585
			927,436	938,605	976,999	1,021,190
<u>Foreign currency (in US\$):</u>						
J.P. Morgan (f)	Mar, 2018	0.90% p.a.	64,744	13,566	64,744	13,566
Engine Facility (Cacib)	Jun, 2021	Libor 3m+2.25%.	212,758	158,447	212,758	158,447
			277,502	172,013	277,502	172,013
			1,204,938	1,110,618	1,254,501	1,193,203
Finance leases	Jul, 2025	4.97% p.a.	2,506,206	1,899,352	2,506,206	1,899,353
Total long-term debt			3,711,144	3,009,970	3,760,707	3,092,556
Total debt			4,952,152	3,696,884	5,035,526	3,796,441

(a) Credit line obtained on June 27, 2012, for the expansion of the aircraft maintenance center.

(b) Full early settlement of debentures on September 30, 2015 with funds raised through issuance of debentures VI.

(c) Issuance of 105,000 debentures on December 31, 2015, in order to finance the settlement of debentures IV and V.

(d) The total amount of the financing as of December 31, 2015 was R\$83,133 with guaranteed deposits in the amount of R\$63,334 as shown in Note 5.

(e) Working capital loan issued by Safra on June 30, 2015.

(f) Issuance of 3 series of Guaranteed Notes to finance engine maintenance. For further information, see Note 11.4.

(g) Credit line with Banco do Brasil and Banco Safra of import financing for purchase of spare parts and aircraft equipment.

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

The maturities of long-term debt as of December 31, 2015 are as follows:

	Individual					
	2017	2018	2019	2020	After 2020	Total
<u>Local currency:</u>						
BNDES – Direct	1,813	-	-	-	-	1,813
Debentures VI	150,000	400,000	375,623	-	-	925,623
	151,813	400,000	375,623	-	-	927,436
<u>Foreign currency (in US\$):</u>						
J.P. Morgan	52,766	11,978	-	-	-	64,744
Engine Facility (Cacib)	20,886	20,886	20,886	20,886	129,214	212,758
	73,652	32,864	20,886	20,886	129,214	277,502
Total	225,465	432,864	396,509	20,886	129,214	1,204,938

	Consolidated					
	2017	2018	2019	2020	After 2020	Total
<u>Local currency:</u>						
BNDES – Direct	1,813	-	-	-	-	1,813
Safra	33,333	16,229	-	-	-	49,562
Debentures VI	150,000	400,000	375,623	-	-	925,623
	185,146	416,229	375,623	-	-	976,998
<u>Foreign currency (in US\$):</u>						
J.P. Morgan	52,766	11,978	-	-	-	64,744
Engine Facility (Cacib)	20,886	20,886	20,886	20,886	129,114	212,758
	73,652	32,864	20,886	20,886	129,214	277,502
Total	258,798	449,093	396,509	20,886	129,214	1,254,500

16.1. Covenants

Long-term debt (excluding perpetual bonds and finance leases) in the total amount of R\$1,254,500, as of December 31, 2015 (R\$1,193,203 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 Debenture 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. As at December 31, 2015, the Company is in compliance with the restrictive covenants. The next measurement will occur on June 30, 2016.

16.2. New loans from the year ended December 31, 2015

During the year ended December 31, 2015, the Company raised new loans and issued Debentures and term loans as described below:

Import financing (Finimp): the Company 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

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

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		Interest rate	Maturity date
		US\$	R\$		
02/06/2015	Safra	11,327	32,601	3.32% p.a.	02/01/2016
02/13/2015	Banco do Brasil	6,557	18,872	2.97% p.a.	02/05/2016
02/24/2015	Banco do Brasil	10,744	30,923	2.98% p.a.	02/22/2016
03/09/2015	Banco do Brasil	6,019	19,309	2.86% p.a.	03/03/2016
03/30/2015	Safra	8,156	26,164	4.05% p.a.	03/24/2016
05/18/2015	Banco do Brasil	4,274	13,586	3.13% p.a.	05/13/2016
07/06/2015	Banco do Brasil	9,638	32,711	3.18% p.a.	07/01/2016
07/23/2015	Banco do Brasil	7,822	26,548	3.23% p.a.	07/18/2016
07/28/2015	Banco do Brasil	10,436	35,420	3.22% p.a.	07/22/2016
07/31/2015	Citibank	10,696	36,302	4.71% p.a.	07/25/2016
09/04/2015	Safra	10,534	41,851	4.35% p.a.	08/29/2016
10/30/2015	Banco do Brasil	2,694	10,396	3.63% p.a.	11/04/2016

Engine maintenance financing (JP Morgan): On March 13, 2015, the Company 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, the Company obtained a new credit line with Safra in order to supply the working capital in the amount of R\$120,000, with principal and interests maturity date on September 28, 2015, with issuance costs of R\$1,200, with fiduciary assignment as guarantee.

Issuance of debentures: on September 30, 2015, the Company issued 105,000 non-convertible debentures from the 6th serie in the amount of R\$1,050,000 and issuance costs of R\$28,382,. The funds raised were used for the REPAYMENT OF Debenture IV and V, which had outstanding issuance costs fully written off in the results.

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

16.3. Finance leases

The future payments of finance lease contracts indexed to U.S. Dollar are detailed as follows:

	Consolidated	
	2015	2014
2015	-	417,149
2016	629,340	399,179
2017	559,721	369,429
2018	550,431	363,110
2019	460,848	302,171
Beyond 2020	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 withdrawals made for the repayment at maturity date of the lease agreements amount to R\$276,851 (R\$164,446 as of December 31, 2014) and are recorded in long-term debt.

17. Salaries

	Individual		Consolidated	
	2015	2014	2015	2014
Salaries	160,742	156,522	160,884	156,807
INSS and FGTS payable	54,677	65,482	54,689	65,547
Profit sharing plan	641	18,064	641	18,064
Others	4,830	5,103	21,069	5,163
	220,890	245,171	237,283	245,581

18. Taxes payable

	Individual		Consolidated	
	2015	2014	2015	2014
PIS and COFINS	69,078	32,021	69,167	32,021
ICMS installments (Refis)	1,107	-	1,107	-
Withholding income tax on salaries	27,124	27,428	27,129	27,423
ICMS	39,234	36,212	39,234	36,212
Tax on import	3,467	3,467	3,467	3,467
CIDE	2,471	1,337	2,471	1,337
IRPJ and CSLL payable	-	7,398	-	7,398
Others	7,614	8,947	7,614	9,011
	150,095	116,810	150,216	116,869
Current	111,041	82,003	111,162	82,062
Noncurrent	39,054	34,807	39,054	34,807

On April 1, 2015, the federal government established the increase in PIS/PASED and in COFINS tax rate on financial income from 0% to 4,65% through Act No. 8,426/15. Given this fact, the Company began to calculate such taxes in all the financial income incurred from July 1, 2015, including the foreign exchange variation gains. On December 31, 2015, the balance payable was R\$43,086.

19. Advance ticket salesConsolidated

As of December 31, 2015, the balance of transport to perform classified in current liabilities was R\$1,115,268 (R\$1,046,225 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).

20. Mileage programIndividual and Consolidated

As of December 31, 2015, the balance of Smiles loyalty program deferred revenue is R\$25,883 classified in the current liabilities (R\$29,366 in the current liabilities and R\$108,437 in the noncurrent liabilities, respectively, as of December 31, 2014) and the number of outstanding miles as of December 31, 2015, amounted to 44,424,598,123 (9,933,201,741 as of December 31, 2014).

21. Advances from customersIndividual and Consolidated

As of December 31, 2015, the amount classified as advances from customers is related to the pre-sale tickets agreement between the Company and Smiles S.A., in the amount of R\$714,347, of which R\$588,161 is classified under current liabilities and R\$126,186 is classified under non current liabilities (R\$396,986 and R\$726,354 in current and non-current liabilities respectively, as of December 31, 2014).

22. Provisions

	Individual			
	Insurance provision	Provision for aircraft and engine return	Provision for legal proceedings	Total
Balance on December 31, 2014	21,148	361,654	95,153	477,955
Additional provisions recognized	2,665	259,673	39,017	301,355
Utilized provisions	(21,281)	(59,189)	(93)	(80,563)
Foreign exchange variation	(1,790)	163,038	2	161,250
Balance on December 31, 2015	742	725,176	134,079	859,997

As of December 31, 2014				
Current	21,148	185,180	-	206,328
Noncurrent	-	176,474	95,153	271,627
	21,148	361,654	95,153	477,955

As of December 31, 2015				
Current	742	205,966	-	206,708
Noncurrent	-	519,210	134,079	653,289
	742	725,176	134,079	859,997

	Consolidated			
	Insurance provision	Provision for aircraft and engine return	Provision for legal proceedings	Total
Balance on December 31, 2014	21,150	361,651	101,630	484,431
Additional provisions recognized	2,665	259,676	43,414	305,755
Utilized provisions	(21,283)	(59,189)	(2,200)	(82,672)
Foreign exchange variation	(1,790)	163,038	172	161,420
Balance on December 31, 2015	742	725,176	143,016	868,934

As of December 31, 2014				
Current	21,150	185,178	-	206,328
Noncurrent	-	176,473	101,630	278,103
	21,150	361,651	101,630	484,431

As of December 31, 2015				
Current	742	205,966	-	206,708
Noncurrent	-	519,210	143,016	662,226
	742	725,176	143,016	868,934

22.1. Provision for aircraft and engines return

The returns provisions consider 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 prescribed in the returns conditions of the lease contracts, and which is capitalized in property, plant and equipment (aircraft reconfigurations/overhauling), as described in Note 2.2.k.

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

22.2. Provision for legal proceedings

As of December 31, 2015 the Company and its subsidiaries are parties to 28,230 (9,002 labor and 19,228 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	17,517	239	17,756
Civil proceedings	1,469	3	1,472
Labor lawsuits	5,609	3,191	8,800
Labor proceedings	200	2	202
	24,795	3,435	28,230

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:

	2015	2014
Civil	68,553	54,635
Labor	74,293	46,995
	142,846	101,630

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 risks 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.

On August 2015, the Superior Labor Court ("TST") declared unconstitutional the monetary adjustments of the labor debts by Reference Rate ("TR"), which was replaced by IPCA-E (Amplified Consumer Price Index), which is applicable to all 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 labour claims by IPCA-E is remote.

The tax lawsuits below were evaluated by the Companys' management and its legal consultants as being relevant and with probable risk as of December 31, 2015:

- 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 the assessment notice related to the deductibility of the goodwill classified as future profitability. The classification of probable risk of loss arises from the absence of a final opinion from the Superior Courts.
- ICMS in the amount of R\$20,384 arising from assessment notice issued for alleged understated (or incomplete declaration) amounts related to air transport revenue to the tax authorities of the State of Ceará in the years 2010 and 2011.
- 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 counsel 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, amounting up to R\$364,078 as of December 31, 2015 (R\$176,854 as of December, 31 2014).

23. Stockholders' equity

23.1. Issued capital

As of December 31, 2015, the Company's capital stock was R\$3,911,083 (R\$3,343,381 as of December 31, 2014), represented by 4,619,138 shares, of which 3,312,639,590 are common shares and 1,306,498,566 are preferred shares.

On September 30, 2015, the Company's shareholders approved the capital increase through the conversion of the credits held by the parent company, GLAI, in the amount of R\$567,702, through the issuance of 567,700 shares at a price of R\$1.00 per share.

23.2. Capital Reserves

Special reserve of goodwill on incorporation

The special reserve of goodwill on merger represents the incorporation of the net assets of the parent GTI S.A. of R\$1,070,755 on September 30, 2008.

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

Special reserve of goodwill on subscription

The reserve of goodwill on subscription represents the change in net assets of Gol Transportes Aéreos S.A. of R\$43,404, related to the net income earned by the extinguished Company in the period between the date of the appraisal report of their net book value and the date of the reorganization.

23.3. Dividends

The Company's bylaws provide for a mandatory minimum dividend to be paid to common and preferred stockholders, in the aggregate of at least 25% of annual adjusted net income after allocation to reversers in accordance with the Brazilian Corporate Law (6,404/76). The Brazilian Corporate Law, permits the payment of cash dividends only from retained earnings, and certain reserves recognized in the Company's accounting records.

23.4. Other comprehensive result

The fair value measurement of financial instruments designated as cash flow hedges is recognized as "Other comprehensive income (loss)", net of tax effects, until the maturity of the contracts. The balance as of December 31, 2015 corresponds to a net loss of R\$178,939 (net loss of R\$138,712 as of December 31, 2014).

24. Revenue

The net revenue has the following breakdown:

	Individual		Consolidated	
	2015	2014	2015	2014
Passenger transportation	8,655,212	9,228,742	8,655,212	9,228,742
Cargo	318,573	332,464	318,573	332,464
Other revenue	743,292	732,686	743,577	731,581
Gross revenue	9,717,077	10,293,892	9,717,362	10,292,787
Related tax	(482,572)	(504,196)	(482,703)	(504,196)
Net revenue	9,234,505	9,789,696	9,234,659	9,788,591

The revenues are net of federal, state and municipal taxes, which are paid and transferred to the appropriate government entities.

Revenue by geographical segment is as follows:

	Individual				Consolidated			
	2015	%	2014	%	2015	%	2014	%
Domestic	8,126,978	88.0	8,580,546	87.6	8,127,131	88.0	8,579,441	87.6
International	1,107,527	12.0	1,209,150	12.4	1,107,528	12.0	1,209,150	12.4
Net revenue	9,234,505	100.0	9,789,696	100.0	9,234,659	100.0	9,788,591	100.0

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

25. Costs of services, administrative and selling expenses

Individual					
Year ended in 2015					
	Cost of services	Selling expenses	Administrative expenses	Total	%
Salaries	(1,287,226)	(40,281)	(187,279)	(1,514,786)	15.5
Aircraft fuel	(3,301,368)	-	-	(3,301,368)	33.8
Aircraft lease	(1,106,271)	-	-	(1,106,271)	11.3
Aircraft insurance	(29,791)	-	-	(29,791)	0.3
Maintenance and repair	(600,904)	-	-	(600,904)	6.1
Services rendered	(439,029)	(214,363)	(293,435)	(946,827)	9.7
Sales and marketing	-	(569,550)	-	(569,550)	5.8
Take-off and Landing fees	(681,355)	-	-	(681,355)	7.0
Depreciation and amortization	(359,888)	-	(53,227)	(413,115)	4.1
Other, net (*)	(451,169)	(61,998)	(94,589)	(607,756)	6.4
	(8,257,001)	(886,192)	(628,530)	(9,771,723)	100.0

Individual					
Year ended in 2014					
	Cost of services	Selling expenses	Administrative expenses	Total	%
Salaries	(1,147,028)	(78,824)	(106,206)	(1,332,058)	13.9
Aircraft fuel	(3,842,084)	-	-	(3,842,084)	40.1
Aircraft lease	(840,579)	-	-	(840,579)	8.8
Aircraft insurance	(22,375)	-	-	(22,375)	0.2
Maintenance and repair	(514,480)	-	-	(514,480)	5.4
Services rendered	(453,476)	(106,289)	(237,731)	(797,496)	8.3
Sales and marketing	-	(629,910)	-	(629,910)	6.6
Take-off and Landing fees	(612,477)	-	-	(612,477)	6.4
Depreciation and amortization	(400,978)	-	(57,841)	(458,819)	4.8
Other, net (*)	(386,506)	(42,604)	(106,276)	(535,387)	5.5
	(8,219,983)	(857,627)	(508,054)	(9,585,664)	100.0

Consolidated					
Year ended in 2015					
	Cost of services	Selling expenses	Administrative expenses	Total	%
Salaries	(1,287,226)	(40,281)	(208,185)	(1,535,692)	15.7
Aircraft fuel	(3,301,368)	-	-	(3,301,368)	33.7
Aircraft lease	(1,106,271)	-	(312)	(1,106,583)	11.2
Aircraft insurance	(29,791)	-	-	(29,791)	0.3
Maintenance, materials and repair	(600,904)	-	(3,014)	(603,918)	6.2
Services rendered	(439,029)	(214,363)	(294,660)	(948,052)	9.7
Sales and marketing	-	(569,550)	3,570	(565,980)	5.8
Take-off and Landing fees	(681,355)	-	(23)	(681,378)	6.9
Depreciation and amortization	(359,888)	-	(56,879)	(416,767)	4.1
Other, net (*)	(451,169)	(61,998)	(98,177)	(611,344)	6.4
	(8,257,001)	(886,192)	(657,680)	(9,800,873)	100.0

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

Consolidated					
Year ended in 2014					
	Cost of services	Selling expenses	Administrative expenses	Total	%
Salaries	(1,147,028)	(78,824)	(107,507)	(1,333,359)	13.9
Aircraft fuel	(3,842,084)	-	-	(3,842,084)	40.1
Aircraft lease	(840,579)	-	-	(840,579)	8.8
Aircraft insurance	(22,375)	-	-	(22,375)	0.2
Maintenance and repair	(514,480)	-	-	(514,480)	5.4
services rendered	(453,476)	(106,289)	(237,731)	(797,496)	8.3
Sales and marketing	-	(629,910)	-	(629,910)	6.6
Take-off and Landing fees	(612,477)	-	-	(612,477)	6.4
Depreciation and amortization	(400,978)	-	(57,841)	(458,819)	4.8
Other, net (*)	(386,506)	(42,604)	(119,318)	(548,428)	5.5
	(8,219,983)	(857,627)	(522,397)	(9,600,007)	100.0

(*) Includes costs incurred in providing air transport services, such as lodging expense, flight interruption, and other costs and expenses.

26. Financial income (expense)

	Individual		Consolidated	
	2015	2014	2015	2014
Financial income				
Income from derivatives	174,693	225,481	174,693	225,481
Income from short-term investments and investment funds	126,051	112,154	126,085	112,191
Monetary variation	12,020	20,187	12,020	20,187
Interest Income	2,901	2,916	5,801	2,917
(-)Taxes on financial income (a)	(41,837)	-	(41,865)	-
Other	3,381	4,271	3,404	4,286
	277,209	365,009	280,138	365,062
Financial expenses				
Losses from derivatives	(124,536)	(668,811)	(124,536)	(668,811)
Interest on short and long-term debt	(602,409)	(371,538)	(619,771)	(386,668)
Bank interest and expenses	(51,360)	(25,309)	(51,442)	(25,386)
Monetary variation	(3,921)	(3,606)	(3,921)	(3,606)
Other	(352,847)	(200,386)	(352,846)	(200,458)
	(1,135,073)	(1,269,650)	(1,152,516)	(1,284,929)
Exchange rate variation, net (b)	(1,450,871)	(270,586)	(1,450,954)	(271,549)
Total	(2,308,735)	(1,175,227)	(2,323,332)	(1,191,416)

(a) Relative to taxes (PIS and COFINS) on financial income, according to the Decree nº8,426 from April 1, 2015.

(b) Includes a loss of R\$ 469,574 from transactions in Venezuela that were converted in SIMADI rate level of VEF200/US\$1.00.

27. Commitments

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.

Operating leases

The future payments of non-cancelable operating lease contracts are denominated in U.S. Dollars, and are as follows:

	2015	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
Beyond 2019	3,445,126	1,657,034
Total minimum lease payments	7,749,032	4,794,810

28. Financial instruments and risks management

Operating activities expose the Company and its subsidiaries to financial market risks (fuel price, foreign exchange rate and interest rate), to credit and liquidity risks. Such risks can be mitigated by using derivative type foreign exchange swaps, futures and options contracts based on oil market, U.S. Dollar and interest rates.

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 (CPR), and approved by the Board of Directors. The 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 total exposure of risk, 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 cost of 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:

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

	Individual			
	Measured at fair value through profit or loss		Measured at amortized cost (c)	
	2015	2014	2015	2014
Assets				
Cash and cash equivalents	350,174	1,335,253	-	-
Short-term investments (a)	120,127	298,066	-	-
Restricted cash	652,623	251,226	-	-
Derivatives	1,766	18,846	-	-
Trade receivables	-	-	269,114	270,815
Deposits (b)	-	-	690,785	526,784
Other assets	-	-	56,730	61,689
Liabilities				
Debt	-	-	4,952,152	3,696,884
Suppliers	-	-	856,999	726,229
Derivative Liabilities	141,443	85,366	-	-

	Consolidated			
	Measured at fair value through profit or loss		Measured at amortized cost (c)	
	2015	2014	2015	2014
Assets				
Cash and cash equivalents	349,941	1,336,317	-	-
Short-term investments (a)	120,129	298,066	-	-
Restricted cash	652,623	251,226	-	-
Derivatives	1,766	18,846	-	-
Trade receivable	-	-	268,993	274,506
Deposits (b)	-	-	690,823	526,822
Other assets	-	-	58,797	64,714
Liabilities				
Debt	-	-	5,035,526	3,796,441
Suppliers	-	-	857,286	728,322
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 mentioned in Note 10.

(c) Items classified as amortized cost refer to credits, bonds or debts with private institutions which, in any early settlement, there are no substantial changes in relation to the recorded values. The fair values approximate the carrying values, due 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.

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

The derivative financial instruments were recognized as follows:

	Fuel	Foreign currency	Interest rate	Total
Asset (liability) as of December 31, 2014	19	15,134	(81,673)	(66,520)
Fair value variations:				
Net losses recognized in profit or loss (A)	492	102,696	72	103,260
Losses recognized in other comprehensive income	(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)

	Fuel	Foreign currency	Interest rate	Total
Movement of other comprehensive results				
Balance as of December 31, 2014	168	-	(138,881)	(138,713)
Fair value adjustments during the year	(30,712)	-	(96,489)	(127,201)
Reversal, net to profit or loss (B)	30,456	-	35,797	66,253
Tax effect	88	-	20,631	20,719
Balance as of December 31, 2015	-	-	(178,942)	(178,942)
Effects on the 2015 results (A+B)	(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

(*) Classified as "Derivative assets" if the amount results in an asset or "Derivative liabilities" if the amount results in a liability.

The Company may adopt the hedge accounting for the derivatives contracted to hedge interest rate risk classified as "cash flow hedge" in CPC 38 – Financial Instruments – Recognition and Measurement. As of December 31, 2015, the Company records interest rate derivatives as cash flow hedges and foreign exchange and fuel derivatives as economic hedges. The cash flow hedge is programmed to be realized in profit or loss in the periods stated below:

	2016	2017	2018	2019	2020	Beyond 2020
Forecasted realization	(10,632)	(10,607)	(10,379)	(10,664)	(9,872)	(126,784)

The Company holds deposits in guarantee for derivative transactions as described in Note 5.

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 byproduct price fluctuations. To mitigate the risk of fuel price, the Company holds derivative financial instruments referenced mainly to crude oil (WTI and Brent) and, eventually, to their derivatives (Heating Oil). The Company also contracted directly with the local supplier 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. Exchange rate risk

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

The foreign exchange rate 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, 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 exchange 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 shown below:

	Individual		Consolidated	
	2015	2014	2015	2014
Assets				
Cash, short-term investments and restricted cash	485,800	497,193	485,824	497,193
Trade receivables	57,104	28,452	57,104	28,452
Deposits	690,785	526,784	690,822	526,822
Prepaid lease expenses	-	44,093	-	44,093
Derivatives	1,766	18,846	1,766	18,846
Others	4,166	9,531	4,166	9,531
Total assets	1,239,621	1,124,899	1,239,682	1,124,937
Liabilities				
Foreign suppliers	113,244	67,789	113,244	69,573
Short and long-term debt	762,939	347,391	762,939	347,391
Finance leases	2,994,094	2,224,680	2,994,094	2,224,680
Other leases payable	179,029	56,837	179,029	56,837
Provision for aircraft and engine return	725,176	361,651	725,176	361,651
Contingency provision	-	227	-	227
Total liabilities	4,774,482	3,058,575	4,774,482	3,060,359
Exchange exposure in R\$	3,534,861	1,933,676	3,534,800	1,935,422
Commitments not recorded in the statements of financial position				
Future commitments resulting from operating leases	7,749,032	4,794,810	7,749,032	4,794,810
Total	7,749,032	4,794,810	7,749,032	4,794,810
Total foreign currency exposure R\$	11,283,893	6,728,486	11,283,832	6,730,232
Total foreign currency exposure US\$	2,889,749	2,533,125	2,889,734	2,533,782
Exchange rate (R\$/US\$)	3.9048	2.6562	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.

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

b) Credit risk

The credit risk is inherent in the Company's operating and financing activities, mainly represented by cash and cash equivalents, short-term investments and trade receivables. Trade receivables credit risk consists of amounts falling due from credit card companies, with credit risk better than or equal to those of the Company, and receivable from travel agencies, installment sales, and government sales, with a small portion exposed to risks from individuals or other entities. Credit limits are established for all clients based on internal rating criteria. Customer credit quality is evaluated based on internal system of extensive credit rating. Outstanding receivables from clients are frequently monitored by the Company.

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 future exchanges (BM&FBOVESPA and NYMEX), which substantially mitigate the credit risk, derivative transactions contracted on the OTC market (OT) have counterparts with a minimum rating of "investment grade". The Company's Risk Management Policy establishes a maximum limite 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 longer than the investment portfolio term.

The schedule of financial liability hold by the Company as of December 31, 2015 is shown below:

	Current	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Short and long-term debt	142,719	72,141	389,275	1,203,616	3,227,775	5,035,526
Suppliers	460,367	301,643	95,276	-	-	857,286
Salaries	95,005	78,555	63,723	-	-	237,283
Taxes payable	-	111,162	-	39,224	-	150,386
Landing fees	-	313,656	-	-	-	313,656
Derivative liabilities transactions	-	141,443	-	-	-	141,443
Provisions	-	33,710	172,998	220,754	441,472	868,934
Other liabilities	47,214	75,543	66,100	48,483	22,631	259,971
As of December 31, 2015	745,305	1,127,853	787,372	1,512,077	3,691,878	7,864,485

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 fundings 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:

Notes to the financial statements
December 31, 2015 and 2014

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

	Consolidated	
	2015	2014
Short and long-term debts	5,035,526	3,796,441
(-) Cash and cash equivalents	(349,941)	(1,336,317)
(-) Short-term investments	(120,129)	(298,066)
(-) Restricted cash	(652,623)	(251,227)
A = Net debt	3,912,833	1,910,831
B = Total equity (Deficit)	(3,002,403)	(36,202)
C = (A+B) – Total capital and net debt	910,430	1,874,629

The Company remains committed to maintaining high liquidity and an amortization profile without pressure on the short-term refinancing.

e) Sensitivity analysis of derivative financial instruments

The sensitivity analysis of financial instruments was prepared according to CVM Instruction 475/08, in order to estimate the impact on the fair value of financial instruments operated by the Company, considering three scenarios of different risk variables:

- most likely scenario: maintenance of market levels
- possible adverse scenario; deterioration of 25%
- remote adverse scenario: deterioration of 50%

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 exchange 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).

Individual
Foreign exchange risk

As of December 31, 2015, the Company has a net foreign currency exposure liability of R\$3,534,861. On this date, the exchange rate adopted was R\$3.9048/US\$1.00, corresponding to the month-end closing rate published by the Brazilian Central Bank. A likely scenario is shown below:

Instrument	Risk	Exposed amount	Possible adverse scenario + 25%	Remote adverse scenario + 50%
Liabilities, net	Appreciation of the Dollar	(3,534,861)	(883,715)*	(1,767,431)*
	Dollar		4.8810	5.8572

(*) Negative amounts correspond to net losses expected in case of foreign exchange variation.

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

Consolidated

i) Fuel risk factor

As of December 31, 2015, the Company does not hold fuel derivative contracts.

ii) Foreign exchange risk factor

As of December 31, 2015, the Company holds 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\$3,534,800. As at 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 shown below:

Instruments	Exposed amount (*)	-50% R\$1.9524/USD	-25% R\$2.9286/USD	+ 25% R\$4.8810/USD	+50% R\$5.8572/USD
Liabilities, net	(3,534,800)	1,767,400	883,700	(883,700)**	(1,767,400)**
Derivative	1,766	(883)**	(442)**	442	883
	(3,533,034)	1,766,517	883,258	(883,258)	(1,766,517)**

(*) 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 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:

Instruments	Risk	Exposure amount	Possible Adverse Scenario 25%	Remote Adverse Scenario 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).

Notes to the financial statements**December 31, 2015 and 2014**

(In thousands of Brazilian Reais - R\$, except when indicated otherwise)

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:

	2015		2014	
	Book value	Other significant observable factors (level 2)	Book value	Other significant observable factors (level 2)
Cash and cash equivalents	349,941	349,941	1,336,317	1,336,317
Short-term investments	120,129	120,129	298,066	298,066
Restricted cash	652,623	652,623	251,226	251,226
Derivative assets	1,766	1,766	18,846	18,846
Derivative liabilities	(141,443)	(141,443)	(85,366)	(85,366)

29. Non-cash transactions

As of December 31, 2015, the Company increased its property, plant and equipment in the amount of R\$295,297, of which R\$36,433 is related to an increase of the provision for aircraft return, R\$113,377 refers to financing by FINIMP and R\$145,187 is related to aircraft acquisition under finance leases.

30. 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, 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 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 beginning September 10, 2001, limited to the amount in Brazilian Reais equivalent to one billion in U.S. Dollars.