
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934



Commission file number 001-32221

Gol Linhas Aéreas Inteligentes S.A.

(Exact name of Registrant as specified in its charter)

Gol Intelligent Airlines Inc.

(Translation of Registrant's name into English)

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)

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

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

Title of each class:

Preferred Shares, without par value

American Depositary Shares (as evidenced by American Depositary Receipts), each representing one share of Preferred Stock

Name of each exchange on which registered:

New York Stock Exchange*

New York Stock Exchange

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

The number of outstanding shares of each class of stock of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2016:

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

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

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

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

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

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

Large accelerated Filer

Accelerated Filer

Non-accelerated Filer

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

U.S. GAAP

International Financial Reporting Standards
as issued by the International Accounting
Standards Board

Other

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

Item 17 Item 18

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

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PRESENTATION OF FINANCIAL AND OTHER DATA

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

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate such amounts in respect of the year ended December 31, 2016 was R\$3.2591 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect on December 31, 2016, as reported by the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at the above rate. See “Exchange Rates” for more detailed information regarding the Brazilian foreign exchange system and historical data on the exchange rate of the *real* against the U.S. dollar.

In this annual report, we use the terms “the Registrant” to refer to Gol Linhas Aéreas Inteligentes S.A., and “Gol”, “Company”, “we,” “us” and “our” to refer to the Registrant and its consolidated subsidiaries together, except where the context requires otherwise. The term GLA refers to Gol Linhas Aéreas S.A., a wholly owned subsidiary of the Registrant. The term “VRG” refers to the company formed from assets of the former Varig group, which we acquired in April 2007. References to “preferred shares” and “ADSs” refer to non-voting preferred shares of the Registrant and American depositary shares representing those preferred shares, respectively, except where the context requires otherwise.

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

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

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

- “Aircraft utilization” represents the average number of block-hours operated per day per aircraft for the total aircraft fleet.
- “Available seat kilometers” or “ASK” represents the aircraft seating capacity multiplied by the number of kilometers flown.
- “Average stage length” represents the average number of kilometers flown per flight.
- “Block-hours” refers to the elapsed time between an aircraft’s leaving an airport gate and arriving at an airport gate.
- “Breakeven load factor” is the passenger load factor that will result in passenger revenues equaling operating expenses.
- “Load factor” represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger kilometers by available seat kilometers).
- “Low-cost carrier” refers to airlines with a business model focused on a single fleet type, low cost distribution channels and a highly efficient flight network.

- “Operating expense per available seat kilometer” or “CASK” represents operating expenses divided by available seat kilometers, which is the generally accepted industry metric to measure operational cost-efficiency.
- “Operating expense excluding fuel expense per available seat kilometer” or “CASK - ex fuel” represents operating expenses less fuel expense, divided by available seat kilometers.
- “Operating revenue per available seat kilometer” or “RASK” represents operating revenue divided by available seat kilometers.
- “Passenger revenue per available seat kilometer” or “PRASK” represents passenger revenue divided by available seat kilometers.
- “Revenue passengers” represents the total number of paying passengers flown on all flight segments.
- “Revenue passenger kilometers” or “RPK” represents the numbers of kilometers flown by revenue passengers.
- “Yield per passenger kilometer” or “yield” represents the average amount one passenger pays to fly one kilometer.

CAUTIONARY STATEMENTS ABOUT FORWARD-LOOKING STATEMENTS

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

- general economic, political and business conditions in Brazil, South America and the Caribbean;
- the effects of global financial markets and economic crises;
- management’s expectations and estimates concerning our financial performance and financing plans and programs;
- our level of fixed obligations;
- our capital expenditure plans;
- our ability to obtain financing on acceptable terms;
- inflation and fluctuations in the exchange rate of the *real*;
- existing and future governmental regulations, including air traffic capacity controls;
- increases in fuel costs, maintenance costs and insurance premiums;
- changes in market prices, customer demand and preferences, and competitive conditions;
- cyclical and seasonal fluctuations in our operating results;
- defects or mechanical problems with our aircraft;
- our ability to successfully implement our strategy; and
- developments in the Brazilian civil aviation infrastructure, including air traffic control, airspace and airport infrastructure.

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

We present in this section the following summary financial data:

- Summary financial information derived from our audited consolidated financial statements included herein as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014; and
- Summary financial information derived from our audited consolidated financial statements not included herein as of and for the years ended December 31, 2013 and 2012.

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated.

Summary Financial Information

	Year Ended December 31,					2016 ⁽¹⁾ (in thousands of US\$)
	2012	2013	2014	2015	2016	
	(in thousands of R\$, except per share/ADS information)					
Statements of Operations						
Operating revenue:						
Passenger	7,159,987	8,122,161	9,045,831	8,583,388	8,671,442	2,660,686
Cargo and other	943,572	834,051	1,020,383	1,194,619	1,195,893	366,940
Total operating revenue	8,103,559	8,956,212	10,066,214	9,778,007	9,867,335	3,027,626
Operating expenses:						
Salaries	(1,569,670)	(1,333,462)	(1,374,096)	(1,580,531)	(1,656,785)	(508,357)
Aircraft fuel	(3,742,219)	(3,610,822)	(3,842,276)	(3,301,368)	(2,695,390)	(827,035)
Aircraft rent	(644,031)	(699,193)	(844,571)	(1,100,086)	(996,945)	(305,896)
Sales and marketing	(426,582)	(516,059)	(667,372)	(617,403)	(555,984)	(170,594)
Landing fees	(559,421)	(566,541)	(613,153)	(681,378)	(687,366)	(210,907)
Aircraft, traffic and mileage servicing	(528,737)	(599,479)	(747,447)	(1,019,833)	(1,068,175)	(327,752)
Maintenance, materials and repairs	(417,990)	(460,805)	(511,045)	(603,925)	(593,090)	(181,980)
Depreciation and amortization	(519,631)	(560,966)	(463,296)	(419,691)	(447,668)	(137,359)
Other operating expenses	(600,891)	(342,896)	(495,526)	(633,628)	(468,107)	(143,631)
Total operating expenses	(9,009,172)	(8,690,223)	(9,558,782)	(9,957,843)	(9,169,510)	(2,813,510)
Equity results	-	-	(2,490)	(3,941)	(1,280)	(393)
Income (loss) before financial expense, net and income taxes	(905,613)	265,989	504,942	(183,777)	696,545	213,723
Financial income (expense), net	(679,209)	(919,216)	(1,457,622)	(3,263,323)	664,877	204,006
Profit (loss) before income taxes	(1,584,822)	(653,227)	(952,680)	(3,447,100)	1,361,422	417,729
Income taxes	71,907	(71,363)	(164,601)	(844,140)	(259,058)	(79,488)
Net income (loss)	(1,512,915)	(724,590)	(1,117,281)	(4,291,240)	1,102,364	338,242
Attributable to non-controlling interests	-	71,957	128,888	169,643	252,745	77,551
Attributable to equity holders of Gol	(1,512,915)	(796,547)	(1,246,169)	(4,460,883)	849,619	260,691

	As of December 31,					
	2012	2013	2014	2015	2016	2016 ⁽¹⁾
						(in thousands of US\$)
Balance Sheet Data:	(in thousands of R\$)					
Cash and cash equivalents	775,551	1,635,647	1,898,773	1,072,332	562,207	172,504
Restricted cash	224,524	254,456	331,550	735,404	168,769	51,784
Short-term investments	585,028	1,155,617	296,824	491,720	431,233	132,317
Trade receivables	325,665	324,821	352,284	462,620	760,237	233,266
Sub-total	1,910,768	3,370,541	2,879,431	2,762,077	1,922,446	589,870
Deposits	657,196	847,708	793,508	1,020,074	1,188,992	364,822
Total assets	9,027,098	10,638,448	9,976,647	10,368,397	8,404,355	2,578,735
Short-term debt	1,719,625	440,834	1,110,734	1,396,623	835,290	256,295
Long-term debt	3,471,550	5,148,551	5,124,505	7,908,303	5,543,930	1,701,062
Total equity	732,828	1,218,500	(332,974)	(4,322,440)	(3,356,751)	(1,029,963)
Capital stock	2,499,689	2,501,574	2,618,748	3,080,110	3,080,110	945,080

	Year Ended December 31,					
	2012	2013	2014	2015	2016	2016 ⁽¹⁾
						(in US\$)
Earnings per Share and Other Information:	(in R\$)					
Basic income (loss) per preferred share ⁽²⁾	(5.52)	(2.88)	(4.48)	(14.76)	2.46	0.75
Basic income (loss) per common share ⁽²⁾	(0.16)	(0.08)	(0.13)	(0.42)	0.07	0.02
Basic income (loss) per share ⁽³⁾	(5.52)	(2.88)	(4.48)	(14.76)	2.45	0.75
Basic income (loss) per ADS ⁽²⁾⁽⁴⁾	(27.60)	(14.40)	(22.40)	(73.80)	12.28	3.77
Diluted income (loss) per preferred share ⁽²⁾	(5.52)	(2.88)	(4.48)	(14.76)	2.45	0.75
Diluted income (loss) per common share ⁽²⁾	(0.16)	(0.08)	(0.13)	(0.42)	0.07	0.02
Diluted income (loss) per share ⁽³⁾	(5.52)	(2.88)	(4.48)	(14.76)	2.45	0.75
Diluted income (loss) per ADS ⁽²⁾⁽⁴⁾	(27.60)	(14.40)	(22.40)	(73.80)	12.28	3.77
Weighted average number of outstanding shares in relation to basic income (loss) per preferred share (in thousands) ⁽²⁾	134,298	132,780	134,151	158,285	202,261	202,261
Weighted average number of outstanding shares in relation to basic income (loss) per common share (in thousands) ⁽²⁾	4,900,915	5,035,037	5,035,037	5,035,037	5,035,037	5,035,037
Weighted average number of outstanding shares in relation to basic income (loss) per share (in thousands) ⁽³⁾	274,324	276,638	278,009	302,143	346,119	346,119
Weighted average number of outstanding ADSs in relation to basic income (loss) per share (in thousands) ⁽³⁾⁽⁴⁾	54,864	55,328	55,602	60,428	69,224	69,224
Weighted average number of outstanding shares in relation to diluted income (loss) per preferred share (in thousands) ⁽²⁾	134,298	132,780	134,151	158,285	202,607	202,607
Weighted average number of outstanding shares in relation to diluted income (loss) per common share (in thousands) ⁽²⁾	4,900,915	5,035,037	5,035,037	5,035,037	5,035,037	5,035,037
Weighted average number of outstanding shares in relation to diluted income (loss) per share (in thousands) ⁽³⁾	274,324	276,638	278,009	302,143	346,465	346,465
Weighted average number of outstanding ADSs in relation to diluted income (loss) per share (in thousands) ⁽³⁾⁽⁴⁾	54,864	55,328	55,602	60,428	69,294	69,294
Dividends declared per preferred share (net of withheld income taxes)	0	0	0	0	0	0

	Year Ended December 31,					
	2012	2013	2014	2015	2016	2016 ⁽¹⁾
	(in thousands of R\$ except percentages)					(in thousands of US\$)
Other Financial Data:						
EBITDA ⁽⁵⁾	(385,982)	826,955	968,238	235,914	1,144,213	351,083
EBITDA margin ⁽⁶⁾	(4.8%)	9.2%	9.6%	2.4%	11.6%	11.6%
Operating margin ⁽⁷⁾	(11.2)%	3.0%	5.0%	(1.9)%	7.1%	7.1%
Total liquidity ⁽⁸⁾	1,910,768	3,370,541	2,879,431	2,762,077	1,922,446	589,870
Net cash provided by (used in) operating activities	133,293	403,881	1,129,192	(599,467)	(21,067)	(6,464)
Net cash provided by (used in) investing activities	(590,443)	(318,936)	(431,610)	(1,259,157)	592,089	181,673
Net cash provided by (used in) financing activities	(4,381)	807,162	(309,584)	750,190	(1,062,783)	(326,097)

Summary Operational Data

	Year Ended December 31					
	2012	2013	2014	2015	2016	
Operating Data:						
Operating aircraft at period end		126	141	139	142	121
Total aircraft at period end		147	150	144	144	130
Revenue passengers carried (in thousands)		39,164	36,306	39,749	38,868	32,623
Revenue passenger kilometers (RPKs) (in millions) ⁽⁹⁾		36,410	34,684	38,085	38,410	35,928
Available seat kilometers (ASKs) (in millions) ⁽⁹⁾		51,867	49,633	49,503	49,744	46,329
Load-factor		70.2%	69.9%	76.9%	77.2%	77.5%
Break-even load-factor		78.0%	67.8%	73.1%	78.1%	72.1%
Aircraft utilization (block hours per day)		12.1	11.2	11.5	11.3	11.2
Average fare (R\$)		183	224	228	221	265
Passenger revenue yield per RPK (R\$ cents)		19.7	23.4	23.8	22.4	24.1
Passenger revenue per ASK (R\$ cents)		13.8	16.4	18.3	17.3	18.7
Operating revenue per ASK (R\$ cents)		15.6	18.0	20.3	19.7	21.3
Operating expense per ASK (R\$ cents)		17.4	17.5	19.3	20.0	19.8
Operating expense less fuel expense per ASK (R\$ cents)		10.2	10.2	11.6	13.4	14.0
Departures		348,578	316,466	317,594	315,902	261,514
Departures per day		955	867	870	866	717
Destinations served		65	65	71	68	63
Average stage length (kilometers)		877	897	912	933	1,043
Active full-time equivalent employees at period end		17,726	16,319	16,875	16,472	15,261
Fuel liters consumed (in thousands)		1,655,421	1,511,869	1,538,202	1,551,137	1,390,958
Average fuel expense per liter		2.26	2.39	2.50	2.13	1.9
Percentage of sales through website during period ⁽¹⁰⁾		88.8%	87.6%	83.1%	80.7%	79.8%
Percentage of sales through website and call center during period		94.5%	92.5%	87.3%	84.5%	83.3%

(1) Translated for convenience using the U.S. dollar exchange rate as reported by the Central Bank of R\$3.2591 to US\$1.00 as of December 31, 2016.

- (2) Adjusted to reflect the one to 35 stock split of our common shares on March 23, 2015 and that since that date our preferred shares are entitled to receive dividends per share in an amount 35 times the amount of dividends per share paid to holders of our common shares in order to account for the split of our common shares. Our preferred shares are not entitled to any fixed dividend preferences. See "Item 9. The Offer and Listing—C. Markets—Corporate Governance Practices" for further details.
- (3) Common shares multiplied by 35 to calculate earnings (loss) per share and divided by 35 to calculate weighted average number of shares, to reflect the ratio of 35 common shares for each preferred share. This is not a measure of financial performance recognized under Brazilian GAAP or IFRS, nor should it be considered as alternatives to numbers calculated per preferred share and per common share. We believe that calculations per share provide useful information as it equalizes the common share economic rights and number of shares to those of our preferred shares.
- (4) Adjusted to reflect the ratio of our ADSs to preferred shares of one ADS to five preferred shares. See "Item 12. Description of Securities other than Equity Securities—A. American Depositary Shares."

- (5) We calculate EBITDA as net income (loss) plus financial income (expense), net, income taxes and depreciation and amortization. EBITDA is not a measure of financial performance recognized under Brazilian GAAP or IFRS, nor should it be considered as alternatives to net income (loss) as measures of operating performance, or as alternatives to operating cash flows, or as measures of liquidity. EBITDA is not calculated using a standard methodology and may not be comparable to the definition of EBITDA or similarly titled measures used by other companies. As financial income (expenses) net, income taxes, and depreciation and amortization are not considered for calculation of EBITDA, we believe that our EBITDA provides an indication of our general economic performance, without giving effect to interest rate or exchange rate fluctuations, changes in income and social contribution tax rates, or depreciation and amortization.
- (6) EBITDA divided by net revenue.
- (7) Operating margin represents operating income (loss) before financial results and income taxes divided by operating revenue.
- (8) Total liquidity is the sum of cash and cash equivalents, restricted cash, short-term investments and trade receivables.
- (9) Source: National Civil Aviation Agency (*Agência Nacional de Aviação Civil*), or ANAC.
- (10) Considering sales through our website and API (*application programming interface*) systems.

Reconciliation of Net Income (Loss) to EBITDA and EBITDAR

	Year Ended December 31,					2016 ⁽¹⁾
	2012	2013	2014	2015	2016	
	(in thousands of R\$ except as otherwise indicated)					(in thousands of US\$)
Net income (loss)	(1,512,915)	(724,590)	(1,117,281)	(4,291,240)	1,102,364	338,242
(+) Income taxes	(71,907)	71,363	164,601	844,140	259,058	79,488
(+) Financial income (expenses), net	679,209	919,216	1,457,622	3,263,323	(664,877)	(204,006)
(+) Depreciation and amortization	519,631	560,966	463,296	419,691	447,668	137,359
EBITDA ⁽²⁾	<u>(385,982)</u>	<u>826,955</u>	<u>968,238</u>	<u>235,914</u>	<u>1,144,213</u>	<u>351,083</u>
(+) Aircraft rent	644,031	699,193	844,571	1,100,086	996,945	305,896
EBITDAR ⁽²⁾	<u>258,049</u>	<u>1,526,148</u>	<u>1,812,809</u>	<u>1,336,000</u>	<u>2,141,158</u>	<u>656,978</u>
EBITDA/Aircraft Rent	<u>(0.6)x</u>	<u>1.2x</u>	<u>1.1x</u>	<u>0.2x</u>	<u>1.1x</u>	<u>1.1x</u>

(1) Translated for convenience using the U.S. dollar exchange rate as reported by the Central Bank of R\$3.2591 to US\$1.00 as of December 31, 2016.

(2) We calculate EBITDA as net income (loss) plus financial income (expense), net, income taxes and depreciation and amortization. EBITDAR is calculated as net income (loss) plus financial income (expenses) net, income taxes, depreciation and amortization and aircraft rent expenses. EBITDA and EBITDAR are not measures of financial performance recognized under Brazilian GAAP or IFRS, nor should they be considered as alternatives to net income (loss) as measures of operating performance, or as alternatives to operating cash flows, or as measures of liquidity. EBITDA and EBITDAR are not calculated using a standard methodology and may not be comparable to the definition of EBITDA or EBITDAR or similarly titled measures used by other companies. As financial income (expenses) net, income taxes, and depreciation and amortization are not considered for calculation of EBITDA and EBITDAR, we believe that our EBITDA and EBITDAR provides an indication of our general economic performance, without giving effect to interest rate or exchange rate fluctuations, changes in income and social contribution tax rates, or depreciation and amortization. In addition, we believe EBITDAR provides a better understanding of our operating performance as it excludes aircraft rent expenses. We usually present EBITDAR because aircraft leasing represents a significant operating expense of our business, and we believe the impact of this expense should be considered in addition to the impact of depreciation and amortization. A substantial amount of aircraft is leased, representing a material cost item. EBITDAR therefore indicates the capacity to cover such costs, as well as facilitating comparisons with other companies in the sector.

Exchange Rates

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

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies.

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

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

Year	Period-End	Average ⁽¹⁾	Low	High
	(R\$ per US\$)			
2012	2.044	1.955	1.702	2.112
2013	2.343	2.161	1.953	2.446
2014	2.656	2.353	2.197	2.740
2015	3.905	3.339	2.575	4.195
2016	3.259	3.483	3.119	4.156
2017 (through April 18, 2017)	3.096	3.123	3.051	3.273

Month	Month-End	Average ⁽²⁾	Low	High
	(R\$ per US\$)			
October 2016	3.181	3.186	3.119	3.236
November 2016	3.397	3.342	3.202	3.445
December 2016	3.259	3.352	3.259	3.465
January 2017	3.127	3.197	3.127	3.273
February 2017	3.099	3.104	3.051	3.148
March 2017	3.168	3.128	3.077	3.174
April 2017 (through April 18, 2017)	3.096	3.121	3.092	3.146

Source: Central Bank

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

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

Risks Relating to Brazil

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

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

- interest rates;

- currency fluctuations;
- monetary policies;
- inflation;
- liquidity of capital and lending markets;
- tax and social security policies;
- labor regulations;
- energy and water shortages and rationing; and
- other political, social and economic developments in or affecting Brazil.

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

Since 2011, Brazil's economy has stagnated. The Gross Domestic Product, or GDP, contraction rates were (3.6)% in 2016 and (3.8)% in 2015, and GDP growth was 0.1% in 2014, 2.7% in 2013, 1.8% in 2012 and 3.9% in 2011, compared to a GDP growth of 7.5% in 2010. The Brazilian government projects the Brazilian GDP will grow by 0.5% in 2017.

Our results of operations and financial condition have been, and will continue to be, affected by the weakness of the Brazilian GDP. Developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the use of our products and services.

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

Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* investigation, which is being conducted by the Federal Prosecutors' Office, and its impact on the Brazilian economy and political environment. Numerous members of the Brazilian government and of the legislative branch, as well as senior officers of large state-owned and private companies have been convicted of political corruption of officials accepting bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. Profits from these kickbacks financed the political campaigns of political parties that were unaccounted for or not publicly disclosed, and served to further the personal enrichment of the recipients of the bribery scheme. As a result, a number of senior politicians, including congressmen and officers of the major state-owned and private companies in Brazil, resigned or have been arrested.

The ultimate outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. The development of those unethical conduct cases has and may continue to adversely affect our business, financial condition and results of operations and the trading price of our preferred shares and ADSs.

In addition, the Brazilian economy continues to be subject to the effects of the impeachment of President Dilma Rousseff on August 31, 2016. Vice-President Michel Temer was sworn in as the new President of Brazil until the next presidential election in 2018, but political uncertainty has remained. We cannot predict the effects of these recent developments and the current ongoing political uncertainties on the Brazilian economy.

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

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

Recently, the Brazilian market experienced heightened volatility due to, among other factors, uncertainty as to the implication of U.S. elections, U.S. monetary policy and Great Britain's exit from the European Union, increased aversion to risk in emerging countries, and uncertainties regarding macroeconomic and political conditions.

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

Historically, Brazil has experienced high inflation rates. Inflation and certain actions taken by the Central Bank to curb it have had significant negative effects on the Brazilian economy. After the implementation of the *Plano Real* in 1994, the annual rate of inflation in Brazil decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA. Inflation measured by the IPCA index was 6.4%, 10.7% and 6.3% in 2014, 2015 and 2016, respectively and the tendency is decreasing inflation for 2017.

Between 2004 and 2010, the base interest rate for the Brazilian banking system, varied between 19.8% and 8.6%. This rate is the Central Bank's Special System for Settlement and Custody (*Sistema Especial de Liquidação e Custódia*) rate, or SELIC rate. On December 31, 2014, 2015 and 2016, the SELIC rate was 11.75%, 14.25% and 13.65%, respectively.

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

Any further downgrading of Brazil's credit rating could adversely affect the trading price of our preferred shares, ADSs and notes.

Credit ratings affect investors' perceptions of risk and, as a result, the yields required on debt issuances in the financial markets. Rating agencies regularly evaluate Brazil and its sovereign ratings, taking into account a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness and the prospect of change in these factors.

In September 2015, Standard & Poor's lowered Brazil's sovereign credit rating to below investment grade, from BBB-minus to BB-plus, citing, among other reasons, general instability in the Brazilian market caused by the Brazilian government's interference in the economy and budgetary difficulties. Standard & Poor's again downgraded Brazil's credit rating in February 2016, from BB-plus to BB, and maintained its negative outlook on the rating, citing a worsening credit situation from the time of the September 2015 downgrade. In December 2015, Moody's placed Brazil's Baa3 ratings on review for a downgrade, citing negative macroeconomic trends and a deterioration of the government's fiscal conditions. Subsequently, in February 2016, Moody's downgraded Brazil's ratings to below investment grade, to Ba2 with a negative outlook, citing the prospect for further deterioration in Brazil's debt service in a negative or low growth environment, in addition to challenging political dynamics. Rating agency Fitch also downgraded Brazil's credit rating to BB-plus with a negative outlook, citing the country's rapidly expanding budget deficit and the worse-than-expected recession. As a result, the trading prices of debt and equity securities of Brazilian issuers were negatively affected. Continuation of the current Brazilian recession could lead to further ratings downgrades.

Any further downgrade of Brazil's credit ratings could heighten investors' perception of risk and, as a result, increase the cost of debt issuance and adversely affect the trading price of our securities.

Risks Relating to Us and the Brazilian Airline Industry

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

The Brazilian currency has, during the last decades, experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. For example, the *real* was valued at R\$1.67 per US\$1.00 in August 2008. Following the onset of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R\$2.34 per US\$1.00 at the end of 2008. In 2010, the *real* appreciated against the U.S. dollar, reaching R\$1.661 per US\$1.00 at the end of 2010. Since 2011, the *real* depreciated against the U.S. dollar, reaching R\$3.905 per US\$1.00 at the end of 2015 with a 47.0% devaluation in 2015. In 2016, the *real* appreciated against the U.S. dollar, reaching R\$3.2591 per US\$1.00 at December 31, 2016. There can be no assurance that the *real* will not depreciate further against the U.S. dollar.

Nearly 88.7% of our passenger revenue and other revenue are denominated in *reais* and a significant part of our operating expenses, such as fuel, aircraft and engine maintenance services, aircraft rent payments and aircraft insurance, are denominated in, or linked to, U.S. dollars. For the year ended December 31, 2016, 47.2% of our operating expenses were either denominated in or linked to the U.S. dollar. The purchase price of Boeing 737 aircraft is denominated in U.S. dollars. At December 31, 2016, R\$5,314.4 million (or 83.3%) of our indebtedness was denominated in U.S. dollars and we had a total of R\$6,246.7 million in non-cancelable U.S. dollar-denominated future operating lease payments.

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

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

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

We may not be able to maintain adequate liquidity and our cash flows from operations and financings may not be sufficient to meet our current obligations.

Our liquidity, cash flows from operations and financings have been and may be negatively affected by the exchange rate environment, fuel prices and economic conditions in Brazil on the demand for air travel. Recent cost cutting measures, such as capacity reduction and the liquidity improving measures we adopted in 2016 (see “Item, 4. Information on the Company—A. History and Development of the Company—Our Fleet Reduction and Network Redesign” and “—Improvement of our Capital Structure”), may not be sufficient to offset these effects.

Certain of our debt agreements contain covenants that require the maintenance of specified financial ratios. Our ability to meet these financial ratios and other restrictive covenants may be affected by events beyond our control and we cannot assure that we will meet those ratios. Failure to comply with any of these covenants could result in an event of default under these agreements and others, as a result of cross default provisions. If we were unable to comply with our debt covenants, we would be forced to seek waivers. We cannot guarantee that we will be successful in meeting our covenants, and if we are unable to meet our covenants, in obtaining or renewing any waivers.

As a result of significant losses from 2011 to 2015, our financial condition, and, consequently, our ability to obtain debt and equity financing has been materially weakened.

Significant losses have materially and negatively affected our financial condition. We had net losses of R\$751.5 million in 2011, R\$1,513 million in 2012, R\$724.6 million in 2013, R\$1,117.3 million in 2014, R\$4,291.2 million in 2015 and a net income of R\$1,102.4 million in 2016. The historical losses were principally due to factors we do not control, such as the effect of fluctuations in foreign exchange rates, which affects a significant part of our operating expenses and our debt service, as well as volatility in international fuel prices. Despite the net income in 2016, we had a negative equity of R\$3,356.8 million as of December 31, 2016, compared to R\$4,322.4 million as of December 31, 2015.

Our indebtedness and our overall leverage during this period increased significantly, mainly due to the strong depreciation of the *real* against the U.S. dollar between 2012 and early 2016, while our reduced operating cash flow generation and EBITDAR in the period reduced our debt service coverage ratios and liquidity, resulting in decreases in our credit ratings. From the end of 2012 to 2016, Fitch Ratings, Moody's and S&P lowered our credit ratings from B, B3 and B, to CC, Caa3 and CCC-, respectively. In March 2017, Fitch Ratings upgraded our Long-Term Foreign and Local Currency Issuer Default Ratings (IDH) to CCC. Credit ratings affect the cost and other terms upon which we are able to obtain funding. Credit rating agencies regularly evaluate us and their ratings of our long-term debt are based on a number of factors, including our financial strength and capacity to generate cash flows and service our financial commitments.

Our current credit ratings, negative shareholders' equity and leverage ratio have materially reduced our ability to obtain debt and equity financing, which could make us more vulnerable to unexpected events or to the deterioration of the operating environment.

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

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

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

Substantial fluctuations in fuel costs would harm us.

Historically, international and local fuel prices have been subject to wide price fluctuations based on geopolitical issues and supply and demand. The price of West Texas Intermediate crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, which at times in 2007 and 2008 was at historically high levels, affects our fuel costs, and constitutes a significant portion of our total operating expenses. In 2014, the average price per barrel of West Texas Intermediate crude oil was US\$93.04 and fuel costs represented 40% of our operating expenses. Prices have decreased since 2015 and fuel costs represented 33% and 29% of our operating expenses for the years ended December 31, 2015 and 2016, respectively. The high volatility in prices led to fuel hedge losses, principally in 2015, while the recent appreciation of the *real* against the U.S. dollar has positively affected our fuel costs in *reais*. Although we enter into hedging arrangements to reduce our exposure to fuel price fluctuations and have historically passed on the majority of fuel price increases by adjusting our fare structure, the price and availability of fuel cannot be predicted with any degree of certainty. Our hedging activities and fares adjustments may not be sufficient to protect us fully from fuel price increases.

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

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

Brazilian aviation authorities monitor and influence the developments in Brazil’s airline market. For example, airport services are regulated by the National Civil Aviation Agency (*Agência Nacional de Aviação Civil*), or ANAC, and in many cases still managed by the Brazilian Airport Infrastructure Company (*Empresa Brasileira de Infraestrutura Aeroportuária*), or INFRAERO, a government-owned corporation. ANAC addressed overcapacity in the system in 2014 by establishing strict criteria that must be met before new routes or additional flight frequencies are awarded. ANAC policies as well as those of other aviation supervisory authorities have in the past negatively affected our operations and these effects may reoccur. In July 2014, ANAC published new rules governing the allocation of slots in coordinated/slotted airports, such as Congonhas and Guarulhos in São Paulo and Brasília in Distrito Federal, which consider operational efficiency (on-time performance and regularity) as the main criteria for the allocation of slots. Under these rules on-time performance and regularity are assessed twice per year, following the IATA summer and winter calendars, between April and September and between October and March. Minimum on-time performance and regularity targets for each series of slots in a season are 80% and 90%, respectively, at Congonhas airport (São Paulo) and 75% and 80%, respectively, for all other main airports. Airlines forfeit slots used below the minimum criteria in a season. Forfeited slots are redistributed 50% to new entrants, which includes airlines that operate fewer than five slots in the affected airport in the given weekday, and 50% to all airlines operating in that airport based on their share of slots. These and other changes to the Brazilian civil aviation regulatory framework could increase our costs and change the competitive dynamics of our industry and may adversely affect our operations, see “–We operate in a highly competitive industry.”

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

We are dependent on improvements in the coordination and development of Brazilian airspace control and airport infrastructure, which, mainly due to the large growth in civil aviation in Brazil in recent years, require substantial improvements and government investments.

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

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

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

We have significant costs, relating primarily to leases for our aircraft and engines. As of December 31, 2016, we had commitments of R\$48,032.4 million (US\$14,737.9 million as of December 31, 2016) to purchase additional 120 Boeing aircraft through 2028, based on aircraft list prices, although the actual price payable by us for the aircraft should be lower due to supplier discounts. We expect that we will incur additional fixed obligations and debt as we take delivery of the new aircraft and other equipment to implement our strategy.

These significant fixed payment obligations:

- could limit our ability to obtain additional financing to support expansion plans and for working capital and other purposes;
- divert substantial cash flows from our operations to service our fixed obligations under aircraft operating leases and aircraft purchase commitments;
- if interest rates increase, require us to incur significantly more lease or interest expense than we currently do; and
- could limit our ability to react to changes in our business, the airline industry and general economic conditions.

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

We operate in a highly competitive industry.

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

The Brazilian airline industry also faces competition from ground transportation alternatives, such as interstate buses. In addition, the Brazilian government and regulators could give preference to new entrants and existing competitors when granting new and current slots in Brazilian airports, to promote competition.

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

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

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

Under Brazilian law, the foreign ownership limit for Brazilian airlines is 20%, but there have been repeated discussions by the Brazilian government and Congress to lift this restriction fully or partially, including most recently an announcement that the government intends to issue a new measure, subject to Congress approval, completely removing the foreign ownership limit. We cannot foresee if and how these restrictions may be changed and how any such change would affect us and the competitive environment in Brazil.

Consolidation in the airline industry and changes in international alliances will continue to affect the competitive landscape in the industry and may result in the formation of airlines and alliances with greater financial resources, more extensive global networks and lower cost structures than we can obtain.

We rely on one manufacturer for our aircraft and engines.

One of the key elements of our business strategy and a key element of the low-cost carrier business model is to reduce costs by operating a standardized aircraft fleet. After extensive research and analysis, we chose the Boeing 737-700/800 Next Generation aircraft and CFM 56-7B engines from CFM International. We expect to continue to rely on Boeing and CFM International for the foreseeable future and have made a purchase order for 120 Boeing 737 Max-7/8 aircraft (the newest generation of our current aircraft and still under development), to be delivered starting in 2018. If either Boeing or CFM International were unable to perform its contractual obligations, our operations would be materially affected.

We derive benefits from a fleet comprised of a single type of aircraft while still having the flexibility to match the capacity and range of the aircraft to the demands of each route. If we had to lease or purchase aircraft of another manufacturer, we could lose these benefits. We cannot assure you that any such replacement aircraft would have the same operating advantages as the Boeing aircraft or that we could lease or purchase engines that would be as reliable and efficient as the CFM engines. Our operations could also be disrupted by the failure or inability of Boeing or CFM International to provide sufficient parts or related support services on a timely basis.

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

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

We rely on complex systems and technology, and operational or security inadequacy or interruption could materially affect our ability to effectively operate our business.

In the ordinary course of business, our systems and technology will continue to require modification and refinements to address growth and changing business requirements. Modifications and refinements to our systems have been and are expected to continue to be expensive to implement and may divert management's attention from other matters. In addition, our operations could be adversely affected, or we could face imposition of regulatory penalties, if we were unable to timely or effectively modify its systems as necessary.

We have occasionally experienced system interruptions and delays that make our websites and services unavailable or slow to respond, which could prevent us from efficiently processing customer transactions or providing services. This in turn could reduce our operating revenues and the attractiveness of our services. Our computer and communications systems and operations could be damaged or interrupted by catastrophic events such as fires, floods, earthquakes, tornadoes and hurricanes, power loss, computer and telecommunications failures, acts of war or terrorism, computer viruses, security breaches, and similar events or disruptions. Any of these events could cause system interruptions, delays, and loss of critical data, and could prevent us from processing customer transactions or providing services, which could make our business and services less attractive and subject us to liability. Any of these events could damage our reputation and be expensive to remedy.

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

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

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

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

In addition, we can be negatively affected by other factors, such as unpredictable economic conditions, fuel costs or the outbreak of diseases.

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

Our controlling shareholder has the power to, among other things, elect a majority of our directors and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, dispositions, and the timing and payment of any future dividends. After the amendments to our by-laws on March 23, 2015, our controlling shareholder may continue to direct our business and affairs even after significantly reducing its ownership interest, which is currently equivalent to 61.3% of the economic interests in us. A difference in economic exposure may intensify conflicts of interests between our controlling shareholder and you. See “Item 9. The Offer and Listing—C. Markets—Corporate Governance Practices.”

Risks Relating to the ADSs and Our Preferred Shares

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

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in the United States, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than major securities markets in the United States. Accordingly, although you are entitled to withdraw the preferred shares underlying the ADSs from the depository at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in major securities markets in the United States. The ten largest companies in terms of market capitalization represented 54.9% of the aggregate market capitalization of the BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias & Futuros, or BM&FBOVESPA, as of December 31, 2016.

In recent years our market capitalization has decreased and as a result it has increased volatility in the trading price of our preferred shares and ADSs. Any decreases in our market capitalization may further increase volatility. As a result of the decrease in the trading price of our preferred shares and ADSs in 2015 and early 2016, we increased our ratio of preferred shares per ADS to 10:1 in February 2016. Effective April 28, 2017, we reduced the ratio of preferred shares per ADS to 5:1.

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

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

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

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

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

If you attempt to obtain your own electronic foreign capital registration, you will incur expenses and may suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our preferred shares or the return of your capital in a timely manner.

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

General

We are Brazil's number one airline, based on our size, low operating costs, network reach, management team and customer experience. In 2016, we:

- were the largest Brazilian airline with 33 million passengers transported and a domestic market share of 36%,
- had the lowest operating costs (CASK) of any Brazilian airline, with a CASK of R\$19.8 cents,
- operated the most flights at Brazil's busiest airports,
- were the most on-time airline in Brazil,
- own the airline loyalty program in Brazil with the highest market valuation, Smiles, with 12 million members as of December 31, 2016, and
- had one of Brazil's largest e-commerce platforms and were a leader in digital solutions for clients.

Gol was founded in 2000, when entrepreneur Constantino Oliveira Junior brought the low-cost carrier concept to the Brazilian market. We believe our superior value proposition and our reliable and quality service offering have helped us create a strong brand and led to the rapid increase in our market share. We have the most proven and seasoned management team in the Brazilian air transportation industry.

Mr. Oliveira is a member of our controlling shareholder group, served as our CEO from our inception to 2012 and currently serves as the chairman of Gol and Smiles. Mr. Oliveira was instrumental in structuring and completing all of the strategic events we have consummated since inception, including: AIG's private equity investment in Gol, Gol's simultaneous dual-listing IPO on the NYSE and BOVESPA in 2004 (after only three years of operation), Gol's acquisitions of VRG and Webjet and the IPO of Gol's subsidiary Smiles. In addition, Mr. Oliveira orchestrated the strategic investment in Gol by Delta, the world's largest airline. Paulo Kakinoff took over as our CEO in 2012, and under his leadership we have become the number one airline in Brazil and the market leader in punctuality and air travel customer experience in the country. Gol is the only major Brazilian commercial airline that is majority owned by Brazilians.

Brazil is the fourth largest domestic airline market in the world, and the IATA estimates that the market will continue to grow 5.4% per year in the next two decades. In addition, the Brazilian aviation market has significant untapped potential as flights per capita totaled 0.5 per year, significantly below that of the more established markets such as Australia (2.4) or the United States (2.1). From Gol's launch in 2001 to the economic slowdown that began in 2011, Brazil's domestic passenger market grew 2.7 times, from 30.8 million passengers per year to 82.0 million passengers per year. At the same time, our market share in the domestic air transportation market increased from 4.6% in 2001 to 37% in 2011. We refer to this growth of the air transportation market and our increase in market share in this increased market as the "Gol effect."

We are the fourth largest low cost carrier in the world after Southwest, Ryanair and EasyJet in terms of revenues. We believe a key component of our competitive advantage and identity as a low cost carrier is our operation of a single Boeing aircraft type, the Boeing 737-700/800, the most reliable aircraft in its class according to Boeing, which allows us to maximize aircraft utilization and dilute our fixed costs. As of December 31, 2016, we used our operating fleet of 121 aircraft to offer approximately 700 daily flights to 63 destinations connecting the most important cities in Brazil as well as key destinations in South America and the Caribbean.

Our operating model is based on a highly integrated route network that is a combination of the point-to-point, hub and spoke and multiple-stop models. We believe the use of this hybrid model increases the reach of our network while maintaining a low-cost structure and improving aircraft and crew scheduling efficiency. The high level of integration of flights at selected airports allows us to offer frequent, non-stop flights at competitive fares between Brazil's most important cities. Our network also allows us to increase our load factors on our strongest city pair routes by using the airports in those cities to connect our customers to their final destinations. Finally, our operating model allows us to build our flight routes to add destinations to cities that would not, individually, be feasible to serve in the traditional point-to-point model, but that can be served when simply added as additional points on our multiple-stop flight. We offer flights to 120 worldwide destinations through our strategic partnerships with our minority shareholders Delta and Air France-KLM, as well as various code share agreements with other leading airlines globally.

We are the leader in air transportation of business and leisure passengers. Business passengers are particularly attractive as they are less price sensitive, purchase tickets closer to the flight date at higher fares and often purchase other ancillary products. Our low-cost carrier business model permits effective segmentation, allowing us to attract a high share of the demand inelastic but price sensitive Brazilian business passengers as well as providing attractive fares to demand elastic and very price sensitive leisure travelers. According to the Brazilian Association of Corporate Travel (*Associação Brasileira de Agências de Viagens Corporativas*), or ABRACORP, we had a 32.3% share of business travelers in 2016. In 2016, passenger transportation revenues represented 88% and ancillary revenues represented 12% of our net revenue of R\$9,867.3 million.

Our Competitive Strengths

We have the Leading Market Position in Brazil. Gol has the leading position in Brazil's primary cities, and our route network closely mirrors the country's GDP income distribution. Several Brazilian airports have limited their number of slots due to capacity limitations, especially the busiest airports in the country (Congonhas and Guarulhos in São Paulo and Santos Dumont in Rio de Janeiro). The strong demand for routes between these airports, combined with the seat capacity of our Boeing 737 aircraft, results in our leading domestic market share in terms of RPK. Routes between these airports are among the most profitable routes in our markets, with high yields mostly from business travelers. Our leading position in Brazil's main airports permits us to add connections to additional destinations with attractive demand characteristics. The following table demonstrates our leading market share in the economically most important states and our share in terms of number of flights and domestic passengers at the busiest airports in Brazil:

Main Brazilian Airports (by passengers) ⁽¹⁾	State	State Share of Brazilian GDP ⁽²⁾	Gol Share of Airport's Total Flights ⁽³⁾	Domestic Passengers ⁽¹⁾ (in thousands)		
				Total	Gol	Gol Share
São Paulo (CGH)	São Paulo	32.1%	43.5%	20,108	8,889	44.2%
São Paulo (GRU)			29.7%	22,564	8,024	35.6%
Campinas (VCP)			1.2%	8,404	287	3.4%
Rio de Janeiro (GIG)	Rio de Janeiro	11.8%	43.0%	11,608	5,784	49.8%
Rio de Janeiro (SDU)			34.4%	8,842	3,466	39.2%
Belo Horizonte (CNF)	Minas Gerais	9.2%	19.0%	9,014	2,529	28.1%
Porto Alegre (POA)	Rio Grande do Sul	6.2%	30.1%	7,057	2,558	36.2%
Salvador (SSA)	Bahia	3.8%	25.9%	7,175	2,325	32.4%
Brasília (BSB)	Distrito Federal	3.3%	31.3%	16,923	5,320	31.4%
Recife (REC)	Pernambuco	2.7%	21.3%	6,430	1,949	30.3%
Main Airports		69.1%	29.5%	118,128	41,132	34.8%

1. According to ANAC information for 2016 for departures and arrivals.

2. According to the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE.

3. Gol share in total number of domestic and international flights.

We have the Leading Customer Experience and Satisfaction. We believe Gol provides the best overall experience to its customers, provided by the best on-time performance, best customer services, largest pitch, on-board Wi-Fi and ancillary services. Our business model is based on innovation, best value-proposition and application of low-cost carrier best practices. Gol had the highest on-time performance rate in the Brazilian market in 2016 and recorded the second highest on-time performance rate among low cost carriers in the world, based on the Official Airline Guide (OAG). Our market-leading on-time performance is critical to maintain high customer satisfaction levels. In 2016, we received the award for “Best customer service” in the Brazilian airline industry by Exame Magazine and, in the fourth quarter of 2016, were the most efficient in baggage handling according to Brazilian government data. Gol provides the most legroom of any domestic airline in Brazil, of 34 inches. Most recently, in October 2016, we were the first airline in South America to offer Wi-Fi on board.

We have the Lowest Operating Costs in Brazil. Our operating expense per available seat kilometer (CASK), ex-fuel, for 2016 was R\$13.97 cents, the lowest in Brazil, and one of the lowest worldwide (adjusted by stage length), even among global low-cost peers.

- **Operation of a young and standardized fleet.** Operating a single aircraft type fleet is a crucial factor to operating the low-cost carrier business model. A standardized fleet reduces inventory costs, as it requires fewer spare parts, eliminates the need to train our pilots to operate different aircraft types and also simplifies our maintenance and operations processes. At December 31, 2016, our operating fleet of 121 Boeing 737 aircraft was one of Latin America’s largest and youngest fleets, with an average age of 8.0 years. Advanced technology in our newer aircraft has reduced fuel consumption and helped improve our operating margins. The arrival of our Boeing 737 Max aircraft, which we expect will begin in the second half of 2018, will reduce our fuel consumption by up to 15% and increase flight autonomy up to 6,500 km. This will allow us to further enhance our connectivity and our ability to reach important destinations for Brazilian travelers, such as Bogota, Lima, Cancun, Mexico City, Miami, Orlando, Fort Lauderdale and Panama City.

- *Flexible operating model.* Our fleet and network strategies allow us to adjust to market and competitive conditions. Our leading position in Brazil's main airports permits us to add connections to additional destinations with attractive demand and, when circumstances require, reduce our fleet and adjust our network accordingly. A recent example of this flexibility, in response to weak economic conditions in Brazil in recent years, we significantly reduced our fleet, renegotiated 82 of our operating leases with our lessors and adjusted approximately 50% of our flight network to reduce costs and adjust our capacity to focus on the most profitable routes.
- *Highest levels of safety and state of the art maintenance.* We perform a full range of aircraft maintenance services to ensure our fleet operates safely and in compliance with all local and international regulations. We are certified by the International Air Transport Association (IATA) with the highest safety standards. We carry out heavy maintenance on our Boeing 737 aircraft internally at our IOSA (IATA Operational Safety Audit) certified Aircraft Maintenance Center at the Confins international airport, in the State of Minas Gerais. In 2016, we received FAA 145 Repair Station Certification from the U.S. Federal Aviation Administration to perform C-checks at our maintenance center.
- *One of the largest e-commerce platforms in Brazil.* We have a robust operating platform that features advanced technology. Our effective use of technology helps to keep our costs low and our operations highly scalable and efficient. Our distribution channels are streamlined and convenient, allowing our customers to interact with us online. In 2016, we booked 80% of our ticket sales through a combination of our website and Applications Programming Interface, or API.
- *Digital solutions for clients.* We offer our clients numerous digital solutions, including electronic check-in and flight purchases and changes via app, that help our clients save time and reduces our costs. Our intensive use of technology and 100% ticketless travel simplify internal controls and procedures and provide us with real time sales and operating data, that enables an advanced yield management.

Our Loyalty Program, Smiles, is the Most Valuable Loyalty Program in Brazil, with More Than 12 Million Members. Our *Smiles* loyalty program is a strong relationship-building tool that represents a significant competitive advantage. The *Smiles* loyalty program has partnerships, including hotel chains, car rental companies, restaurants, insurance companies, publishers and schools and also forms the basis for partnerships with some of Brazil and South America's largest banks and credit card companies, being one of the leading frequent flyer programs in South America, with strong participation rates and brand recognition by our customers. We acquired Smiles in 2007 when we acquired VRG. In 2013, we established Smiles S.A. as a separate subsidiary to create focus and innovation, with a dedicated team. In 2013, we launched an IPO of this subsidiary to unlock value for Gol and to create even greater focus, and, since then, Smiles has become the most valuable airline loyalty program in Brazil.

We have a Strong International Alliance Network. We have a strategic partnership with Delta Air Lines, Inc., or Delta, which holds 9.5% of our share capital, and who has become a strong operational and financial partner for us as a maintenance provider and a codeshare partner. We believe that this important partnership will also help us grow our international revenues further. In addition, our international alliance reach is wide, with partner airlines offering flights covering America, Europe, Africa and Asia. We have partnership programs with important international carriers, such as Air France KLM (which holds 1.2% of our share capital), as well as Aerolíneas Argentinas, AeroMexico, Air Canada, Alitalia, Copa Airlines, Emirates, Etihad Airways, Korean Air, Qatar Airways and TAP. As of December 31, 2016 our global network included 77 interlines agreements and 12 codeshare programs. These alliances allow us to serve 120 destinations throughout the globe through codeshare agreements, in line with our low-cost carrier business model of operating a single fleet type.

We have the Most Experienced Management Team. We have the most experienced and proven management team in Brazilian air passenger transportation:

- Our chairman and controlling shareholder Constantino de Oliveira Junior has been with Gol for 16 years, 11 years as the CEO of Gol and five years as chairman of Gol and Smiles, and has led all strategic initiatives of Gol since its start-up in 2001.
- Our chief executive officer, Paulo Kakinoff, has been with Gol for five years after serving as our board member. Since he became our CEO, he has led our company to become the number one airline in Brazil and the market leader in air travel customer experience in the country.
- Our chief financial officer and investor relations officer, Richard Lark, has been with Gol for 14 years. He was our CFO from 2003 to 2008 and served on our board of directors from 2008 to 2016.
- Our chief operating officer, Sergio Quito, has been with Gol for 12 years. He manages airline flight operations (flight crews and the Airline Operations Center – AOC), maintenance, flight crews, airport operations, flight safety and quality and security, and is a Gol Boeing 737 captain, with more than 20,000 flight hours.
- Our chief commercial officer, Eduardo Bernardes, has been with Gol for 16 years and manages sales and marketing.
- Our chief planning officer, Celso Ferrer, has been with Gol for 14 years. He manages revenue generation as well as our network and fleet, and he is a Gol Boeing 737 co-pilot.
- The chief executive officer of our subsidiary Smiles, has been with Smiles since its IPO in 2013. He has 30 years of experience in the finance industry, having held senior positions at Visa and Citibank’s credit card unit in Brazil.

All members of this senior management are Brazilian, and most of them have worked together through all phases of the history of our company for more than a decade, and are exclusively dedicated to development of the Brazilian air travel business. Their combined experience in the Brazilian air travel industry is unmatched, which we believe gives us a strategic competitive advantage. All of them are shareholders and participate in our stock option and restricted stock plans.

We have a Strong Brand. We believe that the Gol brand has become synonymous with innovation and value in airline industry. Gol and Smiles are well-recognized brands that stand for best value-proposition and consistent execution of industry best practices, as well as innovative marketing and advertisement techniques with low costs that focus on social media. Our customers identify us as being safe: We are the only airline that operates a single type fleet of Boeing 737 aircraft, which is the most reliable aircraft in its class according to Boeing. Brand and product diversification from *Gollog* and *Gol+Conforto* products enhance our brand recognition across a diverse set of customers in various businesses and represent important customer satisfaction improvements for us.

Our Strategies

Our main strategies to increase our profitability and shareholder value are:

Capitalize on our Strong Market Position in Brazil and South America. We intend to increase penetration across all traveler segments by capitalizing on our competitive strengths. Since 2008, the number of domestic airline passengers carried in Brazil has increased by more than 70% to 88.7 million in 2016, according to ANAC. Despite its economic slowdown in the recent past, Brazil is currently the fourth largest airline passenger market worldwide and IATA estimates that it will grow 5.4% per year in the next two decades by 170 million for total market size of 272 million passengers. By 2034, according to IATA forecast, the five fastest-growing passenger markets, in terms of additional passengers per year, will be China (856 million new passengers), the United States (559 million), India (266 million), Indonesia (183 million) and Brazil (170 million).

We will focus on Brazilian operations and select South American and Caribbean destinations. We believe that the airline industry may experience further consolidation and therefore believe that strengthening our existing strategic partnerships will be a key factor to our success. In this environment we intend to play a leading role in the South American airline industry and to strengthen our position as a leading player. In Brazil, we also seek to stimulate demand in markets that are currently only served by high-fare alternatives, including Campinas (VCP) in São Paulo.

Our Boeing 737 aircraft gives us a significant strategic advantage, with its low operating cost and large seat capacity. It has allowed us to build a leading market position, since it increases the supply of low-cost seats in Brazil, serves the most relevant destinations in South America and allows us to add attractive markets for Brazilians to travel internationally.

Offer the Best Service and Value to our Customers. We intend to further increase our focus on customer satisfaction and loyalty by providing a combination of superior service and competitive fares. We believe that continuing our operational success as the most on-time airline in Brazil, operating the fleet with the most legroom in the country, on-board Wi-Fi, VIP lounges and offering convenient schedules to attractive destinations will be essential to achieving this goal. Gol is the first airline in Latin America to offer onboard Wi-Fi internet access via satellite during the flight period, including TV channels, program streaming with movies, cartoons, series and games, per-per-view content music and a flight map. All online and off-line content is conveniently and easily accessed through the passenger's mobile device (cell phone, tablet or notebook). In 2016, we were the leader in tickets sold to business travelers on domestic flights based on data from the Brazilian Association of Corporate Travel Agencies (*Associação Brasileira de Viagens Corporativas*), or ABRACORP. In addition, we will continue to use our Smiles loyalty program to increase our customer satisfaction by offering additional benefits, such as higher mileage multipliers for premium fares, upgrades and access to our recently remodeled airport lounges. We intend to further leverage our friendly services and allow customers to perform more and more activities themselves, by implementing our digital strategy.

Improve Operating Efficiency. Reducing our operating expense per available seat kilometer (CASK) and managing capacity are key to improving our profitability. We aim to maintain our position as the lowest cost airline in Brazil. We intend to continue to focus on the most profitable routes and maintain our young and fuel-efficient fleet with high utilization rates. Our aircraft utilization rate was 11.2 block-hours per day in 2016 and 11.3 block hours in 2015. We seek to further reduce our CASK by reducing our turnaround times at airports and further increasing our aircraft utilization. We expect to further improve our operating efficiency by incorporating the Boeing 737 MAX aircraft in our fleet starting in the second half of 2018, which we expect will reduce our fuel consumption by up to 15%, in relation to the Boeing 737-800 NG. We will continue to utilize technological innovations wherever possible to reduce costs and improve operating efficiency. We will continue to manage our capacity by matching our supply growth with demand growth, and adjusting our flight network to maximize utilization and profitability.

Improve our balance sheet and capital structure. We continuously focus on strengthening our balance sheet and have significantly reduced our leverage and improved our balance sheet and capital structure since 2016. We intend to further reduce our leverage and strengthen our balance sheet by numerous measures, including strict discipline in our fleet planning, better cash position, further reduction in our operating costs and the extension of the average maturity profile of our debt.

Strengthen our Smiles Loyalty Program and Continue Growth. We intend to further strengthen the *Smiles* loyalty program by increasing engagement with members and adding non-air redemption options to our members through new products and additional partnerships. With our independent and dedicated management team at Smiles we intend to focus on innovative practices and products to continue the growth of this program. Since Gol's acquisition of Smiles in 2007 and segregation into a distinct company in 2013, the program has consistently increased its margins and recorded the highest returns among airline loyalty programs in Brazil and has provided significant cash and liquidity to our business. We will pursue initiatives to provide more attractive benefits to Smiles members, enhance the Smiles brand and build loyalty and revenues. We will continue our market leadership in loyalty program activities.

Enhance our International and Strategic Partnerships. We consider our airline partnerships as a way to expand globally and internationally, as well as to increase feeder traffic. We intend to increase the international cities served by Gol flights and expect to continue evaluating strategic opportunities, including investments and acquisitions that allow us to improve our sustainable competitive advantage and improve our service to our customers, enhance our brands and build loyalty and revenues. In addition, we intend to establish partnerships and alliances with regional airlines through which we can serve lower density destinations in Brazil (which are currently only served by high fare airlines) by using those airlines' smaller aircraft, in line with our low-cost carrier single fleet type business model.

Further Innovate, Develop and Increase our Ancillary Revenues. Our ancillary revenues have become an increasingly important factor in our business, amounting to R\$36.66 per passenger in 2016, compared to R\$30.74 in 2015. Our ancillary revenues are derived from *Gollog* services, ticket change and cancellation fees, excess baggage handling charges, premium seat (*Gol+Conforto*) sales and other services. We expect further growth in these businesses, which will provide us with additional revenue at low incremental cost by:

- *Further developing Gollog.* Through *Gollog*, our cargo transportation service, we make efficient use of extra capacity in our aircraft by carrying cargo. In 2015, we opened a new cargo terminal at Congonhas airport. The new terminal is part of our strategy to expand *Gollog*'s service network, providing more efficiency and convenience to our customers.
- *Continuously innovating and introducing new products to the Brazilian customer.* We have a strong track record of innovation and introduction of new business practices in Brazil. For example, we were the first airline to introduce buy on board services in Brazil, the sale of the new *Gol+Conforto* seats (which are available free of charge for Smiles Diamond and Delta Elite customers, and to customers for an additional fee, as part of our *Gol+* product) and internet on board, charges for baggage, all of which we expect to be sources of our ancillary revenues.

In addition, we will continue to analyze opportunities to increase our sources of revenue and develop new forms of improving our operating efficiency, including in the areas of our Maintenance, Repair and Overhaul (MRO) business, aircraft leasing and technology development.

Our Fleet Reduction and Network Redesign

We have in recent years faced a challenging macroeconomic scenario, which has negatively affected our results, liquidity and capital structure. In 2016, we embarked on a series of initiatives to adjust our capacity and network to the existing market conditions:

- *Fleet reduction.* In 2016, we reduced our operating fleet by 21 Boeing 737 aircraft, from 142 operational aircraft at the end of 2015 to 121 at the end of 2016, representing an average of 7.4 million seats, the most aggressive capacity reduction adopted by an airline in Brazil. The decrease in the number of aircraft was achieved by the return of aircraft under finance leases, sale of aircraft and sale of our rights to three aircraft deliveries from Boeing in 2016, which would have replaced outgoing fleet aircraft. In our sale-leaseback transactions, we obtained low lease rates so as to maintain our operating costs (CASK) low. In February 2017, we entered into a sale and leaseback agreements for five Boeing 737 MAX 8 aircraft, with total value of US\$550.0 million, according to list prices.
- *Route network redesign.* In 2016, we restructured approximately 50% of the flights in our route network to focus on more profitable routes and reduced the number of take-offs and seats by 17.2% and 16.9% respectively, and the number of ASKs by roughly 7%.
- *Supplier negotiations.* Contractual obligations with key suppliers were adjusted to reduce costs and conform to the new network and fleet profiles. New 737 MAX aircraft deliveries were delayed until mid-2018.
- *Leasing contract negotiations.* Commercial terms of more than 70% of GLA's aircraft operating leases were renegotiated, including returning aircraft, deferring and reducing aircraft return cost obligations and reducing lease payments. These changes are expected to result in cost reductions in operating leases in excess of US\$50 million in 2017.
- *Operating cost reductions.* We implemented various operating cost-saving initiatives, including overhead reduction of 7.4%, introduction of part-time employees to offset reduced demand during low seasons and renegotiations with suppliers.

Improvement of our Capital Structure

In addition to our fleet rationalization and network redesign, we adjusted our capital structure and debt profile as follows:

- *Delta financing support.* Working closely with Delta, in August 2015 we entered into an unsecured term loan of US\$300 million, fully guaranteed by Delta. Being able to offer this guarantee allowed us to obtain this financing on amounts and on terms that most likely would not have been available to us otherwise. Our obligation to reimburse Delta if its guarantee is called upon is secured by a pledge to Delta of our shares in Smiles. The financing support was extended in 2016 and early 2017 to a backstop guarantee for up to US\$32.0 million and maintenance obligations of US\$50 million.
- *Advance ticket sales.* On February 26, 2016, GLA entered into a miles and tickets purchase agreement with Smiles, totaling up to R\$1.0 billion, providing for advance ticket sales to Smiles in various tranches through June 30, 2017. In 2016, Smiles disbursed a total of R\$760 million and, on February 3, 2017, another R\$120 million as part of this agreement. On April 5, 2017 GLA and Smiles amended this agreement to extend its termination until July 31, 2018 and increase the total amount by R\$480 million.
- *Debt restructuring.* US\$175.7 million in senior unsecured bonds were exchanged for US\$81.5 million in newly issued secured bonds with maturities in 2018, 2021 and 2028 with an extinguishment in the amount owed of US\$101.7 million. The maturity of the outstanding R\$1.0 billion in debentures was extended to 2018 and 2019.

As a result of the fleet rationalization, network redesign, improvements to our capital structure and an improved foreign exchange environment in 2016:

- We reduced our costs, including contracted services and other operating costs, which, combined with improved yields, have resulted in higher operating margins and increased operating cash generation.
- We decreased our total debt by R\$2.9 billion, from R\$9.3 billion at December 31, 2015 to R\$6.4 billion at December 31, 2016. We significantly reduced our financing costs and achieved a total adjusted debt to EBITDAR ratio of 5.9x in 2016. In March 2017, Fitch Ratings upgraded our unsecured credit rating to CCC from CC.
- We believe our capital structure and projected cash flow are appropriate to match our operating and financing obligations and generate value for our shareholders.

Corporate Information

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

Capital Expenditures

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

B. Business Overview

Airline Business

Routes and Schedules

Our operating model is based on a highly integrated route network that is a combination of the point-to-point, hub and spoke and multiple-stop models. This combination increases the connectivity of the network, permitting travelers to fly from a given point of origin to more destinations, while maintaining a low-cost structure and improving aircraft and crew scheduling efficiency. The high level of integration of flights at selected airports allows us to offer frequent, non-stop flights at competitive fares between Brazil's most important cities. Our network also allows us to increase our load factors on our strongest city pair routes by using the airports in those cities to connect our customers onwards to their final destinations.

Our operating model allows us to build our flight routes to add destinations to cities that would not, be feasible to serve in the traditional point-to-point model individually, but that are feasible to serve when simply added as additional points on our multiple-stop flight. We focus on the Brazilian and South American markets and carefully evaluate opportunities for continued growth. We look to increase the frequency of our flights to existing high-demand markets and add new routes to the network that can be reached with our current Boeing 737 Next Generation (NG) aircraft (for example, destinations in the Caribbean). Once the new Boeing Max aircraft are delivered, our flight autonomy will increase, allowing us to add more and more distant international destinations, including Bogota, Lima, Cancun, Mexico City, Miami, Orlando, Fort Lauderdale and Panama City, which are popular destinations for Brazilians.

As a low-cost carrier, we operate a single fleet type, and use alliances and code-share arrangements with large international carriers (including Delta and Air France KLM) and regional carriers to serve destinations that cannot be cost effectively served by our Boeing 737 aircraft.

In 2016, we adjusted approximately 50% of our flight network in response to the economic conditions, focusing on the most profitable routes and increasing our yields. We currently operate approximately 700 daily flights to 63 destinations.

Despite the recent reduction in capacity, following the general trend in the domestic industry, we maintained our position as the leading company in number of passengers transported in Brazil, in 2016, with nearly 33 million passengers transported in the domestic market and a market share of 36%. The capacity reduction effort implemented by the company during the last twelve months is intended to generate PRASK recovery, and is expected to have a meaningful impact in the coming years.

Services

Passenger Transportation

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

- convenient online sales, check-in, seat assignment and flight change and cancellation services;
- high frequency of flights between Brazil's most important airports;
- low cancellation and high on-time performance rates of our flights;
- self-check-in at kiosks at designated airports;
- dedicated female lavatories;
- friendly and efficient in-flight service;
- free or discounted shuttle services between airports and drop-off zones on certain routes;
- buy on-board services on certain flights;
- mobile check-in and boarding pass (100% paperless boarding);
- smartphone application for check-in, electronic boarding pass and *Smiles* account management;
- more legroom and greater comfort (*GOL+Conforto* in the domestic flights and *GOL Premium Class* in the international flights);
- in-flight entertainment and Wi-Fi access;
- premium lounges for business class and premium *Smiles* passengers in the Guarulhos and Galeão Airports; and
- expansion of *Smiles*' programs to the accumulation of miles on promotional tariffs.

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

Ancillary Revenues and Gollog Cargo Transportation

Ancillary revenues include revenues from our *Gollog* services as well as baggage excess and ticket change and cancellation fees. Buy on board for food and beverages and travel insurance fees are also becoming an increasingly important part of this revenue. Further development and growth of these services are a key part of our strategy to increase ancillary revenue. We are the leading airline in Brazil in ancillary revenues, with total ancillary revenues in 2016 of R\$1,195.9 million.

We are constantly evaluating opportunities to generate additional ancillary revenue such as sales of travel insurance, marketing activities and other services which may help us to better capitalize on the large number of passengers on our flights and the high volumes of customers using our website. We are in the process of installing Wi-Fi on all our flights which will be an additional source of revenue. Recently, ANAC approved new rules to allow airlines to charge for checked bags. We announced in March 2017 our intention to create a new class of tickets that will not include checked bags, which would be paid separately. There is currently an injunction barring the new ANAC rule on checked baggage fees.

We make efficient use of extra capacity in our aircraft by carrying cargo, through *Gollog*. The *Gollog* system provides online access to air waybills and allows customers to track their shipment from any computer with Internet access. Our 63 destinations throughout Brazil, South America and the Caribbean provide access to multiple locations in each region. With our capacity of approximately 700 daily flights, operated by 121 Boeing 737-700/800 aircraft, we can ensure quick and reliable delivery.

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

Aircraft Fleet

Our fleet is comprised entirely of Boeing 737 NG aircraft.

In 2016, we received one aircraft under operating leases, and revised our delivery schedule with Boeing so that we will not receive any new aircraft until mid-2018. In addition, we reduced our operating fleet by 21 aircraft in 2016 and sold three aircraft that had not yet been delivered. As a result, on December 31, 2016, we had a total fleet of 130 aircraft, of which seven were in redelivery process and two under sublease, resulting in an operational fleet of 121 aircraft.

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

	At December 31,			
	Seats	2014	2015	2016
B737-700 NG	138	35	36	28
B737-800 NG	177	9	5	3
B737-800 NG Short-Field Performance	177	97	103	99
Total Fleet		144⁽¹⁾	144	130
Operating Fleet⁽²⁾		139	142	121

(1) Includes three Boeing 737-300 from our acquisition of Webjet which were returned in 2015.

(2) At the end of each of 2014 and 2015 two aircraft were not operational, all in redelivery process, and at the end of 2016 nine aircraft were not operational, seven in redelivery process and two under sublease.

As of December 31, 2016, of our total of 130 aircraft, 96 were under operating leases and 34 were under finance leases.

As of December 31, 2016, our operating leases had an average remaining term of 72 months.

As of December 31, 2016, our finance leases had an average remaining term of 55 months and we had purchase options for 31 of the aircraft under finance leases.

Under our operating lease agreements, we do not have purchase options and for some of our lease agreements we are required to maintain maintenance reserve deposits and to return the aircraft and engine in the agreed condition at the end of the lease term. Title to the aircraft remains with the lessor. We are responsible for the maintenance, servicing, insurance, repair and overhaul of the aircraft during the term of the lease.

The average age of our operating fleet of 121 Boeing 737-700/800 aircraft as of December 31, 2016, was 8.0 years. The average daily utilization rate of our fleet was 11.2 block hours in 2016 and 11.3 block hours in 2015.

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

- they have comparatively standardized maintenance routines;
- they require just one type of standardized training for our crews;
- they use an average of 7% less fuel than other aircraft of comparable size, according to Boeing; and
- they have one of the lowest operating costs in their class.

In addition to being cost-efficient, the Boeing 737-700/800 Next Generation aircraft are equipped with advanced technology that promotes flight stability, provides a comfortable flying experience for our customers and has 13% lower CO2 emissions than other current aircraft models. We use a single type of aircraft to simplify our operations. We would only introduce a new type of aircraft to our fleet if, after careful consideration, we determine that such a step will reduce our operating costs. We expect that our fleet of Boeing 737 MAX 8 aircraft will be delivered starting in 2018. We expect that the new Boeing 737 MAX 8 aircraft will:

- reduce our fuel consumption by up to 15%, in relation to the Boeing 737-800 NG, and also consume less fuel than the A320neo aircraft;
- be equipped with the latest technology and provide improved operational performance;
- have an increased range and maximum take-off weight (MTOW) versus both the 737-800 NG and the A320neo;
- deliver flight autonomy of up to 6,500 km (increased from 5,500 km) and MTOW up to 82 tons (increased from 70 tons);
- have a significantly smaller noise footprint than today's single-aisle airplanes; and
- be equipped with Wi-Fi antennas that will allow our customers to access to the internet during flights and enjoy our on-board entertainment platform.

With our configuration, the Boeing 737 MAX 8 will permit us to add up to nine additional seats to its configuration while maintaining its current pitch that provides the most comfort to passengers in Brazil.

We have an order of 120 Boeing 737 MAX aircraft through 2028 and are currently the main client of the 737 family in South America and one of the five largest in the world.

Fleet Plan

The following table sets forth our year-end projected operating fleet through 2021:

Projected Fleet Plan	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Boeing 737 (700/800 NG and 7/8 MAX)	115	121	124	128	133

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

Sales and Distribution

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

Our low-cost business model utilizes internet ticket sales as its main distribution channel, especially in the local market. For the year ended December 31, 2016, 80% of our passenger revenue, whether directly from the customer or through travel agents, were booked online, making us a global leader in this area.

In addition, our customers can purchase tickets indirectly through travel agents, which are a widely-used travel service resource in Brazil, South America, Europe, North America and other regions. For the year ended December 31, 2016, travel agents provided us with approximately distribution outlets in 42 different countries. GDS allows us access to a large number of tourism professionals who are able to sell our tickets to customers around the world and enables us to enter into interline agreements with other airlines to offer more flights and connection options to our passengers, which adds incremental international passenger traffic.

Partnerships and Alliances

General

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

As of December 31, 2016, we had 12 codeshare agreements with Aerolíneas Argentinas, AeroMexico, Air Canada, Air France KLM, Alitalia, Copa Airlines, Delta, Emirates, Etihad Airways, Korean Air, Qatar Airways and TAP and 77 interline agreements.

Delta

Since 2011, we have developed a comprehensive partnership with Delta. As of December 31, 2016, Delta owned 9.5% of our economic interest. We also have entered into a long-term commercial agreement with Delta that has exclusivity provisions designed to strengthen the operational cooperation and synergies between the two companies, including services related to aircraft maintenance and codeshare agreements.

On August 31, 2015, Delta guaranteed a US\$300 million Term Loan borrowed by Gol LuxCo from third party lenders. The Term Loan was made under a credit and guaranty agreement (the "Credit and Guaranty Agreement") among Gol LuxCo, as borrower, Gol, the Lessee and the other guarantors thereunder (collectively, the "Term Loan Guarantors") and the lenders party thereto (the "Third Party Lenders"). Under the terms of the Credit and Guaranty Agreement, Gol LuxCo's obligations thereunder are guaranteed by the Term Loan Guarantors. Pursuant to a separate guaranty agreement, Delta provided to the administrative agent under the Credit and Guaranty Agreement, and the lenders under the Credit and Guaranty Agreement, a backstop guarantee of Gol LuxCo's and the Term Loan Guarantors' respective obligations under the Credit and Guaranty Agreement (the "Delta Guaranty"). The reimbursement obligations to Delta in connection with the Delta Guaranty are secured by a first priority security interest in favor of Delta in a portion of the shares of Smiles held by Gol. The Term Loan bears interest at a rate of 6.50% per annum, payable semi-annually. The Term Loan matures on August 31, 2020 and is not secured by any property of Gol LuxCo or the Term Loan Guarantors.

In 2016, Delta granted us credit support in the form of:

- a backstop guarantee for up to US\$32.0 million in Gol obligations under an ISDA Master Agreement with Morgan Stanley;
- a credit line for the financing of maintenance payments of up to US\$50.0 million.

In addition, in 2016, we entered into a three-party sale and leaseback transaction with Delta and GECAS with regard to a total of 12 aircraft, reducing our fleet and granting us additional liquidity.

Air France-KLM

We also have a long term strategic partnership for commercial cooperation with Air France-KLM, which currently holds 1.2% of our total capital stock. The agreement provides for an alliance committee, comprised of at least one representative of Air France-KLM, at least two members of our board of directors and at least one representative of Delta.

Pricing

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

Yield Management

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

Maintenance

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

We believe that our high aircraft utilization rate has not compromised our positioning in terms of performance and reliability when compared to other Boeing operators globally.

We have internalized heavy maintenance on our Boeing 737 aircraft in our Aircraft Maintenance Center at the Tancredo Neves International Airport in Confins, in the State of Minas Gerais. We use this facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. We have four maintenance hangars, one dedicated to paintings. Our hangars are strategically located in Confins (Belo Horizonte) and São Paulo with capacity to carry out as many as nine checks simultaneously. We also have room to build an additional hangar, if needed.

We have entered into two strategic MRO partnership agreements (with Delta and MTU, respectively) in order to provide overhaul service for our CFM 56-7 engines, maintenance for parts and components on our fleet of Boeing 737 NG aircraft and also, consulting services related to maintenance workflow planning, materials and facility optimization and tooling support. We have recently agreed with Delta and Air France to increase our level of maintenance services with them to all of our engines starting in 2018.

In 2016, we received FAA 145 Repair Station certification from the U.S. Federal Aviation Administration to perform C-checks at our maintenance center.

Fuel

Our fuel costs totaled R\$2,695.4 million in 2016, representing 29.4% of our operating costs and expenses for the year. In 2016, we purchased substantially all of our fuel from Petrobras Distribuidora, a retail subsidiary of Petrobras. In addition to Petrobras, there are two other large fuel suppliers in Brazil. In 2016, fuel prices under our contracts were re-set every 30 days and were composed of a variable and a fixed component. The variable component is defined by the refinery and follows international crude oil price fluctuations and the *real*/U.S. dollar exchange rate. The fixed component is a spread charged by the supplier and is usually a fixed cost per liter during the term of the contract. We currently operate a tankering program under which we fill the fuel tanks of our aircraft in regions where fuel prices are lower. We also provide our pilots with training in fuel management techniques, such as carefully selecting flight altitudes to optimize fuel efficiency.

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

	Year Ended December 31,		
	2014	2015	2016
Liters consumed (in thousands)	1,538,202	1,551,137	1,390,958
Total fuel cost (in millions)	R\$3,842.3	R\$3,301.4	R\$2,695.4
Average price per liter	R\$2.50	R\$2.13	R\$1.94
% change in price per liter	4.6%	(14.8)%	(8.9)%
Percent of operating expenses	40.2%	33.2%	29.4%

We continuously invest in initiatives to reduce fuel consumption, including the following:

- Installation of winglets: We installed an aerodynamic component on the wing tips of the majority of our aircrafts for better aerodynamics and, consequently, lower fuel consumption.
- Required Navigation Performance (RNP - AR): Precision approaches guided through a satellite navigation system that enables pilots to control aircraft in flight even in the case of low visibility, reducing dependence on air-to-ground navigation and shortening length of flight, which reduces fuel consumption and improves accessibility at airports such as Rio de Janeiro, Santos Dumont Airport - SDU.
- Aircraft Communication Addressing Reporting System (ACARS): This is a satellite communication system that permits the exchange of data between aircraft and ground communication outlets during flights, and allows for more assertive communication and anticipated shared decision making processes, minimizing route deviations and ensuring operational efficiency.

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

As of December 31, 2016, we had derivatives to protect 55% of our expected fuel consumption in the first quarter of 2017.

Safety and Security

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

We maintain the highest rating (seven stars) and are ranked among the world's safest airlines, according to AirlineRatings.com, an independent plane safety and product rating website. In January 2017, the website updated safety ratings for 425 airlines, awarding them up to seven stars for safety. Of those surveyed, 148 were given top marks but almost 50 had three stars or less. The website's star ratings take multiple factors into account, including whether an airline has been certified by the International Air Transport Association (IATA), if it is on the EU's airline blacklist, its crash record and whether the fleet has been grounded over safety concerns.

In June 2016, we carried out our fifth biennial IATA Operational Safety Audit (IOSA).

Environmental Sustainability

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

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

- Expansion of our Aircraft Maintenance Center at the Tancredo Neves International Airport located in Confins, in the State of Minas Gerais: we have reduced costs by decreasing the necessity of flying our aircraft overseas to be serviced. We also treat all of the effluents generated in our facilities and are committed to the reuse of water. The Maintenance Center was designed to comply with environmental responsibility requirements and all of the conditions imposed by the environmental licenses and current legislation.
- We are pioneers in incentivizing the research and development of biofuel technology. In 2014, we operated more than 365 domestic flights using renewable fuel. In 2015, we made our first international flight using renewable fuel on our Orlando – São Paulo route.
- We were the first Brazilian airline to release our greenhouse gas inventory based on the Greenhouse Gas Protocol Initiative, or GHG Protocol.

Insurance

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

Competition

Domestic

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

Our main competitors in Brazil are Latam Airlines Group, or Latam Brasil; Azul Linhas Aéreas Brasileiras, or Azul Brasil; and Ocean Air Linhas Aereas, doing business as Avianca, or Avianca Brasil. Latam Brasil is controlled by Latam S.A., a Chilean company. Latam is the result of a June 2012 merger between TAM Airlines of Brazil and LAN Airlines of Chile, and is a full-service scheduled carrier offering flights on domestic routes and international routes. Azul is a regional carrier, which acquired another regional carrier, Trip, in 2012. Azul Brasil is controlled by Azul S.A. Azul S.A.’s voting stock is controlled by David Neeleman and Azul’s largest economic stake is controlled by the Chinese government-controlled airline Hainan Airlines. Avianca Brasil is controlled by Synergy Group. Avianca licensed its brand to Avianca Brasil in 2010. We also face domestic competition from other domestic scheduled carriers, regional airlines and charter airlines, which mainly have regional networks.

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

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

Domestic Market Share— Scheduled Airlines	2012	2013	2014	2015	2016
Gol	38.7%	35.4%	36.1%	35.9%	36.0%
Latam Brasil ⁽¹⁾	40.8%	39.9%	38.1%	36.7%	34.7%
Azul Brasil ⁽²⁾	14.6%	17.0%	16.7%	17.0%	17.0%
Avianca Brasil	5.4%	7.1%	8.4%	9.4%	11.2%
Others	0.7%	0.6%	0.7%	1.0%	1.1%

Source: ANAC

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

(2) In May 2012, Azul acquired Trip.

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

International

In our international operations, we face competition from Brazilian and South American airlines that are already established in the international market and that participate in strategic alliances and codeshare arrangements. In addition, non-Brazilian airlines may decide to enter or increase their schedules in the market for routes between Brazil and other South American and Caribbean destinations.

The table below shows the 2016 market share of major airlines on South American routes to/from Brazil based on RPKs:

International Market Share - Airline	RPK	Market Share
Latam Airlines Group ⁽¹⁾	8,540,683,731	47.6%
GOL	3,350,348,062	18.7%
Avianca Brasil ⁽²⁾	2,989,602,125	16.7%
Aerolíneas Argentinas	1,574,891,845	8.8%
Azul Brasil	40,026,987	0.2%
Others	1,440,921,444	8.0%
Total	17,936,474,194	100.0%

Source: ANAC

(1) Includes Latam Airlines Brasil, Lan Chile, Lan Peru, Lan Argentina and TAM MERCOSUR

(2) Includes Avianca and TACA Peru

Smiles Loyalty Program

Overview

Smiles is one of the largest coalition loyalty programs in Brazil, with 12 million members as of December 31, 2016. Its business model is based on a pure coalition loyalty program consisting of a single platform for accumulating and redeeming miles through a broad network of commercial and financial partners.

The *Smiles* loyalty program was originally launched by Varig in 1994 as a frequent flyer program and was acquired by us in 2007, together with other assets of the Varig business. Beginning in 2008, the *Smiles* loyalty program underwent a restructuring and revitalization and, since then, the *Smiles* loyalty program has been transformed from a stand-alone program into an independent coalition loyalty program and has gained significant market share. On December 31, 2016, Smiles' share of all miles issued in the domestic market was roughly 41%, up from 29% at the end of 2013. On April 26, 2013, we sold a minority stake in Smiles via an IPO with listing on the Brazilian Stock Exchange.

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

Commercial Partners

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

- *Airlines.* We are Smiles' most important commercial partner in terms of miles and rewards volumes. We purchase miles from Smiles to distribute to our passengers. Additionally, Smiles offers redemptions with our airline partners.
- *Financial Institutions.* Smiles has commercial partnership agreements with all significant Brazilian commercial banks, including more than 80% of the largest Brazilian commercial banks in terms of total assets as of December 31, 2016, according to the Central Bank. Smiles sells miles to these commercial partners, which distribute them proportionately to credit card spending by cardholders who are *Smiles* loyalty program members. Smiles also sells miles for co-branded credit cards issued by Bradesco and Banco do Brasil.
- *Travel Companies, Hotels and Car Rental Agencies.* Currently, Smiles has partnership agreements with well-known domestic and international travel companies, hotels and car rental companies. These partners include Accor Hotels, Hilton Honors, Marriott International, Starwood Hotels and Resorts Worldwide Inc., Othon Hotels, Sheraton Hotels, Atlantica Hotels International (Brasil) Ltda, and Sauípe S.A. (a tourism complex in Brazil). This network allows *Smiles* loyalty program members to accumulate miles at a variety of locations worldwide and throughout the course of their trips.
- *Brazilian Retailers and Distributors.* Smiles has commercial agreements with important Brazilian retailers, including Polishop (a domestic electronics and merchandise retailer), the newspapers O Globo and Valor Econômico, Editora Abril S.A. (one of the largest Brazilian publishing companies), Shell gas stations, Centauro (a sports clothing and equipment retail chain), Grupo Pão de Açúcar and Via Varejo online websites (Assai, Pão de Açúcar, Extra, Casas Bahia and Ponto Frio) and Magazine Luiza (the second largest home appliance retailer and one of the largest online retailers in Brazil).

Competition

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

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

Agreements with Smiles

Operating Agreement

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

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

GLA pays Smiles a monthly fee for managing our frequent flyer program. This fee is adjusted on each anniversary of the Operating Agreement in accordance with our gross monthly miles purchases and may range between 3.5% and 6.0%.

Back Office Services Agreement

On December 28, 2012, GLA entered into a back office services agreement with Smiles, or the Back Office Services Agreement, that contains the terms, conditions and levels of certain services in connection with back office activities including controllership, accounting, internal controls and auditing, finance, information technology, call center, human resources, inventory and legal matters. The amount recognized by Smiles as expenses in 2016, 2015 and 2014 totaled R\$ 23.4 million, R\$24.3 million and R\$19.8 million, respectively.

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

Main Miles and Tickets Purchase Agreement

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

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

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

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

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

On December 30, 2016, GLA, along with Smiles, made adjustments in the prices of standard airline tickets and miles sold to GLA, representing a decrease of 5.2% and 25.3%, respectively, based on the composition of the airline tickets issued in the preceding period.

2016 Miles and Tickets Purchase Agreement

On February 26, 2016, GLA entered into a miles and tickets purchase agreement with Smiles, totaling up to R\$1.0 billion, providing for advance ticket sales to Smiles in various tranches through June 30, 2017. In 2016, Smiles disbursed a total of R\$760 million and, on February 3, 2017, another R\$120 million as part of this agreement. On April 5, 2017 GLA and Smiles amended this agreement to extend its termination until July 31, 2018 and increase the total amount by R\$480 million.

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

Industry Overview

According to the International Air Transport Association, or IATA, Brazil is the fourth largest domestic aviation market in the world and should remain the fourth largest over the next two decades with a total of 170 million passengers. Moreover, according to ANAC, there were 71.8 million domestic enplanements and 18.1 million international enplanements on Brazilian carriers in Brazil (which excludes international carriers) in 2016, out of a total population of over 206 million, according to IBGE. In contrast, according to the U.S. Department of Transportation, the United States had an estimated 716 million domestic enplanements and an estimated 102 million international enplanements in 2016, out of a total population of over 319 million, based on the latest United States census estimates. Despite its size, the Brazilian market is still under-penetrated, with an estimated 0.45 flights per capita in 2016, way below levels of developed countries like Australia (2.41), United States (2.08) and Canada (1.27), reflecting a strong potential for growth in the mid-term. In the specific case of Gol, we are very well positioned to capture the growth of the Brazilian market, with 88.7% of revenues coming from the domestic market.

Brazilian air travel has historically been affordable for business passengers and or high-income individuals, resulting in low per capita penetration rates when compared to other emerging markets and developed countries. We believe that Brazil fundamentals over the long-term are still quite attractive which bodes well for the development and growth of air travel. Long-distance travel alternatives in Brazil are quite limited given that there is poor road infrastructure and no passenger rail or other alternative. Despite the significant growth in air travel in Brazil over the first decade after 2000 (CAGR of 12.6% over the 2000-2011 period), we believe that there is still significant upside potential for airlines in general and for low cost airlines specifically to gain market share of travelers who would ordinarily travel by bus. Moreover, Brazil's "new middle class" consumers also allocated a greater portion of their family incomes into better vacation experiences. This explains the significant pick-up in demand for international air travel by Brazilians over the last 10 years. South American countries, the Caribbean and the United States feature among the top ten most popular tourist destinations for Brazilians traveling abroad on vacation according to industry data.

Brazil air travel is still very concentrated in a few city-pairs and business passengers account for the majority of the volume. According to industry data, business travel represents around 65% of the total demand for domestic air travel in 2016. We believe this rate is significantly higher than the business travel portion of domestic air travel in the global aviation sector. According to the latest data collected by ANAC, flights between Rio de Janeiro and São Paulo, Brazil's busiest city-pair accounted for 7.6% of all domestic passengers in 2016. The top ten routes accounted for roughly 20% of all domestic air passengers in 2016, while the ten busiest airports accounted for 65% in 2016.

The table below sets forth information about the ten busiest routes for air travel in Brazil during 2016.

City Pair ⁽¹⁾	Passengers	Route Market Share
São Paulo—Rio de Janeiro ⁽²⁾	6,914,339	7.8%
São Paulo (Congonhas)—Rio de Janeiro (Santos Dumont)	3,906,171	4.4%
São Paulo (Guarulhos)—Rio de Janeiro (Galeão)	1,308,077	1.5%
São Paulo (Congonhas)—Rio de Janeiro (Galeão)	951,193	1.1%
São Paulo (Guarulhos)—Rio de Janeiro (Santos Dumont)	748,958	0.8%
São Paulo (Congonhas)—Brasília	2,078,804	2.3%
São Paulo (Guarulhos)—Salvador	1,856,072	2.1%
São Paulo (Guarulhos)—Porto Alegre	1,811,195	2.0%
São Paulo (Guarulhos)—Recife	1,752,261	2.0%
São Paulo (Congonhas)—Confins	1,737,740	2.0%
São Paulo (Congonhas)—Porto Alegre	1,726,640	1.9%
São Paulo (Guarulhos)—Curitiba	1,490,442	1.7%
São Paulo (Guarulhos)—Fortaleza	1,479,841	1.7%
São Paulo (Congonhas)—Curitiba	1,447,058	1.6%
São Paulo (Guarulhos)—Confins	1,164,835	1.3%

Source: ANAC, 2016.

(1) Considers flights originating in either city of the pair.

(2) Includes flights between Congonhas and Guarulhos to either Santos Dumont or Galeão airports.

In light of Brazil's economic growth between 2009-2013 and Government income distribution initiatives, the middle class segment (A, B and C classes) increased significantly in the last years and now accounts for roughly 50% of total consumer spending (or 42 million new consumers rose to middle class status). The Northeast region led the growth in middle class consumers, with three out of ten new middle class consumer from this region. According to ANAC, there were roughly 90 million passengers in 2016, basically unchanged when compared with 2015. As a result of increased passenger volume, the host of the World Soccer Cup in 2014 and the Summer Olympic Games in 2016, domestic airport infrastructure has required substantial improvements.

In addition, there are ongoing discussions in Brazil regarding the execution of open skies agreements, which remove restrictions on the number of flights and destinations between countries.

In 2011, the United States and Brazil entered into an open skies agreement. The countries agreed on a transition period until 2015, by which time the open skies model was expected to be in force. However, the agreement has not yet been approved by the Brazilian Congress. Its approval is expected to occur during 2017. Brazil also entered into an open skies agreement with the Latin America Civil Aviation Commission (CLAC) countries in 2016, but the agreement is also pending approval by the Brazilian Congress before it takes effect.

The Brazilian Congress is also discussing whether foreign air carriers may be able to freely operate in Brazilian territory.

Brazilian Civil Aviation Market Evolution

In the past 40 years, the domestic market generally experienced year-over-year growth in revenue passenger kilometers twice the growth rate of GDP, except in times of significant economic or political distress, such as the petroleum crisis in the 1970s, the Brazilian sovereign debt crisis in the early 1980s and the economic and political distress in Brazil in the early 1990s. From 1972 to 2000, domestic revenue passenger kilometers grew at a compound annual rate of 7.2%. However, in the ten years following the start of Gol's operations, that is from 2000-2011 CAGR growth rate accelerated to an increase of 12.6%. During this period, Gol's market share as measured by available seat kilometers increased from 4% to 38%. We believe that Gol positively impacted the market by more than 260% in terms of demand stimulation which we call the "Gol effect".

From 2012 to 2016, the compound annual growth rate in industry passenger traffic, in terms of domestic revenue passenger kilometers, was 0.6%, versus a compound annual growth rate in available industry domestic capacity, in terms of available seat kilometers, of -1.7%. Domestic industry load factor, calculated as revenue passenger kilometers divided by available seat kilometers, averaged 77.7% over the same period. The table below shows the figures of domestic industry passenger traffic and available capacity for the periods indicated:

	2012	2013	2014	2015	2016
	(in millions, except percentages)				
Available Seat Kilometers	119,337	115,886	117,001	118,230	111,236
Available Seat Kilometers Growth	2.8%	(2.9)%	0.9%	1.0%	(5.9)%
Revenue Passenger Kilometers	87,047	88,226	93,367	94,381	89,012
Revenue Passenger Kilometers Growth	6.9%	1.4%	5.8%	1.1%	(5.7)%
Load Factor	72.9%	76.1%	79.8%	79.8%	80.0%

Source: ANAC, *Dados Comparativos Avançados*.

Regulation of the Brazilian Civil Aviation Market

The Brazilian Aviation Authorities and Regulation Overview

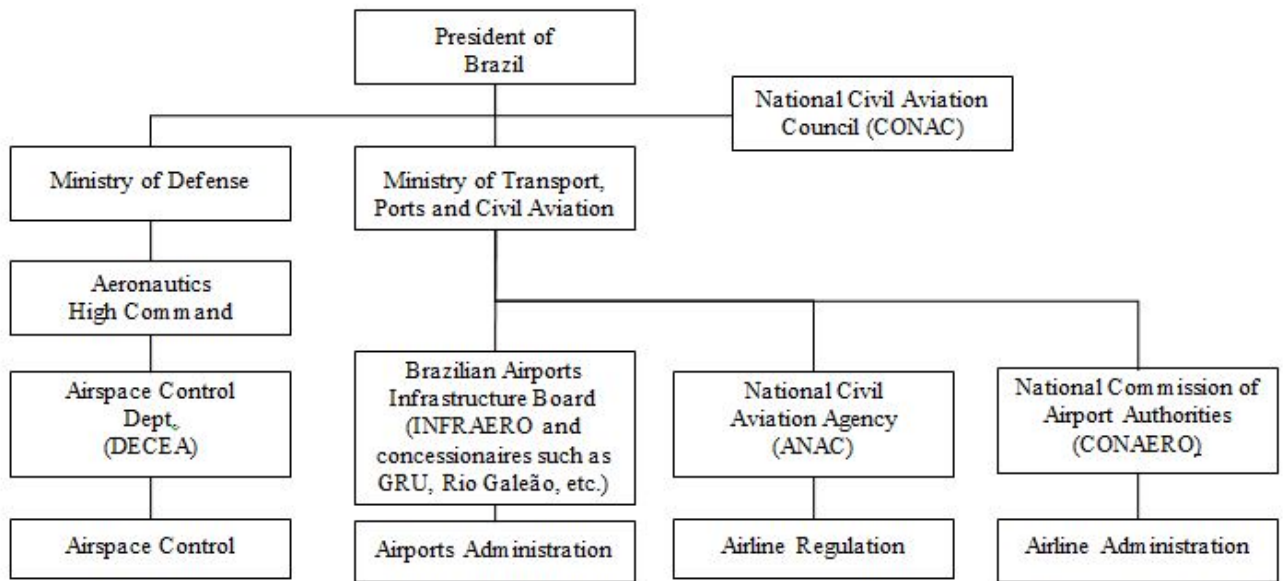
Air transportation services are considered a public service and are subject to extensive regulation and monitoring in Brazil, including through the Brazilian Federal Constitution and the Brazilian Aeronautical Code. The Brazilian Aeronautical Code sets forth the main rules and regulations relating to airport infrastructure and operation, flight safety and protection, airline certification, lease structuring, burdening, disposal, registration and licensing of aircraft; crew training, concessions, inspection and control of airlines, public and private air carrier services, civil liability of airlines and penalties in case of infringements.

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

The Brazilian Civil Aviation National Policy (*Política Nacional de Aviação Civil*), or PNAC, corresponds to the guidelines and strategies that will lead the institutions responsible for the development of the Brazilian civil aviation sector, establishing strategic objectives and actions for the market.

The Ministry of Transport, Ports and Civil Aviation, formerly the Civil Aviation Secretary, monitors the implementation of PNAC by the entities responsible for the management, regulation and inspection of civil aviation, civil airport infrastructure and civil air navigation infrastructure connected to the Ministry. In addition to the Ministry of Transport, Ports and Civil Aviation, the bodies and entities of the National Civil Aviation Council (*Conselho de Aviação Civil*), or CONAC, monitor the implementation of PNAC.

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



The Ministry of Transport, Ports and Civil Aviation oversees ANAC and INFRAERO and reports directly to the Brazilian President. The Ministry is also responsible for implementation of the airport infrastructure concession plan and the development of strategic planning for civil aviation.

The National Commission of Airport Authorities (*Comissão Nacional de Autoridades Aeroportuárias*), or CONAERO, is a commission that coordinates the different entities and public agencies related to airports. This has a rule-making role in the search for efficiency and security in airports operations.

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

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

The Department of Air Space Control (*Departamento de Controle do Espaço Aéreo*), or DECEA, controls and supervises the Brazilian Airspace Control System. The DECEA reports indirectly to the Brazilian Minister of Defense which, is responsible for planning, administrating and controlling activities related to airspace, aeronautical telecommunications and technology, including approving and overseeing the implementation of equipment as well as of navigation, meteorological and radar systems.

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

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

Route Rights

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

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

International routes. In general, requests for new international routes, or changes to existing routes, must be filed by each interested Brazilian airline that has been previously qualified by ANAC to provide international services, with the International Relations Superintendence of ANAC, or SRI, which, based on the provisions of the applicable bilateral agreement and general policies of the Brazilian aviation authorities, will submit a non-binding recommendation to ANAC's president, who will decide on approval of the request. International route rights for all countries, as well as the corresponding transit rights, derive from bilateral air transport agreements negotiated between Brazil and foreign governments. Under such agreements, each government grants to the other the right to designate one or more of its domestic airlines to operate scheduled service between certain destinations in each country. Airlines are only entitled to apply for new international routes when they are made available under these agreements. For the granting of new routes and changes to existing ones, ANAC has the authority to approve Brazilian airlines to operate new routes, subject to the airline having filed studies satisfactory to ANAC demonstrating the technical and financial viability of such routes and fulfilling certain conditions in respect of the concession for such routes. Any airline's international route frequency rights may be terminated if the airline fails to maintain at least 80% of flights provided for in its air transportation schedule HOTRAN for any 180-day period or suspends its operation for a period exceeding 180 days.

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

Slots Policy

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

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

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

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

The minimum on-time performance and regularity targets for each series of slots in a season are 80% and 90%, respectively, at Congonhas airport (São Paulo) and 75% and 80%, respectively, for all other main airports. Airlines forfeit any series of slots that operate below the minimum criteria in a season. Forfeited slots are redistributed 50% to new entrants, which includes airlines that operate fewer than 5 slots in the relevant airport in the given weekday, and 50% to all airlines operating in the relevant airport based on their share of slots. In addition, in October 2014, ANAC distributed new slots at Congonhas airport, in light of increased runway capacity, exclusively to airlines with less than 12% of the slots. As of December 31, 2016 we have 45% and Latam 44% of the slots in terms of takeoffs and landings at Congonhas airport, after having held 47% and 48%, respectively.

Airport Infrastructure

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

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

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

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

All of the 60 Brazilian airports managed by INFRAERO at the end of 2016 are scheduled to receive some infrastructure investments and upgrades within the next three years. In addition, under the regional aviation development program, 270 current or new regional airports may receive investments in the next few years. These airport upgrade plans do not require contributions or investments by the Brazilian airlines and are not expected to be accompanied by increases in landing fees or passenger taxes on air travel.

The table below sets forth the number of passengers at the ten busiest airports in Brazil during 2016:

Airport	Number of Passengers Inbound and Outbound ⁽¹⁾
	<i>(in thousands)</i>
São Paulo—Guarulhos	36,596
São Paulo—Congonhas	20,817
Brasília	17,947
Rio de Janeiro—Galeão	16,103
Belo Horizonte—Confins	9,639
Rio de Janeiro—Santos Dumont	9,066
Campinas—Viracopos	9,325
Salvador	7,526
Porto Alegre	7,649
Recife	6,812
Curitiba	6,386

Source: INFRAERO, DAESP and Guarulhos, Brasília, Rio de Janeiro Galeão, Confins and Viracopos airports.

(1) Considers domestic and international departures and arrivals from main Brazilian airports

Airport fees include airport charges for each landing and aircraft parking, connection fees as well as aeronautical and navigation fees. Most of these fees vary based on our level of operations and the rates are set by INFRAERO, DECEA and private airports. Since February 2012, the Brazilian government increased parking fees at the busiest airports, and at peak hours, which benefitted secondary hubs and off-peak flights in light of the differences in fees for the airlines that chose to operate in these airports or at these times. Currently, landing fees are fixed, based on the category of the airport and whether the flight is domestic or international. Navigation fees are also fixed, but consider the area overflow and whether the flight is domestic or international.

Airport Privatizations

In August 2011, the Brazilian government privatized the Natal airport, which construction was completed in mid-2014. In February 2012, the Brazilian government privatized the São Paulo (Guarulhos), Brasília and Campinas international airports, which will be operated by the winners of the privatization auction for periods of 20 to 30 years. In November 2013, the Brazilian government privatized Rio de Janeiro (Galeão) and Belo Horizonte (Confins) airports. Additionally, in March 2017, the Brazilian government privatized the international airports of Porto Alegre, Salvador, Florianópolis and Fortaleza. These ten airports combined account for 59% of Brazil's total passenger volume.

The airports auctioned were:

<u>Airport (Code)</u>	<u>Grant</u>	<u>Concession Term</u>	<u>Minimum Investment</u>	<u>Year of Concession</u>
Natal (NAT)	R\$170 million	28 Years	R\$51.7 million	2011
São Paulo (GRU)	R\$16.2 billion	20 Years	R\$4.7 billion	2012
Brasília (BSB)	R\$4.5 billion	25 Years	R\$4.7 billion	2012
Campinas (VCP)	R\$3.8 billion	30 Years	R\$8.7 billion	2012
Rio de Janeiro (GIG)	R\$19 billion	25 Years	R\$4.8 billion	2013
Belo Horizonte (CNF)	R\$1.8 billion	30 Years	R\$1.1 billion	2013
Salvador (SSA)	R\$1.59 billion	30 Years	R\$1.24 billion	2017
Fortaleza (FOR)	R\$1.51 billion	30 Years	R\$1.44 billion	2017
Porto Alegre (POA)	R\$382 million	25 Years	R\$123 million	2017
Florianópolis (FLN)	R\$241 million	30 Years	R\$211 million	2017

Source: civil aviation secretary (*Secretaria de Aviação Civil*)

Concession for Air Transportation Services

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

Our concession was granted on January 2, 2001 by the High Command of Aeronautics of the Ministry of Defense and was renewed in 2009 for another ten years with an expiration date of December 14, 2019. The concession agreement can be terminated if, among other things, we fail to meet specified service levels, cease operations or declare bankruptcy.

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

Import of Aircraft into Brazil

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

Registration of Aircraft

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

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

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

According to the Brazilian Aeronautical Code, in order to be eligible for a concession for operation of regular services, the entity operating the concession must have at least 80% of its voting stock held directly or indirectly by Brazilian citizens and must have certain management positions entrusted to Brazilian citizens. As of December 31, 2016, the foreign ownership limit for Brazilian airlines remained unchanged at 20%, although there have been repeated discussions by the Brazilian government and Congress to lift this restriction fully or partially, including most recently an announcement that the government intends to issue a new measure, subject to Congress approval, completely removing the foreign ownership limit.

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

- the voting shares have to be nominative and non-voting shares cannot be converted into voting shares;
- prior approval of the Brazilian aviation authorities is required for any transfer of shares, regardless of the nationality of the investor, which results in the change of the company's corporate control, causes the assignee to hold more than 10% of the company's capital stock or represents more than 2% of the company's capital stock;
- the airline must file with ANAC, in the first month of each semester, a detailed shareholder chart, including a list of shareholders, as well as a list of all share transfers effected in the preceding semester; and
- based on its review of the airline's shareholder chart, ANAC has the authority to subject any further transfer of shares to its prior approval.

We hold substantially all of the shares of GLA, a public concessionaire of air transportation services in Brazil. Under the Brazilian Aeronautical Code, the restrictions on the transfer of shares described above apply only to companies that hold concessions to provide regular air transportation services. Therefore, the restrictions do not apply to the Registrant.

Environmental Regulation

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

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

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

Pending Legislation

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

C. Organizational Structure

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

D. Property, Plant and Equipment

Our primary corporate offices are located in São Paulo. Our commercial, operations, technology, finance and administrative staff is based primarily at our headquarters. We have concessions to use other airport buildings and hangars throughout Brazil, including a part of a hangar at Congonhas airport where we perform aircraft maintenance. As of December 31, 2016, we had finance lease agreements for 34 Boeing 737s, 31 of which had a purchase option at the end of the contract term. We own an Aircraft Maintenance Center in Confins, in the State of Minas Gerais. The certification of our aircraft maintenance center authorizes airframe maintenance services for Boeing 737-300s and Boeing Next Generation 737-700 and 800s. We have three hangars at our Aircraft Maintenance Center, with a capacity to perform maintenance on six aircraft simultaneously and painting services on one additional aircraft. We also have room to build more hangars, if needed. We use the new facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. See also "Item 4—Business Overview—Aircraft Fleet" and note 14 to our consolidated financial statements included herein.

ITEM 4A. Unresolved Staff Comments

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

A. Operating Results

Revenues

We derive our revenues primarily from transporting passengers on our aircraft. In 2016, 87.9% of our net revenues came from passenger transportation revenues, and the remaining 12.1% came from ancillary revenues, principally from our cargo business, which utilizes cargo space on our passenger flights. Nearly all of our revenue is denominated in *reals*. Passenger revenue, including the part of the revenue of the *Smiles* loyalty program which relates to the redemption of miles for GLA flight tickets, is recognized either when transportation is provided or when the unused ticket expires. Cargo revenue is recognized when transportation is provided. Other ancillary revenue consists primarily of ticket change fees, excess baggage charges and interest on installment sales. Passenger revenues are based upon our capacity, load factor and yield. Our capacity is measured in terms of available seat kilometers (ASK), which represents the number of seats we make available on our aircraft multiplied by the number of kilometers the seats are flown. Load factor, or the percentage of our capacity that is actually used by paying customers, is calculated by dividing revenue passenger kilometers by available seat kilometers. Yield is the average amount that one passenger pays to fly one kilometer.

The following table demonstrates our main operating performance indicators in 2014, 2015 and 2016:

	Year Ended December 31,		
	2014	2015	2016
Operating Data:			
Load-factor	76.9%	77.2%	77.5%
Break-even load-factor	73.1%	78.1%	72.1%
Aircraft utilization (block hours per day)	11.5	11.3	11.2
Yield per RPK (cents)	23.8	22.4	24.1
Passenger revenue per ASK (cents)	18.3	17.3	18.7
Operating revenue per ASK (cents)	20.3	19.7	21.3
Number of departures	317,594	315,902	261,514
Average number of operating aircraft	126	129	117

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

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

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

Operating Expenses

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

Our aircraft fuel expenses are higher than those of low-cost airlines in the United States and Europe because production, transportation and storage of fuel in Brazil depend on expensive and underdeveloped infrastructure, especially in the north and northeast regions of the country. In addition, taxes on jet fuel are high and are passed along to us. Our aircraft fuel expenses are variable and fluctuate based on global oil prices. The price of West Texas Intermediate crude oil, a benchmark widely used for crude oil prices that is measured in barrels and quoted in U.S. dollars, varies significantly. In 2014, fuel prices dropped significantly due to a slowdown in demand and global economic growth, particularly in China, coupled with an increase in supply and production, principally in the United States. The price per barrel at December 31, 2016 was US\$53.77 and in 2015 was US\$37.04. Since global oil prices are U.S. dollar-based, our aircraft fuel costs are also linked to fluctuations in the exchange rate of the *real* versus the U.S. dollar. In 2016, fuel costs represented 29.4% of our total operating costs and expenses, as compared to 33.2% in 2015 and 40.2% in 2014. We currently enter into short-term arrangements to partially hedge against increases in oil prices and foreign exchange fluctuations.

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

Our maintenance, material and repair expenses consist of light (line) and scheduled heavy (structural) maintenance of our aircraft. Line maintenance and repair expenses are charged to operating expenses as incurred. Structural maintenance for aircraft leased under finance leases is capitalized and amortized over the life of the maintenance cycle. Since the average age of our operating fleet was 8.0 years for 121 Boeing 737-700/800 aircraft at December 31, 2016, and most of the parts on our aircraft are under multi-year warranties, our aircraft have required a low level of maintenance and therefore we have incurred low maintenance expenses. Our aircraft are covered by warranties that have an average term of 48 months for products and parts and 12 years for structural components. Thus, with regard to the accounting for aircraft maintenance and repair costs, our current and past results of operations may not be indicative of future results. Our Aircraft Maintenance Center in Confins, in the State of Minas Gerais, is certificated for the maintenance services for Boeing 737-300s and Boeing Next Generation 737-700 and 800s. We currently use this facility for airframe heavy checks, line maintenance, aircraft painting and aircraft interior refurbishment. We believe that we have an advantage compared to industry peers in maintenance, materials and repairs expenses due to our in-house maintenance. We believe that this advantage will continue in the foreseeable future.

Our sales and marketing expenses include commissions paid to travel agents, fees paid for our own and third-party reservation systems and agents, fees paid to credit card companies and advertising. Our distribution costs are lower than those of other airlines in Brazil on a per available seat kilometer (ASK) basis because a higher proportion of our customers purchase tickets from us directly through our website instead of through traditional distribution channels, such as ticket offices, and we have comparatively fewer sales made through higher cost global distribution systems. We generated 79.8% of our consolidated sales through our website and API systems in 2016 and 80.7% in 2015, including internet sales through travel agents. For these reasons, we believe that we have an advantage compared to industry peers in sales and marketing expenses and expect this advantage will continue in the foreseeable future.

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

Aircraft, traffic and mileage servicing expenses include ground handling and the cost of airport facilities.

Other operating expenses consist of general and administrative expenses, purchased services, equipment rentals, passenger refreshments, communication costs, supplies, professional fees and gains or losses from early return of aircraft on finance leases.

Operating Segments

We have two operating segments:

- flight transportation; and
- Smiles loyalty program.

Our two segments have a number of transactions between each other, as the vast majority of miles redeemed are exchanged for tickets in flights operated by GLA. The most relevant aspects of intra-group transactions in this regard are:

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

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

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

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

Brazilian Economic Environment

As most of our operations are domestic, we are affected by Brazilian general economic conditions. While our growth since 2001 has been primarily driven by our expansion into new markets and increased flight frequencies, we have also been affected by macroeconomic conditions in Brazil. We believe the rate of growth in Brazil is important in determining our growth and our results of operations. Our revenue passenger kilometer in the domestic market fell by 5.5% in 2016 against an increase of 0.5% in 2015 and an increase of 8.0% in 2014. This decrease was primarily due to the capacity reduction following Brazil's recent economic slowdown. Compared to 2015, our passenger revenue per available seat kilometer (PRASK) increased by 8.5%, due to a combination of an 8.0% yield increase and a 0.3 percentage point increase in load factor.

We are materially affected by currency fluctuations. The vast majority of our revenues are denominated in reais while a significant part of our operating expenses are either payable in or affected by the U.S. dollar, such as our aircraft operating lease payments, related maintenance reserves and deposits, and jet fuel expenses. In 2016, 47.2% of our operating expenses (including aircraft fuel) were denominated in, or linked to, U.S. dollars and therefore varied with the *real*/U.S. dollar exchange rate within the year. We believe that our foreign exchange and fuel hedging programs partially protect us against short-term swings in the *real*/U.S. dollar exchange rate and jet fuel prices. See "Item 3. Risk Factors— Risks Relating to Us and the Brazilian Airline Industry."

Inflation has also affected us and will likely continue to do so. In 2016, 53.3% of our operating expenses (excluding aircraft fuel, operating leases and maintenance) were denominated in *reais*, and the suppliers and service providers of these expense items generally attempt to increase their prices to reflect Brazilian inflation.

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

	December 31,		
	2014	2015	2016
Real growth (contraction) in gross domestic product	0.1%	(3.8)%	(3.6)%
Inflation (IGP-M) ⁽¹⁾	3.7%	10.5%	7.2%
Inflation (IPCA) ⁽²⁾	6.4%	10.7%	6.3%
CDI rate ⁽³⁾	11.6%	14.1%	13.6%
LIBOR rate ⁽⁴⁾	0.3%	0.6%	1.0%
Depreciation of the <i>real</i> vs. U.S. dollar	9.1%	41.6%	(16.5)%
Period-end exchange rate—US\$1.00	R\$ 2.656	R\$ 3.905	R\$3.259
Average exchange rate—US\$1.00 ⁽⁵⁾	R\$ 2.353	R\$ 3.338	R\$3.472
Period-end West Texas intermediate crude (per barrel)	US\$53.27	US\$37.04	US\$53.77
Period-end Increase (decrease) in West Texas intermediate crude (per barrel)	(45.9)%	(30.5)%	45.2%
Average period West Texas Intermediate crude (per barrel)	US\$93.04	US\$48.80	US\$43.31
Average period increase (decrease) in West Texas Intermediate crude (per barrel)	(4.7)%	(44.0)%	(11.3)%

Sources: Fundação Getúlio Vargas, the Central Bank and Bloomberg

- (1) Inflation (IGP-M) is the general market price index measured by the Fundação Getúlio Vargas.
- (2) Inflation (IPCA) is a broad consumer price index measured by IBGE.
- (3) The CDI rate is average of inter-bank overnight rates in Brazil (as of the last date of the respective period).
- (4) Three-month U.S. dollar LIBOR rate as of the last date of the period. The LIBOR rate is the London inter-bank offer rate.
- (5) Represents the average of the exchange rates on the last day of each month during the period.

Critical Accounting Policies

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

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

Property, Plant and Equipment. Property, plant and equipment, including reusable parts, are recorded at cost and are depreciated to estimated residual values over their estimated useful lives using the straight-line method. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as reusable spares purchased separately, are carried as fixed assets and generally depreciated in line with the fleet to which they relate. Pre-delivery deposits refer to prepayments under the agreements with Boeing for the purchase of Boeing 737-800 Next Generation and 737-800 MAX aircraft and include interest and finance charges incurred during the manufacture of aircraft and the leasehold improvements.

Under IAS 16 “Property, Plant and Equipment,” major engine overhauls including replacement spares and labor costs, are treated as a separate asset component with the cost capitalized and depreciated over the period to the next major overhaul. All other replacement spares and costs relating to maintenance of fleet assets are charged to the income statement on consumption or as incurred. Interest costs incurred on debts that fund progress payments on assets under construction, including pre-delivery deposits to acquire new aircraft, are capitalized and included as part of the cost of the assets through the earlier of the date of completion or aircraft delivery.

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

We evaluate annually whether there is any indicator that our property, plant and equipment may be impaired. Factors that would indicate potential impairment may include, but are not limited to, significant decreases in the market value of the long-lived asset(s), a significant change in the long-lived asset(s) physical condition and operating or cash flow losses associated with the use of our long-lived asset(s). As of December 31, 2016 and 2015, we have recorded an impairment on property, plant and equipment of R\$30.7 million and R\$28.9 million, respectively, mainly related to replacement and spare parts. In 2016, we evaluated the impairment of our aircraft and no impairment or write-off was required to be recorded.

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

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

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

Goodwill and Intangible Assets. We have allocated goodwill and intangible assets with indefinite lives acquired through business combinations, for the purposes of impairment testing, to the cash-generating units, the operating subsidiaries GLA and Smiles, since segregation of their operations. Goodwill is tested for impairment annually by comparing the carrying amount to the recoverable amount of the cash-generating unit, that has been measured on the basis of its value-in-use, by applying cash flow projections in the functional currency based on our approved business plan covering a five-year period followed by the long-term growth rate of 3.5%. The pre-tax discount rate applied to the cash flow projections was 23.92% for GLA's cash-generating unit and 14.51% for the Smiles' cash-generating unit, at December 31, 2016. Considerable judgment is necessary to evaluate the impact of operating and macroeconomic changes to estimate future cash flows and to measure the recoverable amount. Assumptions in our impairment evaluations are consistent with internal projections and operating plans. Airport operating rights acquired as part of the acquisition of Varig and Webjet were capitalized at fair value at that date and are not amortized. Those rights are considered to have an indefinite useful life due to several factors and considerations, including requirements for necessary permits to operate within Brazil and limited slot availability in the most important airports in terms of traffic volume. The carrying values of the airport operating rights are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that carrying values may not be recoverable. Costs related to the purchase or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period not exceeding five years on a straight-line basis. The carrying value of these intangibles is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. We assess at each balance sheet date whether intangibles with indefinite useful lives are impaired using discounted cash flow analyses. In 2016, no impairment or write-off was recognized for intangible assets. We believe none of our cash-generating units was at risk of having its value in use being less than its carrying value at the date of your most recent impairment analysis.

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

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

For hedge accounting purposes, according to IAS 39, the hedge instrument is classified as: (i) a cash flow hedge when it protects against exposure to fluctuations in cash flows that are attributable to a particular risk associated with an asset or liability recognized regarding an operation that is highly likely to occur or to an exchange rate risk for an unrecognized firm commitment, and (ii) a fair value hedge when it protects from the results of a change in the fair value of a recognized liability, or a part thereof, that could be attributed to exchange risk.

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

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

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

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

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

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

In addition, certain of our lease agreements do not require maintenance deposits; instead letters of credit are issued on behalf of the lessor, which can be claimed if the aircraft maintenance does not occur as established in the review schedule. As of December 31, 2016, no letters of credit had been executed.

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

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

	<u>2015</u>	<u>2016</u>
	(in millions of reals)	
Beginning of year	343.7	261.1
Amounts paid in	37.2	291.8
Reimbursement and expense incurred	(252.1)	(240.2)
Exchange variation	132.3	64.9
End of year	<u>261.1</u>	<u>247.8</u>

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

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

Our policy is to cancel miles outstanding in the accounts of customers. Miles accrued through Smiles last from three to six years, depending on the member’s status. For regular Smiles members, Gold Smiles members and Diamond Smiles members, miles expire every three, four and five years, respectively. Smiles Club members receive an additional year at their miles’ expiration date on miles accumulated via Smiles Club membership only. The associated value for mileage credits estimated to be cancelled is recognized as revenue. We calculate the expiration estimate and non-use based on historical data. Future opportunities can significantly alter customer profile and the historical patterns. Such changes may result in material changes to the deferred revenue balance, as well as revenues recognized from that program.

Share-Based Payments. We measure the fair value of equity-settled transactions with employees at the grant date using the Black & Scholes valuation model. The resulting amount, as adjusted for forfeitures, is charged to income over the period in which the options vest. At each balance sheet date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management’s best estimate of the number of equity instruments that will ultimately vest. The change in cumulative expense since the previous balance sheet date is recognized in the income statement prospectively over the remaining vesting period of the instrument.

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

Aircraft and engines return provision: in aircraft operating leases, we are contractually required to return the equipment with a predefined level of operational capability; as a result we recognize a provision based on the aircraft return costs as set forth in the agreement. The aircraft’s return provisions costs are estimated based on expenditures incurred in aircraft reconfiguration (interior and exterior), license and technical certification, painting, and other costs, according to the return agreement. Engine return provisions are estimated based on an evaluation and minimum contractual conditions that the equipment should be returned to the lessor, considering not only the historical costs incurred, but also the equipment conditions at the time of the evaluation.

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

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

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

As of December 31, 2016, we had R\$5.0 billion of tax loss carryforwards and negative basis of social contribution mainly from GLA and Webjet, which we acquired in 2011. Under Brazilian tax laws we may only use our tax loss carryforwards to offset taxes payable up to 30% of the taxable income for each year. Thus, despite having a balance of tax loss carryforwards, we will have to pay income taxes on any taxable income in excess of this 30% compensation limit.

As a result of a history of net losses, fluctuations of the U.S. dollar exchange rate, and the instability of the political and economic environment in Brazil, we reassessed the recognition of tax credits on net operating losses carryforward and other temporary differences, and Gol and GLA have not recognized R\$52.2 million and R\$1,350.4 million, respectively, of deferred tax assets from net operating losses carryforward and GLA also limited the recognition of tax credits on other temporary differences based on the expected realization of the deferred tax liabilities. Additionally, GLA has not recognized the net amount of R\$538.7 million of deferred tax assets, and Webjet has not recognized tax credits of R\$294.9 million.

Results of Operations

Consolidated Results of Operations

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Demand in the Brazilian airline market, as measured in revenue passenger kilometers (RPK), decreased by 5.5% in 2016 as compared to 2015, while capacity in Brazil, as measured by available seat kilometers (ASK), decreased by 5.4% in the same period. These figures reflect the capacity rationalization that have been in place in the Brazilian market since 2014.

During the course of 2015 and 2016, we concentrated on tailoring our operations to the current economic environment, becoming a more efficient airline by adjusting domestic capacity and focusing on established, profitable routes. Effective May 1, 2016 we implemented a new, fully updated, route network to take into account our fleet reduction. The route network update resulted in reductions of 6.9% in ASK, 6.5% in RPK and 17.2% in takeoffs in 2016 when compared to 2015.

In 2016, as compared to 2015, our passenger revenue per available seat kilometer (PRASK) increased by 8.5%, reflecting a 20.1% increase in average ticket prices partially offset by an 11.8% increase in average stage length.

In 2016, our domestic seat supply decreased 5.4% as compared to 2015, while domestic demand decreased by 5.5%, leading to a domestic load factor of 77.9%, 0.1 percentage points lower than in 2015. Also in 2016, our international market demand and capacity decreased by 13.6% and 17.0%, respectively, leading to an international load factor of 74.6%, 2.9 percentage points higher than in 2015.

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

	Year Ended December 31,	
	2015	2016
(in millions of reais)		
Operating revenue		
Passenger	8,583.4	8,671.4
Cargo and other	1,194.6	1,195.9
Total operating revenue	9,778.0	9,867.3
Operating expenses		
Salaries	(1,580.5)	(1,656.8)
Aircraft fuel	(3,301.4)	(2,695.4)
Aircraft rent	(1,100.1)	(996.9)
Sales and marketing	(617.4)	(556.0)
Landing fees	(681.4)	(687.4)
Aircraft, traffic and mileage servicing	(1,019.8)	(1,068.2)
Maintenance, materials and repairs	(603.9)	(593.1)
Depreciation and amortization	(419.7)	(447.7)
Other operating expenses	(633.6)	(468.1)
Total operating expenses	(9,957.8)	(9,169.5)
Equity results	(3.9)	(1.3)
Income (loss) before financial (expense), net and income taxes	(183.8)	696.5
Financial income (expense), net	(3,263.3)	664.9
Income (loss) before income taxes	(3,447.1)	1,361.4
Income taxes	(844.1)	(259.1)
Net income (loss)	(4,291.2)	1,102.4

Operating Revenue

Operating revenue increased by 0.9%, from R\$9,778.0 million in 2015 to R\$9,867.3 million in 2016. On a unit basis, operating revenue per available seat kilometer (RASK) increased by 8.3%, from R\$19.7 cents in 2015 to R\$21.3 cents in 2016. This was primarily due to capacity adjustment, new network profile and focus on more profitable routes, as discussed above.

The table below presents a breakdown of our operating revenue for the periods indicated:

	Year Ended December 31,		
	2015	2016	Change %
(in millions of reais, except percentages)			
Operating revenue	9,778.0	9,867.3	0.9%
Passenger	8,583.4	8,671.4	1.0%
Cargo and other	1,194.6	1,195.9	0.1%

Operating Expenses

Operating expenses decreased by 7.9%, from R\$9,957.8 million in 2015 to R\$9,169.5 million in 2016, as discussed below.

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

	Year Ended December 31,		
	2015	2016	Change %
(in millions of reais, except percentages)			
Salaries	(1,580.5)	(1,656.8)	4.8%
Aircraft fuel	(3,301.4)	(2,695.4)	(18.4)%
Aircraft rent	(1,100.1)	(996.9)	(9.4)%
Sales and marketing	(617.4)	(556.0)	(9.9)%
Landing fees	(681.4)	(687.4)	0.9%
Aircraft, traffic and mileage servicing	(1,019.8)	(1,068.2)	4.7%
Maintenance, materials and repairs	(603.9)	(593.1)	(1.8)%
Depreciation and amortization	(419.7)	(447.7)	6.7%
Other operating expenses	(633.6)	(468.1)	(26.1)%
Total operating expenses	(9,957.8)	(9,169.5)	(7.9)%

On a per unit basis, our operating expense per available seat kilometer (CASK) decreased by 1.1%, from R\$20.02 cents in 2015 to R\$19.79 cents in 2016, mainly due to a decrease in average fuel prices of 8.7%, partially offset by the decrease in ASK.

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

Operating Expenses per Available Seat Kilometer	Year Ended December 31,		
	2015	2016	Change %
	(in cents of <i>reais</i> , except percentages)		
Salaries	(3.18)	(3.58)	12.5%
Aircraft fuel	(6.64)	(5.82)	(12.3)%
Aircraft rent	(2.21)	(2.15)	(2.7)%
Sales and marketing	(1.24)	(1.20)	(3.3)%
Landing fees	(1.37)	(1.48)	8.3%
Aircraft, traffic and mileage servicing	(2.05)	(2.31)	12.5%
Maintenance, materials and repairs	(1.21)	(1.28)	5.4%
Depreciation and amortization	(0.84)	(0.97)	14.5%
Other operating expenses	(1.27)	(1.01)	(20.7)%
Operating expenses per available seat kilometer (CASK)	(20.02)	(19.79)	(1.1)%
CASK excluding fuel expenses	(13.38)	(13.97)	4.4%

Aircraft fuel expenses decreased by 18.4%, from R\$3,301.4 million in 2015 to R\$2,695.4 million in 2016, largely due to the reduction of fuel prices of 8.7% year over year and the lowest fuel consumption in liters at 10.3%. Due to the decrease in ASK, aircraft fuel expenses per available seat kilometer decreased by 12.3%.

Salaries increased by 4.8%, from R\$1,580.5 million in 2015 to R\$1,656.8 million in 2016, mainly due to an 11.0% increase in employee wages from the new collective bargaining agreement and increase in variable crew compensation from an increase in flight hours per crew member, partially offset by a 7.4% reduction in the workforce. Due to the decrease in ASK, salaries expenses per available seat kilometer increased by 12.5%.

Aircraft rent decreased by 9.4%, from R\$1,100.1 million in 2015 to R\$996.9 million in 2016, due to the decrease in number of aircraft in our fleet, partially offset by the average depreciation of the *real* against the U.S. dollar of 4.7% and the costs associated with the time lag between removing an aircraft from operation until its actual return. Due to the decrease in ASK, aircraft rent expenses per available seat kilometer decreased by 2.7%.

Sales and marketing expenses decreased by 9.9%, from R\$617.4 million in 2015 to R\$556.0 million in 2016, mainly due to the decrease in losses from direct sales and accounts receivables. Due to the decrease in ASK, sales and marketing expenses per available seat kilometer decreased by 3.3%.

Landing fees increased by 0.9%, from R\$681.4 million in 2015 to R\$687.4 million in 2016. This increase was largely due to increases in airport fees - landing fee and navigation support, partially offset by a 17.2% decrease in takeoffs. Due to the decrease in ASK, landing fees expenses per available seat kilometer increased by 8.3%.

Aircraft, traffic and mileage servicing expenses increased by 4.7%, from R\$1,019.8 million in 2015 to R\$1,068.2 million in 2016, mainly due to IT services in the domestic and international bases and an increase in the number of Smiles redemption tickets purchased from partner airlines, which are paid by us upon ticket issuance and that will be recorded as revenue when the passengers fly. Due to the decrease in ASK, aircraft, traffic and mileage servicing expenses per available seat kilometer increased by 12.5%.

Maintenance, materials and repairs decreased by 1.8%, from R\$603.9 million in 2015 to R\$593.1 million in 2016, due to less engines repaired, however partially offset by costs related to the anticipated return of aircraft and higher average exchange rate of 4.7%. Due to the decrease in ASK, maintenance, materials and repairs expenses per available seat kilometer increased by 5.4%.

Depreciation and amortization expenses increased by 6.7%, from R\$419.7 million in 2015 to R\$447.7 million in 2016, mainly due to the reduction in the accounting life cycle of certain spare parts from 25 to 18 years, partially offset by our fleet reduction. Due to the decrease in ASK, depreciation and amortization per available seat kilometer increased by 14.5%.

Other operating expenses (mainly crew travel and accommodation expenses, direct passenger expenses, equipment leasing and general and administrative expenses) decreased by 26.1%, from R\$633.6 million in 2015 to R\$468.1 million in 2016, mainly due to a gain of R\$233.5 million from sale-leaseback transactions. This decrease was mainly due to the adjustment of Company's capacity and consequent lower number of accommodation for the crew members and interrupted flights. Due to the decrease in ASK, other operating expenses per available seat kilometer decreased by 20.7%.

Financial Income (Expense), Net

In 2016 we had net financial income of R\$664.9 million, compared to net financial expenses of R\$3,263.3 million in 2015, primarily as a result of the period-end appreciation of the *real* against the U.S. dollar of 16.5% in 2016 as compared to a 47.0% depreciation in 2015.

	Year Ended December 31,		
	2015	2016	Change %
	(in millions of reais)		
Interest on short and long-term debt	(885.9)	(787.7)	(11.1)%
Exchange rate variation, net	(2,267.0)	1,367.9	n.m.
Derivative results, net	50.2	(156.8)	n.m.
Income from short-term investments	178.1	152.7	(14.3)%
Other financial (expenses) income	(338.7)	88.8	n.m.
Financial income (expense), net	(3,263.3)	664.9	n.m.

Interest on short and long-term debt decreased by 11.1% from 2015 to 2016 principally due to lower debt levels and lower number of aircraft under financial leases, partially offset by the average depreciation of the *real* against the U.S. dollar of 4.7%.

Exchange rate variation was an income of R\$1,367.9 million in 2016, compared to an expense of R\$2,267.0 million in 2015, mainly due to the period-end appreciation of the *real* against the U.S. dollar.

In 2016, we recognized a derivative loss of R\$156.8 million compared to gain of R\$50.2 million in 2015, mainly as a result of losses on our interest rate derivatives in 2016.

Income from short-term investments decreased by 14.3% from R\$178.1 million in 2015 to R\$152.7 million in 2016, explained by our lower cash position.

Other financial income totaled R\$88.8 million in 2016, compared to an expense of R\$338.7 million in 2015, mainly due to the gain of R\$286.8 million from the exchange offer of our senior notes.

Income Taxes

Income taxes expenses totaled R\$259.1 million in 2016, compared to R\$844.1 million in 2015, mainly impacted by the write-off of deferred tax credits from net operating losses carry forward in 2015 and increase in income taxes expenses from Smiles.

Net Income (Loss)

As a result of the foregoing, we had a net income of R\$1,102.4 million in 2016 as compared to a net loss of R\$4,291.2 million in 2015.

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

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

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

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

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

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

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

Operating Revenue

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

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

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

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

Operating Expenses

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

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

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

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

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

Operating Expenses per Available Seat Kilometer	Year Ended December 31,		
	2014	2015	Change %
	(in cents of <i>reais</i> , except percentages)		
Salaries	(2.78)	(3.18)	14.5%
Aircraft fuel	(7.76)	(6.64)	(14.5)%
Aircraft rent	(1.71)	(2.21)	29.6%
Sales and marketing	(1.35)	(1.24)	(7.9)%
Landing fees	(1.24)	(1.37)	10.6%
Aircraft, traffic and mileage servicing	(1.51)	(2.05)	35.8%
Maintenance, materials and repairs	(1.03)	(1.21)	17.6%
Depreciation and amortization	(0.94)	(0.84)	(9.8)%
Other operating expenses	(1.00)	(1.27)	27.3%
Operating expenses per available seat kilometer (CASK).....	(19.31)	(20.02)	3.7%
CASK excluding fuel expenses	(11.55)	(13.38)	15.8%

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

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

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

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

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

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

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

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

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

Financial expense, net

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

	Year Ended December 31,		
	2014	2015	Change %
	(in millions of <i>reais</i>)		
Interest on short and long-term debt	(592.4)	(885.9)	49.5%
Exchange rate variation, net	(436.2)	(2,267.0)	419.7%
Derivative net results	(459.2)	50.2	N/A
Income from short-term investments	148.6	178.1	19.9%
Other financial expenses	(118.4)	(338.7)	186.1%
Financial expense, net	(1,457.6)	(3,263.3)	123.9%

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

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

In 2015, we recognized a derivative gain of R\$50.2 million compared to loss of R\$459.2 million in 2014, as a result of a R\$102.7 million gain in foreign exchange hedge transactions due to the depreciation of the *real*, which was partially offset by (i) R\$30.0 million losses in fuel hedge transactions and (ii) R\$22.6 million losses in interest rate swap transactions.

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

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

Income Taxes

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

Net Loss

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

Segment Results of Operations

We have two operating segments:

- Flight transportation; and
- Smiles loyalty program.

The segment information below is presented in the format of the statements of operations that are presented in our statutory financial statements that are filed with the CVM in Brazil, which is different from the format of our consolidated statements of operations included in this annual report. This is the form of statements of operations that is presented to our chief operating decision maker, or CODM. Our CODM does not use gross profit as the profit/loss measure for purposes of making decisions about allocating resources to the segment and assessing its performance, but rather uses net income (loss) for this purpose. For more information on our segments, see note 24 to our consolidated financial statements included elsewhere herein.

Flight Transportation Segment Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Operating revenue

Passenger revenue increased by R\$46.0 million, or 0.6%, from R\$8,294.5 million in 2015 to R\$8,340.5 million in 2016. This was primarily due to capacity adjustment, new network profile and focus on more profitable routes, as discussed above.

Cargo and other revenue decreased by R\$212.8 million, or 22.6%, from R\$941.9 million in 2015 to R\$729.1 million in 2016.

Operating costs and expenses

Operating costs and expenses decreased by R\$837.0 million, or 8.5%, from R\$9,797.4 million in 2015 to R\$8,960.4 million in 2016, primarily due to the reasons discussed above.

Financial income, net

Our net financial results changed by R\$3,848.1 million, from a net financial expense of R\$3,402.0 million in 2015 to a net financial income of R\$446.1 million in 2016, mainly as a result of gains from the net exchange variation as discussed above.

Income taxes

Income taxes expenses changed by R\$684.3 million from a R\$677.2 million expense in 2015 to an income of R\$7.1 million in 2016, mainly impacted by the losses at GLA, partially offset by the income from the anticipated return of aircraft under finance leasing and gains with the debt exchange offer transaction.

Net income (loss)

As a result of the foregoing, our flight transportation segment had a net income of R\$849.6 million in 2016 as compared to a net loss of R\$4,460.9 million in 2015.

Smiles Loyalty Program Segment Year December 31, 2016 Compared to Year December 31, 2015

In 2016, Smiles' members accumulated 53.6 billion miles, an increase of 2.3% over 2015. The increase is related to greater accrual of non-air miles which were 4.2% higher year-on-year partially offsetting the 9.4% decrease in accrual with Gol.

In 2016, 43.5 billion miles were redeemed, an increase of 11.0% when compared to 2015, mainly due to strong performance by non-air redemptions. The burn/earn ratio reached 81.2%. This is the ratio between the number of miles redeemed and accumulated.

Operating revenue

Smiles' operating revenue are mainly derived from redemptions, which are recognized when customers exchange their miles for flight tickets, goods or services from Smiles' airline and commercial partners. Operating revenue also includes breakage and miles that expired without being used.

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

	Year Ended December 31,		
	2015	2016	Change %
	(in millions of <i>reais</i> , except percentages)		
Miles redemption revenue	823.4	1,064.0	29.2%
Money revenue (Smiles & Money)	349.0	379.3	8.7%
Breakage revenue	150.9	245.3	62.6%
Other revenue	20.9	18.2	(12.9)%
Taxes on revenue	(124.6)	(158.6)	27.3%
Total operating revenue	1,219.5	1,548.1	26.9%

Miles redemption revenue increased 29.2%, from R\$823.4 million in 2015 to R\$1,064.0 million in 2016. This increase resulted from greater share of new miles in the total mix of miles redeemed in the program (from 91.9% in 2015 to 98.9% in 2016).

Smiles and money revenue increased 8.7% from R\$349.0 million in 2015 to R\$379.3 million in 2016, mainly due to a greater number of Smiles & Money redemptions that were made available to customers through the course of 2016.

Breakage revenue, derived from the expected expiration of miles and miles expired, increased 62.6% from R\$150.9 million in 2015 to R\$245.3 million in 2016, as a result of increase in miles actually expired.

Other revenue decreased 12.9% from R\$20.9 million in 2015 to R\$18.2 million due to lower commissions from co-branded credit cards in 2016.

Operating costs and expenses

Operating costs and expenses increased by 17.5%, from R\$803.7 million in 2015 to R\$944.5 million in 2016, mainly due to the increase in redemptions costs, which increased 17.2% from R\$676.5 million in 2015 to R\$792.9 million in 2016, as a consequence of the R\$96.9 million increase in ticket acquisition expenses and the R\$10.8 million increase in marketing expenses.

Net financial income

Our net financial income increased by 57.5%, from R\$138.7 million in 2015 to R\$218.4 million in 2016, primarily as a result of higher average cash balance, higher CDI rate and income on advances for ticket purchases from GLA.

Income taxes

Income taxes expenses increased 51.8% from R\$178.7 million in 2015 to R\$271.2 million in 2016 mainly due to a 49.4% increase in profit before income taxes.

Net income

As a result of the foregoing, our Smiles loyalty program segment had a net income of R\$548.3 million in 2016 as compared to R\$369.9 million in 2015, representing an increase of 48.2%, or R\$178.4 million.

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

Operating revenue

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

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

Operating costs and expenses

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

Financial expense, net

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

Income taxes

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

Net loss

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

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

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

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

Operating revenue

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

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

	Year Ended December 31,		
	2014	2015	Change %
	(in millions of reais, except percentages)		
Miles redemption revenue	540.7	823.4	52.3%
Money revenue (Smiles & Money)	263.2	349.0	32.6%
Breakage revenue	68.8	150.9	119.3%
Other revenue	17.9	20.9	16.8%
Taxes on revenue	(82.6)	(124.6)	50.8%
Total operating revenue	808.1	1,219.5	50.9%

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

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

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

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

Operating costs and expenses

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

Net financial income

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

Income taxes

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

Net income

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

B. Liquidity and Capital Resources

Cash Flow Analysis

Operating Activities. In 2016, we had net cash used in operating activities of R\$21.1 million, compared to net cash used in operating activities in 2015 of R\$599.5 million and net cash generated by operating activities of R\$1,129.2 million in 2014.

In 2016, net cash used in operating activities was positively impacted by the exchange rate variation due to the period-end appreciation of the real against the U.S. dollar of 16.5% and the decrease in the costs as a result of higher yields of 8.0% and decrease in fuel costs of 18.4%.

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

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

Investing Activities. In 2016 we had net cash generated by investing activities of R\$592.1 million, mainly as a result of the returns of deposits related to the postponement of new aircraft arrivals, compared to net cash used in investing activities of R\$1,259.2 million and R\$431.6 million in 2015 and 2014, respectively. We also had a decrease in restricted cash in 2016 from R\$735.4 million at December 31, 2015 to R\$168.8 million at December 31, 2016.

Financing Activities. In 2016 and 2014, we had net cash used in financing activities of R\$1,062.8 million and R\$309.6 million, respectively, compared to net cash generated by financing activities of R\$750.2 million in 2015.

In 2016, net cash used in financing activities was R\$1,062.8 million, mainly due to payments of debt of R\$520.5 million, payments of financial leases of R\$342.8 million and payment of dividends to non-controlling shareholders of Smiles of R\$163.1 million.

In 2015, net cash generated by financing activities was R\$750.2 million mainly due to (i) the capital increase in the amount of R\$461.3 million by our Controlling shareholder and Delta and (ii) issuance of new debt of R\$2,468.5 million, which was partially offset by payments of debt of R\$1,632.0 million and payments of financial leases of R\$409.5 million.

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

Liquidity

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

Our cash position (includes restricted cash and accounts receivables) as of December 31, 2016 was equivalent to 19.5% of our trailing 12 months' operating revenue. We are also committed to having no significant financial debt maturities (excluding finance leases) coming due within any two-year horizon.

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

	At December 31,	
	2015	2016
	(in millions of reais)	
<i>Real denominated</i>	1,733.0	1,268.8
Cash and cash equivalents, short-term investments and short and long-term restricted cash	1,327.5	613.4
Short-term receivables	405.5	655.4
<i>Foreign exchange denominated</i>	1,029.1	653.6
Cash and cash equivalents and short-term investments	972.0	548.8
Short-term receivables	57.1	104.8
Total	2,762.1	1,922.4

As of December 31, 2016, we did not have any amounts deposited with Boeing as advances for aircraft acquisitions, compared to R\$555.5 million as of December 31, 2015. The 2015 amount is not reflected in the table above.

As of December 31, 2016, cash and cash equivalents, short-term investments and short and long-term restricted cash totaled R\$1,162.2 million, consisting of R\$562.2 million in cash and cash equivalents, R\$431.2 million in short-term investments and R\$168.8 million in restricted cash.

Indebtedness

The following table sets forth our loans and financings at December 31, 2016 and 2015:

	At December 31,	
	2015	2016
	(in millions of reais)	
Loans and financing	5,463.3	4,090.1
Aircraft finance lease	2,994.1	1,718.0
Interest accrued	148.5	142.7
Perpetual bonds	699.0	428.4
Total loans and financing	9,304.9	6,379.2

As of December 31, 2016, our total debt was R\$6,379.2 million, 31.4% lower year on year, with an average term of 3.5 years (excluding aircraft financial leasing and perpetual notes) and an average interest rate of 17.98% for obligations in local currency and of 7.51% for U.S. dollar-denominated obligations. Our loans and financing were positively affected by the period end appreciation of the *real* against the U.S. dollar of 16.5% between 2015 and 2016.

Loans and Financing

The following tables sets forth our short-term and long-term loans as of December 31, 2015 and 2016:

	At December 31,	
	2015	2016
	(in millions of reais)	
Short-Term Debt		
Local currency	299.9	54.7
Safra	33.6	9.7
Safra - Working capital	116.0	-
BNDES- loan	3.1	-
Debentures VI	125.2	-
Interest	22.0	45.0
Foreign currency (U.S. Dollars)	1,096.7	780.6
JP Morgan	72.1	42.3
Engine facility (Cacib)	20.9	16.9
FINIMP ⁽¹⁾	389.3	174.4
Senior Notes	-	182.4
Finance lease	487.9	266.9
Interest	126.5	97.7
Total Short-Term Debt	1,396.6	835.3
Long-Term Debt		
Local Currency	977.0	1,010.1
BNDES loan ⁽³⁾	1.8	-
Safra	49.6	4.9
Debentures VI	925.6	1,005.2
Foreign currency (U.S. Dollars)	6,931.3	4,533.8
JP Morgan	64.7	11.1
Senior Notes	2,319.9	1,542.0
Term Loan	1,128.8	944.2
Engine facility (Cacib)	212.8	156.9
Perpetual bonds	699.0	428.4
Finance lease	2,506.2	1,451.1
Total long-term debt	7,908.3	5,543.9
Total loans and financing	9,304.9	6,379.2

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

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

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

Aircraft Finance Leases

The following table sets forth our aircraft finance lease as of December 31, 2015 and 2016:

	As of December 31,	
	2015	2016
	(in millions of reais)	
Short-Term Debt (Foreign Currency - U.S. Dollars)		
Finance lease	487.9	266.9
Long-Term Debt (Foreign Currency - U.S. Dollars)		
Finance lease	2,506.2	1,451.1
Total Aircraft Finance Lease	2,994.1	1,718.0

On December 31, 2016, aircraft finance lease totaled R\$1,718.0 million, including aircraft finance lease paid in monthly installments with funds generated from our operations. Financial expenses related thereto are booked as financial expenses in the statement of operations.

Total short-term debt at December 31, 2016 totaled R\$835.3 million consisting of aircraft finance lease of R\$266.9 million, interest of R\$142.7 million and loans of R\$425.7 million. Long-term debt totaled R\$5,543.9 million, consisting of aircraft finance leases of R\$1,451.1 million, perpetual bonds of R\$428.4 million and loans of R\$3,664.4 million.

The following table sets forth the maturities and interest rates of our indebtedness at December 31, 2016:

	<u>Maturity</u>	<u>Interest p.a.</u>	<u>Currency</u>
Senior Notes 2017(1)	04/2017	7.60%	U.S. dollar
Finimp	10/2017	4.57%	U.S. dollar
J.P. Morgan (IV)	03/2018	1.09%	U.S. dollar
Safra	05/2018	128.0% of CDI	<i>Real</i>
Senior Notes 2018	12/2018	9.71%	U.S. dollar
Debentures VI	09/2019	132.0% of CDI	<i>Real</i>
Senior Notes 2020	07/2020	9.64%	U.S. dollar
Term Loan	08/2020	6.70%	U.S. dollar
Engine Facility	06/2021	Libor 3M + 2.25%	U.S. dollar
Senior Notes 2021	07/2021	9.87%	U.S. dollar
Senior Notes 2022	01/2022	11.30%	U.S. dollar
Senior Notes 2023	02/2023	9.24%	U.S. dollar
Senior Notes 2028	12/2028	9.84%	U.S. dollar
Perpetual Bonds	n/a	8.75%	U.S. dollar

(1) Repaid at maturity in April 2017.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Without maturity</u>	<u>Total</u>
Real Denominated	404.9	605.2	-	-	-	1,010.1
Safra	4.9	-	-	-	-	4.9
Debentures VI	400.0	605.2	-	-	-	1,005.2
U.S. Dollar Denominated	71.2	17.1	1,329.3	1,236.7	428.4	3,082.7
J.P. Morgan	11.1	-	-	-	-	11.1
Engine Facility	17.1	17.1	17.1	105.7	-	156.9
Senior Notes 2018	43.1	-	-	-	-	43.1
Senior Notes 2020	-	-	368.0	-	-	368.0
Senior Notes 2021	-	-	-	120.6	-	120.6
Senior Notes 2022	-	-	-	889.6	-	889.6
Senior Notes 2023	-	-	-	68.1	-	68.1
Senior Notes 2028	-	-	-	52.7	-	52.7
Perpetual Bonds	-	-	-	-	428.4	428.4
Term Loan	-	-	944.2	-	-	944.2
Total*	476.1	622.3	1,329.3	1,236.7	428.4	4,092.8

* excludes interest and finance leases.

For further information on our indebtedness, see note 16 to our consolidated financial statements included elsewhere herein.

Covenant Compliance

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

On December 31, 2016, the Debentures VI and Term Loan had the following restrictive covenants: (i) net adjusted debt/EBITDAR lower than 6.35x (ii) interest coverage (ICD) of at least 1.15x. These covenants are measured every six months. As of December 31, 2016 we were in full compliance with both covenants.

Capital Resources

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

Our plans contemplate operating 115 aircraft by the end of 2017. As of December 31, 2016, we had 120 outstanding firm purchase orders with Boeing for 737-800 MAX aircraft.

As of December 31, 2016, committed expenditures for these aircraft, based on aircraft list price and including estimated amounts for contractual price escalations and pre-delivery deposits, will start in 2018 as follows: US\$548.4 million in 2018, US\$895.3 million in 2019, US\$1,371.9 million in 2020 and US\$11,922.3 million beyond 2021. The firm aircraft orders are a significant financial commitment.

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

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

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

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

Recent Accounting Pronouncements

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

The standards and interpretations issued, but not yet effective to the financial statements included herein, are being evaluated by us, such as IFRS 9 – Financial Instruments, IFRS 15 – Revenue from Contracts with Customers and IFRS 16 - Leases. See note 2.3 to our financial statements included elsewhere in this annual report.

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

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

D. Trend Information

We expect to continue executing our rational strategy, with a supply forecast matching GDP growth and the expected demand for seats. We expect to reduce our non-fuel cost per available seat kilometer (CASK) as we reduce the age of our fleet, operate an even more fuel efficient fleet, benefit from cost savings associated with our aircraft maintenance facility, and improve upon our cost-efficient distribution channels. We expect the increase in jet fuel prices will increase our fuel costs per ASK in 2017. We expect to maintain or slightly reduce capacity in 2017.

E. Off-Balance Sheet Arrangements

None of our 96 operational aircraft recognized as operating leases is reflected on our balance sheet. At December 31, 2016, we had 34 aircraft recognized as finance leases on our balance sheet. We are responsible for all maintenance, insurance and other costs associated with operating these aircraft; however, we have not made any residual value or other guarantees to our lessors.

F. Tabular Disclosure of Contractual Obligations

Our main non-cancelable contractual obligations as of December 31, 2016 included the following:

	Total	2017	2018	2019	2020	2021	There- after	Without Maturity
	(in millions of reais)							
Non-derivative financial instruments								
Operating leases	6,246.7	857.8	839.3	889.9	873.7	746.9	2,039.1	-
Finance leases ⁽¹⁾	1,889.7	350.9	328.9	307.0	267.9	215.5	419.4	-
Debt	4,661.2	568.4	476.1	622.3	1,329.3	226.3	1,010.4	428.4
Total non-derivative financial instruments	12,797.5	1,777.1	1,644.3	1,819.2	2,470.9	1,188.7	3,468.9	428.4
Total finance leases interest	171.6	56.0	44.5	32.0	20.9	11.7	6.5	-
Total non-derivative financial instruments excluding total finance leases interest	12,969.1	1,833.1	1,688.8	1,851.2	2,491.8	1,200.4	3,475.4	428.4
Derivative financial instruments								
Fuel derivative	-	-	-	-	-	-	-	-
Foreign exchange derivative	-	-	-	-	-	-	-	-
Interest rate swaps	89.2	89.2	-	-	-	-	-	-
Total derivative financial instruments	89.2	89.2	-	-	-	-	-	-
Aircraft commitments								
Pre-delivery deposits	6,724.5	286.8	483.5	658.9	835.5	839.9	3,619.9	-
Aircraft purchase commitments	48,032.4	-	1,787.4	2,917.8	4,471.2	6,106.6	32,749.4	-
Total aircraft commitments	54,756.9	286.8	2,270.9	3,576.7	5,306.7	6,946.5	36,369.3	-
Total	67,815.2	2,209.1	3,959.7	5,427.9	7,798.5	8,146.9	39,844.8	428.4

(1) Includes finance leases interest.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Under our by-laws, we are managed by our *Conselho de Administração*, or board of directors, which is composed of at least five members and at most ten members, and our *Diretoria*, or board of executive officers, which is composed of at least two and at most seven members. According to the Differentiated Corporate Governance Practices Level 2 introduced by BM&FBOVESPA, at least 20% of the members of our board of directors shall be “independent directors,” as defined by the BM&FBOVESPA.

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

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

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

Board of directors

Our board of directors is responsible for establishing our general business policies and for electing and supervising our executive officers. Our board of directors is comprised of nine members, four of whom qualify as independent based upon Brazilian Corporation Law and CVM criteria. The board of directors meets an average of 12 times per year.

There are no provisions in our by-laws restricting a director’s power to vote on a proposal, arrangement or contract in which such director is materially interested. However, under the Brazilian corporation law, a director is prohibited from voting on any matter in which such director has a conflict of interest with our company.

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

Under our by-laws, the members of the board of directors are elected by the holders of our common shares at the annual general meeting of shareholders. Our by-laws provide that if the controlling shareholder at any time holds an economic interest in our company equal to or less than 35% and greater than 15%, at least 40% of the directors must be independent and the preferred shareholders will have the right to elect one of the independent directors. Also, if the controlling shareholder at any time holds an economic interest in our company equal to or less than 15% and greater than 7.5%, at least 50% of the directors must be independent and the preferred shareholders will have the right to elect two of the independent directors. If the controlling shareholder at any time holds an economic interest in our company equal to or less than 7.5%, at least 60% of the directors must be independent and the preferred shareholders will have the right to elect two of the independent directors.

Members of our board of directors serve simultaneous one-year terms and may be re-elected. The term of our current directors expires on April 30, 2017. Our by-laws do not provide for a mandatory retirement age for our directors.

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

Name	Age	Position
Constantino de Oliveira Junior	48	Chairman
William Charles Carroll	59	Director
Anna Luiza Constantino	27	Director
Joaquim Constantino Neto	52	Director
Ricardo Constantino	53	Director
André Jánszky*	65	Director
Antonio Kandir*	63	Director
Germán Pasquale Quiroga Vilardo*	49	Director
Francis James Leahy Meaney*	52	Director

* Denotes an independent director

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

William Charles Carroll was elected to our board of directors in 2016. He was nominated by Delta pursuant to the investment agreement between Volluto, our controlling shareholder, and Delta (see “Item 4. Information on the Company—B. Business Overview—Airline Business—Partnerships and Alliances—Delta Investment and Commercial Agreements”). Mr. Carroll is the senior vice president international CFO and alliances of Delta. Mr. Carroll provides financial oversight of Delta’s international investments. With more than 30 years of finance experience, Mr. Carroll has served in controller and chief financial officer roles in both domestic and international businesses, including eight years of overseas assignments in Spain and Mexico. Before joining Delta in August 2013, Mr. Carroll worked for Homedics, a global consumer products company, as well as PepsiCo and Arthur Andersen & Co. Mr. Carroll holds a bachelor’s degree in accounting from Rider University in New Jersey. Additionally, he is a certified public accountant and holds a CFA charter. He is a member of our Alliances Committee.

Anna Luiza Constantino was elected to our board of directors in 2016. She is currently an associate in the credit intelligence department of Bloomberg LP. Previously, she worked in the finance departments of Kerburn Rose in New York and Lockheed Martin in Orlando. Ms. Constantino holds a degree in business administration from the University of Central Florida and has a CFA certificate, level II.

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

Ricardo Constantino has been a member of our board of directors since March 2004. Mr. Constantino has been the chief technical and maintenance officer of the Comporte group since 1994. He is also a member of the board of directors of BRVias S.A., and is a senior executive of Agrodiesel S.A.

André Jánosky was elected to our board of directors in 2016. Mr. Jánosky has decades of experience as a corporate finance and mergers and acquisitions lawyer. Until November 2016, he was the partner responsible for the Latin America practice of Milbank, Tweed, Hadley & McCloy LLP and managing partner of the firm's São Paulo office. Mr. Jánosky is a member of our Audit, Corporate Governance and People Management Policies and Financial Policy Committees.

Antonio Kandir has been a member of our board of directors since August 2004. Mr. Kandir is an economic consultant. During the last ten years, he has served on the board of directors of several companies and managed various investments funds. Mr. Kandir is a member of the Board of Directors of AEGEA, CSU, CPFL and COIMEX. Mr. Kandir also served for two terms as a member of Brazil's Chamber of Deputies, during which he also served as Planning and Budget Minister, Secretary of Economic Policy and President of the Privatization Council. He holds a bachelor's degree in production engineering from the *Escola Politécnica* at *Universidade de São Paulo* and bachelor's, master's and doctoral degrees in economics from the *Universidade Estadual de Campinas*. Mr. Kandir is a member of our Audit, Corporate Governance and People Management Policies, Financial Policy and Risk Policies Committees.

Germán Pasquale Quiroga Vilardo was elected to our board of directors in 2016. He was the founder and CEO of TV1.com, CIO and CMO of Americanas.com, CIO and CMO of Cyrela Brasil Realty and founder, CEO and member of the board of directors of Pontofrio.com, Nova Pontocom, and various other e-commerce companies. He is currently vice-chairman of the board of directors of Totvs and Camara-E.net and a member of the Board of Directors of Abrarec and Fecomércio. Mr. Quiroga holds a bachelor's degree in electronic engineering from the *Instituto de Engenharia Militar* and a master's degree in digital systems from the Polytechnic School of the *Universidade de São Paulo* (USP).

Francis James Leahy Meaney was elected to our board of directors in 2016. Mr. Meaney has decades of experience in telecommunications, data center, business product outsourcing, management consulting, investment banking and private equity. He was the position of interim CEO of Aceco TI, a data center company invested in by Kohlberg, Kravis & Roberts. Mr. Meaney was the chief operating officer of Oi S.A., from 2011 to 2013, and founder and CEO of Contax S.A., from 2000 to 2011, which he led from its startup until it became publicly listed in 2005 and eventually became the largest Brazilian business process outsourcing company with 107,000 employees and US\$1.3 billion in revenue. Mr. Meaney also held positions at other companies, including Global Crossing, Conectel, Mars & Co. and First Boston. He is also a member of the advisory board of the Kellogg Institute for International Studies at the University of Notre Dame. Mr. Meaney holds a bachelor's degree in economics from the University of Notre Dame, a master's degree in business administration from the Harvard Business School and completed INSEAD's advanced management course. Mr. Meaney is a member of our Audit Committee.

Constantino de Oliveira Junior, Joaquim Constantino Neto and Ricardo Constantino are brothers. Constantino de Oliveira Junior, Joaquim Constantino Neto and Ricardo Constantino control our major shareholder, Fundo de Investimento em Participações Volluto. Anna Constantino is the daughter of Constantino de Oliveira Junior.

Executive Officers

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

Under our by-laws, we must have at least two and no more than seven executive officers that are elected by the board of directors for a one-year term. Any executive officer may be removed by the board of directors before the expiration of his term. The current term of all our executive officers ends in February 2018.

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

Name	Age	Position
Paulo Sergio Kakinoff	42	President and Chief Executive Officer
Richard F. Lark, Jr	50	Executive Vice President and Chief Financial Officer
Sergio Quito	63	Vice-President and Chief Operations Officer
Eduardo José Bernardes Neto	42	Vice-President and Chief Commercial Officer
Celso Guimarães Ferrer Junior	34	Vice-President and Chief Planning Officer

Paulo Sergio Kakinoff has been our president and chief executive officer since July 2012. He served as an independent member of our Board of Directors from January 2010 to June 2012. He held the position of CEO at Audi Brazil until June 2012, having worked for the Volkswagen Group for 18 years as the Sales & Marketing Officer at Volkswagen Brasil and as the executive officer for South America at the Volkswagen Group's head offices in Germany. Mr. Kakinoff also served as the vice president of the Brazilian Association of Importers of Motor Vehicles (ABEIVA) and was a member of the board of directors of Volkswagen Participações. He holds a bachelor's degree in business administration from Mackenzie University, in São Paulo. Mr. Kakinoff is a member of our Corporate Governance and People Management Policies, Risk Policies, Financial Policy and, Alliances Committees.

Richard F. Lark, Jr. has been our executive vice president, chief financial officer and investor relations officer since July 2016. Mr. Lark has been with Gol for 14 years, as our CFO from 2003 to 2008 and as a member of our board of directors from 2008 to 2016. Mr. Lark is the founder and managing partner of Endurance Capital Partners, a private equity management firm (member of Anbima and ABVCAP). From 2000 to 2003, he served as chief financial officer of Americanas.com, one of the leading Brazilian e-commerce companies. Prior to joining Americanas.com, Mr. Lark was employed by the investment banking divisions of Morgan Stanley & Co., Citicorp and The First Boston Corporation. Mr. Lark served as a member of the advisory boards of the Kellogg Institute for International Studies at the University of Notre Dame, Associação Vida Jovem, and as president of the American Society of São Paulo. He holds a master's degree in business administration degree from the UCLA Anderson School of Management and a bachelor degree in finance and business economics and philosophy from the University of Notre Dame. He is a portfolio manager registered with the CVM and ANBIMA and an associate of the Brazilian Institute of Corporate Governance (IBGC). Mr. Lark is a chairman of our Financial Policy and Risk Policies Committees.

Sergio Quito has been our vice-president and chief operations officer since February 2016. Mr. Quito is responsible for operations, maintenance, airports and operational safety. He has over 40 years of experience in the airline industry, having worked for VARIG, Lider, VASP and Pão de Açúcar and worked with us for 11 years as a Boeing 737-800 NG pilot and in quality and operational safety, leading projects such as IOSA certification and the implementation of SGSO. Mr. Quito holds a degree in international relations from the *Pontifícia Universidade Católica de São Paulo* (PUC-SP), and is also an Operational Security Agent certified by the Research Centre of Aeronautical Accidents of the Brazilian Air Force. He also serves as vice chairman of the Operations and Safety Committee of IATA (Safety and Operations Committee - SFO), with a term ending in July 2017.

Eduardo José Bernardes Neto has been our vice-president and chief commercial officer since February 2015. Mr. Bernardes is responsible for sales, marketing, distribution and ancillary revenues. He has been with Gol for 16 years, having joined our commercial area as an account manager in February 2001. Mr. Bernardes coordinated the opening of several of our national and international facilities. He is also a member of the board of directors of UATP. Mr. Bernardes has a degree in business administration from *Faculdade Ibero-Americana* with a specialization in foreign trade.

Celso Guimarães Ferrer Junior has been with Gol for 14 years and our vice-president and chief planning officer since February 2015. Mr. Ferrer is responsible for our yield management, network planning and aeronautical asset management departments. He is also a pilot of Boeing 737-700 and Boeing 737-800 Next Generation aircraft. Mr. Ferrer has a degree in economics from the *Universidade de São Paulo* and in international relations from the *Pontifícia Universidade Católica de São Paulo*.

B. Compensation

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

For the year ended December 31, 2016, the aggregate compensation, including cash and benefits-in-kind but excluding stock options, to the members of our board of directors and executive officers was R\$11.8 million.

Stock Option Plan and Restricted Share Plan

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

Both the stock option plan and the restricted shares awarded relate only to our preferred shares. The number of outstanding options granted and restricted shares combined may not, at any time, exceed 5% of our shares. The Corporate Governance and People Management Policies Committee establishes each year the strike price of the options to be granted, which must be equal to the average price of the preferred shares recorded in the last 60 trading sessions prior to the granting date.

The vesting period of the stock options is three years, vesting 20% in the first year, 30% in the second year and 50% in the third year. Restricted shares awarded vest after three years.

In case of termination of the option holder, with or without cause (except in case of permanent disability or death) all unexercised options granted to the participant automatically expire. Options already vested on the termination date may be exercised within 90 days, in case of termination without cause, or on the termination date, in case of termination with cause or at the beneficiary's request.

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

We have granted 8,326,706 stock options in the last three years, which represented 2.4% economic interest in our company or 4.1% of our preferred shares, as of December 31, 2016. Of these options, 6,351,572 are currently outstanding, which represented 1.8% economic interest in our company, as of December 31, 2016. During the last three years, 66,949 stock options were exercised.

Additionally, we have granted 6,018,191 restricted shares in the last three years, which represented 1.7% economic interest in our company or 3.0% of our preferred shares, as of December 31, 2016. As of December 31, 2016, we had 4,609,256 restricted shares outstanding, which represented 1.3% economic interest in our company. See below a description of our restricted share awards. In 2016, we transferred 632,976 restricted shares, once the vesting condition was fully met.

For additional information, see note 11 to our consolidated financial statements.

C. Board Practices

Our board of directors is comprised of nine members.

Committees of the Board of Directors and Board of Executive Officers

Our board of directors has Audit, Corporate Governance and People Management Policies, Financial Policy, Alliances and Risk Policies Committees and an Accounting, Tax Policies and Financial Statements Subcommittee. Our board of executive officers has management, executive, budget, investment, corporate governance and risk management committees. Not all the members of our committees are members of our board of directors or of our board of executive officers, as in certain committees we appoint outside experts.

Audit Committee. Our Audit Committee provides assistance to our board of directors on matters involving accounting, internal controls, financial reporting and compliance. The Audit Committee recommends the appointment of our independent auditors to our board of directors and reviews the compensation of our independent auditors and helps oversee their activities. It also evaluates the effectiveness of our internal financial and legal compliance controls. The Audit Committee also performs the roles of an audit committee under U.S. laws. The current members of our audit committee are André Jánszky, Antonio Kandir and Francis James Leahy Meaney. All members meet the applicable independent membership requirements of the SEC and NYSE as well as other NYSE requirements. Mr. Jánszky is the committee's "financial expert" within the meaning of the SEC rules under the U.S. Securities Exchange Act of 1934.

Financial Policy Committee. Our Financial Policy Committee is responsible for: (i) approving our corporate finance policies, as well as monitoring and reviewing their effectiveness and implementation and (ii) reviewing our financing plan. The financial policy committee currently consists of Constantino de Oliveira Junior, André Jánszky, Antonio Kandir, Paulo Sergio Kakinoff and Richard Lark.

Risk Policies Committee. Our Risk Policies Committee is responsible for: (i) reviewing and approving our risk management mechanisms; (ii) approving and evaluating the risk policies used by us; and (iii) monitoring their implementation. The Risk Policies Committee currently consists of Constantino de Oliveira Junior, Antonio Kandir, Paulo Sergio Kakinoff and Richard Lark.

Corporate Governance and People Management Policies Committee. Our Corporate Governance and People Management Policies Committee is responsible for: (i) coordinating, implementing and reviewing our corporate governance practices and (ii) reviewing and recommending to our board of directors human resources policies and compensation. The Corporate Governance and People Management Policies Committee currently consists of Constantino de Oliveira Junior, André Jánszky, Antonio Kandir, Paulo Sergio Kakinoff, Paulo César Aragão and Betânia Tanure de Barros.

Alliances Committee. Our Alliances Committee is responsible for: (i) evaluating opportunities for partnerships and alliances, and possible investments in this context, by us and partner airlines; and (ii) maximizing the benefits of existing partnerships, through the optimization of resources and opportunities. The current members are Constantino de Oliveira Junior, William Charles Carroll, Paulo Sergio Kakinoff and Pieter Elbers.

Accounting, Tax and Financial Statement Policy Subcommittee. Our accounting and tax policies and financial statements subcommittee is responsible for reviewing, evaluating and monitoring our accounting policies and financial statements and recommending actions on these matters to the board of directors. The committee currently consists of Marcos da Cunha Carneiro and Natan Szouster.

D. Employees

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

As of December 31, 2016, we had 13,998 active employees. We invest significant resources promoting the well-being of our employees.

We train our own pilots. We also provide extensive ongoing training for our pilots, flight attendants and customer service representatives. In addition to the required technical training, which follows the strictest international standards, we also provide comprehensive managerial training to our pilots and flight attendants through Crew Resource Management and Line Oriented Flight Training programs, emphasizing the importance of resource management to provide the best service to our passengers. Since 2011, we operate the *Gol Institute* located in our Confins Maintenance Center, in the state of Minas Gerais, aiming to provide technical training, promoting social inclusion and improving the learning of the professionals in the aviation sector. We expect to reduce the cost and average time of training for mechanics and co-pilots.

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

A national aviators' union represents Brazil's pilots and flight attendants, and other regional aviation unions represent ground employees of air transportation companies. Approximately 29% of our employees are members of unions. Negotiations in respect of cost of living wage and salary increases are conducted annually between the workers' unions and a national association of airline companies. There is no salary differential or seniority pay escalation among our pilots. Work conditions and maximum work hours are regulated by government legislation and are not the subject of labor negotiations. Since the commencement of our operations, we have not had a work stoppage by our employees and we believe that our relationship with our employees is good.

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

E. Share Ownership

The members of our board of directors and our executive officers, on an individual basis and as a group, directly own approximately 0.6% of our preferred shares. See "Item 7A. Major Shareholdings and Related Party Transactions—Major Shareholders." Fundo de Investimento em Participações Volluto is a fund directly controlled by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino.

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our common shares and preferred shares as of February 28, 2017, by each person known by us to beneficially own 5% or more of our common shares or preferred shares and all our directors and officers as a group.

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

	Common Shares		Preferred Shares ⁽²⁾		Total Shares		Economic Interest
	Shares	(%)	Shares	(%)	Shares	(%)	(%)
Fundo de Investimento em Participações Volluto ⁽¹⁾	5,035,037,105	100.0%	68,915,078	33.9%	5,103,952,183	97.4%	61.3%
Executive officers and directors	35	0.0%	2,247,525	1.1%	2,247,560	0.0%	0.6%
Treasury shares	–	–	893,793	0.4%	893,793	0.0%	0.3%
Delta Air Lines, Inc	–	–	32,926,025	16.2%	32,926,025	0.6%	9.5%
Free float ⁽³⁾	–	–	98,401,547	48.4%	98,401,547	1.9%	28.3%
Total	5,035,037,140	100.0%	203,383,968	100.0%	5,238,421,073	100.0%	100.0%

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

(2) Preferred shares are entitled to a dividend 35 times the dividend paid per common share. See "Item 10B. Additional Information—Memorandum and Articles of Association."

(3) Not considering Delta Air Lines, Inc.

According to our internal share record, which contains information regarding the ownership of our shares and the ADSs as filed by the holders of such shares and ADS, at December 31, 2016, 55.6% of our free float was traded in the United States.

During 2016, there was no exercise of stock options.

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

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

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

Please see "Item 9. The Offer and Listing—C. Markets—Corporate Governance Practices" for further details.

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

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

Shareholders’ Agreement

No shareholders’ agreements have been filed with us.

B. Related Party Transactions

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

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

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

Agreements with Smiles

GLA and Smiles are party to the following agreements:

- Operating Agreement;
- Back Office Services Agreement;
- Main Miles and Tickets Purchase Agreement; and
- 2016 Miles and Tickets Purchase Agreement.

Because we consolidate GLA and Smiles, these transactions are eliminated in our consolidated financial statements. For more information on these agreements see “Item 4. Information on the Company—B. Business Overview—Smiles Loyalty Program—Agreements with Smiles.”

Transportation and Consultancy Agreements with Entities Controlled by Our Controlling Shareholder.

We have exclusive bus transportation agreements with Expresso União Ltda. and Breda Transportes e Serviços S.A. for the transportation of our employees, our passengers and their luggage. The transportation agreement with Breda Transportes e Serviços S.A. is currently under review. We also have a contract with related party Expresso União Ltda. to provide transportation to our employees valid until April 2, 2018. We also have a contract with related party Pax Participações S.A. to provide consulting and advisory services, which expires in April 2017. We have also signed a contract with Aller Participações and Limmat participações S.A to provide air cargo transportation services with no expiration date. These entities are controlled by our controlling shareholder.

In 2014, 2015 and 2016, GLA recorded expenses of R\$13.3 million, R\$16.1 million and R\$13.0 million, respectively, under these operating agreements.

In September 2011, we entered into agreements with Pássaro Azul Taxi Aéreo Ltda., Empresa de Ônibus Pássaro Marrom S.A., Viação Piracicabana Ltda., Thurgau Participações S.A., Comporte Participações S.A., Quality Bus Comércio de Veículos Ltda., Empresa Princesa do Norte S.A., Expresso União Ltda., Breda Transporte e Serviços S.A., Oeste Sul Empreendimentos Imobiliários S.A. Spe., Empresa Cruz de Transportes Ltda., Expresso Maringá do Vale S.A., Glarus Serviços Tecnologia e Participações S.A., Expresso Itamarati S.A., Transporte Coletivo Cidade Canção Ltda., Limmat Participações S.A., Turb Transporte Urbano S.A. and Vaud Participações to allow these entities to access the Universal Air Transportation Plan System.

Engine Maintenance Agreement with Delta TechOps

In February 2011, we entered into a strategic MRO partnership agreement with Delta TechOps, the maintenance division of Delta, one of our shareholders, which provides overhaul service for approximately 50% of our CFM 56-7 engines, maintenance for parts and components on our fleet of Boeing 737 NG aircraft and also, consulting services related to maintenance workflow planning, materials and facility optimization and tooling support. In 2014, 2015 and 2016, the expenses under this agreement were R\$115.6 million, R\$307.7 million and R\$210.2 million, respectively. The balance of financing related to engine maintenance classified as liabilities in debt was R\$53.4 million and R\$136.9 million, respectively, as of December 31, 2016 and December 31, 2015.

We have recently agreed with Delta and Air France to increase our level of maintenance services with them to all of our engines starting in 2018.

Term Loan Guaranteed by Delta

On August 31, 2015, Delta guaranteed a US\$300 million Term Loan borrowed by Gol LuxCo from third party lenders. Under the terms of the Credit and Guaranty Agreement, Gol LuxCo's obligations thereunder are guaranteed by the Term Loan Guarantors. Pursuant to a separate guaranty agreement, Delta provided to the administrative agent under the Credit and Guaranty Agreement, and the lenders under the Credit and Guaranty Agreement, a backstop guarantee of Gol LuxCo's and the Term Loan Guarantors' respective obligations under the Credit and Guaranty Agreement. The reimbursement obligations to Delta in connection with the Delta Guaranty, which are guaranteed by GLA, are secured by a first priority security interest in favor of Delta in a portion of the shares of Smiles held by Gol.

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

Delta Credit Support

In 2016, Delta granted us credit support in the form of:

- a backstop guarantee for up to US\$32.0 million in Gol obligations under an ISDA Master Agreement with Morgan Stanley;
- a credit line for the financing of maintenance payments of up to US\$50.0 million.

In addition, in 2016, we entered into a tri-party sale and leaseback transaction with Delta and GECAS with regard to a total of 12 aircraft, reducing our fleet and granting us additional liquidity.

On January 31, 2017, GLA signed another Loan Agreement with Delta in the amount of US\$50 million with maturity date of December 31, 2020 with reimbursement obligations by Gol, GLA and Gol LuxCo, in the same terms of reimbursement contract dated August 19, 2015, with fiduciary guarantee from Gol to GAC.

Agreement with Air France-KLM

On February 19, 2014, we entered into an exclusive long term strategic partnership for commercial cooperation with Air France-KLM. Under this agreement, Air France-KLM has made a US\$48 million payment for the purpose of enhancing our codesharing, connectivity and joint sale activities as well as other benefits for our customers, including the integration and improvement of products and services for our frequent flyer programs. As part of this agreement, Air France-KLM also invested US\$52 million in the acquisition of a number of our newly issued preferred shares, equivalent to 1.2% of our capital stock, at an issuance price equivalent to US\$12.23 per share. The agreement further provides for the creation of an alliance committee, comprised of at least one representative of Air France-KLM, at least two members of our board of directors and at least one representative of Delta, to coordinate efforts to improve the benefits of these partnerships. In 2014, we received R\$74.5 million related to the first installment and in 2015, we received R\$17.7 million under this agreement.

We have recently agreed with Delta and Air France to increase our level of maintenance services with them to all of our engines starting in 2018.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See “Item 3. Key Information—Selected Financial Data” and “Item 18. Financial Statements.”

Legal Proceedings

In the ordinary course of our business, we are party to various claims, which we believe are incidental to our operations, in the large part linked to the routine demands related to the rights of consumers. As of December 31, 2016, we were parties in 27,742 lawsuits and administrative proceedings, including 19,185 civil claims and 8,557 labor claims. We believe that the outcome of the proceedings to which we are currently a party will not have a material adverse effect us.

We have established provisions for all amounts in dispute that represent a probable loss in the view of our legal advisors and in relation to those disputes that are covered by laws, administrative decrees, decrees or court rulings that have proven to be unfavorable.

We are party to 19,185 civil claims (17,601 lawsuits and 1,584 administrative proceedings) arising from the normal course of our business, which includes mainly flight delays or cancellations and baggage loss or damage. The vast majority of these claims involve minor cases relating to customer relations and 291 lawsuits are related to obligations allegedly arising from our acquisition of Varig. As of December 31, 2016, we had established provisions for civil proceedings in the total amount of R\$73.4 million.

We are party to 8,557 labor claims (8,345 lawsuits and 212 administrative proceedings) arising from the normal course of our business, which includes overtime, hazardous work premium and health exposure allowance, among others.

As of December 31, 2016, we have established provisions for labor proceedings in the total amount of R\$132.2 million.

In 2007, we commenced an arbitration before the International Chamber of Commerce against the sellers of VRG and their controlling shareholders relating to a purchase price adjustment. In January 2011, the arbitral tribunal ruled in our favor and granted us an award of R\$93.0 million plus interest and costs against the sellers of VRG and their controlling shareholders. We brought enforcement proceedings to collect the award amount in U.S. federal courts. However, the US federal courts refused to enforce the arbitral award and we may not be able to collect the judgment in the United States. In 2016 we brought another enforcement proceedings in the courts of the Cayman Islands, and these proceedings are still pending. We believe that the chance of success in enforcing the award is now possible.

We are questioning the applicability of social contribution taxes (PIS and COFINS) in the amount of R\$57.8 million on revenue earned as interest attributable to shareholders' equity from 2006 to 2008. Based on the opinion of our legal counsel, we believe that these lawsuits represent a possible risk of loss. As of December 31, 2016, we had no provisions for these lawsuits.

We are also questioning the applicability of tax on services (ISS) in the amount of R\$19.4 million on revenue from certain of our activities related to agreements with partners from 2007 to 2010. Based on the opinion of our legal counsel, we believe that these proceedings represent a possible risk of loss. As of December 31, 2016, we had no provisions for these proceedings.

In addition, we are questioning the applicability of a fine imposed by Brazilian customs in the amount of R\$45.7 million for the alleged breach of certain rules regarding the temporary import of aircraft. Based on the opinion of our legal counsel, we believe that these proceedings represent a possible risk of loss. As of December 31, 2016, we had no provisions nor judicial deposits for these proceedings.

In addition, we are also questioning infraction notices regarding goodwill from BSSF Air Holdings, in the amount of R\$47.6 million. Although the outcome of these proceedings cannot be anticipated, our management understands that the final decisions on these proceedings will not have any material adverse impact on our financial position, operating results and cash flows. As of December 31, 2016, we had no provisions for these proceedings and judicial deposits.

We are also questioning tax on Industrialized Products (IPI) allegedly levied on the importation of aircraft in the amount of R\$115.1 million.

We are also questioning infraction notices regarding goodwill from GLA, in the amount of R\$72.7 million. Although the outcome of these proceedings cannot be anticipated, our management understands that the final decisions on these proceedings will not have any material adverse impact on our financial position, operating results and cash flows. As of December 31, 2016, we had no provisions for these proceedings nor judicial deposits.

For further information on our legal proceedings and contingencies, see note 20(b) to our consolidated financial statements.

Irregular Payments Investigation

In 2016, we received inquiries from Brazilian tax authorities regarding certain payments to firms that turned out to be owned by politically exposed persons in Brazil. Following an internal investigation, we retained U.S. and Brazilian legal counsel to conduct an external independent investigation to ascertain the facts with regard to these and any other payments identified as irregular and to evaluate the adequacy and effectiveness of our internal control and compliance programs in light of the findings of the investigation.

In December 2016, we entered into a leniency agreement with the Brazilian Federal Public Ministry (the “Leniency Agreement”), under which we agreed to pay R\$12.0 million in fines and to make improvements to our compliance program. In turn, the Federal Public Ministry agreed not to bring any criminal or civil suits related to activities that are the subject of the Leniency Agreement and that may be characterized as (i) acts of administrative impropriety and related acts involving politically exposed persons or (ii) other possible actions, which at the date of the Leniency Agreement had not been identified by the ongoing investigation (any such actions possibly resulting in an increase in the fines under the Leniency Agreement). In addition, we paid R\$4.2 million in fines to the Brazilian tax authorities related to the above-mentioned payments. We voluntarily informed the U.S. Department of Justice, the SEC and the CVM of the external independent investigation and the Leniency Agreement.

The external independent investigation was concluded in April 2017. It revealed that certain additional irregular payments were made to politically exposed persons. None of the amounts paid were material (individually or in the aggregate) in terms of cash flow, and none of our current employees, representatives or members of our board or management knew of any illegal purpose behind any of the identified transactions or knew of any illicit benefit to the Company arising out of the transactions investigated. We will be reporting the conclusions of the investigation to the relevant authorities in due course. These authorities may impose significant fines and possibly other sanctions on us.

During 2016, we took steps to strengthen and expand our internal control and compliance program. Among other measures, we commenced monitoring our transactions with politically exposed persons, and we enhanced our procurement procedures and the procedures for the contracting and execution of services by outside providers. We will continue to further improve our internal controls and compliance programs. See “Item 15. Controls and Procedures.”

Dividends and Dividend Policy

Amounts Available for Distribution

At each annual general shareholders’ meeting, our board of directors is required to propose how our earnings for the preceding fiscal year are to be allocated. For purposes of Brazilian corporation law, a company’s non-consolidated net income after federal income tax and social contribution on net income for such fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to employees’ and management’s participation in earnings represents its “income” for such fiscal year. In accordance with the Brazilian corporation law, an amount equal to the company’s “income,” as adjusted (the “distributable amount”), will be available for distribution to shareholders in any particular year. The distributable amount will be affected by the following:

- reduced by accumulated losses;
- reduced by amounts allocated to the legal reserve;
- reduced by amounts allocated to the statutory reserve, if any;
- reduced by amounts allocated to the contingency reserve, if any;
- reduced by amounts allocated to the unrealized profits reserve established by the company in compliance with applicable law (as discussed below);
- reduced by amounts allocated to the reserve for investment projects (as discussed below); and
- increased by reversals of reserves recorded in prior years.

Our by-laws do not provide for statutory or contingency reserves. Under the Brazilian corporation law and according to our by-laws, we are required to maintain a “legal reserve” to which we must allocate 5% of our “income” for each fiscal year until the amount of the reserve equals 20% of paid-in capital. We are not required to make any allocations to our legal reserve in respect of any fiscal year in which such reserve, when added to our capital reserves, exceeds 20% of our capital stock. Accumulated losses, if any, may be charged against the legal reserve. Other than that, the legal reserve can only be used to increase our capital. The legal reserve is subject to approval by the shareholders voting at the annual shareholders’ meeting and may be transferred to capital but is not available for the payment of dividends in subsequent years. Our calculation of net income and allocations to reserves for any fiscal year are determined on the basis of our non-consolidated financial statements prepared in accordance with the Brazilian corporation law.

Under the Brazilian corporation law, a portion of a corporation’s “income” may be allocated for discretionary appropriations for expansion and other fixed or working capital investment projects, the amount of which is based on a capital budget previously presented by management and approved by the shareholders in a general shareholders’ meeting. After completion of the relevant capital projects, the company may retain the appropriation until shareholders vote to transfer all or a portion of the reserve to capital or retained earnings. The Brazilian corporation law provides that, if a project to which the reserve for investment projects account is allocated has a term exceeding one year, the budget related to the project must be submitted to the shareholders’ meeting each fiscal year until the relevant investment is completed.

Under the Brazilian corporation law, the amount by which the mandatory distribution exceeds the “realized” portion of net income for any particular year may be allocated to the unrealized profits reserve and the mandatory distribution may be limited to the “realized” portion of net income. The “realized” portion of net income is the amount by which “income” exceeds the sum of (i) our net positive results, if any, from the equity method of accounting for earnings and losses of our subsidiaries and certain affiliates, and (ii) the profits, gains or income obtained on transactions maturing after the end of the following fiscal year. As amounts allocated to the unrealized income reserve are realized in subsequent years, such amounts must be added to the dividend payment relating to the year of realization.

Under the Brazilian corporation law, any company may create a “statutory” reserve, which reserve must be described in the company’s by-laws. Those by-laws which authorize the allocation of a percentage of a company’s net income to the statutory reserve must also indicate the purpose, the criteria for allocation and the maximum amount of the reserve. The Brazilian corporation law provides that all discretionary allocations of “income,” including the unrealized profits reserve and the reserve for investment projects, are subject to approval by the shareholders voting at the general shareholders’ meeting and may be transferred to capital or used for the payment of dividends in subsequent years. The fiscal incentive reserve and the legal reserve are also subject to approval by the shareholders voting at the general shareholders’ meeting and may be transferred to capital or used to absorb losses, but are not available for the payment of dividends in subsequent years.

The amounts available for distribution may be further increased by a reversion of the contingency reserve for anticipated losses constituted in prior years but not realized. Allocations to the contingency reserve are also subject to approval by the shareholders voting at the general shareholders’ meeting. The amounts available for distribution are determined on the basis of our non-consolidated statutory financial statements.

The balance of the profit reserve accounts, except for the contingency reserve and unrealized profits reserve, may not exceed the share capital. If this happens, a shareholders' meeting must resolve whether the excess will be applied to pay in the subscribed and unpaid capital, to increase and pay in the subscribed stock capital or to distribute dividends.

Pursuant to the Brazilian corporation law, net income unallocated to the accounts mentioned above must be distributed as dividends.

Mandatory Distribution

The Brazilian corporation law generally requires that the by-laws of each Brazilian corporation specify a minimum percentage of the amounts available for distribution by such corporation for each fiscal year that must be distributed to shareholders as dividends, also known as the mandatory distribution.

The mandatory distribution is based on a percentage of adjusted non-consolidated net income, not lower than 25%, rather than a fixed monetary amount per share. If the by-laws of a corporation are silent in this regard, the percentage is deemed to be 50%. Under our by-laws, at least 25% of our adjusted non-consolidated net income for the preceding fiscal year must be distributed as a mandatory annual dividend. Adjusted net income means the net income after any deductions for the legal reserve and contingency reserves and any reversals of the contingency reserves created in previous fiscal years. The Brazilian corporation law, however, permits a publicly held company, such as we are, to suspend the mandatory distribution of dividends in any fiscal year in which the board of directors reports to the shareholders' meeting that the distribution would be inadvisable in view of the company's financial condition. The suspension is subject to the approval at the shareholders' meeting and review by members of the fiscal board, if in place. While the law does not establish the circumstances in which payment of the mandatory dividend would be "inadvisable" based on the company's financial condition, it is generally agreed that a company need not pay the mandatory dividend if such payment threatens the existence of the company as a going concern or harms its normal course of operations. In the case of publicly held corporations, the board of directors must file a justification for such suspension with the CVM within five days of the relevant general meeting. If the mandatory dividend is not paid and funds are available, those funds shall be attributed to a special reserve account. If not absorbed by subsequent losses, those funds shall be paid out as dividends as soon as the financial condition of the company permits.

The board of directors can also decide to make the mandatory dividend distribution in the form of interest attributable to shareholders' equity, which is deductible when calculating income and social contribution taxes.

Payment of Dividends

We are required by the Brazilian corporation law to hold an annual general shareholders' meeting by no later than April 30 of each year, at which time, among other things, the shareholders have to decide on the payment of an annual dividend. Additionally, interim dividends may be declared by the board of directors. Any holder of record of shares at the time of a dividend declaration is entitled to receive dividends. Dividends on shares held through depositaries are paid to the depositary for further distribution to the shareholders.

Under the Brazilian corporation law, dividends are generally required to be paid to the holder of record on a dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which such dividend was declared. Pursuant to our by-laws, unclaimed dividends do not bear interest, are not monetarily adjusted and revert to us three years after dividends were declared. See "Item 10.B. Memorandum and Articles of Association—Description of Capital Stock."

Our board of directors may declare interim dividends or interest attributable to shareholders' equity based on income verified in semi-annual financial statements. The board of directors may also declare dividends based on financial statements prepared for shorter periods, provided that the total dividends paid in each six-month period do not exceed the capital reserves amount required by Brazilian corporation law. The board of directors may also pay interim dividends or interest attributable to shareholders' equity out of retained earnings or income reserves recorded in the last annual balance sheet. Any payment of interim dividends may be set off against the amount of mandatory dividends relating to the net income earned in the year in which the interim dividends were paid.

Our by-laws do not require that we adjust the amount of any dividend payment for inflation.

In general, shareholders who are not residents of Brazil must register their equity investment with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted outside Brazil. The preferred shares underlying the ADSs are held in Brazil by Banco Itaú S.A., also known as the custodian, as agent for the depositary, that is the registered owner on the records of the registrar for our shares. The current registrar is Banco Itaú. The depositary registers the preferred shares underlying the ADSs with the Central Bank and, therefore, is able to have dividends, sales proceeds or other amounts with respect to registered preferred shares remitted outside Brazil.

Payments of cash dividends and distributions, if any, are made in *reais* to the custodian on behalf of the depositary, which then converts such proceeds into U.S. dollars and causes such U.S. dollars to be delivered to the depositary for distribution to holders of ADSs. In the event that the custodian is unable to convert immediately the Brazilian currency received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by depreciation of the Brazilian currency that occur before the dividends are converted. Under the current Brazilian corporation law, dividends paid to persons who are not Brazilian residents, including holders of ADSs, will not be subject to Brazilian withholding tax, except for dividends declared based on profits generated prior to December 31, 1995, which will be subject to Brazilian withholding income tax at varying tax rates. See “Taxation—Material Brazilian Tax Considerations.”

Holders of ADSs have the benefit of the electronic registration obtained from the Central Bank, which permits the depositary and the custodian to convert dividends and other distributions or sales proceeds with respect to the preferred shares represented by ADSs into foreign currency and remits the proceeds outside Brazil. In the event the holder exchanges the ADSs for preferred shares, the holder will be entitled to continue to rely on the depositary’s registration for five business days after the exchange. Thereafter, in order to convert foreign currency and remit outside Brazil the sales proceeds or distributions with respect to the preferred shares, the holder must obtain a new registration in its own name that will permit the conversion and remittance of such payments. See “Item 10.B. Memorandum and Articles of Association—Description of Capital Stock—Regulation of Foreign Investment.”

Under current Brazilian legislation, the federal government may impose temporary restrictions of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil’s balance of payments.

Interest Attributable to Shareholders’ Equity

Under Brazilian tax legislation effective January 1, 1996, Brazilian companies are permitted to pay “interest” to holders of equity securities and treat such payments as an expense for Brazilian income tax purposes and, beginning in 1997, for social contribution purposes. The purpose of the tax law change is to encourage the use of equity investment, as opposed to debt, to finance corporate activities. Payment of such interest may be made at the discretion of our board of directors, subject to the approval of the shareholders at a general shareholders’ meeting. The amount of any such notional “interest” payment to holders of equity securities is limited in respect of any particular year to the daily pro rata variation of the Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, as determined by the Central Bank from time to time, and may not exceed the greater of:

- 50% of net income (after social contribution on net profits but before taking into account the provision for income tax and the interest attributable to shareholders’ equity) for the period in respect of which the payment is made; or
- 50% of the sum of retained earnings and profit reserves as of the beginning of the year in respect of which such payment is made.

Payment of interest to a holder that is not domiciled in Brazil for Brazilian tax and regulatory purposes (a “non-Brazilian holder”) is subject to withholding income tax at the rate of 15%, or 25% if the non-Brazilian holder is domiciled in a country or location that does not impose income tax or where the income tax rate is lower than 20% (“Low or Nil Tax Jurisdiction”) or where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a non-Brazilian holder. These payments may be included, at their net value, as part of any mandatory dividend. To the extent payment of interest attributable to shareholders’ equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

Under current Brazilian legislation, the sum of the amount distributed as interest attributable to shareholders' equity and as dividends must be at least equal to the mandatory dividend. For IFRS accounting purposes, the interest is deducted from shareholders' equity in a manner similar to a dividend. Any payment of interest in respect of preferred shares (including the ADSs) is subject to Brazilian withholding income tax at the rate of 15%, or 25% in the case of a shareholder domiciled in a Low or Nil Tax Jurisdiction or where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a non-Brazilian holder (see "Taxation—Material Brazilian Tax Considerations"). If such payments are accounted for, at their net value, as part of any mandatory dividend, the tax is paid by the company on behalf of its shareholders, upon distribution of the interest. In case we distribute interest attributed to shareholders' equity in any year, and that distribution is not accounted for as part of mandatory distribution, Brazilian income tax would be borne by the shareholders.

Under our by-laws, interest attributable to shareholders' equity may be treated as a dividend for purposes of the mandatory dividend. In 2012, 2013, 2014, 2015 and 2016 we did not distribute dividends.

Dividend Policy

We declare and pay dividends and/or interest attributable to shareholders' equity, as required by the Brazilian corporation law and our by-laws. The declaration of annual dividends, including dividends in excess of the mandatory distribution, requires approval by the vote of the majority of the holders of our common shares. The amount of any distributions will depend on many factors, such as our results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by our board of directors and shareholders. Within the context of our tax planning, we may continue determining that it is to our benefit to distribute interest attributed to shareholders' equity.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

In the United States, our preferred shares trade in the form of ADS. In February 2016 we had changed the ratio of our ADSs to preferred shares from one ADS to one preferred share to one ADS to ten preferred shares. In April 2017 we reduced the ratio of our preferred shares to one ADS to five preferred shares. Therefore, after April 2017, each ADS represents five preferred shares, issued by the depositary pursuant to a Deposit Agreement. Our ADSs commenced trading on the NYSE on June 24, 2004. As of December 31, 2016, the ADSs represented 28.0% of our preferred shares and 55.6% of our current global public float.

The following table sets forth the reported high and low closing sales prices for the ADSs on the NYSE for the periods indicated (not adjusted for the ADS ratio change to five preferred shares to one ADS effective April 28, 2017 described above):

	US\$ per ADS		
	Low	High	Average ⁽¹⁾
2012			
Annual	3.87	9.04	5.66
2013			
Annual	2.78	7.61	5.12
2014			
Annual	3.79	6.84	5.38
2015			
Annual	0.56	5.47	2.19
First quarter	2.43	5.47	3.91
Second quarter	2.31	2.94	2.57
Third quarter	0.56	2.28	1.47
Fourth quarter	0.56	1.13	0.85
2016			
Annual	2.50	26.76	12.40
First quarter	2.50	10.08	5.74
Second quarter	6.35	11.06	7.58
Third quarter	9.67	23.90	17.67
Fourth quarter	11.56	26.76	18.40
Last Six Months			
October 2016	19.66	26.76	22.95
November 2016	15.59	24.54	18.81
December 2016	11.56	14.68	13.44
January 2017	15.00	19.95	17.50
February 2017	19.62	29.31	24.12
March 2017	25.44	29.81	27.55
April 2017 (through April 18, 2017)	27.64	32.90	30.47

Source: Bloomberg

(1) Calculated as average of closing prices for the period.

Our preferred shares began trading on the São Paulo Stock Exchange on June 24, 2004. The following table sets forth the reported high and low closing sale prices for our preferred shares on the BM&FBOVESPA, for the periods indicated:

	<i>Reais per Preferred Share</i>		
	Low	High	Average⁽¹⁾
2012			
Annual	7.73	15.19	10.87
2013			
Annual	6.14	15.00	10.69
2014			
Annual	9.29	15.25	12.56
2015			
Annual	2.39	15.21	6.84
First quarter	7.82	15.21	11.08
Second quarter	7.35	8.41	7.82
Third quarter	2.39	7.12	5.12
Fourth quarter	2.39	4.40	3.45
2016			
Annual	1.16	8.34	4.17
First quarter	1.16	3.80	2.25
Second quarter	2.27	3.68	2.66
Third quarter	3.19	7.68	5.68
Fourth quarter	3.85	8.34	6.00
Last Six Months			
October 2016	6.37	8.34	7.35
November 2016	5.42	7.86	6.20
December 2016	3.85	4.97	4.52
January 2017	4.51	6.26	5.54
February 2017	6.13	9.71	7.51
March 2017	7.91	9.32	8.64
April 2017 (through April 18, 2017)	8.61	10.30	9.52

Source: Bloomberg

(1) Calculated as average of closing prices for the period.

B. Plan of Distribution

Not applicable.

C. Markets

Trading on the BM&FBOVESPA

In 2000, the São Paulo Stock Exchange was reorganized through the execution of memoranda of understanding by the Brazilian stock exchanges. Under the memoranda, all securities are now traded only on the São Paulo Stock Exchange, with the exception of electronically traded public debt securities and privatization auctions, which are traded on the Rio de Janeiro Stock Exchange.

On May 8, 2008, the São Paulo Stock Exchange and the Brazilian Mercantile and Futures Exchange merged, creating BM&FBOVESPA. Together, the companies have formed one of the largest exchanges worldwide in terms of market value, the second largest in the Americas, and the leading exchange in Latin America.

When shareholders trade in common and preferred shares on the BM&FBOVESPA, the trade is settled in three business days after the trade date without adjustment of the purchase price for inflation. The seller is ordinarily required to deliver the shares to the exchange on the second business day following the trade date. Delivery of and payment for shares are made through the facilities of the clearinghouse, *Companhia Brasileira de Liquidação e Custódia*, or CBLC.

The BM&FBOVESPA is a for-profit listed company that has regulatory authority over its trading markets. Trading on the BM&FBOVESPA is limited to member brokerage firms and a limited number of authorized nonmembers. The BM&FBOVESPA has two open outcry trading sessions each day from 10:00 a.m. to 5:00 p.m., São Paulo time, for all securities traded on all markets, except during daylight savings time in Brazil. During daylight savings time in Brazil, usually the sessions are from 11:00 a.m. to 6:00 p.m., São Paulo time, to closely mirror the NYSE trading hours. Trading is also conducted between 11:00 a.m. and 6:00 p.m., or between 10:00 a.m. and 5:00 p.m. during daylight savings time in the United States, on an automated system known as the Computer Assisted Trading System (*Sistema de Negociação Assistida por Computador*) on the BM&FBOVESPA and on the National Electronic Trading System (*Sistema Eletrônico de Negociação Nacional*). This system is a computerized system that links electronically with the seven smaller regional exchanges. The BM&FBOVESPA also permits trading from 5:45 p.m. to 7:00 p.m., São Paulo time, or from 6:45 p.m. to 7:30 p.m. during daylight savings time in Brazil, on an online system connected to traditional and Internet brokers called the “after market.” Trading on the aftermarket is subject to regulatory limits on price volatility and on the volume of shares transacted through Internet brokers. There are no specialists or officially recognized market makers for our shares in Brazil.

In order to better control volatility, the BM&FBOVESPA adopted a “circuit breaker” system pursuant to which trading sessions may be suspended for a period of 30 minutes or one hour whenever the indices of the BM&FBOVESPA falls below the limits of 10% or 15%, respectively, in relation to the index registered in the previous trading session.

The BM&FBOVESPA is significantly less liquid than the NYSE or other major exchanges in the world. As of December 31, 2016, the aggregate market capitalization of the BM&FBOVESPA was equivalent to R\$2.5 trillion and the 10 largest companies listed on the BM&FBOVESPA represented approximately 54.9% of the total market capitalization of all listed companies. In contrast, as of December 31, 2016, the aggregate market capitalization of the NYSE was US\$20.2 trillion. Although any of the outstanding shares of a listed company may trade on the BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, by government entities or by one principal shareholder. See “Item 3. Risk Factors—Risks Relating to the ADSs and Our Preferred Shares— The relative volatility and illiquidity of the Brazilian securities markets, and securities issued by airlines in particular, may substantially limit your ability to sell the preferred shares underlying the ADSs at the price and time you desire. Recent decreases in our market capitalization have increased volatility in the trading price of our preferred shares and ADSs.”

Trading on the BM&FBOVESPA by a non-Brazilian holder, is subject to certain limitations under Brazilian foreign investment legislation. With limited exceptions, non-Brazilian holders may only trade on Brazilian stock exchanges in accordance with the requirements of Resolution No. 4,313, of the National Monetary Council (*Conselho Monetário Nacional*), or CMN, or Resolution No. 4,313. Resolution No. 4,313 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions and be registered with a clearinghouse. Such financial institutions and clearinghouses must be duly authorized to act as such by the Central Bank and the CVM. In addition, Resolution No. 4,313 requires non-Brazilian holders to restrict their securities trading to transactions on Brazilian stock exchanges or qualified over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments made under Resolution No. 4,313 to other non-Brazilian holders through a private transaction. See “Taxation—Material Brazilian Tax Considerations—Taxation of Gains” for a description of certain tax benefits extended to non-Brazilian holders who qualify under Resolution No. 4,313.

Corporate Governance Practices

In 2000, the São Paulo Stock Exchange introduced three special listing segments, known as Level 1 and 2 of Differentiated Corporate Governance Practices and New Market (*Novo Mercado*), aiming at fostering a secondary market for securities issued by Brazilian companies with securities listed on the BM&FBOVESPA, by prompting such companies to follow good practices of corporate governance. The listing segments were designed for the trading of shares issued by companies voluntarily undertaking to abide by corporate governance practices and disclosure requirements in addition to those already imposed by Brazilian law. These rules generally increase shareholders’ rights and enhance the quality of information provided to shareholders.

In May 2004, we entered into an agreement with the BM&FBOVESPA to comply with the requirements to become a Level 2 company. In addition to complying with Level 2 requirements, we have granted tag-along rights that entitle our preferred shareholders to receive thirty five times the price paid per common share of controlling block shareholders in connection with a transaction resulting in a transfer of control of our company. Furthermore, we prepare quarterly financial statements in accordance with IFRS. We were included in the following indexes: (a) since 2005: IbrX-100 (*Índice Brasil, Index Brazil*), IGC (*Índice de Ações com Governança Corporativa Diferenciada, Special Corporate Governance Index*), ITAG (*Índice de Ações com Tag Along Diferenciado, Special Tag Along Stock Index*) and MSCI (*Morgan Stanley Capital International Index*), (b) since 2006: IbrX-50 (*Índice Brasil 50, Index Brazil 50*): and (c) since 2007: *Índice BM&FBOVESPA*, all of which reflect our increased market capitalization and liquidity of our preferred shares.

On March 23, 2015, our shareholders approved certain amendments to our by-laws that increased our equity financing capacity. The amendments also intended to improve corporate governance and strengthen the alignment of interest among common and preferred shareholders and included, among other items:

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

Regulation of the Brazilian Securities Market

The Brazilian securities markets are regulated by the CVM, which has regulatory authority over the stock exchanges and securities markets, as well as by the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions. The Brazilian securities markets are governed by Law No. 10,198 dated February 14, 2001, Law No. 10,303 dated October 31, 2001, or Law No. 10,303, and Law No. 10,411 dated February 26, 2002, which introduced new concepts and several changes to Law No. 6,385 dated December 7, 1976, as amended and supplemented, the principal law governing the Brazilian securities markets, through Brazilian corporation law and regulations issued by the CVM, the CMN and the Central Bank. These laws and regulations, among others, provide for disclosure requirements applicable to issuers of traded securities, criminal sanctions for insider trading and price manipulation, and protection of minority shareholders. They also provide for licensing and oversight of brokerage firms and governance of Brazilian stock exchanges. However, the Brazilian securities markets are not as highly regulated and supervised as U.S. securities markets.

Under the Brazilian corporation law, a company is either publicly held, (*companhia aberta*) or privately held (*companhia fechada*). All listed companies are registered with the CVM and are subject to reporting and regulatory requirements. A company registered with the CVM may trade its securities either on the BM&FBOVESPA or in the Brazilian over-the-counter market. Shares of companies listed on the BM&FBOVESPA may not simultaneously trade on the Brazilian over-the-counter market. The shares of a listed company may also be traded privately, subject to several limitations. To be listed on the BM&FBOVESPA, a company must apply for registration with the BM&FBOVESPA and the CVM.

The trading of securities on the BM&FBOVESPA may be halted at the request of a company in anticipation of a material announcement. Trading may also be suspended on the initiative of the BM&FBOVESPA or the CVM, among other reasons, based on or due to a belief that a company has provided inadequate information regarding a significant event or has provided inadequate responses to inquiries by the CVM or the BM&FBOVESPA.

Trading on the BM&FBOVESPA by non-residents of Brazil is subject to limitations under Brazilian foreign investment and tax legislation. The Brazilian custodian for the preferred shares underlying the ADSs must, on behalf of the depositary for the ADSs, obtain registration from the Central Bank to remit U.S. dollars abroad for payments of dividends, any other cash distributions or upon the disposition of the shares and sales proceeds thereof. If you exchange your ADSs for preferred shares, you will be entitled to continue to rely on the custodian's electronic foreign capital registration for five business days after the exchange. Thereafter, you may not be able to obtain and remit abroad non-Brazilian currency upon the disposition of or distributions relating to the preferred shares and will be subject to a less favorable tax treatment on gains with respect to the preferred shares, unless you obtain a new electronic foreign capital registration in your own name. See "Item 10.B. Memorandum and Articles of Association—Description of Capital Stock—Regulation of Foreign Investment."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We were formed on March 12, 2004 as a *sociedade anônima*, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. We were registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under NIRE 35.300.314.441.

Description of Capital Stock

General

As of December 31, 2016, our capital structure consisted of 5,035,037,140 common shares and 203,383,968 preferred shares, each with no par value. We are a stock corporation (*sociedade anônima*) incorporated under the laws of Brazil.

On March 23, 2015 our shareholders approved, among other amendments to our by-laws intended to improve corporate governance, the split of 143,858,204 common shares, in the proportion of 35 common shares for each common share, upon the issuance of 4,891,178,936 new common shares, without modification to our capital stock. Thus, our capital stock, at the total value of R\$2,618.8 million became comprised of 5,035,037,140 common shares and 139,318,357 preferred shares, all registered and with no face value.

Issued Share Capital

Under our by-laws, our authorized capital as of December 31, 2016 was R\$4.0 billion, and can be increased by the issuance of preferred or common shares, after approval by our board of directors. Our shareholders must approve any capital increase that exceeds our authorized capital. Under our by-laws and the Brazilian corporation law, if we issue additional shares in a private transaction, the existing shareholders have preemptive rights to subscribe for shares on a pro rata basis according to their holdings. See “Description of Capital Stock—Preemptive Rights.”

Regulation of Foreign Investment

There are no general restrictions on ownership of our preferred shares or common shares by individuals or legal entities domiciled outside Brazil, except for those regarding airline companies (see “Item 4B. Business Overview—Regulation of the Brazilian Civil Aviation Market”). However, the right to convert dividend payments and proceeds from the sale of preferred shares or common shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, the registration of the relevant investment with the Central Bank.

Foreign investors may register their investment under Law No. 4,131 dated September 3, 1962, or Law No. 4,131, or Resolution No. 4,313 of January 26, 2000 of the CMN, or Resolution No. 4,313. Registration under Law No. 4,131 or under Resolution No. 4,313 generally enables foreign investors to convert into foreign currency dividends, other distributions and sales proceeds received in connection with registered investments and to remit such amounts abroad. Resolution No. 4,313 affords favorable tax treatment to foreign investors who are not residents in a Low or Nil Tax Jurisdiction, which is defined under Brazilian tax laws as a country or location or other jurisdiction that does not impose tax or where the maximum income tax rate is lower than 20%.

Under Resolution No. 4,313, foreign investors may invest in almost all financial assets and engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with Resolution No. 4,313, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities that are domiciled or headquartered abroad. Investors may not transfer the ownership of investments made under Resolution No. 4,313 to other non-Brazilian holders through private transactions.

Pursuant to Resolution No. 4,313, foreign investors must:

- appoint at least one representative and a custodian in Brazil with powers to perform actions relating to the foreign investment;
- complete the appropriate foreign investor registration form;

- register as a foreign investor with the CVM;
- register the foreign investment with the Central Bank;
- appoint a tax representative in Brazil; and
- obtain a taxpayer identification number from the Brazilian federal tax authorities.

Amounts invested in our preferred shares by a non-Brazilian holder who qualifies under Resolution 4,313 and obtains registration with the CVM, or by the depositary representing an ADS holder, are eligible for registration with the Central Bank. This registration (the amount so registered is referred to as registered capital) allows the remittance outside Brazil of foreign currency, acquired with the proceeds of distributions on, and amounts realized through, dispositions of our preferred shares. The registered capital per preferred share purchased in the form of an ADS, or purchased in Brazil and deposited with the depositary in exchange for an ADS, will be equal to its purchase price (stated in U.S. dollars). The registered capital per preferred share withdrawn upon cancellation of an ADS will be the U.S. dollar equivalent of (i) the average price of a preferred share on the Brazilian stock exchange on which the most preferred shares were traded on the day of withdrawal or (ii) if no preferred shares were traded on that day, the average price on the Brazilian stock exchange on which the most preferred shares were traded in the 15 trading sessions immediately preceding such withdrawal. The U.S. dollar equivalent will be determined on the basis of the average rates quoted by the Central Bank on these dates.

A non-Brazilian holder of preferred shares may experience delays in effecting Central Bank registration, which may delay remittances abroad. This delay may adversely affect the amount in U.S. dollars, received by the non-Brazilian holder.

A registration has been obtained in the name of the depositary with respect to the ADSs and is maintained by the custodian on behalf of the depositary. Pursuant to the registration, the custodian and the depositary are able to convert dividends and other distributions with respect to the preferred shares represented by our ADSs into foreign currency and remit the proceeds outside Brazil. In the event that a holder of ADSs exchanges such ADSs for preferred shares, such holder will be entitled to continue to rely on the depositary's registration for five business days after such exchange, following which, such holder must seek to obtain its own registration with the Central Bank.

Thereafter, any holder of preferred shares may not be able to convert into foreign currency and remit outside Brazil the proceeds from the disposition of, or distributions with respect to such preferred shares, unless the holder is a duly qualified investor under Resolution No. 4,313.

If the shareholder does not qualify under Resolution No. 4,313 by registering with the CVM and the Central Bank and appointing a representative and a custodian in Brazil, the holder will be subject to less favorable Brazilian tax treatment than a holder of ADSs. Regardless of qualification under Resolution No. 4,313, residents in a Low or Nil Tax Jurisdiction are subject to less favorable tax treatment than other foreign investors. See "Taxation—Material Brazilian Tax Considerations."

Under current Brazilian legislation, the federal government may impose temporary restrictions on remittances of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil's balance of payments. For approximately six months in 1989 and early 1990, the Brazilian government froze all dividend and capital repatriations held by the Central Bank that were owed to foreign equity investors, in order to conserve Brazil's foreign currency reserves. These amounts were subsequently released in accordance with federal government directives. There can be no assurance that the Brazilian government will not impose similar restrictions on foreign repatriations. See "Item 3. Risk Factors—Risks Relating to Brazil."

Description of Preferred Shares

According to our by-laws, our preferred shares are non-voting and have the right to receive dividends per share equal to 35 times the value of the dividends received per common share. However, under certain limited circumstances provided for in the Brazilian corporation law and as described in this section, holders of our preferred shares may be entitled to vote. Upon liquidation, holders of preferred shares are entitled to receive distributions prior to the holders of our common shares and at value of 35 times the value attributable to each common share.

According to our by-laws, holders of our preferred shares are entitled to be included in a public tender offer in case our controlling shareholder sells its controlling stake in us and the minimum price to be offered for each preferred share is 35 times the price paid per share of the controlling stake.

Under Brazilian law, the protections afforded to minority shareholders are different from those in the United States. In particular, judicial guidance with respect to shareholder disputes is less established under Brazilian law than U.S. law and there are different procedural requirements for bringing shareholder lawsuits, such as shareholder derivative suits. As a result, in practice it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a U.S. company.

Redemption and Rights of Withdrawal

Under the Brazilian corporation law, a dissenting or non-voting shareholder has the right to withdraw from a company and be reimbursed for the value of the preferred or common shares held whenever a decision is taken at a general shareholders' meeting by a vote of shareholders representing at least 50% of the total outstanding voting capital to:

- create a new class of preferred shares or increase disproportionately an existing class of preferred shares relative to the other classes of shares, unless such action is provided for or authorized by our by-laws (our by-laws allow us to do so);
- modify a preference, privilege or condition of redemption or amortization conferred on one or more classes of preferred shares or create a new class with greater privileges than the existing classes of preferred shares;
- reduce the mandatory distribution of dividends;
- merge or consolidate us with another company;
- participate in a group of companies as defined in the Brazilian corporation law and subject to the conditions set forth therein;
- change our corporate purpose, including a sale of the voting control to a third party;
- transfer all of our shares to another company or receive shares of another company in order to make the company whose shares were transferred a wholly owned subsidiary of such company, known as *incorporação de ações*;
- conduct a spin-off that results in (a) a change of our corporate purposes, except if the assets and liabilities of the spin-off company are contributed to a company that is engaged in substantially the same activities, (b) a reduction in the mandatory dividend or (c) any participation in a centralized group of companies, as defined under the Brazilian corporation law; or
- dissolution of the company or terminating a state of liquidation.

In the event that the entity resulting from a merger, consolidation, or *incorporação de ações*, or spin-off of a listed company fails to become a listed company within 120 days of the shareholders' meeting at which such decision was taken, the dissenting or non-voting shareholders may also exercise their withdrawal right.

If there is a resolution to (a) merge or consolidate us with another company; (b) conduct a *incorporação de ações*; (c) participate in a group of companies, as defined under the Brazilian corporation law; or (d) acquire control of another company, the withdrawal rights are exercisable only if our shares do not satisfy certain tests of liquidity and dispersal of the type or class of shares in the market at the time of the general meeting.

Only holders of shares adversely affected by the changes mentioned in the first and second items above may withdraw their shares.

The right of withdrawal lapses 30 days after publication of the minutes of the relevant general shareholders' meeting that approved the corporate actions described above. In the case of the changes mentioned in items (a) and (b) above, the resolution is subject to confirmation by the preferred shareholders, which must be obtained at a special meeting held within one year. In those cases, the 30-day term is counted from the date of publication of the minutes of the special meeting. We would be entitled to reconsider any action triggering appraisal rights within 10 days following the expiration of such rights if the redemption of shares of dissenting or non-voting shareholders would jeopardize our financial stability. Shares to be purchased by us from the dissenting or non-voting shareholders exercising appraisal rights will be valued at an amount equal to the lesser of the portion attributable to such shares of our shareholders' equity as shown on the last balance sheet approved at a general shareholders' meeting (book value) and the portion attributable to such shares of the economic value of the company, pursuant to an appraisal report produced in accordance with the provisions of the Brazilian corporation law. If more than 60 days have elapsed since the date of such balance sheet, dissenting shareholders may require that the book value of their shares be calculated on the basis of a new balance sheet. As a general rule, shareholders who acquire their shares after the first notice convening the general shareholders' meeting or after the relevant press release concerning the meeting is published will not be entitled to appraisal rights.

For purposes of the right of withdrawal, the concept of “dissenting shareholder,” under the Brazilian corporation law, includes not only those shareholders who vote against a specific resolution, but also those who abstain from voting, who fail to attend the shareholders’ meeting or who do not have voting rights.

Preemptive Rights

Each of our shareholders generally has a preemptive right to subscribe for shares or convertible securities in any capital increases, in proportion to its shareholdings. A minimum period of 30 days, unless a shorter period is established by our board of directors, following the publication of notice of the capital increase is allowed for the exercise of the right and the right is negotiable. In the event of a capital increase which would maintain or increase the proportion of capital represented by preferred shares, holders of ADSs or preferred shares would have preemptive rights to subscribe only to newly issued preferred shares.

In the event of a capital increase which would reduce the proportion of capital represented by preferred shares, holders of ADSs or preferred shares would have preemptive rights to subscribe for preferred shares, in proportion to their shareholdings, and for common shares, only to the extent necessary to prevent dilution of their equity participation. (See “Risks Relating to the ADSs and Our Preferred Shares - Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares”). Our by-laws provide that our board of directors may, within the limit of our authorized capital, withdraw preemptive rights to existing shareholders in connection with an increase in share capital through sale in stock exchanges, public offerings or public exchange offers. In addition, Brazilian corporation law provides that the granting or exercise of stock options pursuant to certain stock option plans is not subject to preemptive rights.

Voting Rights

Each common share entitles its holder to one vote at our shareholders’ meetings. Preferred shares have no voting rights, except that each preferred share entitles its holder to one vote at our shareholders’ meeting to decide on certain specific matters, such as:

- any transformation of the company into another corporate type;
- any merger, consolidation or spin-off of the company;
- approval of any transactions between the company and its controlling shareholder or parties related to the controlling shareholder;
- approval of any evaluation of assets to be delivered to the company in payment for shares issued in a capital increase;
- appointment of an expert to ascertain the fair value of the company in connection with any deregistration and delisting tender offer;
- changes to the rights attributable to preferred shares approved by shareholders on March 23, 2015;
- any changes to these voting rights; and
- approval of a change of our corporate purpose.

In case our controlling shareholder holds our shares that represent an economic interest equal to or less than 50%, the approval of the certain matters referred to above will depend on the prior approval by an extraordinary meeting.

Holders of preferred shares are entitled to attend shareholders' meetings and to participate in the discussions. The Brazilian corporation law provides that non-voting shares, such as preferred shares, may acquire voting rights if the company fails to distribute fixed or minimum dividends in connection with such shares for three consecutive fiscal years and will retain such voting rights until the distribution of such fixed or minimum dividends. (See "Risks Relating to the ADSs and Our Preferred Shares - Holders of the ADSs and our preferred shares may not receive any dividends").

According to the Brazilian corporation law, any change in the preferences or rights of our preferred shares, or the creation of a class of shares having priority over our preferred shares, unless such change is authorized by our by-laws, would require the approval of our preferred shareholders in a special shareholders' meeting in addition to approval by a majority of the holders of our outstanding voting shares. The holders of preferred shares would vote as a class at the special meeting.

The Brazilian corporation law grants (i) holders of preferred shares without voting rights (or with restricted voting rights) representing 10% of the total issued capital stock and (ii) holders of our common shares that are not part of the controlling group, and represent at least 15% of the voting capital stock, the right to appoint a member to the board of directors, by voting during the annual shareholders' meeting. If none of our non-controlling holders of common or preferred shares meets the respective thresholds described above, holders of preferred or common shares representing at least 10% of the share capital would be able to combine their holdings to appoint one member and an alternate to our board of directors. Such rights may only be exercised by those shareholders who prove that they have held the required stake with no interruption during at least the three months directly preceding our annual shareholders' meeting.

Holders of common shares are entitled to certain rights that cannot be amended by changes in the by-laws or at a general shareholders' meeting, which include (i) the right to vote at general shareholders' meetings; (ii) the right to participate in distributions of dividends and interest attributable to shareholders' equity and to share in the remaining assets of the company in the event of liquidation; (iii) preemptive rights in certain circumstances and (iv) the right to withdraw from the company in certain cases. In addition to those rights, the by-laws or a majority of the voting shareholders may establish additional rights and, likewise, remove them. The Level 2 of Differentiated Corporate Governance Practices, which we comply with, provides for the granting of voting rights to holders of preferred shares in connection with certain matters, including corporate restructurings, mergers and related party transactions.

Controlling shareholders may nominate and elect a majority of the members of the board of directors of Brazilian companies. In a Brazilian company, management is not entitled to nominate directors for election by the shareholders. Non-controlling shareholders and holders of non-voting shares are entitled to elect representatives to the board, as described above. Holders of a threshold percentage of the voting shares may also request, up to 48 hours prior to any general shareholders' meeting, that the election of directors be subject to cumulative voting. The threshold percentage required for cumulative voting for a corporation such as ours is currently 5% of the outstanding shares. Shareholders who vote to elect a representative of the non-controlling shareholders may not cast cumulative votes to elect other members of the board.

Also, recent amendments to our by-laws stipulate that if the controlling shareholder at any time holds an economic interest in us equal to or less than 35% and greater than 15%, at least 40% of the directors shall be independent and the preferred shareholders shall have the right to elect one of the independent directors. Also, if the controlling shareholder at any time holds an economic interest in us equal to or less than 15% and greater than 7.5%, at least 50% of the directors shall be independent and the preferred shareholders shall have the right to elect two of the independent directors. If the controlling shareholder at any time holds an economic interest in us equal to or less than 7.5%, at least 60% of the directors shall be independent and the preferred shareholders shall have the right to elect two of the independent directors.

Conversion Right

Our shareholders may, at any time, convert common shares into preferred shares, at the rate of 35 common shares to one preferred share, to the extent such shares are duly paid and provided that the amount of preferred shares does not exceed 50% of the total amount of shares outstanding. Any request for conversion must be delivered to our board of executive officers and, once accepted by the board of executive officers, must be confirmed by our board of directors at the first meeting after the date of the request for conversion. The conversion is subject to transfer restrictions, as explained below.

Transfer Restrictions

The controlling shareholder, as established on March 23, 2015, shall observe the following restrictions concerning the transfer of preferred shares held on March 23, 2015:

a) 31,463,850 preferred shares must be held by the controlling shareholder until March 23, 2016; and

b) After March 23, 2016, the controlling shareholder shall hold at least 15,731,925 (preferred shares, being permitted to transfer 15,731,925, without any restriction.

Until March 23, 2017, the controlling shareholder, shall only be allowed to transfer the preferred shares held on March 23, 2015 in private transactions, outside of a stock exchange or organized over-the-counter market, to acquirers who agree to comply with the same restriction. Any subsequent private transfer of preferred shares initially transferred by the controlling shareholder, shall only occur if the new acquirer of these preferred shares agrees to comply with the restrictions above.

The transfer restrictions of preferred shares provided above shall not apply to preferred shares derived from the conversion of common shares or that are acquired by the controlling shareholder after March 23, 2015.

The transfer of common shares owned by the controlling shareholder or of preferred shares resulting from the conversion of common shares, shall be subject to the restrictions below:

a) The transfer of common shares owned by the controlling shareholder or of preferred shares resulting from the conversion of common shares, in one or more private transactions, outside of an exchange or organized over-the-counter market, shall only be allowed, independently of the percentage of common shares or preferred shares subject to such transaction, if the acquirer of those common shares or preferred shares agrees not to transfer the acquired shares on an exchange or organized over-the-counter market for 12 months commencing on the date of the transaction. In these cases, the controlling shareholder shall not make a new private transfer, outside of a stock exchange or a block trade, of common shares or preferred shares resulting from the conversion of common shares for six months commencing on the date of the transaction.

b) Any subsequent private transfer of the shares initially transferred by the controlling shareholder pursuant to the terms of item (a) above within the 12 month period shall only occur if the new acquirer agrees not to transfer such shares on an exchange or organized over-the-counter market until the end of the 12 months commencing on the date that such shares were transferred by the controlling shareholder.

c) Except in the case of an organized sale process, as provided below, the controlling shareholder shall not transfer, in any transaction on an exchange or organized over-the-counter market, a number of preferred shares that represents an economic interest greater than 3%. Any sale on an exchange or organized over-the-counter market shall automatically impede the controlling shareholder from making a new transfer of preferred shares, on an exchange or organized over-the-counter market, for at least six months commencing on the date such sale occurs.

d) The transfer of preferred shares that represent an economic interest greater than 3% shall only be made through a public offering registered with the CVM. In this case, the controlling shareholder will be subject only to the transfer restrictions that are part of the public offering.

All transfer restrictions above shall cease definitively and immediately at the moment in which (a) a public tender offer for the acquisition of shares occurs as a result of the transfer of control of our company; or (b) the controlling shareholder holds an amount of shares in our company that represents an economic interest equal to or less than 15%.

Special and General Meetings

Unlike the laws governing corporations incorporated under the laws of the State of Delaware, the Brazilian corporation law does not allow shareholders to approve matters by written consent obtained as a response to a consent solicitation procedure. All matters subject to approval by the shareholders must be approved in a general meeting, duly convened pursuant to the provisions of Brazilian corporation law. Shareholders may be represented at a shareholders' meeting by attorneys-in-fact who are (i) shareholders of the corporation, (ii) a Brazilian attorney, (iii) a member of management or (iv) a financial institution.

General and special shareholders' meetings may be called by publication of a notice in the *Diário Oficial do Estado de São Paulo* and in a newspaper of general circulation in our principal place of business at least 15 days prior to the meeting. Special meetings are convened in the same manner as general shareholders' meetings and may occur immediately before or after a general meeting.

At duly called and convened meetings, our shareholders are empowered to take any action regarding our business. Shareholders have the exclusive right, during our annual shareholders' meetings required to be held within 120 days of the end of our fiscal year, to approve our financial statements and to determine the allocation of our net income and the distribution of dividends related to the fiscal year immediately preceding the meeting. The members of our board of directors are generally elected at annual shareholders' meetings. However, according to Brazilian corporation law, they can also be elected at extraordinary shareholders' meetings. At the request of shareholders holding a sufficient number of shares, a fiscal board can be established and its members elected at any shareholders' meeting.

An extraordinary shareholders' meeting may be held concurrently with the annual shareholders' meeting and at other times during the year. Our shareholders may take the following actions, among others, exclusively at shareholders' meetings:

- election and dismissal of the members of our board of directors and our fiscal board, if the shareholders have requested the set-up of the latter;
- approval of the aggregate compensation of the members of our board of directors and board of executive officers, as well as the compensation of the members of the fiscal board, if one has been established;
- amendment of our by-laws;
- approval of our merger, consolidation or spin-off;
- approval of our dissolution or liquidation, as well as the election and dismissal of liquidators and the approval of their accounts;
- granting stock awards and approval of stock splits or reverse stock splits;
- approval of stock option plans for our management and employees, as well as for the management and employees of other companies directly or indirectly controlled by us;
- approval, in accordance with the proposal submitted by our board of directors, of the distribution of our net income and payment of dividends;
- authorization to delist from the Level 2 of Differentiated Corporate Governance Practices and to become a private company, except if the cancellation is due to a breach of the Level 2 regulations by management, and to retain a specialized firm to prepare a valuation report with respect to the value of our shares, in any such events;
- approval of our management accounts and our financial statements;
- approval of any primary public offering of our shares or securities convertible into our shares; and
- deliberate upon any matter submitted by the board of directors.

Anti-Takeover Provisions

Our by-laws require any party that acquires our control to extend a tender offer for common and preferred shares held by non-controlling shareholders to the controlling shareholder. The price of the public tender offer (a) shall be the price paid per share of the block of control, for the holders of our common shares, and (b) shall be equal to 35 times the price paid for the block of control for the owners of our preferred shares.

Arbitration

In connection with our listing with Level 2 of Differentiated Corporate Governance Practices, we and our controlling shareholder, directors, officers and members of our fiscal board have undertaken to refer to arbitration any and all disputes arising out of the Level 2 rules or any other corporate matters. See “Item 9. The Offer and Listing—Markets.” Under our by-laws, any disputes among us, our shareholders and our management with respect to the application of Level 2 rules, the Brazilian corporation law or the application of the rules and regulations regarding Brazilian capital markets, will be resolved by arbitration conducted pursuant to the BM&FBOVESPA Arbitration Chamber. Any disputes among shareholders, including holders of ADSs, and disputes between us and shareholders, including holders of ADSs, will be submitted to arbitration in accordance with the BM&FBOVESPA Arbitration Chamber.

Going Private Process

Pursuant to our by-laws, we may become a privately-held company only if we, our controlling shareholder or our group of controlling shareholders make a public tender offer for all outstanding shares.

According to the Level 2 regulations and our by-laws, the minimum price of the shares in the public tender offer required to be made in case we go private shall be equivalent to the economic value determined in the appraisal report prepared by a specialized and independent company, with renowned expertise, to be selected at the annual shareholders’ meeting from among the three companies suggested by the board of directors.

In addition to the requirements set out in the Level 2 regulations and our by-laws, according to the Brazilian corporation law, our registration as a publicly held company with shares traded on stock exchanges will be canceled only if we or our direct or indirect controlling shareholder make a public tender offer for the total outstanding shares in the market (which may be the same tender offer required by Level 2 regulations and our by-laws), at a fair value, for a price at least equal to our evaluation, determined based on the following criteria, separately or jointly adopted: (i) shareholders’ equity book value, shareholders’ equity at market price, (ii) discounted cash flow, (iii) multiple comparisons and (iv) market price of our shares or any other criteria accepted by the CVM. Shareholders holding at least 10% of our outstanding shares may require our management to review the price offered for the shares and, in this event, our management shall call a special shareholders’ meeting to determine whether to perform another valuation using the same or a different valuation method. Such request must be made within 15 days following the disclosure of the price to be paid for the shares in the public tender offer, and shall be duly justified. The shareholders who make such request, as well as those who vote in its favor, shall reimburse us for any costs involved in preparing the new valuation if the valuation price is lower than or equal to the original valuation price. If the new valuation price is higher than the original valuation price, the public tender offer must be made at the new valuation price.

Delisting from Differentiated Corporate Governance Practices Level 2

We may, at any time, delist our shares from the Level 2 segment, provided that this is approved by shareholders representing the majority of our voting share capital at an annual shareholders’ meeting and that we provide written notice to the BM&FBOVESPA at least 30 days in advance. If we decide to delist from the Level 2 segment, in order to make our shares available to be traded outside the Level 2 segment, our controlling shareholder must conduct a public tender offer for the acquisition of our shares within the legal timeframe, based on the economic value calculated in the appraisal report prepared by a specialized and independent company, to be selected at an annual shareholders’ meeting from among three companies suggested by the board of directors. The public tender offer notice must be communicated to the BM&FBOVESPA and immediately disclosed to the market after the shareholder’s meeting during which the delisting was approved. If the delisting from the Level 2 segment is a result of the cancellation of our registration as a publicly held company, our controlling shareholder must follow the other requirements applicable to going private.

The delisting from the Level 2 segment does not imply the cancellation of the trading of our shares on the BM&FBOVESPA.

If our share control is transferred within the 12 months subsequent to the delisting from the Level 2, the selling controlling shareholder and the buyer shall offer to our other shareholders the acquisition of their shares at the price and conditions provided to the controlling shareholder selling the shares, adjusted for inflation.

After delisting from the Level 2 segment, we may not request the listing of our shares in the Level 2 segment for two years subsequent to the cancellation, except if there is a change of our share control after delisting from the Level 2 segment.

30% Tender Offer

Any person or group of persons who acquires or becomes the beneficial owner of our shares that represents an economic interest equal to or greater than 30%, independent of whether the shareholder was a shareholder of our company prior to the specific transaction that results in the ownership of these shares, shall launch a public tender offer for the acquisition of all shares of our company.

Form and Transfer

Because our preferred shares are in registered book-entry form, Banco Itaú S.A., as registrar, must effect any transfer of shares by an entry made in its books, in which it debits the share account of the transferor and credits the share account of the transferee. When our shares are acquired or sold on a Brazilian stock exchange, the transfer is effected on the records of our registrar by a representative of a brokerage firm or the stock exchange's clearing system. Transfers of shares by a foreign investor are executed in the same way by that investor's local agent on the investor's behalf except that, if the original investment were registered with the Central Bank pursuant to Resolution No. 4,313, the foreign investor should also seek amendment through its local agent, if necessary, of the electronic registration to reflect the new ownership. The BM&FBOVESPA operates a clearinghouse through CBLC. The fact that such shares are subject to custody with the relevant stock exchange will be reflected in our registry of shareholders. Each participating shareholder will, in turn, be registered in the register of our beneficial shareholders that is maintained by CBLC and will be treated in the same way as registered shareholders.

American Depositary Receipts

The Bank of New York Mellon, who on April 17, 2017 replaced Citibank, N.A. as depositary, has executed and delivered the ADRs representing our preferred shares. Each ADR is a certificate evidencing a specific number of American Depositary Shares, also referred to as ADSs. As of the date hereof, each ADS represents five preferred shares (or a right to receive five preferred shares) deposited with the principal São Paulo office of Banco Itaú S.A., as custodian for the depositary in Brazil. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADRs are administered is located at 399 Park Avenue, New York, New York 10043.

You may hold ADSs either directly (by having an ADR registered in your name) or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADR holder. We do not treat ADR holders as our shareholders and ADR holders have no shareholder rights. Brazilian law governs shareholder rights. The depositary is the holder of the preferred shares underlying the ADSs. Holders of ADRs have ADR holder rights. A deposit agreement among us, the depositary and you, as an ADR holder, and the beneficial owners of ADRs sets out ADR holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADRs.

C. Material Contracts

Our material contracts are directly related to our operating activities, such as contracts relating to aircraft leasing and fuel supply as well as contracts relating to our concession to operate as a commercial airline. We do not have material contracts that are not related to our operating activities.

Aircraft General Terms Agreement between The Boeing Company and GAC

In 2004 and 2012, we entered into an agreement, as amended, with Boeing for the purchase of aircraft, installation of buyer furnished equipment provided by us, customer support services and product assurance. In addition to the aircraft supplied, Boeing will provide maintenance training and flight training programs, as well as operations engineering support.

Commercial Sale Promise Agreement between Petrobras Distribuidora S.A. and GLA

In 2015, we entered into a commercial sale promise agreement for the purchase of fuel from Petrobras Distribuidora. We agreed to purchase fuel exclusively from Petrobras Distribuidora in all of the airports where Petrobras Distribuidora maintains aircraft fueling facilities. Petrobras Distribuidora, in turn, agreed to provide us with all of our fuel needs in the supplying airports.

Reservation Services and Software License Use Agreement between Navitaire Inc. and GLA

On May 1, 2004, we entered into an agreement, as amended and updated, with Navitaire Inc. for host reservation services and obtained a license to use the Navitaire software to provide reservation services to our customers. Navitaire provides a number of ancillary services in addition to the host reservation services, including data center implementation services, network configuration and design services, system integration services, customer site installation services and initial training services.

D. Exchange Controls

The right to convert dividend or interest payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, that the relevant investments have been registered with the Central Bank and the CVM. Such restrictions on the remittance of foreign capital abroad may hinder or prevent the custodian for our preferred shares represented by our ADSs or the holders of our preferred shares from converting dividends, distributions or the proceeds from any sale of these preferred shares into U.S. dollars and remitting the U.S. dollars abroad. Holders of our ADSs could be adversely affected by delays in, or refusal to grant any, required government approval to convert Brazilian currency payments on the preferred shares underlying our ADS and to remit the proceeds abroad.

Resolution No. 1,927 of the National Monetary Council provides for the issuance of depositary receipts in foreign markets in respect of shares of Brazilian issuers. The ADS program was approved under the Annex V Regulations by the Central Bank and the CVM prior to the issuance of the ADSs. Accordingly, the proceeds from the sale of ADSs by ADR holders outside Brazil are not subject to Brazilian foreign investment controls, and holders of the ADSs are entitled to favorable tax treatment under certain circumstances. See “Taxation—Material Brazilian Tax Considerations.”

E. Taxation

The following discussion addresses the material Brazilian and U.S. federal income tax consequences of acquiring, holding and disposing of our preferred shares or ADSs.

This discussion is not a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase our preferred shares or ADSs and is not applicable to all categories of investors, some of which may be subject to special rules, and does not specifically address all of the Brazilian and U.S. federal income tax considerations applicable to any particular holder. It is based upon the tax laws of Brazil and the United States as in effect on the date of this annual report, which are subject to change, possibly with retroactive effect, and to differing interpretations. Each prospective purchaser is urged to consult its own tax advisor about the particular Brazilian and U.S. federal income tax consequences to it of an investment in our preferred shares or ADSs. This discussion is also based upon the representations of the depositary and on the assumption that each obligation in the deposit agreement among us, the depositary bank and the registered holders and beneficial owners of our ADSs, and any related documents, will be performed in accordance with its terms.

Although there presently is no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. We cannot assure you, however, as to whether or when a treaty will enter into force or how it will affect holders of our preferred shares or ADSs.

Material Brazilian Tax Considerations

The following discussion addresses the material Brazilian tax consequences of the acquisition, ownership and disposition of our preferred shares or ADSs by a non-Brazilian holder.

This discussion is based on Brazilian law as currently in effect, which are subject to change, possibly with retroactive effect, and to differing interpretations. Any change in such law may change the consequences described below. This discussion does not address all Brazilian tax considerations that may be applicable to any particular non-Brazilian holder and, therefore, each non-Brazilian holder should consult his or her own tax adviser concerning the Brazilian tax consequences of an investment in the preferred shares or ADSs.

Taxation of Dividends.

Dividends, including dividends in kind, paid by us to the depository in respect of the preferred shares underlying the ADSs or to a non-Brazilian holder of preferred shares will not be subject to Brazilian withholding income tax, provided that such amounts are related to profits earned after January 1, 1996.

Taxation of Gains.

According to Law No. 10,833, dated December 29, 2003, or Law No. 18,333, capital gains realized on the disposition of assets located in Brazil by a non-Brazilian holder are subject to taxation in Brazil, regardless of whether the sale or the disposition is made by a non-Brazilian holder to another non-Brazilian resident or to a Brazilian resident.

With respect to the disposition of preferred shares, as they are assets located in Brazil, the non-Brazilian holder will be subject to income tax on the gains assessed, following the rules described below, regardless of whether the disposition is conducted in Brazil or with a Brazilian resident.

With respect to the ADSs, arguably the gains realized by a non-Brazilian holder on the disposition of ADSs to another non-Brazilian resident are not taxed in Brazil, based on the argument that ADSs would not constitute assets located in Brazil for purposes of Law No. 10,833. However, we cannot assure you how Brazilian courts would interpret the definition of assets located in Brazil in connection with the taxation of gains realized by a non-Brazilian holder on the disposition of ADSs to another non-Brazilian resident. As a result, gains on a disposition of ADSs by a non-Brazilian holder to a Brazilian resident, or even to a non-Brazilian holder in the event that courts determine that ADSs would constitute assets located in Brazil, may be subject to income tax in Brazil according to the rules described ahead. It is important to clarify that, for purposes of Brazilian taxation, the income tax rules on gains related to disposition of preferred shares or ADSs vary depending on the domicile of the non-Brazilian holder, the form by which such non-Brazilian holder has registered its investment with the Central Bank and/or how the disposition is carried out, as described below.

The deposit of preferred shares in exchange for ADSs may be subject to Brazilian tax on capital gains at the rate of 15%, or 25% in the case of investors domiciled in a Low or Nil Tax Jurisdiction, as defined below, if the acquisition cost of the preferred shares is lower than (a) the average price per preferred share on a Brazilian stock exchange on which the greatest number of such shares were sold on the day of deposit or (b) if no preferred shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred shares were sold in the 15 trading sessions immediately preceding such deposit. In such case, the difference between the acquisition cost and the average price of the preferred shares calculated as described above, may be considered to be a capital gain subject to taxation. In some circumstances, there may be arguments to sustain that such taxation is not applicable in the case of a non-Brazilian holder that is a 4,373 Holder (as defined below) and is not resident in a Low or Nil Tax Jurisdiction, as defined below.

The withdrawal of ADSs in exchange for preferred shares should not be considered as giving rise to a capital gain subject to Brazilian income tax, provided that on the receipt of the underlying preferred shares, the non-Brazilian holder complies with the regulatory rules observed in respect to the registration of the investment before the Central Bank.

Gains assessed on the disposition of the preferred shares carried out on the Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market) are:

- exempt from income tax, when assessed by a non-Brazilian holder that (i) has registered its investment in Brazil with the Central Bank under the rules of Resolution No. 4,373 (“4,373 Holder”) and (ii) is not resident in a Low or Nil Tax Jurisdiction, as defined below; or

- subject to income tax at a rate of 15% in any other case, including the gains assessed by a non-Brazilian holder that is not a 4,373 Holder and/or is a resident in a Low or Nil Tax Jurisdiction, as defined below. In these cases, a withholding income tax of 0.005% shall be applicable and can be offset with the eventual income tax due on the capital gain.

Any other gains assessed on the disposition of the preferred shares that are not carried out on the Brazilian stock exchange are subject to income tax at a rate of 15%, except for a resident of a Low or Nil Tax Jurisdiction, as defined below, or yet where local regulations impose restrictions on disclosure of share ownership and identity of beneficiary holders which, in this case, is subject to income tax at a rate of 25%. If these gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable and can be offset against the eventual income tax due on the capital gain.

In the case of a redemption of preferred shares or ADSs or a capital reduction by a Brazilian corporation, the positive difference between the amount received by the non-Brazilian holder and the acquisition cost of the preferred shares or ADSs redeemed is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore subject to income tax at the rate of 15%, or 25%, as the case may be.

As a general rule, the gains realized as a result of a disposition transaction of preferred shares or ADSs are determined by the difference between the amount realized on the sale or exchange of the shares or ADSs and their acquisition cost.

There can be no assurance that the current preferential treatment for non-Brazilian holder of ADSs and 4,373 Holder of preferred shares will continue.

Any exercise of preemptive rights relating to the preferred shares or ADSs will not be subject to Brazilian income tax. Any gain on the sale or assignment of preemptive rights relating to preferred shares or the ADSs by a non-Brazilian holder will be subject to Brazilian income taxation according to the same rules applicable to the sale or disposition of preferred shares.

Distributions of Interest Attributable to Shareholders' Equity

In accordance with Law No. 9,249, dated December 26, 1995, as amended, Brazilian corporations may make payments to shareholders characterized as distributions of interest on the company's shareholders' equity as an alternative to making dividend distributions. Such interest is calculated by reference to the TJLP as determined by the Central Bank from time to time and, for tax purposes, cannot exceed the greater of:

- 50% of net income (after social contribution on profits and before taking such distribution and the provision for corporate income tax into account) for the period in respect of which the payment is made; or
- 50% of the sum of retained profits and profits reserves, as of the date of the beginning of the period in respect of which the payment is made.

Distributions of interest attributable to shareholders' equity in respect of the preferred shares paid to shareholders who non-Brazilian holders, including non-Brazilian holders of ADSs, are subject to Brazilian withholding income tax at the rate of 15%, or 25% in case of a resident of a Low or Nil Tax Jurisdiction, as defined below, or where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a non-Brazilian holder. The distribution of interest attributable to shareholders' equity may be determined by our board of directors. We cannot assure you that our board of directors will not determine that future distributions of profits may be made by means of interest attributable to shareholders' equity instead of by means of dividends.

The amounts paid as distribution of interest attributable to shareholders' equity are deductible for corporate income tax and social contribution on net profit purposes, both of which are taxes levied on our profits, as far as the limits and rules described above are observed by us.

Low or Nil Taxation Jurisdictions.

On June 4, 2010, Brazilian tax authorities enacted Normative Ruling No. 1,037 listing (i) the countries and jurisdictions considered as Low or Nil Taxation Jurisdiction or where the local legislation does not allow access to information related to the shareholding composition of legal entities, to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents and (ii) the privileged tax regimes, which definition is provided by Law No. 11,727, of June 23, 2008. On December 12, 2014 the Brazilian Revenue Service issued Rule 488 reducing the concept of Tax Favorable Jurisdictions to those that tax the income below the rate of 17% (previous concept adopted a 20% maximum rate for that purpose), which will probably result in an amendment to the list provided under Normative Ruling No. 1,037. However, please note that Rule 488 does not apply to 4,373 Holders.

Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned “privileged tax regime” concept should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a “privileged tax regime” provided by Law No. 11,727 will also apply to a Non-Brazilian Holder on payments of interest attributable to shareholders’ equity.

Notwithstanding the above, we recommend that you consult your own tax advisors regarding the consequences of the implementation of Law No. 11,727, Normative Ruling No. 1,037, Rule 488. If the Brazilian tax authorities determine that the concept of “privileged tax regime” applies to withholding taxes levied on payments made to a non-Brazilian Holder, the withholding taxes applicable to such payments could be assessed at a rate up to 25.0%.

Other Relevant Brazilian Taxes

There are no Brazilian federal inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of preferred shares or ADSs by a non-Brazilian holder. Gift and inheritance taxes, however, may be levied by some states of Brazil on gifts made or inheritances bestowed by the non-Brazilian holder to individuals or entities resident or domiciled within such states in Brazil. There are non-Brazilian stamp, issue, registration or similar taxes or duties payable by a non-Brazilian holder of preferred shares or ADSs.

Tax on foreign exchange transactions

Pursuant to Decree No. 6,306/07, the conversion into foreign currency or the conversion into Brazilian currency of the proceeds received or remitted by a Brazilian entity from a foreign investment in the Brazilian securities market, including those in connection with the investment by a non-Brazilian holder in the preferred shares and ADSs may be subject to the Tax on Foreign Exchange Transactions, or IOF/Exchange. Currently applicable rate for most foreign currency exchange transactions is 0.38%. However, currency exchange transactions carried out for the inflow of funds in Brazil by a 4,373 Holder are subject to IOF/Exchange at (i) 0% rate in case of variable income transactions carried out on the Brazilian stock, futures and commodities exchanges, as well as in the acquisitions of shares of Brazilian publicly-held companies in public offerings or subscription of shares related to capital contributions, provided that the issuer company has registered its shares for trading in the stock exchange (ii) 0% for the outflow of resources from Brazil related to these type of investments, including payments of dividends and interest attributable to shareholders’ equity and the repatriation of funds invested in the Brazilian market. Furthermore, the IOF/Exchange is currently levied at a 0% rate on the withdrawal of ADSs into shares. In any case, the Brazilian government is permitted to increase at any time the rate to a maximum of 25%, but only in relation to future transactions.

Tax on Bonds and Securities Transactions

Pursuant to Decree 6,306/07, the Tax on Bonds and Securities Transactions (“IOF/Bonds”) may be imposed on any transactions involving bonds and securities even if the transactions are performed on a Brazilian stock exchange. The rate of IOF/Bonds applicable to transactions involving preferred or common shares is currently zero. In particular, the IOF/Bonds also levies at a zero percent rate on the transfer of shares traded on the Brazilian stock exchange with the purpose of the issuance of depositary receipts to be traded outside Brazil. The Brazilian government may increase such rate up to 1.5% per day, but only with respect to future transactions.

Registered Capital

The amount of an investment in preferred shares held by a non-Brazilian holder who qualifies under Resolution No. 4,373 and obtains registration with the CVM, or by the depositary, as the depositary representing such holder must be registered with the Central Bank. Such registration allows the remittance from Brazil of any proceeds of distributions on the shares, and amounts realized with respect to disposition of such shares. The registered capital for preferred shares purchased in the form of ADSs or purchased in Brazil, and deposited with the depositary in exchange for ADSs will be equal to their purchase price (in U.S. dollars) to the purchaser. The registered capital for preferred shares that are withdrawn upon surrender of ADSs, as applicable, will be the U.S. dollar equivalent of the average price of preferred shares, as applicable, on a Brazilian stock exchange on which the greatest number of such preferred shares, as applicable, was sold on the day of withdrawal. If no preferred shares, as applicable, were sold on such day, the registered capital will refer to the average price on the Brazilian stock exchange on which the greatest number of preferred shares, as applicable, were sold in the 15 trading sessions immediately preceding such withdrawal. The U.S. dollar value of the preferred shares, as applicable, is determined on the basis of the average rate quoted by the Central Bank on such date or, if the average price of preferred shares is determined under the last preceding sentence, the average of such average quoted rates on the same 15 dates used to determine the average price of the preferred shares.

A non-Brazilian holder of preferred shares may experience delays in effecting such Central Bank registration, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder.

Material U.S. Federal Income Tax Consequences

The following discussion describes the material U.S. federal income tax consequences of purchasing, holding and disposing of our preferred shares or ADSs. This discussion applies only to beneficial owners of ADSs or preferred shares that are U.S. Holders (as defined below). This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing final, temporary and proposed Treasury Regulations, administrative pronouncements by the U.S. Internal Revenue Service, or IRS, and judicial decisions, all as currently in effect and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This summary does not describe any state, local or non-U.S. tax law considerations or any aspect of U.S. federal tax law (such as the estate tax, gift tax, the alternative minimum tax or the Medicare tax on net investment income) other than income taxation. U.S. Holders should consult their own tax advisors regarding these matters.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular U.S. Holder and you are urged to consult your own tax advisor regarding your specific tax situation. The discussion applies only to U.S. Holders who hold preferred shares or ADSs as “capital assets” (generally, property held for investment) under the Code and does not address the tax consequences that may be relevant to U.S. Holders in special tax situations including, for example:

- insurance companies;
- tax-exempt organizations;
- broker-dealers;
- traders in securities that elect to mark to market;
- regulated investment companies;
- real estate investment trusts;

- banks or other financial institutions;
- investors liable for alternative minimum tax;
- partnerships and other pass-through entities;
- U.S. Holders whose functional currency is not the U.S. dollar;
- U.S. expatriates;
- U.S. Holders that hold our preferred shares or ADSs as part of a hedge, straddle, conversion or other integrated transaction; or
- U.S. Holders that own, directly, indirectly, or constructively, 10% or more of the total combined voting power, if any, of our voting stock.

Except where specifically described below, this discussion assumes that we are not a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. See “Material U.S. Federal Income Tax Consequences—Passive Foreign Investment Company Rules.”

You are a “U.S. Holder” if you are a beneficial owner of preferred shares or ADSs and, for U.S. federal income tax purposes, you are:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust (or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a U.S. person).

If a partnership (or any other entity taxable as a partnership for U.S. federal income tax purposes) holds preferred shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partnership that holds our preferred shares or ADSs and partners in such partnerships should consult their own tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of our preferred shares or ADSs.

For U.S. federal income tax purposes, a U.S. Holder of an ADS will generally be treated as the beneficial owner of the preferred shares represented by the ADS. See “Material U.S. Federal Income Tax Consequences—Distributions on Preferred Shares or ADSs.”

Distributions on Preferred Shares or ADSs

Cash distributions (including amounts withheld to pay Brazilian withholding taxes and distributions of notional interest payments on shareholders’ equity, but excluding distributions in redemption of the preferred shares treated as exchanges or sales under the Code) made by us to or for the account of a U.S. Holder with respect to preferred shares or ADSs generally will be taxable to such U.S. Holder as ordinary dividend income when such distribution is paid, actually or constructively, out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of our current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing such U.S. Holder’s adjusted tax basis in the preferred shares or ADSs. Any distribution in excess of such U.S. Holder’s adjusted tax basis will be treated as capital gain and will be long-term capital gain if the U.S. Holder held the preferred shares or ADSs for more than one year. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. Holders should assume all distributions are made out of earnings and profits and constitute dividend income. As used below, the term “dividend” means a distribution that constitutes a dividend for U.S. federal income tax purposes.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions (including a minimum holding period requirement), to claim a U.S. foreign tax credit in respect of any Brazilian withholding taxes imposed on dividends received on preferred shares or ADSs. U.S. Holders who do not elect to claim a foreign tax credit with regard to any foreign income taxes paid or accrued during the taxable year may instead claim a deduction in respect of such withholding taxes. Dividends received with respect to the preferred shares or ADSs will be treated as foreign source income, which may be relevant in calculating such U.S. Holder’s U.S. foreign tax credit limitation. For purposes of the U.S. foreign tax credit limitation, foreign source income is separated into different “baskets,” and the credit for foreign taxes on income in any basket is limited to the U.S. federal income tax allocable to such income. Dividends paid with respect to our preferred shares or ADSs should generally constitute “passive category income” for most U.S. Holders. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit in their particular circumstances. The U.S. Treasury has expressed concern that intermediaries in connection with depository arrangements may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. persons who are holding depository shares. Accordingly, investors should be aware that the discussion above regarding the ability to credit Brazilian withholding tax on dividends and the availability of the reduced tax rate for dividends received by certain non-corporate holders described below could be affected by actions taken by parties to whom the ADSs are released and the IRS.

Dividends paid by us generally will not be eligible for the dividends received deduction available under the Code to certain U.S. corporate shareholders. Subject to the above-mentioned concerns by the U.S. Treasury and certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by certain U.S. Holders (including individuals), with respect to the ADSs will be subject to taxation at a reduced rate if the dividends represent “qualified dividend income.” Dividends paid on the ADSs will be treated as qualified dividend income if (i) the ADSs are readily tradable on an established securities market in the United States, (ii) the U.S. Holder meets the holding period requirement for the ADSs (generally more than 60 days during the 121-day period that begins 60 days before the ex-dividend date), and (iii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Our ADSs are listed on the New York Stock Exchange, and therefore the ADSs will qualify as readily tradable on an established securities market in the United States so long as they are so listed. However, no assurances can be given that the ADSs will be or will remain readily tradable. Subject to the discussion of PFIC rules below, based upon the nature of our current and projected income, assets and activities, we do not believe the preferred shares or the ADSs have been (for our 2016 taxable year), nor do we expect them to be (for our 2017 taxable year), shares of a PFIC for U.S. federal income tax purposes.

Based on existing guidance, it is not entirely clear whether dividends received with respect to the preferred shares (to the extent not represented by ADSs) will be treated as qualified dividends, because the preferred shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury Department has announced its intention to promulgate rules pursuant to which holders of ADSs or preferred stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, we are not certain that we will be able to comply with them. U.S. Holders of ADSs and preferred shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

The amount of any cash distribution paid in Brazilian currency will equal the U.S. dollar value of the distribution, calculated by reference to the exchange rate in effect at the time the distribution is received by the depository (in the case of ADSs) or by the U.S. Holder (in the case of preferred shares held directly by such U.S. Holder), regardless of whether the payment is in fact converted to U.S. dollars at that time. A U.S. Holder should not recognize any foreign currency gain or loss in respect of such distribution if such Brazilian currency is converted into U.S. dollars on the date received. If the Brazilian currency is not converted into U.S. dollars on the date of receipt, however, gain or loss may be recognized upon a subsequent sale or other disposition of the Brazilian currency. Such foreign currency gain or loss, if any, will be U.S. source ordinary income or loss.

Because our preferred shares will not be treated as “preferred stock” for purposes of Section 305 of the Code, distributions to U.S. Holders of additional shares of our “non-preferred stock” or preemptive rights relating to such “non-preferred stock” with respect to their preferred shares or ADSs that are made as part of a pro rata distribution to all shareholders in most instances will not be subject to U.S. federal income tax. However, if the holders of ADSs are restricted in their ability to participate in the exercise of preemptive rights, the distribution of preemptive rights may give rise to a deemed distribution to holders of the preferred shares under Section 305 of the Code. Any deemed distribution will be taxable as a dividend to the extent of our earnings and profits as discussed above.

Sale or Exchange or Other Taxable Disposition of Preferred Shares or ADSs

Deposits and withdrawals of preferred shares by U.S. Holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

A U.S. Holder who owns preferred shares or ADSs during any taxable year that we are a PFIC in excess of certain de minimis amounts and fails to qualify for certain other exemptions would be required to file IRS Form 8621. In addition, under certain circumstances, temporary regulations also require a “United States person” (as such term is defined under the Code) that indirectly owns preferred shares through another United States person to file Form 8621 for a taxable year during which such indirect shareholder is treated as receiving an excess distribution in connection with the ownership or disposition of the preferred shares, or reports income pursuant to a mark-to-market election, as described below among other circumstances. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to our preferred shares or ADSs and the application of the recently enacted legislation to their particular situation.

If a Brazilian tax is withheld on the sale, exchange or other taxable disposition of a preferred share or ADS, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of the Brazilian tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of a preferred share or ADS generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, in the case of a sale, exchange or other taxable disposition of a preferred share or ADS that is subject to Brazilian tax imposed on the gain (or, in the case of a deposit, in exchange for an ADS or preferred share, as the case may be, that is not registered pursuant to Resolution No. 4,313, on which a Brazilian capital gains tax is imposed (see above under “Material Brazilian Tax Considerations—Taxation of Gains”), the U.S. Holder may not be able to benefit from the foreign tax credit for that Brazilian tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources in the appropriate income category. Alternatively, if available, the U.S. Holder may take a deduction for the Brazilian tax if it does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued during the taxable year.

Passive Foreign Investment Company Rules

In general, a foreign corporation is a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder holds stock in the foreign corporation, at least 75% of its gross income is passive income or at least 50% of the value of its assets (determined on the basis of a quarterly average) produce passive income or are held for the production of passive income. In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least 25% interest (by value) is taken into account. For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties and gains from the disposition of investment assets (subject to various exceptions). Based upon the nature of our current and projected income, assets and activities, we do not believe the preferred shares or ADSs are, nor do we expect them to be, shares of a PFIC for U.S. federal income tax purposes. However, the determination of whether the preferred shares or ADSs constitute shares of a PFIC is a factual determination made annually and thus may be subject to change. Because these determinations are based on the nature of our income and assets from time to time, and involve the application of complex tax rules, no assurances can be provided that we will not be considered a PFIC for the current or any past or future tax year.

If, contrary to the discussion above, we are treated as a PFIC, a U.S. Holder would be subject to special rules (and may be subject to increased U.S. federal income tax liability and form filing requirements) with respect to (a) any gain realized on the sale, exchange or other disposition of preferred shares or ADSs and (b) any “excess distribution” made by us to the U.S. Holder (generally, any distribution during a taxable year in which distributions to the U.S. Holder on the preferred shares or ADSs exceed 125% of the average annual distributions the U.S. Holder received on the preferred shares or ADSs during the preceding three taxable years or, if shorter, the U.S. Holder’s holding period for the preferred shares or ADSs). Under those rules, (a) the gain or excess distribution would be allocated ratably over the U.S. Holder’s holding period for the preferred shares or ADSs, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which we became a PFIC would be taxable as ordinary income, (c) the amount allocated to each prior year in which we were a PFIC would be subject to U.S. federal income tax at the highest tax rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which we were a PFIC.

In general, if we are treated as a PFIC, the rules described above can be avoided by a U.S. Holder that elects to be subject to a mark-to-market regime for stock in a PFIC. A U.S. Holder may elect mark-to-market treatment for its preferred shares or ADSs, provided the preferred shares or ADSs, for purposes of the PFIC rules, constitute “marketable stock” as defined in U.S. Treasury regulations. The ADSs will be “marketable stock” for this purpose if they are regularly traded on the New York Stock Exchange, other than in de minimis quantities on at least 15 days during each calendar quarter. A U.S. Holder electing the mark-to-market regime generally would compute gain or loss at the end of each taxable year as if the preferred shares or ADSs had been sold at fair market value. Any gain recognized by the U.S. Holder under mark-to-market treatment, or on an actual sale, would be treated as ordinary income, and the U.S. Holder would be allowed an ordinary deduction for any decrease in the value of preferred shares or ADSs as of the end of any taxable year, and for any loss recognized on an actual sale, but only to the extent, in each case, of previously included mark-to-market income not offset by previously deducted decreases in value. Any loss on an actual sale of preferred shares or ADSs would be a capital loss to the extent in excess of previously included mark-to-market income not offset by previously deducted decreases in value. A U.S. Holder’s adjusted tax basis in preferred shares or ADSs would increase or decrease by gain or loss taken into account under the mark-to-market regime. A mark-to-market election is generally irrevocable. If we are determined to be a PFIC, a U.S. Holder may be treated as indirectly holding any subsidiary of ours that is itself a PFIC (a lower-tier PFIC) and may be subject to the PFIC rules on indirect distributions or sales of the lower-tier PFIC, even if the U.S. Holder does not receive of the proceeds of such distribution or sales. In addition, a mark-to-market election with respect to preferred shares or ADSs would not apply to any lower-tier PFIC, and a U.S. Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that lower-tier PFIC. Consequently, the PFIC rules could apply with respect to income of a lower-tier PFIC, the value of which would already have been taken into account indirectly via mark-to-market adjustments in respect of preferred shares or ADSs.

If we are deemed to be a PFIC for a taxable year, dividends on our ADSs would not be “qualified dividend income” subject to preferential rates of United States federal income tax, as described above. See “— Distributions on Preferred Shares or ADSs.”

Backup Withholding and Information Reporting

In general, dividends on preferred shares or ADSs, and payments of the proceeds of a sale, exchange or other disposition of preferred shares or ADSs, paid within the United States or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding of U.S. federal income tax at a current maximum rate of 28% unless the U.S. Holder (i) is a corporation or other exempt recipient or (ii) provides an accurate taxpayer identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. The amount of any backup withholding tax from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability by timely filing a refund claim with the IRS.

“Specified Foreign Financial Asset” Reporting

Owners of “specified foreign financial assets” with an aggregate value in excess of US\$50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their U.S. Federal income tax returns. “Specified foreign financial assets” generally include any financial accounts maintained by foreign financial institutions as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our preferred shares or ADSs and the application of this legislation to their particular situation.

Other Brazilian Taxes

You should note that any Brazilian IOF/Exchange Tax or IOF/Bonds tax may not be treated as a creditable foreign tax for U.S. federal income tax purposes, although you may be entitled to deduct such taxes, subject to applicable limitations under the Code. You should consult your tax advisors regarding the U.S. federal income tax consequences of these taxes.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the U.S. Securities Exchange Act of 1934, which is also known as the Exchange Act. Accordingly, we are required to file reports and other information with the Commission, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information to be filed with the Commission at the public reference facilities maintained by the Commission at 100 F Street, N.W., Washington D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago Illinois 60661, and 233 Broadway, New York, New York 10279. Copies of the materials may be obtained from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the Commission in the United States at 1-800-SEC-0330. In addition, the Commission maintains an Internet website at <http://www.sec.gov>, from which you can electronically access the registration statement and its materials.

As a foreign private issuer, we are not subject to the same disclosure requirements as a domestic U.S. registrant under the Exchange Act. For example, we are not required to prepare and issue quarterly reports. However, we furnish our shareholders with annual reports containing financial statements audited by our independent auditors and make available to our shareholders quarterly reports containing unaudited financial data for the first three quarters of each fiscal year. We furnish quarterly financial statements with the Commission within two months of the end of the first three quarters of our fiscal year, and we file annual reports on Form 20-F within the time period required by the Commission, which is currently four months from December 31, the end of our fiscal year.

We will send the depositary a copy of all notices that we give relating to meetings of our shareholders or to distributions to shareholders or the offering of rights and a copy of any other report or communication that we make generally available to our shareholders. The depositary will make all these notices, reports and communications that it receives from us available for inspection by registered holders of ADSs at its office. The depositary will mail copies of those notices, reports and communications to you if we ask the depositary to do so and furnish sufficient copies of materials for that purpose.

We also file financial statements and other periodic reports with the CVM located at Rua Sete de Setembro, 111, Rio de Janeiro, State of Rio de Janeiro 20159-900, Brazil.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes to the price of fuel, the *real*/U.S. dollar exchange rate and interest rates. We purchase jet fuel at prevailing market prices, but seek to manage market risk through execution of a documented hedging program. We incur a portion of our operating costs and expenses in U.S. dollars. We have a total fleet of 130 aircraft, 96 of which were under operating leases and 34 were under finance leases. However, fixed rate leases are not considered market sensitive financial instruments and, therefore, are not included in the interest rate sensitivity analysis below.

Aircraft Fuel

Our results of operations are affected by changes in the price of aircraft fuel required to operate our aircraft fleet. To manage the price risk, we have entered, and may enter in the future, into crude oil and heating oil derivative contracts. And we actually utilize crude oil and heating oil contracts with our supplier in our functional currency. All existing contracts settle on a monthly basis and we do not purchase or hold instruments for trading purposes. At December 31, 2016, we had fuel hedge derivatives of 55% of our expected fuel consumption from January 2017 to March 2017. We acquire substantially all of our fuel from one supplier.

Foreign Currencies

A significant part of our operating costs and expenses, such as aircraft and engine maintenance services, aircraft lease payments and aircraft insurance, are denominated in U.S. dollars. In addition, a portion of our debt, all of our finance leases and some of our cash and cash equivalents and short-term investments are also denominated in U.S. dollars. To manage exchange rate risk, we enter into derivative contracts to protect against a possible depreciation of the *real* in relation to the U.S. dollar. At December 31, 2016, we did not have U.S. dollar currency derivative contracts outstanding to hedge our expected operational expenses exposure linked to the U.S. dollar. As a measure of our market risk with respect to our foreign currency exposure, a hypothetical 10% appreciation or depreciation of the *real* against the U.S. dollar would have resulted in a decrease or an increase, in our results of operations, respectively, of (i) approximately R\$481.6 million in our financial results with exchange rate variation, due to our net exposure to foreign currencies of R\$4,815.9 million as of December 31, 2016, and (ii) approximately R\$624.7 million in aircraft rent, as a result of our commitments for 2017 with non-cancelable operating lease contracts, which are not registered in the statements of financial position, of R\$6,246.7 million as of December 31, 2016.

Interest Rates

Our results are affected by changes in interest rates mainly due to the impact those changes have on interest expense from part of our indebtedness and variable-rate financial leases contracts and interest income from our financial investments. A hypothetical 10% increase or decrease in interest rates would have resulted in an increase or a decrease, respectively, in our net interest expenses of R\$7.9 million. These amounts are determined considering the effects of the hypothetical international interest rates on our indebtedness, variable-rate financial leases contracts and financial investments at December 31, 2016.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. American Depositary Shares

In the United States, our preferred shares trade in the form of ADS. The ADSs commenced trading on the NYSE on June 24, 2004. Currently, each ADS represents five preferred shares, issued by the depositary pursuant to a Deposit Agreement. In February 2016 we had changed the ratio of our ADSs to preferred shares from one ADS to one preferred share to one ADS to ten preferred shares. In April 2017 we reduced the ratio of our preferred shares to one ADS to five preferred shares.

We do not treat ADR holders as our shareholders and ADR holders have no shareholder rights. Brazilian law governs shareholder rights. The depositary is the holder of the preferred shares underlying the ADSs. Holders of ADRs have ADR holder rights.

Fees and Expenses

The following table summarizes the fees and expenses payable by holders of ADRs:

<i>Persons depositing preferred shares or ADR holders must pay:</i>	<i>For:</i>
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of preferred shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
	Any cash distribution to you
US\$0.02 (or less) per ADS (to the extent not prohibited by the rules of any stock exchange on which the ADSs are listed for trading)	Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR holders
A fee equivalent to the fee that would be payable if securities distributed to you had been preferred shares and the shares had been deposited for issuance of ADSs	Depository services
US\$0.02 (or less) per ADS per calendar year (to the extent the depositary has not collected a cash distribution fee of US\$0.02 per ADS during the year)	Transfer and registration of preferred shares on our preferred share register to or from the name of the depositary or its agent when you deposit or withdraw preferred shares.
Registration or transfer fees	
Expenses of the depositary in converting foreign currency to U.S. dollars	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
Expenses of the depositary	As necessary
Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or preferred share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes	No charges of this type are currently made in the Brazilian market
Any charges incurred by the depositary or its agents for servicing the deposited securities	

Payment of Taxes

The depositary may deduct the amount of any taxes owed from any payments to you. It may also sell deposited securities, by public or private sale, to pay any taxes owed. You will remain liable if the proceeds of the sale are not sufficient to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Reimbursement of Fees

The Bank of New York Mellon, as depositary, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the depositary has agreed to provide additional payments to us based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Reimbursement of Fees Incurred in 2016

During 2016 we received US\$246,000 from the depositary for standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls), any applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. We maintain control and procedures designed to ensure that we are able to collect the information we are required to disclose in the reports we file with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this report conducted by our management, with the participation of the chief executive and chief financial officers, after evaluating together with other members of management the effectiveness of our disclosure controls and procedures (as defined in the U.S. Securities Exchange Act of 1934 under Rule 13a-15 (e)) have concluded that our disclosure controls and procedures at December 31, 2016 are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control—Integrated Framework (2013). Based on this assessment, management believes that, as of December 31, 2016, our internal control over financial reporting is effective based on those criteria.

Attestation Report of the Independent Registered Public Accounting Firm. The effectiveness of internal controls over financial reporting as of December 31, 2016 has been audited by Ernst & Young Auditores Independentes S.S., or EY, the independent registered public accounting firm who also audited our consolidated financial statements for the year then ended. EY's report on our internal controls over financial reporting is included herein.

Changes in internal control over financial reporting. In response to inquiries regarding certain irregular payments to politically exposed persons (see "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Irregular Payments Investigation"), we took prompt steps to investigate these payments, first internally. The results of the internal investigation led to the decision to mount a full-scale autonomous investigation, conducted by outside professionals. In both cases we took measures to isolate the work and the findings from potential influence by management, shareholders, and non-independent board members.

During the course of the investigations, we determined that our internal controls were insufficient to detect and prevent gaps in certain documentation, verification and back up procedures and, thus, to properly identify and account for the irregular payments. We took therefore a number of steps in 2016, to strengthen our internal controls and our compliance procedures, including, among others (1) enhancing rules for procurement directly by senior executive officers, (2) monitoring transactions with politically exposed persons; (3) reviewing exceptions to the procurement policy; (4) reviewing our policy for purchases effected outside our procurement policy; (5) reviewing the rules regarding sole-source suppliers; and (6) increased formalization to record services provided to us. We will continue to further improve our internal controls and compliance programs.

ITEM 16. RESERVED

ITEM 16A. Audit Committee Financial Expert

Our board of directors has determined that André Jánszky, a member of our audit committee, is an audit committee financial expert, as defined by current SEC rules and meets the applicable independence requirements of the SEC and the NYSE listing standards. For a discussion of the role of our audit committee, see “Item 6C. Board Practices—Committees of the Board of Directors and Board of Executive Officers—Audit Committee.”

ITEM 16B. Code of Ethics

Our board of directors has adopted a Code of Ethics applicable to our directors, officers and employees, including our principal executive officer and principal financial officer. The Code of Ethics can be found at www.voegol.com.br under the heading “Investor Relations.” Information found at this website is not incorporated by reference into this document.

ITEM 16C. Principal Accountant Fees and Services

The following table sets forth by category of service the total fees for services performed by our principal accountants during the fiscal years ended December 31, 2015 and 2016. Ernst & Young Auditores Independentes S.S. has been our principal accountant for the fiscal years ended December 31, 2016 and 2015:

	<u>2015</u>	<u>2016</u>
	(in thousands of R\$)	
Audit Fees	4,330.8	6,538.7
Audit-Related Fees	980.8	637.1
Tax Fees	-	-
All Other Fees	-	-
Total	<u>5,311.6</u>	<u>7,175.8</u>

Audit Fees

Audit fees include the audit of our consolidated annual financial statements and internal controls, the audit of our IFRS financial statements, review of our quarterly reports and required statutory audits and regulatory filings such as the *Formulário de Referência*.

Audit-Related Fees

Audit-related fees include fees for the preparation and issuance of comfort letters in connection with our notes offering, due diligence and assurance of our sustainability report.

Tax Fees

There were no tax advisory services provided by our principal accountant in 2016 and 2015.

All Other Fees

There were no other services provided by our principal accountants in 2016 and 2015.

Pre-Approval Policies and Procedures

Our audit committee approves all audit, audit-related services, tax services and other services provided by our principal accountant. Any services provided by our principal accountant that are not specifically included within the scope of the audit must be pre-approved by the audit committee in advance of any engagement. Pursuant to Rule 2-01 of Regulation S-X, audit committees are permitted to approve certain fees for audit-related services, tax services and other services pursuant to a *de minimis* exception prior to the completion of an audit engagement. In 2015 and 2016, none of the fees paid to EY were approved pursuant to the *de minimis* exception.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees

None.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 16F. Change in Registrant's Certifying Accountant

None.

ITEM 16G. Corporate Governance

Significant Differences between our Corporate Governance Practices and NYSE Corporate Governance Standards

We are subject to the NYSE corporate governance listing standards. As a foreign private issuer, the standards applicable to us are considerably different than the standards applied to U.S. listed companies. Under the NYSE rules, we are required only to: (a) have an audit committee or audit board, pursuant to an applicable exemption available to foreign private issuers, that meets certain requirements, as discussed below, (b) provide prompt certification by our chief executive officer of any material non-compliance with any corporate governance rules and (c) provide a brief description of the significant differences between our corporate governance practices and the NYSE corporate governance practice required to be followed by U.S. listed companies. The discussion of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below.

Majority of Independent Directors

The NYSE rules require that a majority of the board must consist of independent directors. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. Brazilian law does not have a similar requirement. Under Brazilian law, neither our board of directors nor our management is required to test the independence of directors before their election to the board. However, both the Brazilian corporation law and the CVM have established rules that require directors to meet certain qualification requirements and that address the compensation and duties and responsibilities of, as well as the restrictions applicable to, a company's executive officers and directors. While our directors meet the qualification requirements of the Brazilian corporation law and the CVM, we do not believe that a majority of our directors would be considered independent under the NYSE test for director independence. The Brazilian corporation law requires that our directors be elected by our shareholders at a general shareholders' meeting. All of our directors are elected by our controlling shareholder and five of our directors represent our controlling shareholder.

Executive Sessions

NYSE rules require that the non-management directors must meet at regularly scheduled executive sessions without management present. The Brazilian corporation law does not have a similar provision. According to the Brazilian corporation law, up to one-third of the members of the board of directors can be elected from management. There is no requirement that non-management directors meet regularly without management. As a result, the non-management directors on our board do not typically meet in executive session.

Fiscal Board

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

Under the Brazilian corporation law, the fiscal board may not contain members that (i) are on our board of directors, (ii) are on the board of executive officers, (iii) are employed by us or a controlled company or (iv) are spouses or relatives of any member of our management, up to the third degree. Our by-laws provide for a non-permanent fiscal board to be elected only by our shareholders' request at a general shareholders' meeting. The fiscal board, when elected, will be comprised of a minimum of three and a maximum of five members and an equal number of alternate members. In 2016 and 2015, our shareholders did not request the election of a fiscal board.

Audit Committee

NYSE rules require that listed companies have an audit committee that (i) is composed of three independent directors who are all financially literate, (ii) meets the SEC rules regarding audit committees for listed companies, (iii) has at least one member who has accounting or financial management expertise and (iv) is governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. However, as a foreign private issuer, we only need to comply with the requirement that the audit committee meet the SEC rules regarding audit committees for listed companies to the extent compatible with Brazilian corporation law. Our Audit Committee provides assistance to our board of directors on matters involving accounting, internal controls, financial reporting and compliance. The Audit Committee recommends the appointment of our independent auditors to our board of directors and reviews the compensation of our independent auditors and helps oversee their activities. It also evaluates the effectiveness of our internal financial and legal compliance controls. The Audit Committee also performs the roles of an audit committee under U.S. laws. The current members of our audit committee are André Jánoszy, Antonio Kandır and Francis James Leahy Meaney. All members meet the applicable independent membership requirements of the SEC and NYSE as well as other NYSE requirements. Mr. Jánoszy is the committee's "financial expert" within the meaning of the SEC rules under the U.S. Securities Exchange Act of 1934.

Nomination/Corporate Governance and Compensation Committees

NYSE rules require that listed companies have a nominating/corporate governance committee and a compensation committee composed entirely of independent directors and governed by a written charter addressing the committee's required purpose and detailing its required responsibilities. Required responsibilities for the nominating/corporate governance committee include, among other things, identifying and selecting qualified board member nominees and developing a set of corporate governance principles applicable to the company. Required responsibilities for the compensation committee include, among other things, reviewing corporate goals relevant to the chief executive officer's compensation, evaluating the chief executive officer's performance, approving the chief executive officer's compensation levels and recommending to the board non-chief executive officer compensation, incentive compensation and equity based plans.

We are not required under applicable Brazilian law to have a nomination/corporate governance committee or compensation committee. Under the Brazilian corporation law, the total amount available for compensation of our directors and executive officers and for profit-sharing payments to our executive officers is established by our shareholders at the general shareholders' meeting. The board of directors is then responsible for determining the individual compensation and profit-sharing of each executive officer, as well as the compensation of our board and committee members. In making such determinations, the board reviews the performance of the executive officers, including the performance of our chief executive officer, who typically excuses himself from discussions regarding his performance and compensation.

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

Shareholder Approval of Equity Compensation Plans

NYSE rules require that shareholders be given the opportunity to vote on all equity compensation plans and material revisions thereto, with limited exceptions. Under the Brazilian corporation law, shareholders must approve all stock option plans. In addition, any issuance of new shares that exceeds our authorized share capital is subject to shareholder approval.

Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose corporate governance guidelines. We have not adopted any formal corporate governance guidelines beyond those required by applicable Brazilian law. We have adopted and observe a disclosure policy, which requires the public disclosure of all relevant information pursuant to guidelines set forth by the CVM, as well as an insider trading policy, which, among other things, establishes black-out periods and requires insiders to inform management of all transactions involving our securities.

Code of Business Conduct and Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. Applicable Brazilian law does not have a similar requirement. We have adopted a Code of Ethics and Conduct applicable to our officers, directors and employees worldwide, including at the subsidiary level. We believe this code addresses the matters required to be addressed pursuant to the NYSE rules. For a further discussion of our Code of Ethics and Conduct, See "Code of Ethics."

Internal Audit Function

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. Our internal audit and compliance department was created in 2004 under the supervision of our chief financial officer and our audit committee and is responsible for our compliance with the requirements of Section 404 of the U.S. Sarbanes-Oxley Act of 2002 regarding internal control over financial reporting. The internal audit and compliance department reports to our chief executive officer and the audit committee.

ITEM 16H. Mine Safety Disclosure

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See "Item 18. Financial Statements."

ITEM 18. FINANCIAL STATEMENTS

See our consolidated financial statements beginning on Page F-1.

ITEM 19. EXHIBITS

- 1.1 * By-laws of the Registrant (English translation).
- 2.1 Form of Amended and Restated Deposit Agreement among the Registrant, The Bank of New York Mellon, as depository, and the Holders from time to time of American Depositary Shares issued thereunder, including the form of American Depositary Receipts, incorporated herein by reference from the Registration Statement on Form F-6/A, filed April 14, 2017, file No. 333-217150.
- 4.1 Agreement, dated as of April 15, 2015, between the Registrant and Petrobras Distribuidora S.A., including Amendment 1 thereto, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2015, as filed on April 28, 2016.
- [4.2](#) * + [Amendments 2 through 4 to Agreement, dated as of April 15, 2015, between the Registrant and Petrobras Distribuidora S.A.](#)
- 4.3 [-](#) Navitaire Hosted Services Agreement, dated May 1, 2004, between Navitaire Inc. and Gol Transportes Aéreos S.A., including amendments 1 through 7 thereto incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2006, as filed on February 28, 2007.
- 4.4 Amendments 8 through 10 to Navitaire Hosted Services Agreement between Navitaire Inc. and Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2007, as filed on April 22, 2008.
- 4.5 Amendments 11 through 15 to Navitaire Hosted Services Agreement, between Navitaire Inc. and Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2008, as filed on May 8, 2009.
- 4.6 Amendments 16 and 17 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2009, as filed on April 1, 2010.
- 4.7 Amendments 18 through 20 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2010, as filed on April 8, 2011.
- 4.8 Amendment 21 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2011, as filed on April 11, 2012.
- 4.9 Amendments 22 through 26 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2012, as filed on April 30, 2013.
- 4.10 Amendments 27 through 29 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2013, as filed on April 28, 2014.
- 4.11 Amendments 30 through 34 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2014, as filed on April 30, 2015.
- 4.12 Amendments 35, 36 and 38 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A., incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2015, as filed on April 28, 2016.
- [4.13](#) * + [Amendments 36 through 40 to Navitaire Hosted Services Agreement between Navitaire Inc. and VRG Linhas Aéreas S.A., as successor of Gol Transportes Aéreos S.A.](#)
- 4.14 Aircraft Purchase Agreement, dated as of October 1, 2012, between GAC Incorporated and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2012, as filed on April 30, 2013.
- 4.15 Supplemental Agreements 1 and 2 to the Aircraft Purchase Agreement, dated as of October 1, 2012 between GAC Incorporated and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2013, as filed on April 28, 2014.
- 4.16 Supplemental Agreements 3 through 5 to the Aircraft Purchase Agreement, dated as of October 1, 2012 between GAC Incorporated and The Boeing Company, incorporated herein by reference from our Annual Report on Form 20-F for the year ended December 31, 2015, as filed on April 28, 2016.
- [4.17](#) * + [Supplemental Agreements 7 and 8 to the Aircraft Purchase Agreement, dated as of October 1, 2012 between GAC Incorporated and The Boeing Company.](#)
- [8.1](#) * [-](#) [List of Subsidiaries.](#)

12.1 * [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)

12.2 * [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)

13.1 * [Section 1350 Certification of Chief Executive Officer.](#)

13.2 * [Section 1350 Certification of Chief Financial Officer.](#)

* Filed herewith.

+ Certain portions of the exhibit have been omitted from the public filing and were separately filed with the Commission with a request for confidential treatment.

SIGNATURE

The Company hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: */s/ Paulo Sergio Kakinoff*
Name: Paulo Sergio Kakinoff
Title: Chief Executive Officer

GOL LINHAS AÉREAS INTELIGENTES S.A.

By: */s/ Richard F. Lark, Jr.*
Name: Richard F. Lark, Jr.
Title: Chief Financial Officer

Dated: May 1, 2017

Consolidated financial statements

GOL Linhas Aéreas Inteligentes S.A.

December 31, 2016, 2015 and 2014

with Reports of Independent Registered Public Accounting Firm

GOL Linhas Aéreas Inteligentes S.A.

Consolidated financial statements

December 31, 2016, 2015 and 2014

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated statements of financial position of Gol Linhas Aéreas Inteligentes S.A. (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years ended December 31, 2016, 2015 and 2014, in conformity with International Financial Reporting Standards - IFRS as issued by the International Accounting Standards Board - IASB.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Gol Linhas Aéreas Inteligentes S.A.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 1, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG
Auditores Independentes S.S.

Vanessa Martins Bernardi
Accountant CRC-1SP244569/O-3

São Paulo, Brazil
May 1, 2017



Report of Independent Registered Public Accounting Firm

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

We have audited Gol Linhas Aéreas Inteligentes S.A.'s (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Gol Linhas Aéreas Inteligentes S.A.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Gol Linhas Aéreas Inteligentes S.A. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Gol Linhas Aéreas Inteligentes S.A. as of December 31, 2016 and 2015 and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016, 2015 and 2014 and our report dated May 1, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG
Auditores Independentes S.S.

Vanessa Martins Bernardi
Accountant CRC-1SP244569/O-3

São Paulo, Brazil
May 1, 2017

Gol Linhas Aéreas Inteligentes S.A.
Consolidated statements of financial position
As of December 31, 2016 and 2015
(In thousands of Brazilian Reals - R\$)

	Note	12/31/2016	12/31/2015
Current assets			
Cash and cash equivalents	3	562,207	1,072,332
Short-term investments	4	431,233	491,720
Restricted cash	5	-	59,324
Trade receivables	6	760,237	462,620
Inventories	7	182,588	199,236
Recoverable taxes	8.1	27,287	58,074
Derivatives	26	3,817	1,766
Other current assets		113,345	116,494
		2,080,714	2,461,566
Noncurrent assets			
Deposits	9	1,188,992	1,020,074
Restricted cash	5	168,769	676,080
Recoverable taxes	8.1	72,060	73,385
Deferred taxes	8.2	107,159	107,788
Other noncurrent assets		4,713	39,861
Investments	12	17,222	18,424
Property, plant and equipment	14	3,025,010	4,256,614
Intangible assets	15	1,739,716	1,714,605
		6,323,641	7,906,831
Total assets		8,404,355	10,368,397

Gol Linhas Aéreas Inteligentes S.A.
Consolidated statements of financial position
As of December 31, 2016 and 2015
(In thousands of Brazilian Reals - R\$)

	Note	12/31/2016	12/31/2015
Liabilities and equity			
Current liabilities			
Short-term debt	16	835,290	1,396,623
Suppliers		1,097,997	900,682
Salaries		283,522	250,635
Taxes payable	17	146,174	118,957
Landing fees		239,566	313,656
Advance ticket sales	18	1,185,945	1,206,655
Mileage program	19	781,707	770,416
Advances from customers		16,823	13,459
Provisions	20	66,502	206,708
Derivatives	26	89,211	141,443
Other current liabilities		106,005	222,774
		4,848,742	5,542,008
Noncurrent liabilities			
Long-term debt	16	5,543,930	7,908,303
Provisions	20	723,713	663,565
Mileage program	19	219,325	221,242
Deferred taxes	8.2	338,020	245,355
Taxes payable	17	42,803	39,054
Other noncurrent liabilities		44,573	71,310
		6,912,364	9,148,829
Equity			
Capital stock	21	3,080,110	3,080,110
Share issuance costs		(155,618)	(155,223)
Treasury shares		(13,371)	(22,699)
Capital reserves		91,399	98,861
Share-based payments reserve	11	113,918	103,126
Equity valuation adjustments		(147,229)	(178,939)
Gains on change in investment		693,251	690,379
Accumulated losses		(7,312,458)	(8,162,077)
Deficit attributable to equity holders of the parent		(3,649,998)	(4,546,462)
Non-controlling interests		293,247	224,022
Total deficit		(3,356,751)	(4,322,440)
Total liabilities and deficit		8,404,355	10,368,397

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

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of operations

For the years ended of December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reals - R\$, except loss per share)

	Note	2016	2015	2014
Net revenue				
Passenger		8,671,442	8,583,388	9,045,831
Cargo and other		1,195,893	1,194,619	1,020,383
	22	9,867,335	9,778,007	10,066,214
Operating costs and expenses				
Salaries		(1,656,785)	(1,580,531)	(1,374,096)
Aircraft fuel		(2,695,390)	(3,301,368)	(3,842,276)
Aircraft rent		(996,945)	(1,100,086)	(844,571)
Aircraft insurance		(35,938)	(29,791)	(22,411)
Sales and marketing		(555,984)	(617,403)	(667,372)
Landing fees		(687,366)	(681,378)	(613,153)
Aircraft, traffic and mileage servicing		(1,068,175)	(1,019,833)	(747,447)
Maintenance, materials and repairs		(593,090)	(603,925)	(511,045)
Depreciation and amortization		(447,668)	(419,691)	(463,296)
Other operating expenses		(432,169)	(603,837)	(473,115)
		(9,169,510)	(9,957,843)	(9,558,782)
Equity results	12	(1,280)	(3,941)	(2,490)
Income (loss) before financial expense, net and income taxes		696,545	(183,777)	504,942
Financial expense, net				
Financial income		568,504	332,567	407,716
Financial expenses		(1,271,564)	(1,328,891)	(1,429,131)
Exchange rate variation, net		1,367,937	(2,266,999)	(436,207)
	23	664,877	(3,263,323)	(1,457,622)
Income (loss) before income taxes		1,361,422	(3,447,100)	(952,680)
Current income taxes		(257,944)	(196,140)	(120,784)
Deferred income taxes		(1,114)	(648,000)	(43,817)
	8.2	(259,058)	(844,140)	(164,601)
Net income (loss) for the year		1,102,364	(4,291,240)	(1,117,281)
Net income (loss) attributable to equity holders of the parent		849,619	(4,460,883)	(1,246,169)
Net income attributable to non-controlling interests from Smiles		252,745	169,643	128,888
Basic profit (loss) per common share	13	0.070	(0.422)	(0.128)
Basic profit (loss) per preferred share	13	2.455	(14.764)	(4.482)
Diluted profit (loss) per common share	13	0.070	(0.422)	(0.128)
Diluted profit (loss) per preferred share	13	2.450	(14.764)	(4.482)

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

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of comprehensive income (loss)

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reais - R\$)

	Note	2016	2015	2014
Net income (loss) for the year		1,102,364	(4,291,240)	(1,117,281)
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Cash flow hedge	26	123,889	(60,949)	(182,653)
Tax effect	26	(92,179)	20,723	62,102
		31,710	(40,226)	(120,551)
Total comprehensive income (loss) for the year		1,134,074	(4,331,466)	(1,237,832)
Comprehensive income (loss) for the year attributable to:				
Equity holders of the parent		881,329	(4,501,109)	(1,366,720)
Non-controlling interests from Smiles		252,745	169,643	128,888

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

Gol Linhas Aéreas Inteligentes S.A.

Consolidated statements of changes in equity

For the years ended of December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reals - R\$)

<u>Capital reserves</u>														
Note	Capital stock	Advance for future capital increase	Share issuance cost	Treasury shares	Goodwill on transfer of shares	Special goodwill reserve of subsidiary	Share-based payment	Unrealized hedge gain (losses)	Gains on change in investment	Accumulated losses	Total attributable to equity holders of the parent	Non-controlling interests	Total equity (deficit)	
Balances as of December 31, 2013	2,501,574	-	(145,279)	(32,116)	32,387	70,979	85,438	(18,162)	611,130	(2,455,025)	650,926	567,574	1,218,500	
Other comprehensive income (loss), net	-	-	-	-	-	-	-	(120,551)	-	-	(120,551)	-	(120,551)	
Net loss for the year	-	-	-	-	-	-	-	-	-	(1,246,169)	(1,246,169)	128,888	(1,117,281)	
Stock options exercised	771	51	-	-	-	-	-	-	-	-	822	2,346	3,168	
Capital decrease in subsidiary	-	-	-	-	-	-	-	-	-	-	-	(456,144)	(456,144)	
Share-based payments	-	-	-	-	-	-	9,084	-	-	-	9,084	1,254	10,338	
Capital increase	116,403	-	-	-	-	-	-	-	-	-	116,403	-	116,403	
Share issuance costs	-	-	(4,935)	-	-	-	-	-	-	-	(4,935)	-	(4,935)	
Gains on change in investment	-	-	-	-	-	-	-	-	2,063	-	2,063	1,411	3,474	
Gains on investment sold - G.A.	-	-	-	-	-	-	-	-	73,970	-	73,970	37,949	111,919	
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(67,409)	(67,409)	
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(15,740)	(15,740)	
Interest attributable to shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	(14,716)	(14,716)	
Restricted shares transferred	-	-	-	759	-	-	(759)	-	-	-	-	-	-	
Balances as of December 31, 2014	2,618,748	51	(150,214)	(31,357)	32,387	70,979	93,763	(138,713)	687,163	(3,701,194)	(518,387)	185,413	(332,974)	
Other comprehensive income (loss), net	-	-	-	-	-	-	-	(40,226)	-	-	(40,226)	-	(40,226)	
Net loss for the year	-	-	-	-	-	-	-	-	-	(4,460,883)	(4,460,883)	169,643	(4,291,240)	
Stock options exercised	89	(51)	-	-	-	-	-	-	-	-	38	3,737	3,775	
Capital increase	461,273	-	-	-	-	-	-	-	-	-	461,273	-	461,273	
Share issuance costs	-	-	(5,009)	-	-	-	-	-	-	-	(5,009)	-	(5,009)	
Share-based payments	-	-	-	-	-	-	13,516	-	-	-	13,516	836	14,352	
Gains on change in investment	-	-	-	-	-	-	-	-	3,216	-	3,216	1,215	4,431	
Restricted shares transferred	-	-	-	8,658	(4,505)	-	(4,153)	-	-	-	-	-	-	
Interest attributable to shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	(17,566)	(17,566)	
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(119,256)	(119,256)	
Balances as of December 31, 2015	3,080,110	-	(155,223)	(22,699)	27,882	70,979	103,126	(178,939)	690,379	(8,162,077)	(4,546,462)	224,022	(4,322,440)	
Other comprehensive income, net	-	-	-	-	-	-	-	31,710	-	-	31,710	-	31,710	
Stock options exercised	-	-	-	-	-	-	-	-	-	-	-	3,507	3,507	
Share issuance costs	-	-	(395)	-	-	-	-	-	-	-	(395)	-	(395)	
Share-based payments	21	-	-	-	-	-	12,658	-	-	-	12,658	413	13,071	
Gains on change in investment	12	-	-	-	-	-	-	-	2,872	-	2,872	313	3,185	
Net income for the year	11	-	-	-	9,328	(7,462)	-	-	-	-	849,619	849,619	252,745	1,102,364
		-	-	-	9,328	(7,462)	-	(1,866)	-	-	-	-	-	

Restricted shares transferred													
Interest attributable to shareholder's equity	-	-	-	-	-	-	-	-	-	-	-	(10,422)	(10,422)
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(177,331)	(177,331)
Balances as of December 31, 2016	3,080,110	-	(155,618)	(13,371)	20,420	70,979	113,918	(147,229)	693,251	(7,312,458)	(3,649,998)	293,247	(3,356,751)

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

Gol Linhas Aéreas Inteligentes S.A.

Statements of cash flows

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Brazilian Reals - R\$)

	2016	2015	2014
Operating activities			
Net income (loss) for the year	1,102,364	(4,291,240)	(1,117,281)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	447,668	419,691	463,296
Allowance for doubtful accounts	9,806	39,287	17,143
Provisions for legal proceedings	189,244	44,460	12,245
(Reversal) provision for inventory obsolescence	-	(414)	631
Deferred taxes	1,114	648,000	43,817
Equity results	1,280	3,941	2,490
Share-based payments	13,524	14,352	10,338
Exchange and monetary variations, net	(1,149,616)	1,723,441	636,637
Interest on debt and finance leases	682,188	600,410	446,636
Unrealized hedge results	82,990	18,475	15,901
Provision for profit sharing	56,238	10,633	27,000
Write-off property, plant and equipment and intangible assets	181,308	25,069	5,418
Losses from capital increase in associate	1,368	-	-
Other	16,232	-	(366)
Gain on redemption of debt	(286,799)	-	-
	1,348,909	(743,895)	563,905
Changes in assets and liabilities:			
Trade receivables	(307,574)	(149,623)	(44,606)
Short-term investments	83,062	309,749	1,019,303
Inventories	16,648	(60,140)	(22,169)
Deposits	(323,641)	21,077	138,561
Suppliers	204,184	210,474	183,231
Advance ticket sales	(20,710)	105,044	(118,191)
Mileage program	9,374	211,940	127,493
Advances from customers	3,364	10,263	(168,210)
Salaries	(23,351)	(15,438)	(5,144)
Landing fees	(74,090)	(1,492)	43,814
Tax obligations	257,464	233,930	125,789
Derivatives	(13,384)	(6,267)	(67,199)
Provisions	(253,643)	(61,386)	(151,423)
Other assets (liabilities)	(94,774)	98,625	55,452
Interest paid	(606,405)	(548,773)	(427,698)
Income taxes paid	(226,500)	(213,555)	(123,716)
Net cash flows from (used in) operating activities	(21,067)	(599,467)	1,129,192
Investing activities			
Restricted cash	542,107	(403,854)	(77,094)
Short-term investments	(45,651)	(254,416)	(160,510)
Dividends received from associate	1,993	1,302	-
Investment acquisition	(3,439)	-	(25,791)
Investment sale, net of tax effects	-	-	65,703
Advances for property, plant and equipment acquisition, net	536,444	(167,646)	11,566
Property, plant and equipment	(409,709)	(391,731)	(199,176)
Intangible assets	(29,656)	(42,812)	(46,308)
Net cash flows from (used in) investing activities	592,089	(1,259,157)	(431,610)
Financing activities			
Loan funding, net of issuance costs	-	2,468,531	2,152,544
Loan payments	(520,519)	(1,632,039)	(1,797,308)
Finance lease payments	(342,791)	(409,519)	(255,903)
Exchange offer costs	(27,249)	-	-
Capital decrease on subsidiary to non-controlling interests	-	-	(456,144)
Capital increase	-	465,048	119,520
Share issuance cost	(395)	(5,009)	(4,935)
Interest attributable to shareholders' equity paid by subsidiary to non-controlling interests	(8,695)	(17,566)	-
Dividend paid by subsidiary to non-controlling interests of Smiles	(163,134)	(119,256)	(67,409)
Other	-	-	51
Net cash flows from (used in) financing activities	(1,062,783)	750,190	(309,584)
Foreign exchange variation on cash held in foreign currencies	(18,364)	281,993	(124,872)
Net increase in cash and cash equivalents	(510,125)	(826,441)	263,126
Cash and cash equivalents at beginning of the year	1,072,332	1,898,773	1,635,647
Cash and cash equivalents at the end of the year	562,207	1,072,332	1,898,773

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

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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

1. General information

Gol Linhas Aéreas Inteligentes S.A. (the “Company” or “GLAI”) is a publicly-listed company incorporated on March 12, 2004, under the Brazilian Corporate Law. The Company is a holding company of the following main subsidiaries: (i) Gol Linhas Aéreas S.A. (“GLA”, formerly “VRG Linhas Aéreas S.A.”, which is mainly engaged in (a) the regular and non-regular flight transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the regulator; and (b) other activities in relation to flight transport services provided in its by-laws; and (ii) Smiles S.A. (“Smiles”), which mainly operates (a) the development and management of its own or third party’s customer loyalty program, and (b) sale of redemption rights of awards related to the loyalty program.

Additionally, the Company is the direct parent Company of the wholly-owned subsidiaries GAC Inc. (“GAC”), Gol Finance Inc. (“Gol Finance”), Gol LuxCo S.A. (“Gol LuxCo”), Gol Dominicana Lineas Aereas SAS (“Gol Dominicana”) and indirect parent Company of Webjet Participações S.A. (“Webjet”).

The Company’s corporated address is located at Praça Comandante Linneu Gomes, s/n, concierge 3, building 24, Jardim Aeroporto, São Paulo, Brazil.

The Company’s shares are traded on the BM&FBOVESPA and on the New York Stock Exchange (“NYSE”). The Company adopted Level 2 Differentiated Corporate Governance Practices from BM&FBOVESPA and is included in the Special Corporate Governance Stock Index (“IGC”) and the Special Tag Along Stock Index (“ITAG”), which were created for companies committed to apply differentiated corporate governance practices.

The Company has in recent years faced a challenging scenario, which has negatively affected its results, liquidity and capital structure. In 2016, the Company embarked on a series of initiatives to adjust its capacity and network to the existing market conditions:

- **Fleet reduction.** In 2016, the Company reduced its operating fleet by 21 Boeing 737 aircraft, from 142 operational aircraft at the 2015 to 121 at the end of 2016, representing an average of 7.4 million seats, the most aggressive capacity reduction adopted by an airline in Brazil. The decrease in the number of aircraft was achieved by the return of aircraft under finance leases, sale of aircraft and sale of the Company’s rights to three aircraft deliveries from Boeing in 2016, which would have replaced outgoing fleet aircraft. In sale-leaseback transactions, the Company obtained low lease rates so as to maintain its operating costs (CASK) low.
- **Route network redesign.** In 2016, the Company changed its route network to focus on more profitable routes and reduced the number of take-offs and seats by 17.2% and 16.9% respectively, and the number of ASKs by roughly 7%;
- **Supplier negotiations.** Contractual obligations with key suppliers were adjusted to reduce costs and conform to the new network and fleet profiles. New 737 MAX aircraft deliveries were delayed until mid-2018;
- **Leasing contract negotiations.** Commercial terms of more than 70% of GLA’s aircraft operating leases were renegotiated, including returning aircraft, deferring and reducing aircraft return cost obligations and reducing lease payments. These changes are expected to result in cost reductions in operating leases in excess of US\$50 million in 2017; and

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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- **Operating cost reductions.** The Company implemented various operating cost-saving initiatives, including overhead reduction of 7.4%, introduction of part-time employees to offset reduced demand during low seasons and renegotiations with suppliers.

In addition to the Company's fleet rationalization and network redesign, the Company adjusted its capital structure and debt profile as follows:

- **Delta financing support.** Working closely with Delta, in August 2015, the Company entered into an unsecured term loan of US\$300 million, fully guaranteed by Delta. Being able to offer this guarantee allowed us to secure this financing on amounts and on terms that most likely would not have been available to us otherwise. The obligation to reimburse Delta if its guarantee is called upon is secured by a pledge to Delta of the Company's shares in Smiles. The financing support was extended in 2016 and early 2017 to a backstop guarantee up to US\$32.0 million and maintenance obligations of US\$50 million.
- **Advance ticket sales.** On February 26, 2016, GLA entered into a miles and tickets purchase agreement with Smiles, totaling up to R\$1.0 billion, providing for advance ticket sales to Smiles in various tranches through June 30, 2017. In 2016, Smiles disbursed a total of R\$760 million and, on February 3, 2017, another R\$120 million as part of this agreement.
- **Debt restructuring.** US\$175.7 million in senior unsecured bonds were exchanged for US\$81.5 million in newly issued secured bonds with maturities in 2018, 2021 and 2028 with a haircut in the amount owed of US\$101.7 million. The maturity of the outstanding R\$1.0 billion in debentures was extended to 2018 and 2019.

By the end of 2016, the Company had restructured its debt, reduced the size of its fleet and renegotiated certain of its aircraft lease and other obligations with key suppliers.

In addition, in February 2017, the company entered into a sale and leaseback agreement with AWAS for five Boeing 737 MAX 8 aircraft, with total value of US\$550.0 million, according to list prices.

Irregular Payments Investigation

In 2016, the Company received inquiries from Brazilian tax authorities regarding certain payments to firms that turned out to be owned by politically exposed persons in Brazil. Following an internal investigation, the Company retained U.S. and Brazilian legal counsel to conduct an external independent investigation to ascertain the facts with regard to these and any other payments identified as irregular and to analyze the adequacy and effectiveness of the Company's internal control and compliance programs in light of the findings of the investigation.

In December 2016, the Company entered into a leniency agreement with the Brazilian Federal Public Ministry (the "Leniency Agreement"), under which the Company agreed to pay R\$12.0 million in fines and to make improvements to its compliance program. In turn, the Federal Public Ministry agreed not to bring any criminal or civil suits related to activities that are the subject of the Leniency Agreement and that may be characterized as (i) acts of administrative impropriety and related acts involving politically exposed persons or (ii) other possible actions, which at the date of the Leniency Agreement had not been identified by the ongoing investigation (any such actions possibly resulting in an increase in the fines under the Leniency Agreement). In addition, the Company paid R\$4.2 million in fines to the Brazilian tax authorities related to the above-mentioned payments. The Company voluntarily informed the U.S. Department of Justice, the SEC and the CVM of the external independent investigation and the Leniency Agreement.

The external independent investigation was concluded in April 2017. It revealed that certain additional irregular payments were made to politically exposed persons. None of the amounts paid were material (individually or in the aggregate) in terms of cash flow, and none of our current employees, representatives or members of our board or management knew of any illegal purpose behind any of the identified transactions or knew of any illicit benefit to the Company arising out of the transactions investigated. The Company will be reporting the conclusions of the investigation to the relevant authorities in due course. These authorities may impose significant fines and possibly other sanctions on the Company.

During 2016, the Company took steps to strengthen and expand its internal control and compliance program. Among other measures, the Company commenced monitoring its transactions with politically exposed persons, and enhanced its procurement procedures and the procedures for the contracting and execution of services by outside providers. The Company will continue to further improve its internal controls and compliance programs.

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

The Company's consolidated financial statements were authorized for issue by Management on May 1, 2017.

2.1. Compliance statement

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

2.2. Basis of preparation

These financial statements were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value and investments measured using the equity method.

The Company's consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 were prepared based on the going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

Except for Gol Dominicana, which functional currency is U.S. dollar, the Company and its subsidiaries functional currency is the Brazilian Real. The presentation currency of these financial statements is the Brazilian Real.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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

Certain comparative amounts were reclassified to conform to the current year presentation.

Basis of consolidation

The consolidated financial statements comprise Gol Linhas Aéreas Inteligentes S.A., its direct and indirect subsidiaries, jointly controlled and associate, as presented below:

Entity	Date of constitution	Location	Operational activity	Type of control	% equity interest	
					12/31/2016	12/31/2015
GAC	03/23/2006	Cayman Islands	Aircraft acquisition	Direct	100.0	100.0
Gol Finance	03/16/2006	Cayman Islands	Financial funding	Direct	100.0	100.0
Gol LuxCo	06/21/2013	Luxemburg	Financial funding	Direct	100.0	100.0
GLA	04/09/2007	Brazil	Flight transportation	Direct	100.0	100.0
Webjet	08/01/2011	Brazil	Non-operational	Indirect	100.0	100.0
Smiles	06/10/2012	Brazil	Frequent flyer program	Direct	53.8	54.1
Gol Dominicana	02/28/2013	Dominican Republic	Non-operational	Direct	100.0	100.0
Jointly controlled:						
SCP Trip	04/27/2012	Brazil	Flight Magazine	Indirect	60.0	60.0
Associate:						
Netpoints	11/08/2013	Brazil	Loyalty program	Indirect	25.4	21.3

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

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

a) Cash and cash equivalents

Cash and cash equivalents include bank deposits and short-term investments with maturities of three months or less (or with no restriction period for redemption) which have high liquidity and are readily convertible into a known amount of cash and have an insignificant risk of change in value.

b) Short-term investments

Short-term investments are represented by financial investments with first-tier financial institutions and include exclusive investment funds.

c) Restricted cash

Restrict cash comprises mainly deposits in guarantee and linked to securities, and short and long term debt.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

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

d) Trade receivables

Trade receivables are measured based on cost, less allowances for doubtful accounts, which approximate their fair value, due to their short-term nature.

An allowance for doubtful accounts is recorded when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable through risk analysis and taking into account the historical analysis of the recovery of arrears. The allowance for doubtful receivables is the difference between the original book value and amount considered recoverable. Provision is made for all accounts overdue for more than 90 days for installment sales, travel and cargo agencies, and 180 days in respect of airline partners. Additionally, in some cases, the Company performs an individual analysis of overdue balances.

e) Inventories

Inventories are comprised primarily of maintenance and spare parts and materials, and are stated at the lower of cost and net realizable value. The cost of inventories is determined using the average cost method and includes expenses incurred in their acquisition and transportation to their current location. The provision for inventory obsolescence is recorded when losses are probable.

f) Financial assets and liabilities

Financial assets

After initial recognition, these are measured in each balance sheet with the predefined classification, based on the purposes for which they were acquired or issued, as described below:

i. Financial assets at fair value through profit or loss: include financial assets held for trading (i.e., acquired primarily for the purpose of sale in the short term) and financial assets designated upon initial recognition at fair value through profit or loss. Interest, inflation adjustment, foreign exchange changes and changes arising from the adjustment to fair value are recognized in profit or loss under financial income or financial expenses, when earned or incurred. The Company has cash equivalents, shortterm investments and restricted cash classified under this category.

ii. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. These are measured at amortized cost after initial recognition under the effective interest method, less possible impairment losses, when applicable, and changes are recognized in profit or loss, as financial income or financial expenses, when earned or incurred. The Company does not have financial assets classified under this category.

iii. Loans and receivables: with fixed or determinable payments that are not quoted in an active market which are measured at amortized cost after initial recognition under the effective interest method. Interest, inflation adjustment, foreign exchange changes, less impairment losses, when applicable, are recognized in profit or loss under financial income or financial expenses, when earned or incurred. The Company has mainly bank deposits and trade receivables classified under this category.

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For the years ended December 31, 2016, 2015 and 2014

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

iv. Available for sale financial assets: include financial assets not classified under the categories above, measured at fair value, and the respective gains and losses resulted by market adjustments are recognized in “Other comprehensive income (loss)” in equity until the investment is sold, and any gains and losses previously accumulated are reclassified to profit or loss. The Company does not hold financial assets under this category.

Financial liabilities

i. Financial liabilities at fair value through profit or loss: include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss, except those designated as hedge instruments. They are remeasured at fair value at every balance sheet date. Interest, inflation adjustment, foreign exchange changes and changes arising from measurement at fair value, when applicable, are recognized in the profit or loss when incurred. The Company classifies under this category derivatives not designated as hedging instruments.

ii. Loans and borrowings: financial liabilities that are not regularly traded before maturity. After initial recognition, they are remeasured at amortized cost using the effective interest method. Interest, inflation adjustment and foreign exchange changes, if applicable, are recognized in profit or loss when incurred. The Company recognized under this category current and noncurrent short and long term debt (including finance leases) and trade accounts payable.

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

- Not designated as hedge accounting: the Company may use derivative financial instruments as not designated as hedge accounting when the objectives of the risk Management do not require such classification. The non-designated operations have movements in fair value directly recognized in financial results.
- Designated as cash flow hedge: hedge the income or expenses from the fluctuations on exchange rates. The effectiveness is based on statistical correlation methods and the ratio between gains and losses on the financial instruments used as hedge, and the cost and expense fluctuation of the hedged items. The instruments are considered as effective when the fluctuation in the value of derivatives offsets between 80% and 125% the impact of the price fluctuation on the cost or expense of the hedged item. The balance of the actual fluctuations in the fair values of the derivatives are classified in equity (under “Other comprehensive income (loss)”) and the ineffective gains or losses are recognized in profit or loss (under “Financial results”), until the revenue recognition or hedged expense under the same item of profit or loss in which the item is recognized.

GOL Linhas Aéreas Inteligentes S.A.

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For the years ended December 31, 2016, 2015 and 2014

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

Derecognition: the Company writes off a financial asset only when the contractual rights to the cash flows from the asset expire, or transfers the asset and substantially all the risks and benefits of ownership to a third party. If the Company does not transfer nor retains substantially all the risks and benefits of ownership of the financial asset, but continues to control the transferred asset, the Company recognizes the participation retained and its liabilities on the values that it will have to pay. If the Company retains substantially all the risks and benefits of ownership of the financial asset transferred, the Company continues recognizing this asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Hedge accounting is discontinued prospectively when the Company (i) cancel the hedge operation; (ii) the derivative matures or is sold, terminated, or exercised, or (iii) when no longer qualifies as hedge accounting. If the operation is discontinued, any gains or losses previously registered and accumulated in equity in "Other comprehensive income (loss)" until that date are registered on statement of operations as the operation is registered. When the Company expects that the hedge operation will no longer occur, the accumulated and deferred gains or losses in equity are immediately recorded in profit or loss, under the same line that it was initially recorded.

Offsetting of financial instruments: financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

g) Deposits

Aircraft and engine maintenance deposits: refer to payments made in U.S. dollars by the Company to commercial lease companies to be used in future aircraft and engine maintenance work. The realization of these assets occurs substantially by utilization of the deposits to pay the maintenance services and the receipts of funds, according to the negotiations with the lessors. The exchange rate variations arising from payments, net of uses for maintenance, are recognized as an expense or revenue in the financial results. Management performs regular reviews of the recovery of maintenance deposits based on future maintenance events, and believes that the amounts recorded in the consolidated financial position are recoverable.

Certain lease agreements establish that if a maintenance event does not occur, the deposits are not refundable. Any excess amounts retained by the lessor upon termination of the lease agreement are recognized in profit or loss, under "maintenance, materials and repairs".

Additionally, the Company maintains agreements with some lessors under which the deposits have been replaced by letters of credit, which can be executed by the lessor if the aircraft maintenance is not performed as scheduled. Many of the aircraft lease agreements do not require maintenance deposits and are guaranteed with letters of credit. As of December 31, 2016, no letter of credit has been executed.

Deposits in guarantee and collaterals for lease agreements: the deposits in guarantee and collaterals are denominated in U.S. dollars, and are adjusted on a monthly basis for foreign exchange fluctuations, they do not bear interest and are reimbursable to the Company upon termination of the agreements.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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

h) Leases and sale-leaseback transactions

In accordance with IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee, or meet the following conditions:

- i. the lease transfers ownership of the asset to the lessee at the end of the lease agreement;
- ii. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, is reasonably certain that the option will be exercised;
- iii. the lease term is the most part of the economic asset life, even if the title is not transferred;
- iv. at the beginning of the lease, the present value of minimum lease payments represents substantially all the fair value of the leased asset;
- v. the leased assets are of such a specialized nature such that only the lessee can use them without major modifications.

The difference between the present value and the total amount of falling due installments is charged to profit or loss as financial expenses. The corresponding obligation to the lessor is accounted for as short and long term debt. The aircraft held under finance leases, which have a purchase option at the end of the contract, are depreciated on a straight-line basis over the useful life at rates calculated to write down the cost to the estimated residual value of 20% based on market price valuations. All other aircraft recorded in property, plant and equipment, when there is no reasonable certainty that the Company will obtain ownership of the property at the end of the contractual term, are depreciated over the shorter of the useful life of the assets and the lease agreement. The other leases are classified as operating leases and are recognized as an expense in profit or loss on a straight-line basis over the term of the lease agreement.

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term in "Aircraft leases". Future payments are not recognized in the financial statements but are future commitments undertaken are presented on Note 26.

Gains or losses related to sale-leaseback transactions classified as an operating lease after the rights sale are accounted as follows:

- Immediately recorded in profit or loss when it is clear that the transaction is established at fair value;
- If the sale price is below fair value, any profit or loss is immediately recognized as other (expense) income, however if the loss is compensated by future lease payments at below or above market price (the gains or losses are deferred and amortized in proportion to the lease payments during the period that the assets will be used);
- In the event of the sale price being higher than the fair value of the asset, the value exceeding the fair value is deferred and amortized during the period when the asset is expected to be used. The amortization of the gain is recorded as a reduction in lease expenses.

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The amount of deferred losses is recorded as other current or noncurrent assets, and the amount of deferred gains is recorded as other liabilities. The breakdown between short and long-term is based on the lease terms.

If the sale-leaseback transactions results in finance lease, any excess proceeds over the carrying amount shall be deferred and amortized over the lease term. The Company did not enter into any sale-leaseback transaction that resulted in a financial lease during the years ended December 31, 2016, 2015 and 2014.

i) Property, plant and equipment

Property, plant and equipment, including rotable parts, are recorded at acquisition or construction costs, including interest and other financial charges. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. The estimated useful life for property and equipment, for depreciation purposes, is disclosed in Note 14.

The estimated market value at the end of its useful life is a premise for measuring the residual value of the Company's property, plant and equipment. Except for aircraft with purchase option at the end of the agreements, the other items have no residual value. The residual value and the useful life of assets are reviewed annually and adjusted, if necessary.

The carrying amount of the property, plant and equipment is analyzed in order to verify possible impairment losses when events or changes in circumstances indicate that the book amount is higher than the estimated recoverable amount.

A write-off of a property, plant and equipment item occurs after disposal or when there is no future economic benefits resulting from continued use of the asset. Any gains or losses on property, plant and equipment sales or write-offs are determined by the difference between the values received in the sale and the asset's book value, and are recognized in the statement of operations.

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

Advances for aircraft acquisition: refer to prepayments made based on the agreements entered into with Boeing for the purchase of Boeing 737-800 Next Generation and 737- MAX aircraft. The advances are recorded by historical exchange rate at the conversion date.

Lease agreements: assets held through finance leases, when the risks and rewards are transferred to the Company, the asset is registered on the balance sheet. At the beginning of the lease agreement, the Company registers the financial lease as asset and the liability at fair value, or, if lower, the present value of the minimum lease payments.

The leased asset is depreciated over the useful life of the asset. However, when it is uncertain that ownership will be transferred to the Company at the end of the lease agreement, the asset is depreciated over its expected useful life or the contractual lease term period, whichever is shorter.

Other engine and aircraft leases are classified as operating leases and lease expense on a straight-line basis on the statement of operations.

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Aircraft and engine redelivery expenses: the Company records a provision for future costs to be incurred upon the aircraft return. Such provision is determined based on the the estimated costs to be incurred upon redelivery and the contractual requirements of operating lease agreements as described in Note 14. After initial recognition, the corresponding asset is depreciated on a straight line basis over the terms of the contract.

Capitalization of the costs from major maintenances of aircraft and engines: costs on major maintenance (including replacement and labor parts) are capitalized only when there is an extension of the estimated useful life of the aircraft or the engine. Such costs are capitalized and depreciated until the next major maintenance. Incurred costs that do not extend the useful life of the aircraft or the engine, or related to other components of the aircraft are recognized directly in profit or loss.

j) Intangible assets

Intangible assets are non-monetary assets without physical properties, which carrying amount of intangible assets with indefinite life is tested for impairment annually or when strong evidence of changes in circumstances indicates that the carrying amount may not be recoverable.

Goodwill: goodwill is annually tested for impairment by comparing the carrying amount of the cash-generating units (GLA and Smiles) with its recoverable amount. Management exercises considerable judgment to assess the impact of operating and macroeconomic changes in order to estimate the future cash flows and measure the recoverable amount of that asset.

Airport operating rights: airport operating rights were acquired as part of the acquisition of GLA and of Webjet, and were recognized at fair value at the acquisition date and are not amortized. Those rights are considered to have an indefinite useful life due to several factors and considerations, including requirements and necessary permits to operate within Brazil and limited slot availability in the most important airports in terms of traffic volume. The carrying value of these rights is evaluated annually as to its recoverable amount or in case of changes in circumstances indicates that carrying values may not be recoverable. No impairment has been recorded until as of the balance sheet date.

Software: The costs related to the acquisition or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period on a straight-line basis in accordance with the software agreement.

k) Income taxes

The income tax and social contribution expenses are represented by the sum of current and deferred income taxes.

Current income taxes: the provision for income tax and social contribution is based on the taxable income. The provisions for income and social contribution taxes are calculated for each company on a stand alone basis using statutory rates in effect at the end of the year.

Deferred income taxes: deferred income taxes are recognized on temporary differences and net operating losses carryforward at the end of the reporting date between the balances of assets and liabilities recorded in the financial statements and their tax basis used in calculation of taxable income.

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The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is not probable that sufficient taxable income will be incurred to allow all or part of the deferred tax asset to be realized.

Deferred tax related to items recognized directly in equity is also recognized in equity. Deferred tax items are recognized in accordance with the transaction that gave rise to the deferred tax, in other comprehensive income (loss) or directly in equity. Deferred tax assets are recognized only if they are expected to be realized.

Net operating losses carryforward are recorded based on the expected future taxable income for each company, in accordance with legal limitations.

The calculation of the expected future taxable income is based on the business plan, and are annually reviewed and approved by the Company's Board of Directors.

l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation.

Provision for aircraft return: for aircraft operating leases, the Company is contractually required to return the equipment in a predefined level of operational capability. In these cases, the Company accrues the cost of returning, since these are present obligations arising from past events that will generate future disbursements, whose measurement is made with reasonable assurance. These costs are primarily related to expenses of aircraft reconfiguration (interior and exterior), obtaining licenses and certifications techniques, painting, etc. according to return agreement clauses. The estimated cost is initially recorded at present value and the consideration of the provision for aircraft return is made under "Aircraft reconfigurations/overhauling" of property, plant and equipment (see Note 14). After initial recognition, the asset is depreciated on a straight-line basis and liabilities updated according to the discount rate estimated by the Company with the result shown in financial result. Any changes in the estimated costs to be incurred are recorded prospectively.

Provision for engine return: the provision is estimated based on the minimum contractual conditions that the equipment must have when returned to the lessor, considering the historical costs incurred and the conditions of the equipment at the time of evaluation. These provisions are recorded in profit or loss from the time that the minimum contract requirements are reached and the next maintenance is scheduled for a date later than the date set for the return of the engine. The Company estimated the provision for engine return in accordance with the expenditure that is intended be incurred, and, when the effect of the money value over time is considerate relevant, the provision amount will be the present value of the expenses that are expected to settle the obligation. The agreement maturity will be based on the date that the return of aircraft leased is expected, i.e., or the lease term.

Provision for legal proceedings: Provisions are recorded for all the lawsuits that represent probable loss according to its individual assessment, considering the estimated financial outflow. If the Company expects that some or all of the provision to be reimbursed, the reimbursement is recorded as a separate asset. The expense related to any provision is presented in the statement of operations, net of any reimbursement.

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m) Revenue recognition

The passenger revenue is recognized when air transportation services are actually provided to the passenger. Tickets sold but not yet used are recognized as advance ticket sales and correspond to deferred revenue from tickets sold to be transported in a future date, net of tickets that will expire in accordance with the Company's expectations (breakage). Breakage consists of the statistical calculation, on a historical basis, of unused, expired tickets, i.e., passengers to be transported that have a high probability of not flying. The Company periodically records adjusted deferred revenues based on tickets which have actually expired.

Revenues from cargo shipment are recognized when transportation is provided. Other revenues include charter services, onboard sales services, tickets exchange rates, and other additional services, and are recognized when the service is provided.

n) Deferred revenue

The "Smiles Loyalty Program" is designed to retain its customers through the grant of mile credits to its participants. The obligation created by the issuance of miles is measured based on the price that the miles were sold to its airline and non-airline partners, classified by the Company as the fair value of the transaction. The revenue recognition occurs when the miles are redeemed by the Smiles Program participants to exchange the rewards with its partners.

In the consolidated financial statements, the revenue due to exchange of miles from the program and the flight tickets sales is only recognized when the flight transportation is provided.

o) Share-based payments

Stock options: the fair value of stock options granted to executives is estimated at the grant date using the Black-Scholes pricing model and the expense is recognized in profit or loss during the period that the right is acquired (vesting period), based on estimates which granted shares will be acquired, with a corresponding entry in equity.

Restricted shares: the transfer of restricted shares to its beneficiaries is made at the end of three years from the grant date, provided that the recipient has maintained its employment during that period. This transfer takes place through treasury shares, whose value per share is determined by the market price on the date of transfer to the beneficiary. Gains related to differences in the fair value of the share at the grant date and the value on the date of transfer of restricted shares are recorded in equity in capital reserves under "Goodwill on transfer of shares".

The impact of the review of the amounts of the restricted shares or shares to be acquired in comparison with the original estimates, if any, is recognized in profit or loss, such as the cumulative expense reflects the revised estimate, with a corresponding adjustment in equity.

p) Segment information

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The Company has two reportable segments, as described below:

Flight transportation: the operations are derived from GLA and consist of air transportation services and the major assets that contribute to the generation of revenues are its aircraft. Other revenues primarily arise from cargo, excess baggage charges and cancellation fares, all directly attributable to flight transportation services.

Smiles loyalty program: the operations in this segment are represented by miles sales transactions to airline and non-airline partners. Under this context, the program management, marketing and rights of redemption of prizes and creating and managing the database of individuals and corporations.

q) Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time that the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are subsequently calculated based on the conversion using the exchange rate at the balance sheet date and differences resulting from the currency calculated based on conversion are recognized in profit or loss in financial results under "Exchange rate variation, net".

r) Main accounting estimates and assumptions adopted

The process of preparing these financial statements often requires that Management adopts assumptions, judgments and estimates that may affect the application of the policies and amounts of assets and liabilities, revenues and expenses. The actual results may differ from the adopted estimates, since such use historical experience and some assumptions that are believed to be appropriate under the circumstances. The reviews of accounting estimates are recognized in the same period in which the assumptions are reviewed and the effects are recognized on a prospective basis.

The estimates and assumptions that have a significant risk of material adjustments on the amounts of assets and liabilities are discussed below:

Impairment of financial assets: the Company estimates any impairment losses at every balance sheet date, or when there are evidences that the carrying amounts may not be recoverable. Problems in repatriation or usage of financial assets in other countries are indicative for impairment tests.

Impairment of non-financial assets: the Company assesses if there are indications of impairment for all non-financial assets at the balance sheet date, or when there is evidence that the carrying amount may not be recoverable. The recoverable values of the cash-generating unit were determined using its value-in-use. The value-in-use is determined based on the assumption of discounted cash flows.

Income taxes: The Company believes that the tax positions taken are reasonable. However, it recognizes that the authorities may question the positions taken which may result in additional liabilities for taxes and interest. The Company recognizes provisions that involve considerable judgment of the management. The provisions are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax authorities, additional exposures based on identification of new issues or court decisions affecting a particular tax issue. Actual results can differ from estimates.

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Breakage: As part of the process of revenue recognition, flight tickets issued that will not be used and miles issued that will not be redeemed are estimated and recognized as revenue at the moment of the sale and issuance, respectively. These estimates, referred to as breakage, are reviewed annually and are based on historical data of expired flight tickets and expired miles.

Allowance for doubtful accounts: the allowance for doubtful accounts is recorded in the amount considered sufficient by the management in order to cover possible losses on trade receivables arising from receivables, considering the risks involved. The Company periodically evaluates its receivables and, based on historical data, combined with risk analysis per customer, registers the allowance for losses.

Provision for legal proceedings: provisions are recorded for all lawsuits that represent probable losses, according to the loss probability, which includes the assessment of available evidence, including the legal consultants' opinion, internal and external, the proceedings nature and past experiences. Additionally, the provisions are periodically reviewed and the management believes that the provisions recorded are sufficient, based on the probability of loss. However, significant changes in judicial decisions can have significant impacts on the Company's financial statements.

Provision for aircraft return: the Company estimates the provision for aircraft returns considering the costs in accordance with returns conditions agreements as set out in the return conditions in the lease agreements.

Provision for engine return: the Company records the provision for engine return based on an estimate of the agreement obligation of each engine return and recorded in the statement of operations only in the period between the last maintenance and the date of return of the components.

Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are based on observable markets, when possible; however, when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

2.3. New standards, amendments and interpretations

a) Issued by the IASB, not effective until the date of these financial statements and have not been early adopted by the Company:

IFRS 9 Financial Instruments:

In July 2014, the IASB issued the final version of IFRS 9 – “*Financial Instruments*”, that replaces the IAS 39 – “*Financial Instruments: Recognition and Measurement*” and all previous versions of IFRS 9. The standard introduces new requirements on classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and, based on the instruments in effect until the moment, the Company does not expect significant impacts on the classification and measurement of its financial liabilities.

IFRS 15 Revenue from Contracts with Customers:

In 2014, the International Accounting Standards Board (IASB) issued standard IFRS15 - Revenue from Contracts with Customers, which will be in effect for fiscal years beginning on or after January 1, 2018. IFRS15 presents revenue recognition principles based on a five-step model to be applied to all contracts with customers, in accordance with the entity's performance requirements. The Company expects to adopt the new standard on the date it becomes effective using the full retrospective method. In 2016, the Company carried out a preliminary assessment of IFRS 15, which is subject to changes due to more detailed analyses that are still in progress. Among the main challenges for the adoption of IFRS 15, the Company believes that the recognition of the following revenues may change compared with the current format:

a) Passenger revenue arising from codeshare agreements: corresponds to agreements where two or more airlines get into an agreement to provide air transportation services. In situations when the Company will work as the principal, revenue will be recognized based on the gross value of the transaction (price of the ticket to the final customer), rather than on the portion that corresponds only to the service provided by the Company.

b) Ancillary revenue: comprises all revenue related to air transportation services, such as excess baggage, cancellation fees, refunds, among others. These revenues must be assessed and classified as "distinct" or "related to the main service", and are recognized only when the air transportation service incurred. In this regard, the Company does not expect significant changes, since these revenues are already recognized based on this criteria, at the moment of recognition of passenger transportation revenue. Accordingly, the recognition of ancillary revenue is already in line with the new standard.

c) Recognition of revenue from the loyalty program: considering that the Smiles program works as a separate entity and that the allocation of the fair value corresponds to the amount for which the mile has been sold, the Company does not expect any material impact on the calculation of the transaction price for separate performance obligations.

d) Breakage revenue: comprises the expectation of mileage and tickets that are not likely to be used by the customer. To recognize these revenues, the Company uses analysis tools and statistical data that allow the estimate to be calculated with a reasonable level of certainty. Given the standard's specific requirements regarding this, the Company does not believe that the implementation of IFRS 15 will cause material impacts.

Although the pronouncement allows for early adoption as of January 1, 2017, the Company will only adopt the new standard as of January 1, 2018. Additionally, the Company will continue assessing the impacts from the adoption of the new standard and will disclose additional information as the analyses are concluded.

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IFRS 16 Leases:

In January 2016, the IASB issued the final version of “IFRS 16 – Leases”, which establishes the principles for recognition, measurement, presentation and disclosure of lease operations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019. IFRS 16 requires that, for the majority of leases, the lessor records an asset related to the right of use of the leased item, and a liability related to the lease. The Company has 96 of 130 aircraft leased, the adoption of this standard will have a material impact on the Company, with the potential increase in the assets corresponding to the right of use of the leased item and liabilities related to the leases, which will be recorded in the statements of financial position as of the adoption date.

b) Additionally, the following new standards, amendments and interpretations were issued or revised by IASB and applied for the first time in 2016:

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization – The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applicable prospectively for annual periods beginning on or after January 1, 2016;
- Amendments to IAS 27 – Equity Accounting in Separate Financial Statements – The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments do not have any impact on the Company’s consolidated financial statements.

The amendments are applicable prospectively for annual periods started on or after January 1, 2016;

Annual improvements –2012-2014 Cycle – Applicable to annual periods started on or after July 1, 2016;

- IFRS 7 Financial Instruments – Disclosure - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.
- IAS 34 Preparation and disclosure of interim financial reporting. The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively;

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- Amendment to IAS 1 – Disclosure Initiative – The amendments clarify: (i) the materiality requirements in IAS 1; (ii) that specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to financial statements; (iv) that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI. The amendments are applicable prospectively to annual periods beginning on January 1, 2016, with early adoption being allowed;

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception – The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 - Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments are applicable prospectively to annual periods beginning on January 1, 2016, with early adoption being allowed.

There are no other standards and interpretations issued but not yet adopted that, in Management's opinion, have a significant impact on the Company's results or equity.

3. Cash and cash equivalents

	12/31/2016	12/31/2015
Cash and bank deposits	246,528	629,638
Cash equivalents	315,679	442,694
	562,207	1,072,332

The breakdown of cash equivalents is as follows:

	12/31/2016	12/31/2015
Private bonds	45,882	207,997
Investment funds	269,797	234,697
	315,679	442,694

As of December 31, 2016, the cash equivalents were comprised by private bonds (Bank Deposit Certificates - "CDBs"), buy-back transactions and time deposits, remunerated at a weighted average rate equivalent to 52% (97% as of December 31, 2015) of the Interbank Deposit Certificate rate ("CDI") on the onshore investments.

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

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4. Short-term investments

	12/31/2016	12/31/2015
Private bonds	77,080	196,283
Government bonds	41,104	12,769
Investment funds	313,049	282,668
	431,233	491,720

As of December 31, 2016, the private bonds were represented by time deposits and financial letters with first-rate financial institutions, remunerated at a weighted average rate equivalent to 38% (110% as of December 31, 2015) of the CDI rate on onshore investments.

Government bonds are primarily represented by LFT, LTN and NTN remunerated at a weighted average of 102% (98% as of December 31, 2015) of the CDI rate.

Investment funds include private and government bonds remunerated at a weighted average of 101% (83% as of December 31, 2015) of the CDI rate, and the value may be subject to significant changes before redemption or maturity.

5. Restricted cash

	12/31/2016	12/31/2015
Margin deposits for hedge transactions (a)	-	101,075
Deposits in guarantee of letter of credit (b)	15,721	359,604
Escrow deposits (c)	67,345	63,978
Escrow deposits - Leases (d)	78,015	158,835
Escrow deposits - Citibank (e)	-	48,810
Other deposits	7,688	3,102
	168,769	735,404
Current	-	59,324
Noncurrent	168,769	676,080

(a) The balance as of December 31, 2015 was US\$27,411 denominated in U.S. dollars, remunerated by Libor rate (average remuneration of 0.5% p.a.).

(b) In the year ended December 31, 2016, the Company paid loans to Banco Safra and, therefore, redeemed the amount of R\$117,618 related to GLA's guaranteed operations, and R\$68,333 related to Webjet's guaranteed operations. Additionally, the Company redeemed R\$100,000 related to Finimp transactions (see Note 16). The remaining amounts relate mainly to judicial deposits related to labor claims and Finimp agreements.

(c) Includes R\$29,360 related to a contractual guarantee for Supreme Court of Justice (STJ) related to PIS and COFINS on interest attributable to shareholders' equity paid to GLAI as described in Note 20b. The other amounts relate to guarantees of GLA letters of credit.

(d) Related to deposits required to obtain letters of credit for aircraft operating leases from GLA.

(e) The amount as of December 31, 2016 is related to an additional escrow deposits with Delta Air Lines Inc. related to the Term Loan guarantee. During the year ended December 31, 2016, the Company had not exceeded the contractual limits that would require a deposit of this type, therefore the balance was fully redeemed.

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6. Trade receivables

	12/31/2016	12/31/2015
Local currency		
Credit card administrators	345,798	115,236
Travel agencies	228,089	248,644
Cargo agencies	41,926	31,916
Airline partners companies	4,153	3,056
Other	66,774	52,651
	686,740	451,503
Foreign currency		
Credit card administrators	49,104	32,725
Travel agencies	16,323	9,704
Cargo agencies	2,215	321
Airline partners companies	31,200	18,756
Other	8,837	-
	107,679	61,506
	794,419	513,009
Allowance for doubtful accounts	(34,182)	(50,389)
Total trade receivables	760,237	462,620

The aging list of trade receivables is as follows:

	12/31/2016	12/31/2015
Not yet due	664,317	420,194
Overdue until 30 days	19,117	14,253
Overdue 31 to 60 days	5,623	7,500
Overdue 61 to 90 days	7,843	3,376
Overdue 91 to 180 days	23,109	10,071
Overdue 181 to 360 days	24,279	21,199
Overdue above 360 days	50,131	36,416
	794,419	513,009

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

	12/31/2016	12/31/2015
Balance at beginning of the year	(50,389)	(83,837)
Additions	(9,806)	(39,287)
Unrecoverable amounts	16,250	57,514
Recoveries	9,763	15,221
Balance at the end of the year	(34,182)	(50,389)

7. Inventories

	12/31/2016	12/31/2015
Consumables	27,281	28,677
Parts and maintenance materials	160,884	176,804
Others	6,867	6,199
Provision for obsolescence	(12,444)	(12,444)
	182,588	199,236

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The changes in the provision for obsolescence are as follows:

	12/31/2016	12/31/2015
Balances at the beginning of the year	(12,444)	(12,858)
Addition	-	(2,273)
Write-off and reversal	-	2,687
Balances at the end of the year	(12,444)	(12,444)

8. Deferred and recoverable taxes

8.1. Recoverable taxes

	12/31/2016	12/31/2015
Prepaid income taxes	51,215	78,775
Withholding income tax (IRRF) (a)	9,601	6,803
PIS and COFINS (b)	16,908	17,465
Withholding tax of public institutions	8,130	14,378
Value added tax – IVA (c)	12,044	11,252
Others	1,449	2,786
Total	99,347	131,459
Current assets	27,287	58,074
Noncurrent assets	72,060	73,385

(a) IRRF: withholding income tax levied on financial income from financial investments.

(b) Contributions to Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS).

(c) IVA: Value added tax on sales of goods and services abroad.

8.2. Deferred tax assets (liabilities) - Noncurrent

	12/31/2016	12/31/2015
Net operating losses carryforward		
Income tax losses	9,149	5,122
Negative basis of social contribution	3,294	1,844
Temporary differences:		
Mileage program	9	5,422
Allowance for doubtful accounts and other credits	13,823	13,980
Provision for losses on VRG's acquisition	143,350	143,350
Provision for legal proceedings and tax liabilities	17,487	12,518
Aircraft return	32,515	39,731
Derivatives recorded in other comprehensive income	-	92,180
Derivative transactions not settled	7,484	(4,454)
Derivative transactions settled	(5,849)	-
Tax benefit due to goodwill incorporation (*)	29,177	43,765
Flight rights	(353,226)	(353,226)
Depreciation of engines and parts for aircraft maintenance	(148,581)	(167,577)
Reversal of goodwill amortization on VRG's acquisition	(127,659)	(127,659)
Aircraft leases	30,589	75,051
Other	117,577	82,386
Total deferred taxes, net	(230,861)	(137,567)
Deferred tax assets – noncurrent	107,159	107,788
Deferred tax liabilities – noncurrent	(338,020)	(245,355)

(*) Related to the tax benefit from the reverse merger of G.A. Smiles Participações S.A. by Smiles. Under the terms of the current tax legislation, the goodwill amortization for tax purposes will be a deductible expense on the taxable income calculation.

The Company, GLA and Webjet have net operating losses carryforward, represented by income tax losses and negative basis of social contribution. The net operating losses carryforward do not expire, however, the compensation is limited to 30% of the annual taxable income. Net operating losses carryforward are as follows:

	GLAI		GLA		Webjet	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Income tax losses	190,125	175,583	3,971,845	3,202,891	867,403	870,646
Negative basis of social contribution	190,125	175,583	3,971,845	3,202,891	867,403	870,646

As of December 31, 2016, the tax credits from tax losses carryforward were recorded based on the reasonably expected generation of future taxable income of GLAI and its subsidiaries, subject to legal limitations. The determination of the expected future taxable income were prepared based on the business plan approved by the Board of Directors on January 31, 2017.

The Company's Management considers that the deferred assets recognized as of December 31, 2016 arising from temporary differences will be realized in connection with the deferred tax liabilities and future results.

The analysis of the realization of deferred taxes assets was prepared on a company basis as follows:

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GLAI: the Company has tax credits of R\$65,618, of which R\$64,643 is related to net operating losses carryforward and R\$975 is related to temporary differences, with realization supported by the long term plan of the Company. However, for the year ended December 31, 2016, the Company assessed the projections of results and did not recognize the amount of R\$52,201 related to credits from net operating losses carryforward.

GLA: GLA has tax credits on net operating losses carryforward of R\$1,350,427. However, in view of recent events on the political scenario in Brazil, instability of the economic environment, constant fluctuations in the U.S. dollar exchange rate and other variables that significantly affect the projections of future results, as well as, the history of losses in recent years, the Company has not recorded the recognition of total tax credits on net operating losses carryforward. Additionally, the Company analyzed the realization of deferred tax assets on temporary differences and limited the recognition based on the expected realization of deferred tax liabilities on temporary differences. As a result, the Company did not recognize the net amount of R\$538,668 of deferred tax assets on temporary differences.

Smiles: Smiles does not have net operating loss carryforwards. The deferred tax credit is comprised only by temporary differences which, according to the history and projections of taxable results, has an expectation of realization.

Webjet: the forecast did not present sufficient taxable income to be realized over future periods, and as a result, tax credits of R\$294,917 has not been recorded.

The reconciliation of income taxes expense for the years ended December 31, 2016, 2015 and 2014, is as follows:

	2016	2015	2014
Loss before income taxes	1,361,422	(3,447,100)	(952,680)
Combined tax rate	34%	34%	34%
Income tax credits at the combined tax rate	(462,883)	1,172,014	323,911
Adjustments to calculate the effective tax rate:			
Equity results	(435)	(1,340)	(846)
Tax losses from wholly-owned subsidiaries	56,239	(83,702)	(56,882)
Income tax on permanent differences and other	3,803	1,920	(8,716)
Nontaxable revenues (nondeductible expenses), net	(41,913)	(111,828)	(164,330)
Interest attributable to shareholders' equity	3,543	4,673	11,848
Exchange variation on foreign investments	242,190	(502,938)	(75,224)
Benefit on tax losses and temporary differences not constituted	(59,602)	(1,322,939)	(216,884)
Other	-	-	22,522
Income taxes expense	(259,058)	(844,140)	(164,601)
Current income taxes	(257,944)	(196,140)	(120,784)
Deferred income taxes	(1,114)	(648,800)	(43,817)
	(259,058)	(844,140)	(164,601)

9. Deposits

	12/31/2016	12/31/2015
Judicial deposits (a)	432,182	329,248
Maintenance deposits (b)	584,149	515,940
Deposits in guarantee for lease agreements (c)	172,661	174,886
	1,188,992	1,020,074

(a) Judicial deposits

Judicial deposits and escrow accounts represent guarantees of lawsuits related to tax, civil and labor claims deposited in escrow until the resolution of the related claims. Part of the amount in escrow accounts is related to civil and labor claims arising from the succession orders on claims against Varig S.A. and proceedings filed by employees that are not related to the Company or any related party (third-party claims). As the Company is not correctly classified as the defendant of these lawsuits, whenever such blockages occur, the exclusion of such is requested in order to release the resources. As of December 31, 2016 the blocked amounts regarding the Varig' succession and the third-party lawsuits were R\$101,352 and R\$77,695, respectively (R\$92,496 and R\$75,406 as of December 31, 2015, respectively).

(b) Maintenance deposits

The Company made deposits in U.S. dollars for maintenance of aircraft and engines that will be used in future events as set forth in some lease contracts.

The maintenance deposits do not exempt the Company and its subsidiaries, as the lessee, neither from the contractual obligations relating to the maintenance of the aircraft nor from the risk associated with maintenance activities. The Company and its subsidiaries hold the right to select any of the maintenance service providers or to perform such services internally.

The Company holds two categories of maintenance deposits:

- i. Maintenance guarantee: related to single deposits that are refunded at the end of the agreement, which may also be used in maintenance events, depending on negotiations with the lessors. The balance as of December 31, 2016 was R\$336,318 (R\$254,758 as of December 31, 2015).
- ii. Maintenance reserve: related to amounts paid monthly based on the utilization of aircraft components, which can be used in maintenance events, according to the lease agreement. As of December 31, 2016, the balance of this reserve was R\$247,831 (R\$261,182 as of December 31, 2015).

(c) Deposits in guarantee for lease agreements

As required by some lease agreements, the Company and its subsidiaries hold guarantee deposits in U.S. dollars on behalf of the leasing companies, whose full refund occurs upon the contract expiration date.

10. Transactions with related parties

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

All the agreements related to transportation and consulting services are held by GLA. The related parties for these services are listed below, together with the object of the agreements and their main contractual conditions:

Breda Transportes e Serviços S.A.: provides airport shuttle services for passengers, luggage and employees. Pursuant to the agreement, prices may be adjusted at 12-month intervals to hold for the same period through an amendment to be signed by the parties, monetarily restated annually based on the IGPM fluctuation (General Market Price Index from Getulio Vargas Foundation). This agreement is currently being renewed.

Expresso União Ltda.: provides transportation to employees, and the agreement expires on April 02, 2018.

Pax Participações S.A.: provides consulting and advisory services, and the agreement expires on April 30, 2017.

Aller Participações S.A.: provides air cargo transportation services, and the agreement has no expiration date.

Limmat Participações S.A.: provides air cargo transportation services, and the agreement has no expiration date.

As of December 31, 2016, GLA recognized total expense related to these services of R\$13,013, R\$16,106 and R\$13,319 for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the balance payable to the related parties was R\$800 and R\$2,085, respectively, and was mainly related to services provided by Breda Transporte e Serviços S.A.

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

In September 2011, GLA entered into agreements with the related parties Pássaro Azul Taxi Aéreo Ltda., Empresa de Ônibus Pássaro Marrom S/A., Viação Piracicabana Ltda., Thurgau Participações S.A., Comporte Participações S.A., Quality Bus Comércio De Veículos Ltda., Empresa Princesa Do Norte S.A., Expresso União Ltda., Breda Transporte e Serviços S.A., Oeste Sul Empreendimentos Imobiliários S.A. Spe., Empresa Cruz De Transportes Ltda., Expresso Maringá do Vale S.A., Glarus Serviços Tecnologia e Participações S.A., Expresso Itamarati S.A., Transporte Coletivo Cidade Canção Ltda., Limmat Participações S.A., Turb Transporte Urbano S.A. and Vaud Participações, with no expiration date, with the purpose of the issuance of credits to airline tickets purchase from 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 the billing and facilitate the payment between participating companies.

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10.3. Financing contract for engine maintenance

GLA has a line of funding for maintenance of engines services, which disbursement occurs through the issuance of Guaranteed Notes. As of December 31, 2016, GLA holds one series of Guaranteed Notes for maintenance of engines, issued on March 13, 2015, maturing up to three years. Delta is the guarantor of the Guaranteed Notes.

As of December 31, 2016, the balance of engine maintenance funding recorded in "Debt" was R\$53,417 (R\$136,885 as of December 31, 2015), as described in Note 16.

During the year ended December 31, 2016, the engine maintenance expenses conducted by Delta was R\$210,220 (R\$307,658 in 2015 and R\$115,653 in 2014).

10.4. Term loan guarantee

On August 31, 2015, Gol LuxCo issued a term loan in the amount of US\$300,000 through Morgan Stanley, with a term of 5 years and effective interest rate of 6.7% p.a. The term loan has an additional guarantee provided by Delta. For additional information, see Note 5 and 16.

10.5. Comercial partnership agreement

On February 19, 2014, the Company signed an exclusive strategic partnership for long-term business cooperation with Air France-KLM with the purpose of the sales activities improvements and codeshare expansion and mileage programs benefits between the companies for the customers in the Brazilian and European markets.

The agreement provides for the incentive investment in the Company in the amount of R\$112,152, fully received by the Company. The agreement will mature within 5 years and the installments will be amortized on a monthly basis. As of December 31, 2016, the Company has deferred revenue in the amount of R\$22,430 and R\$26,169 recorded in "Other liabilities" in the current and noncurrent liabilities, respectively (R\$28,130 and R\$48,599 as of December 31, 2015, respectively).

10.6. Agreements with Smiles

Operating Agreement: under the operating agreement entered into on December 28, 2012, between GLA and Smiles, effective on January 1, 2013, when Smiles began to manage and operate the Smiles loyalty program, which is the sole GLA's customer loyalty program. Additionally, the agreement also specifies GLA as the exclusive partner in the Smiles' air transportation industry in Brazil and establishes guidelines for the program management by Smiles.

Main miles and tickets purchase agreement: this agreement sets the prices and the terms and conditions for the purchase of miles and sales of tickets. The agreement was entered on December 28, 2012 and has a term of 20 years, and is automatically renewed for successive five year periods, unless the Company, GLA or Smiles decides otherwise and gives prior notice of such decision.

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Back office services agreement: under the back office service agreement entered into on December 28, 2012, GLA will provide certain administrative services to Smiles for which Smiles will pay a fixed monthly amount for each service, subject to annual renegotiation. This agreement is effective for three year period and Smiles may terminate porting of the back office services agreement at any time by providing prior written notice.

On February 26, 2016, GLA entered into a miles and tickets purchase agreement with Smiles, totaling up to R\$1.0 billion, providing for advance ticket sales to Smiles in various tranches through June 30, 2017. In 2016, Smiles disbursed a total of R\$760 million and, on February 3, 2017, another R\$120 million as part of this agreement.

All the balances and transactions between the Company, GLA and Smiles were eliminated in the consolidated financial statements.

10.7. Remuneration of key management personnel

	2016	2015	2014
Salaries and benefits (*)	38,134	28,700	30,029
Related taxes and charges	4,690	5,352	4,388
Share-based payments	11,226	10,469	4,363
	54,050	44,521	38,780

(*) Includes the Board of Directors' and Audit Committee's compensation.

As of and for the years ended December 31, 2016, 2015 and 2014, the Company did not offer post-employment benefits, and there were no severance benefits or other long-term benefits for the management and other employees. Specific benefits can be provided to the Company's key management personnel, limited to a short-term period.

11. Share-based payments

The Company has two share-based payment plans offered to its management personnel: the Stock Option Plan and the Restricted Shares Plan. Both plans stimulate and promote the alignment of the Company's goals with management and employees, mitigate risks for the Company resulting from the loss of executives and strengthen the commitment and productivity of these executives to long-term results.

11.1. GLAI

a) Stock Options Plan

The beneficiaries of the Company's stock option plan are allowed to purchase the Company's shares after three years from the grant date, with an exercise period of up to ten years and an acquisition condition that the beneficiary maintains its employment relationship up to the end of this period.

The stock options vest 20% as from the first year, an additional 30% as from the second year, and the remaining 50% as from the third year. All stock options may also be exercised within 10 years after the grant date. For stock options granted, the expected volatility of the options is based on the historical volatility of 252 working days of the Company's shares traded on BM&FBOVESPA and the fair value of the stock options granted was estimated on the grant date, using the Black&Scholes pricing model.

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Stock Options Plan

Year	Date of the Board meeting	Total options granted	Number of options outstanding as of 12/31/2016	Exercise price of the option (In Reais)	The fair value of the option at grant date (In Reais)	Estimate volatility of share price	Expected dividend yield	Risk-free return rate	Average remaining maturity (in years)
2008	12/20/2007	190,296	29,066	45.46	29.27	40.95%	0.86%	11.18%	0.8
2009 (a)	02/04/2009	1,142,473	149,000	10.52	8.53	76.91%	-	12.66%	2.0
2010 (b)	02/02/2010	2,774,640	832,836	20.65	16.81	77.95%	2.73%	8.65%	3.0
2011	12/20/2010	2,722,444	739,062	27.83	16.07 (c)	44.55%	0.47%	10.25%	3.9
2012	10/19/2012	778,912	430,272	12.81	5.32 (d)	52.25%	2.26%	9.00%	5.7
2013	05/13/2013	802,296	460,247	12.76	6.54 (e)	46.91%	2.00%	7.50%	6.3
2014	08/12/2014	653,130	432,846	11.31	7.98 (f)	52.66%	3.27%	11.00%	7.6
2015	08/11/2015	1,930,844	1,450,939	9.35	3.37 (g)	55.57%	5.06%	13.25%	8.6
2016	06/30/2016	5,742,732	4,467,787	2.62	1.24 (h)	98.20%	6.59%	14.25%	9.5
		16,737,767	8,992,055	9.14					7.7

(a) In April 2010, an additional grant of 216,673 shares referring to the 2009 plan was approved.

(b) In April 2010, an additional grant of 101,894 shares referring to the 2010 plan was approved.

(c) The fair value is calculated by the average value from R\$16.92, R\$16.11 and R\$15.17 for the respective periods of vesting (2011, 2012 and 2013).

(d) The fair value is calculated by the average value from R\$6.04, R\$5.35 and R\$4.56 for the respective periods of vesting (2012, 2013 and 2014).

(e) The fair value is calculated by the average value from R\$7.34, R\$6.58 and R\$5.71 for the respective periods of vesting (2013, 2014 and 2015).

(f) The fair value is calculated by the average value from R\$8.20, R\$7.89 and R\$7.85 for the respective periods of vesting (2014, 2015 and 2016).

(g) The fair value is calculated by the average value from R\$3.60, R\$3.30 and R\$3.19 for the respective periods of vesting (2015, 2016 and 2017).

(h) On July 27, 2016, an additional grant of 900,000 shares referring to the 2016 plan was approved. The fair value was calculated by the average value from R\$1.29, R\$1.21 and R\$1.22 for the respective periods of vesting (2017, 2018 and 2019).

The movement in the stock options outstanding for the year ended December 31, 2016 is as follows:

	Number of stock options	Weighted average exercise price
Options outstanding as of December 31, 2015	5,359,460	16.35
Options granted	5,742,732	2.62
Options cancelled and adjustments in estimated prescribed rights	(2,110,137)	9.54
Options outstanding as of December 31, 2016	8,992,055	9.14
Number of options exercisable as of December 31, 2015	4,079,448	18.43
Number of options exercisable as of December 31, 2016	6,214,124	13.66

b) Restricted Shares

The Company's Restricted Shares Plan was approved on the Extraordinary Shareholders Meeting held on October 19, 2012, and the first grant was approved at the Board of Directors' meeting on November 13, 2012.

The transfer of restricted shares will be at the end of the third year from the grant date, assuming the employee relationship up to the end of this period as a condition to acquire the shares.

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Year	Date of the Board Meeting	Total shares granted	Number of shares outstanding as of 12/31/2016	Fair value of the share at grant date (in Reais)
2014	08/13/2014	804,073	504,775	11.31
2015	04/30/2015	1,207,037	910,174	9.35
2016	06/30/2016	4,007,081	3,194,307	2.62
		6,018,191	4,609,256	

The movement in the restricted shares for the year ended December 31, 2016 is as follows:

	Total of restricted shares
Restricted shares outstanding as of December 31, 2015	2,009,193
Restricted shares granted	4,007,081
Restricted shares transferred (*)	(632,976)
Restricted shares cancelled and adjustments in estimated expired rights	(774,042)
Restricted shares outstanding as of December 31, 2016	4,609,256

(*) The amount related to transferred shares is R\$1.866.

11.2. Smiles

a) Smiles Stock Option Plan

The beneficiaries of the Smiles' stock option plan are allowed to purchase Smiles' shares after three years from the grant date, with an exercise period of up to ten years and an acquisition condition that the beneficiary maintains its employment relationship up to the end of this period.

Stock Options Plan										
Option year	Board Meeting	Total options granted	Number of options outstanding	Exercise price of the option (In Reais)	Fair value of the option at grant date (In Reais)	Estimate volatility of share price	Expected dividend yield	Risk-free return rate	Length of the option (In years)	
2013	08/08/2013	1,058,043	54,003	21.70	4.25 (a)	36.35%	6.96%	7.40%	6.6	
2014	02/04/2014	1,150,000	429,050	31.28	4.90 (b)	33.25%	10.67%	9.90%	7.0	
		2,208,043	483,053							

(a) The fair value calculated for the stock options was R\$4.84, and R\$4.20 for the vesting periods in 2013 and 2014, and R\$3.73 for the vesting periods in 2015 and 2016.

(b) The fair value calculated for the stock options was R\$4.35, R\$4.63, R\$4.90, R\$5.15 and R\$5.37 for the respective periods of vesting from 2014 to 2018.

The movement of the stock options outstanding for the year ended December 31, 2016 is as follows:

	Total of stock options	Weighted average exercise price
Options outstanding as of December 31, 2015	1,039,728	29.59
Options exercised	(556,675)	12.74
Options outstanding as of December 31, 2016	483,053	30.21

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For the years ended December 31, 2016, 2015 and 2014, the Company recorded in equity a result from share-based payments of R\$12,658, R\$13,516 and R\$9,084, respectively, attributable to equity holders of the parent, and R\$413, R\$836 and R\$1,254, respectively, related to non-controlling interests, for the plans presented above, with a corresponding entry in profit or loss in Salaries.

12. Investments

The amount of the investments is related to 25.4% of the capital of Netpoints Fidelidade S.A., hold by Smiles, and to SCP Trip, hold by GLA, both accounted for under the equity method.

The financial information of the Company's investees and the changes in the investments balance for the year ended December 31, 2016 and 2015 is as follows:

	SCP Trip		Netpoints (b)	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Relevant information of the Company's investees:				
Total number of shares	-	-	130,492,408	60,492,408
Capital stock	2,083	1,318	75,351	63,451
Interest	60.0%	60.0%	25.4%	21.3%
Total equity	3,395	4,636	(14,991)	2,159
Goodwill on investment acquisition	-	-	15,184	15,184
Adjusted equity (a)	2,038	2,781	-	459
Net income (loss) for the year	2,081	3,318	(29,050)	(28,278)
Net income (loss) for the year attributable to the Company's interest (a)	1,250	1,991	(2,530)	(5,932)

Changes on investments:

	SCP Trip	Netpoints	Total
Balances as of December 31, 2014	2,092	6,391	8,483
Equity results	1,991	(5,932)	(3,941)
Dividends	(1,302)	-	(1,302)
Goodwill on investment acquisition	-	15,184	15,184
Balances as of December 31, 2015	2,781	15,643	18,424
Equity results	1,250	(2,530)	(1,280)
Capital increase	-	3,439	3,439
Loss on capital increase	-	(1,368)	(1,368)
Dividends	(1,993)	-	(1,993)
Balances as of December 31, 2016	2,038	15,184	17,222

(a) Reflects the Company's interest on the total equity and net income (loss) of the respective investee.

(b) In September 2016, the Board of Directors of Smiles approved the subscription of the capital increase of its associate Netpoints through the issue of 20,230,201 new shares. Accordingly, the interest in Netpoints from Smiles increased from 21.3% to 25.4%.

13. Earnings (loss) per share

Although there are differences between common and preferred shares in terms of voting rights and priority in case of liquidation, the Company's preferred shares are not entitled to receive any fixed dividends. The preferred shareholders are entitled to receive dividends per share in the same amount of the dividends per share paid to common shareholders. Therefore, the Company understands that, substantially, there is no difference between preferred shares and common shares, and accordingly, basic and diluted result per share is calculated using the same method for both shares.

Consequently, earnings (loss) per share is calculated by dividing the net income or loss by the weighted average number of all classes of shares outstanding during the period.

Diluted earnings or loss per share are computed including stock options granted to key management and employees using the treasury shares method when the effect is dilutive. The Company has only the stock option plan in the category of potentially dilutive shares, as Note 11. For the years ended December 31, 2016, 2015 and 2014, only the stock option plan granted in 2016 had exercise prices higher than the accumulated market average price (in the money) and, therefore, has a dilutive effect. The other plans presented exercise prices lower than the average of the accumulated market prices (out of money), and have antidilutive effect, so were not considered for the diluted earnings per share.

The antidilutive effect of all potential shares is disregarded in calculating diluted earnings or loss per share.

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	2016		2015		2014	
	Common	Preferred	Common	Preferred	Common	Preferred
Numerator						
Net income (loss) for the year attributable to equity holders of the parent	353.129	496.490	(2,123,945)	(2,336,938)	(644,841)	(601,328)
	353.129	496.490	(2,123,945)	(2,336,938)	(644,841)	(601,328)
Denominator						
Weighted average number of outstanding shares (in thousands) (*)	5.035.037	202.261	5,035,037	158,285	5,035,037	134,151
Effects of dilution from stock options	-	347	-	-	-	-
Adjusted weighted average number of outstanding shares and diluted presumed conversions (in thousands) (*)	5,035,037	202,607	5,035,037	158,285	5,035,037	134,151
Basic earnings (loss) per share	0.070	2.455	(0.422)	(14.764)	(0.128)	(4.482)
Diluted earnings (loss) per share	0.070	2.450	(0.422)	(14.764)	(0.128)	(4.482)

(*) The weighted average considers the split of common shares approved at the Extraordinary Shareholders Meeting held on March 23, 2015, in accordance with IAS 33. Earnings per share presented herein reflects the economic rights of each class of shares.

Diluted loss per share is calculated by the weighted average number of outstanding shares, in order to assume the conversion of all potential dilutive shares. Diluted result per share is calculated based on considering the instruments that may have a potential dilutive effect in the future, such as share-based payment instruments, described in Note 11. However, due to the losses reported for the years ended December 31, 2015 and 2014, these instruments issued have antidilutive effect and, therefore, were not considered in the weighted average number of outstanding shares for the computation of diluted loss per share.

14. Property, plant and equipment

	Average annual depreciation rate	12/31/2016			12/31/2015
		Cost	Accumulated depreciation	Net Amount	Net amount
Flight equipment					
Aircraft held under finance leases (a)	5.6%	2,146,115	(734,183)	1,411,932	2,081,973
Sets of replacement parts and spares engines	5.6%	1,256,494	(451,520)	804,974	823,875
Aircraft reconfigurations/overhauling	13.1%	1,432,398	(816,586)	615,812	611,068
Aircraft and safety equipment	20%	877	(410)	467	723
Tools	10%	30,763	(16,146)	14,617	12,834
		4,866,647	(2,018,845)	2,847,802	3,530,473
Impairment losses (b)	-	(30,726)	-	(30,726)	(28,904)
		4,835,921	(2,018,845)	2,817,076	3,501,569
Property, plant and equipment in use					
Vehicles	20%	11,200	(9,540)	1,660	1,825
Machinery and equipment	10%	57,635	(35,292)	22,343	24,298
Furniture and fixtures	10%	26,345	(16,284)	10,061	7,852
Computers and peripherals	20%	41,184	(33,783)	7,401	9,364
Communication equipment	10%	2,656	(1,833)	823	865
Facilities	10%	1,553	(1,221)	332	445
Maintenance center - Confins	10%	107,127	(69,031)	38,096	49,779
Leasehold improvements	20%	26,854	(18,606)	8,248	14,752
Construction in progress	-	31,571	-	31,571	22,022
		306,125	(185,590)	120,535	131,202
		5,142,046	(2,204,435)	2,937,611	3,632,771
Advances for property, plant and equipment acquisition	-	87,399	-	87,399	623,843
		5,229,445	(2,204,435)	3,025,010	4,256,614

(a) The Company changed the lessors for 6 agreements classified as financial lease agreements in the year ended December 31, 2016 through sale-leaseback transactions. Although the Company will continue to have these aircraft in its fleet, factors such as exchanging lessors, new contractual terms and particularly shorter contractual durations characterize these agreements as new contracts under IAS17 criteria. As of February 11, 2016, therefore, these aircraft have been classified as operating leases and the related payments are now recognized under Costs as "aircraft leases". In addition, the Company terminated an agreement for 4 aircraft early and did not enter into any other types of agreement.

(b) Refers to provisions for impairment losses for rotatable items, classified under the heading "spare 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.

During the year ended December 31, 2016, the Company reviewed the useful life of its assets and made the following changes on the depreciation rates:

	From	To
Property, plant and equipment under finance lease	4.0%	5.6%
Sets of replacement parts and spare engines	4.0%	5.6%
Engine maintenance costs (*)	30.0%	14.3%

(*) Included under "Aircraft reconfigurations/overhauling".

The change in useful life was calculated on a prospective basis.

These adjustments are supported by technical analyses and their purpose is to reflect the Company's current outlook for the use of its assets.

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

	Property, plant and equipment under finance lease	Other flight equipment	Advances for acquisition of property, plant and equipment	Other	Total
Balances as of January 1, 2015	2,079,724	935,209	456,197	130,904	3,602,034
Additions	141,524	730,460	608,660	32,500	1,513,144
Disposals	-	(23,280)	(441,014)	(1,789)	(466,083)
Depreciation	(139,275)	(222,793)	-	(30,413)	(392,481)
Balances as of December 31, 2015	2,081,973	1,419,596	623,843	131,202	4,256,614
Additions	-	425,218	71,503	27,400	524,121
Disposals	(597,136)	(122,487)	(607,947)	(9,911)	(1,337,481)
Depreciation	(72,905)	(317,183)	-	(28,156)	(418,244)
Balances as of December 31, 2016	1,411,932	1,405,144	87,399	120,535	3,025,010

15. Intangible assets

	Goodwill	Airport operating rights	Software	Total
Balances as of January 1, 2015	557,485	1,038,900	117,801	1,714,186
Additions	-	-	42,812	42,812
Transfer	(15,183)	-	-	(15,183)
Amortization	-	-	(27,210)	(27,210)
Balance as of December 31, 2015	542,302	1,038,900	133,403	1,714,605
Additions	-	-	55,316	55,316
Disposals	-	-	(781)	(781)
Amortization	-	-	(29,424)	(29,424)
Balances as of December 31, 2016	542,302	1,038,900	158,514	1,739,716

Goodwill and other intangible assets were subject to impairment tests as of December 31, 2016 and 2015 using the discounted cash flows for each cash generating unit to calculate the value in use.

In order to assess the recoverable value, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units). In order to determine the carrying amount of each cash-generating unit, the Company considers the intangible assets recorded and all necessary tangible assets, given that it will only generate economic benefits by using the combination of both.

The Company performs the allocation of goodwill in two cash-generating units: GLA and Smiles. And the amount of airport operating rights, as follows:

	Goodwill – GLA	Goodwill – Smiles	Airport operating rights
As of December 31, 2016			
Book value	325,381	216,921	1,038,900
Book value – CGU	2,433,861	56,880	1,038,900
Value in use	3,636,201	9,476,173	4,816,306
Pre-tax discount rate	23.92%	14.51%	27.34%
Perpetuity growth rate	3.50%	3.50%	8.50%
As of December 31, 2015			
Book value	325,381	216,921	1,038,900
Book value – CGU	3,248,245	141,101	1,038,900
Value in use	6,339,072	5,678,811	6,168,302
Pre-tax discount rate	17.21%	19.84%	18.65%
Perpetuity growth rate	3.50%	3.50%	8.50%

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The amount of value in use was compared to the carrying amount of each cash generating unit and, as a result, the Company did not recognized impairment losses.

The assumptions used in the impairment tests of intangible assets are consistent with internal projections, for a five-year period and after five-year period it was considered a perpetuity growth rate, and operating plans, both reviewed and approved by the Company's Management. The discounted cash flows that determined the value in use of the cash generating units was prepared in accordance with the Company's business plan approved on January 31, 2017.

The main assumptions used by the Company to determine the value in use of the cash generating units are:

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

Demand: market efficiency is the key input for the projection of the Company's growth in demand. Management believes that market efficiency is the ratio of market share and its participation in the load factor. This indicator reflects how efficiently the Company uses its share of the market's total supply based on how much demand for air transportation it absorbs.

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

Operating costs associated with the business: based on historical cost and updated by indicators such as inflation, related to the supply, demand and variation of the U.S. dollar.

The Company also considered market variables such as GDP (source: Brazilian Central Bank), U.S. dollar (source: Brazilian Central Bank), kerosene barrel (source: National Brazilian Petroleum Agency - ANP) and interest rates (source: Bloomberg).

16. Short and long-term debt

	Maturity of the contract	Interest rate	12/31/2016	12/31/2015
Short-term debt				
<u>Local currency:</u>				
BNDES (a)	Jul. 2017	TJLP+1.40% p.a.	-	3,111
Debentures VI (b)	Sep. 2019	132% of DI	-	125,194
Safra (c)	May 2018	128% of DI	9,690	33,571
Safra working capital (d)	Mar. 2016	111% of DI	-	116,035
Interest accrued	-	-	45,026	22,026
<u>Foreign currency (US\$):</u>				
J. P. Morgan (e)	Mar. 2018	1.09% p.a.	42,275	72,141
Finimp (f)	Oct. 2017	4.57% p.a.	174,428	389,275
Engine Facility (Cacib) (g)	Jun. 2021	Libor 3m+2.25% p.a.	16,889	20,920
Senior Notes I (h)	Apr. 2017	7.60 p.a.	182,418	-
Interest accrued	-	-	97,670	126,462
			568,396	908,735
Finance leases	Jul. 2025	4.52% p.a.	266,894	487,888
Total short-term debt			835,290	1,396,623
Long-term debt				
<u>Local currency:</u>				
BNDES (a)	Jul. 2017	TJLP+1.40% p.a.	-	1,813
Debentures VI (b)	Sep. 2019	132% of DI	1,005,242	925,623
Safra (c)	May 2018	128% of DI	4,871	49,562
<u>Foreign currency (US\$):</u>				
J.P. Morgan (e)	Mar. 2018	1.09% p.a.	11,142	64,744
Engine Facility (Cacib) (g)	Jun. 2021	Libor 3m+2.25% p.a.	156,917	212,758
Senior Notes I (h)	Apr. 2017	7.60% p.a.	-	322,407
Senior Notes II (i)	Jul. 2020	9.64% p.a.	368,000	617,376
Senior Notes III (j)	Feb. 2023	9.24% p.a.	68,053	128,195
Senior Notes IV (k)	Jan. 2022	11.30% p.a.	889,595	1,251,902
Senior Notes V (l)	Dec. 2018	9.71% p.a.	43,010	-
Senior Notes VI (m)	Jul. 2021	9.87% p.a.	120,631	-
Senior Notes VII (n)	Dec. 2028	9.84% p.a.	52,721	-
Perpetual Notes (o)	-	8.75% p.a.	428,436	698,959
Term loan (p)	Aug. 2020	6.70% p.a.	944,194	1,128,757
			4,092,812	5,402,096
Finance leases	Jul. 2025	4.52% p.a.	1,451,118	2,506,207
Total long-term debt			5,543,930	7,908,303
Total debt			6,379,220	9,304,926

(a) Credit line obtained on June 27, 2012 for the expansion of the aircraft maintenance center. On April 15, 2016, GLA fully settled this amount in advance.

(b) Issuance of 105,000 debentures by GLA on September 30, 2015 for early settlement of the Debentures IV and V.

(c) Credit obtained by Webjet subsidiary.

(d) Working capital loan raised by GLA on June 30, 2015.

(e) Issuance of 3 series of Guaranteed Notes to finance engine maintenance as described in Note 10.3.

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

(g) Credit line raised on September 30, 2014 with Credit Agricole.

(h) Issuance of Notes by Gol Finance on March 22, 2007, which was used on pre-payments of financing for purchase of aircraft.

(i) Issuance of Notes by Gol Finance on July 13, 2010 in order to repay debts held by the Company.

(j) Issuance of Notes by GLA on February 7, 2013 in order to finance the repayment of debts. The total amount of Notes was transferred to Gol LuxCo, along with the financial investments acquired on the date of issuance, and a portion of the loan was prepaid.

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(k) Issuance of Notes by Gol LuxCo on September 24, 2014 in order to finance the repurchase of the Senior Notes I, II and III.

(l) Issuance of Senior Notes series V by Gol LuxCo on July 7, 2016, as a result of the private Exchange offer of Senior Notes I, II, III, IV and Perpetual Notes.

(m) Issuance of Senior Notes series VI by Gol LuxCo on July 7, 2016, as a result of the private Exchange offer of Senior Notes I, II, III, IV and Perpetual Notes.

(n) Issuance of Senior Notes series VII by Gol LuxCo on July 7, 2016, as a result of the private Exchange offer of Senior Notes I, II, III, IV and Perpetual Notes.

(o) Issuance of perpetual Notes by Gol Finance on April 05, 2006 to finance aircraft purchase and repayment of loans.

(p) Issuance of term loan by Gol LuxCo on August 31, 2015 in order to finance the acquisition of aircraft and repayment of loans, guaranteed by Delta (for further information, see Note 10.3).

The total debt includes debt issuance costs of R\$97,433 (R\$106,450 as of December 31, 2015), which will be amortized over the maturity of the related debt.

The maturities of long-term debt as of December 31, 2016 are as follows:

	2018	2019	2020	2021	Thereafter	Without maturity date	Total
<u>Local currency:</u>							
Debentures VI	400,000	605,242	-	-	-	-	1,005,242
Safra	4,871	-	-	-	-	-	4,871
<u>Foreign currency (US\$):</u>							
J.P. Morgan	11,142	-	-	-	-	-	11,142
Engine Facility (Cacib)	17,077	17,077	17,077	105,686	-	-	156,917
Senior Notes II	-	-	368,000	-	-	-	368,000
Senior Notes III	-	-	-	-	68,053	-	68,053
Senior Notes IV	-	-	-	-	889,595	-	889,595
Senior Notes V	43,010	-	-	-	-	-	43,010
Senior Notes VI	-	-	-	120,631	-	-	120,631
Senior Notes VII	-	-	-	-	52,721	-	52,721
Perpetual Notes	-	-	-	-	-	428,436	428,436
Term loan	-	-	944,194	-	-	-	944,194
Total	476,100	622,319	1,329,271	226,317	1,010,369	428,436	4,092,812

The fair value of senior and perpetual Notes as of December 31, 2016 is as follows:

	Book value	Fair value
Senior Notes	1,724,428	1,255,900
Perpetual Notes	428,436	272,237

Senior and Perpetual Notes' fair values are obtained through the current market quotations.

16.1. Covenants

Long-term debt (excluding perpetual Notes and finance leases) that amounted to R\$3,664,376 as of December 31, 2016 (R\$4,703,129 as of December 31, 2015), is subject to restrictive covenants, including but not limited to those that require the Company to maintain the liquidity requirements and the coverage of expenses with interest.

The Company has restrictive covenants on the Term Loan, Debentures VI with the following financial institutions: Bradesco and Banco do Brasil. In the Term Loan, the Company must make deposits for reaching contractual limits of the debt pegged to the U.S. dollar. On December 31, 2016, the Company does not have collateral deposits linked to the contractual limits of the Term Loan. The Debentures' restricted covenant is measured every six months. On December 31, 2016, Debentures VI were subject to the following covenants: (i) net debt/EBITDAR below 6.35 and (ii) debt coverage ratio of at least 1.15. According to the last measurements on December 31, 2016, the ratios obtained were: (i) net debt/EBITDAR of 5.76; and (ii) debt coverage ratio of 1.63. As a result, the Company met the minimum required levels required to be in compliance with the covenants. The next measurement will occur until June 30, 2017.

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16.2. Restructuring of loans and financing in the year ended December 31, 2016

Import financing (Finimp): the Company, through its subsidiary GLA, renegotiated the maturities of the agreements that are part of credit line maintained by the Company for import financing in order to purchase spare parts and aircraft equipments. The funding operations during the year are as follows:

Issuance date	Bank	Principal amount (US\$)	Principal amount (R\$)	Interest rate (p.a.)	Maturity date
02/03/2016	Banco do Brasil	5,245	18,668	4.45%	01/13/2017
02/22/2016	Banco do Brasil	8,595	30,589	4.53%	02/01/2017
03/03/2016	Banco do Brasil	4,815	17,136	4.54%	02/11/2017
04/28/2016	Banco do Brasil	4,274	13,718	4.23%	04/20/2017
07/01/2016	Banco do Brasil	9,638	31,287	4.56%	07/26/2017
07/21/2016	Banco do Brasil	7,823	25,394	4.67%	07/14/2017
07/22/2016	Banco do Brasil	10,436	33,879	4.66%	07/14/2017
11/04/2016	Banco do Brasil	2,694	8,703	4.90%	10/30/2017

Senior Notes and Perpetual Notes Exchange Offer: During the year ended December 31, 2016, the Company carried out private exchange offers of Senior Notes maturing in 2017, 2020, 2022, 2023 and Perpetual Notes in order to restructure its debt. As a result, Gol LuxCo issued new debt with discounts set forth by the offer, reducing the Company's debt, as shown in the table below:

	Cancelled debt (a)	New issues (b)	Premium paid	Total gains (c)	Payments	Debt reduced
Senior Notes 2017 (i)	27,937	(19,556)	(1,233)	7,148	(6,243)	13,391
Senior Notes 2020 (ii)	41,139	(18,513)	(1,440)	21,186	(3,189)	24,375
Senior Notes 2022 (ii)	46,270	(20,822)	(1,488)	23,960	(3,536)	27,496
Senior Notes 2023 (ii)	14,301	(6,435)	(513)	7,353	(1,104)	8,457
Perpetual Notes (iii)	46,099	(16,135)	(1,949)	28,015	-	28,015
Total in U.S. dollar	175,746	(81,461)	(6,623)	87,662	(14,072)	101,734
Total in Reais	574,971	(266,508)	(21,664)	286,799	(46,034)	332,833

(a) Related to the previous debt amount cancelled on the Exchange Offer.

(b) The new issuances hold the following maturities: (i) Senior Notes on December 20, 2018; (ii) Senior Notes on July 20, 2021; (iii) Senior Notes on December 20, 2028.

(c) The total amount of R\$286,799 is related to the net gain from the Exchange offer.

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The new senior Notes have a senior guarantee by the Company, with semi-annual interest payments of 8.50% p.a. and 1% p.a. to be incorporated into the principal amount (PIK), in addition to guarantees of aircraft sets of replacement parts. Costs from the swap offering totaled R\$27,249 (US\$8,393).

The other existing loans and financing of the Company have not been affected by contractual alterations during the year ended December 31, 2016.

16.3. Finance leases

The future payments of finance agreements indexed to U.S. dollar are detailed as follows:

	12/31/2016	12/31/2015
2016	-	629,340
2017	350,883	559,721
2018	328,931	550,431
2019	307,027	460,848
2020	267,885	328,506
Thereafter	634,933	863,647
Total minimum lease payments	1,889,659	3,392,493
Less total interest	(171,647)	(398,398)
Present value of minimum lease payments	1,718,012	2,994,095
Less current portion	(266,894)	(487,888)
Noncurrent portion	1,451,118	2,506,207

The discount rate used to calculate the present value of the minimum lease payments was 4.52% as of December 31, 2016 (4.91% as of December 31, 2015). There are no significant differences between the present value of minimum lease payments and the fair value of these financial liabilities.

The Company extended the maturity date of the financing for some of its aircraft leased for 15 years using the SOAR framework (mechanism for extending financing amortization and repayment), which enables the performance of calculated withdrawals to be settled at the end of the lease agreement. As of December 31, 2016, the amounts of withdrawals for the repayment at maturity date of the lease agreements totaled R\$217,065 (R\$276,851 as of December 31, 2015) and are recorded in non-current debt.

17. Taxes payable

	12/31/2016	12/31/2015
PIS and COFINS	89,332	75,811
ICMS installments (Refis)	4,852	1,107
Withholding income tax on salaries	29,519	27,606
ICMS	43,226	39,234
Tax on import	3,454	3,467
IRPJ and CSLL payable	12,489	-
Other	6,105	10,786
	188,977	158,011
Current	146,174	118,957
Noncurrent	42,803	39,054

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18. Advance ticket sales

As of December 31, 2016, the balance of Advance ticket sale classified in current liabilities was R\$1,185,945 (R\$1,206,655 as of December 31, 2015) and is represented by 4,447,824 tickets sold and not yet used (4,464,876 as of December 31, 2015) with an average use of 46 days (36 days as of December 31, 2015).

19. Mileage program

As of December 31, 2016, the balance of Smiles loyalty program deferred revenue was R\$781,707 (R\$770,416 as of December 31, 2015) and R\$219,325 (R\$221,242 as of December 31, 2015) classified in the current and noncurrent liabilities, respectively.

20. Provisions

	Insurance provision	Provision for aircraft and engine return (a)	Provision for legal proceedings (b)	Total
Balances on December 31, 2014	21,916	361,651	102,093	485,660
Additional provisions recognized	2,666	259,673	44,460	306,799
Utilized provisions	(22,050)	(59,186)	(2,200)	(83,436)
Foreign exchange variation, net	(1,790)	163,038	2	161,250
Balances on December 31, 2015	742	725,176	144,355	870,273
Additional provisions recognized	4,237	97,423	189,244	290,904
Utilized provisions	(4,237)	(121,855)	(127,551)	(253,643)
Foreign exchange variation, net	-	(116,803)	(516)	(117,319)
Balances on December 31, 2016	742	583,941	205,532	790,215
As of December 31, 2015				
Current	742	205,966	-	206,708
Noncurrent	-	519,210	144,355	663,565
	742	725,176	144,355	870,273
As of December 31, 2016				
Current	742	65,760	-	66,502
Noncurrent	-	518,181	205,532	723,713
	742	583,941	205,532	790,215

a) Provision for aircraft and engines return

The provision for aircraft and engine return considers the costs that meet the contractual conditions for the return of engines maintained under operating leases, as well as the costs to reconfigure the aircraft without purchase option, as described in the return conditions of the lease contracts, and which is capitalized in property, plant and equipment (aircraft reconfigurations/overhauling), as described in Note 14.

b) Provision for legal proceedings

As of December 31, 2016 the Company and its subsidiaries are parties to 27,742 (8,557 labor and 19,185 civil) lawsuits and administrative proceedings. The lawsuits and administrative proceedings are classified into Operational (those arising from the Company's normal course of operations), and Succession (those arising from the succession of former Varig S.A. obligations).

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Under this classification, the number of proceedings is as follows:

	Operational	Succession	Total
Civil lawsuits	17,310	291	17,601
Civil proceedings	1,584	-	1,584
Labor lawsuits	5,736	2,609	8,345
Labor proceedings	210	2	212
	24,840	2,902	27,742

The civil lawsuits are primarily related to compensation claims generally related to flight delays and cancellations, baggage loss and damage. The labor claims primarily consist of discussions related to overtime, hazard pay, and wage differences.

The provisions related to civil and labor suits, whose likelihood of loss is assessed as probable are as follows:

	12/31/2016	12/31/2015
Civil	73,356	69,892
Labor	132,163	74,293
Taxes	13	170
	205,532	144,355

Provisions are reviewed based on the progress of the proceedings and history of losses based on the best current estimate for labor and civil lawsuits.

There are other civil and labor lawsuits assessed by management and its legal counsel as possible risk of loss, in the estimated amount as of December 31, 2016 of R\$31,598 for civil claims and R\$79,532 for labor claims (R\$22,176 and R\$53,764 as of December 31, 2015 respectively), for which no provisions are recognized.

The tax lawsuits below were evaluated by the Company's management and its legal counsels as being relevant and with possible risk of loss as of December 31, 2016:

- GLAI is discussing the non-incidence of taxation of PIS and COFINS on revenues generated by the interest attributable to shareholders' equity in the amount of R\$57,793 (R\$50,683 as of December 31, 2015) related to the years from 2006 to 2008, paid by its subsidiary GTA Transportes Aéreos S.A., succeeded by GLA on September 25, 2008. According to the opinion of the Company's legal counsel and based on the jurisprudence occurred in recent events, the Company classified this case as possible loss, without a provision registered for the related amount. Additionally, the Company maintains escrow deposits with Bic Banco with a partial guarantee on the lawsuit of R\$29,360 as Note 5.
- Tax on Services (ISS), the amount of R\$19,443 (R\$17,091 as of December, 31 2015) arising from assessment notices issued by the Municipality of São Paulo against the Company, in the period from January 2007 to December 2010 regarding a possible ISS taxation on partnerships. The classification of the possible risk of loss is a result from the matters under discussion and are interpretative, and involves discussions of factual and evidential materials, and has no final positioning of the Superior Courts.

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- Customs Penalty in the amount of R\$45,689 (R\$18,283 as of December, 31 2015) relating to assessment notices issued against the Company for alleged breach of customs rules regarding procedures for temporary import of aircraft. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.
- BSSF goodwill (BSSF Air Holdings), in the amount of R\$47,572 (R\$45,292 as of December, 31 2015) related to infraction notices due to the deductibility of the goodwill allocated to future profitability. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.
- GLA's goodwill in the amount of R\$72,687 (R\$65,929 as of December, 31 2015) resulted from assessment notice related to the deductibility of the goodwill classified as future profitability. The classification of possible risk of loss arises from the absence of a final opinion from the Superior Courts.
- Tax on Industrialized Products (IPI): supposedly levied on the importation of aircraft in the amount of R\$115,136 (R\$101,448 as of December 31, 2015).

There are other lawsuits that the Company's Management and its legal counsels assesses as possible risk of loss for an estimated amount of R\$78,541 (R\$58,151 as of December, 31 2015) which added to the lawsuits mentioned above, totaled R\$436,861 as of December 31, 2016 (R\$364,078 as of December 31, 2015).

21. Equity

21.1. Capital stock

As of December 31, 2016 and 2015, the Company's capital stock was R\$3,080,110 and represented by 5,238,421,108 shares, comprised by 5,035,037,140 common shares and 203,383,968 preferred shares. The Fundo de Investimento em Participações Volluto is the Company's controlling shareholder, which is equally controlled by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino.

The Company's shares are held as follows:

	12/31/2016			12/31/2015		
	Common	Preferred	Total	Common	Preferred	Total
Fundo Volluto	100.00%	33.88%	61.28%	100.00%	33.88%	61.28%
Delta Air Lines, Inc.	-	16.19%	9.48%	-	16.19%	9.48%
Treasury shares	-	0.44%	0.26%	-	0.75%	0.44%
Other	-	1.11%	0.65%	-	1.05%	0.61%
Free float	-	48.38%	28.34%	-	48.13%	28.19%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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The authorized capital stock was R\$4.0 billion, as of December 31, 2016. Within the authorized limit, the Company can, once approved by the Board of Directors, increase its capital regardless of any amendment to its by-laws, by issuing shares, without necessarily maintaining the proportion between the different types of shares. Under the law terms, in case of capital increase, the Board of Directors will define the issuance conditions, including pricing and payment terms.

21.2. Dividends

The Company's By-laws provide for a mandatory minimum dividend to be paid to common and preferred shareholders, at least 25% of annual adjusted net income after compensation of accumulated losses and allocation to reserves in accordance with the Brazilian Corporate Law.

21.3. Treasury shares

During the year ended December 31, 2016, the Company transferred 632,976 restricted shares to its beneficiaries (557,106 as of December 31, 2015).

As of December 31, 2016, the Company had 893,793 treasury shares, totaling R\$13,371, with a market value of R\$4,129 (1,526,769 treasury shares, totaling R\$22,699 with a market value of R\$3,847 as of December 31, 2015).

22. Revenue

	2016	2015	2014
Passenger transportation	8,948,170	8,954,034	9,432,810
Cargo	324,492	318,573	332,464
Miles revenue	622,567	421,348	191,719
Other revenue (*)	652,602	690,044	695,549
Gross revenue	10,547,831	10,383,999	10,652,542
Related tax	(680,496)	(605,992)	(586,328)
Net revenue	9,867,335	9,778,007	10,066,214

(*) Includes revenues from unused passenger tickets, reissued tickets and cancellation of flight tickets of R\$430,898, R\$449,263 and R\$463,043, for the years ended December 31, 2016, 2015 and 2014, respectively.

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

Revenue by geographical location is as follows:

	2016	%	2015	%	2014	%
Domestic	8,395,364	85.1	8,670,023	88.7	8,871,325	88.1
International	1,471,971	14.9	1,107,984	11.3	1,194,889	11.9
Net revenue	9,867,335	100.0	9,778,007	100.0	10,066,214	100.0

23. Financial income (expense)

	2016	2015	2014
Financial income			
Income from derivatives	120,403	174,693	225,481
Income from short-term investments	152,656	178,147	148,639
Monetary variation	12,411	14,531	22,423
(-) Taxes on financial income (a)	(23,041)	(47,588)	-
Gains from the exchange offer (b)	286,799	-	-
Other	19,276	12,784	11,173
	568,504	332,567	407,716
Financial expenses			
Losses from derivatives	(277,183)	(124,536)	(684,712)
Interest on short and long-term debt	(787,661)	(885,947)	(592,443)
Bank charges and expenses	(96,515)	(60,760)	(28,006)
Monetary variation	(3,867)	(3,921)	(3,606)
Other	(106,338)	(253,727)	(120,364)
	(1,271,564)	(1,328,891)	(1,429,131)
Exchange rate variation, net	1,367,937	(2,266,999)	(436,207)
Total	664,877	(3,263,323)	(1,457,622)

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

(b) Related to the total amount of the Exchange Offer of Senior Notes and Perpetual Bond, net of issuance costs of R\$11,081.

24. Segments

Operating segments are defined as business activities from which it may earn revenues and incur expenses, which operating results are regularly reviewed by the relevant decision makers to evaluate performance and allocate resources to the segments. The Company holds two operating segments: the flight transportation and the Smiles loyalty program.

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements. Additionally, the Company has distinct natures between the two reportable segments, so there are no common costs and revenues between operating segments.

The Company is the controlling shareholder of Smiles, and the non-controlling interests of Smiles was 46.2%, 45.9% and 45.7% as of December 31, 2016, 2015 and 2014, respectively.

The statements of operations by segment are presented in the same format of the Company's statutory financial statements that are filed with the Brazilian Securities Commission, which is different from the format of the consolidated statements of operations. This is the format of the statements of operations that is presented to the chief operating decision maker ("CODM"). However, the CODM does not use gross profit as the profit or loss measure for purposes of making decisions about allocating resources to the segment and assessing its performance. The Company's CODM uses net income (loss) for this purpose.

The information below presents the summarized financial position related to reportable segments as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014.

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24.1. Assets and liabilities of the operating segment

	12/31/2016				
	Flight transportation	Smiles loyalty program	Combined information	Eliminations	Total consolidated
Assets					
Current	1,426,750	1,413,422	2,840,172	(759,458)	2,080,714
Noncurrent	6,474,404	513,456	6,987,860	(664,219)	6,323,641
Total assets	7,901,154	1,926,878	9,828,032	(1,423,677)	8,404,355
Liabilities					
Current	4,767,322	1,061,806	5,829,128	(980,386)	4,848,742
Noncurrent	6,782,835	229,725	7,012,560	(100,196)	6,912,364
Total equity (deficit)	(3,649,003)	635,347	(3,013,656)	(343,095)	(3,356,751)
Total liabilities and equity	7,901,154	1,926,878	9,828,032	(1,423,677)	8,404,355
	12/31/2015				
	Flight transportation	Smiles loyalty program	Combined information	Eliminations	Total consolidated
Assets					
Current	1,717,370	1,447,318	3,164,688	(703,122)	2,461,566
Noncurrent	7,850,454	217,950	8,068,404	(161,573)	7,906,831
Total assets	9,567,824	1,665,268	11,233,092	(864,695)	10,368,397
Liabilities					
Current	5,325,604	954,746	6,280,350	(738,342)	5,542,008
Noncurrent	8,788,682	222,582	9,011,264	137,565	9,148,829
Total equity (deficit)	(4,546,462)	487,940	(4,058,522)	(263,918)	(4,322,440)
Total liabilities and equity	9,567,824	1,665,268	11,233,092	(864,695)	10,368,397

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24.2. Income and expenses of the operating segment

	2016				
	Flight transportation	Smiles loyalty program	Combined information	Eliminations	Total consolidated
Net Revenue					
Passenger (a)	8,340,545	-	8,340,545	330,897	8,671,442
Cargo and other (a)	729,096	-	729,096	426	729,522
Miles revenue (a)	-	1,548,109	1,548,109	(1,081,738)	466,371
Costs (b)	(7,406,974)	(792,856)	(8,199,830)	641,708	(7,558,122)
Gross profit	1,662,667	755,253	2,417,920	(108,707)	2,309,213
Operating income (expenses)					
Sales and marketing	(1,007,202)	(93,696)	(1,100,898)	96,422	(1,004,476)
Administrative expenses (c)	(648,947)	(56,612)	(705,559)	(3,901)	(709,460)
Other operating income (loss), net	102,731	(1,368)	101,363	1,185	102,548
	(1,553,418)	(151,676)	(1,705,094)	93,706	(1,611,388)
Equity results	287,134	(2,530)	284,604	(285,884)	(1,280)
Financial results	446,106	218,382	664,488	389	664,877
Income (loss) before income taxes	842,489	819,429	1,661,918	(300,496)	1,361,422
Current and deferred income taxes	7,130	(271,156)	(264,026)	4,968	(259,058)
Net income (loss)	849,619	548,273	1,397,892	(295,528)	1,102,364
Attributable to equity holders of the parent	849,619	295,528	1,145,147	(295,528)	849,619
Attributable to non-controlling interests from Smiles	-	252,745	252,745	-	252,745

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	2015				
	Flight transportation	Smiles loyalty program	Combined information	Eliminations	Total consolidated
Net revenue					
Passenger (a)	8,294,463	-	8,294,463	288,925	8,583,388
Cargo and other (a)	941,928	47,199	989,127	(19,198)	969,929
Miles revenue (a)	-	1,172,322	1,172,322	(947,632)	224,690
Costs (b)	(8,260,355)	(676,506)	(8,936,861)	676,504	(8,260,357)
Gross profit	976,036	543,015	1,519,051	(1,401)	1,517,650
Operating (expenses)					
Sales and marketing	(884,773)	(87,207)	(971,980)	(69,061)	(1,041,041)
Administrative expenses (c)	(677,961)	(39,953)	(717,914)	35,774	(682,140)
Other operating income, net	25,695	-	25,695	-	25,695
	(1,537,039)	(127,160)	(1,664,199)	(33,287)	(1,697,486)
Equity results	179,377	(5,932)	173,445	(177,386)	(3,941)
Finance results	(3,402,013)	138,690	(3,263,323)	-	(3,263,323)
Income (loss) before income taxes	(3,783,639)	548,613	(3,235,026)	(212,074)	(3,447,100)
Current and deferred income taxes	(677,244)	(178,691)	(855,935)	11,795	(844,140)
Net income (loss)	(4,460,883)	369,922	(4,090,961)	(200,279)	(4,291,240)
Attributable to equity holders of the parent	(4,460,883)	200,279	(4,260,604)	(200,279)	(4,460,883)
Attributable to non-controlling interests of Smiles	-	169,643	169,643	-	169,643

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	2014				
	Flight transportation	Smiles loyalty program	Combined information	Eliminations	Total consolidated
Net revenue					
Passenger (a)	8,848,749	-	8,848,749	197,082	9,045,831
Cargo and other (a)	939,829	-	939,829	(18,341)	921,488
Miles revenue (a)	-	808,058	808,058	(709,163)	98,895
Costs (b)	(8,147,202)	(430,949)	(8,578,151)	430,949	(8,147,202)
Gross profit	1,641,376	377,109	2,018,485	(99,473)	1,919,012
Operating income (expenses)					
Sales and marketing	(898,635)	(65,062)	(963,697)	86,557	(877,140)
Administrative expenses (c)	(570,924)	(35,138)	(606,062)	(673)	(606,735)
Other operating income, net	72,295	366	72,661	(366)	72,295
	(1,397,264)	(99,834)	(1,497,098)	85,518	(1,411,580)
Equity results	1,302	(3,791)	(2,489)	(1)	(2,490)
Finance results	1,600,629	147,007	1,457,622	-	1,457,622
Net income (loss) before income taxes	(1,355,215)	416,491	(938,724)	(13,956)	(952,680)
Current and deferred income taxes	(36,796)	(132,551)	(169,347)	4,746	(164,601)
Net income (loss)	(1,392,011)	283,940	(1,108,071)	(9,210)	(1,117,281)
Attributable to equity holders of the parent	(1,392,011)	155,052	(1,236,959)	(9,210)	(1,246,169)
Attributable to non-controlling interests of Smiles	-	128,888	128,888	-	128,888

(a) The eliminations are related to transactions between GLA and Smiles.

(b) Include depreciation and amortization expenses of R\$430,604 in the year ended December 31, 2016, comprised by R\$422,523 in flight transportation and R\$8,081 in Smiles loyalty program (R\$357,054 and R\$2,835, respectively, in the year ended December 31, 2015, and 460,072 and R\$3,224, respectively, in the year ended December 31, 2014).

(c) Includes depreciation and amortization expenses in the amount of R\$17,064 in the year ended December 31, 2016 allocated to the following segments: R\$16,649 for flight transportation and R\$415 for the Smiles loyalty program (R\$59,802 and R\$65,484 fully recorded in flight transportation for the years ended December 31, 2015 and 2014, respectively).

In the individual financial statements of Smiles, which represents the segment Smiles Loyalty Program and in the information provided to the relevant decision makers, the revenue recognition occurs upon redemption of the miles by the participants. Under the perspective of Smiles, this measurement is appropriate given that this is when the revenue recognition cycle is complete. At this point, Smiles has transferred to its suppliers the obligation to provide services or deliver products to its customers.

However, from a consolidated perspective, the revenue recognition cycle related to miles exchanged for flight tickets is only complete when the passengers are effectively transported. Therefore, for purposes of reconciliation with the consolidated assets, liabilities and income and expenses, as well as for purposes of equity method of accounting and for consolidation purposes, the Company performed, in addition to eliminations entries, consolidating adjustments to adjust the accounting practices related to Smiles' revenues. In this case, under the perspective of the consolidated financial statements, the mileages that were used to redeem airline tickets are only recognized as revenue when passengers are transported, in accordance with accounting practices and policies adopted by the Company.

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25. Commitments

As of December 31, 2016, the Company had 120 firm orders for aircraft acquisitions with Boeing. These aircraft acquisition commitments include estimates for contractual price increases during the construction phase. As of December 31, 2016, the approximate amount of firm orders, not including the contractual discounts, was R\$48,032,429 (US\$14,737,943) and are segregated according to the following years:

	12/31/2016	12/31/2015
2016	-	1,337,753
2017	-	-
2018	1,787,388	2,141,509
2019	2,917,833	3,495,921
2020	4,471,172	5,357,011
Thereafter	38,856,036	46,554,279
	48,032,429	58,886,473

As of December 31, 2016, from the total orders mentioned above, the Company had the amount of R\$6,724,541 (US\$2,063,312) related to advances for aircraft acquisition, to be disbursed in accordance with the following schedule:

	12/31/2016	12/31/2015
2016	-	6,672
2017	286,829	343,657
2018	483,518	579,313
2019	658,930	789,479
2020	835,468	1,000,993
Thereafter	4,459,796	4,660,379
	6,724,541	7,380,493

The installment financed by long-term debt with aircraft guarantee through the U.S. Ex-Im Bank corresponds approximately to 85% of the aircraft total cost. Other establishments finance the acquisitions with equal or higher percentages, reaching up to 100%.

The Company performs payments related to aircraft acquisition through its own funds, short and long-term debt, cash provided by operating activities, short and medium-term line of credit and supplier financing.

The Company leases its entire aircraft fleet through a combination of operating and finance leases. As of December 31, 2016, the total fleet leased was comprised of 130 aircraft, of which 96 were under operating leases and 34 were recorded as finance leases. The Company holds 31 aircraft under finance leases with purchase option. During the year ended December 31, 2016, the Company returned 10 aircraft under operating lease contracts.

25.1. Operating leases

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

	12/31/2016	12/31/2015
2016	-	-
2017	857,747	1,270,284
2018	839,343	1,127,820
2019	889,940	1,001,212
2020	873,692	904,590
Thereafter	2,786,003	3,445,126
Total minimum lease payments	6,246,725	7,749,032

25.2. Sale-leaseback transactions

During the year ended December 31, 2016, the Company recorded a net gain of R\$233,483 resulting from 7 aircraft under sale-leaseback transaction during the year (net gain of R\$32,191 resulting from 6 aircraft received during the year ended December 31, 2015). Given that the gains and losses from sale-leaseback transactions will not be offset against future lease payments and were negotiated at fair value, such gain was recognized directly in profit or loss.

Additionally, the Company also has balances of deferred losses from transactions carried out between 2006 and 2009, in the amount of R\$9,959 (R\$16,913 as of December 31, 2015).

26. Financial instruments and risk management

The Company and its subsidiaries have financial asset and financial liability transactions, which consist in part of derivative financial instruments. The financial derivative instruments are used to hedge against the inherent risks related to the Company's operations. The Company and its subsidiaries consider as most relevant risks: fuel price, foreign currency and interest rate. These risks can be mitigated by using exchange swap derivatives, futures and options contracts based on oil, U.S. dollar and interest markets. The contracts may be held by exclusive investment funds, as described in the Company's Risk Management Policy.

Management follows a documented guideline when managing its financial instruments, set out in its Risk Management Policy, which is periodically revised by the Risk Committee, and approved by the Board of Directors. The Risk Committee sets the guidelines and limits, monitors controls, including the mathematical models adopted for a continuous monitoring of exposures and possible financial effects and also prevents the execution of speculative financial instruments transactions.

The Company does not hedge its total risk exposure, and is, therefore, subject to market fluctuations for a significant portion of its exposed assets and liabilities. Decisions on the portion to be protected consider the financial risks and the costs for such protection and are determined and reviewed at least quarterly in line with the strategies of the Risk Committee. The results from operations and the application of controls for risk management are part of the monitoring process by the Risk Committee and have been satisfactory to the proposed objectives.

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The description of the consolidated account balances and the categories of financial instruments included in the statements of financial position as of December 31, 2016 and 2015 is as follows:

	Measured at fair value through profit or loss		Measured at amortized cost (c)	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Assets				
Cash and cash equivalents	308,548	737,343	253,659	334,989
Short-term investments (a)	121,491	227,628	309,742	264,092
Restricted cash	168,769	735,404	-	59,324
Derivative assets	3,817	1,766	-	-
Trade receivables	-	-	760,237	462,620
Deposits (b)	-	-	756,810	690,826
Other assets	-	-	118,058	156,355
Liabilities				
Debt	-	-	6,379,220	9,304,926
Suppliers	-	-	1,097,997	900,682
Derivative liabilities	89,211	141,443	-	-

(a) The Company manages its financial investments to pay its short-term operational expenses.

(b) Excludes judicial deposits, as described in Note 9.

(c) Items classified as amortized cost refer to credits, debt with private institutions which, in any early settlement, there are no substantial changes in relation to the values recorded, except the amounts related to Perpetual Bonds and Senior Notes, as disclosed on Note 16. The fair values approximate to the book values, according to the short term maturity period of these assets and liabilities. During the year ended December 31, 2016, there was no change on the classification between categories of the financial instruments.

As of December 31, 2016 and 2015, the Company did not have financial assets classified as available for sale.

The derivative financial instruments were recognized as follows:

Movement of assets and liabilities	Foreign			Total
	Fuel	currency	Interest rate	
Asset (liability) as of December 31, 2014 (*)	19	15,134	(81,673)	(66,520)
Fair value variations:				
Net losses recognized in profit or loss (c)	492	102,696	72	103,260
Losses recognized in other comprehensive income (loss)	(30,712)	-	(96,489)	(127,201)
Settlements during the year	30,201	(116,064)	36,647	(49,216)
Asset (liability) as of December 31, 2015 (*)	-	1,766	(141,443)	(139,677)
Fair value variations:				
Net income (losses) recognized in profit or loss (c)	309	(40,931)	(1)	(40,623)
Losses recognized in other comprehensive income (loss)	-	-	(4,842)	(4,842)
Settlements during the year	3,508	39,165	57,075	99,748
Asset (liability) as of December 31, 2016 (*)	3,817	-	(89,211)	(85,394)

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Movement of other comprehensive income (loss)	Fuel	Foreign currency	Interest rate	Total
Balances as of December 31, 2014	168	-	(138,881)	(138,713)
Fair value adjustments during the year	(30,712)	-	(96,489)	(127,201)
Net reversal, to profit or loss (b)	30,456	-	35,797	66,253
Tax effect	88	-	20,631	20,719
Balances as of December 31, 2015	-	-	(178,942)	(178,942)
Fair value adjustments during the year	-	-	(4,842)	(4,842)
Net reversal to profit or loss (d)	-	-	128,731	128,731
Tax effects	-	-	(92,179)	(92,179)
Balances as of December 31, 2016	-	-	(147,229)	(147,229)
Effects on the 2016 profit (loss) (c+d)	309	(40,931)	(128,732)	(169,354)
Operating costs and expenses	-	-	(12,574)	(12,574)
Financial income (expense)	309	(40,931)	(116,158)	(156,780)
Effects on the 2015 profit (loss) (a+b)	(29,964)	102,696	(35,725)	37,007
Operating costs and expenses	-	-	(13,150)	(13,150)
Financial income (expense)	(29,964)	102,696	(22,575)	50,157

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

The Company adopts the hedge accounting for the derivatives contracted to hedge interest rate risk classified as "cash flow hedge". As of December 31, 2016, the Company records as cash flow hedge only for the interest rate hedge (mainly Libor). The cash flow hedge is programmed to be recycled to profit or loss in the periods stated below:

	2017	2018	2019	2020	2021	Thereafter
Recycle expectation	14,242	14,092	16,350	15,578	13,844	73,123

26.1. Market risks

a) Fuel price risk

The aircraft fuel price fluctuates both in the short and in the long-term, in line with crude oil and oil by product price fluctuations. To mitigate the risk of fuel price, the Company, as of December 31, 2016 held the purchase option (call and put) attached to WTI. In the year ended December 31, 2016, the Company recognized a gain with fuel hedge transactions in the amount of R\$309 (a loss of R\$29,964 in the year ended December 31, 2015). The Company does not hold derivatives operations designated as "hedge accounting".

b) Foreign currency risk

Foreign risk derives from the possibility of unfavorable fluctuation of foreign currencies to which the Company's liabilities or cash flows are exposed. To mitigate the foreign currency risk, the Company did not hold open contracts derivative financial instruments that are referenced to the U.S. dollar. For the year ended December 31, 2016, the Company recognized a loss on foreign currency derivatives in the amount of R\$40,931 (gain of R\$102,969 as of December 31, 2015).

The Company's foreign currency exposure as of December 31, 2016 and 2015 is as follows:

	12/31/2016	12/31/2015
Assets		
Cash and cash equivalents and short-term investments	548,792	971,986
Trade receivables	104,800	57,104
Deposits	756,810	690,827
Derivatives	3,817	1,766
Other assets	10,184	4,202
Total assets	1,424,403	1,725,885
Liabilities		
Foreign suppliers	341,026	113,280
Short and long-term debt	3,596,379	5,033,900
Finance leases	1,718,012	2,994,094
Other leases payable	982	179,030
Provision for aircraft and engine return	583,941	725,176
Total liabilities	6,240,340	9,045,480
Exchange exposure in R\$	4,815,937	7,319,595
Commitments not recorded in the statements of financial position		
Future commitments resulting from operating leases	6,246,725	7,749,032
Future commitments resulting from firm aircraft orders	48,032,429	58,886,473
Total	54,279,154	66,635,505
Total foreign currency exposure - R\$	59,095,091	73,955,100
Total foreign currency exposure - US\$	18,132,334	18,939,536
Exchange rate (R\$/US\$)	3.2591	3.9048

The Company's foreign currency exposure mainly comprises U.S. Dollar rate.

c) Interest rate risk

The Company is mainly exposed to lease transactions indexed to variations in the Libor rate until the aircraft is received. To mitigate such risks, the Company has derivative financial instruments of interest rate (Libor) swaps. During the year ended December 31, 2016, the Company recognized a total loss with interest hedging transactions in the amount of R\$128,732 (loss of R\$35,725 for year ended December 31, 2015).

As of December 31, 2016 and 2015, the Company and its subsidiaries had interest rate swap derivatives recorded as hedge accounting.

26.2. Credit risk

The credit risk is inherent in the Company's operating and financing activities, mainly represented by cash and cash equivalents, short-term investments and trade receivables. Trade receivables credit risk consists of amounts falling due from credit card operators, travel agencies, installments sales and government entities, which leaves the Company exposed to a small portion of the credit risk of individuals and other entities. 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.

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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 (BM&FBOVESPA or NYMEX), thus substantially mitigating credit risk. Financial assets are realized with counterparties rated investment grade or higher by S&P or Moody's. The Company's obligation is to evaluate counterparty risk involved in financial instruments and periodically diversify its exposure.

26.3. Liquidity risk

Liquidity risk takes on two distinct forms: market and cash flow liquidity risk. The first is related to current market prices and varies in accordance with the types of assets and the markets where they are traded. Cash flow liquidity risk, however, is related to difficulties in meeting the contracted operating obligations at the maturity dates. That are uncertainty on the companies solvency and the business plan to mitigate those uncertainties is disclosed in Note 1.1. In order to mitigate the liquidity risk, the Company invests its funds according to the Cash Flow Policy, which states that the term of the debt must be higher than the investment portfolio term.

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The schedule of financial liability hold by the Company as of December 31, 2016 and 2015 is as follows:

	12/31/2016				Total
	Current	6 to 12 months	1 to 5 years	More than 5 years	
Short and long-term debt	499,542	335,748	2,654,007	2,889,923	6,379,220
Suppliers	1,088,859	-	9,138	-	1,097,997
Derivative liabilities	89,211	-	-	-	89,211
	1,677,612	335,748	2,663,145	2,889,923	7,566,428

	12/31/2015				Total
	Current	6 to 12 months	1 to 5 years	More than 5 years	
Short and long-term debt	336,664	1,059,959	3,110,282	4,798,021	9,304,926
Suppliers	797,124	103,558	-	-	900,682
Derivative liabilities	141,443	-	-	-	141,443
	1,275,231	1,163,517	3,110,282	4,798,021	10,347,051

26.4. Capital management

The Company seeks alternatives to capital in order to meet its operational needs, aiming a capital structure that takes into account suitable parameters for the financial costs, the maturities of funding and its guarantees. The Company monitors its financial leverage ratio, which corresponds to net debt, including short and long-term debt, divided by total equity (deficit). The table below shows the Company's capital management as of December 31, 2016 and 2015:

	12/31/2016	12/31/2015
Short and long-term debt	6,379,220	9,304,926
(-) Cash and cash equivalents	(562,207)	(1,072,332)
(-) Short-term investments	(431,233)	(491,720)
(-) Restricted cash	(168,769)	(735,404)
A - Net debt	5,217,011	7,005,470
B - Total deficit	(3,356,751)	(4,322,440)
C = (B+A) Total capital and net debt	1,860,260	2,683,030

26.5. Sensitivity analysis of financial instruments

The Company also analyzes the impact of the financial instrument fluctuation on the profit or loss and total equity considering:

- Increase and decrease by 25% and 50% in fuel prices, by keeping all the other variables constant;
- Increase and decrease by 25% and 50% in the U.S. dollar exchange rate, by keeping all the other variables constant;

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- Increase and decrease by 25% and 50% in the Libor interest rate, by keeping all the other variables constant.

The estimates presented do not necessarily reflect the amounts to be reported in future financial statements. The use of different methodologies and/ or assumptions may have a material effect on the estimates presented.

The tables below show the sensitivity analysis of foreign currency exposure, derivatives position and the interest rates on December 31, 2016 to market risks considered relevant by management. In the tables, positive values are displayed as asset exposures (assets higher than liabilities) and negative values are exposed liabilities (liabilities higher than assets).

a) Fuel risk

Due to the low liquidity of jet fuel derivatives traded in commodities exchanges, the Company and its subsidiaries contract crude oil derivatives (WTI, Brent) and its byproducts (Heating Oil) to hedge fluctuations in jet fuel prices. Historically, oil prices are highly correlated with aircraft fuel prices.

As of December 31, 2016, the Company and its subsidiaries held options and Brent contracts.

The fair value of the contracts on December 31, 2016 totaled R\$3,817. The table below shows information on the hedged exposure:

	1Q17	2Q17	3Q17	4Q17	Total 12M
Percentage of fuel exposure hedged	55%	0%	0%	0%	4%
Amount in barrels (thousand barrels)	391	-	-	-	391
Future rate agreed per barrel (US\$) (*)	53	-	-	-	53
Total in thousands of Brazilian Reais (**)	67,538	-	-	-	67,538

(*) Weighted average between call strikes.

(**) The exchange rate: R\$3.2591/US\$1.00.

b) Foreign currency risk

As of December 31, 2016, the Company have U.S. dollar derivative contracts with notional value of US\$68,250,000, with maturities until June 2017, and a net exchange exposure liability of R\$4,815,937. As of December 31, 2016, the Company adopted the closing exchange rate of R\$3.2591/US\$ as a likely scenario, as follows:

	Exchange rate	Liabilities, net	Derivatives, net	Total exposure
As of December 31, 2016	3.2591	(4,815,937)	(85,394)	(4,901,331)
Dollar depreciation (-50%)	1.6296	(2,407,968)	(42,697)	(2,450,665)
Dollar depreciation (-25%)	2.4443	(3,611,953)	(64,046)	(3,675,999)
Dollar appreciation (+25%)	4.0739	(6,019,921)	(106,743)	(6,126,664)
Dollar appreciation (+50%)	4.8887	(7,223,905)	(128,091)	(7,351,996)

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c) Interest risk factor

As of December 31, 2016, the Company holds financial investments and financial liabilities indexed to several rates, and position in Libor derivatives. In the sensitivity analysis of non-derivative financial instruments it was considered the impacts on yearly interest of the exposed values as of December 31, 2016 (see Note 16), arising from fluctuations in interest rates according to the scenarios presented below:

Instruments	Risk	Referential rate	Exposure Amount (probable scenario **)	Possible Adverse Scenario	Adverse Scenario Remote
				25%	50%
Short and long-term debt, net of short-term investments (*)	Increase in the CDI rate	13.63%	(180,034)	(100,924)	(121,109)
Derivatives	Decrease in the Libor rate	2.12%	(89,211)	(27,013)	(56,469)

(*) Refers to the sum of the values invested and raised in the market and indexed to CDI, the negative amounts means more debt than investments.

(**) Book value registered as of December 31, 2016.

Measurement of the fair value of financial instruments

In order to comply with the disclosure requirements for financial instruments measured at fair value, the Company and its subsidiaries must classify its instruments in Levels 1 to 3, based on observable fair value levels:

- Level 1: Fair value measurements are calculated based on quoted prices (without adjustment) in active market or identical liabilities;
- Level 2: Fair value measurements are calculated based on other variables besides quoted prices included in Level 1, that are observable for the asset or liability directly (such as prices) or indirectly (derived from prices); and
- Level 3: Fair value measurements are calculated based on valuation methods that include the asset or liability but that are not based on observable market variables (unobservable inputs).

The following table shows a summary of the Company's and its subsidiaries' financial instruments measured at fair value, including their related classifications of the valuation method, as of December 31, 2016 and 2015:

Financial instrument	12/31/2016		12/31/2015	
	Book value	Other significant observable factors (Level 2)	Book value	Other significant observable factors (Level 2)
Cash and cash equivalents	308,548	308,548	737,343	737,343
Short-term investments	121,491	121,491	227,628	227,628
Restricted cash	168,769	168,769	735,404	735,404
Derivative assets	3,817	3,817	1,766	1,766
Derivative liabilities	(89,211)	(89,211)	(141,443)	(141,443)

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27. Non-cash transactions

In the year ended December 31, 2016, the Company increased its property, plant and equipment in the amount of R\$97,423 (R\$259,673 and R\$69,485 in the years ended December 31, 2015 and 2014, respectively) is related to an increase of the provision for aircraft return. Additionally, the Company renegotiated financial leasing agreements amounting to R\$549,144, recorded in property, plant and equipment under finance lease.

In the year ended December 31, 2016, Smiles acquired the right to use additional software licenses, in the amount of R\$25,660, which payments was outstanding, and recorded in "suppliers".

28. Insurance

As of December 31, 2016, the insurance coverage by nature, considering the aircraft fleet and related to the maximum reimbursable amounts indicated in U.S. dollars (in thousands), is as follows:

Aeronautical Type	In Reais	In U.S. dollars
Guarantee - hull/war	12,319,398	3,780,000
Civil liability per event/aircraft (*)	2,444,325	750,000
Inventories (*)	684,411	210,000

(*) Values per incident and annual aggregate.

Pursuant to Law No. 10,744, of October 9, 2003, the Brazilian government assumed the commitment to complement any civil liability expenses related to third parties caused by war or terrorist events, in Brazil or abroad, which 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.

29. Subsequent events

On January 30, 2017, the Company approved the fourth payment of tranche B of the agreement entered into on February 26, 2016 referring to the acquisition of air tickets in advance and the agreement of fiduciary assignment of receivables and rights on accounts and other covenants, entered into between GLA and Smiles. The amount paid on February 3, 2017 was R\$120,000.

On January 13, 2017, Smiles entered into an amendment to the Smiles Partnership Agreement with a financial institution, in the amount of R\$143,000 for the acquisition of miles in advance to be used until the end of 2018.

On January 31, 2017, GLA entered into a Loan Agreement with Delta Air Lines Inc., ("Delta"), in the amount of US\$50,000, maturing on December 31, 2020, with a repayment obligation by the Company, GLA and Gol LuxCo, pursuant to the repayment agreement entered into on August 19, 2015, with guarantee granted by the Company to GAC.

On April 3, 2017, the Company repaid US\$55.9 million (R\$177.2 million) for the 7.5% Senior Notes due 2017 that was outstanding at their maturity date.

On April 5, 2017 GOL and Smiles S.A. entered into an amendment to their Agreement for Advanced Purchase and Sale of Air Tickets entered on February 26, 2016. Pursuant to the Amendment, the parties agreed to extend the term of the Agreement for Advanced Purchase and Sale of Air Tickets, and Smiles agreed to acquire up to R\$480 million in advance air tickets, to be disbursed by Smiles through July 31, 2018 in accordance with the terms and conditions of the Amendment.

30. Condensed consolidated financial information of guarantor subsidiaries

The following condensed consolidated financial information, prepared in accordance with IFRS, is presented in lieu to provide the separate audited financial statements for the guarantor subsidiary GLA, which is 100% owned by the Company, in connection with its full and unconditional guarantee, on a joint and several basis, of the obligation to pay principal and interest under the 8.75% Perpetual Notes, 7.60% Senior Notes I, and 9.64% Senior Notes II, issued by the Company's wholly owned subsidiary Gol Finance, 11.30% Senior Notes IV, 9.71% Senior Notes V, 9.87% Senior Notes VI and 9.84% Senior Notes VII issued by the Company's wholly owned subsidiary Gol LuxCo. The 9.24% Senior Notes III, previously issued by GLA and transferred to Gol LuxCo, is guaranteed by the Company.

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	12/13/2016					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non- guarantor subsidiaries (*)	Consolidating adjustments	Consolidated
Assets						
Current assets						
Cash and cash equivalents	7,733	4,531	251,170	298,773	-	562,207
Short-term investments	49	-	191,296	322,645	(82,757)	431,233
Trade receivables	-	-	610,392	167,864	(18,019)	760,237
Inventories	-	-	182,588	-	-	182,588
Other current assets	74,029	-	121,123	612,430	(663,133)	144,449
	81,811	4,531	1,356,569	1,401,712	(763,909)	2,080,714
Noncurrent assets						
Restricted cash	32,656	-	136,113	-	-	168,769
Credits with related parties	184,828	1,832,466	46,472	3,235,992	(5,299,758)	-
Deposits	38,760	-	1,142,860	7,372	-	1,188,992
Other noncurrent assets	30,695	-	55,491	458,334	(360,588)	183,932
Investments	281,758	-	2,038	15,186	(281,760)	17,222
Property, plant and equipment	-	-	2,700,269	324,741	-	3,025,010
Intangible assets	-	-	1,704,885	34,831	-	1,739,716
	568,697	1,832,466	5,788,128	4,076,456	(5,942,106)	6,323,641
Total assets	650,508	1,836,997	7,144,697	5,478,168	(6,706,015)	8,404,355

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	12/31/2016					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Liabilities						
Current liabilities						
Short-term debt	-	211,759	558,071	65,460	-	835,290
Suppliers	750	190	1,000,433	117,426	(20,802)	1,097,997
Salaries	309	-	268,350	14,863	-	283,522
Landing fees	-	-	236,558	3,008	-	239,566
Advance ticket sales	-	-	1,094,516	-	91,429	1,185,945
Mileage program	-	-	-	781,707	-	781,707
Provisions	-	-	66,502	-	-	66,502
Other current liabilities	1,167	-	871,002	149,160	(663,116)	358,213
	2,226	211,949	4,095,432	1,131,624	(592,489)	4,848,742
Noncurrent liabilities						
Long-term debt	-	879,193	2,629,290	2,118,204	(82,757)	5,543,930
Provisions	-	-	722,451	1,262	-	723,713
Related parties	-	863,596	1,973,547	2,459,653	(5,296,796)	-
Provision for loss on investments	4,298,280	-	-	-	(4,298,280)	-
Other noncurrent liabilities	-	-	807,930	228,466	(391,675)	644,721
	4,298,280	1,742,789	6,133,218	4,807,585	(10,069,508)	6,912,364
Deficit attributable to equity holders of the parent	(3,649,998)	(117,741)	(3,083,953)	(461,041)	3,662,735	(3,649,998)
Non-controlling interests	-	-	-	-	293,247	293,247
Total deficit	(3,649,998)	(117,741)	(3,083,953)	(461,041)	3,955,982	(3,356,751)
Total equity and liabilities	650,508	1,836,997	7,144,697	5,478,168	(6,706,015)	8,404,355

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	12/31/2016					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Statement of operations						
Net revenue	-	-	9,069,649	1,548,109	(750,423)	9,867,335
Operating costs and expenses						
Salaries	(2,597)	-	(1,613,143)	(41,045)	-	(1,656,785)
Aircraft fuel	-	-	(2,695,390)	-	-	(2,695,390)
Aircraft rent	-	-	(996,945)	-	-	(996,945)
Aircraft insurance	-	-	(35,938)	-	-	(35,938)
Sales and marketing	(216)	-	(493,860)	(61,908)	-	(555,984)
Landing fees	-	-	(687,366)	-	-	(687,366)
Aircraft, traffic and mileage servicing	(3,738)	-	(969,930)	(830,309)	735,802	(1,068,175)
Maintenance, materials and repairs	-	-	(593,086)	(4)	-	(593,090)
Depreciation and amortization	-	-	(439,173)	(8,495)	-	(447,668)
Other operating expenses	(1,342)	-	(647,736)	217,290	(381)	(432,169)
	(7,893)	-	(9,172,567)	(724,471)	735,421	(9,169,510)
Equity results	872,104	-	1,250	(2,530)	(872,104)	(1,280)
Financial expenses, net	(20,049)	240,694	(204,852)	648,695	389	664,877
Income (loss) before income taxes	844,162	240,694	(306,520)	1,469,803	(886,717)	1,361,422
Income taxes	5,457	-	1,673	(271,156)	4,968	(259,058)
Net income (loss) for the year	849,619	240,694	(304,847)	1,198,647	(881,749)	1,102,364
Net income (loss) attributable to equity holders of the parent	849,619	240,694	(304,847)	1,198,647	(1,134,494)	849,619
Net income attributable to non-controlling interests	-	-	-	-	252,745	252,745

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	12/31/2016					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net income (loss) for the year	849,619	240,694	(304,847)	1,198,647	(881,749)	1,102,364
Other comprehensive income (loss) to be reversed to profit or loss in subsequent periods						
Cash flow hedges	123,889	-	123,889	-	(123,889)	123,889
Tax effect	(92,179)	-	(92,179)	-	92,179	(92,179)
	31,710	-	31,710	-	(31,710)	31,710
Comprehensive income (loss) for the year	881,329	240,694	(273,137)	1,198,647	(913,459)	1,134,074
Comprehensive income (loss) for the year attributable to:						
Equity holders of the parent	881,329	240,694	(273,137)	1,198,647	(1,166,204)	881,329
Non-controlling interests	-	-	-	-	252,745	252,745

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	12/31/2016					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net cash flows from (used in) operating activities	3,648	(47,415)	(788,931)	(227,552)	1,039,183	(21,067)
Investing activities						
Restricted cash	1,317	-	496,017	44,773	-	542,107
Short-term investments	-	-	-	(45,651)	-	(45,651)
Related parties	15,299	12,501	-	(637,940)	610,140	-
Advances for property, plant and equipment acquisition, net	-	-	(19,075)	661,010	(105,491)	536,444
Property, plant and equipment	-	-	(363,018)	(519)	(46,172)	(409,709)
Intangible assets	-	-	(26,318)	(3,338)	-	(29,656)
Other	(25,177)	-	1,993	2,641	19,097	(1,446)
Net cash flows from investing activities	(8,561)	12,501	89,599	20,976	477,574	592,089
Financing activities						
Issuance of debt, net of payments and issuance costs	-	(189,780)	(813,012)	112,233	-	(890,559)
Related parties	(4,391)	139,546	1,246,009	(596,410)	(784,754)	-
Capital increase, net of issuance costs	-	-	191,587	6,481	(198,068)	-
Other	(395)	-	-	(351,386)	179,557	(172,224)
Net cash flows from (used in) financing activities	(4,786)	(50,234)	624,584	(829,082)	(803,265)	(1,062,783)
Foreign exchange variation on cash held in foreign currencies	-	63,036	(24,023)	656,115	(713,492)	(18,364)
Net decrease in cash and cash equivalents	(9,699)	(22,112)	(98,771)	(379,543)	-	(510,125)
Cash and cash equivalents at beginning of the year	17,432	26,643	349,941	678,316	-	1,072,332
Cash and cash equivalents at the end of the year	7,733	4,531	251,170	298,773	-	562,207

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	12/13/2015					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidating adjustments	Consolidated
Assets						
Current assets						
Cash and cash equivalents	17,432	26,643	349,941	678,316	-	1,072,332
Short-term investments	-	-	120,129	459,385	(87,794)	491,720
Restricted cash	10,514	-	-	48,810	-	59,324
Trade receivables	-	-	268,993	192,422	1,205	462,620
Inventories	-	-	199,236	-	-	199,236
Other current assets	33,585	-	168,755	664,022	(690,028)	176,334
	61,531	26,643	1,107,054	2,042,955	(776,617)	2,461,566
Noncurrent assets						
Restricted cash	23,459	-	652,623	-	-	676,080
Credits with related parties	212,951	2,178,370	36,421	3,038,304	(5,466,046)	-
Other noncurrent assets	61,821	-	1,074,476	196,848	(92,039)	1,241,108
Investments	213,800	-	2,782	15,643	(213,801)	18,424
Property, plant and equipment	-	-	3,272,169	984,445	-	4,256,614
Intangible assets	-	-	1,700,693	13,912	-	1,714,605
	512,031	2,178,370	6,739,164	4,249,152	(5,771,886)	7,906,831
Total assets	573,562	2,205,013	7,846,218	6,292,107	(6,548,503)	10,368,397

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	12/31/2015					
	Parent company (GLA)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Liabilities						
Current liabilities						
Short-term debt	-	47,472	1,274,819	80,126	(5,794)	1,396,623
Suppliers	6,839	-	857,286	84,106	(47,549)	900,682
Advance ticket sales	-	-	1,115,268	-	91,387	1,206,655
Provisions	-	-	206,708	-	-	206,708
Other current liabilities	580	-	1,606,447	872,054	(647,741)	1,831,340
	7,419	47,472	5,060,528	1,036,286	(609,697)	5,542,008
Noncurrent liabilities						
Long-term debt	-	1,720,744	3,760,707	2,518,038	(91,186)	7,908,303
Related parties	5,016	795,232	883,453	3,773,973	(5,457,674)	-
Provision for loss on investments	5,107,589	-	-	-	(5,107,589)	-
Other noncurrent liabilities	-	-	1,143,933	222,582	(125,989)	1,240,526
	5,112,605	2,515,976	5,788,093	6,514,593	(10,782,438)	9,148,829
Equity attributable to equity holders of the parent	(4,546,462)	(358,435)	(3,002,403)	(1,482,794)	4,843,632	(4,546,462)
Non-controlling interests	-	-	-	224,022	-	224,022
Total equity (deficit)	(4,546,462)	(358,435)	(3,002,403)	(1,258,772)	4,843,632	(4,322,440)
Total equity and liabilities	573,562	2,205,013	7,846,218	6,292,107	(6,548,503)	10,368,397

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	2015					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Statement of operations						
Net revenue	-	-	9,234,659	1,221,259	(677,911)	9,778,007
Operating costs and expenses						
Salaries	(4,974)	-	(1,535,692)	(39,866)	1	(1,580,531)
Aircraft fuel	-	-	(3,301,368)	-	-	(3,301,368)
Aircraft rent	-	-	(1,106,583)	6,497	-	(1,100,086)
Aircraft insurance	-	-	(29,791)	-	-	(29,791)
Sales and marketing	(349)	-	(565,980)	(51,074)	-	(617,403)
Landing fees	-	-	(681,378)	-	-	(681,378)
Aircraft, traffic and mileage servicing	(8,648)	(99)	(948,052)	(706,252)	643,218	(1,019,833)
Maintenance, materials and repairs	-	-	(603,918)	(7)	-	(603,925)
Depreciation and amortization	-	-	(416,767)	(2,924)	-	(419,691)
Other operating expenses	(2,302)	(12)	(611,344)	9,814	7	(603,837)
	(16,273)	(111)	(9,800,873)	(783,812)	643,226	(9,957,843)
Equity results	(3,562,470)	-	1,991	(5,932)	3,562,470	(3,941)
Financial expenses, net	(811,019)	(16,649)	(2,323,332)	(112,323)	-	(3,263,323)
Income (loss) before income taxes	(4,389,762)	(16,760)	(2,887,555)	319,192	3,527,785	(3,447,100)
Income taxes	(71,121)	-	(606,121)	(178,692)	11,794	(844,140)
Net income (loss) for the year	(4,460,883)	(16,760)	(3,493,676)	140,500	3,539,579	(4,291,240)
Net income (loss) attributable to equity holders of the parent	(4,460,883)	(16,760)	(3,493,676)	140,500	3,369,936	(4,460,883)
Net income attributable to non-controlling interests	-	-	-	-	169,643	169,643

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

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	2015					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net income (loss) for the year	(4,460,883)	(16,760)	(3,493,676)	140,500	3,539,579	(4,291,240)
Other comprehensive income (loss) to be reversed to profit or loss in subsequent periods						
Cash flow hedges	(60,949)	-	(60,949)	-	60,949	(60,949)
Tax effect	20,723	-	20,723	-	(20,723)	20,723
	(40,226)	-	(40,226)	-	40,226	(40,226)
Comprehensive income (loss) for the year	(4,501,109)	(16,760)	(3,533,902)	140,500	3,579,805	(4,331,466)
Comprehensive income (loss) for the year attributable to						
Equity holders of the parent	(4,501,109)	(16,760)	(3,533,902)	140,500	3,410,162	(4,501,109)
Non-controlling interests	-	-	-	-	169,643	169,643

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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

	2015					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net cash flows from (used in) operating activities	(437,449)	62,513	(1,509,671)	1.214,532	70,608	(599,467)
Investing activities						
Acquisition of property, plant and equipment, net	-	-	(437,713)	(123,279)	1,615	(559,377)
Intangible assets	-	-	(41,035)	-	(1,777)	(42,812)
Restricted cash	(11,952)	-	(401,396)	9,494	-	(403,854)
Short-term investments	-	-	-	(254,416)	-	(254,416)
Related parties	141,765	130,218	-	(1,003,157)	731,174	-
Other	(417,880)	-	1,302	8,171	409,709	1,302
Net cash flows from (used in) investing activities	(288,067)	130,218	(878,842)	(1,363,187)	1,140,721	(1,259,157)
Financing activities						
Issuance of debt, net of payments and issuance costs	1,117,771	(53,368)	(291,243)	(362,642)	16,455	426,973
Related parties	(1,811,297)	-	945,009	1,655,421	(789,133)	-
Capital increase, net of issuance costs	456,302	-	567,702	11,366	(579,068)	456,302
Other	(2)	-	-	(290,962)	157,879	(133,085)
Net cash flows from (used in) financing activities	(237,226)	(53,368)	1,221,468	1,013,183	(1,193,867)	750,190
Foreign exchange variation on cash held in foreign currencies	978,235	(116,506)	180,669	(742,943)	(17,462)	281,993
Net increase (decrease) in cash and cash equivalents	15,493	22,857	(986,376)	121,585	-	(826,441)
Cash and cash equivalents at beginning of the year	1,939	3,786	1,336,317	556,731	-	1,898,773
Cash and cash equivalents at the end of the year	17,432	26,643	349,941	678,316	-	1,072,332

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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

	2014					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Statement of operations						
Net revenue	-	-	9,788,591	807,488	(529,865)	10,066,214
Operating costs and expenses						
Salaries	(6,104)	-	(1,335,933)	(32,059)	-	(1,374,096)
Aircraft fuel	-	-	(3,842,276)	-	-	(3,842,276)
Aircraft rent	-	-	(844,571)	-	-	(844,571)
Aircraft insurance	-	-	(22,411)	-	-	(22,411)
Sales and marketing	(776)	-	(629,916)	(36,680)	-	(667,372)
Landing fees	-	-	(613,153)	-	-	(613,153)
Aircraft, traffic and mileage servicing	(4,238)	-	(800,315)	(458,793)	515,899	(747,447)
Maintenance, materials and repairs	-	-	(511,042)	(3)	-	(511,045)
Depreciation and amortization	-	-	(460,040)	(3,256)	-	(463,296)
Other operating expenses	(1,148)	-	(540,350)	68,370	13	(473,115)
	(12,266)	-	(9,600,007)	(462,421)	515,912	(9,558,782)
Equity results	(1,077,220)	-	1,302	(3,791)	1,077,219	(2,490)
Financial income (expense), net	(174,121)	(41,357)	(1,191,416)	(50,729)	1	(1,457,622)
Income (loss) before income taxes	(1,263,607)	(41,357)	(1,001,530)	290,547	1,063,267	(952,680)
Income taxes	17,438	-	(54,233)	(132,550)	4,744	(164,601)
Net income (loss) for the year	(1,246,169)	(41,357)	(1,055,763)	157,997	1,068,011	(1,117,281)
Net income (loss) attributable to equity holders of the parent	(1,246,169)	(41,357)	(1,055,763)	157,997	939,123	(1,246,169)
Net income attributable to non-controlling interests	-	-	-	-	128,888	128,888

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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

	2014					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net income (loss) for the year	(1,246,169)	(41,357)	(1,055,763)	157,997	1,068,011	(1,117,281)
Other comprehensive income (loss) to be reversed to profit or loss in subsequent periods						
Cash flow hedges	(182,653)	-	(182,653)	-	182,653	(182,653)
Tax effect	62,102	-	62,102	-	(62,102)	62,102
	(120,551)	-	(120,551)	-	120,551	(120,551)
Comprehensive income (loss) for the year	(1,366,720)	(41,357)	(1,176,314)	157,997	1,188,562	(1,237,832)
Comprehensive income (loss) for the year attributable to						
Equity holders of the parent	(1,366,720)	(41,357)	(1,176,314)	157,997	1,059,674	(1,366,720)
Non-controlling interests	-	-	-	-	128,888	128,888

(*) The non-guarantor subsidiaries are comprised of the entities GAC, Gol LuxCo, Gol Dominicana and Smiles.

GOL Linhas Aéreas Inteligentes S.A.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014

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

	2014					
	Parent company (GLAI)	Issuer subsidiary (Gol Finance)	Subsidiary guarantor (GLA)	Non-guarantor subsidiaries (*)	Consolidation adjustments	Consolidated
Net cash flows from (used in) operating activities	209,816	42,916	261,673	443,325	171,462	1,129,192
Investing activities						
Acquisition of property, plant and equipment, net	-	-	(215,206)	(775)	28,371	(187,610)
Intangibles	-	-	(28,680)	(17,370)	(258)	(46,308)
Restricted cash	(1,811)	-	(16,980)	(58,303)	-	(77,094)
Financial investments, net	-	-	-	58,303	(218,813)	(160,510)
Related parties	(134,214)	92,631	-	41,338	245	-
Other	(119,684)	-	(791)	(16,721)	177,108	39,912
Net cash flows from (used in) investing activities	(255,709)	92,631	(261,657)	6,472	(13,347)	(431,610)
Financing activities						
Issuance of debt, net of payments and issuance costs	(132,562)	(114,455)	(211,910)	323,663	490,500	355,236
Related parties	(129,572)	-	(34,529)	614,992	(450,891)	-
Other	112,290	-	570,296	(1,149,944)	(197,462)	(664,820)
Net cash flows from (used in) financing activities	(149,844)	(114,455)	323,857	(211,289)	(157,853)	(309,584)
Foreign exchange variation on cash held in foreign currencies	173,587	(27,031)	(124,872)	(146,295)	(261)	(124,872)
Net increase (decrease) in cash and cash equivalents	(22,150)	(5,939)	199,001	92,213	-	263,126
Cash and cash equivalents at beginning of the year	24,088	9,725	1,137,316	464,519	-	1,635,647
Cash and cash equivalents at the end of the year	1,938	3,786	1,336,317	556,732	-	1,898,773

(*) The non-guarantor subsidiaries are comprised by GAC, Gol LuxCo, Gol Dominicana and Smiles.

SECOND AMENDMENT TO THE PROMISSORY AGREEMENT FOR PURCHASE AND SALE AND OTHER COVENANTS entered into by and between:

PETROBRAS DISTRIBUIDORA S.A., headquartered at Rua Correia Vasques, 250 – 6th floor, in the City of Rio de Janeiro, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ 34.274.233/0001-02, herein represented, according to its Articles of Association, by its Executive Manager for Aviation Products, Mrs. Érica Saião Caputo and by its Marketing Manager for Air Companies, Mr. Júlio Cesar Abrahão, hereinafter referred to as “**BR**” and, on the other side:

VRG LINHAS AÉREAS S.A., a corporation organized and existing under the laws of Brazil, headquartered at Praça Senador Salgado Filho, s/n, Aeroporto Santos Dumont, Térreo, Área Pública, entre os eixos 46-48/O-P, Sala Gerência - Back Office, CEP 20021-340, City and State of Rio de Janeiro, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ/MF 07.575.651/0001-59 and branch office at Praça Comandante Lineu Gomes, s/n, Portaria 3, Aeroporto, CEP 04626-020, City and State of São Paulo, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ/MF 07.575.651/0004-00, herein represented by its directors duly elected at the shareholders' general meeting, hereinafter referred to as the “**PROMISING PURCHASER**”, have mutually agreed to enter into this Amendment, which shall be governed according to the following sections and conditions:

Whereas **BR** and the **PROMISING PURCHASER** entered into a Promissory Agreement for Purchase and Sale and Other Covenants (the “Agreement”) on July 28, 2015, covering the supply of aviation kerosene (JET A-1) by BR for a period of thirty-six (36) months, to become retroactively effective as from January 1, 2015 until January 1, 2018, and the Parties entered into the 1st Amendment to the Agreement on January 15, 2016 in order to: (i) amend section 1.1 of the Agreement; (ii) fully delete Sections 1.1.1 and 1.1.2; (iii) amend Section 1.3 of the Agreement; (iv) include Sections 1.5 and 1.6; (v) amend section 2.3.7 of the Agreement; (vi) fully delete sections 2.1.1 and 2.3.2 and, as a result, renumber Sections 2.3.3 to 2.3.7 of the Agreement; (vii) [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and, as a result, amend Section 4.1; and (viii) delete section 8.1.1 and amend Section 8.1.2.

The Parties resolve to enter into this **AMENDMENT**, which shall be governed by the following sections and conditions, to generate its effects as from the execution date hereof.

SECTION ONE

1.1 The purpose of this Amendment is to change the following sections of the Agreement:

1.1.2 – The Parties have decided to insert in Section 1.1., in such manner that Section 1.1. shall hereinafter read as follows:

“1.1 BR promises to sell to the PROMISING PURCHASER and the latter, in turn, promises to purchase from BR the minimum monthly amounts of Aviation Kerosene in the locations and percentages as shown in Annex I, during the term of the Agreement. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. This Agreement is not entered into on an exclusive basis, and the PROMISING PURCHASER can freely procure the

supply from other suppliers, provided that this is made in compliance with the minimum percentage to be purchased from BR as per Annex I.”

1.1.3. The Parties resolve to change the period for the average selling price of the North-American Dollar for purposes of translation into Reais of the value per liter of Aviation Kerosene. Accordingly, Section 3.2.2 of the Agreement shall hereinafter read as follows:

“3.2.2 In case of selection for North-American Dollars, the translation of the value per liter into Reais shall be made according to the average selling price of the North-American Dollar in the period from the 24th day (n-2) to the 23rd day (n-1), as disclosed by the Brazilian Central Bank.”

SECTION TWO – MISCELLANEOUS

2.1 The Parties hereto expressly ratify all sections and conditions of the Agreement that have not been changed hereby.

In witness whereof, the parties execute this instrument in three (03) counterparts, in the presence of the two (2) undersigned witnesses, in order to produce its due legal effects.

Rio de Janeiro, April 20, 2016.

PETROBRAS DISTRIBUIDORA S.A.

Name:

Title:

VRG LINHAS AÉREAS S.A.

Name:

Title:

WITNESSES:

Name:

ID/RG:

Name:

ID/RG

Signature page of the 2nd AMENDMENT TO THE PROMISSORY AGREEMENT FOR PURCHASE AND SALE AND OTHER COVENANTS

THIRD AMENDMENT TO THE PROMISSORY AGREEMENT FOR PURCHASE AND SALE AND OTHER COVENANTS entered into by and between:

PETROBRAS DISTRIBUIDORA S.A., headquartered at Rua Correia Vasques, 250 – 6th floor, in the City of Rio de Janeiro, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ 34.274.233/0001-02, herein represented, according to its Articles of Association, by its Executive Manager for Aviation Products, Mrs. Érica Saião Caputo and by its Marketing Manager for Air Companies, Mr. Júlio Cesar Abrahão, hereinafter referred to as “**BR**” and, on the other side:

VRG LINHAS AÉREAS S.A., a corporation organized and existing under the laws of Brazil, headquartered at Praça Senador Salgado Filho, s/n, Aeroporto Santos Dumont, Térreo, Área Pública, entre os eixos 46-48/O-P, Sala Gerência - Back Office, CEP 20021-340, City and State of Rio de Janeiro, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ/MF 07.575.651/0001-59 and branch office at Praça Comandante Lineu Gomes, s/n, Portaria 3, Aeroporto, CEP 04626-020, City and State of São Paulo, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ/MF 07.575.651/0004-00, herein represented by its directors duly elected at the shareholders' general meeting, hereinafter referred to as the “**PROMISING PURCHASER**”, have mutually agreed to enter into this Amendment, which shall be governed according to the following clauses and conditions:

Whereas **BR** and the **PROMISING PURCHASER** entered into a Promissory Agreement for Purchase and Sale and Other Covenants (the “Agreement”) on July 28, 2015, covering the supply of aviation kerosene (JET A-1) by BR for a period of thirty-six (36) months, to become retroactively effective as from January 1, 2015 until January 1, 2019. Whereas, further, the Parties entered into the 1st Amendment to the Agreement on January 15, 2016 in order to: (i) amend clause 1.1 of the Agreement; (ii) fully delete Clauses 1.1.1 and 1.1.2; (iii) amend Clause 1.3 of the Agreement; (iv) include Clauses 1.5 and 1.6; (v) amend clause 2.3.7 of the Agreement; (vi) fully delete clauses 2.1.1 and 2.3.2 and, as a result, renumber Clauses 2.3.3 to 2.3.7 of the Agreement; (vii) [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and, as a result, amend Clause 4.1; and (viii) delete clause 8.1.1 and amend Clause 8.1.2; and whereas the Parties entered into the 2nd Amendment to the Agreement on April 20, 2016, in which they amended Clause 1.1 and changed the period for average selling price of the North-American Dollar for purposes of translation into Reais of the value per liter of the aviation kerosene, thus changing Clause 3.2.2 of the Agreement.

The Parties resolve to enter into this **AMENDMENT**, which shall be governed by the following clauses and conditions, to generate its effects as from the execution date hereof.

CLAUSE ONE

1.1 The purpose of this Amendment is to change the following clauses of the Agreement:

1.1.2 – The Parties wish to change the amounts of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] shown on the table of Annex I to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] base, which shall hereinafter be as follows:

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

SECTION TWO – MISCELLANEOUS

2.1 The Parties hereto expressly ratify all sections and conditions of the Agreement that have not been changed hereby.

In witness whereof, the parties execute this instrument in three (03) counterparts, in the presence of the two (2) undersigned witnesses, in order to produce its due legal effects.

Rio de Janeiro, August 16, 2016.

PETROBRAS DISTRIBUIDORA S.A.

Name:

Title:

VRG LINHAS AÉREAS S.A.

Name:

Title:

WITNESSES:

Name:

ID/RG:

Name:

ID/RG:

Signature page of the 3rd AMENDMENT TO THE PROMISSORY AGREEMENT FOR PURCHASE AND SALE AND OTHER COVENANTS

FOURTH AMENDMENT TO THE PROMISSORY AGREEMENT FOR PURCHASE AND SALE AND OTHER COVENANTS entered into by and between:

PETROBRAS DISTRIBUIDORA S.A., headquartered at Rua Correia Vasques, 250 – 6th floor, in the City of Rio de Janeiro, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ 34.274.233/0001-02, herein represented, according to its Articles of Association, by its Executive Manager for Aviation Products, Mrs. Érica Saião Caputo and by its Marketing Manager for Air Companies, Mr. Júlio Cesar Abrahão, hereinafter referred to as “**BR**” and, on the other side:

GOL LINHAS AÉREAS S.A. (previously named VRG Linhas Aéreas S.A.), a corporation organized and existing under the laws of Brazil, headquartered at Praça Senador Salgado Filho, s/n, Aeroporto Santos Dumont, Térreo, Área Pública, entre os eixos 46-48/O-P, Sala Gerência - Back Office, CEP 20021-340, City and State of Rio de Janeiro, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ/MF 07.575.651/0001-59 and branch office at Praça Comandante Lineu Gomes, s/n, Portaria 3, Aeroporto, CEP 04626-020, City and State of São Paulo, enrolled with the Brazilian Corporate Taxpayer Register under No. CNPJ/MF 07.575.651/0004-00, herein represented by its directors duly elected at the shareholders' general meeting, hereinafter referred to as the “**PROMISING PURCHASER**” and/or “**GOL**”, have mutually agreed to enter into this Amendment, which shall be governed according to the following clauses and conditions:

Whereas:

- (i) **BR** and the **PROMISING PURCHASER** entered into a Promissory Agreement for Purchase and Sale and Other Covenants (the “Agreement”) on July 28, 2015, covering the supply of aviation kerosene (JET A-1) by BR for a period of thirty-six (36) months, to become retroactively effective as from January 1, 2015 until January 1, 2019;
- (ii) The Parties entered into the 1st Amendment to the Agreement on January 15, 2016 in order to: (i) amend Clause 1.1 of the Agreement; (ii) fully delete Clauses 1.1.1 and 1.1.2; (iii) amend Clause 1.3 of the Agreement; (iv) include Clauses 1.5 1 1.6; (v) amend Clause 2.3.7 of the Agreement; (vi) fully delete Clauses 2.1.1 and 2.3.2 and, as a result, renumber Clauses 2.3.3 to 2.3.7 of the Agreement; (vii) [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and, as a result, amend Clause 4.1; and (viii) delete Clause 8.1.1 and amend Clause 8.1.2;
- (iii) The Parties entered into the 2nd Amendment to the Agreement on April 20, 2016, in which they amended Clause 1.1 and changed the period for average selling price of the North-American Dollar for purposes of translation into Reais of the value per liter of the aviation kerosene, thus changing Clause 3.2.2 of the Agreement;
- (iv) The Parties entered into the 3rd Amendment to the Agreement on August 16, 2016, in order to change the amounts of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] shown on the table of Annex I for [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] base;
- (v) Some of Brazilian states (“States”) grant a reduction of the tax basis and/or rate for the ICMS tax levied on sales of Aviation Kerosene (QAV) (the “Special

Taxation System”) made by Brazilian fuel distribution companies intended for consumption by cargo or passenger air carriers (“Tax Benefit”);

(vi) The enjoyment of this benefit is conditioned on the requirements mentioned in the tax laws of each of such States and, in this case, since it refers to an ICMS tax benefit, the respective tax law must be duly and mandatorily substantiated on a CONFAZ Agreement, as set forth in Supplementary Law no. 24/75, as well as in the Federal Constitution, articles 155, §2, XII, g, it being certain that granting of unilateral benefit is forbidden.

(vii) **GOL** has entered into agreements with some of these States due to its compliance with the above mentioned requirements, thus becoming entitled to the Special Taxation System for ICMS in these states..

The Parties resolve to enter into this **AMENDMENT**, which shall be governed by the following clauses and conditions, to generate its effects as from the execution date.

CLAUSE ONE

1.1 The purpose of this Amendment is to add the following clauses to the Agreement:

“9.1 (...)

9.2 *The parameterization of the Tax Benefit is conditioned on the delivery of the information by notice – which may be made by e-mail to the addresses informed in Clause 9.2.1 – from **GOL** to **BR**, making reference to all of the regulatory provisions that created the benefit as well as to the conditions to which the beneficiary taxpayer is subject. As long as there is no question raised by **BR** and all the requirements for the granting of the Tax Benefits are met, **BR** will have three (3) days to parameter the system with the information related to the granting of the Tax Benefit.*

9.2.1. *E-mail data:*

From BR:

Flávia Cavalcanti – flavia@br-petrobras.com.br

Júlio Abrahao –jabrahao@br.com.br

From GOL

Julio Perotti, e-mail: jperotti@voegol.com.br

Isabela Ferraz Davies, email: ifdavies@voegol.com.br ;

9.3 **GOL** agrees to notify **BR** – by e-mail, according to the addresses in Clause 9.2.1., at least one (1) day in advance to the event that may prevent the application of the regulatory provision and/or Agreement it may be enjoying, or which results in the revocation or voidance thereof, terminating the right to the relevant Tax Benefit, as well as about the suspension or cessation of the conditions provided for in the Agreement, Settlement Agreement or any regulatory or administrative act which provides for requirements to be complied with – including, without limitation, cessation of tax good standing (in relation to which **BR** may require production of evidence from time to time).

9.4 In case **BR** is issued a tax deficiency notice in tax proceedings or a collection is enforced in judicial or administrative proceedings or procedures against it, arising out of **GOL**'s failure to notify **BR**, under the terms of clause 9.3, **BR** shall notify **GOL** about said tax deficiency notice, at least twenty-three (23) days in advance to the deadline for

filing a challenge. It is since now agreed between the Parties that it shall be at **GOL**'s sole discretion to elect either:

- (i) To pay the amount of the tax deficiency, including with application of any discount to which it may be entitled, as defined in the Tax Deficiency Notice and/or in the Collection Notice, or
- (ii) To challenge the Tax Deficiency Notice, which must occur within the legal timeframe and in accordance with the strategy to be solely defined by **GOL**.

9.4.1 In case **BR** fails to notify **GOL** within the term mentioned in Clause 9.4 and **GOL** decides to advance the payment of the tax deficiency, pursuant to option (i) of the foregoing Clause, **GOL** shall effect the payment to **BR** with full deduction of any possible discount to which it might be entitled under the terms of the Tax Deficiency Notice and/or Collection Notice, it being certain that **GOL**'s obligations for reimbursement to **BR** of the amounts arising out of the tax deficiency notice shall be deemed to have been settled and terminated as from the payment date. In this case, it shall be up to **BR** to decide whether it intends to effect the payment – with or without discount – or to file a challenge, whose strategy to be adopted shall be at its sole discretion.

9.5 **GOL** is since now aware that the above mentioned obligation is extended, including, without limitation, to the acknowledgment of supplementary revenue seeking the collection of unencumbered ICMS, in all the transactions carried out in the last five (5) years, due to a final and non-appealable judgment rendered with respect to diffused or concentrated control of constitutionality, which may eventually declare, either fully or partially, the unconstitutionality or illegality of any Law and/or any other rule or provisions making up the tax benefit regulations contemplated herein.

9.6 In case of occurrence of the events described in Clauses 9.4 and/or 9.5, **GOL** shall reimburse to **BR** the amounts referring to the principal value of the tax deficiency notice and, further, as applicable, fines, late payment charges, monetary adjustment, administrative and/or judicial defense expenses, costs and fees, as well as eventual court deposits arising out of the tax deficiency notice, either due to the non-applicability of the rules that created the benefit, or to the absence of the above mentioned notice, **BR** being required to notify **GOL**, together with the statement of tax calculation that evidences the costs eventually borne by **BR**, in order for the payments to be made within five (5) days from the referred notice”

CLAUSE TWO – CHANGE OF THE PROMISING PURCHASER'S NAME

- 2.1 The **PROMISING PURCHASER** informs that its name has been changed from VRG Linhas Aéreas S.A to GOL Linhas Aéreas S.A., thus meeting its information duty and discharging the compliance with the provisions in CLAUSE FIFTEEN of the Agreement.

CLAUSE THREE – MISCELLANEOUS

- 3.1 The Parties hereto expressly ratify all Clauses of the Agreement that have not been changed hereby.

In witness whereof, the parties execute this instrument in three (03) counterparts, in the presence of the two (2) undersigned witnesses, in order to produce its due legal effects.

(signatures follow on next page)



Rio de Janeiro, October 06, 2016.

PETROBRAS DISTRIBUIDORA S.A.

Name:
Title:

VRG LINHAS AÉREAS S.A.

Name:
Title:

WITNESSES:

Name:
ID/RG:

Name:
ID/RG:

Signature page of the 4th AMENDMENT TO THE PROMISSORY AGREEMENT FOR PURCHASE AND SALE AND OTHER COVENANTS

AMENDMENT NO. 36 TO NAVITAIRE HOSTED SERVICES AGREEMENT

This Amendment No. 36 to the NAVITAIRE Hosted Services Agreement (this “Amendment”), effective as of May 18, 2015, is entered into by and between Navitaire LLC, a Delaware limited liability company (“NAVITAIRE”), and VRG Linhas Aereas S.A., as successor of GOL – Transportes Aéreos S.A., a Brazilian corporation (“Customer”). Initially capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement (as defined below).

- A. NAVITAIRE and Customer are parties to that certain NAVITAIRE Hosted Services Agreement dated as of May 1, 2004 and amended by: (i) Amendment No. 1 dated as of January 1, 2005, (ii) Amendment No. 2 dated as of June 13, 2005, (iii) Amendment No. 3 dated as of October 1, 2005, (iv) Amendment No. 4 dated as of November 14, 2005, (v) for the avoidance of doubt, there is no Amendment No. 5, (vi) Amendment No. 6 dated as of April 5, 2006, (vii) Amendment No. 7 dated as of June 1, 2006, (viii) Amendment No. 8 dated as of June 11, 2007 (ix) Amendment No. 9 dated as of August 20, 2007; (x) Amendment No. 10 dated as of August 27, 2007; (xi) Amendment No. 11 dated as of April 24, 2008; (xii) Amendment No. 12 dated as of April 24, 2008; (xiii) Amendment No. 13 dated as of July 31, 2008; (xiv) Amendment No. 14 dated as of October 31, 2008; (xv) Amendment No. 15 dated as of October 1, 2008; (xvi) Amendment No. 16 dated as of October 1, 2009; (xvii) Amendment No. 17 dated as of February 1, 2010; (xviii) Amendment No. 18 dated as of March 15, 2010; (xix) Amendment No. 19 dated as of June 25, 2010; (xx) Amendment No. 20 dated as of November 1, 2010; (xxi) Amendment No. 21 dated as of March 1, 2011; (xxii) Amendment No. 22 dated as of February 1, 2012; (xxiii) Amendment No. 23 dated as of February 5, 2012; (xxiv) Amendment No. 24 dated as of February 5, 2012; (xxv) Amendment No. 25 dated as of September 1, 2012; (xxvi) Amendment No. 26 dated as of December 24, 2012; (xxvii) Amendment No. 27 dated as of January 1, 2013; (xxviii) Amendment No. 28 dated as of August 1, 2013; (xxix) Amendment No. 29 dated as of December 2, 2013; (xxx) Amendment No. 30 dated as of December 11, 2013; (xxxi) Amendment No. 31 dated as of February 1, 2014; (xxxii) Amendment No. 32 dated as of August 1, 2014; (xxxiii) Amendment No. 33 dated as of December 1, 2014; (xxxiv) Amendment No. 34 dated as of January 12, 2015; and (xxxv) Amendment No. 35 (currently unsigned) (the “Agreement”), pursuant to which NAVITAIRE performs Hosted Services for Customer.
- B. Section 18.1 of the Agreement permits the parties to amend the terms and conditions of the Agreement provided such amendment is made in writing signed by the parties.
- C. NAVITAIRE and Customer desire to amend the terms of the Agreement as provided below.

Accordingly, and in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1 Amendment to Exhibit A - Hosted Reservation Services, as follows:

- a) **Scope of Services (Added).** The following is hereby added to Section 2, Scope of Services, of Exhibit A:

‘X’ or ‘N/A’	Hosted Reservation Services Add-on Functionality	
X	Customer Value and Recognition	Customer Value and Recognition Rules Engine – includes Intelligent Seating
X		Premium Intelligent Seating

Scope of Services (Applied). The Scope of Services for ‘Codeshare Distribution’ found in Section 2 of Exhibit A hereby applies for the additional Codeshare partners: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

b) Scope of Services (Replaced). The line item titled ‘Inter Airline Through Check-in (IATCI) with: ...’ in Section 2, Scope of Services, of Exhibit A is hereby deleted in its entirety and replaced with the following:

‘X’ or ‘N/A’	Hosted Reservation Services Add-on Functionality
X	<p>[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]</p> <ul style="list-style-type: none"> • [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] • [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

c) Functionality. The following is hereby added to Section 6, New Skies by Navitaire Functionality Included in Hosted Reservation Services, of Exhibit A:

Customer Value and Recognition (Customer Value and Recognition Rules Engine – includes Intelligent Seating and Premium Intelligent Seating)
General Features – Customer Value and Recognition Rules Engine
<ul style="list-style-type: none"> • Configure rules for customer value score. • Apply rules and score passengers in a PNR. • Rules based on certain PNR criteria (e.g., program level, fare, ancillary products, class of service, origin/destination). • Configure single-character display indicator for passenger score range (e.g., ‘H’igh, ‘M’edium, ‘L’ow). • Display customer value default score in SkySpeed and the IROP menu of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. • Display single-character indicator in [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] check-in and the Manifest w/Trip Detail and Manifest w/Connection Information reports. • Use customer value to set priority during operational disruptions (IROP) or schedule changes (reaccommodation). • Use customer value during seat assignment scheduler service. • Use customer value to determine FlyAhead (same day confirmed) eligibility for operational involuntary or customer convenience offers. • Expose scoring service via APIs.
General Features – Intelligent Seating
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
General Features - Premium Intelligent Seating
<ul style="list-style-type: none"> • Seat assignment by additional factors, such as origin/destination, zone, weight-balance, and Segment optimization. • Create custom seat properties, including various options for search and seat assignment behavior. • Restrict seats based on SSR. • Use marketing configurations for flexible physical inventory and seat properties. • Automated moveable class curtain. • Modify physical inventory and seat properties daily according to travel Segment or market. • Run on-demand reseating in AU Grid, SkySchedule and at the airport/station via GoNow. • Automatically seat passengers before departure, by a manual update or batch processing. • Test and preview ad hoc reseating results. • View reseating progress in a Batch Job Viewer. • Configure seat assignment satisfaction threshold for passengers. • View passenger seat satisfaction at the travel Segment level and booking/passenger level. • Manage seat fulfillment via automated reseating queue events.
Limitations and Exclusions
<ul style="list-style-type: none"> • Functionality is not supported by GDS or similar partners—this is not an industry-standard product.

<ul style="list-style-type: none"> • View passenger seat satisfaction at the travel Segment level and booking/passenger level. • Manage seat fulfillment via automated reseating queue events.
Limitations and Exclusions
<ul style="list-style-type: none"> • Functionality is not supported by GDS or similar partners—this is not an industry-standard product.

2 Amendment to Exhibit H – Price and Payment, as follows:

- a) **Codeshare Distribution (Modified).** [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is hereby deleted in its entirety and replaced with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], and [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is hereby deleted in its entirety and replaced with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] in the bulleted item under Section 1.1.1(a) beginning with ‘Codeshare Distribution with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].
- b) **Monthly Recurring Service Fees (Applied).** The Monthly Recurring Service Fees – Inter Airline Through Check-in (IATCI) found in Section 1.1.12 of Exhibit H hereby apply for [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] as additional IATCI partners.
- c) **Monthly Recurring Service Fees (Removed).** [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] are hereby deleted and removed in their entirety from the list of partners found in Section 1.1.23, Monthly Recurring Service Fees – CRS/GDS/ARS Type B/Teletype Codeshare Distribution, of Exhibit H.
- d) **Monthly Recurring Service Fees (Added).** [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] are hereby added to the list of partners found in Section 1.1.23, Monthly Recurring Service Fees – CRS/GDS/ARS Type B/Teletype Codeshare Distribution, of Exhibit H.
- e) **Monthly Recurring Service Fees (Modified).** The Monthly Recurring Service fee sections found in Exhibit H are hereby modified, as follows:
 - Section 1.1.24 for CRS/GDS/ARS Type B/Teletype Connectivity is hereby renumbered to Section 1.1.26;
 - Section 1.1.25 for Premium Notification Services is hereby renumbered to Section 1.1.27; and
 - Section 1.1.26 for Additional SkySales ports in TEST2 is hereby renumbered to Section 1.1.28.
- f) **Monthly Recurring Service Fees (Added).** The following Monthly Recurring Service Fees are hereby added as Section 1.1.29 to Exhibit H:

1.1.29 Monthly Recurring Service Fees – Customer Value and Recognition:

SELECTED	Products and/or Services	Description	Partners or Connections	Monthly Minimum Recurring Service Fee (per partner / connection)	Included in Monthly Recurring Service Fee	Monthly Overage Fee

SELECTED	Products and/or Services	Description	Partners or Connections	Monthly Minimum Recurring Service Fee (per partner / connection)	Included in Monthly Recurring Service Fee	Monthly Overage Fee
Hosted Reservation Services – New Skies Add-On Products/Services						
X	Customer Value and Recognition	Customer Value and Recognition Rules Engine – includes Intelligent Seating	N/A	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (subject to the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] set forth in Section 1.1.1 (b) of Exhibit H of the Agreement)	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
X		Premium Intelligent Seating	N/A			

g) Implementation Fees. The following Implementation Fees are hereby added to Section 1.2 of Exhibit H:

SELECTED	Products and/or Services	Description	Partners or Connections	Minimum Implementation Fee (per partner / connection)	Maximum Number of Hours Included in Minimum Implementation Fee (additional hours provided on a time and materials basis per Section 1.3)
Hosted Reservation Services – New Skies Add-On Products/Services					
X	Type A / EDIFACT Connectivity	Inter Airline Through Check-In (IATCI)	IATCI Partners: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (per partner / connection)

				TREATMENT] (per partner / connection)	
X	Type B / Teletype Codeshare Distribution	Standard AIRIMP Option 1, 2, or Option 4 IATA message formats Note: Excludes Block Space Codeshare arrangements booked via non-automated booking processes	Codeshare “Operating” Partners: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (Customer is Marketing Codeshare Partner)	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT](per partner / connection)	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (per partner / connection)
X	Customer Value and Recognition	Customer Value and Recognition Rules Engine – includes Intelligent Seating	N/A	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] ([CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] hours for training and
X		Premium Intelligent Seating			[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] hours for configuration)

3 No Other Changes. Except as specifically amended by this Amendment, all other provisions of the Agreement remain in full force and effect. This Amendment shall not constitute or operate as a waiver of, or estoppel with respect to, any provisions of the Agreement by any party hereto.

4 Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

5 Successors and Assigns. This Amendment shall inure to the benefit of and be binding upon NAVITAIRE and the Customer and their respective successors, heirs and assigns.

6 Conflict of Provisions. In the event that there exists a conflict between any term, condition, or provision contained within this Amendment, and in any term, condition, or provision contained within the Agreement, the term, condition, or provision contained within this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year written below.

	NAVITAIRE LLC
	Signature:
	Printed Name:
	Title:
	Date:
	VRG LINHAS AEREAS S.A
	Signature:
	Printed Name:
	Title:
	Date:
	Witness Name:
	Witness ID:
	Witness Name:
	Witness ID:



AMENDMENT NO. 37 TO NAVITAIRE HOSTED SERVICES AGREEMENT

This Amendment No. 37 to the Hosted Services Agreement (this “Amendment”), effective as of July 1, 2016, is entered into by and between Navitaire LLC, a Delaware limited liability company (“NAVITAIRE”), and VRG Linhas Aereas S.A., as successor of GOL – Transportes Aéreos S.A., a Brazilian corporation (“Customer”). Initially capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement (as defined below).

- A. NAVITAIRE and Customer are parties to that certain NAVITAIRE Hosted Services Agreement dated as of May 1, 2004 and amended by: (i) Amendment No. 1 dated as of January 1, 2005, (ii) Amendment No. 2 dated as of June 13, 2005, (iii) Amendment No. 3 dated as of October 1, 2005, (iv) Amendment No. 4 dated as of November 14, 2005, (v) for the avoidance of doubt, there is no Amendment No. 5, (vi) Amendment No. 6 dated as of April 5, 2006, (vii) Amendment No. 7 dated as of June 1, 2006, (viii) Amendment No. 8 dated as of June 11, 2007 (ix) Amendment No. 9 dated as of August 20, 2007; (x) Amendment No. 10 dated as of August 27, 2007; (xi) Amendment No. 11 dated as of April 24, 2008; (xii) Amendment No. 12 dated as of April 24, 2008; (xiii) Amendment No. 13 dated as of July 31, 2008; (xiv) Amendment No. 14 dated as of October 31, 2008; (xv) Amendment No. 15 dated as of October 1, 2008; (xvi) Amendment No. 16 dated as of October 1, 2009; (xvii) Amendment No. 17 dated as of February 1, 2010; (xviii) Amendment No. 18 dated as of March 15, 2010; (xix) Amendment No. 19 dated as of June 25, 2010; (xx) Amendment No. 20 dated as of November 1, 2010; (xxi) Amendment No. 21 dated as of March 1, 2011; (xxii) Amendment No. 22 dated as of February 1, 2012; (xxiii) Amendment No. 23 dated as of February 5, 2012; (xxiv) Amendment No. 24 dated as of February 5, 2012; (xxv) Amendment No. 25 dated as of September 1, 2012; (xxvi) Amendment No. 26 dated as of December 24, 2012; (xxvii) Amendment No. 27 dated as of January 1, 2013; (xxviii) Amendment No. 28 dated as of August 1, 2013; (xxix) Amendment No. 29 dated as of December 2, 2013; (xxx) Amendment No. 30 dated as of December 11, 2013; (xxxi) Amendment No. 31 dated as of February 1, 2014; (xxxii) Amendment No. 32 dated as of August 1, 2014; (xxxiii) Amendment No. 33 dated as of December 1, 2014; (xxxiv) Amendment No. 34 dated as of January 12, 2015; (xxxv) Amendment No. 35 dated as of August 17, 2015; (xxxvi) Amendment No. 36 dated as of May 18, 2015; and (xxxvii) Amendment No. 38 dated as of December 1, 2015 (the “Agreement”), pursuant to which NAVITAIRE performs Hosted Services for Customer.
- B. Section 18.1 of the Agreement permits the parties to amend the terms and conditions of the Agreement provided such amendment is made in writing signed by the parties.
- C. NAVITAIRE and Customer desire to amend the terms of the Agreement as provided below.

Accordingly, and in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

- 1 Amendment to Update Transmission Directive to Add [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Access.**
The following is added to the end of Section 4.16:

With respect to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Customer is directing NAVITAIRE to provide access to Customer’s data to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] in accordance with the scope outlined in Section 6 of Exhibit A for Navitaire Shopping Integration Service (NSIS).

- 2 Renumbering of Sections 4.16 and 4.17.** Section 4.16 (Services in Support of Government or other Regulatory Requirements) and Sections 4.17 (Third Party Connections), 4.17.1, 4.17.2, 4.17.3, 4.17.4, 4.17.5, 4.17.6, 4.17.7, 4.17.8, as added by Amendment No. 31, are renumbered as Sections 4.17, and 4.18, 4.18.1, 4.18.2, 4.18.3, 4.18.4, 4.18.5, 4.18.6, 4.18.7, 4.18.8 respectively

3 Amendment to Exhibit A - Hosted Reservation Services, as follows:

a) **Scope of Services (Added).** The following is hereby added to the end of the table in Section 2, Scope of Services, of Exhibit A:

'X' or 'N/A'	Hosted Reservation Services <u>Add-on Functionality</u>
X	Navitaire Shopping Integration Service (NSIS)

b) **NSIS Implementation Services - NSIS (Added).** The following is hereby added as Section 3.1 to Exhibit A:

3.1 Implementation Services - NSIS [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Customer acknowledges that NAVITAIRE has been retained by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to enable the extract and transfer of Customer data between the Hosted Services System and [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Customer agrees that it is responsible for entering into an agreement directly with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for the implementation and ongoing access and for the performance by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] in conjunction with the implementation and ongoing access. Customer acknowledges that NAVITAIRE assumes that such agreement defines the responsibilities of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and Customer with respect to the implementation project for NSIS for the requirements for the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] functionality and connectivity in the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] environment. The responsibilities for Customer and NAVITAIRE to configure NSIS within the Hosted Services System are as follows:

3.1.1 Customer Responsibilities. Customer is responsible for the following:

Test Environment

- Set up Agent
- Upon set of of the Agent, Customer shall log an INC to request that NAVITAIRE configure the NSIS API. INC shall include:
 - Agent name created by Customer for use by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] with NSIS API calls
 - IP addresses that [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] will use for NSIS API calls
 - Instructions as to whether or not [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] intends to use the Fare Publication Service
- Upon confirmation in the INC that NAVITAIRE has completed the configuration activities, Customer shall ensure that the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] activation occurs within three (3) business days of NAVITAIRE's completion of the configuration activities.

- Upon the completion of the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] activation, Customer shall log an INC for monitoring the first activation in the test environment.
- Customer shall be responsible for conduct any necessary testing using the test environment to confirm that the configuration is complete.

Production Environment

- Set up Agent
- Upon set of of the Agent, Customer shall log an INC to request that NAVITAIRE configure the NSIS API. INC shall include:
 - Agent name created by Customer for use by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] with NSIS API calls
 - IP addresses that [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] will use for NSIS API calls
 - Instructions as to whether or not [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] intends to use the Fare Publication Service
- Upon confirmation in the INC that NAVITAIRE has completed the configuration activities, Customer shall ensure that the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] activation occurs within three (3) business days of NAVITAIRE's completion of the configuration activities.
- Upon the completion of the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] activation, Customer shall log an INC for monitoring the first activation in the test environment.
- Customer shall be responsible for conduct any necessary testing using the test environment to confirm that the configuration is complete.

3.1.2 NAVITAIRE Responsibilities. NAVITAIRE is responsible for the following:

Test Environment

- Upon receipt of the test environment set up INC request from Customer, NAVTAIRE shall:
 - Set up permissions for Agent named in the INC
 - Configure environment and IP address(es) for [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] on the NAVITAIRE firewall
 - Enable the NSIS API functionality in the test environment
- Upon receipt of the test environment monitoring INC request from Customer, NAVTAIRE shall:
 - Support any questions from Customer, for up within the first ten (10) business days after the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] activation

Production Environment

- Upon receipt of the production environment set up INC request from Customer, NAVTAIRE shall:
 - Set up permissions for Agent named in the INC
 - Configure environment and IP address(es) for [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] on the NAVITAIRE firewall

- o Enable the NSIS API functionality in the production environment
 - Upon receipt of the production environment monitoring INC request from Customer, NAVITAIRE shall:
 - o Support any questions from Customer or [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], for up within the first ten (10) business days after the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] activation
- c) **Amendment to add NSIS functionality to the Hosted Services.** The following is added to the end of the table in Section 6, New Skies by NAVITAIRE Functionality Included in Hosted Reservation Services, of Exhibit A:

Navitaire Shopping Integration Service (NSIS)
<p>General Features – NSIS – [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Access</p> <p>NSIS supports access to Customer data for the extract and transfer of such data between the Hosted Services System and [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Use of the content accessed by NSIS is limited to internal use by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], for travel related products and services used by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to present travel services directly to customers of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Any other use of the data by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is not permitted. Each of Customer and NAVITAIRE shall have separate terms and conditions with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to the exclusion of the other (e.g., Customer and [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] shall agree on the use and treatment of Customer’s data). Inclusion of NSIS in the Hosted Reservation Services shall terminate in the event that either Customer’s or NAVITAIRE’s arrangement with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] terminates. In such case, the termination of the agreement by a party with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] shall be communicated in writing to the other party. NSIS functionality consists of:</p> <ul style="list-style-type: none"> • API Extract: NSIS provides access to a single API (GetLowFareTripAvailability2) which enables the extract from Customer’s environment of the NSIS API Data, which consists of the following specific Customer low fare availability data elements: Arrival City, Arrival Station, Available Count, Booking Class, Booking Class List, Carrier Code, Currency Code, Date Flight Booking Class List, Departure City, Departure Date, Departure Station, Equipment Type, Fare Amount, Fare Point Amount, Fare Sell Key, Flight Number, Includes Taxes And Fees, Nights Stay, Operating Carrier, Taxes And Fees Amount, Date Market Segment List, Date Flight Low Fare List, Date Market Segment Type, Scheduled Date and Time of Arrival, Scheduled Date and Time of Departure, Date Flight Fares List, Date Flight Leg List, Is Route AU, and Route Adjustment – the values of which are populated as applicable based upon the query. For the purposes of clarification, NSIS does not provide access to any other API call or other data elements. • Fare Publication Service: Provides a publication service with a queue of then current Customer fare events which may indicate changes to data element values. (use of this function is optional) • System Access: NAVITAIRE shall create a separate AgentID for [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. This [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] AgentID may only be used by [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and can be disabled if needed in the event that [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Access is causing or is suspected of causing the NAVITAIRE provided Hosted Services to fail or to be adversely impacted. NAVITAIRE shall be excused from performance for any Interrupted Service related to any service degradation or outage arising from the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] access and/or use of NSIS. <p>[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] has agreed to throttle transactions to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] queries per second. In addition, NAVITAIRE reserves the right to implement throttling of transactions within the Hosted Services System to a rate of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] queries per second.</p>

4 Exhibit K. Implementation Fees (Added). The following is hereby added to the end of the table located in Section 1.2, Implementation Fees, of Exhibit K of the Agreement:

SELECTED	Products and/or Services	Description	Partners or Connections	Minimum Implementation Fee (per partner / connection)	Maximum Number of Hours Included in Minimum Implementation Fee (additional hours provided on a time and materials basis per Section 1.3)
X	NSIS	NSIS	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	Time and Materials, provided that NAVITAIRE shall provide up to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of support, within the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] business days after activation in either the test environment or production environment at no additional charge to Customer.	N/A

- 5 No Other Changes.** Except as specifically amended by this Amendment, all other provisions of the Agreement remain in full force and effect. This Amendment shall not constitute or operate as a waiver of, or estoppel with respect to, any provisions of the Agreement by any party hereto.
- 6 Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.
- 7 Successors and Assigns.** This Amendment shall inure to the benefit of and be binding upon NAVITAIRE and the Customer and their respective successors, heirs and assigns.
- 8 Conflict of Provisions.** In the event that there exists a conflict between any term, condition, or provision contained within this Amendment, and in any term, condition, or provision contained within the Agreement, the term, condition, or provision contained within this Amendment shall control.

<Signature Page Follows>

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

	NAVITAIRE LLC
	Signature:
	Printed Name:
	Title:
	Date:
	VRG LINHAS AEREAS S.A
	Signature:
	Printed Name:
	Title:
	Date:
	Witness Name:
	Witness ID:
	Witness Name:
	Witness ID:

AMENDMENT NO. 38 TO NAVITAIRE HOSTED SERVICES AGREEMENT

This Amendment No. 38 to the NAVITAIRE Hosted Services Agreement (this "Amendment"), effective as of December 1, 2015, is entered into by and between Navitaire LLC, a Delaware limited liability company ("NAVITAIRE"), and VRG Linhas Aereas S.A., as successor of GOL – Transportes Aéreos S.A., a Brazilian corporation ("Customer"). Initially capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement (as defined below).

- A. NAVITAIRE and Customer are parties to that certain NAVITAIRE Hosted Services Agreement dated as of May 1, 2004 and amended by: (i) Amendment No. 1 dated as of January 1, 2005, (ii) Amendment No. 2 dated as of June 13, 2005, (iii) Amendment No. 3 dated as of October 1, 2005, (iv) Amendment No. 4 dated as of November 14, 2005, (v) for the avoidance of doubt, there is no Amendment No. 5, (vi) Amendment No. 6 dated as of April 5, 2006, (vii) Amendment No. 7 dated as of June 1, 2006, (viii) Amendment No. 8 dated as of June 11, 2007 (ix) Amendment No. 9 dated as of August 20, 2007; (x) Amendment No. 10 dated as of August 27, 2007; (xi) Amendment No. 11 dated as of April 24, 2008; (xii) Amendment No. 12 dated as of April 24, 2008; (xiii) Amendment No. 13 dated as of July 31, 2008; (xiv) Amendment No. 14 dated as of October 31, 2008; (xv) Amendment No. 15 dated as of October 1, 2008; (xvi) Amendment No. 16 dated as of October 1, 2009; (xvii) Amendment No. 17 dated as of February 1, 2010; (xviii) Amendment No. 18 dated as of March 15, 2010; (xix) Amendment No. 19 dated as of June 25, 2010; (xx) Amendment No. 20 dated as of November 1, 2010; (xxi) Amendment No. 21 dated as of March 1, 2011; (xxii) Amendment No. 22 dated as of February 1, 2012; (xxiii) Amendment No. 23 dated as of February 5, 2012; (xxiv) Amendment No. 24 dated as of February 5, 2012; (xxv) Amendment No. 25 dated as of September 1, 2012; (xxvi) Amendment No. 26 dated as of December 24, 2012; (xxvii) Amendment No. 27 dated as of January 1, 2013; (xxviii) Amendment No. 28 dated as of August 1, 2013; (xxix) Amendment No. 29 dated as of December 2, 2013; (xxx) Amendment No. 30 dated as of December 11, 2013; (xxxi) Amendment No. 31 dated as of February 1, 2014; (xxxii) Amendment No. 32 dated as of August 1, 2014; (xxxiii) Amendment No. 33 dated as of December 1, 2014; (xxxiv) Amendment No. 34 dated as of January 12, 2015; (xxxv) Amendment No. 35 dated as of August 17, 2015; (xxxvi) Amendment No. 36 dated May 18, 2015; and (xxxvii) Amendment No. 37 (currently unsigned) (the "Agreement"), pursuant to which NAVITAIRE performs Hosted Services for Customer.
- B. Section 18.1 of the Agreement permits the parties to amend the terms and conditions of the Agreement provided such amendment is made in writing signed by the parties.
- C. NAVITAIRE and Customer desire to amend the terms of the Agreement as provided below.

Accordingly, and in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

- 1 Amendment to Exhibit A - Hosted Reservation Services**, as follows:
- a) **Scope of Services (Added).** [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is hereby added to the end of the list of partners found in the table titled 'Inter Airline Through Check-in (IATCI) with: ...' in Section 2, Scope of Services, of Exhibit A.
- 2 Amendment to Exhibit H – Price and Payment**, as follows:
- a) **Type B/Teletype Inbound Interline and Inbound E-ticket (Modified).** The first sentence found at the bulleted item starting with "Type B/Teletype Inbound Interline and Inbound E-ticket with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] located at Section 1.1.1 Monthly Recurring Service Fees – New Skies Bundle, of Exhibit H, is hereby deleted in its entirety and replaced as follows:

- Type B/Teletype Inbound Interline and Inbound E-Ticket with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] non GDS/CRS partners as follows: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

b) Codeshare Distribution (Modified). The paragraph found at the bulleted item starting with “Codeshare Distribution with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] located at Section 1.1.1 Monthly Recurring Service Fees – New Skies Bundle, of Exhibit H, is hereby deleted in its entirety and replaced as follows:

Type B/Teletype Operating (“OCS”) and/or Marketing (“MCS”) Codeshare Distribution with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] non GDS/CRS partners as follows: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The New Skies Bundle includes up to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] collective CRS/GDS/ARS Codeshare bookings across Operating and/or Marketing Codeshare partners¹ [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

c) Monthly Recurring Service Fees (Applied). The Monthly Recurring Service Fees – Inter Airline Through Check-in (IATCI) found in Section 1.1.12 of Exhibit H hereby apply to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] as an additional IATCI partner.

d) Implementation Fees. The following Implementation Fees are hereby added to Section 1.2 of Exhibit H:

SELECTED	Products and/or Services	Description	Partners or Connections	Minimum Implementation Fee (per partner / connection)	Maximum Number of Hours Included in Minimum Implementation Fee (additional hours provided on a time and materials basis per Section 1.3)
Hosted Reservation Services – New Skies Add-On Products/Services					
X	Type A / EDIFACT Connectivity	Inter Airline Through Check-In (IATCI)	IATCI Partners: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (per partner / connection)

SELECTED	Products and/or Services	Description	Partners or Connections	Minimum Implementation Fee (per partner / connection)	Maximum Number of Hours Included in Minimum Implementation Fee (additional hours provided on a time and materials basis per Section 1.3)
				(per partner / connection)	

- 3 **No Other Changes.** Except as specifically amended by this Amendment, all other provisions of the Agreement remain in full force and effect. This Amendment shall not constitute or operate as a waiver of, or estoppel with respect to, any provisions of the Agreement by any party hereto.
- 4 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.
- 5 **Successors and Assigns.** This Amendment shall inure to the benefit of and be binding upon NAVITAIRE and the Customer and their respective successors, heirs and assigns.
- 6 **Conflict of Provisions.** In the event that there exists a conflict between any term, condition, or provision contained within this Amendment, and in any term, condition, or provision contained within the Agreement, the term, condition, or provision contained within this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year written below.

	NAVITAIRE LLC
	Signature:
	Printed Name:
	Title:
	Date:
	VRG LINHAS AEREAS S.A
	Signature:
	Printed Name:
	Title:
	Date:
	Witness Name:
	Witness ID:
	Witness Name:
	Witness ID:

AMENDMENT NO. 39 TO NAVITAIRE HOSTED SERVICES AGREEMENT

This Amendment No. 39 to the NAVITAIRE Hosted Services Agreement (this “Amendment”), effective as of May 31, 2016, is entered into by and between Navitaire LLC, a Delaware limited liability company (“NAVITAIRE”), and VRG Linhas Aereas S.A., as successor of GOL – Transportes Aéreos S.A., a Brazilian corporation (“Customer”). Initially capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement (as defined below).

- A. NAVITAIRE and Customer are parties to that certain NAVITAIRE Hosted Services Agreement dated as of May 1, 2004 as amended (the “Agreement”), pursuant to which NAVITAIRE performs Hosted Services for Customer.
- B. Section 18.1 of the Agreement permits the parties to amend the terms and conditions of the Agreement provided such amendment is made in writing signed by the parties.
- C. NAVITAIRE and Customer desire to amend the terms of the Agreement as provided below.

Accordingly, and in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1 Amendment to Exhibit A - Hosted Reservation Services, as follows:

- a) **Scope of Services (Added).** [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is hereby added to the end of the list of partners found in the table titled ‘Inter Airline Through Check-in (IATCI) with: ...’ in Section 2, Scope of Services, of Exhibit A.
- b) **Functionality (Added).** The functionality for ‘FTP Connectivity for Operational Messages’ found in Section 6, New Skies by NAVITAIRE Functionality Included in Hosted Reservation Services, is hereby deleted in its entirety and replaced with the following:

Type B/Teletype Connectivity for Operational Messages
General Features – Type B/Teletype Connectivity for Operational Messages
<p>Outbound Messaging</p> <ul style="list-style-type: none"> • Deliver outbound messages to Type B/Teletype addresses. • Outbound messages adhere to the same formats and data structures outlined in the New Skies Type B/Teletype Messaging Reference Guide. • Support for the following outbound message types: <ul style="list-style-type: none"> - ADL – Additions and Deletions List - BSM – Baggage Service Message - BTM – Baggage Transfer Message - MVT – Aircraft Movement message - NAM – Lid/Sold custom message - PNL – Passenger Name List - PXA – Actual Passenger ‘checked-in’ counts - PXB – Actual Passenger ‘booked’ counts <p>Inbound Messaging</p> <ul style="list-style-type: none"> • Receive inbound messages to a Type B/Teletype address. • Process inbound messages received via Type B/Teletype connectivity. • Inbound messages adhere to the same formats and data structures outlined in the New Skies Type B/Teletype Messaging Reference Guide. • Support for the following inbound message types: <ul style="list-style-type: none"> - MVT – Aircraft Movement message - OPS – Weather/Flight-Release file - PFS – Passenger Final Status - PXA – Actual Passenger “checked-in” counts - PXB – Actual Passenger “booked” counts <p>Note: The foregoing functionality is dependent upon multiple third party connections as contemplated by</p>

Section 4.14 of the Agreement.

2 Amendment to Exhibit H – Price and Payment, as follows:

- a) **New Skies Bundle Components (Modified).** The fourth bullet in Exhibit H, Section 1.1.1 (a) beginning with ‘Type B Operational Messaging...’ is hereby deleted in its entirety and replaced, as follows:
 - Type B Operational Messaging for the following message types:
 - ADL
 - BSM
 - BTM
 - MVT
 - NAM
 - PNL
 - PXA
 - PXB
- b) **Monthly Recurring Service Fees (Applied).** The Monthly Recurring Service Fees – Inter Airline Through Check-in (IATCI) found in Section 1.1.12 of Exhibit H hereby apply to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] as an additional IATCI partner.
- c) **Monthly Recurring Service Fees (Modified).** The Monthly Recurring Service Fee of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] found in Section 1.1.29, Customer Value and Recognition, is hereby deleted in its entirety and replaced with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].
- d) **Implementation Fees (Added).** The following is hereby added to the end of Section 1.2:

SELECTED	Products and/or Services	Description	Partners or Connections	Minimum Implementation Fee (per partner / connection)	Maximum Number of Hours Included in Minimum Implementation Fee (additional hours provided at the mutually agreed rate of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])
Hosted Reservation Services – New Skies Add-On Products/Services					
X	Type A / EDIFACT Connectivity	Inter Airline Through Check-In (IATCI)	IATCI Partners: - [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE

SELECTED	Products and/or Services	Description	Partners or Connections	Minimum Implementation Fee (per partner / connection)	Maximum Number of Hours Included in Minimum Implementation Fee (additional hours provided at the mutually agreed rate of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])
Hosted Reservation Services – New Skies Add-On Products/Services					
X			COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
X	Type B / Teletype Connectivity for Operational Messaging	BTM messages	N/A	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

e) **Implementation Fees (Removed).** [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] is hereby deleted in its entirety and removed from the Agreement under the IATCI partner list that begins with 'IATCI Partners: - [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] found in Exhibit H, Section 1.2.

- 3 **No Other Changes.** Except as specifically amended by this Amendment, all other provisions of the Agreement remain in full force and effect. This Amendment shall not constitute or operate as a waiver of, or estoppel with respect to, any provisions of the Agreement by any party hereto.
- 4 **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.
- 5 **Successors and Assigns.** This Amendment shall inure to the benefit of and be binding upon NAVITAIRE and the Customer and their respective successors, heirs and assigns.
- 6 **Conflict of Provisions.** In the event that there exists a conflict between any term, condition, or provision contained within this Amendment, and in any term, condition, or provision contained within the Agreement, the term, condition, or provision contained within this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year written below.

	NAVITAIRE LLC
	Signature:
	Printed Name:
	Title:
	Date:
	VRG LINHAS AEREAS S.A
	Signature:
	Printed Name:
	Title:
	Date:
	Witness Name:
	Witness ID:
	Witness Name:
	Witness ID:

AMENDMENT NO. 40 TO NAVITAIRE HOSTED SERVICES AGREEMENT

This Amendment No. 40 to the NAVITAIRE Hosted Services Agreement (this "Amendment"), effective as of September 1, 2016, is entered into by and between Navitaire LLC, a Delaware limited liability company ("NAVITAIRE"), and Gol Linhas Aereas S.A., formerly known as VRG Linhas Aereas S.A., a Brazilian corporation ("Customer"). Initially capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Agreement (as defined below).

- A. NAVITAIRE and Customer are parties to that certain NAVITAIRE Hosted Services Agreement dated as of May 1, 2004 as amended (the "Agreement"), pursuant to which NAVITAIRE performs Hosted Services for Customer.
- B. Section 18.1 of the Agreement permits the parties to amend the terms and conditions of the Agreement provided such amendment is made in writing signed by the parties.
- C. NAVITAIRE and Customer desire to amend the terms of the Agreement as provided below.

Accordingly, and in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1 Amendment to Change Customer Name in the Agreement, as follows:

NAVITAIRE acknowledges receipt of Customer's change of corporate name document dated October 13, 2016 (in accordance with article 122 item 1 of the Law 6404/1976 (known as Lei das Sociedades Anonimas) of Brazil). All existing references to VRG Linhas Aereas S.A. are hereby superceded and replaced with Gol Linhas Aereas S.A.. All future references to Customer, including amendments to the Agreement, will be in the form of Gol Linhas Aereas S.A..

2 Amendment to Exhibit A - Hosted Reservation Services, as follows:

- a) **Definitions (Added).** The following are hereby added to Section 1, Definitions, of Exhibit A in alphabetical order:

- Experiment means a configurable process as part of Ancillary Pricing Optimization functionality to bypass standard pricing whereby Customer can configure rules, treatment selection methods, and pricing levels for the system to automatically generate randomized alternate pricing to be presented to a shopper with respect to the applicable Optimizable Product Type.
- Offer means the alternate pricing presented to a shopper as part of Ancillary Pricing Optimization functionality as a result of either an Experiment or an Optimization.
- Optimizable Product means with respect to Ancillary Pricing Optimization: (i) fee components assigned by Customer within the fee types of special service request (SSR) and seat fee (as SSRs and seat fees are defined/configured by Customer in the Management Console); and (ii) Ancillary Components sold via Travel Commerce where such Ancillary Components for the particular supplier have been identified by Customer as being collected / charged by the selling system (i.e., the Hosted Services System).
- Optimizable Product Type means with respect to Experiments and/or Optimizations the category assigned to each specific Optimizable Product.
- Optimization means a configurable process as part of Ancillary Pricing Optimization functionality to bypass standard pricing whereby Customer can configure rules, treatment selection methods, and pricing levels for the system to automatically generate alternate pricing based upon specific criteria configured by Customer to be presented to a shopper with respect to the applicable Optimizable Product Type.
- Shopping Data means data related to shopper purchasing behavior resulting from a shopper receiving an Offer.

b) **Scope of Services (Added).** in the following is hereby added to Section 2, Scope of Services, of Exhibit A:

‘X’ or ‘N/A’	Hosted Reservation Services – New Skies <u>Add-On Functionality</u>
X	Ancillary Pricing Optimization - Basic

c) **Scope of Services (Removed).** The row for ‘Open Skies Data Archiving’ found in the table located in Section 2, Scope of Services, is hereby deleted in its entirety and removed from the Agreement.

d) **Functionality (Added).** The following is hereby added to the end of the table found in Section 6, New Skies by NAVITAIRE Functionality Included in Hosted Reservation Services:

Ancillary Pricing Optimization
General Features – Ancillary Pricing Optimization - Basic
<p>Ancillary Pricing Optimization (“APO”) provides Customer the ability to configure Offers. In the event that the Optimizable Product Type requested by the traveler qualifies for multiple Offers, APO selects which Offer is presented to the shopper based upon the percentage of transactions Customer has selected be presented with Offers and the criteria and specific weighting of the criteria configured by Customer. APO provides a mechanism for Customer to:</p> <ul style="list-style-type: none"> • configure Offers and APO system parameters (including, but not limited to specificity weighting) using either the GUI or command line interface; • activate and/or deactivate Offers; • monitor Experiment and/or Optimization results via standard reports: <ul style="list-style-type: none"> o Best Experiment Price Treatment - shows experimental price generating the highest revenue per look as compared to the control price, where revenue per look means how many people shown experiment price at that pricing tier vs how many people purchase at that pricing tier x purchase price) o Experiment and Dynamic Pricing Impact – shows performance of dynamic pricing models via comparison of control pricing revenue vs Experiment and Optimization pricing revenue; and • monitor Shopping Data in a data warehouse, based upon the Optimizable Product Types purchased and at what price. <p>Customer is responsible for configuring, monitoring, and the outcome of the Offers. Customer may integrate external (non-NAVITAIRE) solutions with APO via the APO API. Customer and NAVITAIRE acknowledge that Customer may use third party software tools to set up parameters for Experiments and/or Optimizations or perform its analysis of the data. In the event Customer uses such third party tools, Customer is responsible for procuring such third party tools, including but not limited to license agreements, appropriate use rights, and fees.</p> <p>In the event that Customer’s configuration and resulting usage of APO results in adverse performance of the Hosted Services System, NAVITAIRE may temporarily suspend Offers presented to travelers and default to presenting standard pricing at NAVITAIRE’s discretion.</p>

- e) **Functionality (Removed).** The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] rows for ‘Open Skies Data Archiving’ found in the table located in Section 6, New Skies by NAVITAIRE Functionality Included in Hosted Reservation Services, are hereby deleted in their entirety and removed from the Agreement.

3 Amendment to Exhibit H – Price and Payment, as follows:

- a) **Monthly Recurring Service Fees (Removed).** Section 1.1.16, Monthly Recurring Service Fees – Open Skies Data Archiving, of Exhibit H, is hereby deleted in its entirety and replaced as follows:

1.1.16 Monthly Recurring Service Fees – Open Skies Data Archiving: No Longer Used

- b) **Monthly Recurring Service Fees (Added).** The following Monthly Recurring Service Fees are hereby added as Section 1.1.30 to Exhibit H:

1.1.30 Monthly Recurring Service Fees – Ancillary Pricing Optimization:

SELECTED	Products and/or Services	Description	Partners or Connections	Monthly Minimum Recurring Service Fee	Included in Monthly Recurring Service Fee	Monthly Overage Fee
Hosted Reservation Services Add-On Products/Services						
X	Ancillary Pricing Optimization	Ancillary Pricing Optimization – Basic	N/A	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for each additional Optimizable Product Type configured

- c) **Implementation Fees (Added).** The following is hereby added to the end of Section 1.2:

SELECTED	Products and/or Services	Description	Partners or Connections	Minimum Implementation Fee (per partner / connection)	Maximum Number of Hours Included in Minimum Implementation Fee (additional hours provided at the mutually agreed rate of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT])
Hosted Reservation Services – New Skies Add-On Products/Services					
X	Ancillary Pricing Optimization	Ancillary Pricing Optimization – Basic	N/A	N/A	N/A

NAVITAIRE agrees to provide Customer with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] upgrade of a current release of Ancillary Pricing Optimization – Basic for no additional fees, provided that the upgrade is completed within [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] from the Effective Date of Amendment No. 40.

- d) **Code-share Express (Modified).** Section 1.5.4, Assistance with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Code-share Projects, is hereby deleted in its entirety and replaced, as follows:

1.5.4 Codeshare Express

The Codeshare Express program consists of up to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Customer requested Codeshare distribution implementation projects during the term of the Agreement. As of the Amendment Effective Date of Amendment No. 40, of the original [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Codeshare distribution implementation projects, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] projects remain for Customer’s use. Work will not begin on such projects until the arrangement has been documented in writing, including but not limited to scope, timeline, and the use of the Codeshare Express program, and mutually agreed by the Parties. For the purposes of clarity, the Codeshare Express program may not be used for NPS Services.

NAVITAIRE agrees to waive all Codeshare Express project related hours for these Codeshare implementation projects: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] additional partners to be determined in the future.

- 4 No Other Changes.** Except as specifically amended by this Amendment, all other provisions of the Agreement remain in full force and effect. This Amendment shall not constitute or operate as a waiver of, or estoppel with respect to, any provisions of the Agreement by any party hereto.
- 5 Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.
- 6 Successors and Assigns.** This Amendment shall inure to the benefit of and be binding upon NAVITAIRE and the Customer and their respective successors, heirs and assigns.
- 7 Conflict of Provisions.** In the event that there exists a conflict between any term, condition, or provision contained within this Amendment, and in any term, condition, or provision contained within the Agreement, the term, condition, or provision contained within this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year written below.

	NAVITAIRE LLC
	Signature:
	Printed Name:
	Title:
	Date:
	GOL LINHAS AEREAS S.A
	Signature:
	Printed Name:
	Title:
	Date:
	Witness Name:
	Witness ID:
	Witness Name:
	Witness ID:

SUPPLEMENTAL AGREEMENT NO. 7

to

Purchase Agreement No. 3780

between

THE BOEING COMPANY

and

GAC INC.

Relating to Boeing Model 737-8 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of the _____ day of _____ 2016, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in the City of Seattle, State of Washington, USA (Boeing), and GAC INC., a company organized under the laws of the Cayman Islands (Buyer);

W I T N E S S E T H:

WHEREAS, Boeing and Buyer entered into Purchase Agreement No. 3780, dated October 1st, 2012, as amended and supplemented (the Agreement) relating to the purchase and sale of Boeing Model 737-8 aircraft (Aircraft);

WHEREAS, Buyer and Boeing now wish to amend certain terms and conditions associated with the Agreement;

WHEREAS, Buyer now wishes to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and

WHEREAS, Boeing and Buyer have also agreed to amend the Agreement to incorporate certain other changes as may be described herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree to amend the Agreement as follows:

PA3780

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SA-7

1. Table of Contents.

Remove and replace, in its entirety , the Table of Contents with a new Table of Contents (attached hereto) to reflect the incorporation of this Supplemental Agreement No. 7 (SA-7) into the Purchase Agreement.

2. Tables.

2.1 Remove and replace Table 1 to Purchase Agreement No. 3780, Aircraft Delivery, Description, Price, and Advance Payments, with Table 1-1 to Purchase Agreement No. 3780, Aircraft Delivery, Description, Price, and Advance Payments, to revise Table 1 to Table 1-1.

2.2 Add Table 1-2 to Purchase Agreement No. 3780, Aircraft Delivery, Description, Price and Advance Payments, to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Purchase Agreement No. 3780.

2.3 Add Table 1-2R to Purchase Agreement No. 3780, Aircraft Delivery, Description, Price, and Advance Payments, to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Purchase Agreement No. 3780.

3. Exhibits.

Remove and replace the Supplemental Exhibit No. BFE1, Buyer Furnished Equipment Variables, with a new Supplemental Exhibit No. BFE1 (attached hereto) in order to incorporate the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4. Letter Agreements

4.1 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207835, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with Letter Agreement No. GOT-PA-3780-LA-1207835R1, Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate revised language clarifying that Letter Agreement No. GOT-PA-3780-LA-1207835R1 applies to Table 1-1 Aircraft.

4.2 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1501970, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with Letter Agreement No. GOT-PA-3780-LA-1501970R1, Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate revised language clarifying that Letter Agreement No. GOT-PA-3780-LA-1501970R1 applies to Table 1-1 Aircraft.

4.3 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207836, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with Letter Agreement No. GOT-PA-3780-LA-1207836R1, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate revised language regarding [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.4 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207737R1, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with the new Letter Agreement No. GOT-PA-3780-LA-1207737R2, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate language revising the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.5 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207840R1, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with Letter Agreement No. GOT-PA-3780-LA-1207840R2, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to update [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.6 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207848, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with the new Letter Agreement No. GOT-PA-3780-LA-1207848R1, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], in order to revise the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.7 Add Letter Agreement No. GOT-PA-3780-LA-1601003, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to incorporate language regarding [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Table 1-2 Aircraft.

4.8 Add Letter Agreement No. GOT-PA-3780-LA-1600544, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate language regarding [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.9 Add Letter Agreement No. GOT-PA-3780-LA-1601021, Table 1-2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate language regarding [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Table 1-2 Aircraft.

4.10 Add Letter Agreement No. GOT-PA-3780-LA-1601086, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], to incorporate language regarding [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] for Table 1-2 Aircraft.

5. Confidential Treatment.

Buyer and Boeing each understands that certain commercial and financial information contained in this Supplemental Agreement are considered by both Buyer and Boeing as confidential. Buyer and Boeing agree that each will treat this Supplemental Agreement and the information contained herein as confidential and, except as otherwise required by law, will not, without the prior written consent of the other party, disclose this Supplemental Agreement or any information contained herein to any other person or entity.

The Purchase Agreement, Exhibits and Letter Agreements shall be deemed amended to the extent herein provided and as so amended shall continue in full force and effect. In the event of any inconsistency between the above provisions and those provisions contained in the Purchase Agreement, the terms of this Supplemental Agreement will govern and control.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

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SUPPLEMENTAL
AGREEMENT
NUMBER

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Article 3.	Price
Article 4.	Payment
Article 5.	Additional Terms

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CS1.	Customer Support Variables
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SLP1.	Service Life Policy Components

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GOT-PA-3780-LA-1207847	Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR	
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RECORD OF SUPPLEMENTAL AGREEMENTS

SA-1	1	October	2012
SA-2	4	November	2013
SA-3	2	October	2015
SA-4	2	October	2015
SA-5	6	November	2015
SA-6			2016
SA-7			2016

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Total:

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[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Airframe Model/MTOW: Engine Model/Thrust: Airframe Price: Optional Features: Sub-Total of Airframe and Features: Engine Price (Per Aircraft): Aircraft Basic Price (Excluding BFE/SPE): Buyer Furnished Equipment (BFE) Estimate: Seller Purchased Equipment (SPE) Estimate:	737-8 CFMLEAP-1B28	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	Detail Specification: Airframe Price Base Year/Escalation Formula: Engine Price Base Year/Escalation Formula: <u>Airframe Escalation Data:</u> Base Year Index (ECI): Base Year Index (CPI):	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
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Refundable Deposit/Aircraft at Proposal Accept:

		Escalation		Escalation Estimate	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):			
Delivery	Number of	Factor		Adv Payment Base	At Signing	24 Mos.	21/18/12/9/6 Mos.	Total
Date*	Aircraft	(Airframe)		Price Per A/P	1%	4%	5%	30%
[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	9	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
	7	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
	7	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
	17	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]		[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Airframe Model/MTOW: 737-8
Engine Model/Thrust: CFMLEAP-1B28
Airframe Price:
Optional Features:
Sub-Total of Airframe and Features:
Engine Price (Per Aircraft):
Aircraft Basic Price (Excluding BFE/SPE):
Buyer Furnished Equipment (BFE) Estimate:
Seller Purchased Equipment (SPE) Estimate:
Refundable Deposit/Aircraft at Proposal Accept:

[CONFIDENTIAL
 PORTION
 OMMITED AND
 FILED
 SEPARATELY
 WITH THE
 COMMISSION
 PURSUANT TO
 A REQUEST
 FOR
 CONFIDENTIAL
 TREATMENT]

Detail Specification:
Airframe Price Base Year/Escalation Formula:
Engine Price Base Year/Escalation Formula:
Airframe Escalation Data:
Base Year Index (ECI):
Base Year Index (CPI):

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Delivery Date*	Number of Aircraft	Escalation Factor (Airframe)	Escalation Estimate Adv Payment Base Price Per A/P	Advance Payment Per Aircraft (Amts. Due/Mos. Prior to Delivery):		
				At Signing 1%	24 Mos. 4%	21/18/1
[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	2	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
	2					
	2					
	4					
Total:	10					

[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

GAC INC.

Supplemental Exhibit BFE1 to Purchase Agreement Number PA-3780

GOT-PA-3780-BFE1

BOEING PROPRIETARY

SA-7

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737-8 AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

This Supplemental Exhibit BFE1 contains supplier selection dates, on-dock dates and other requirements applicable to the Aircraft.

1. Supplier Selection.

Customer will:

Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Supplier Selection dates will be provided 24 months before the first aircraft delivery.

Galley System	TBD
Galley Inserts	TBD
Seats (passenger)	TBD
Overhead & Audio System	TBD
In-Seat Video System	TBD
Miscellaneous Emergency Equipment	TBD
Cargo Handling Systems* (Single Aisle Programs only)	TBD

*For a new certification, supplier requires notification ten (10) months prior to Cargo Handling System on-dock date.

Customer will enter into initial agreements with the selected Galley System, Galley Inserts, Seats, and In-Seat Video System suppliers [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] after the above supplier selection dates to actively participate with

Customer and Boeing in coordination actions including the Initial Technical Coordination Meeting (**ITCM**).

2. On-dock Dates and Other Information.

On or before nine months prior to delivery, Boeing will provide to Customer the BFE Requirements electronically through My Boeing Fleet (**MBF** in My Boeing Configuration (**MBC**). These requirements may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions and other requirements relating to the in-sequence installation of BFE. For planning purposes, preliminary BFE on-dock dates are set forth in Table 1 below:

Table 1

For planning purposes, preliminary BFE on-dock dates:											
Scheduled Month/Year of Delivery:	Quantity	Seats	Galleys / Furnishings	Antennas & Mounting Equipment	Avionics	Cabin Systems Equipment	Miscellaneous/ Emergency Equipment	Textiles / Raw Material	Cargo Systems	Provision Kits	Radomes
<p>Preliminary BFE on-dock dates will be provided 24 months before each aircraft delivery.</p>											
[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]										

3. Additional Delivery Requirements – Import.

Customer will be the “**importer of record**” (as defined by the U.S. Customs and Border Protection) for all BFE imported into the United States, and as such, it has the responsibility to ensure all of Customer’s BFE shipments comply with U.S. Customs Service regulations. In the event Customer requests Boeing, in writing, to act as importer of record for Customer’s BFE, and Boeing agrees to such request, Customer is responsible for ensuring Boeing can comply with all U.S. Customs Import Regulations by making certain that, at the time of shipment, all BFE shipments comply with the requirements in the “International Shipment Routing Instructions”, including the Customs Trade Partnership Against Terrorism (**C-TPAT**), as set out on the Boeing website referenced below. Customer agrees to include the International Shipment Routing Instructions, including C-TPAT requirements, in each contract between Customer and BFE supplier.

http://www.boeing.com/companyoffices/doingbiz/supplier_portal/index_general.html

GOT-PA-3780-BFE1

BOEING PROPRIETARY

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GOT-PA-3780-LA-1207835R1

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Table 1-1 Substitution of Model 737-8 into Model [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Reference: Purchase Agreement No. 3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Table 1-1 Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

Customer may substitute the purchase of Boeing Model [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] aircraft (**Substitute Aircraft**) in place of Aircraft with the [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] subject to the following terms and conditions:

1. Customer's Written Notice.

Customer shall provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of a Substitute Aircraft;

[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. Boeing's Production Capability.

GOT-PA-3780-LA-1501790R1
Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft Model Substitution

BOEING PROPRIETARY

SA-7
Page 1



2.1 Customer's substitution right is conditioned upon Boeing [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. Definitive Agreement.

Customer's substitution right and Boeing obligation in this Letter Agreement are further conditioned upon Customer and Boeing's executing a definitive agreement [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. Price and Advance Payments.

4.1 The Airframe Price, Optional Features Price and, if applicable, Engine Price will be [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.2 Refer to Letter Agreement GOT-PA-03780-LA-1207737R2 "Special Matters Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

6. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY



By _____

Its _____ Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

By _____

Its _____

Witness _____

By _____

Its _____

Witness _____



GOT-PA-3780-LA-1501790R1

GAC, Inc.
PO Box 309, Uglund House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Table 1-1 Substitution of Model 737-8 into Model [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Reference: Purchase Agreement No. PA-3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Table 1-1 Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer may substitute the purchase of Boeing Model [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] (**Substitute Aircraft**) in place of Aircraft [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] subject to the following terms and conditions:

1. Customer's Written Notice.

Customer will provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of a Substitute Aircraft,

[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

GOT-PA-3780-LA-1501790R1
Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft Model Substitution

SA-7
Page 1

BOEING PROPRIETARY



3. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].
The right to substitute Model [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] aircraft under the terms of the Purchase Agreement [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
4. Definitive Agreement.
Customer's substitution right and Boeing obligation in this Letter Agreement are further conditioned upon Customer and Boeing's executing a definitive agreement for the purchase of the Substitute Aircraft [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
5. Price and Advance Payments.
[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
6. Assignment.
Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.
7. Confidential Treatment.
The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.



Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

GOT-PA-3780-LA-1501790R1
Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST
FOR CONFIDENTIAL TREATMENT] Aircraft Model Substitution

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Page 3

BOEING PROPRIETARY



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GOT-PA-3780-LA-1207836R1

GAC, Inc.
PO Box 309, Uglan House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Advance Payment Matters

Reference: a) Purchase Agreement No. PA-3780 (**PA 3780**) between The Boeing Company (**Boeing**) and GAC Inc. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)
b) Purchase Agreement No. 2910 (**PA 2910**) between The Boeing Company (Boeing) and GOL Transportes Aereos SA (**the 737-800 Customer**) relating to Model 737-8EH aircraft (**the 737-800 Aircraft**)

This letter agreement (Letter Agreement) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. **Advance Payment Schedule:**

Notwithstanding Boeing's standard 30% advance payment schedule set forth in Table 1-1 and Table 1-2 of the Purchase Agreement, [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. **[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**

GOT-PA-3780-LA-1501790R1
Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST
FOR CONFIDENTIAL TREATMENT] Aircraft Model Substitution

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Page 1

BOEING PROPRIETARY



3. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. **Set-Off Rights**

Customer agrees that in the event of a default of its obligations under any purchase agreement with Boeing or any agreement with any Boeing subsidiary or affiliate, Boeing may apply any or all advance payments, or other payments made by Customer with respect to an aircraft or any other Boeing product to cure, in part or in whole, any default with respect to any other aircraft or Boeing product or with respect to any other obligation under any such Boeing purchase agreement or any such agreement with another Boeing subsidiary or affiliate. In the event that Boeing sets off against, or otherwise exercises rights against any such payments made by Customer, and applies any such amounts to any obligations owed by Customer to Boeing, its subsidiaries or affiliates, Boeing will be entitled, after such application, to require Customer to replace within ten days the amount so applied such that the total amount of advance payments would be restored to the aggregate total amount of advance payments due.

7. **Payments**

7.1 Payments due upon reaching a Definitive Agreement are to be received by Boeing within [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. All of the other periodic advance payments described in the payment schedule(s) as set forth above are each due on [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Any payments received later than [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] will be subject to a late payment interest charge calculated on the basis of [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Late payment interest charges will accrue further interest charges until paid, with any unpaid such late payment interest charges to be included in the final delivery invoice for the respective aircraft.



7.2 Notwithstanding the late payment interest charges described in Article 7.1 of this Letter Agreement, if Customer does not make [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Customer will be charged late payment interest calculated on the basis of [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

8. **Confidential Treatment**

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

By _____ By _____

GOT-PA-3780-LA-1501790R1
Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft Model Substitution

BOEING PROPRIETARY



GOT-PA-3780-LA-1501790R1
Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST
FOR CONFIDENTIAL TREATMENT] Aircraft Model Substitution

BOEING PROPRIETARY

Its _____ Its _____

Witness _____ Witness _____

PA-3780
Advance Payments Matters

SA-7
Page 4

BOEING PROPRIETARY



GOT-PA-3780-LA-1207737R2

GAC, Inc.
PO Box 309, Uglund House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Special Matters – Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Reference: Purchase Agreement No. 3780 (**Purchase Agreement**) between The Boeing Company (Boeing) and GAC Inc. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (Letter Agreement) amends and supplements the Purchase Agreement, and reflects the mutual agreement of the parties concerning certain business considerations pertaining to the Aircraft [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] under the terms and conditions of Letter Agreement No. GOT-PA-3780-LA-1207835R1 or Letter Agreement No. GOT-PA-3780-LA-1501790R1. Any Aircraft that are substituted from 737-8 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Any Aircraft that are substituted from 737-8 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The considerations defined in this Letter Agreement are provided to Customer in recognition of the execution of the Purchase Agreement and thereafter Customer fully performing all of the obligations as set forth in the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

PA
3780
Special Matters Table 1-1 Aircraft

BOEING PROPRIETARY



2. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
3. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
4. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
5. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
6. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
7. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
8. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
9. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



- 10. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 11. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 12. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 13. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

14. Assignment

Unless otherwise noted herein, the [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] described in this Letter Agreement are provided as a [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Customer and in [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. This Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing.

15. Confidentiality

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____, 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____



GOT-PA-3780-LA-1601003

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Special Matters – Table 1-2 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Reference: Purchase Agreement No. PA-3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC Inc. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement, and reflects the mutual agreement of the parties concerning certain business considerations pertaining to Table 1-2 Aircraft and Aircraft that become the subject of model substitution under the terms and conditions of Letter Agreement No. GOT-PA-3780-LA-1601021. Any Aircraft that are substituted from 737-8 to become [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Any Aircraft that are substituted from 737-8 to become [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The considerations defined in this Letter Agreement are provided to Customer in recognition of the execution of the Purchase Agreement and thereafter Customer fully performing all of the obligations as set forth in the Purchase Agreement.

[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

PA-3780	SA-7
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Special Matters Table 1-2 Aircraft



3. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
4. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
5. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
6. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
7. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
8. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
9. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
10. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
11. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
12. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



13. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

14. **Assignment**

Unless otherwise noted herein, the [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] described in this Letter Agreement are provided [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Customer [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] the operator of the Aircraft. This Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing.

15. **Confidentiality**

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

GAC INC.

By _____ By _____



Its _____ Its _____

Witness _____ Witness _____

Attachment A

Current GOL Fleet

Operator	MSN
GOT	28011
GOT	28403
GOT	28499
GOT	28500
GOT	28575
GOT	28577
GOT	28578
GOT	28580
GOT	28584
GOT	28613
GOT	29076
GOT	29077
GOT	29103
GOT	29905
GOT	30050
GOT	30051
GOT	30135
GOT	30238
GOT	30239
GOT	30242
GOT	30246
GOT	30247
GOT	30275
GOT	30621
GOT	30738
GOT	30739
GOT	32406
GOT	32407
GOT	32415
GOT	32440
GOT	32574
GOT	32743
GOT	33380
GOT	33417
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GOT	36147
GOT	36148
GOT	36149
GOT	36150
GOT	36434
GOT	36566
TAV	36596
GOT	37595
GOT	37596
GOT	37597
GOT	37598
TAV	37599
GOT	37600
TAV	37601
GOT	37608
GOT	37609
GOT	37610
GOT	38876
GOT	38877
GOT	38878
GOT	39604
TAV	39607
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GOT	39640
GOT	40738
GOT	40739
GOT	40741
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GOT	40744
GOT	40745
GOT	41163

GOT	41166
GOT	41170
GOT	41467

BOEING PROPRIETARY



GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Program

Reference: Purchase Agreement No. 3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Definitions.

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] **Notice** means the written communication provided by Boeing to Customer in accordance with the requirements of Article 4.1, below.

Program Aircraft means each Aircraft specified in Table 1-1 and Table 1-2 of the Purchase Agreement as of the date of this Letter Agreement.

2. Applicability.

Notwithstanding any other provision of the Purchase Agreement to the contrary, the parties agree that the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Forecast.

Boeing will release an [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast in February and August of each year based on Boeing's then current standard [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] formula. Only one [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast shall be used to conduct the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] analysis performed in accordance with Article 4.1, below, for a given Program Aircraft. The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast applicable to a given Program Aircraft is set forth in Attachment A.



4. Greater than [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.1 If the [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast, as set forth in Article 3, above, projects a cumulative [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.1.1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] or

4.1.2 provide Customer with the option of either: [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.2 If Boeing provides Customer the option described in Article 4.1.2 above, then Customer shall notify Boeing in writing of its election to exercise the option contained in Article 4.1.2 (i), 4.1.2 (ii) or 4.1.2 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.1.3 Within [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.1.4 Should Customer fail to issue any notice to Boeing in accordance with Article 4.2 above, then the [CONFIDENTIAL PORTION OMMITED AND FILED



SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

5. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

If the [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast, as set forth in Article 3, above, projects a [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. Applicability to Other [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

7. Assignment.

Except for an assignment by Customer to a wholly-owned subsidiary as permitted under Article 9, entitled "Assignment, Resale, or Lease" of the AGTA, this Letter Agreement is provided as an accommodation to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or in part.

8. Confidential Treatment.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.



Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____, 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____



ATTACHMENT A

[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



ATTACHMENT B

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



Attachment C

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



GOT-PA-3780-LA-1207848R1

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions

Reference: Purchase Agreement No. 3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

To accommodate Customer's concerns regarding uncertain market conditions and Boeing's [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Customer and Boeing agree that [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], subject to the following terms and conditions:

1. Aircraft with [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions:

1.1 The following [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] identified in Table 1-1 to the Purchase Agreement (**Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions**) are subject to the terms and conditions described in this Letter Agreement:

PA-3780
[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions

SA-7

Page 1

BOEING PROPRIETARY



[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1.2 The following [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] identified in Table 1-2 to the Purchase Agreement (**Table 1-2 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]**) are subject to the terms and conditions described in this Letter Agreement:

[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1.3 The Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions and Table 1-2 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions may be individually and collectively referred to as [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions.

2. Written Notice Requirements

2.1 Table 1-1 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions with [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.1.1 Customer's Written Notice: Customer shall provide Boeing written notice of its request to [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Customer's right to request a [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



2.1.2 Boeing's Written Notice: Boeing shall provide Customer a written notice of its desire to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Boeing's right to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2 Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions and Table 1-2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2.1 Customer's Written Notice: Customer shall provide Boeing written notice of its request to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Customer's right to request a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2.2 Boeing's Written Notice: In the event that Boeing desires to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Boeing's right to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. Boeing's Production Capability.

Once Boeing has received Customer's written request, Boeing will review Customer's request to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]:



3.1 Boeing having the production capability to produce the Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. Definitive Agreement.

4.1 The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] rights, and Customer and Boeing's obligation in this Letter Agreement are further conditioned upon Customer and Boeing executing a supplemental agreement to amend Table 1-1 or Table 1-2, as applicable, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]:

(i) Customer's written Notice to Boeing; or

(ii) Customer's acceptance of an [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] under the terms of Article 3 above

(iii) Boeing's written notice to Customer.

4.2 In the event that definitive agreement defining the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] as set forth in Table 1-1 or Table 1-2, as applicable, to the Purchase Agreement.

4.3 Should Boeing or Customer not exercise its right to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], as applicable, to the Purchase Agreement.

5. Price and Advance Payments.

The Airframe, Engine, and Optional Features Prices will be provided in [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], as applicable, and escalated to the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].



6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

PA-3780
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT] Positions

SA-7

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BOEING PROPRIETARY



Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

PA-3780
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT] Positions

SA-7

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BOEING PROPRIETARY



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GOT-PA-3780-LA-1600544

GAC, Inc.
PO Box 309, Uglund House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Other [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Matters

Reference: a) Purchase Agreement No. PA-3780 (**PA 3780**) between The Boeing Company (**Boeing**) and GAC, Inc. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)
b) Purchase Agreement No. 2910 (**PA 2910**) between The Boeing Company (Boeing) and GOL Transportes Aereos SA (**the 737-800 Customer**) relating to Model 737-8EH aircraft (**the 737-800 Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

In recognition of Customer's request for [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

1. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
2. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
3. Assignment

GOT-PA-3780-LA-1600544
Other [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT] Matters

LA Page 1

BOEING PROPRIETARY



Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

4. Confidential Treatment

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

THE BOEING COMPANY

By _____

Its _____ Attorney-In-Fact _____

GOT-PA-3780-LA-1600544

Other [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Matters

BOEING PROPRIETARY

LA Page 2



ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

GOT-PA-3780-LA-1600544
Other [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT] Matters

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BOEING PROPRIETARY



The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GOT-PA-3780-LA-1601021

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Table 1-2 Aircraft Model Substitution

Reference: Purchase Agreement No. PA-3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Model 737-8 aircraft in Table 1-2 (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

Customer may substitute the purchase of Boeing Model [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], subject to the following terms and conditions:

1. Customer's Written Notice.

1.1 Customer will provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1.2 Customer will provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1.3 Customer will provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT],

GOT-PA-3780-LA-1601021
Table 1-2 Aircraft Model Substitution

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LA Page 1

BOEING PROPRIETARY



1.4 Customer will provide written notice of its intention to substitute the purchase of an Aircraft with the purchase of [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT],

2. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Position.

2.1 Customer's substitution right is conditioned upon Boeing having an [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] position for the Substitute Aircraft in the [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2.2 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2.3 All of Boeing's [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] positions for Substitute Aircraft will be considered [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] a definitive agreement in accordance with paragraph 4 below.

2.4 [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

The right to substitute to Model [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4. Definitive Agreement.

Customer's substitution right and Boeing obligation in this Letter Agreement are further conditioned upon Customer and Boeing's executing a definitive agreement for [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



5. Price and Advance Payments.

5.1 The Airframe Price, Optional Features Price and, if applicable, Engine Price will be adjusted to Boeing's and the engine manufacturer's then-current prices for such elements as of the date of execution of the definitive purchase agreement for the Substitute Aircraft.

5.2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5.3 Refer to Letter Agreement GOT-PA-3780-LA-1601003 "Special Matters Table 1-2 Aircraft" for the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidentiality.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.



Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

GAC INC.

By _____

By _____

Its _____

Its _____

Witness _____

Witness _____

GOT-PA-3780-LA-1601021
Table 1-2 Aircraft Model Substitution

BOEING PROPRIETARY

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GOT-PA-3780-LA-1601086

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Reference: Purchase Agreement No. PA-3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement will have the same meaning as in the Purchase Agreement.

1. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

1.1 Customer will use its best efforts to [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]:

Furthermore, the following [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. [CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

3. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

GOT-PA-3780-LA-1601086

[CONFIDENTIAL PORTION OMMITED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

LA Page 1

BOEING PROPRIETARY



4. Confidentiality.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

GOT-PA-3780-LA-1601086
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A
REQUEST FOR CONFIDENTIAL TREATMENT]

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BOEING PROPRIETARY

SUPPLEMENTAL AGREEMENT NO. 8

to

Purchase Agreement No. 3780

between

THE BOEING COMPANY

and

GAC INC.

Relating to Boeing Model 737-8 Aircraft

THIS SUPPLEMENTAL AGREEMENT, entered into as of the _____ day of _____ 2016, by and between THE BOEING COMPANY, a Delaware corporation with its principal offices in the City of Seattle, State of Washington, USA (Boeing), and GAC INC., a company organized under the laws of the Cayman Islands (Buyer);

W I T N E S S E T H:

WHEREAS, Boeing and Buyer entered into Purchase Agreement No. 3780, dated October 1st, 2012, as amended and supplemented (the Agreement) relating to the purchase and sale of Boeing Model 737-8 aircraft (Aircraft);

WHEREAS, Buyer and Boeing now wish to amend certain terms and conditions associated with the Agreement;

WHEREAS, Buyer notified Boeing per the terms of Letter Agreement GOT-PA-3780-LA-1601086, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] 737-8 Aircraft described in Table 1-2 and [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] described in Table 1-2R; and

PA3780
SA-8

WHEREAS, Boeing and Buyer have also agreed to amend the Agreement to incorporate certain other changes as may be described herein;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree to amend the Agreement as follows:

1. Table of Contents.

Remove and replace, in its entirety, the Table of Contents with a new Table of Contents to reflect the incorporation of this Supplemental Agreement No. 8 (SA-8) into the Purchase Agreement.

2. Tables.

2.1 Remove Table 1-2 to Purchase Agreement No. 3780, Aircraft Delivery, Description, Price, and Advance Payments.

2.2 Remove Table 1-2R to Purchase Agreement No. 3780, Aircraft Delivery, Description, Price, and Advance Payments.

3. Exhibits.

Remove and replace the Supplemental Exhibit No. BFE1, Buyer Furnished Equipment Variables, with a revised Supplemental Exhibit No. BFE1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. Letter Agreements

4.1 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207836R1, Advance Payment Matters, with Letter Agreement No. GOT-PA-3780-LA-1207836R2, Advance Payment Matters, revised to reflect updated advance payments [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.2 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207840R2, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], with Letter Agreement No. GOT-PA-3780-LA-1207840R3, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], revised to remove reference to Table 1-2 Aircraft.

4.3 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207848R1, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE

COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions, with Letter Agreement No. GOT-PA-3780-LA-1207848R2, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions, to incorporate revised terms and conditions related to Buyer's decision [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.4 Remove and replace Letter Agreement No. GOT-PA-3780-LA-1207735, Performance Matters – 737-8, with the new Letter Agreement No. GOT-PA-3780-LA-1207735R1, Performance Matters – 737-8, to incorporate the performance guarantees [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.5 Remove Letter Agreement No. GOT-PA-3780-LA-1601003, Special Matters Table 1-2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.6 Remove Letter Agreement No. GOT-PA-3780-LA-1601021, Table 1-2 737-8 Aircraft Model Substitution.

4.7 Remove Letter Agreement No. GOT-PA-3780-LA-1601086, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

5. Confidential Treatment.

Buyer and Boeing each understands that certain commercial and financial information contained in this Supplemental Agreement are considered by both Buyer and Boeing as confidential. Buyer and Boeing agree that each will treat this Supplemental Agreement and the information contained herein as confidential and, except as otherwise required by law, will not, without the prior written consent of the other party, disclose this Supplemental Agreement or any information contained herein to any other person or entity.

The Purchase Agreement, Exhibits and Letter Agreements shall be deemed amended to the extent herein provided and as so amended shall continue in full force and effect. In the event of any inconsistency between the above provisions and those provisions contained in the Purchase Agreement, the terms of this Supplemental Agreement will govern and control.

EXECUTED IN DUPLICATE as of the day and year first above written.

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

GAC INC.

By _____ By _____

Its _____ Its _____

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TABLE OF CONTENTS

SUPPLEMENTAL
AGREEMENT
NUMBER

ARTICLES

Article 1.	Quantity, Model and Description
Article 2.	Delivery Schedule
Article 3.	Price
Article 4.	Payment
Article 5.	Additional Terms

TABLE

1-1.	Aircraft Information Table SA7
1-2.	Aircraft Information Table SA8
1-2R.	Aircraft Information Table (CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT) SA8

EXHIBIT

A.	Aircraft Configuration
B.	Aircraft Delivery Requirements and Responsibilities

SUPPLEMENTAL EXHIBITS

AE1.	Escalation Adjustment/Airframe and Optional Features
BFE1.	BFE Variables SA8
CS1.	Customer Support Variables
EE1.	Engine Escalation/Engine Warranty and Patent Indemnity
SLP1.	Service Life Policy Components

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**SA
Number**

LETTER AGREEMENTS

GOT-PA-3780-LA-1207832	Loading of Customer Software	
GOT-PA-3780-LA-1207833	Spare Parts Initial Provisioning	
GOT-PA-3780-LA-1207834	Purchase Rights	
GOT-PA-3780-LA-1207835R1	Table 1-1 Substitution of Model 737-8 into Model [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	SA-7
GOT-PA-3780-LA-1207836R2	Advance Payments Matters	SA-8
GOT-PA-3780-LA-1207838R1	Promotional Support	SA-3
GOT-PA-3780-LA-1207737R2	Special Matters – Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	SA-7
GOT-PA-3780-LA-1207734R1	Liquidated Damages – Non Excusable Delay	SA-3
GOT-PA-3780-LA-1207839	Demonstration Flight Waiver	
GOT-PA-3780-LA-1207840R3	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Program	SA-8
GOT-PA-3780-LA-1207841	Boeing Purchase of Buyer Furnished Equipment	
GOT-PA-3780-LA-1207842	Open Matters	
GOT-PA-3780-LA-1207845	AGTA Matters	
GOT-PA-3780-LA-1207848R2	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions	SA-8
GOT-PA-3780-LA-1207735R1	Performance Matters – 737-8	SA-8
GOT-PA-3780-LA-1207830	Maintenance Cost Guarantee – 737-8	
GOT-PA-3780-LA-1207847	Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Program	
GOT-PA-3780-LA-1501970R1	Table 1-1 Substitution of Model 737-8 into Model [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	SA-7
GOT-PA-3780-LA-1600544	Other Payment Matters	SA-7
GOT PA 3780 LA 1601003	Special Matters Table 1 2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	SA-8
GOT PA 3780 LA 1601021	Table 1 2 737 8 Aircraft Model Substitution	SA-8

PA3780
SA-8

2

GOT

BOEING PROPRIETARY

RECORD OF SUPPLEMENTAL AGREEMENTS

SA-1	1	October	2012
SA-2	4	November	2013
SA-3	2	October	2015
SA-4	2	October	2015
SA-5	6	November	2015
SA-6		Not used	2016
SA-7	19	April	2016
SA-8			2016

PA3780
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GOT

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BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

GAC INC.

Supplemental Exhibit BFE1 to Purchase Agreement Number PA-3780

GOT-PA-3780-BFE1

BOEING PROPRIETARY

SA-8

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737-8 AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

This Supplemental Exhibit BFE1 contains supplier selection dates, on-dock dates and other requirements applicable to the Aircraft.

1. Supplier Selection.

Customer will:

Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Supplier Selection dates will be provided 24 months before the first aircraft delivery.

Galley System

Galley Inserts

Seats (passenger)

Overhead & Audio System

In-Seat Video System

Miscellaneous Emergency Equipment
Cargo Handling Systems*
(*Single Aisle Programs only*)

[CONFIDENTIAL PORTION OMITTED AND FILED
SEPARATELY WITH THE COMMISSION PURSUANT
TO A REQUEST FOR CONFIDENTIAL TREATMENT]

*For a new certification, supplier requires notification ten (10) months prior to Cargo Handling System on-dock date.

Customer will enter into initial agreements with the selected Galley System, Galley Inserts, Seats, and In-Seat Video System suppliers [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] after the above supplier selection dates to actively participate with

Customer and Boeing in coordination actions including the Initial Technical Coordination Meeting (**ITCM**).

2. On-dock Dates and Other Information.

On or before nine months prior to delivery, Boeing will provide to Customer the BFE Requirements electronically through My Boeing Fleet (**MBF** in My Boeing Configuration (**MBC**). These requirements may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions and other requirements relating to the in-sequence installation of BFE. For planning purposes, preliminary BFE on-dock dates are set forth in Table 1 below:

Table 1

Nominal Del Date	Aircraft Qty	Seats	Galley / Furnishings	Antennas & Mounting Equipment	Avionics	Cabin Systems Equipment	Misc. Emergency Equipment	Textiles / Raw Materials	Cargo Systems	Provision Kits	Radomes
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	1	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]									
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Total	120											

3. Additional Delivery Requirements – Import.

Customer will be the “**importer of record**” (as defined by the U.S. Customs and Border Protection) for all BFE imported into the United States, and as such, it has the responsibility to ensure all of Customer’s BFE shipments comply with U.S. Customs Service regulations. In the event Customer requests Boeing, in writing, to act as importer of record for Customer’s BFE, and Boeing agrees to such request, Customer is responsible for ensuring Boeing can comply with all U.S. Customs Import Regulations by making certain that, at the time of shipment, all BFE shipments comply with the requirements in the “International Shipment Routing Instructions”, including the Customs Trade Partnership Against Terrorism (**C-TPAT**), as set out on the Boeing website referenced below. Customer agrees to include the International Shipment Routing Instructions, including C-TPAT requirements, in each contract between Customer and BFE supplier.

http://www.boeing.com/companyoffices/doingbiz/supplier_portal/index_general.html

GOT-PA-3780-BFE1

BOEING PROPRIETARY

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GOT-PA-3780-LA-1207836R2

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Advance Payment Matters

Reference: a) Purchase Agreement No. PA-3780 (**PA 3780**) between The Boeing Company (**Boeing**) and GAC Inc. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)
b) Purchase Agreement No. 2910 (**PA 2910**) between The Boeing Company (Boeing) and GOL Transportes Aereos SA (**the 737-800 Customer**) relating to Model 737-8EH aircraft (**the 737-800 Aircraft**)

This letter agreement (Letter Agreement) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

1. **Advance Payment Schedule:**

Notwithstanding Boeing's standard 30% advance payment schedule set forth in Table 1-1 of the Purchase Agreement, Boeing agrees that Customer [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2. **CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT:**

PA-3780
Advance Payment Matters

BOEING PROPRIETARY

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Page 1



3. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. Set-Off Rights

Customer agrees that in the event of a default of its obligations under any purchase agreement with Boeing or any agreement with any Boeing subsidiary or affiliate, Boeing may apply any or all advance payments, or other payments made by Customer with respect to an aircraft or any other Boeing product to cure, in part or in whole, any default with respect to any other aircraft or Boeing product or with respect to any other obligation under any such Boeing purchase agreement or any such agreement with another Boeing subsidiary or affiliate. In the event that Boeing sets off against, or otherwise exercises rights against any such payments made by Customer, and applies any such amounts to any obligations owed by Customer to Boeing, its subsidiaries or affiliates, Boeing will be entitled, after such application, to require Customer to replace within ten days the amount so applied such that the total amount of advance payments would be restored to the aggregate total amount of advance payments due.

7. Payments

7.1 Payments due upon reaching a Definitive Agreement are to be received by Boeing within [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. All of the other periodic advance payments described in the payment schedule(s) as set forth above are each due on [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Any payments received later than [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] will be subject to a late payment interest charge calculated on the basis of. Late payment





interest charges will accrue further interest charges until paid, with any unpaid such late payment interest charges to be [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

7.2 Notwithstanding the late payment interest charges described in Article 7.1 of this Letter Agreement, if Customer does not make [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Customer will be charged late payment interest calculated on the basis of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Any such interest charges will be included [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

8. **Confidential Treatment**

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

PA-3780
Advance Payment Matters

BOEING PROPRIETARY

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By _____ By _____
Its _____ Its _____
Witness _____ Witness _____

PA-3780
Advance Payment Matters

BOEING PROPRIETARY

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The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

GOT-PA-3780-LA-1207840R3

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Program

Reference: Purchase Agreement No. 3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

1. Definitions.

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] **Notice** means the written communication provided by Boeing to Customer in accordance with the requirements of Article 4.1, below.

Program Aircraft means each Aircraft specified in Table 1-1 of the Purchase Agreement as of the date of this Letter Agreement.

2. Applicability.

Notwithstanding any other provision of the Purchase Agreement to the contrary, the parties agree that the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Forecast.

Boeing will release an [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast in February and August of each year based on Boeing's then current standard [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] formula. Only one [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast shall be used to conduct the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] analysis performed in accordance with Article 4.1, below, for a given Program Aircraft. The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast applicable to a given Program Aircraft is set forth in Attachment A.

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[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Program Page 1

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4. Greater than [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.1 If the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast, as set forth in Article 3, above, projects a cumulative [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.1.1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.1.2 provide Customer with the option of either: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.2 If Boeing provides Customer the option described in Article 4.1.2 above, then Customer shall notify Boeing in writing of its election to exercise the option contained in Article 4.1.2 (i), 4.1.2 (ii) or 4.1.2 (iii) [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4.2.1 Within [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

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[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Program

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BOEING PROPRIETARY



4.2.2 Should Customer fail to issue any notice to Boeing in accordance with Article 4.2 above, then the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

5. Equal to or Less than [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

If the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] forecast, as set forth in Article 3, above, projects a cumulative annual [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] factor that is equal to or less [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. Applicability to Other [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

7. Assignment.

Except for an assignment by Customer to a wholly-owned subsidiary as permitted under Article 9, entitled "Assignment, Resale, or Lease" of the AGTA, this Letter Agreement is provided as an accommodation to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned in whole or in part.

8. Confidential Treatment.

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.



Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____, 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

PA-3780
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Program

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BOEING PROPRIETARY



ATTACHMENT A

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Program

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ATTACHMENT B

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

PA-3780

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[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Program

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BOEING PROPRIETARY

GOT-PA-3780-LA-1207848R2

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions

Reference: Purchase Agreement No. 3780 (**Purchase Agreement**) between The Boeing Company (**Boeing**) and GAC INC. (**Customer**) relating to Model 737-8 aircraft (**Aircraft**)

This letter agreement (**Letter Agreement**) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same meaning as in the Purchase Agreement.

To accommodate Customer's concerns regarding uncertain market conditions and Boeing's [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Customer and Boeing agree that [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], subject to the following terms and conditions:

1. Aircraft with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions:

1.1 The following [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] identified in Table 1-1 to the Purchase Agreement (**Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions**) are subject to the terms and conditions described in this Letter Agreement:

PA-3780
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Positions

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BOEING PROPRIETARY



[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1.3 The Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions may be individually and collectively referred to as [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions.

2. Written Notice Requirements

2.1 Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions with [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.1.1 Customer's Written Notice: Customer shall provide Boeing written notice of its request to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Customer's right to request a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.1.2 Boeing's Written Notice: Boeing shall provide Customer a written notice of its desire to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Boeing's right to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2 Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions [CONFIDENTIAL PORTION OMITTED AND



FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Positions with Scheduled Delivery Dates in 2020 – 2028

2.2.1 Customer's Written Notice: Customer shall provide Boeing written notice of its request to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Customer's right to request a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2.2 Boeing's Written Notice: In the event that Boeing desires to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Boeing's right to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3. Boeing's Production Capability.

Once Boeing has received Customer's written request, Boeing will review Customer's request to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3.1 Boeing having the production capability to produce the Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4. Definitive Agreement.

4.1 The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] rights, and Customer and Boeing's obligation in this Letter Agreement are further conditioned upon Customer and Boeing executing a supplemental agreement to amend Table 1-1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]



(i) Customer's written Notice to Boeing; or

(ii) [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

(iii) Boeing's written notice to Customer.

4.2 In the event that definitive agreement defining the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

4.3 Should Boeing or Customer not exercise its right to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

5. Price and Advance Payments.

The Airframe, Engine, and Optional Features Prices will be provided in [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and escalated to the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. Assignment.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer's becoming the operator of the Aircraft and cannot be assigned in whole or, in part.

7. Confidential Treatment.

The information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer will limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing.

PA-3780
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Positions

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BOEING PROPRIETARY



Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

PA-3780
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Positions

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BOEING PROPRIETARY

GOT-PA-3780-LA-1207735R1

GAC, Inc.
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Subject: Performance Matters – 737-8

Reference: Purchase Agreement No.3780 (the Purchase Agreement) between The Boeing Company (Boeing) and GAC Inc. (Customer) relating to Model 737-8 aircraft (the Aircraft)

This letter agreement (Letter Agreement) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement shall have the same Meaning as in the Purchase Agreement.

All terms of this Letter Agreement will prevail in the event of any conflict between this Letter Agreement and any provision of the Purchase Agreement.

As defined in the "Open Matters" Letter Agreement GOT-PA-03780-LA-1207842 between Boeing and Customer, Boeing will provide Customer with an Interim Performance Assessment (**Interim Performance Assessment**) of the 737-8 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Related to Fuel Burn.

The efficiency from fuel burn of the Aircraft over similarly-sized aircraft is a significant factor in determining the Aircraft value. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

1.1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

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BOEING PROPRIETARY



[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Table 1	
737-8 MAX Aircraft Block Fuel Improvement over 737NG Aircraft	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	

2. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Boeing projects that the short field landing weight capability of the Aircraft in 2019 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] The performance guarantee confirming the short field landing weight capability of the Aircraft is described in Attachment B to this Letter Agreement.

3. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Boeing projects that the payload – range capability of the Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

The performance guarantee confirming the payload-range capability of the Aircraft is described in Attachment B to this Letter Agreement.

4. Duplication of Benefits



Boeing and Customer agree it is not the intent of the parties to provide benefits hereunder that duplicate benefits to be provided (a) by Boeing under the Purchase Agreement, or any other agreement between Boeing and Customer, or (b) by engine manufacturer under any agreement between engine manufacturer and Customer, due to the Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] pursuant to such other guarantee or commitment.

5. Assignment

Unless otherwise noted herein, the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] described in this Letter Agreement are provided [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Customer and in consideration of Customer's [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. This Letter Agreement cannot be assigned, in whole or in part, without the prior written consent of Boeing.

6. Confidentiality

Customer understands and agrees that the information contained herein represents confidential business information and has value precisely because it is not available generally or to other parties. Customer agrees to limit the disclosure of its contents to employees of Customer with a need to know the contents for purposes of helping Customer perform its obligations under the Purchase Agreement and who understand they are not to disclose its contents to any other person or entity without the prior written consent of Boeing. In addition to any equitable relief that may be available to Boeing in the event of a breach of this clause, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

If the foregoing correctly sets forth your understanding of our agreement with respect to the matters treated above, please indicate your acceptance and approval below.

Very truly yours,

THE BOEING COMPANY

By _____

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BOEING PROPRIETARY



Its _____ Attorney-In-Fact _____

ACCEPTED AND AGREED TO this

Date: _____ 2016

GAC INC.

By _____ By _____

Its _____ Its _____

Witness _____ Witness _____

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
FOR GOL (VRG LINHAS AEREAS S.A.) [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR
CONFIDENTIAL TREATMENT]

SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY
2	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] REFERENCE LEVEL
3	AIRCRAFT CONFIGURATION
4	CONDITIONS
5	DEMONSTRATION

1 AIRCRAFT MODEL APPLICABILITY

1.1 The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level contained in this attachment is applicable to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

1.2 The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level is based on [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] REFERENCE LEVEL

2.1.1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level for a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]:

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Conditions and operating rules:

Stage Length: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Takeoff:

Climbout
Maneuver:

Climb:

Cruise:

Descent:

Approach
and Landing
Maneuver:

Fixed Allowances:

2.1.2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Operational Empty Weight Basis

PA-3780
AERO-B-BBA4-M12-0306

SA-8SS12-0107

BOEING PROPRIETARY

2.1.3 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Weight Summary - GOL Airlines

Standard Model Specification MEW

Configuration Specification [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Changes for GOL Airlines

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

GOL Airlines Operational Empty Weight (OEW)

GOL Airlines Manufacturer's Empty Weight (MEW)

Standard and Operational Items Allowance

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

* Seat Weight Included:

Economy Class Triple

Economy Class Triple w/3 In-Arm Food Trays

Quantity

Pounds

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.1.4 Standard and Operational Items Allowance
Standard Items Allowance

	<u>Qty</u>	<u>Pounds</u>	<u>Pounds</u>
Unusable Fuel			
Oil			
Oxygen Equipment			
Passenger Portable / Masks			
Crew Masks			
Miscellaneous Equipment			
Crash Axe			
Megaphones			
Flashlights			
Smoke Hoods			
Galley Structure & Fixed Inserts			
Operational Items Allowance			
Crew and Crew Baggage			
Flight Crew			
Cabin Crew			
Navigation Bags & Manuals			
Catering Allowance & Removable Inserts			
Passenger Service Equipment			
Potable Water - 60 USG			
Waste Tank Disinfectant			
Emergency Equipment			
Escape Slides - Forward			
Escape Slides - Aft			
Life Vests - Crew			
Total Standard and Operational Items Allowance			

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3 AIRCRAFT CONFIGURATION
3.1 737-800 Aircraft Configuration

The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level contained in this attachment is based on the 737-800 Aircraft configuration as defined in the original release of Detail Specification TBD, the 737-800 Aircraft weights specified in Section 1.2 and the OEW derived in Section 2.1.3.

3.2 737-8 Aircraft Configuration

The configuration of the 737-8 used to demonstrate performance relative to the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level will be the delivered configuration of 737-8 as defined in the Detail Specification TBD (hereinafter referred to as the Detail Specification) plus adjustments, if required, to reflect a configuration similar to that of the 737-800W in Section 2.1.3.

4 CONDITIONS

4.1 The performance data of Section 2 are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.

4.2 The climb, cruise and descent portions of the mission [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. Normal electrical power extraction shall be defined as not less than [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]. The APU is turned off unless otherwise specified.

4.3 The climb, cruise and descent portions of the mission block fuel commitment is based on an Aircraft center of gravity location not to be aft of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the mean aerodynamic chord.

4.4 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and a fuel density of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

5 **DEMONSTRATION**

5.1 Demonstration of the 737-8 performance relative to the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level shall be based on the conditions specified in Section 2 (other than the OEW and fixed allowances), the 737-8 Aircraft configuration of Section 3 and the conditions of Section 4 and the fixed allowances of paragraph 5.2 and the OEW established in paragraph 5.4.

5.2 For the purpose of demonstrating the performance of the 737-8 relative to the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level the following shall be used as fixed quantities and allowances:

Taxi-Out:

Fuel [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Takeoff and Climbout Maneuver:

Fuel [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Distance [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Approach and Landing Maneuver:

Fuel [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Taxi-In (shall be consumed from the reserve fuel):

Fuel [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Usable reserve fuel remaining upon completion of the approach and landing maneuver:

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

- 5.3** Demonstration of the 737-8 performance for the climb, cruise and descent portions of the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level commitment shall be established by calculations based on flight test data obtained from a 737-8 aircraft in a configuration similar to that defined by the Detail Specification.
- 5.4** The OEW used for demonstrating the 737-8 performance relative to the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level shall be the actual MEW plus the Standard and Operational Items Allowance in Paragraph 03-60-00 of the Detail Specification plus adjustments to the GOL (VRG Linhas Aereas S.A.) Manufacturers Empty Weight and Standard and Operational Items Allowance to reflect a configuration similar to that of the 737-800W shown in Section 2.1.3.
- 5.5** The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Reference Level.

5.6 The demonstrated performance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

PERFORMANCE GUARANTEES
FOR VRG LINHAS AEREAS S.A.

	SECTION	CONTENTS
1	AIRCRAFT MODEL APPLICABILITY	
2	FLIGHT PERFORMANCE	
3	AIRCRAFT CONFIGURATION	
4	GUARANTEE CONDITIONS	
5	GUARANTEE COMPLIANCE	
6	EXCLUSIVE GUARANTEES	

1 AIRCRAFT MODEL APPLICABILITY

The guarantees contained in this Attachment (the "Performance Guarantees") are applicable to [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2 FLIGHT PERFORMANCE

2.1 Landing

2.1.1 The FAA approved landing gross weight into a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] runway and at an altitude of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] with an alternate forward center of gravity limit of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the mean aerodynamic chord, shall not be less than the following guarantee value:

NOMINAL: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

TOLERANCE: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

GUARANTEE: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.1.2 The FAA approved landing field length at a gross weight of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and at a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] altitude with an alternate forward center of gravity limit of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the mean aerodynamic chord, shall not be more than the following guarantee value:

NOMINAL: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
TOLERANCE: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
GUARANTEE: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2 Mission

2.2.1 Mission Payload

The payload for a stage length of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] nautical miles in still air (equivalent to a distance of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] nautical miles with a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] knot headwind, representative of a [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] using the conditions and operating rules defined below, shall not be less than the following guarantee value:

NOMINAL: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
TOLERANCE: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
GUARANTEE: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Conditions and operating rules:

Stage Length:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Takeoff:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Climbout Maneuver:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Climb:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Cruise:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Descent:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Approach and Landing Maneuver:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Fixed Allowances:	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2.2 Operational Empty Weight Basis

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2.3 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Weight Summary - GOL Airlines

Standard Model Specification MEW

Kilograms

Configuration Specification

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Changes for GOL Airlines

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

GOL Airlines Manufacturer's Empty Weight (MEW)

Standard and Operational Items Allowance

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

GOL Airlines Operational Empty Weight (OEW)

* Seat Weight Included:

Tourist Class Triple

Tourist Class Triple w/3 In-Arm Food Trays

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

2.2.4 Standard and Operational Items Allowance

Standard Items Allowance

	<u>Qty</u>	<u>Kilograms</u>
Unusable Fuel		
Oil		
Oxygen Equipment		
Miscellaneous Equipment		
Galley Structure & Fixed Inserts		

Operational Items Allowance

Crew and Crew Baggage		
Flight Crew		
Cabin Crew		
Navigation Bags & Manuals		
Catering Allowance & Removable Inserts		
Passenger Service Equipment		
Potable Water - 60 USG		
Waste Tank Disinfectant		
Emergency Equipment		

Total Standard and Operational Items Allowance

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

3 AIRCRAFT CONFIGURATION

3.1 The guarantees contained in this Attachment are based on the Aircraft configuration as defined in [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], plus any changes mutually agreed upon or otherwise allowed by the Purchase Agreement to be incorporated into the Customer's Detail Specification (herein referred to as the Detail Specification). Appropriate adjustment shall be made for changes in such Detail Specification approved by the Customer and Boeing or otherwise allowed by the Purchase Agreement which cause changes to the flight performance and/or weight and balance of the Aircraft. Such adjustment shall be accounted for by Boeing in its evidence of compliance with the guarantees.

3.2 The guarantee payload of Paragraph 2.2.1 will be adjusted by Boeing for the effect of the following on OEW in its evidence of compliance with the guarantees:
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

4 GUARANTEE CONDITIONS

4.1 All guaranteed performance data are based on the International Standard Atmosphere (ISA) and specified variations therefrom; altitudes are pressure altitudes.

4.2 For the purposes of these [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] guarantees the Federal Aviation Administration (FAA) regulations referred to in this Attachment are, unless otherwise specified, the 737-900ER Certification Basis regulations specified in the Type Certificate Data Sheet A16WE, Revision 41, dated July 31, 2007.

4.3 In the event a change is made to any law, governmental regulation or requirement, or in the interpretation of any such law, governmental regulation or requirement that affects the certification basis for the Aircraft as described in Paragraph 4.2, and as a result thereof, a change is made to the configuration and/or the performance of the Aircraft in order to obtain certification, the guarantees set forth in this Attachment shall be appropriately modified to reflect any such change.

- 4.4 The landing guarantee and the takeoff portion of the mission guarantee are based on hard surface, level and dry runways with no wind or obstacles, no clearway or stopway, 225 mph tires, with Category B brakes and anti-skid operative, and with the Aircraft center of gravity at the most forward limit unless otherwise specified. The takeoff performance is based on no engine bleed for air conditioning or thermal anti-icing and the Auxiliary Power Unit (APU) turned off unless otherwise specified. The improved climb performance procedure will be used for takeoff as required. The landing performance is based on the use of automatic spoilers.
- 4.5 The climb, cruise and descent portions of the mission guarantee include allowances for normal power extraction and engine bleed for normal operation of the air conditioning system. The digital bleed is set for the Customer interior in Paragraph 2.2.3. No bleed or power extraction for thermal anti-icing is provided unless otherwise specified. The APU is turned off unless otherwise specified.
- 4.6 The climb, cruise and descent portions of the mission guarantee are based on an Aircraft center of gravity location, as determined by Boeing, not to be [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the mean aerodynamic chord.
- 4.7 Performance, where applicable, is based on a fuel Lower Heating Value (LHV) of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] and a fuel density of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 5 **GUARANTEE COMPLIANCE**
- 5.1 Compliance with the guarantees of Section 2 shall be based on the conditions specified in those sections, the Aircraft configuration of Section 3 and the guarantee conditions of Section 4.

- 5.2 Compliance with the landing guarantee and the takeoff portion of the mission guarantee shall be based on the FAA approved Airplane Flight Manual for the Model 737-8.
- 5.3 Compliance with the landing guarantees and the takeoff portion of the mission guarantee shall be shown using an alternate forward center of gravity limit [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] of the mean aerodynamic chord.
- 5.4 Compliance with the climb, cruise and descent portions of the mission guarantee shall be established by calculations based on flight test data obtained from an aircraft in a configuration similar to that defined by the Detail Specification.
- 5.5 The OEW used for compliance with the mission guarantee shall be the actual MEW plus the Standard and Operational Items Allowance in Appendix E of the Detail Specification.
- 5.6 The data derived from tests shall be adjusted as required by conventional methods of correction, interpolation or extrapolation in accordance with established engineering practices to show compliance with these guarantees.
- 5.7 Compliance shall be based on the performance of the airframe and engines in combination, and shall not be contingent on the engine meeting its manufacturer's performance specification.

6 EXCLUSIVE GUARANTEES

The only performance guarantees applicable to the Aircraft are those set forth in this Attachment.

LIST OF SUBSIDIARIES OF GOL LINHAS AÉREAS INTELIGENTES S.A.

Name	Jurisdiction of Incorporation
Gol Linhas Aéreas S.A.	Brazil
Webjet Participações S.A.	Brazil
Smiles S.A.	Brazil
Gol Finance, Inc.	Cayman Islands
GAC Inc.	Cayman Islands
Gol Dominicana Lineas Aereas Sas.	Dominican Republic
Gol LuxCo S.A.	Grand Duchy of Luxembourg

CERTIFICATION

I, Paulo Sergio Kakinoff, certify that:

1. I have reviewed this annual report on Form 20-F of GOL LINHAS AÉREAS INTELIGENTES S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2017

By: */s/ Paulo Sergio Kakinoff*
Name: Paulo Sergio Kakinoff
Title: Chief Executive Officer

CERTIFICATION

I, Richard F. Lark, Jr., certify that:

1. I have reviewed this annual report on Form 20-F of GOL LINHAS AÉREAS INTELIGENTES S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 1, 2017

By: /s/ Richard F. Lark, Jr.
Name: Richard F. Lark, Jr.
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of GOL LINHAS AÉREAS INTELIGENTES S.A. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Paulo Sergio Kakinoff, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes Oxley Act of 2002, that to the best of my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2017

By: */s/ Paulo Sergio Kakinoff*
Name: Paulo Sergio Kakinoff
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 ,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of GOL LINHAS AÉREAS INTELIGENTES S.A. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Richard F. Lark, Jr., certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes Oxley Act of 2002, that to the best of my knowledge:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2017

By: /s/ Richard F. Lark, Jr.
Name: Richard F. Lark, Jr.
Title: Chief Financial Officer