Financial Statements

GOL Linhas Aéreas S.A.
December 31, 2019
with Independent Auditor's Report

Gol Linhas Aéreas S.A.

Financial Statements
December 31, 2019

Contents

Management’s Report 01
Independent Auditor’s Report on the Financial Statements 06

Statements of financial position 07
Statements of operations 09
Statements of comprehensive income 10
Statements of changes in equity 11
Statements of cash flows 12
Statements of value added 14
Notes on the Financial Statements 15

Management's Report

In 2019, GOL accomplished a number of significant milestones in its business strategy to be The First Airline for Everyone and to grow its network both internationally and domestically.

"Be The First Airline For Everyone"

Strong customer demand, especially in the corporate segment, combined with our capacity discipline enabled us to deliver excellent operating results in 4Q19. We'd like to particularly thank the dedication and engagement of the Team of Eagles who, amid challenging market conditions, met the demands of our customers in Brazil and abroad in a fast and safe manner.

We transported almost 10 million passengers in 4Q19, a growth of 8.0% over the same period last year.

This year, we also achieved a Black Friday sales record with more than 450,000 tickets sold, which corresponds to more than R$120 million in just one day, and a total sale in the promotional period of more than R$250 million. That represents an increase of more than 50% in sales compared to Black Friday of 2018.

The excellent sales numbers in the fourth quarter underline our purpose of being The First Airline For Everyone, by providing the best customer experience in terms of products and services, with the lowest cost in the market.

Our Net Promoter Score (NPS) was 35 in the quarter and is indicative of the winning combination of our best-in-market product and our highly engaged customer service team. For the third consecutive year, we won the Top of Mind award from Datafolha São Paulo Institute as the most remembered and preferred airline by Brazilians. We also won, for the sixth time, the Companies of the Decade award by *Consumidor Moderno*, being the only airline among the winning companies.

These acknowledgments are the result of the continuous innovation across our products and services, and they reflect the close relationship we maintain with our customers in their daily lives.

Growth of the GOL Network

In the quarter, we expanded our reach in regional markets in Brazil, adding three more regional destinations. In addition, we enhanced our partnerships with two regional carriers that added 22 new destinations for GOL customers.

GOL is the largest regional carrier in Brazil, as measured by ASKs. The new regional destinations have strengthened our overall network, increased connectivity, and reduced our exposure to highly competitive markets. These destinations also generate even more feeder traffic from customers connecting to our international hubs in Guarulhos, Rio de Janeiro, Brasília and Fortaleza. Continuing our international expansion, we began regular flights between São Paulo and Lima, Peru. In the period, we also launched weekly flights between Manaus and Orlando and seasonal flights between Porto Alegre and Punta del Este.

At the end of December, GOL celebrated 15 years operating in Argentina, where we have transported over 12 million passengers on 77 weekly flights.

We seek to continue our growth in domestic and international markets.

In February 2020, we announced a new codeshare with American Airlines. The flights will operate from GOL's hubs in São Paulo (GRU), Rio de Janeiro (GIG), Brasília (BSB) and Fortaleza (FOR), and will add to GOL's existing regular flights to Miami and Orlando. Also, we signed a new codeshare with Avianca Holdings that includes 60 domestic Brazil GOL destinations and 16 GOL international destinations, in 11 countries, and 26 domestic Colombia Avianca destinations and another 50 in America and Europe.

By strengthening these partnerships, we reiterate our expansion plan in both domestic and international markets and consolidate our purpose of being The First Airline For Everyone. Our codeshare with Air France-KLM covers more than 18 countries, including 66 cities in Europe and more than 30 cities in Brazil. In addition, our recently announced codeshare with American Airlines will offer more daily flights between South America and the U.S. than any other airline partnership, doubling the amount of seats we offer in this market, enabling GOL's customers to travel seamlessly to more than 30 destinations in the U.S.

Agile Fleet Management

Despite the temporary grounding of the 737 MAX aircraft, the flexibility of our fleet plan enabled us to serve all of our markets with a high utilization rate of our aircraft, which reached 12.2 hours in the quarter. GOL's route network is based on a high connectivity with the main markets. This sophisticated model has enabled us to create greater capillarity for corporate routes and a reduction in average stage length. When combined with the intensive use of data analytics and a focus on the personalization of our services, this has best positioned GOL to capture economic growth. Based on Boeing's latest forecast, we believe that the regulatory agencies will approve the return of MAX aircraft at the beginning of the second half of 2020.

At the beginning of the fourth quarter, 14 aircraft went under unplanned maintenance on pickle forks, in compliance with FAA Airworthiness Directive. Maintenance was 100% completed at the end of December when the aircraft returned to th fleet, thanks to the prompt response of GOL Aerotech.

In November 2019, GOL Aerotech was formally launched; a new business unit that leverages GOL's aircraft maintenance expertise to provide aircraft and components maintenance, repairs, and overhauls to third-party airlines. This generates a new source of revenue and reduces our costs for the Company. With 760 employees and over 600,000 hours of availability per year, GOL Aerotech is qualified by ANAC, FAA and EASA to perform maintenance services for four Boeing models: the 737 Classic, the 737 Next Generation, the 737 MAX, and the 767 family. Aviation Capital Group (ACG) and Dubai Aerospace are among our first customers. In 2020, we expect revenues of R$140 million from GOL Aerotech.

Effective Balance Sheet Management

Despite several operational challenges, such as the MAX temporary grounding and the unplanned maintenance on the pickle fork in certain NGs, GOL posted outstanding results. We registered record revenues and high margins, with operating cash flow generation around R$1.0 billion in the quarter. Through this, we implemented a R$102.4 million share repurchase program and improved our credit profile.

Quarterly net revenue increased 18.8% year-over-year, with a record of R$3.8 billion in the 4Q19. Currently, trends in revenue and passenger bookings remain strong, and the Company expects the first quarter RASK to increase by 4% to 6%, compared to 1Q19.

GOL remains the lowest unit cost leader in South America for the 19th consecutive year. Recurring CASK in 2019 increased 1.9% over the previous year, to R$21.97. Based on current trends, the Company estimates that the recurring CASK in the first quarter of 2020 will increase approximately 0% to 2%, year-over-year. The Company has a high level of fuel hedging protection in place, with around 90% hedged in the first quarter of 2020 and 68% hedged in 2020.

We are working hard to further increase GOL's competitiveness through fuel hedging.

In 4Q19, recurring earnings per diluted share were R$0.88 and recurring earnings per diluted ADS were US$0.43. Operating activities generated R$1.0 billion in cash in the quarter. From the net cash flow generation of R$637.3 million in 4Q19, we repaid R$617.1 million in debt, paid R$50.2 million of interest on own capital, and repurchased R$102.4 million of shares. Before share repurchases and interest on own capital, free cash flow to equity was R$219.2 million. On December 31, 2019, total liquidity was R$4.3 billion, R$1.3 billion higher than on December 31, 2018.

We continue to strengthen the Company's equilibrium through disciplined working capital management and capital structure optimization.

In February 2020, GOL signed sale and leaseback agreements for 11 Boeing 737 Next Generation (NG) aircraft. The transaction will reduce GOL's net debt by approximately R$500 million, comprised of a R$130 million reduction in finance leases debt and a R$370 million increase in cash liquidity. The Company plans to use a portion of these proceeds to call the outstanding amount of its 8.875% Senior Notes due in 2022. The asset management income and reduction in interest expense will contribute over R$420 million to the Company's 2020 earnings and improve GOL's credit ratios by reducing the net debt/EBITDA ratio by 0.2x and increase the EBITDA/net interest expense ratio by 0.5x.

The results obtained in GOL's aircraft disposals demonstrate the consistent market value of the

Boeing 737 aircraft and the continuous creation of value for all GOL shareholders. Making GOL The First Airline For Everyone is what drives our best-in-Brazil aviation team. We are, and will continue to be, an even stronger Company.

Domestic market

GOL's domestic supply increased by 7.0%, and demand increased by 6.6% in comparison to 4Q18. As a result, the Company's load factor reached 82.5%. GOL transported 9.2 million passengers in the quarter, an increase of 9.5% compared with the same period in 2018. In 2019, GOL's domestic supply increased by 3.5%, and demand increased by 6.2% year-over-year. The Company is the leader in transporting passengers in the Brazilian market.

International market

GOL's international supply decreased by 0.9%, and international demand decreased by 2.6% in 4Q19 compared to 4Q18. The Company's load factor in 4Q19 was 74.0%, a decrease of 1.2 p.p. During the quarter, the Company transported 0.5 million passengers in the international market, the same as in 4Q18. In 2019, GOL's international supply increased by 27.3%, and demand increased by 31.6% year-over-year.

Volume of Departures and Total Seats

The total volume of GOL departures was 68,228, an increase of 7.6% over 4Q18. The total number of seats available to the market was 12.1 million in the fourth quarter of 2019, increase of 9.6% quarter-over-quarter.

Fleet

At the end of 4Q19, GOL's total fleet was 137 Boeing 737 aircraft, comprised of 130 NGs and 7 MAXs (the latter non-operational). At the end of 4Q18, GOL's total operating fleet was 121 aircraft, of which 6 were MAX aircraft. During the quarter, GOL entered a leasing contracts for 13 additional aircraft, of which 12 were 737-800 NG aircraft and 1 was a 737-700 NG aircraft. The average age of the Company's fleet was 9.9 years at the end of 4Q19.

Total Fleet at the End of Period	4Q19	4Q18	Var.	3Q19	Var.
B737s	**137**	**121**	**+16**	**125**	**+12**
B737-7 NG	24	24	0	24	0
B737-8 NG	106	91	+15	94	+12
B737-8 MAX	7	6	+1	7	0

As of December 31, 2019, the Company had 129 firm orders for the acquisition of Boeing 737 MAX aircraft, of which 99 were orders for 737 MAX-8 and 30 orders were for 737 MAX-10.

Fleet Plan	2019	2020E	2021E	>2022E	Total
Operating Fleet at the End of the Year	**137**	**140**			
Aircraft Commitments (R$ MM)*	-	-	7,113.8	58,666.1	65,779.9

(*) Considers aircraft list price.

In February 2020, GOL signed sale and leaseback agreements on 11 Boeing 737 Next Generation (NG) aircraft. GOL's aircraft transactions demonstrate the consistent market value of Boeing 737 aircraft and the continuous value creation for all of GOL's shareholders.

Relationship with Independent Auditors

When hiring services that are not related to external auditing from its independent auditors, Smiles bases its conduct on principles that preserve the auditor's independence. Pursuant to internationally accepted standards, these principles consist of: (a) the auditors must not audit their own work, (b) the auditors must not execute managing functions for their clients and (c) the auditors must not represent their clients' legal interests.

Based on the subparagraph III, article 2 of the CVM Instruction 381/2003, the Company adopts a formal procedure to hire services other than external auditing from our auditors. The procedure consists of consulting its Audit Committee to ensure that those services shall not affect the independence and the objectivity, required for the independent audit performance. Additionally, formal statements are required from the auditors regarding their independence while providing such services.

The Company informs that its independent auditor for the period, KPMG Auditores Independentes ("KPMG") did not provide additional services not related to auditing in the 2019 fiscal year.

Glossary of industry terms

- **AIRCRAFT LEASING:** an agreement through which a company (the lessor), acquires a resource chosen by its client (the lessee) for subsequent rental to the latter for a determined period.
- **AIRCRAFT UTILIZATION:** the average number of hours operated per day by the aircraft.
- **AVAILABLE SEAT KILOMETERS (ASK):** the aircraft seating capacity multiplied by the number of kilometers flown.
- **AVAILABLE FREIGHT TONNE KILOMETER (AFTK):** cargo capacity in tonnes multiplied by number of kilometers flown.
- **AVERAGE STAGE LENGTH:** the average number of kilometers flown per flight.
- *EXCHANGEABLE SENIOR NOTES* **(ESN):** convertible securities.
- **BLOCK HOURS:** the time an aircraft is in flight plus taxiing time.
- **BREAKEVEN LOAD FACTOR:** the passenger load factor that will result in passenger revenues being equal to operating expenses.
- **BRENT:** oil produced in the North Sea, traded on the London Stock Exchange and used as a reference in the European and Asian derivatives markets.
- **CHARTER:** a flight operated by an airline outside its normal or regular operations.
- **FREIGHT LOAD FACTOR (FLF):** percentage of cargo capacity that is actually utilized (calculated dividing FTK by AFTK)
- **FREIGHT TONNE KILOMETERS (FTK):** weight of revenue cargo in tonnes multiplied by number of kilometers flown by such tonnes.
- **LESSOR:** the party renting a property or other asset to another party, the lessee.
- **LOAD FACTOR:** the percentage of aircraft seating capacity that is actually utilized (calculated by dividing RPK by ASK).
- **LONG-HAUL FLIGHTS:** long-distance flights (in GOL's case, flights of more than four hours' duration).
- **OPERATING COST PER AVAILABLE SEAT KILOMETER (CASK):** operating expenses divided by the total number of available seat kilometers.
- **OPERATING COST PER AVAILABLE SEAT KILOMETER EX-FUEL (CASK EX-FUEL):** operating cost divided by the total number of available seat kilometers excluding fuel expenses.
- **OPERATING REVENUE PER AVAILABLE SEAT KILOMETER (RASK):** total operating revenue divided by the total number of available seat kilometers.
- **PASSENGER REVENUE PER AVAILABLE SEAT KILOMETER (PRASK**): total passenger revenue divided by the total number of available seat kilometers.
- **PDP:** credit for advance payments for aircraft purchases financing.
- **REVENUE PASSENGERS:** the total number of passengers on board who have paid more than 25% of the full flight fare.
- **REVENUE PASSENGER KILOMETERS (RPK):** the sum of the products of the number of paying passengers on a given flight and the length of the flight.
- **SALE-LEASEBACK**: a financial transaction whereby a resource is sold and then leased back, enabling use of the resource without owning it.
- **SLOT:** the right of an aircraft to take off or land at a given airport for a determined period of time.
- **SUB-LEASES:** an arrangement whereby a lessor in a rent agreement leases the item rented to a fourth party.
- **TOTAL CASH:** the sum of cash, financial investments and short and long-term restricted cash.
- **WTI BARREL:** West Texas Intermediate - the West Texas region, where US oil exploration is concentrated. Serves as a reference for the US petroleum byproduct markets.
- **YIELD PER PASSENGER KILOMETER:** the average value paid by a passenger to fly one kilometer.

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Report on the Audit of the Financial Statements

To the shareholders and Board members and Officers of

GOL Linhas Aéreas S.A.

São Paulo – SP

Opinion

We have audited financial statements of Gol Linhas Aéreas S.A. ("the Company") which comprise the statement of financial position as at December 31, 2019, the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Gol Linhas Aéreas Inteligentes S.A. as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the Note 1 which mentions that the financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note referred, the Company has a negative net working capital and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1 and 36. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not qualified due to this matter.

Other matters

Statements of value added

The statement of value added (DVA) for the year ended December 31, 2019 prepared under the responsibility of the Company’s management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statement is reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added. In our opinion, the statement of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement and is consistent with the overall financial statements.

Corresponding audited values

The balance sheets as of December 31, 2018 and statements of income, comprehensive income, changes in equity and cash flows and respective notes for the year ended on that date, presented as corresponding amounts in the financial statements for the current year, were previously audited by other independent auditors, who issued a report dated April 02, 2019, without modification. The corresponding amounts related to the statements of added value (DVA), for the year ended December 31, 2018, were submitted to the same audit procedures by those independent auditors and, based on their examination, those auditors issued a report without modification.

Other information accompanying the financial statements and the auditor's report

Management is responsible for the other information comprising the management report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, July 01, 2020.

KPMG Auditores Independentes

CRC 2SP014428/O-6

(Original in Portuguese signed by)

Márcio Serpejante Peppe

Accountant CRC 1SP233011/O-8

Gol Linhas Aéreas S.A.

Statements of financial position

December 31, 2019 and 2018

(In thousands of Brazilian reais - R$)

Assets	Note	2019	2018
Current			
Cash and cash equivalents	6	340,832	252,872
Investments	7	153,413	84,941
Restricted cash	8	298,521	133,391
Trade receivables	9	775,515	533,924
Inventories	10	199,213	180,141
Recoverable Tax	11	210,571	201,814
Derivatives assets	32.2	3,500	-
Advance to suppliers and third parties	13	141,412	68,395
Other assets		98,281	38,133
Total current assets		**2,221,258**	**1,493,611**
Noncurrent			
Deposits	14	1,839,288	1,485,907
Restricted cash	8	139,386	648,957
Recoverable taxes	11	103,032	1,485
Advance to suppliers and third parties	13	48,387	-
Other credits and amounts		994	-
Related parties	28	199,256	48,758
Investments	15	1,254	1,177
Property, plant and equipment	16	5,812,952	2,612,445
Intangible assets	17	1,728,440	1,737,355
Total noncurrent assets		**9,872,989**	**6,536,084**
Total		**12,094,247**	**8,029,695**

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

Statements of financial position

December 31, 2019 and 2018

(In thousands of Brazilian reais - R$)

Liabilities and equity	Note	2019	2018
Current			
Debt	18	1,183,492	979,333
Leases	19	1,403,466	255,917
Suppliers	20	1,190,236	1,302,868
Suppliers - Forfaiting	21	554,467	365,696
Salaries		377,701	339,602
Taxes payable	22	103,020	83,619
Landing fees		728,339	556,299
Advance from ticket sales	23	1,765,822	1,528,067
Mileage program		6,041	2,689
Advances from customers	24	975,617	1,166,680
Provisions	25	203,816	70,396
Derivatives liabilities	32.2	9,080	195,444
Other liabilities		57,926	16,049
Total current assets		**8,559,023**	**6,862,659**
Noncurrent			
Debt	18	717,602	888,426
Leases	19	4,646,105	656,228
Suppliers	20	13,401	123,396
Provisions	25	1,026,252	808,084
Advances from customers	24	-	138,060
Deferred taxes	12	156,017	170,023
Taxes obligation	22	84	46,865
Derivatives liabilities	32.2	11,270	214,218
Obligations to related companies	28	3,452,816	2,305,613
Other liabilities		11,327	16,167
Total noncurrent assets		**10,034,874**	**5,367,080**
Equity (deficit)			
Capital stock	26	4,554,280	4,554,280
Capital reserves		1,154,068	1,114,159
Equity valuation adjustments		(571,088)	(500,022)
Accumulated losses		(11,636,910)	(9,368,461)
Total deficit		**(6,499,650)**	**(4,200,044)**
Total		**12,094,247**	**8,029,695**

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

Statements of operations

Quarters ended December 31, 2018 and 2017
(In thousands of Brazilian reais - R$, except basic and diluted earnings (loss) per share)

	Note	2019	2018
Net revenue			
Passenger		12,592,018	10,199,120
Cargo and other		464,678	422,404
Total net revenue	29	**13,056,696**	**10,621,524**
Cost of services provided	30	(9,751,962)	(8,963,630)
Gross profit		**3,304,734**	**1,657,894**
Operating income (expenses)			
Selling expenses		(970,859)	(815,532)
Administrative expenses		(1,024,112)	(684,145)
Other operating revenues		281,190	-
Total operating expenses	30	**(1,713,781)**	**(1,499,677)**
Equity results	15	77	387
Income (loss) before the financial result, net and income taxes		**1,591,030**	**158,604**
Financial result			
Financial income		296,761	133,195
Financial expenses		(1,381,843)	(821,708)
Total financial results	31	**(1,085,082)**	**(688,513)**
Income before exchange rate variation, net		**505,948**	**(529,909)**
Foreign exchange rate variation, net		(304,869)	(651,180)
Income (loss) before income taxes		**201,079**	**(1,181,089)**
Income Tax and Social Contribution			
Current		(1,245)	(2,041)
Deferred		14,006	14,929
Total income and social contribution taxes	12	**12,761**	**12,888**
Net income (loss) for the period		**213,840**	**(1,168,201)**
Basic and diluted earnings (loss) per common and preferred shares	27	**0.041**	**(0.222)**

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

Statements of comprehensive income

Fiscal year ended on December 31, 2019 and 2018
(In thousands of Brazilian reais - R$)

	Note	2019	2018
Net Earnings (Loss) for the Fiscal Year		**213,840**	**(1,168,201)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Actuarial Losses from Post-Employment Benefits	25.1	(41,045)	-
Cash flow hedge, net of income tax and social contribution		(30,021)	(420,706)
		(71,066)	**(420,706)**
Total comprehensive income for the year		**142,774**	**(1,588,907)**

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

Gol Linhas Aéreas S.A.

Statements of changes in equity

Fiscal year ended on December 31, 2019 and 2018

(In thousands of Brazilian reais - R$)

		Capital reserves			Equity valuation adjustments			
	Capital stock	Share-based payments	Special goodwill reserve through a merger	Goodwill reserve through a subscription of shares	Unrealized hedge gain (losses)	Post-employment benefit	Accumulated losses	Total
Balances as of December 31, 2017 (Restated)	**4,554,280**	**-**	**1,070,755**	**43,404**	**(79,316)**	**-**	**(8,201,892)**	**(2,612,769)**
Initial adoption of accounting standard - CPC 48 (IFRS 9)	-	-	-	-	-	-	1,632	1,632
Other comprehensive income, net	-	-	-	-	(420,706)	-	-	(420,706)
Net loss for the period	-	-	-	-	-	-	(1,168,201)	(1,168,201)
Balances as of December 31, 2018	**4,554,280**	**-**	**1,070,755**	**43,404**	**(500,022)**	**-**	**(9,368,461)**	**(4,200,044)**
Initial adoption of accounting standards	-	-	-	-	-	-	**(2,482,289)**	**(2,482,289)**
Balance After Adoption of Accounting Standards	**4,554,280**	**-**	**1,070,755**	**43,404**	**(500,022)**	**-**	**(11,850,750)**	**(6,682,333)**
Other comprehensive income, net	-	-	-	-	(30,021)	(41,045)	-	(71,066)
Net income (loss) for the period	-	-	-	-	-	-	213,840	213,840
Total comprehensive income loss for the period	**-**	**-**	**-**	**-**	**(30,021)**	**(41,045)**	**213,840**	**142,774**
Share-based payments	-	39,909	-	-	-	-	-	39,909
Balances as of December 31, 2019	**4,554,280**	**39,909**	**1,070,755**	**43,404**	**(530,043)**	**(41,045)**	**(11,636,910)**	**(6,499,650)**

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

Gol Linhas Aéreas S.A.

Statements of cash flows

Fiscal year ended on December 31, 2019 and 2018
(In thousands of Brazilian reais - R$)

	2019	2018
Net Earnings (Loss) for the Fiscal Year	213,840	(1,168,201)
Adjustment to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,701,115	651,157
Allowance (reversal) for doubtful accounts	5,663	(9,785)
Provision for legal proceedings	179,454	225,378
Provision for inventory obsolescence	1,494	5,023
Adjustment to Present Value of Advance from Suppliers	10,604	-
Deferred taxes	(14,007)	(14,929)
Discounts granted in advance ticket sales	74,160	127,251
Equity results	(77)	(387)
Share-based payments	39,909	17,091
Actuarial Losses from Post-Employment Benefits	4,907	-
Foreign exchange, net	335,060	630,621
Interest on debt, financial lease, and other operations	741,059	390,642
Provision and amortization for aircraft and engine return	357,206	-
Provision for maintenance reserve	(33,522)	-
Results of derivatives recognized in Results	(94,527)	(13,239)
Termination of obligation due to term reduction	(275,921)	-
Provision for labor obligations	271,781	101,483
Disposals of property, plant, and equipment and intangible assets	139,766	(146,613)
Others	136	65,333
Adjusted Net Income	**3,658,100**	**860,825**
Changes in operating assets and liabilities:		
Trade receivables	(249,737)	87,256
Investments	(53,360)	1,276
Inventories	(20,566)	(6,673)
Deposits	(290,224)	(357,785)
Recoverable taxes	(110,304)	-
Suppliers	(272,185)	70,378
Suppliers - Forfaiting	188,771	267,502
Advance from ticket sales	237,755	159,840
Mileage program	3,352	1,934
Advances from customers	(403,283)	304,156
Salaries	(233,682)	(48,753)
Landing fees	172,040	204,109
Taxes obligation	51,919	3,073
Derivatives liabilities	(31,228)	(20,998)
Capped call of fuel derivative	(43,008)	29,383
Advance to suppliers and third parties	(132,008)	-
Payments for Lawsuits and Aircraft Return	(307,454)	(225,129)
Operating leases payable	-	103,838
Other assets (liabilities)	(24,105)	(204,386)
Interest paid	(142,624)	(217,776)
Income tax paid	(79,299)	(38,732)
Net cash flow from operating activities	1,918,870	**973,338**
Transactions with related parties	(151,093)	495,915
Restricted cash	387,576	(547,576)
Receipt of Dividends and Interest on Shareholders' Equity through Subsidiary	-	543
Advances for property, plant and equipment acquisition, net	(38,358)	-
Acquisition of fixed assets	(861,790)	(676,091)
Acquisition of intangible assets	(42,400)	(62,544)
Net cash flows used in investing activities	**(706,065)**	**(789,753)**

(In thousands of Brazilian reais - R$)

	2019	2018
Loans and financing issued, net of costs	559,560	1,185,849
Costs of Borrowing and Repurchasing Securities	(2,909)	-
Loan and financing payments	(743,217)	(1,318,349)
Lease payments	(1,616,426)	(251,557)
Capped call	(254,070)	-
Transactions with related parties	927,273	-
Net cash flows (used in) from financing activities	**(1,129,789)**	**(384,057)**
Foreign exchange variation on cash	4,944	(23,602)
Net (decrease) increase in cash and cash equivalents	**87,960**	**(224,074)**
Cash and cash equivalents at the beginning of the year	252,872	476,946
Cash and cash equivalents at the end of the year	340,832	252,872

Transactions that do not affect cash are presented in Note 33 of these financial statements.

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

Gol Linhas Aéreas S.A.

Statements of value added

Fiscal year ended on December 31, 2019 and 2018
(In thousands of Brazilian reais - R$)

	2019	2018
Revenues		
Passengers, Cargo and Other	13,523,358	11,204,977
Other operating revenues	282,105	242,894
Allowance for doubtful accounts	(13,494)	24,775
	13,791,969	**11,472,646**
Inputs acquired from third parties (including ICMS and IPI)		
Suppliers of aircraft fuel	(4,047,344)	(3,958,158)
Material, electricity, third-party services and others	(3,073,835)	(2,623,821)
Aircraft insurance	(25,676)	(20,543)
Sales and marketing	(587,107)	(533,180)
Gross value added	**6,058,007**	**4,336,944**
Depreciation and amortization	(1,701,115)	(651,157)
Value added produced	**4,356,892**	**3,685,787**
Value-added received in transfer		
Equity results	77	387
Financial income	296,761	1,754,398
Value added for distribution	**4,653,730**	**5,440,572**
Distribution of value-added:		
Salaries	1,538,703	1,442,745
Benefits	186,867	161,672
FGTS	128,886	101,613
Personnel	**1,854,456**	**1,706,030**
Federal taxes	841,483	604,545
State taxes	21,750	20,762
Municipal taxes	3,666	3,164
Tax, charges and contributions	**866,899**	**628,471**
Interest	1,655,651	3,093,419
Rent	62,760	1,180,728
Other	124	125
Third-party capital remuneration	**1,718,535**	**4,274,272**
Net Earnings (Loss) for the Fiscal Year	213,840	(1,168,201)
Remuneration of own capital	**213,840**	**(1,168,201)**
Value added distributed	**4,653,730**	**5,440,572**

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

1. General information

GOL Linhas Aéreas S.A. (“Company”, “GOL” or “GLA”), is a wholly-owned subsidiary of Gol Linhas Aéreas Inteligentes S.A. (“GLAI”) and is mainly engaged in:

- the regular and non-regular flight transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the regulator;
- other activities in relation to flight transportation services of passengers, cargo and mailbags;
- services to maintain and repair its own or third-party’s aircraft, engines and parts;
- airplane hangar services;
- services to manage aprons and runways, contract crew members and clean aircraft;
- the development of other activities related or supplementary to flight transportation and other above-mentioned activities; and
- development of loyalty programs.

The Company’s corporate address is located at Pça. Senador Salgado Filho, s/n, Sala de Gerência – Back Office, área pública, eixos 46-48/O-P, Rio de Janeiro, Brazil.

As of March 11, 2019, as a result of the second accident involving a Boeing 737 Max 8 aircraft, the Company’s Management decided to suspend the operation of its seven aircraft prior to this being mandated by regulatory authorities, given that safety is the Company’s number one priority. As a result of this strategy, the Company quickly reconfigured its flight network. The use of these aircraft is subject to authorization by the Brazilian regulatory authorities and destination countries, mainly the United States of America. The Company did not need and does not intend to interrupt any of its routes due to the suspension of the use of these aircraft.

The Company’s Management assessed and carried out impairment tests for these aircraft by comparing their book value with the market value indicated in specialized publications (“BlueBook”), concluding that there are no losses related to the right-of-use asset and, therefore, no provision was recognized.

1.1. Capital structure and net working capital

As of December 31, 2019, the Company had a consolidated deficit of R$6,499,650 (R$4,200,044 on December 31, 2018) and a negative net working capital of R$6,337,765 (R$5,369,048 on December 31, 2018). The increase in consolidated deficit is mainly a consequence of the initial adoption of IFRS 16 - “Leases”, with an impact of R$2,436,334 in the consolidated financial statements.

According to Management’s assessment, the consolidated current assets and the forecasts of net cash flows generated by operating activities will be sufficient to meet the Company’s need for working capital and capital expenditures for the foreseeable future.

This assessment considers the sale of 11 aircraft which was announced subsequent to year-end on February 11, 2020 (see note 36.1.2)

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

Furthermore, Management's assessment considers the Company's business plan including future actions planned by Management, as well as other relevant macroeconomic and sector specific assumptions, like actual forecasts of the USD foreign exchange rate and fuel prices. Management's assessment also considers that the Company carried out several initiatives to adjust its fleet size and match seat supply to demand, in order to maintain a high load factor, reduce costs and adjust its capital structure.

Considering the unpredictability of the economic crisis triggered by the COVID-19 pandemic and its impacts, Management concluded that there are substantial doubt related to the Company's ability to continue operating, but that the assumption of continuity is still valid, considering all relevant information available up to the authorization date for issuing these financial statements, as well as the business plan. As such, these consolidated financial statements do not include any adjustments that might result from Company's inability to continue as a going concern. If the Company cannot continue as a going concern, adjustments to the carrying values and classification of our assets and liabilities and the reported amounts of income and expenses could be required and could be material.

1.2. Ownership structure

The corporate structure of the Company and its subsidiaries, on December 31, 2019, is shown below:

Entity	Date of Incorporation	Location	Principal Activity	Type of Control	% of Interest in the capital stock 2019	2018
Subsidiaries:						
AirFim	November 7, 2003	Brazil	Investment Funds	Indirect	100.0	100.0
Sul América Gol Max	March 14, 2014	Brazil	Investment Funds	Indirect	-	100.0
Company in Shareholding:						
SCP Trip	April 27, 2012	Brazil	Flight Magazine	Indirect	60.0	60.0

1.3. Compliance program

Since 2016, the Company has adopted several measures to strengthen and expand its internal control and compliance programs, among which we can highlight:

- hiring specialized companies to assess risks and review internal controls regarding fraud and corruption;
- integrating risk, compliance and internal control functions through the Executive Board of Corporate Risks, Compliance and Internal Controls, reporting directly to the CEO and with independent access to the Board of Directors and the Statutory Audit Committee;
- monitoring transactions with politically exposed people;
- improving the procedures to supervise the execution of contracted services;
- updating the procurement and contract management flow policies;
- reviewing the code of ethics, the conduct manual, and many compliance policies, including massive mandatory training.

As previously disclosed in the financial statements for the year ended December 31, 2017, and 2018, the Company entered into an agreement with the Brazilian Federal Public Ministry in December 2016 (“Agreement”), under which the Company agreed to pay R$12 million in fines and make improvements to its compliance program. In turn, the Federal Public Ministry agreed not to raise any charges related to activities that are the subject of the Agreement. In addition, the Company paid R$4.2 million in fines to the Brazilian tax authorities.

GLAI voluntarily informed the U.S. Department of Justice (“DOJ”), the Securities and Exchange Commission (“SEC”), and the Brazilian Securities and Exchange Commission (“CVM”) of the Agreement and the independent external investigation hired by the Company, and about the Agreement. The investigation was completed in April 2017 and revealed that immaterial payments were made to politically exposed people. None of the current employees, representatives, or members of GLAI’s Board or Management knew of any illegal purpose behind any of the transactions identified, or of any unlawful benefit to the Company arising from the investigated operations.

GLAI informed the due authorities of the result of the investigation and will continue to communicate on the development of the issue, following the analyzes already initiated by these bodies. These authorities may impose fines and possibly other sanctions on GLAI.

There were no further developments on the subject during the year ended December 31, 2019.

2. Statement of the Management, basis for preparing and presenting the financial statements

The Company’s financial statements were prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The accounting practices adopted in Brazil include those in the Brazilian Corporation Law and in the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (“CPC”), and approved by the Federal Accounting Council (“CFC”) and the Brazilian Securities and Exchange Commission (“CVM”).

The Company’s individual financial statements were prepared based on the Real (“R$”) as the functional and presentation currency, expressed in thousands of Reais, except when otherwise indicated. The disclosures of amounts in other currencies, when necessary, were also made in thousands. The items disclosed in foreign currencies are duly identified, when applicable.

The preparation of the Company’s individual financial statements requires Management to make judgments, use estimates, and adopt assumptions affecting the stated amounts of revenues, expenses, assets, and liabilities. However, the uncertainty inherent in these judgments, assumptions, and estimates could give rise to results that require a material adjustment of the book value of certain assets and liabilities in future reporting years.

The Company is continually reviewing its judgments, estimates, and assumptions.

The Management, when preparing these financial statements, used the following disclosure criteria: (i) regulatory requirements; (ii) relevance and specificity of the information on the Company’s operations to users; (iii) the informational needs of users of financial statements; and (iv) information from other entities in the same industry, mainly in the international market.

Management confirms that all the material information in this individual financial statements are being demonstrated and corresponds to the information used by Management in the development of its business management activities.

The individual financial statements have been prepared based on historical cost, with the exception of the following material items recognized in the balance sheets:

- short-term investments classified as cash and cash equivalents measured at fair value;
- short-term investments comprising exclusive investment funds, measured at fair value;
- restricted cash measured at fair value;
- derivative financial instruments measured at fair value; and
- investments accounted for using the equity method.

The Company's individual financial statements for the years ended December 31, 2019, and 2018 have been prepared assuming that it will continue as going concern, realizing assets and settling liabilities in the normal course of business, as per Note 1.1.

3. Approval of Financial Statements

The approval and authorization for the issuance of these financial statements took place at the Board of Directors' meeting held on June 29, 2020.

4. Summary of significant accounting practices

4.1. Investments

Investments in associates are initially recognized at cost and subsequently adjusted using the equity method. If the investee generates operating losses that lead the shareholders' equity to become negative, the Company adopts the provisions set forth in CPC 18 - "Investment in Associates, Subsidiaries and Jointly-Controlled Companies", corresponding to IAS 28, and does not make additional records. The equity method result is recorded again when the investee recovers all accumulated losses.

4.2. Cash and Cash Equivalents

The Company classifies in this group the balances of cash, banks, and financial investments of investment funds and securities of immediate liquidity, which, according to analyzes, are readily convertible into a known amount of cash with an insignificant risk of change in value. Financial investments classified in this group, due to their very nature, are measured at fair value through profit or loss and will be used by the Company in a short period of time.

4.3. Investments

In the presentation and measurement of financial assets, the Company considers the provisions of CPC 48 - "Financial Instruments", corresponding to IFRS 9, which establishes that financial assets must be initially measured at fair value less costs directly linked to their acquisition. In turn, the subsequent measurement is divided into two categories:

4.3.1. Amortized Cost

Financial investments are measured at amortized cost when all of the following conditions are met:

- the Company plans to hold the financial asset to collect the contractual cash flows;

- the contractual cash flows represent only the payments of interest and principal ("SPPI"); and

- the Company did not opt for the fair value methodology to remove inconsistencies in the measurement, which are called "accounting mismatch".

4.3.2. Fair Value

- through comprehensive income: financial investments will be measured at fair value through comprehensive income when both of the following conditions are met: (i) the Company plans to hold the financial asset to collect the contractual cash flows and sell the asset; and (ii) the contractual cash flows represent SPPI;

- through profit or loss: considered a residual category, that is, if the Company does not plan to hold the financial asset to collect the contractual cash flows and/or sell the asset, it must be measured at fair value through profit or loss.

The financial instruments designated at fair value through profit or loss are to eliminate or significantly reduce an accounting mismatch, thus appraised at market value.

4.4. Restricted cash

Restricted cash includes financial investments measured at fair value through profit or loss, used mainly as guarantees linked to short- and long-term financial instruments.

4.5. Trade Receivables

They are measured based on the invoiced figure, net of estimated losses on provision for loan losses, and approximate the fair value given their short-term nature. With the adoption of CPC 48 - "Financial Instruments", corresponding to IFRS 9, as of January 1, 2018, the provision for loan losses is now measured through a simplified approach, using historical data, projecting the expected loss over the contractual life and no longer based on the historical loss incurred, by segmenting the receivables portfolio into groups that have the same receipt pattern and according to the respective maturity terms. In addition, for certain cases, the Company carries out individual analyzes to assess the receipt risks.

4.6. Inventories

Inventory balances mainly include materials for maintenance and replacement of parts. Inventories are measured at the average acquisition cost plus expenses such as non-recoverable taxes and customs expenses incurred in the acquisition and transportation expenses until the current location of the items. Provisions for inventory obsolescence are recorded for those items that have no expectation of realization.

4.7. Income Tax and Social Contribution

4.7.1. Current Taxes

In Brazil, includes income tax ("IRPJ") and social contribution on profit ("CSLL"), which are calculated monthly based on the taxable income, after offsetting tax losses and negative social contribution base, limited to 30% of the taxable income, applying the rate of 15% plus an additional 10% for the IRPJ and 9% for the CSLL.

4.7.2. Deferred Taxes

Deferred taxes represent credits and debits on IRPJ's tax losses and negative CSLL bases, as well as temporary differences between the tax and accounting bases. Deferred tax and contribution assets and liabilities are classified as non-current.

An impairment loss on these assets is recognized when the Company's internal studies indicate that the future use of these credits is not probable.

Deferred tax assets and liabilities are shown net if there is an enforceable legal right to offset tax liabilities against tax assets. However, for presentation purposes, if related to taxes levied by the same tax authority under the same taxable entity, the balances of tax assets and liabilities that do not meet the legal criterion of realization are disclosed separately. Deferred tax assets and liabilities should be measured at the rates that are expected to be applicable in the period in which the asset is realized, or the liability is settled, based on the tax rates and legislation in force on the date of the financial statements.

The forecast of future taxable income on tax losses and negative social contribution base is prepared based on the business plans and are reviewed and approved annually by the Company's Board of Directors.

4.8. Rights and Obligations with Derivative Financial Instruments

Variations in interest rates, foreign exchange rates, and aviation fuel prices expose the Company to risks that may affect their financial performance. To mitigate such risks, the Company contracts derivative financial instruments that may or may not be designated for hedge accounting and, if designated, are classified as cash flow hedge.

4.8.1. Derivative Financial Instruments not designated as Hedge Accounting

The Company may contract derivative financial instruments that are not designated for hedge accounting when the Risk Management's purposes do not require such classification. Transactions not designated as hedge accounting have the change in their fair value accounted for directly in the financial result.

4.8.2. Derivative Financial Instruments classified as Cash Flow Hedge

The instruments designated as cash flow hedge have the purpose of protecting future results arising from changes in interest rates and fuel prices. The effectiveness of the variations is estimated based on statistical methods of correlation and by the proportion between the hedge's gains and losses and the variation of the costs and expenses protected. The effective variations in fair value are recorded in the shareholders' equity in "Other Comprehensive Income", up to the recognition of the result of the hedge's object in the same item in the income statement in which such item is recognized. The inefficiencies found in each reporting period are recognized in the financial result. The hedge transactions recorded in "Other Comprehensive Income" are net of tax effects, and the respective tax credits are only recognized when expected to be realized.

4.8.3. Derecognition and Write-Off of Derivative Financial Instruments

The hedge accounting is discontinued prospectively when the Company (i) cancel the protection relationship; (ii) the derivative instrument expires or is sold, terminated or executed, (iii) when there is low predictability of realization of the hedge's object, or (iv) when it no longer qualifies as hedge accounting. If the operation is discontinued, any gains or losses previously recognized in "Other Comprehensive Income" and accumulated in the shareholders' equity up to that date are immediately recognized in the result for the year.

4.9. Deposits

4.9.1. Deposits for the Maintenance of Aircraft and Engines

Refer to payments made in US dollars to lessors for the future maintenance of aircraft and engines. The realization of these assets occurs, substantially, in the use of the deposit for payment to the workshop when the maintenance is carried out or through the receipt of financial resources, according to the negotiations carried out with the lessors. The exchange rate change of these payments is recognized as an expense or income in the financial result. The Management regularly assesses the recovery of these deposits based on the eligibility of the application of such amounts in future maintenance events and believes that the figures reflected in the balance sheet are realizable.

Some of the agreements foresee that, if there are no maintenance events with the possibility of using the deposits, the deposits for this operation are not refundable. Such amounts are retained by the lessor and represent payments made according to the use of the components until the return date. Figures in this category are recognized directly in the income statement due to payments made under the item "Maintenance, Material, and Repair".

In addition, the Company has agreements with some lessors to replace deposits for credit bills, which can be executed by the lessors if the maintenance of the aircraft and engines does not occur according to the review schedule. Several aircraft lease agreements do not require maintenance deposits and have credit bills to ensure the maintenance is carried out in the scheduled periods (see Note 14). Until December 31, 2019, no credit bill had been executed against the Company.

4.9.2. Deposits as Guarantee and Collateral for Lease Agreements

Deposits and guarantees are denominated in US dollars and updated monthly by the foreign exchange rates, without interest income and are refundable to the Company at the end of the lease agreements.

4.9.3. Judicial deposits

In the course of the lawsuits brought against the Company and on which the legitimacy of the claims is questioned, the Company may be required to make appeals and/or judicial deposits to continue its defense strategy. These amounts are monetarily restated, mostly by inflation indexes, and are characterized as non-reachable resources by the Company, pending a judicial decision.

4.10. Property, plant, and equipment

Property, plant, and equipment, including rotables (spare parts), are recorded at acquisition and/or construction cost and include interest and other financial charges. Every item of the property, plant, and equipment that has a significant cost in relation to the total asset is depreciated separately. The estimated economic useful life of property, plant, and equipment, for purposes of depreciation, is shown in Note 16.

The estimated market price at the end of its useful life is the premise used to set the residual value of the Company's property, plant, and equipment. With the exception of aircraft classified as financial leases, the other items have no residual value. The residual value and useful life of the assets are reviewed annually by the Company. Any variation due to changes in the expectation of using such items results in prospective changes.

The book value of the property, plant, and equipment is analyzed to verify possible impairment loss when facts or changes in circumstances indicate that the book value is greater than the estimated recoverable amount. The book value of the aircraft is annually tested for impairment, even if there are no circumstances that indicate losses.

An item of property, plant, and equipment is written-off after disposal or when there are no future economic benefits resulting from the continued use of the asset. Any gains or losses on the sale or write-off of an item are established by the difference between the amount received on the sale and the book value of the asset and are recognized in the result.

Additionally, the Company adopts the following treatment for the groups below:

4.10.1. Prepayments for Aircraft Acquisition

Refers to prepayments in US dollars made to Boeing for the acquisition of 737-MAX aircraft. Prepayments are converted at the historical rate.

4.10.2. Lease Agreements

On December 31, 2018, in lease agreements in which the risks and benefits of the leased asset were transferred to the Company, the asset was recognized in the balance sheet with a corresponding entry in the financial liability, at the beginning of the lease term, at amounts equivalent to the value fair value of the leased asset or, if lower, at the present value of the minimum lease payment.
Leased assets were depreciated over their useful lives. However, when there was no reasonable certainty that the Company would obtain the property at the end of the lease term, the asset was depreciated over its estimated useful life or within the lease term, whichever is less.

The other aircraft and engine leases were classified under the operating modality, and payments were recognized as an expense in the income statement on a straight-line basis over the term of the agreement, under the item “Operating Leases”. The future payments of such agreements did not represent an obligation recorded in the balance sheet; however, the commitments undertaken were duly presented in the Notes.

As of January 1, 2019, the Company started recording lease agreements in accordance with CPC 06 (R2) - “Lease Operations”, corresponding to IFRS 16, which differs significantly from the accounting practice previously adopted.

The new accounting practice, as well as the effects of its adoption, are presented in detail in Item 4.24.1 of these financial statements.

4.10.3. Sale and Leaseback Transactions

The calculation to recognize the result of sale-leaseback transactions uses the fair value of the negotiated asset as a reference. The source of information to obtain the fair value is the market price for items of a similar nature.

After the fair value is defined, gains or losses are initially calculated based on the difference between the fair value and the book value of the assets and subsequently adjusted according to the proportionality of the right of use transferred to the lessor (the latter being the effective value recognized in the result as income or loss).

The proportionality calculation is carried out considering the fair value less the difference between the lease payment flow brought to present value and the embedded financing (we consider that there is an embedded financing when the transaction is carried out above the fair value; when the transaction is carried out below the fair value, we consider that there is a prepayment and, therefore, such amount is directly adjusted to the use right recognized in the asset).

4.10.4. Capitalization of Contractual Obligations with Aircraft Return Conditions

The Company records estimates of expenses at the start date of the lease agreements to meet aircraft return conditions as part of the cost of assets with a corresponding entry to a provision in liabilities. After the initial registration, the asset is depreciated on a straight-line basis over the contractual term, according to the capital remuneration rates (“WACC”), and the effects are recorded in the financial statements under “financial expenses”. The provision is reviewed annually.

4.10.5. Capitalization of Expenses with Major Maintenance of Engines, Aircraft, Landing Gear and APUs (Auxiliary Power Unit)

Expenses with major maintenance events, which include replacement of parts and labor, are capitalized only when there is an extension of the estimated useful life of the corresponding asset. Such costs are capitalized and depreciated over the estimated period to be incurred until the next major maintenance. Expenses incurred that do not extend the useful lives of assets are recognized directly in the income statement.

4.11. Intangible Assets

4.11.1. Finite Useful Life

Intangible assets acquired are measured at the cost of their initial recognition. After initial recognition, intangible assets with finite useful lives, usually software, are stated at cost, less the accumulated amortization and impairment losses, when applicable. Intangible assets generated internally, excluding development costs, are not capitalized, and the expense is reflected in the income statement for the year in which it was incurred.

The useful life of an intangible asset is evaluated as finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and are assessed for impairment whenever there is an indication of impairment. The amortization period and method for an intangible asset with a finite life are reviewed at least at the end of each fiscal year. The amortization of intangible assets with finite lives is recognized in the income statement in the expense category consistent with the useful economic life of the intangible asset.

4.11.2. Indefinite Useful Life

4.11.2.1. Goodwill for Expected Future Profitability

In this category, the amounts corresponding to the goodwill arising from business combinations carried out by the Company are recorded. The goodwill value is tested annually by comparing the book value with the recoverable value of the cash-generating unit. The Management evaluates and establishes assumptions to assess the impact of macroeconomic and operational changes, to estimate future cash flows and measure the recoverable value of assets.

4.11.2.2. Airport Operation Rights (“Slots”)

In the business combination of Company and Webjet, slots were acquired, recognized at their fair values on the acquisition date, and were not amortized. The estimated useful life of these rights was considered indefinite due to several factors and considerations, including requirements and permits to operate in Brazil and the limited availability of use rights at the most important airports in terms of air traffic volume. The book value of these rights is assessed annually regarding its recoverable amount or in cases of changes in circumstances that indicate that the book value may not be recoverable. No impairment loss has been recorded to date.

4.12. Debt

Loans and financing are initially recognized at fair value less any directly attributable transaction costs. After the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method, except for the contracted derivatives linked to Exchangeable Senior Notes, which are measured at fair value through profit or loss.

4.13. Suppliers and Other Obligations

They are initially recognized at fair value and subsequently increased, when applicable, by the corresponding charges and monetary and exchange rate changes incurred up to the closing dates of the financial statements.

4.13.1. Suppliers - Forfaiting

The Management carried out a negotiation with suppliers with the purpose of extending payment terms. Accordingly, the Company signed an agreement with financial institutions that allows receivables from its suppliers to be anticipated. Considering that the anticipation of this receipt with the financial institutions is an option of the suppliers, as well, the Company is not reimbursed and/or benefited by the financial institution with discounts for payment before the maturity date agreed with the supplier, there is no change in the degree of subordination in case of judicial execution.

On December 31, 2019, the balance of suppliers that benefited from the agreement corresponded to R$554,467 (R$365,696 on December 31, 2018), as described in Note 21.

4.14. Advance from ticket sales

Represents the Company's obligations to provide air transportation services and other ancillary services to its clients, net of breakage revenue already recognized in the income statement, as detailed in Note 4.18.1.

4.15. Provisions

4.15.1. Provision for Aircraft Return

Aircraft negotiated under an operating lease regularly have contractual obligations establishing conditions for return. In these cases, the Company makes provisions for the return costs, since these present obligations, arising from past events and which will generate future disbursements, which are measured with reasonable certainty. These expenses basically refer to expenses related to aircraft reconfiguration (interior and exterior), obtaining licenses and technical certifications, return checks, painting, etc., as established in the agreement. The estimated cost is initially recorded at the present value in property, plant, and equipment, and the corresponding entry of the provision for aircraft return is recorded in the "Provisions". After the initial record, the liability is updated according to the capital remuneration rate estimated by the Company, with a corresponding entry in the financial result. Any changes in the estimate of expenses to be incurred are recorded prospectively.

4.15.2. Provision for Return of Engines

They are estimated based on the minimum contractual conditions under which the equipment must be returned to the lessor, observing the historical costs incurred and the conditions of the equipment at the time of the appraisal. These provisions are recorded in the income statement for the year from the moment the contractual requirements are met, and the next maintenance is scheduled for a date later than the date scheduled to return the engine. The Company estimates the provision for the return of the engine according to the expense expected to incur and when the amount can be reliably estimated. The amount of a provision will be the present value of the expenses that are expected to be required to settle the minimum obligation. The term will be based on the date that the leased engine is expected to be returned, that is, the term of the lease.

4.15.3. Provision for Tax and Labor Risks

Provisions are recognized when the Company has a present obligation, formalized or not, as a result of a past event, and it is probable that economic benefits will be required to settle the obligation and a reliable estimate of its value can be made.

The Company is a party to several legal and administrative proceedings, mainly in Brazil. Assessments of the likelihood of loss in these lawsuits include an analysis of the available evidence, the hierarchy of laws, the available jurisprudence, the most recent court decisions, and their relevance in the legal system, as well as the assessment of external lawyers. Provisions are reviewed and adjusted to reflect changes in circumstances, such as the applicable statute of limitations, conclusions of tax inspections, or additional exposures identified based on new matters or court decisions.

4.16. Post-Employment Benefit

As of the year ended December 31, 2019, the Company started to recognize actuarial assets and liabilities related to the health care plan benefits offered to its employees in accordance with CPC 33 (R1) - “Benefits to Employees”, corresponding to IAS 19. Actuarial gains and losses are recognized in other comprehensive income based on the actuarial report prepared by independent experts, while the benefits paid directly by the Company, the cost of current service and the cost of interest are recognized in the result for the year.

The Management assessed the impact of not adopting the standard in previous years and concluded that the effects were immaterial and did not lead to losses to users of the previously disclosed financial statements (see note 25.1).

4.17. Recognition of Revenue

4.17.1. Revenue from Passengers, Cargo and Ancillary Services

Passenger revenue is recognized when air transportation is actually provided. Tickets sold but not yet used are recorded in the item of advance from ticket sales, representing deferred revenue from tickets sold to passengers to be transported at a future date, net of the estimated breakage revenue.

Breakage revenue calculates, on a historical basis, tickets issued that will expire due to non-use, that is, passengers who have purchased tickets and are highly likely not to use them. The calculations are reviewed at least once a year to reflect and capture changes in customer behavior in relation to ticket expiration.

Revenues from cargo shipments are recognized when performance obligations are met.

Other revenues that include charter services, on-board sales services, flight rebooking fees, baggage drop-off, and other additional services are recognized along with the primary passenger transportation obligation.

4.17.2. Adoption of Hedge Accounting to Protect Future Revenues with Passengers and Ancillary Services

In the regular course of its operations, the Company has recurring sales in U.S. dollars ("US$"), mainly as a result of international routes in South, Central, and North America. Accordingly, as of August 1, 2019, the Management has adopted the cash flow hedge accounting as a hedge for future foreign currency revenues, which are considered highly probable, as provided for and stated in Paragraph 6.3.1 of CPC 48, using as hedge instruments 50 lease agreements recorded as a debt due to the adoption of CPC 06 (R2).

With the adoption of hedge accounting, the foreign exchange gains and losses arising from the lease agreements (hedge instrument) will be accumulated in shareholders' equity, "Adjustments to Equity Valuation", appropriated to the Company's results upon the realization of the income from sales in US$.

Hedge accounting derives from the natural hedge of the Company's operations, portrayed by cash flow (revenues and amortization of debt in US$) and does not represent an increase in financial costs, allowing the elimination of some of the exchange rate volatility in the Company's results. The final position of shareholders' equity is not affected by the adoption of this accounting practice. The elements of hedge accounting are: (1) hedged object: highly probable sales revenue in US$; (2) hedge instrument: 50 lease agreements linked to US$; (3) designated amount: 60 months of highly probable revenues based on a range of 80 to 85% of historically earned revenues, totaling US$903,102 at the initial adoption; (4) nature of the hedged risk: exchange rate change; (5) specification of the hedged risk: USD/BRL spot exchange rate change; (6) type of hedge: cash flow.

On December 31, 2019, the losses accumulated in other comprehensive income totaled R$165,436.

4.18. Financial Revenues and Expenses

Include interest income on amounts invested, exchange rate changes on assets and liabilities, changes in the fair value of financial assets measured at fair value through profit or loss, gains and losses on hedge instruments that are recognized in the result and interest on loans and financing, interest on loans, commissions and bank charges, among others. Interest income and expenses are recognized in the income statement using the effective interest method.

4.19. Earnings (Loss) per Share

Basic earnings per share are calculated by dividing the net income for the year attributed to the Company's controlling shareholders by the weighted average number of all classes of shares outstanding during the year.

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of shares outstanding by instruments potentially convertible into shares unless these adjustments are not dilutive.

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

4.20. Transactions in Foreign Currency

Foreign currency transactions are recorded at the exchange rate change prevailing on the date on which the transactions take place. Monetary assets and liabilities designated in foreign currency are calculated based on the exchange rate change on the balance sheet date. Any difference resulting from the translation of currencies is recorded under the item "Exchange Rate Change, Net" in the income statement for the year.

The exchange rate changes in reais in effect on the base date of these financial statements are as follows:

	Final Rate		Average rate	
	2019	2018	2019	2018
US Dollar	4.0307	3.8748	4.1102	3.8841
Argentinian Peso	0.0673	0.1028	0.0686	0.1026

4.21. Statement of Added Value ("DVA")

It has the purpose of showing the wealth generated by the Company and its distribution during a given year. Presented by the Company as required by Brazilian Corporation Law as part of its financial statements, as it is not a forecasted nor mandatory statement under IFRS standards. The DVA was prepared based on information obtained in the accounting records following the provisions in CPC 09 - "Statement of Added Value".

4.22. Main Accounting Estimates and Assumptions Used

As disclosed in Note 2, the Management made judgments that have a significant effect on the amounts recognized in the financial statements, namely:

- ticket breakage revenue (Note 4.18.1);
- allowance for expected loss on trade receivables accounts (Note 9);
- annual analysis of the recoverable amount of taxes to be recovered and deferred (Note 12);
- advances to suppliers and third parties (Note 13);
- analysis of recoverability of maintenance deposits (Note 14);
- useful life of property, plant, and equipment and intangible assets with defined useful life (Notes 16 and 17);
- annual analysis of the recoverable amount of goodwill (Note 17);
- slot recovery analysis (Note 17);
- advance from ticket sales (Note 23);
- provisions for post-employment benefits (Note 25);
- provision for tax, civil and labor risks (Note 25);
- provision for the return of aircraft and engines (Note 25);
- share-based compensation transactions (Note 28.6);
- rights and obligations with derivative transactions (Note 32); and
- fair value of financial instruments (Note 32).

The Company continuously reviews the assumptions used in its accounting estimates. The effect of revisions to accounting estimates is recognized in the financial statements in the period in which such revisions are made.

4.23. New Accounting Standards and Pronouncements Adopted in the Current Year

4.23.1. CPC 06 (R2) - "Leases", equivalent to IFRS 16

CPC 06 (R2) establishes the principles for recognizing, measuring, presenting and disclosing lease transactions and requires lessees to recognize all leases in accordance with a single statement of financial position model, similar to the recognition of finance leases pursuant to CPC 06 (R1). The standard includes two recognition exemptions for lessees: leases of "low value" assets, for example, personal computers, and short-term leases, i.e., leases for which the term ends within 12 months or less.

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

At the beginning of a lease, lessees recognize a liability to carry out payments (lease liability) and an asset representing the right to use the leased item for the lease term (right-of-use asset). Lessees shall recognize interest expenses separately from the lease liability and depreciation expenses of the right-of-use asset.

Lessees shall also reassess the lease liability if certain events occur, such as a change in the term of the lease or a change in future lease payment flows due to a variation in the reference index or rate used to calculate such payments. In general, lessees shall recognize any remeasurement to the lease liability as an adjustment against the right-of-use asset.

Among the adoption methods provided for in the standard, the Company chose to adopt the modified retrospective approach. Therefore, in accordance with IFRS 16, we did not restate comparative information and balances. Within the modified retrospective approach, the Company chose to adopt the following transition practical expedients and exemptions:

- the Company used hindsight, such as in determining the lease term and considering extensions and renegotiations throughout the agreement; and

- the Company applied a single discount rate to its portfolio of leases with similar characteristics, considering the remaining term of the agreements and the guarantee provided for by the assets.

To calculate the discount rate, the Company used as the main basis those contracted in recent funding operations in the European and North American markets, except for the perpetual bonds and exchangeable senior notes, thus concluding that the built-in inflationary effects are very low, added to the fact that 99.3% of the Company's leasing obligations are in US$.

The Company assessed the impacts arising from the adoption of this standard, considering the above-mentioned assumptions, which led to initially recording 120 aircraft lease agreements and 14 non-aircraft lease agreements as right-of-use. The effects of the initial adoption of this standard are shown in the table below:

	Assets	Liabilities	Equity (b)
Operating leases (a)	-	(219,728)	219,728
Right of use - aircraft agreements	2,892,836	5,540,621	(2,647,785)
Right of use - non-aircraft agreements	38,828	46,564	(7,736)
Total	**2,931,664**	**5,367,457**	**(2,435,793)**

(a) Refers to operating lease installments renegotiated during 2016.
(b) Difference between assets and liabilities due to the adoption of the Standard through the simplified retrospective method and conversion rate from USD to BRL for aircraft and engine contracts (assets at historical exchange rates and liabilities at exchange rates on the adoption date).

On January 1, 2019, the impacts arising from deferred taxes related to the adoption of CPC 06 (R2) did not reflect the corresponding tax effects in GLA, given that GLA has no history of taxable income and is currently recording tax credit assets limited to the amount of tax credit liabilities, in accordance with item 35 of CPC 32 – "Income Taxes".

Due to the adoption of CPC 06 (R2), corresponding to IFRS 16, the Company made some reclassifications in the statement of financial position of December 31, 2018, presented for comparison purposes, as shown below:

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

	2018		
	As previously Disclosed	Reclassification	Restated
Current			
Debt	1,099,451	(120,118)	979,333
Leases	-	255,917	255,917
Operating Leases	135,799	(135,799)	-
Noncurrent			
Debt	1,408,968	(520,542)	888,426
Leases	-	656,228	656,228
Operating Leases	135,686	(135,686)	-

4.23.2. ICPC - 22 "Uncertainty Over Income Tax Treatments", equivalent to IFRIC 23

In June 2017, the IASB issued IFRIC 23, which clarifies the application of requirements in IAS 12 - "Income Taxes" when there is uncertainty over the acceptance of income tax treatments by the tax authority. The interpretation clarifies that, if it is not probable that the tax authority will accept the income tax treatments, the amounts of tax assets and liabilities shall be adjusted to reflect the best resolution of the uncertainty. IFRIC 23 has been effective since January 1, 2019, and, based on its evaluation, the Company's Management concluded that there are no impacts or need for additional disclosures in this financial statement due to the adoption of this standard.

4.24. New accounting standards and pronouncements not yet adopted

According to Management, there are no other standards and interpretations issued and not yet adopted that may have a significant impact on the result or equity disclosed by the Company.

5. Seasonality

Under normal economic conditions the Company expects revenues and operating results from its flights to be at their highest levels in the summer and winter months of January and July, respectively, and during the last weeks of December and in the year-end holiday period. Given the high proportion of fixed costs, this seasonality tends to drive variations in operating results across the fiscal-year quarters.

6. Cash and cash equivalents

	2019	2018
Cash and bank deposits	130,551	142,788
Cash equivalents	210,281	110,084
Total	**340,832**	**252,872**

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

The breakdown of cash equivalents is as follows:

	Weighted average rate (p.a.)	2019	2018
Local currency			
Private bonds	79.6% of CDI	147,581	72,573
Government bonds	-	-	39
Automatic deposits	25.0% of CDI	5,505	23,439
Total local currency		**153,086**	**96,051**
Foreign currency			
Private bonds	1.55%	57,195	14,033
Total foreign currency		**57,195**	**14,033**
Total		**210,281**	**110,084**

7. Investments

	Weighted average rate (p.a.)	2019	2018
Local currency			
Government bonds	104.2% of CDI	30,208	1,768
Investment funds	50.7% of CDI	2,450	121
Total local currency		**32,658**	**1,889**
Foreign currency			
Private bonds	8.63%	88,106	83,052
Government bonds	1.80%	29,684	-
Investment funds	1.80%	2,965	-
Total foreign currency		**120,755**	**83,052**
Total		**153,413**	**84,941**

8. Restricted cash

	Weighted average rate (p.a.)	2019	2018
Local currency			
Surety letter	99.0% of CDI	134,216	98,076
Provision for legal proceedings	96.2% of CDI	85,351	38,161
Lease Agreement	98.5% of CDI	136,438	102,880
Other deposits	55.3% OF CDI	7,471	109,927
Total local currency		**363,476**	**349,044**
Foreign currency			
Hedge margin	1.6%	74,431	433,304
Total foreign currency		**74,431**	**433,304**
Total		**437,907**	**782,348**
Current		**298,521**	**133,391**
Noncurrent		**139,386**	**648,957**

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

9. Trade receivables

	2019	2018
Local currency		
Credit card administrators	406,160	150,562
Travel agencies	139,362	146,174
Cargo agencies	33,677	40,431
Airline partner companies	291	3,243
Other	19,711	56,251
Total local currency	**599,201**	**396,661**
Foreign currency		
Credit card administrators	121,054	97,488
Travel agencies	28,524	21,005
Cargo agencies	1,384	1,378
Airline partner companies	30,740	23,294
Other	11,550	5,373
Total foreign currency	**193,252**	**148,538**
Total	**792,453**	**545,199**
Allowance for expected loss on trade receivables accounts	(16,938)	(11,275)
Total trade receivables	**775,515**	**533,924**

The aging list of trade receivables, net of allowance for expected loss on trade receivables accounts, is as follows:

	2019	2018
Not yet due		
Until 30 days	372,812	372,339
31 to 60 days	113,318	49,634
61 to 90 days	61,241	21,421
91 to 180 days	118,847	32,101
181 to 360 days	26,103	4,460
Above 360 days	1,330	231
Total not yet due	**693,651**	**480,186**
Overdue		
Until 30 days	47,959	12,838
31 to 60 days	23,288	4,653
61 to 90 days	3,985	2,620
91 to 180 days	3,009	11,172
181 to 360 days	421	9,858
Above 360 days	3,202	12,597
Total overdue	81,864	**53,738**
Total	**775,515**	**533,924**

The changes in the expected loss on trade receivables are as follows:

	2019	2018
Balances at the beginning of the year - CPC 38 (IAS 39)	**-**	**(38,520)**
Initial adoption adjustment - CPC 48 (IFRS 9)	-	2,470
Balances at the beginning of the year	**(11,275)**	**(36,050)**
Additions and reversals	(13,494)	9,770
Unrecoverable amounts	7,831	15,005
Balances at the end of the year	**(16,938)**	**(11,275)**

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

10. Inventories

	2019	2018
Consumables	14,274	9,290
Parts and maintenance materials	184,939	170,851
Total	**199,213**	**180,141**

The changes in the provision for obsolescence are as follows:

	2019	2018
Balances at the beginning of the year	**(12,808)**	**(12,509)**
Additions	(2,168)	(5,023)
Write-offs	674	4,724
Balances at the end of the year	**(14,302)**	**(12,808)**

11. Recoverable taxes

	2019	2018
Prepaid and recoverable income taxes	88,272	54,430
Withholding Income Tax	3,997	4,653
PIS and COFINS (*)	210,818	124,671
Withholding tax of public institutions	1,274	6,812
Value added tax (IVA)	4,566	5,649
Other	4,676	7,084
Total	**313,603**	**203,299**
Current	**210,571**	**201,814**
Noncurrent	**103,032**	**1,485**

(*) During the year, the Company ascertained out-of-date tax credits from PIS and COFINS related to the last five years, totaling R$91,066. The amounts of R$6,68 3related to credits in 2019.

12. Deferred taxes

The positions of deferred assets and liabilities are presented below and comply with the enforceable offset legal rights that consider taxes levied by the same tax authority under the same tax entity.

	2018	Results	2019
Income tax losses carry forward	5,469	(5,469)	-
Negative basis of social contribution	1,969	(1,969)	-
Temporary differences			
Allowance for doubtful accounts and other credits	32,814	(15,302)	17,512
Provision for Loss of Taxes	39,832	(651)	39,181
Provision for losses on other credits	143,350	-	143,350
Provision for legal proceedings and tax liabilities	86,623	(4,005)	82,618
Aircraft return	62,642	83,597	146,239
Derivative transactions	5,335	(47,487)	(42,152)
Flight rights	(353,226)	-	(353,226)
Depreciation of engines and parts for aircraft maintenance	(174,129)	(9,848)	(183,977)
Reversal of goodwill amortization for tax purposes	(127,659)	-	(127,659)
Aircraft leases and other	30,956	33,150	64,106
Other	76,001	(18,010)	57,991
Total deferred taxes - Liabilities	**(170,023)**	**14,006**	**(156,017)**

The Company has net operating loss carryforwards, comprised of accumulated income tax losses and a negative basis of social contribution. The net operating loss carryforwards do not expire; however, their use is limited to 30% of the future annual taxable income. Net operating loss carryforwards are as follows:

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

	2019	2018
Accumulated income tax losses	5,017,227	5,631,209
Negative basis of social contribution	5,017,227	5,631,209
Potential Tax Credit	1,705,857	1,914,611

The reconciliation of effective income taxes and social contribution rates for the periods ended December 31, 2019, and 2018 is as follows:

	2019	2018
(Profit) loss before income tax and social contribution	201,079	(1,181,089)
Combined nominal tax rate	34%	34%
Income at the statutory combined tax rate	**(68,367)**	**401,570**
Adjustments to calculate the effective tax rate:		
Equity results	26	132
Difference of tax rate on the result of subsidiaries	120,629	298,121
Income tax on permanent differences and others	32,930	(563,454)
Exchange variation on foreign investments	(72,457)	(119,589)
Use of tax credits in non-recurring installment payments	-	(3,892)
Total income tax	**12,761**	**12,888**
Income Tax and Social Contribution		
Current	(1,245)	(2,041)
Deferred	14,006	14,929
Total income and social contribution taxes	**12,761**	**12,888**

13. Advance to suppliers and third parties

	2019	2018
Oceanair Advance	31,486	-
Advance to national suppliers	99,030	16,914
Advance to international suppliers	20,956	19,370
Advance for materials and repairs	48,931	32,111
Total	**200,403**	**68,395**
Adjustment to Present Value of Advance to Suppliers	(10,604)	-
Total advance to suppliers	**189,799**	**68,395**
Current	**141,412**	**68,395**
Noncurrent	**48,387**	**-**

Withing the judicial restructuring plan of Oceanair Linhas Aéreas S.A. (“Oceanair”) and AVB Holding S.A. (“Judicial Restructuring Plan”) approved by their creditors on April 5, 2019, the Company (i) granted DIP Loans to Oceanair totaling R$31,486.

On July 10, 2019, under the Judicial Recovery Plan, the Company presented winning bids for the acquisition of certain isolated production units (“UPIs”), in the total amount of US$77.3 million.

The Judicial Restructuring Plan established that the DIP financing could be offset against the price to be paid by the Company for the acquisition of the UPIs.

In December 2019, the Court considered the judicial reorganization plan unenforceable, and, as a consequence, Avianca Brasil/Oceanair Linhas Aéreas bankruptcy was declared, and the UPI auction was invalidated.

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

14. Deposits

	2019	2018
Judicial deposits	763,735	649,184
Maintenance deposits	830,282	647,057
Deposits in guarantee for lease agreements	245,271	189,666
Total	**1,839,288**	**1,485,907**

14.1. Judicial deposits

Court deposits and blocks represent guarantees of tax, civil and labor lawsuits, kept in court until the resolution of the disputes to which they are related. Part of the court deposits refers to civil and labor lawsuits arising from succession requests in lawsuits filed against Varig S.A. or also labor lawsuits filed by employees who do not belong to the Company or any related party. Bearing in mind that the Company is not a legitimate party to appear on the liability side of the said lawsuits, whenever such blocks occur, their exclusion and respective release of the retained funds is demanded. On December 31, 2019, the blocked amounts referring to the succession processes of Varig S.A. and third-party processes were R$93,952 and R$89,664, respectively (R$86,790 and R$59,880 on December 31, 2018).

The Company also has court deposits resulting from a lawsuit filed by the National Union of Airlines (“SNEA”) against the 72% increase in airport fares promoted by the Airspace Control Department (“DECEA”). On December 31, 2019, the amount deposited corresponded to R$239,929 (R$153,128 on December 31, 2018). The same amount is recorded in current liabilities under “Airport Fees and Charges”.

14.2. Maintenance deposits

The Company makes deposits in US dollars for the maintenance of aircraft and engines, which will be used in future events as established in certain lease agreements.

Maintenance deposits do not exempt the Company, as a lessee, from contractual obligations related to the maintenance or the risk associated with operating activities. The Company has the right to choose to carry out the maintenance internally or through its suppliers.

The Company has two categories of maintenance deposits:

- **Maintenance Guarantee**: Refers to one-time deposits that are refunded at the end of the lease, and can also be used in maintenance events, depending on negotiations with lessors. The balance of these deposits on December 31, 2019 was R$213,449 (R$249,080 on December 31, 2018).

- **Maintenance Reserve**: Refers to amounts paid monthly based on the use of components and can be used in maintenance events as set by an agreement. On December 31, 2019, the balance referring to such reserves was R$616,833 (R$397,977 as of December 31, 2018).

14.3. Deposits in guarantee for lease agreements

As required by the lease agreements, the Company makes guarantee deposits (in US dollars) to the leasing companies, which can be fully redeemed at maturity.

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

15. Investments

15.1. Breakdown of investments

The investment information is shown below:

	Trip
Relevant investment information as of December 31, 2019	
Total number of shares	-
Capital stock	1,318
Interest	60.00%
Total equity (deficit)	2,091
Adjusted equity (deficit)	1,254
Net income for the period	129
Equity results	77

	Trip
Relevant investment information as of December 31, 2018	
Capital stock	1,318
Interest	60.0%
Total equity (deficit)	1,962
Adjusted equity (deficit)	1,177
Net income for the period	644
Equity results	387

15.2. Changes in investments

	Trip
Balances as of December 31, 2018	**1,177**
Equity results	77
Balances as of December 31, 2019	**1,254**

	Trip
Changes in investments	
Balances as of December 31, 2017	**1,333**
Balances as of December 31, 2017 (Restated)	**1,333**
Equity results	387
Dividends and interest on shareholders' equity	(543)
Balances as of December 31, 2018	**1,177**

(a) On January 1, 2019, the Company adopted CPC 06 (R2) - "Leases" (IFRS 16). For further information, see Note 4.24.1.

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

16. Property, plant, and equipment

	Weighted average rate (p.a.)	2018	Adoption IFRS 16 (3)	Additions	Write-offs (6)	Transfers (5)	2019
Flight equipment							
Cost							
Aircraft - ROU[1] with purchase option		565,137	-	-	(13,419)	-	551,718
Aircraft - ROU with no purchase option		-	2,821,509	914,532	(161,811)	(12,250)	3,561,980
Spare parts and engines - own		1,583,865	-	191,219	(8,579)	(2,210)	1,764,295
Spare parts and engines - ROU		-	71,327	39,569	(919)	-	109,977
Aircraft and engine overhauling		2,443,747	-	887,177	(246,901)	-	3,084,023
Tools		44,121	-	7,599	(552)	2,287	53,455
		4,636,870	2,892,836	2,040,096	(432,181)	(12,173)	9,125,448
Depreciation							
Aircraft - ROU with purchase option	5.76%	(222,240)	-	(17,612)	13,420	-	(226,432)
Aircraft - ROU with no purchase option	24.90%	-	-	(760,482)	41,105	-	(719,377)
Spare parts and engines - own	7.15%	(590,239)	-	(120,173)	3,638	393	(706,381)
Spare parts and engines - ROU	33.29%	-	-	(26,745)	-	-	(26,745)
Aircraft and engine overhauling	40.19%	(1,275,298)	-	(677,092)	234,838	-	(1,717,552)
Tools	10.00%	(21,153)	-	(3,382)	154	(331)	(24,712)
		(2,108,930)	**-**	**(1,605,486)**	**293,155**	**62**	**(3,421,199)**
Total, net - flight equipment		**2,527,940**	**2,892,836**	**434,610**	**(139,026)**	**(12,111)**	**5,704,249**
Property, plant, and equipment in use							
Cost							
Vehicles		10,792	-	1,307	(949)	-	11,150
Machinery and equipment		59,316	-	4,073	(386)	-	63,003
Furniture and fixtures		30,301	-	2,600	(316)	-	32,585
Computers and peripherals - owned		39,294	-	6,246	(1,591)	-	43,949
Computers and peripherals - ROU		-	20,619	1,373	-	-	21,992
Communication equipment		2,690	-	66	(214)	-	2,542
Safety equipment		856	-	-	-	-	856
Improvement on third party property - CMA (4)		107,637	-	-	-	-	107,637
Leasehold improvements		58,148	-	973	-	10,086	69,207
Third-Party Real Estate - ROU		-	18,209	994	-	-	19,203
Construction in progress		15,059	-	12,549	-	(10,086)	17,522
		324,093	38,828	30,181	(3,456)	-	389,646
Depreciation							
Vehicles	20.00%	(9,370)	-	(526)	795	-	(9,101)
Machinery and equipment	10.00%	(41,594)	-	(4,122)	313	-	(45,403)
Furniture and fixtures	10.00%	(18,081)	-	(1,976)	296	-	(19,761)
Computers and peripherals - owned	20.00%	(30,792)	-	(3,100)	1,548	-	(32,344)
Computers and peripherals - ROU	36.59%	-	-	(7,682)	-	-	(7,682)
Communication equipment	10.00%	(2,089)	-	(153)	162	-	(2,080)
Safety equipment	10.00%	(533)	-	(82)	-	-	(615)
Leasehold improvements - CMA	10.43%	(91,395)	-	(11,280)	-	-	(102,675)
Leasehold improvements	22.08%	(28,084)	-	(9,490)	-	-	(37,574)
Third Party Real Estate - ROU	32.56%	-	-	(6,301)	-	-	(6,301)
		(221,938)	-	(44,712)	3,114	-	(263,536)
Total, net - property, plant, and equipment in use		**102,155**	**38,828**	**(14,531)**	**(342)**	**-**	**126,110**
Impairment losses (2)	-	(48,839)	-	-	7,120	-	(41,719)
Total		**2,581,256**	**2,931,664**	**420,079**	**(132,248)**	**(12,111)**	**5,788,640**
Advance to suppliers	-	31,189	-	38,358	(45,235)	-	24,312
Total property, plant, and equipment		**2,612,445**	**2,931,664**	**458,437**	**(177,483)**	**(12,111)**	**5,812,952**

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

	Weighted average rate (p.a.)	2017	Additions	Write-offs (6)	Transfers (5)	2018
Flight equipment						
Cost						
Aircraft - ROU(1) with purchase option	-	1,677,853	-	(1,112,716)	-	565,137
Spare parts and engines - own	-	1,345,161	242,655	(3,951)	-	1,583,865
Aircraft and engine overhauling	-	1,807,134	759,482	(122,869)	-	2,443,747
Tools	-	36,199	8,078	(156)	-	44,121
		4,866,347	1,010,215	(1,239,692)	-	4,636,870
Depreciation						
Aircraft - ROU with purchase option	5.76%	(649,430)	(44,578)	471,768	-	(222,240)
Spare parts and engines - own	6.91%	(494,684)	(128,169)	32,610	4	(590,239)
Aircraft and engine overhauling	30.47%	(941,372)	(441,771)	107,845	-	(1,275,298)
Tools	10.00%	(18,124)	(3,107)	82	(4)	(21,153)
		(2,103,610)	(617,625)	612,305	-	(2,108,930)
Total, net - flight equipment		**2,762,737**	**392,590**	**(627,387)**	**-**	**2,527,940**
Property, plant, and equipment in use						
Cost						
Vehicles		10,016	878	(102)	-	10,792
Machinery and equipment		57,785	1,919	(388)	-	59,316
Furniture and fixtures		27,759	2,955	(413)	-	30,301
Computers and peripherals - owned		38,447	3,898	(3,051)	-	39,294
Communication equipment		2,617	83	(10)	-	2,690
Safety equipment		842	14	-	-	856
Improvement on third party property - CMA (4)		107,127	436	-	74	107,637
Leasehold improvements		33,537	656	-	23,955	58,148
Construction in progress		32,392	6,696	-	(24,029)	15,059
		310,522	17,535	(3,964)	-	324,093
Depreciation						
Vehicles	20.00%	(8,983)	(475)	88	-	(9,370)
Machinery and equipment	10.00%	(37,776)	(4,180)	362	-	(41,594)
Furniture and fixtures	10.00%	(16,572)	(1,878)	369	-	(18,081)
Computers and peripherals - owned	20.00%	(30,170)	(3,642)	3,020	-	(30,792)
Communication equipment	10.00%	(1,915)	(180)	6	-	(2,089)
Safety equipment	10.00%	(437)	(96)	-	-	(533)
Leasehold improvements - CMA	10.43%	(80,209)	(11,186)	-	-	(91,395)
Leasehold improvements	19.00%	(19,842)	(8,242)	-	-	(28,084)
		(195,904)	(29,879)	3,845	-	(221,938)
Total, net - property, plant, and equipment in use		**114,618**	**(12,344)**	**(119)**	**-**	**102,155**
Impairment losses (2)		(26,076)	(22,763)	-	-	(48,839)
Total		**2,851,279**	**357,483**	**(627,506)**	**-**	**2,581,256**
Advance to suppliers		18,720	210,249	(193,751)	(4,029)	31,189
Total property, plant, and equipment		**2,869,999**	**567,732**	**(821,257)**	**(4,029)**	**2,612,445**

(1) ROU - Right of Use
(2) Refers to provisions for impairment losses for rotable items, classified under "Parts and spare engines", recorded by the Company in order to present its assets according to the actual capacity for the generation of economic benefits.
(3) Effect related to IFRS 16 adoption, as disclosed in Note 4.24.1.
(4) CMA - Maintenance Center - Confins/MG
(5) Transfer of other GAC credits.

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

17. Intangible assets

The breakdown of and changes in intangible assets are as follows:

	Weighted average rate (p.a.)	2018	Additions	Write-offs	2019
Cost					
Goodwill		542,302	-	-	542,302
Slots		1,038,900	-	-	1,038,900
Software		457,191	42,400	(9,063)	490,528
Total cost		**2,038,393**	**42,400**	**(9,063)**	**2,071,730**
Amortization					
Software	22.03%	(301,038)	(50,917)	8,665	(343,290)
Total amortization		**(301,038)**	**(50,917)**	**8,665**	**(343,290)**
Net intangible assets		**1,737,355**	**(8,517)**	**(398)**	**1,728,440**

	Weighted average rate (p.a.)	2017	Additions	Write-offs	2018
Cost					
Goodwill		542,302	-	-	542,302
Slots		1,038,900	-	-	1,038,900
Software		402,053	62,544	(7,406)	457,191
Total cost		**1,983,255**	**62,544**	**(7,406)**	**2,038,393**
Amortization					
Software	20.62%	(273,518)	(34,926)	7,406	(301,038)
Total amortization		**(273,518)**	**(34,926)**	**7,406**	**(301,038)**
Net intangible assets		**1,709,737**	**27,618**	**-**	**1,737,355**

The balances of goodwill and slots were tested for impairment on December 31, 2019, and 2018 through the discounted cash flow for each cash-generating unit, giving rise to the value in use.

For the purposes of assessing the impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (cash-generating unit or CGU). To establish the book value of each CGU, the Company considers not only the recorded intangible assets but also all tangible assets necessary for conducting business, as it is only through the use of this set that the Company will generate economic benefits.

The Company allocates goodwill, as shown below:

	Goodwill GLA	Airport Operation Rights
December 31, 2019		
Book Value	542,302	1,038,900
Book Value - UGC	3,832,870	3,615,949
Value in Use	26,543,428	21,373,789
Discount Rate	12.20%	12.85%
Perpetuity Growth Rate	3.55%	3.53%
December 31, 2018		
Book Value	542,302	1,038,900
Book Value - UGC	(275,500)	-
Value in Use	23,058,697	5,069,156
Discount Rate	14.91%	14.50%
Perpetuity Growth Rate	3.50%	3.50%

The results obtained were compared with the book value of the cash-generating unit, and, as a result, the Company did not recognize losses in relation to the impairment of its CGU.

The assumptions adopted in the impairment tests of intangible assets are in accordance with the internal projections for the five-year period. For the period after five years, extrapolation is applied using a perpetuity growth rate. The discounted cash flow that calculated the value in use of the cash-generating units was prepared in accordance with the Company's business plan approved by the Company's Board of Directors.

The main assumptions considered by the Company to calculate the value in use of the cash-generating units are:

- Capacity and Fleet: Considers the utilization, the capacity of the aircraft used in each section, and the projection of the size of the fleet in operation.

- Demand: Market efficiency is the main input for the Company's projected growth in demand. The Management considers that market efficiency is the ratio between its market share and its seat share. This indicator reflects how efficiently the company employs its share of the total market supply due to its capture of demand for air transportation.

- Revenue per Passenger: Considers the average price charged by GLA and considers the effects of market variables (see variables used below).

- Operating costs associated with the business: Based on its historical cost and updated by indicators, such as inflation, relation to supply, demand, and variation in the US currency.

The Company also considered market variables such as GDP (source: Central Bank of Brazil), US dollar (source: Central Bank of Brazil), kerosene barrel (source: Brazilian Agency of Oil - "ANP") and interest rate (source: Bloomberg).

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

18. Debt

The breakdown of and changes in short and long-term debt are as follows:

			2018									2019		
	Maturity	Effective interest rate (p.a.)	Current	Noncurrent	Total	Funding	Payments	Interest Incurred	Interest paid	Exchange rate variation	Amortization of costs	Current	Noncurrent	Total
In R$:														
Debentures VII	09/2021	120% of the DI rate	288,991	577,981	866,972	-	(295,834)	52,596	(52,475)	-	7,466	289,423	289,302	578,725
In US$:														
Import financing (a)	11/2020	5.32%	503,869	-	503,869	164,234	(27,399)	33,666	(33,743)	23,352	-	663,979	-	663,979
Credit line - engine maintenance (b)	09/2024	2.75%	173,422	189,888	363,310	500,199	(403,039)	14,160	(15,570)	7,578	9,204	198,363	277,479	475,842
Loan with guarantee of engines (c)	12/2026	5.16%	13,051	120,557	133,608	56,452	(16,945)	11,398	(11,394)	9,285	144	31,727	150,821	182,548
Total			**979,333**	**888,426**	**1,867,759**	**720,885**	**(743,217)**	**111,820**	**(113,182)**	**40,215**	**16,814**	**1,183,492**	**717,602**	**1,901,094**

(a) Credit lines with private banks used to finance the import of spare parts and aeronautical equipment. Maturities will occur throughout 2020. The interest rates negotiated are Libor 3m + 4.40% p.a. and Libor 1m + 3.25% p.a.
(b) Issuance of 3 series of Guaranteed Notes to finance engine maintenance.
(c) Loans with a guarantee of 5 engines in total, made on June 28, 2018. The contracted rates vary between Libor 6m + 2.35% p.a. up to Libor 6m + 4.25% p.a.

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

Total debt included issuance costs of R$24,001 as of December 31, 2019 (R$29,785 as of December 31, 2018), which are amortized over the term of the related debt.

18.1. New Loans and Financing Contracted during the Year ended on December 31, 2019

18.1.1. Import financing

During the fiscal year ended December 31, 2019, the Company obtained funding and renegotiated the maturities of the agreements, with the issue of promissory notes as collateral for these transactions, which are part of a credit line maintained by the Company for import financing in order to carry out engine maintenance, purchase spare parts and aircraft equipment. The changes in funding operations are as follows:

Transaction transaction	Amount (US$ thousand)	(R$ thousand)	Rate - Interests (p.a.)
New issuances			
January 24, 2019	6,454	24,409	6.57%
February 4, 2019	5,924	21,777	6.52%
February 21, 2019	7,069	26,576	6.46%
April 18, 2019	7,045	27,737	4.98%
July 5, 2019	4,334	16,560	5.93%
August 20, 2019	3,396	13,729	4.37%
November 19, 2019	7,172	30,466	4.46%
December 18, 2019	735	2,980	5.74%
	42,129	**164,234**	

18.1.2. Credit Line - Engine Maintenance

During the year ended December 31, 2019, the Company obtained new credit lines by issuing Guaranteed Notes for engine maintenance services with Delta Air Lines. The changes in funding operations are as follows:

Transaction transaction	Amount (US$ thousand)	(R$ thousand)	Costs (US$ thousand)	(R$ thousand)	Rate - Interests (p.a.)
February 15, 2019	10,219	37,969	319	1,185	Libor 3m+0.75% p.a.
May 10, 2019	10,219	40,444	289	1,143	Libor 3m+0.70% p.a.
August 30, 2019	25,722	106,659	922	3,818	Libor 3m+0.60% p.a.
October 7, 2019	54,784	226,724	340	1,408	Libor 3m+2.25% p.a.
December 6, 2019	23,658	98,852	693	2,895	Libor 3m+0.55% p.a.
	124,602	**510,648**	**2,563**	**10,449**	

18.1.3. Loan with guarantee of engines

In the year ended December 31, 2019, the Company obtained funding with a guarantee of the Company's own engines. The funding operations are as follows:

Transaction transaction	Principal (US$ thousand)	(R$ thousand)	Costs (US$ thousand)	(R$ thousand)	Rate - Interests (p.a.)
January 22, 2019	11,700	43,129	154	580	Libor 3m+0.75% p.a.
April 24, 2019	1,161	4,603	-	-	Libor 1m+3.25% p.a.
June 13, 2019	1,161	4,463	-	-	Libor 1m+3.25% p.a.
September 30, 2019	1,161	4,837	-	-	Libor 1m+3.25% p.a.
	15,183	**57,032**	**154**	**580**	

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

18.1.4. Loan and financing - noncurrent

On December 31, 2019, the maturities of loans and financing recorded in non-current liabilities were as follows:

	2021	2022	2023	2024	2024 onwards	Total
In R$:						
Debentures VII	289,302	-	-	-	-	**289,302**
In US$:						
Credit Line - Engine Maintenance	95,574	17,747	17,747	146,411	-	**277,479**
Loan with guarantee of engines	18,377	19,052	19,769	20,522	73,101	**150,821**
Total	**403,253**	**36,799**	**37,516**	**166,933**	**73,101**	**717,602**

The fair value of debt as of December 31, 2019, is as follows:

	Book	Fair value
Debentures	578,725	591,666
Other	1,322,369	1,322,369
Total	**1,901,094**	**1,914,035**

18.2. Covenants

As of December 31, 2019, long-term debt that amounted to R$717,602 (R$888,426 as of December 31, 2018) is subject to restrictive covenants, including but not limited to those that require the Company to maintain liquidity requirements and interest expenses coverage.

The Company has restrictive covenants on the Debentures VII.

In Debentures VII, the following measures were taken: (i) net debt/earnings before interest, taxes, depreciation, amortization, and lease expenses (“EBITDAR”), and (ii) debt coverage ratio (“ICSD”) and are within the standards contractually required. The obligation to measure such indicators according to the issue deed is semiannual. The next measurement will take place at the end of the first half of 2020.

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

19. Leases

		2018													2019		
	Weighted average rate (p.a.)	Current	Noncurrent	Total	Adoption IFRS 16 [(1)]	Additions	Write-offs	Contractual amendment	Payments	Payment (escrow deposit)	Payment (maintenance reserve)	Interest Incurred	Interest payment	Exchange rate variation	Current	Noncurrent	Total
In R$:																	
Leases with no purchase option	12.92%	-	-	-	46,564	2,366	-	-	(16,834)	-	-	9,501	-	-	20,534	21,063	41,597
Total		**-**	**-**	**-**	**46,564**	**2,366**	**-**	**-**	**(16,834)**	**-**	**-**	**9,501**	**-**	**-**	**20,534**	**21,063**	**41,597**
In US$:																	
Leases with purchase option	3.75%	120,118	520,542	640,660	-	-	137	-	(113,362)	-	-	22,932	(23,304)	21,766	128,937	419,892	548,829
Leases with no purchase option	8.55%	-	-	-	5,540,621	954,099	(7,676)	(275,921)	(1,437,957)	(476)	(6,498)	469,621	-	223,332	1,253,995	4,205,150	5,459,145
Leases others		135,799	135,686	271,485	(219,728)	-	-	-	(48,273)	-	-	-	-	(3,484)	-	-	-
Total		**255,917**	**656,228**	**912,145**	**5,320,893**	**954,099**	**(7,539)**	**(275,921)**	**(1,599,592)**	**(476)**	**(6,498)**	**492,553**	**(23,304)**	**241,612**	**1,382,932**	**4,625,042**	**6,007,974**
Total leases		**255,917**	**656,228**	**912,145**	**5,367,457**	**956,465**	**(7,539)**	**(275,921)**	**(1,616,426)**	**(476)**	**(6,498)**	**502,054**	**(23,304)**	**241,612**	**1,403,466**	**4,646,105**	**6,049,571**

(1) Effect related to the adoption of CPC 06 (R2) – "Leases" (IFRS 16), as disclosed in Note 4.24.1.

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

The future payments of financial lease agreements are detailed as follows:

	Without purchase option	With purchase option	
	2019	2019	2018
2019	-	-	140,307
2020	1,689,735	148,613	140,080
2021	1,322,936	148,744	139,852
2022	1,124,328	207,654	139,624
2023	904,627	72,801	69,985
2024 onwards	1,938,986	16,829	65,776
Total minimum lease payments	**6,980,612**	**594,641**	**695,624**
Less total interest	(1,479,870)	(45,812)	(54,964)
Present value of minimum lease payments	**5,500,742**	**548,829**	**640,660**
Less current portion	(1,274,529)	(128,937)	(120,118)
Noncurrent portion	**4,226,213**	**419,892**	**520,542**

The discount rate used to calculate the present value of minimum lease payments is 8.15% on December 31, 2019 (3.72% on December 31, 2018).

There are no significant differences between the present value of the minimum lease payments and the market value of these lease liabilities.

The Company extended to 15 years the maturity of the financing of some of its aircraft with financial leases, through the use of the mechanism of lengthening, amortization and payment of financing, called ("SOAR"), which allows calculated withdrawals to be settled with the full payment at the end of the lease. On December 31, 2019, the amounts of withdrawals made for the full payment on the closing date of the lease corresponded to R$59,369 (R$49,635 on December 31, 2018) and were presented together with the lease obligations payable in current liabilities and noncurrent liabilities.

20. Suppliers

	2019	2018
Local currency	747,233	856,496
Foreign currency	456,404	569,768
Total	**1,203,637**	**1,426,264**
Current	**1,190,236**	**1,302,868**
Noncurrent	**13,401**	**123,396**

As of December 31, 2019, the balance payable to the related companies recorded under Suppliers was R$1,822 (R$1,107 as of December 31, 2018), and was mainly related to services provided by Viação Piracicabana Ltda.

21. Suppliers - Forfaiting

The Company has operations that allow suppliers to receive their rights in advance from a financial institution. As of December 31, 2019, the amount recorded under current liabilities from forfeiting operations totaled R$554,467 (R$365,696 as of December 31, 2018).

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

22. Taxes obligation

	2019	2018
PIS and COFINS	36,840	33,278
Installment payments - PRT and PERT	2,117	8,271
Withholding income tax on salaries	53,722	34,072
ICMS	424	46,952
IRPJ and CSLL payable	9	70
Other	9,992	7,841
Total	**103,104**	**130,484**
Current	**103,020**	**83,619**
Noncurrent	**84**	**46,865**

23. Advance from ticket sales

As of December 31, 2019, the balance of Advance from ticket sales classified in current liabilities was R$1,765,822 (R$1,528,067 as of December 31, 2018) and is represented by 6,239,179 tickets sold and not yet used (5,804,941 as of December 31, 2018) with an average use of 59 days (60 days as of December 31, 2018).

Balances of advance from ticket sales are shown net of breakage R$415,688 on December 31, 2019 (R$359,123 on December 31, 2018).

24. Advances customers

	2019	2018
Advance ticket purchases	970,899	1,296,077
Other advances	4,718	8,663
Total	**975,617**	**1,304,740**
Current	**975,617**	**1,166,680**
Noncurrent	**-**	**138,060**

25. Provisions

	Provisions Post-Employment Benefit	Provision for aircraft and engine return	Legal proceedings (a)	Total
Balances as of December 31, 2018	**-**	**652,134**	**226,346**	**878,480**
Actuarial Liabilities at Beginning of the Year	46,496	-	-	46,496
Additional provisions recognized	45,952	357,206	179,454	582,612
Utilized provisions	-	(166,287)	(141,166)	(307,453)
Adjustment to Present Value	4,312	-	-	4,312
Exchange rate variation	-	26,025	(404)	25,621
Balances as of December 31, 2019	**96,760**	**869,078**	**264,230**	**1,230,068**
As of December 31, 2019				
Current	-	203,816	-	203,816
Noncurrent	96,760	665,262	264,230	1,026,252
Total	**96,760**	**869,078**	**264,230**	**1,230,068**
As of December 31, 2018				
Current	-	70,396	-	70,396
Noncurrent	-	581,738	226,346	808,084
Total	**-**	**652,134**	**226,346**	**878,480**

(a) The provisions recorded include write-offs due to the revision of estimates and processes settled.

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

25.1. Provisions for Post-Employment Benefits

The Company offers its employees a health care plan that, in compliance with the current legislation, generates an obligation for post-employment benefits.

The changes in actuarial assets and liabilities related to the post-employment benefit, prepared based on an actuarial report, are presented below:

	2019
Actuarial Liabilities at the beginning of the Year	46,496
Current Service Cost Recognized in Income	4,910
Cost of Interests Recognized in Income	4,311
Sponsor Contributions	(2)
Effect of Changing Financial Assumptions	34,305
Effect of Plan Experience	6,740
Actuarial Liabilities at the End of the Year	**96,760**

Actuarial Assumptions	
Weighted average of assumptions to determine the defined benefit obligation	
Nominal Discount Rate	7.23%
Long-Term Estimated Inflation Rate	3.50%
HCCTR - Medical Inflation Rate	6.86%
Mortality Table	AT-2000 loosened by 10%
Weighted average of assumptions to determine the cost (revenue) of the defined benefit	
Nominal Discount Rate	9.93%
Long-Term Estimated Inflation Rate	4.00%
HCCTR - Medical Inflation Rate	7.38%
Mortality Table	AT-2000 loosened by 10%

25.2. Provision for aircraft and engine return

Such provisions consider the costs that meet the contractual conditions for the return of engines held under an operating lease, as well as for the costs to be incurred to reconfigure the aircraft, upon their return, according to the conditions established in the lease agreements. The consideration is capitalized in fixed assets, under the heading “Aircraft and Engines Overhauling”.

25.3. Provision for legal proceedings

The Company and its subsidiaries are involved in certain legal matters arising from the regular course of their business, which include civil, administrative, tax, social security, and labor lawsuits.

The Company classifies the risk of loss in legal proceedings as ―probable, ―possible, or remote. The provision recorded in relation to such lawsuits is set by the Company's Management, based on the analysis of its legal counsel, and reasonably reflects the estimated probable losses.

If the Company has lawsuits whose values are not known or reasonably estimated, but the likelihood of loss is probable, these will not be recorded, but their nature will be disclosed.

The Company’s Management believes that the provision for tax, civil and labor risks, created in accordance with CVM Resolution 594/09, is sufficient to cover possible losses from administrative and legal proceedings, as shown below:

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

	Probable loss		Possible loss	
	2019	2018	2019	2018
Civil	76,146	61,673	61,316	60,901
Labor	186,251	163,340	215,370	172,551
Taxes	1,834	1,333	450,560	419,782
Total	**264,231**	**226,346**	**727,246**	**653,234**

Provisions are reviewed based on the evolution of lawsuits and the history of losses through the best current estimate for civil and labor claims.

The tax lawsuits presented below were assessed by Management and legal counsel as relevant and with possible risk on December 31, 2019:

- The GLA discusses the non-application of the additional 1% rate of COFINS on imports of aircraft, parts, and pieces, in the amount of R$82,301 (R$65,679 as of December 31, 2018). According to the opinion of our legal counsel, the classification as a possible risk arises from the fact that there was no express revocation of the tax relief (zero rate) granted to regular air transportation companies.

- Tax on Services of Any Nature (ISS), amounting to R$24,809 (R$22,927 as of December 31, 2018) arising from Tax Notices issued by the City of São Paulo against the Company, from January 2007 to December 2010, referring to a possible incidence of ISS on agreements signed with partners. The classification as possible risk arises from the fact that the matters under discussion are interpretative and involve discussions on factual and probative matters. In addition, there is no final positioning of the Superior Courts.

- Customs fine totaling R$64,923 (R$49,079 on December 31, 2018) related to the Infraction Notices drawn up against the Company for an alleged non-compliance with customs rules related to temporary aircraft importation processes. The classification as possible risk arises from the fact that there is no final position of the Superior Courts on the matter.

- Goodwill BSSF Air Holdings (“BSSF”), in the amount of R$110,741 (R$107,579 on December 31, 2018) arising from the Infraction Notice filed due to the deductibility of goodwill allocated as future profitability. The classification of possible risk results from the fact that there is no final positioning from the Superior Courts.

- Goodwill GLA (arising from the acquisition of the former VRG) totaling R$86,998 (R$83,704 on December 31, 2018) arising from the Infraction Notice filed due to the deductibility of goodwill allocated as future profitability. The classification of possible risk results from the fact that there is no final positioning from the Superior Courts.

There are other tax lawsuits assessed by Management and legal counsel as a possible risk, totaling R$80,788 (R$90,815 on December 31, 2018) which, added to the above lawsuits, total R$450,560 on December 31, 2019 (R$419,782 on December 31, 2018).

26. Capital stock

On December 31, 2019, the subscribed capital fully paid-up by the shareholders was of R$4,554,280, corresponding to 5,262,146,049 shares, with 3,773,911,676 common shares and 1,488,234,373 preferred shares.

27. Earnings (loss) per share

Basic earnings per share are calculated by dividing the net income for the year attributed to the Company's controlling shareholders by the weighted average number of all classes of shares outstanding during the year. There are no differences between basic and diluted earnings per share.

	2019	2018
Numerator		
Net profit (loss) for the fiscal year attributable to equity holders of the parent company	**213,840**	**(1,168,201)**
Denominator		
Weighted average number of outstanding shares (in thousands)	5,262,146	5,262,146
Adjusted weighted average number of outstanding shares and diluted presumed conversions (in thousands)	**5,262,146**	**5,262,146**
Basic and diluted earnings (loss) per share	0.041	(0.222)

28. Transactions with related parties

28.1. Related parties - Non-current Assets and Liabilities

					Balances	
Creditor	Debtor	Type of transaction	Maturity	Interest rate (p.a.)	2019	2018
GLA	Smiles Fidelidade / Smiles Viagens	Transfer	Up to 360 days	-	199,256	48,758
GLAI	GLA	Loan	05/2020	6.28%	(507,407)	(82,655)
GAC	GLA	Loan	03/2025	(*)	(1,018,370)	(232,488)
Gol Finance	GLA	Loan	08/2025	5.10%	(1,914,940)	(1,979,000)
Smiles Fidelidade	GLA	Transfer	12/2032	-	(12,099)	(11,470)
Total					**(3,253,560)**	**(2,256,855)**
Total noncurrent assets					**199,256**	**48,758**
Total noncurrent liabilities					**(3,452,816)**	**(2,305,613)**

(*) According to the local legislation, the Company applies symbolic interest rates.

28.2. Transportation and consulting services

In the course of its operations, the Company, by itself and through its subsidiaries, entered into agreements related to transportation services with the companies listed below:

- **Mobitrans Administração e Participações S.A.:** Business consultancy and advisory services, valid for an indefinite period

- **Viação Piracicabana Ltda.:** Provision of passenger, baggage, crew, and employee transportation services between airports, effective until September 30, 2021.

On December 31, 2019, the Company recognized a total expense related to these services of R$10,560 (R$9,358 on December 31, 2018). On the same date, the balance payable to related companies, under "suppliers", was of R$1,822 (R$1,107 on December 31, 2018), and refers mainly to transactions with Viação Piracicabana Ltda.

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

28.3. Contracts account opening UATP ("Universal Air Transportation Plan") to grant a credit limit

The GLA entered into UATP account opening agreements with the related parties indicated below: Aller Participações S.A.; BR Mobilidade Baixada Santista S.A. SPE; Breda Transportes e Serviços S.A.; Comporte Participações S.A.; Empresa Cruz de Transportes Ltda.; Empresa de Ônibus Pássaro Marron S.A.; Empresa Princesa do Norte S.A.; Expresso Itamarati S.A.; Expresso Maringá do Vale S.A.; Expresso União Ltda.; Glarus Serviços Tecnologia e Participações S.A.; Limmat Participações S.A.; Quality Bus Comércio de Veículos S.A.; Super Quadra Empreendimentos Imobiliários S.A.; Thurgau Participações S.A.; Transporte Coletivo Cidade Canção Ltda.; Turb Transporte Urbano S.A.; Vaud Participações S.A.; and Viação Piracicabana Ltda., all with no expiration date, whose purpose is to issue credits to purchase airline tickets issued by the Company. The UATP account (virtual card) is accepted as a payment method on the purchase of airline tickets and related services, seeking to simplify billing and facilitate payment between the participating companies.

28.4. Commercial partnership and maintenance agreement

On February 19, 2014, the Company signed an exclusive strategic partnership agreement for business cooperation with AirFrance-KLM. On January 1, 2017, the Company signed an extension of the scope for the inclusion of maintenance services. During the year ended on December 31, 2019, expenses with component maintenance incurred at the AirFrance-KLM workshop were R$284,691 (R$128,569 on December 31, 2018). As of December 31, 2019, the Company had no deferred revenue recorded as "Other liabilities" (R$8,565 as of December 31, 2018) and has R$142,241 recorded under "Suppliers" in current liabilities (R$170,673 as of December 31, 2018).

28.5. Remuneration of key management personnel

	2019	2018
Salaries, bonus, and benefits	38,551	44,475
Related taxes and charges	12,948	8,720
Share-based payments	5,750	8,745
Total	**57,249**	**61,940**

	2019	2018
Number of Executives		
Board of Directors	3	3
Statutory Executive Officers	4	5
Non-Statutory Executive Officers	22	26
Total	**29**	**34**

28.6. Share-based payments

Through its parent company GLAI, the Company offers its management personnel additional compensation through its stock option plan and restricted shares plan. Both plans stimulate and promote the alignment of the Company's goals with management and employees, mitigate risks for the Company, and strengthen the productivity and commitment of its executives to long-term results. The equity instruments granted to the plans' beneficiaries are issued by GLAI, and the amounts are recorded by the Company under "Personnel". As of December 31, 2019, and 2018, the amounts corresponding to the grants offered to the Company's employees had been fully settled, and expenses with the plans recorded amounted to R$39,909 (R$17,091 as of June 31, 2018).

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

28.7. Advance ticket purchase and sale agreement

	2019	2018
Advance ticket purchases	970,899	1,296,077
Total	**970,899**	**1,296,077**
Current	**970,899**	**1,158,017**
Noncurrent	**-**	**138,060**

The Company has advanced ticket purchase agreements with Smiles Fidelidade. As of December 31, 2019, outstanding balances related to advance ticket purchases were remunerated at a weighted average rate of 6.71% p.a. (8.97% p.a. as of December 31, 2018), with a counter entry in the financial result under "Discounts granted".

In the period ended December 31, 2020, Smiles Fidelidade granted the following advances and/or utilizations to the Company:

Advance ticket purchases	
Balances at the beginning of the year	**1,296,077**
Receipt related to the agreement entered into on April 1, 2019	100,789
Receipt related to the agreement entered into on June 28, 2019	84,141
Receipt related to the agreement entered into on July 31, 2019	108,554
Receipt related to the agreement entered into on September 30, 2019	208,436
Receipt related to the agreement entered into on December 10, 2019	238,096
Interests ascertained	74,160
Sales of airline tickets	(1,139,354)
Balances at the end of the year	**970,899**

29. Revenue

	2019	2018
Passenger transportation (*)	12,977,805	10,690,337
Cargo	411,054	400,959
Other revenue	134,499	113,680
Gross revenue	**13,523,358**	**11,204,976**
Related tax	(466,662)	(583,452)
Net revenue	**13,056,696**	**10,621,524**

(*) Of the total amount, the total of R$583,235 for the year ended on December 31, 2019, is made up of the revenue from non-attendance of passengers, rescheduling, ticket cancellation (R$479,136 for the year ended December 31, 2018).

Revenue by geographical location is as follows:

	2019	%	2018	%
Domestic	11,157,273	85.5	8,939,668	84.2
International	1,899,423	14.5	1,681,856	15.8
Net revenue	**13,056,696**	**100.0**	**10,621,524**	**100.0**

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

30. Operating costs, selling and administrative expenses

	2019	2018
Cost of services provided		
Personnel	(1,671,566)	(1,215,324)
Aircraft fuel	(4,047,344)	(3,867,673)
Aircraft rent	-	(1,112,837)
Maintenance, material and repairs	(569,229)	(570,333)
Passenger costs	(578,744)	(474,117)
Services provided	(129,802)	(104,871)
Landing fees	(759,774)	(743,362)
Depreciation and amortization	(1,664,381)	(630,112)
Other operating costs	(331,122)	(245,001)
Total cost of services provided	**(9,751,962)**	**(8,963,630)**
Selling expenses		
Personnel	(36,820)	(32,526)
Services provided	(314,969)	(252,726)
Sales and marketing	(587,107)	(507,415)
Other selling expenses	(31,963)	(22,865)
Total selling expenses	**(970,859)**	**(815,532)**
Administrative expenses		
Personnel	(557,283)	(569,866)
Services provided	(289,528)	(276,921)
Depreciation and amortization	(36,734)	(21,045)
Other administrative expenses	(320,327)	(185,673)
Other administrative income	179,760	369,360
Total administrative expenses	**(1,024,112)**	**(684,145)**
Other operational revenues (expenses)		
Other operating income (a)	281,190	-
Total other operating income, net	**281,190**	**-**
Total	**(11,465,743)**	**(10,463,307)**

(a) The amount is mainly related to the remeasurement of the lease liability.

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

31. Financial result

	2019	2018
Financial income		
Gain on derivatives	84,862	17,838
Gains from financial investments and investment funds	149,794	78,905
Inflation indexation	31,974	18,715
(-) Taxes on financial income (a)	(16,416)	(4,579)
Other	46,547	22,316
Total financial income	**296,761**	**133,195**
Financial expenses		
Loss with derivatives	(86,990)	(51,674)
Interest on debt and others	(445,229)	(457,569)
Bank charges and expenses	(47,777)	(47,846)
Interest on leases (b)	(487,787)	-
Discounts granted	(74,160)	(127,251)
Loss from short-term investments and investment funds	(111,564)	(33,924)
Other	(128,336)	(103,444)
Total financial expenses	**(1,381,843)**	**(821,708)**
Foreign exchange rate variation, net	**(304,869)**	**(651,180)**
Total	**(1,389,951)**	**(1,339,693)**

(a) Relates to taxes on financial income (PIS and COFINS), according to Decree 8,426 of April 1, 2015.
(b) Amount related to present value adjustments of the right of use from the initial adoption of CPC 06 (R2). For further information, see Note 4.24.1.

32. Financial instruments and risk management

Operational activities expose the Company to market risk (fuel prices, foreign currency, and interest rate), credit risk, and liquidity risk. These risks can be mitigated by using exchange swap derivatives, futures, and options contracts based on oil, U.S. dollar, and interest markets.

Financial instruments are managed by the Financial Policy Committee (“CPF”) in line with the Risk Management Policy approved by the Risk Policy Committee (“CPR”) and submitted to the Board of Directors. The CPR establishes guidelines, limits, and monitors the controls, including mathematical models adopted to continuously monitor the exposures and possible financial impacts, in addition to preventing the exploitation of operations of a speculative nature with financial instruments.

The Company does not hedge the entire risk exposure; therefore, the Company is subject to market variations for a significant part of its exposed assets and liabilities. The decisions on the part to be hedged consider the financial risks and costs of the hedging and are set and reviewed at least quarterly, in line with the CPR strategies. The results obtained from the operations and the application of controls to manage risks are part of the monitoring carried out by the Committee and have been satisfactory to the proposed goals.

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

32.1. Accounting classifications of financial instruments

The accounting classifications of the Company's financial instruments on December 31, 2019, and 2018 are as follows:

	Measured at fair value through profit or loss		Amortized Cost	
	2019	2018	2019	2018
Assets				
Cash and cash equivalents	5,505	23,478	335,327	229,394
Investments	153,413	84,941	-	-
Restricted cash	437,907	782,348	-	-
Derivatives assets	3,500	-	-	-
Trade receivables	-	-	775,515	533,924
Deposits (a)	-	-	1,075,553	836,723
Other assets	-	-	99,274	106,528
Liabilities				
Short and long-term debt	-	-	1,901,094	2,508,419
Suppliers	-	-	1,203,637	1,426,264
Suppliers - Forfaiting	-	-	554,467	365,696
Derivatives liabilities	20,350	409,662	-	-
Leases	-	-	6,049,571	271,485
Landing fees	-	-	728,339	556,299
Other liabilities	-	-	69,253	32,216

(a) Excludes judicial deposits, as described in Note 14.

32.2. Derivative and non-derivative financial instruments

The Company's derivative and non-derivative financial instruments were recognized as follows:

	Derivatives			Non-derivative	
	Fuel	Interest rate	Exchange rate	Revenue hedge	Total
Fair value variations:					
Rights (obligations) with derivatives as of December 31, 2018	**(363,268)**	**(46,394)**	**-**	**-**	**(409,662)**
Gains (losses) recognized in profit or loss	-	-	1,207	-	1,207
Gains (losses) recognized in the adjustment of equity valuation	299,910	(205,383)	-	-	94,527
Settlements (payments received) during the period	43,008	251,777	2,293	-	297,078
Rights (obligations) with derivatives as of December 31, 2019	**(20,350)**	**-**	**3,500**	**-**	**(16,850)**
Changes in the adjustment of equity valuation					
Balances as of December 31, 2018	(378,702)	(121,320)	-	-	(500,022)
Gains (losses) recognized in the adjustment of equity valuation	299,910	(205,383)	-	-	94,527
Adjustments of revenue hedge accounting	-	-	-	(188,267)	(188,267)
Net reversal to profit or loss	25,549	15,339	-	22,831	63,719
Balances as of December 31, 2019	**(53,243)**	**(311,364)**	**-**	**(165,436)**	**(530,043)**
Appropriate expenses or income	**(25,549)**	**(15,339)**	**1,207**	**165,436**	**125,755**

Classification of effects on results	
Net revenue	(18,806)
Fuel	(28,892)
Interest rate	(8,662)
Gains and losses on derivatives	(2,128)
Exchange rate variation	184,243
Total	**125,755**

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

The Company may adopt hedge accounting for derivatives contracted to hedge cash flow and that qualify for this classification as per CPC 48 - "Financial Instruments" (IFRS 9). As of December 31, 2019, the Company adopts a cash flow hedge for the interest rate (mainly the Libor interest rates) and jet fuel and protection of future foreign currency revenues.

Cash flow hedges are scheduled for realization and, therefore, reclassification to expense according to the following periods:

	2021	2022	2023	2024 onwards
Interest Derivatives	(26,500)	(28,275)	(26,430)	(210,922)
Revenue Derivatives	(37,091)	(35,888)	(35,442)	(18,511)
Fuel Derivatives	(17,521)	-	-	-
Expected Realization (*)	**(81,112)**	**(64,163)**	**(61,872)**	**(229,433)**

(*) Negative values represent losses.

32.3. Market risks

32.3.1. Fuel

The aircraft fuel prices fluctuate due to the volatility of the price of crude oil by product price fluctuations. To mitigate the risk of fuel price, as of December 31, 2019, the Company held call options and WTI, Brent, and Collar derivatives. During the year ended December 31, 2019, the Company recognized total losses in the income statement totaling R$25,549 related to fuel derivatives (on December 31, 2018, the Company recognized total gains in the income statement totaling R$39,675 related to fuel derivatives designated as hedge accounting).

The Company uses different instruments to hedge its exposure to the fuel price. The choice depends on factors such as liquidity in the market, the market price of the components, levels of volatility, availability, and margin deposit. The main instruments are futures, collars, swaps, and options.

The Company's strategy for Fuel Risk Management is based on statistical models. Through the developed model, the Company can (i) measure the economic relationship between the hedging instrument and the hedged object, thus able to assess if the relationship between the price of aviation fuel and the price of international fuel behaves as expected; and (ii) adequately define the hedged index, thus able to establish the appropriate volume to be contracted to hedge the number of liters of fuel that will be consumed in a given period.

The Company's models consider the potential factors of inefficiency that may impact on Risk Management strategies, such as changes in the pricing of aviation fuel by suppliers and the mismatch of the term of the hedging instrument and the hedged object.

The Company has hedged around 68.2% of its fuel consumption for the year 2020, at an average price of around US$65.2 per barrel.

During the year ended December 31, 2019, the Company had fuel derivative operations designated as hedge accounting, see Note 32.2.

The analysis of sensitivity to variation in the price of aviation fuel is presented in Note 32.6.2.

32.3.2. Interest rate

The Company's strategy for interest risk management combines fixed and floating interest rates and establishes if it will be necessary to expand or reduce the interest rate exposures.

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

The Company manages its exposure by calculating the Basis Point Value ("BPV") of each agreement and uses volumes that correspond to the amount of BPVs necessary to achieve the goals proposed in the Risk Management to contract derivatives.

Through statistical models, the Company proves the economic relationship between the hedging instrument and the hedged object, considering potential factors of ineffectiveness, such as the mismatch of the term of the hedging instrument and the hedged object.

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, 2019, the Company recognized a total loss from interest hedge operations in the amount of R$15,339 (loss of R$35,708 in the year ended December 31, 2018).

On December 31, 2019, and 2018, the Company and its subsidiaries have Libor interest derivative agreements designated as hedge accounting.
The analysis of sensitivity to variation in the price of aviation fuel is presented in Note 32.6.3.

32.3.3. Exchange rate

Foreign currency risk derives from the possibility of unfavorable fluctuation of foreign currencies to which the Company's liabilities or cash flows are exposed. During the year ended December 31, 2019, the Company recognized a total gain with foreign exchange hedge operations in the amount of R$1,207 (R$9,272 in December 31, 2018).

The Company's foreign currency exposure is summarized below:

	2019	2018
Assets		
Cash, equivalents, short-term investments and restricted cash	321,581	659,286
Trade receivables	193,252	148,538
Recoverable taxes	5,067	-
Deposits	1,075,553	836,723
Derivatives assets	3,500	-
Total assets	**1,598,953**	**1,644,547**
Liabilities		
Debt	(1,322,369)	(1,000,787)
Foreign currency suppliers	(456,404)	(827,281)
Derivatives liabilities	(20,350)	(409,662)
Leases	(6,007,974)	(912,145)
Total liabilities	**(7,807,097)**	**(3,149,875)**
Exchange exposure	**(6,208,144)**	**(1,505,328)**
Total foreign currency exposure - R$	**(6,208,144)**	**(1,505,328)**
Total foreign currency exposure - US$	(1,540,215)	(388,492)
Exchange rate (R$/US$)	**4.0307**	**3.8748**

(*) On January 1, 2019, as a result of the initial adoption of IFRS 16, the obligations corresponding to the operating leases were recognized in the Company's statement of financial position, as per Note 4.1.1, as well as the corresponding right of use associated with this obligation.

The Company is mainly exposed to the variation of the U.S. dollar.

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

32.4. 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. Financial assets classified as cash, cash equivalents, and short-term investments are deposited with counterparties rated investment grade or higher by S&P or Moody's (between AAA and AA-), pursuant to risk management policies.

Credit limits are set for all customers based on internal credit rating criteria, and carrying amounts represent the maximum credit risk exposure. Customer creditworthiness is assessed based on an internal system of extensive credit rating. Outstanding trade receivables are frequently monitored by the Company.
Derivative financial instruments are contracted in the over-the-counter market (OTC) with counterparties rated investment grade or higher, or in a commodities and futures exchange (B3 or NYMEX), thus substantially mitigating credit risk. The Company's obligation is to evaluate counterparty risk involved in financial instruments and periodically diversify its exposure.

32.5. Liquidity risk

The Company is exposed to liquidity risk in two different ways: (i) market liquidity risk, which varies according to the types of assets and markets in which the assets are traded, and (ii) cash flow liquidity, related to the emergence of difficulties to comply with the operational obligations contracted on the scheduled dates. To meet the liquidity risk management, the Company invests its resources in liquid assets (federal government bonds, CDBs, and investment funds with daily liquidity) and the Cash Management Policy establishes that the weighted average term of the debt must be greater than the weighted average term of the investment portfolio.

The schedules of financial liabilities held by the Company's financial liabilities on December 31, 2019, and 2018 are as follows:

	Less than 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Debt	911,816	311,294	931,848	53,822	2,208,780
Leases	1,256,348	1,017,350	5,859,832	967,404	9,100,934
Suppliers	1,190,236	-	13,401	-	1,203,637
Suppliers - Forfaiting	554,467	-	-	-	554,467
Other liabilities	57,926	-	11,327	-	69,253
Landing fees	728,339	-	-	-	728,339
Derivatives liabilities	9,080	-	11,270	-	20,350
As of December 31, 2019	**4,708,212**	**1,328,644**	**6,827,378**	**1,021,226**	**13,885.760**
Debt	779,619	319,832	1,357,224	51,744	2,508,419
Leases	135,799	-	135,686	-	271,485
Suppliers	1,302,846	22	123,396	-	1,426,264
Suppliers - Forfaiting	365,696	-	-	-	365,696
As of December 31, 2018	**2,583,960**	**319,854**	**1,616,306**	**51,744**	**4,571,864**

32.6. Sensitivity analysis of financial instruments

The sensitivity analysis of financial instruments was prepared in accordance with CVM Instruction 475/08, with the purpose of estimating the impact on the fair value of financial instruments operated by the Company, considering three scenarios in the risk variable considered: most likely scenario, in the evaluation of the Company (this being the maintenance of market levels); deterioration of 25% (possible adverse scenario) in the risk variable; deterioration of 50% (remote adverse scenario).

The estimates presented do not necessarily reflect the amounts ascertained in the next financial statements. The use of different methodologies can have a material effect on the estimates presented.

The tables below show the analysis of sensitivity on foreign exchange exposure, open derivatives position, and interest rates on December 31, 2019, for market risks considered relevant by the Company's Management. The values shown as positive are asset exposures (assets greater than liabilities), and negative values are liability exposures (liabilities greater than assets).

32.6.1. Foreign currency risk

As of December 31, 2019, the Company adopted the closing exchange rate of R$4.0307/US$1.00 as a likely scenario. The table below shows the sensitivity analysis and the effect on profit or loss of exchange rate fluctuations in the exposure amount of the period as of December 31, 2019:

	Exchange rate	Effect on profit or loss
Net liabilities exposed to the risk of appreciation of the U.S. dollar	**4.0307**	**6,208,144**
Dollar depreciation (-50%)	2.0154	3,104,072
Dollar depreciation (-25%)	3.0230	1,552,036
Dollar appreciation (+25%)	5.0384	(1,552,036)
Dollar appreciation (+50%)	6.0461	(3,104,072)

32.6.2. Fuel risk

On December 31, 2019, the Company had oil derivative contracts for protection equivalent to 68.2% of 12-month consumption, protection equivalent to 41.7% of 24-month consumption. The probable scenarios used by the Company are the market curves at the close of December 31, 2019, both for derivatives that hedge against fuel price risk and derivatives that hedge against Libor interest rate risk. The table below shows the sensitivity analysis the fluctuations in jet fuel barrel prices:

	Fuel	
	US$/bbl (WTI)	R$ (000)
Decline in prices/barrel (-50%)	28.42	(942,142)
Decline in prices/barrel (-25%)	42.62	(557,695)
Increase in prices/barrel (+25%)	71.04	345,830
Increase in prices/barrel (+50%)	85.25	826,924

32.6.3. Interest rate risk

As of December 31, 2019, the Company holds financial investments and financial liabilities indexed to several rates and positions in Libor derivatives. In its sensitivity analysis of non-derivative financial instruments, it was considered the impacts on the yearly interest of the exposed values as of December 31, 2019 (see Note 18) that were exposed to fluctuations in interest rates, as the scenarios below show. The amounts show the impacts on profit or loss according to the scenarios presented below:

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

	Short-term investments net of financial debt (a)
Risk	**Increase in the CDI rate**
Reference rates	**4.40%**
Exposure amount (probable scenario) (b)	**26,297**
Remote favorable scenario (-50%)	(1,612)
Possible favorable scenario (-25%)	(806)
Possible adverse scenario (+25%)	806
Remote adverse scenario (+50%)	1,612

(a) Total invested and raised in the financial market at the CDI rate and Libor interest rate.
(b) Book balances recorded as of December 31, 2019.

Measurement of the Fair Value of Financial Instruments

To meet the disclosure requirements of financial instruments measured at fair value, the Company and its subsidiaries must group these instruments at levels 1 to 3 based on the observable degree of fair value:

- Level 1: Fair value measurements are obtained from quoted (unadjusted) prices in identical active or passive markets;
- Level 2: Fair value measurements are obtained from other variables other than the quoted prices included within Level 1, which are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Fair value measurements are obtained from valuation techniques that include variables for the asset or liability, but are not based on observable market data (unobservable data).

The following table shows a summary of the financial instruments measured at the fair value of the Company and its subsidiaries, including their related classifications of the valuation method, on December 31, 2019, and December 31, 2018:

		2019		2018	
	Fair value level	Book Value	Fair value	Book Value	Fair value
Cash and cash equivalents	Level 1	340,832	340,832	-	-
Cash and cash equivalents	Level 2	-	-	252,872	252,872
Investments	Level 1	153,413	153,413	1,768	1,768
Investments	Level 2	-	-	83,174	83,174
Restricted cash	Level 2	437,907	437,907	782,348	782,348
Derivatives assets	Level 2	3,500	3,500	-	-
Derivatives liabilities	Level 1	(20,350)	(20,350)	(409,662)	(409,662)

33. Non-cash transactions

	2019	2018
Initial Adoption - IFRS 16 (Property, Plant and Equipment / Accumulated Loss / Minority Interest)	2,435,793	-
Write-off of financial lease agreements	-	(805,081)
Provision for aircraft return	-	147,548
Aircraft maintenance financing (fixed assets / suppliers)	45.235	-
Acquisition of Property, Plant and Equipment through Financing (Fixed Assets / Loans and Financing)	164,234	193,506
Guarantee Deposits (Deposits / Leases Payable)	476	-
Maintenance Reserve (Deposits / Leases Payable)	(6,498)	-
Right to Use Flight Equipment (Fixed Assets / Leases Payable)	956,465	-

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

34. Liabilities from financing activities

The changes in liabilities from the Company's financing activities in the years ended December 31, 2019, and 2018 are as follows:

	2019												
				Non-cash changes					Adjustment to profit				
	Opening balance	Net cash flows (used in) from financing activities	Net cash flow from operating activities	Initial adoption adjustment - IFRS 16	Property, plant and equipment acquisition through financing and lease	Escrow deposit	Maintenance reserve	Derivatives	Others	Interest accued and cost amortization	Exchange rate variation, net	Write-offs and Contractual amendment	Closing balance
Debt	1,867,759	(186,566)	(113,182)	-	164,234	-	-	-	-	128,634	40,215	-	1,901,094
Leases	912,145	(1,616,426)	(23,304)	5,367,457	956,465	(476)	(6,498)	-	-	502,054	241,612	(283,460)	6,049,571
Derivatives	409,662	(254,070)	(43,008)		-	-	-	(94,527)	(1,207)	-	-	-	16,850
Related parties	2,305,613	927,273	(6,138)	-	-	-	-	-	-	106,059	120,009	-	3,452,816

	2018							
				Non-cash changes	Adjustment to profit			
	Opening balance	Funding, additions and Payments	Interest payments and loan cost	Property, plant and equipment acquisition through financing and lease	Exchange rate variation, net	Interest accued and cost amortization	Write-offs and Contractual amendment	Closing balance
Debt	3,141,597	(384,057)	(195,023)	193,506	357,388	200,089	(805,081)	2,508,419

35. Insurance

On December 31, 2019, the most relevant insurance coverage, by nature, considering the aircraft fleet in relation to the maximum reimbursable amounts indicated in U.S. dollars are as follows:

Aviation	In thousands of Reais	In thousands of US Dollars
Guarantee - hull/war	342,610	85,000
Civil liability per event/aircraft (a)	3,023,025	750,000
Inventories (local) (b)	1,007,675	250,000

(a) In accordance with the agreed amount for each aircraft up to the maximum limit indicated.
(b) Values per incident and annual aggregate.

Pursuant to Law No. 10,744 of October 9, 2003, the Brazilian government assumed the commitment to complement any civil-liability expenses related to third parties caused by war or terrorist events, in Brazil or abroad, which GLA may be required to pay, for amounts exceeding the limit of the insurance policies effective since September 10, 2001, limited to the amount in Brazilian Reais equivalent to US$1.0 billion.

36. Subsequent events

36.1 New Codeshare Agreement

On February 4, 2020, the Company, through its subsidiary GLA, announced a new reciprocal codeshare agreement with the airline American Airlines, thus creating the most frequent service between the United States and South America.

36.2 Sale and sale leaseback agreements

On February 11, 2020, the Company, through a Notice to the Market, announced the replacement of the lease agreement for 11 aircraft, generating a gain in the first quarter of 2020 of R $ 221,875.

36.3 Downtime status of Boeing 737 MAX

In the first quarter of 2020, as a consequence the suspend the operation of its seven aircraft described in note 1 and the recognition of a long-lasting partnership, a financial compensation agreement was signed with Boeing.

The terms of the agreement are strictly confidential, but they aim at providing (a) compensation for losses incurred since the stoppage of aircraft operations, to date, and as a result of the non-delivery of aircraft, as set forth in the purchase agreements; (b) reduction in the number of firm orders by 34 aircraft to 95 in total; (c) the flexibility to additionally the number of 35 aircraft; and (d) the flexibility to convert the existing orders for other Max-models.

In the first quarter, in accordance with the accounting principles and standards in force, the amounts mentioned in the agreement were recognized R$246,938 as “Related parties” and the income statement.

36.4 Actions and impacts resulting from the COVID-19 pandemic

The COVID-19 pandemic, which is seen by the World Health Organization as a "public health emergency of international interest," has rapidly disseminated throughout the world, causing important disruptions in the global economic activity and starting an unprecedented crisis.

This crisis has significantly increased the uncertainty in the macroeconomic environment, and it will inevitably lead to global recession, according to the World Bank's report named "The Economy in the Time of COVID-19," published on April 12. In Brazil, a 5% GDP retraction is being expected in 2020, caused, above all, by weak external demand, lower oil prices, and sharp fall in the economic activity in order to contain the virus.

The measures taken in Brazil to reduce the speed of spread and dissemination of the disease include social distancing, travel restrictions and the closing of borders. As a result, the aircraft industry was one of the first and more affected sectors with regard to its operations and results. These impacts were immediate and severe.

To face this absolutely disruptive scenario, our Company, through its Executive Committee, which is made up of all management bodies, is attentively monitoring this situation and its developments; establishing financial and operational strategies; and defining how it can support the society. In a moment like this, our Company is willing to make all contributions possible by using the tools under its control. This said, our Management took the following actions in the subsequent period of theses financial statements:

36.4.1 Adjustment of operations – Essential Network

On March 16, GOL started to reduce its capacity by 50% to 60% in the domestic market, and by 90% to 95% in the international market, in order to reflect the changes in the demand from Customers.

On March 24, as Brazilians were adopting responsible social distancing measures and avoiding travelling due to the pandemic, we adjusted our network again from 750 to 50 essential daily flights between the São Paulo International Airport, located in the city of Guarulhos, and all 26 state capitals and Brasília ("Essential Network").

Since then, GOL has gradually resumed its operations, operating an average of 120 daily flights during the month of June 2020.

36.4.2 Reduction in fixed and variable costs

- Variable costs: as mentioned above, we reviewed our flight network as the end of March in order to ensure essential services in all Brazilian capitals and the federal district, which corresponded to a reduction of 93% in domestic flights, and a temporary interruption in all international flights, thus reducing the related variable costs;

- Personnel Expenses: with effects expected as of April, the Company adopted measures aiming at a planned reduction of approximately 50% in payroll expenses and relevant charges, particularly with reduction of working hours and, consequently, a reduction of 35% in salaries of air service and ground service workers; negotiation to reduce the working hours of our crew by 50%; 40% reduction in the compensation of our officers; adoption of unpaid leave (LNR) by approximately 5.4 thousand employees (approximately 34% of our total staff), with these adoptions signed until March 31, 2020; and

- In April, with effects expected as of May, we adopted the measures provided for in MP [Provisional Measure] 936/20, reducing the salaries of employees by 50%, the compensation of officers by 60%, and adopting the suspension of labor agreements of around 800 employees, in addition to the 5,400 employees previously mentioned.

- Other expenses: suspension of expenses for advertising and publicity, and immediate interruption of projects of any nature which are not absolutely essential for the continuity of operations.

36.4.3 Preservation and strengthening of our cash position and liquidity

- Aircraft and engines lease: negotiation with key lessors on the postponement of payments for a period of 3 to 6 months, which should enable us to retain funds of approximately R$452.4 million;

- Fuel costs: agreements with suppliers on the postponement of payments, which should be resumed in installments as of September 2020;

- Personnel Expenses: interruption in the payment of profit sharing and bonuses for the year 2019, and in the payment of the advance of the 13th salary and vacation pay;

- Investments: suspension of non-essential CAPEX, including the interruption of "*pre-delivery payments (PDPs);* "
- Engine maintenance services: postponement by 60 to 90 days of payments to suppliers;
- Taxes, contributions and social charges – suspension of payment of federal taxes through the issue of a court injunction, and also as a result of the measures enacted by the Federal Government;
- Other expenses and revenues: agreement on the refund of expenses incurred since grounding of 737MAX aircraft, with an immediate effect of R$247 million. and
- Loans and financing: postponement of the R$148-million installment maturing in March 2020 to March 2022; obtainment of a waiver for all covenants maturing in 2020; and postponement of the maturity of working capital transactions scheduled for the first quarter of 2020.

36.4.4 Support from the Government and regulatory bodies

- Maintenance of receivables from air tickets: reduction in reimbursements and cancellations based on the Provisional Measure enacted by the Government, which provides for the rescheduling of flights within a period of up to 12 months;
- Airport fees: change in the terms of payment of navigation and airport fees, which may be paid until December without penalties; and
- Maintenance of slots – ANAC: (i) allowance for cancellation of slots as per the regularity index, valid until the end of October 2020, in line with a similar decision issued by other civil aviation organizations and authorities, such as the European Commission and FAA; and (ii) extension of 120 days for renewal of licenses.

36.4.5 Adjustments and reclassifications accounted for in the subsequent period

As mentioned above, the impacts of the COVID-19 pandemic on the Company were immediate and severe, its main consequence being the adoption of the essential network. Below is presented a table summarizing the adjustments and reclassifications recorded in the subsequent period of these financial statements, as well as the details on each of these items and additional disclosures in the text below:

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

	Consolidated
Adjustments	
De-recognition of the cash flow hedge - fuel	(291,925)
De-recognition of the cash flow hedge - revenues in US$	(290,346)
Reclassifications	
Taxes to recover in the short- and long-term	33,290

As a link between the travel and tourism industries, the subsidiary Smiles is also being affected by the crisis, with impacts on its operations and results. The main effect was the reduction, in the first quarter of 2020, in the volume of redemption of miles accumulated by the participants of the Smiles Program, particularly regarding air tickets, hotel accommodation and car rental. In April, the Company also recorded cancellations, above the usual levels, of miles redeemed in previous months. Accordingly, a provision for cancellations, in the amount of R$22,271 was recorded as of March 31, 2020.

Additionally, as a result of the reduction in operations due to the adoption of the essential network, the Company derecognized cash flow hedging transactions, since it expects a drop in the fuel consumption previously estimated. Accordingly, the amount of R$291,925 was transferred from the “equity valuation adjustment” group, in shareholders’ equity, to the item “derivative losses” in financial income.

Also, as a result of the temporary interruption in all international flights, the Company also derecognized the hedge accounting transactions used for protecting future revenues in foreign currency (subject matter of the hedge), using lease agreements as hedge instruments. Accordingly, the amount of R$290,346 was transferred from the “equity valuation adjustment” group, in shareholders’ equity, to the item “exchange variation expenses” in financial income.

The expectations of realization of assets and liabilities were reviewed. As a result, the Company reclassified Recoverable taxes and contributions in the amount of R$33,290, since the realization of these assets will be postponed.

With regard to lease balances payable as of March 31, 2020, short-term obligations in the amount of R$233,081 were renegotiated with creditors.

The Company has also conducted impairment tests in the balances of property, plant and equipment, goodwill and slots rights. No provision for impairment was recorded in the subsequent period.

36.4.6 Support to the Society, the Employees and the Customers

Passenger transportation services are essential for the society. We recognize our duty of care towards our audiences, and we are working closely to the authorities to help reduce the impact of COVID-19 on the population and the health services.

Regarding the flights in our essential network, we are taking extraordinary measures in addition to the strict sanitation standards of the civil aviation sector. Our aircraft are sanitized and disinfected on a daily basis.

The measures used include keeping the integrity and health of our employees as a priority. As from the second week of March, all administrative employees have been working remotely. The employees are being continuously monitored by the Company’s leadership and the People and Culture area, which manages our human resources.

In order to improve our Customer Assistance services in a period of high demand and uncertainty, we created specific communication channels on the coronavirus that are constantly updated. We reinforced our dedicated Customer Assistance team, giving priority to more urgent cases. This team helps customers with the reorganization of air ticket bookings with flexible conditions for changes in future flights.

At the social level, as a contribution to and in recognition of those who fight COVID-19 on the frontline of the battle, the Company, is now providing free transportation to health professionals for them to travel throughout Brazil to provide care to patients affected.

The Company's most important commitment will continue to be the integrity and health of persons. Accordingly, we are strictly following the guidelines issued by WHO, and undertaking to do everything we can to face this turbulent period in the best way possible.