

OFFERING MEMORANDUM

U.S.\$300,000,000



Gol Finance

9.25% Senior Notes Due 2020

Unconditionally Guaranteed by Gol Linhas Aéreas Inteligentes S.A. and VRG Linhas Aéreas S.A.

Gol Finance, or the Issuer, is offering an aggregate principal amount of U.S.\$300,000,000 of 9.25% guaranteed senior notes due July 20, 2020, or the notes. Interest on the notes will accrue at a rate of 9.25% per annum and will be payable semi-annually in arrears on July 20 and January 20, commencing January 20, 2011. Unless previously redeemed or purchased and in each case cancelled, the notes will mature on July 20, 2020.

The notes will be the Issuer's senior, unsecured, general obligations and will rank *pari passu* in right of payment with all of its existing and future senior, unsecured, general obligations. Gol Linhas Aéreas Inteligentes S.A. and VRG Linhas Aéreas S.A., or the Guarantors, will unconditionally guarantee, jointly and severally, on a senior unsecured basis, all of the Issuer's obligations pursuant to the notes. The guarantees will rank *pari passu* in right of payment with the other unsecured unsubordinated indebtedness and guarantees of the Guarantors. The notes will be effectively junior to the Issuer's and the Guarantor's secured indebtedness.

The Issuer may redeem the notes, in whole or in part, at any time on or after July 20, 2015 at the applicable redemption prices set forth in this offering memorandum. The Issuer may redeem the notes, in whole but not in part, at any time upon the occurrence of specified events relating to applicable tax laws, as described under "Description of Notes—Redemption—Tax Redemption."

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market. The notes will be issued only in registered form in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.

This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

An investment in the notes involves risks. See "Risk factors" beginning on page 11 for a discussion of certain risks you should consider in connection with an investment in the notes.

Issue Price: 98.409% plus accrued interest, if any, from July 20, 2010.

The notes (and guarantees) have not been registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any other jurisdiction. The Issuer is offering the notes only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on the transfer of the notes, see "Transfer Restrictions".

Delivery of the notes was made to investors in book-entry form only through the facilities of The Depository Trust Company, or DTC, on July 20, 2010.

Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch

Citi

Itaú

Joint Lead Manager

BB Securities

Offering Memorandum dated November 4, 2010

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In this offering memorandum, we use the terms “Gol”, “Company”, “we,” “us” and “our” to refer to the Gol Linhas Aéreas Inteligentes S.A., or GLAI, and its consolidated subsidiaries together, except where the context requires otherwise. The term “VRG” refers to VRG Linhas Aéreas S.A., a wholly owned subsidiary of GLAI. All references to “Guarantors” refer to GLAI and VRG, collectively.

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 of Brazil. 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 issued by the International Accounting Standards Board, or IASB. “Brazilian GAAP” refers to generally accepted accounting principles in Brazil, which are accounting principles derived from Law No. 6,404 of December 15, 1976, as amended and supplemented, or the Brazilian corporation law and the rules of the CVM.

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted.

We, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regards to us is true and accurate in all material respects, that the opinions and intentions we express in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the

notes offered by this offering memorandum. Banc of America Securities LLC, Citigroup Global Markets Inc., Banco Itaú Europa, S.A.—London Branch and BB Securities Ltd. will act as initial purchasers with respect to the offering of the notes.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers or their agents have any responsibility therefor. See “Transfer Restrictions” for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Neither the U.S. Securities and Exchange Commission, or SEC, nor any state securities commission has approved or disapproved the offering of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

This offering memorandum may only be used for the purpose for which it has been published. Neither the initial purchasers nor their agents are making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the initial purchasers nor their agents have independently verified any of such information and assume no responsibility for the accuracy or completeness of the information contained in this offering memorandum.

We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the notes offered hereby. We and the initial purchasers also reserve the right to sell or place less than all of the notes offered hereby.

See “Risk Factors” beginning on page 15 of this offering memorandum as well as the risk factors set forth in our Annual Report on Form 20-F for the year ended December 31, 2009, which is incorporated by reference into this offering memorandum, for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers nor any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT, OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY

PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the notes.

The notes were available initially only in book-entry form. The notes were issued in the form of one or more registered global notes. The global notes were deposited with, or on behalf of, DTC, and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. The Regulation S global notes were deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through the Euroclear, Clearstream or other participants. After the initial issuance of the global notes, certificated notes may be issued in registered form, which shall be in minimum denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000. See “Form of Notes” for further discussion of these matters.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial statements included in and incorporated by reference in this offering memorandum have been prepared in accordance with IFRS in *reais*. For purposes of compliance with Brazilian law, we also prepare financial statements under Brazilian GAAP.

We have translated some of the *real* amounts contained in this offering memorandum into U.S. dollars. The rate used to translate such amounts was R\$1.78 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of March 31, 2010, as reported by the Central Bank. The U.S. dollar equivalent information presented in this offering memorandum 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 such rates or at any other rate. See “Exchange Rates” for more detailed information regarding the translation of *reais* into U.S. dollars.

We make statements in offering memorandum 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 independently verified the competitive position, market share, market size, market growth and other data provided by third parties or by industry or general publications. We believe all industry and market data contained in this offering memorandum is based upon the latest publicly available information as of the date of this offering memorandum.

Certain figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

This offering memorandum contains terms relating to operating performance within 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 the seats are flown.
- “Average stage length” represents the average number of kilometers flown per flight.
- “Block hours” refers to the elapsed time between an aircraft’s leaving an airport gate and arriving at an airport gate.
- “Breakeven load factor” is the passenger load factor that will result in passenger revenues being equal to operating expenses.
- “Load factor” represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger kilometers by available seat kilometers).
- “Operating expense per available seat kilometer” or “CASK” represents operating expenses divided by available seat kilometers.
- “Operating revenue per available seat kilometer” or “RASK” represents operating revenues divided by available seat kilometers.
- “Passenger revenue per available seat kilometer” 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.

WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, and file periodic reports with the SEC. However, if at any time we cease to be a reporting company under Section 13 or Section 15(d) of the Exchange Act, or are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will be required to furnish to any holder of a note which is a “restricted security” (within the meaning of Rule 144 under the Securities Act), or to any prospective purchaser thereof designated by such a holder, upon the request of such holder or prospective purchaser, in connection with a transfer or proposed transfer of any such note pursuant to Rule 144A under the Securities Act or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

We are subject to the informational requirements of the Exchange Act and, in accordance therewith, file reports and other information with the SEC. Such reports and other information can be inspected and copied at the public references facilities of the SEC at Room 1580, 100 F Street N.E., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street N.E., Washington, D.C. 20549. We file materials with, and furnish material to, the SEC electronically using the EDGAR System. The SEC maintains an Internet site that contains these materials at www.sec.gov. In addition, such reports and other information concerning us can be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which our equity securities are listed.

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, and we are exempt from the Exchange Act rules regarding the provision and control of proxy statements and regarding short-swing profit reporting and liability. 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 file quarterly financial statements with the SEC 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 SEC, which is currently six months from December 31, the end of our fiscal year.

INCORPORATION BY REFERENCE

We incorporate herein by reference the documents listed below that we have filed and/or submitted to the SEC which will be available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu):

- Annual Report on Form 20-F for the year ended December 31, 2009;
- Our Report on Form 6-K furnished May 6, 2010 (IFRS Interim Financial Statements);
- Our Report on Form 6-K furnished June 8, 2010 (excluding “—Management Comments”);
- Our Report on Form 6-K furnished July 7, 2010 (excluding “—Management Comments”);
- Our Report on Form 6-K furnished August 3, 2010;
- Our Report on Form 6-K furnished August 10, 2010 (excluding “—Comments on the Consolidated Performance in the quarter”);
- Our Report on Form 6-K furnished September 8, 2010; and
- Our Report on Form 6-K furnished October 6, 2010;

You may obtain a copy of these filings at no cost by writing or calling us at the following address:

Gol Linhas Aéreas Inteligentes S.A.
Praça Comte Linneu Gomes, S/N, Portaria 3,
Jardim Aeroporto
CEP: 04626-020, São Paulo, SP
Brazil
Telephone +55 11 2128-4000

Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this offering memorandum.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this offering memorandum, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

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

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

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing, including “Risk Factors” and our Annual Report on Form 20-F for the year ended December 31, 2009, which is incorporated by reference in this offering memorandum and which includes our consolidated financial statements and related notes. See “Introduction,” “Presentation of Financial and Other Information” and “Exchange Rates” in our Annual Report on Form 20-F for the year ended December 31, 2009 for information regarding our consolidated financial statements, exchange rates, definitions of technical terms and other introductory matters.

Our Business

Overview

We are one of the largest low-cost low-fare airlines in the world, based on passengers transported in 2009, and the largest low-cost low-fare airline in Latin America, providing frequent service on routes connecting all of Brazil’s major cities and from Brazil to major cities in South America and select tourist destinations in the Caribbean. With our young and standardized operating fleet of 108 Boeing 737 Next Generation (NG) aircraft, we serve the largest number of destinations of any airline in the Brazilian air passenger transportation market.

Since the beginning of our operations in 2001, our affordable, reliable and simple service and our focus on markets that were either underserved or did not have a lower-fare alternative have led to a strong awareness of our brand and a rapid increase in our market share. We were the first company to successfully introduce low-cost carrier industry practices and technologies in Latin America. We have a diversified revenue base, with customers ranging from business passengers to leisure passengers traveling throughout Brazil and other South American and Caribbean destinations. Our strategy is to increase the size of the market by attracting new passengers as well as to diversify our revenue portfolio through our consolidated flight network, a modern aircraft fleet, targeted marketing and our loyalty program *Smiles* (the largest loyalty program in Latin America with more than 6.8 million members and 160 partners), a variety of attractive ancillary businesses such as our air cargo services (*Gollog*), and through a variety of payment mechanisms designed to make the purchase of our tickets easier for customers in lower income classes. Passenger transportation revenues represented 90.6%, and ancillary revenues represented 9.4%, of our net revenues of R\$1.73 billion for the three-month period ended March 31, 2010.

As of March 31, 2010, we offered approximately 800 daily flights to 61 destinations connecting the most important cities in Brazil as well as key destinations in Argentina, Bolivia, Curacao, Aruba, Chile, Colombia, Paraguay, Uruguay and Venezuela. We strategically focus on the Brazilian and South American markets, and will continue to carefully evaluate opportunities to continue growing by increasing the frequency of flights to our existing high-demand markets and adding new routes in these markets (for example, in the Caribbean region), all of which can be reached with our Boeing 737 NG aircraft.

Financial and Operating Data Highlights

| | Year Ended December 31, | | | Three-month Period Ended March 31, | |
|---|-------------------------|------------------|----------------|------------------------------------|----------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| Passenger revenue per available seat kilometer (R\$ cents)..... | 13.3 | 14.3 | 13.3 | 14.5 | 14.0 |
| Available seat kilometers—ASK (in thousands)..... | 34,349 | 41,107 | 39,988 | 9,548 | 11,172 |
| Load factor (%)..... | 66.0% | 61.6% | 65.2% | 61.0% | 71.8% |
| Yield per passenger kilometer (R\$ cents)..... | 20.1 | 23.3 | 20.3 | 23.8 | 19.5 |
| Utilization rate (block hours per day)..... | 13.8 | 12.1 | 11.6 | 11.3 | 13.0 |
| Average operating fleet..... | 88.6 | 106.4 | 108.7 | 107.3 | 107.9 |
| Operating revenue per available seat kilometer (R\$ cents)..... | 14.4 | 15.6 | 15.1 | 15.9 | 15.5 |
| Operating expense per available seat kilometer (R\$ cents)..... | (14.36) | (15.80) | (14.0) | (14.8) | (13.8) |
| Net operating revenues (in millions of reais)..... | 4,941.0 | 6,406.2 | 6,025.4 | 1,517.0 | 1,729.8 |
| Operating expenses (in millions of reais)..... | (4,931.1) | (6,494.8) | (5,612.1) | (1,411.9) | (1,538.3) |
| Operating profit (loss) (in millions of reais)..... | 9.9 | (88.6) | 413.3 | 105.1 | 191.4 |
| Operating margin (%) ⁽¹⁾ | 0.2% | (1.4)% | 6.9% | 6.9% | 11.1% |
| Profit (loss) (in millions of reais)..... | 167.3 | (1,239.3) | 890.8 | 61.4 | 23.9 |
| EBITDAR (in millions of reais) ⁽²⁾ | 598.2 | 681.6 | 1,206.8 | 359.3 | 405.0 |
| EBITDAR margin (%) ⁽³⁾ | 12.1% | 10.6% | 20.0% | 23.7% | 23.4% |
| Total debt (in millions of reais)..... | 2,606.3 | 3,419.9 | 3,133.9 | 3,330.7 | 3,236.1 |
| Total cash (in millions of reais) ⁽⁴⁾ | 1,393.5 | 591.6 | 1,441.7 | 394.6 | 1,496.1 |
| Net debt (in millions of reais) ⁽⁵⁾ | 1,212.8 | 2,828.3 | 1,692.2 | 2,936.1 | 1,740.0 |
| Total debt/EBITDAR ⁽²⁾ ⁽⁶⁾ | 4.4x | 5.0x | 2.6x | 4.2x | 2.6x |

| | | | | | |
|--------------------------------|------|------|------|------|------|
| Net debt/EBITDAR(2)(5)(6)..... | 2.0x | 4.1x | 1.4x | 3.7x | 1.4x |
|--------------------------------|------|------|------|------|------|

- (1) Operating profit (loss) divided by net operating revenues.
- (2) EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) is a non-GAAP measure and is presented as supplemental information because we believe it is a useful indicator of our operating performance for our investors. 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. However this figure should not be considered in isolation, as a substitute for net income in accordance with IFRS and Brazilian GAAP, or as a measure of a company's profitability. In addition, our calculations may not be comparable to other similarly titled measures of other companies. We believe that EBITDAR, equivalent to EBITDA (earnings before interest, taxes, depreciation and amortization) before expenses from aircraft leasing (denominated in dollars) is a useful indicator of airline operating performance. A substantial amount of aircraft are 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. For a reconciliation of EBITDAR to our net income, see "Summary Financial and Other Information."
- (3) EBITDAR divided by net operating revenues.
- (4) Total cash comprised of cash and cash equivalents, restricted cash and short-term investments.
- (5) Total debt less cash and cash equivalents.
- (6) For the three month period ended March 31, 2009 and 2010, the calculation considered the EBITDAR for the previous twelve months.

Our Competitive Strengths

We Have a Strong Market Position Supported by Slots at the Most Important Airports in Brazil. Since the VRG acquisition, we have been the carrier with the most flights connecting the busiest airports in Brazil: Congonhas (São Paulo), Santos Dumont and Galeão (Rio de Janeiro), Juscelino Kubitschek (Brasília), Confins (Belo Horizonte), Salvador (Bahia), Porto Alegre (Rio Grande do Sul), Recife (Pernambuco) and Curitiba (Paraná). Routes between these airports are among the most profitable routes in our markets, with higher yields achieved mostly from business travelers. In Congonhas, an airport with slot restrictions, we were the leading airline in terms of the number of departures in 2009.

We Have a Strong Brand Recognition. We believe that the Gol brand has become synonymous with innovation and value in the Brazilian airline industry. Our customers identify Gol as being safe, accessible, friendly, fair, intelligent and reliable and distinguish Gol in Brazil's domestic airline industry on the basis of its modern and simplified approach to air travel services. Our *Smiles*, *Gollog* and *Voe Fácil* brands give us valuable customer recognition in various businesses and create a tool for brand diversification for us. Our Varig brand is widely known in the Brazilian and Latin American markets in which we operate.

We Keep Our Operating Costs Low. Our operating expense per available seat kilometer (CASK) for the year ended December 31, 2009 and for the three months period ended March 31, 2010 was R\$14.0 cent and R\$13.8 cents, respectively. We believe that our CASK for the year ended December 31, 2009, adjusted for the average number of kilometers flown per flight, was the lowest in our domestic market and one of the lowest among international low-cost carriers, based upon our analysis of data collected from publicly available information. Our business model is based on innovation and best practices adopted to improve our operating efficiency, including:

- ***Operation of a young and standardized fleet.*** At March 31, 2010, our operating fleet of 108 Boeing 737 NG aircraft was one of Latin America's largest and youngest fleets, with an average age of 5.8 years. We plan to continue operating a fleet exclusively comprised of Boeing 737-800 and 737-700 NG aircraft. Having a standardized fleet reduces inventory costs, as it requires fewer spare parts, and reduces the need to train our pilots to operate different types of aircraft. It also simplifies our maintenance and operations processes. From our original 94 firm purchase orders and 36 options placed in December 2008, we had 86 firm purchase orders remaining as of March 31, 2010, to be delivered until 2016, and purchase options for 40 additional Boeing 737 NG aircraft. We expect to be able to further decrease the age of our fleet, and therefore increase efficiency and better control maintenance costs. We expect to have our six remaining Boeing 737-300 aircraft returned during the remainder of 2010, particularly in the second quarter of 2010 in accordance with our scheduled plans. We are in the process of returning our six remaining Boeing 767 aircraft and until we are able to return these aircraft we will continue to assign them to revenue generating uses, such as subleases and charters, to partially offset

their leasing costs. We have incurred and expect to continue to incur costs related to reactivating our remaining six Boeing 767 aircraft for revenue generating uses.

- ***State of the art maintenance.*** We carry out heavy maintenance on our Boeing 737 aircraft internally at our Aircraft Maintenance Center at the Tancredo Neves International Airport located 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 started the first stage of a two-stage expansion project in 2008, expanding the facility's capacity to service up to 60 aircraft. The second stage was inaugurated in March 2010 and we currently have a total capacity to perform full maintenance services for more than 120 Boeing 737 aircraft per year. With our system of phased maintenance for our Boeing 737-700 and 737-800 NG aircraft fleet, we are able to perform maintenance work every day without sacrificing aircraft revenue time, and schedule preventive maintenance more regularly and taking into account the utilization of our aircraft, which further dilutes fixed costs. We are one of the few airlines in the world that takes full advantage of the Boeing 737 NG phased maintenance philosophy, supported by extensive investments we have made in personnel, material, tools and equipment.

We Stimulate Demand for Our Service. As a result of our low cost structure, we believe that through our differentiated services and fares we create demand for air travel services. Our average fares are lower than the average fares of most of our domestic competitors. We identify and stimulate demand among both business and leisure passengers for air travel that is safe, convenient, simple and is a reasonably priced alternative to traditional air, bus and car travel. By combining low fares with simple and reliable service, we have successfully improved our brand awareness, product quality, completion and on-time performance as well as strengthened customer loyalty and continue to attract new groups of air travelers within our markets. We estimate that, on average, approximately 10% of the customers on our flights are either first-time flyers or have not flown for over a year.

We Have the Largest Loyalty Program in Latin America. Since the VRG acquisition, we have a loyalty program (*Smiles*), which is available to all our passengers and which we believe strengthens our relationship with our passengers. The *Smiles* loyalty program serves as a source of revenue for us, as it enables us to sell miles directly to corporate clients for marketing purposes or utilize miles for co-branded credit cards. *Smiles* supports partnerships with more than 160 partners, 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. On June 30, 2009, we entered into a partnership with Banco Bradesco and Banco do Brasil for the issuance and management of co-branded credit cards, enabling these banks to issue credit cards under the *Smiles* brand. As part of the agreement, we received an aggregate of R\$252.7 million (i) from the sale of miles under the *Smiles* loyalty program to these two institutions, (ii) from a share of the revenue generated by the cards, and (iii) for granting the banks the right to access and use the program's database.

We are one of the largest e-commerce companies in Brazil. Our effective use of technology helps us to keep our costs low and our operations highly scalable and efficient. We seek to keep our distribution channels streamlined and convenient and to allow our customers to interact with us via the Internet. In 2009, we booked a significant majority (92.4%) of our ticket sales through a combination of our website and application programming interface, or API, systems and our call center (6.3%). In addition, our customers can check in online and through web-enabled cell phones. As a result of our emphasis on low-cost distribution channels, in 2009 we were one of the largest e-commerce companies in Brazil and Latin America, with R\$5.7 billion in net sales through the internet, more than any other airline or publicly-held e-commerce company in Brazil. Our platform also has strong traffic statistics, with over six million visitors per month. We enjoy significant cost savings associated with automated ticket sales, which also makes the selection of travel options more convenient for our customers. Our e-commerce platform has begun to allow us to cross-sell other travel-related products to our customers.

We Offer Innovative and Flexible Payment Mechanisms. We have developed and intend to further develop flexible payment mechanisms such as debit payments and long-term installment payments, known as the Fly Easy Program, or *Voe Fácil*, with which we expect to increase our potential market and customer base to broader income classes and which we believe will enable us to further penetrate markets and capture customers.

We Have Proven Management. Our controlling shareholders have been operating in the Brazilian passenger transportation market for over 50 years, and our top managers have broad experience in many sectors of the Brazilian economy, including air and ground transportation, telecommunications and home appliances and consumer products. This experience has helped us to develop the most effective elements of our low-cost model and we expect will help us to further

penetrate the Brazilian middle class and allow us to generate additional ancillary revenues through *Voe Fácil* and our e-commerce platform www.voegol.com.br as well as through our air cargo platform *Gollog*.

We Have High Corporate Governance Standards. We believe that our corporate governance practices go beyond those of most issuers in the transportation industry and most emerging markets issuers, with the efficient and active use of specialized committees with highly qualified professionals and senior managers that add value to decisions made in the day-to-day management of our business. We have four independent board members, including the chairman of our board of directors. All members of our board of directors have broad and internationally recognized skills in the areas of corporate finance, business management, banking and in the transportation industry.

We Have a Strong Liquidity and Cash Position. We believe that a strong liquidity and cash position is key to our success. We have a strong balance sheet, highlighted by our cash and cash equivalents position which, as of March 31, 2010, amounted to 24.4% of our trailing twelve-month net operating revenues. Our strong balance sheet increases our capacity to establish partnerships, negotiate with suppliers and to mitigate impacts of financial markets volatility on our results, strengthen our financial resilience and support the execution of our growth strategy. We believe that our strong balance sheet, combined with our operating cash flow generation, improves our operating flexibility and allows us to rapidly respond to market changes and to explore new opportunities.

Our Strategies

Our strategy is to capitalize on our competitive advantages, based on four main strategic pillars: increasing passenger revenue, expanding ancillary revenues, further reducing costs and improving our financial resilience. In order to implement our strategies we intend to:

Capitalize on Our Strong Market Position in Brazil and Latin America. We intend to capitalize on our strong market position, with our high brand recognition, the highest number of routes and frequencies between the most important airports in Brazil, our consolidated flight network and our *Smiles* loyalty program and to increase penetration across all segments of travelers. We will focus on Brazilian operations and selected South American and Caribbean destinations that are, or we expect to become, profitable and fit into our flight network. In addition, we believe that the airline industry may experience further consolidation in the future and therefore partnerships and alliances are key success factors. In this context, we intend play a leading role and strengthen our position as a long-term player.

Expand Our Customer Base. In planning the growth of our business, we will continue to select our routes and build the frequency of our service based on the extent and type of demand in the areas we serve in Brazil, South America and the Caribbean. We are committed to providing air travel to a wide range of travelers. We will continue to popularize air travel, making low-fare flights more accessible to a larger portion of the population, including all types of business travelers, with the following measures:

- ***Stimulate Demand.*** Our widely available service is designed to popularize air travel and stimulate demand, particularly from fare-conscious leisure travelers and small- to mid-size business travelers who might otherwise use alternative forms of transportation or not travel at all. We will continue to provide our customers with low fare alternatives and flexible payment mechanisms, such as debit payments, credit card installment payments and monthly installment payments in the form of direct credit. For example, our *Voe Fácil* Program, which allows qualifying customers to pay in up to 36 monthly installments as an innovative way to purchase airline tickets, is especially designed to make the purchase of our tickets easier for customers from middle and lower income classes. The Brazilian middle class has grown significantly in the last five years. According to *Fundação Getúlio Vargas*, or FGV, and the Brazilian Geographical and Statistical Institute (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the total population with monthly income between R\$450 and R\$4,500 has grown by 22 million between 2003 and 2009 from 76 million to 98 million.
- ***Expand our network.*** We will continue to carefully evaluate opportunities to meet demand for travel by offering more seats at lower fares, expanding flight frequencies on existing routes and adding additional routes that contribute to our network and for which we perceive a market demand in Brazil. In addition, by offering flights to South American and Caribbean destinations with connections integrated in our network, we will create opportunities for incremental traffic, feeding our network, increasing our overall load factor, supporting our strategy of expanding our network and stimulating demand for our services.
- ***Expand our partnerships.*** We believe we have the best platform to expand our customer base in the markets in which we operate. Our standardized services and lower fares attract leisure travelers from all income levels, and with the integration of the *Smiles* loyalty program into our operations we intend to increase our penetration in the corporate segment. In August 2009, we received our International Operating Safety Audit, or IOSA, airline safety registration from International Air Transport Association, or IATA, and we believe this certification will,

combined with the integration of the *Smiles* loyalty program into our consolidated flight network, make us the preferred Brazilian partner of major international airlines operating in the country, with which we do not compete on inter-continental routes. We expect that, under these partnerships, our customers will be able to use miles accumulated under the *Smiles* loyalty program to fly to destinations in North America, Europe and Asia. We intend to strengthen our existing partnerships and build new ones with large international airlines in the form of code-share arrangements to further increase our international feeder network, load factors and profitability. During 2009, we signed four important code share agreements, with Air France—KLM in April, with American Airlines in July and with AeroMexico and Iberia in October. We also seek to evaluate partnerships with financial institutions, retail chain-stores, car rental and insurance companies. We believe that these agreements will generate passenger and ancillary revenues by feeding our route network, strengthening the *Smiles* loyalty program and increasing traffic and sales through our e-commerce platform.

Further Establish and Increase Our Ancillary Revenue Businesses. Our ancillary revenues are derived from *Voe Fácil*, our e-commerce platform www.voegol.com.br and *Gollog* as well as ticket change fees, excess baggage charges, sales through buy-on-board and other incidental services. We expect further growth in these businesses, which will provide us with additional revenue at low incremental cost by:

- *Increasing Voe Fácil penetration.* The *Voe Fácil* program allows customers to pay for airline tickets in up to 36 monthly installments, with interest. By increasing the *Voe Fácil* program penetration we believe that we will be able to stimulate demand for our tickets and better utilize our yield management system by selling seats which, based on statistical analyses, we would otherwise expect to fly empty without the implementation of the program.
- *Continuously innovating and introducing new business practices and products to the Brazilian market.* We have a strong track record of innovation and introduction of new business practices in Brazil. We started our operations in 2001 introducing the low-cost low-fare in Brazil and were the first company to develop paperless travel ticketing. In June 2009, we introduced the sale of beverages and food on board (buy-on-board) in Brazil, providing a more flexible and robust board service, generating ancillary revenue without increasing our cost structure or the fare price. We are currently developing an onboard wireless entertainment system in order to provide onboard entertainment which we believe will be sponsored by large corporations, particularly from the media, entertainment and consumer segments.

We believe that integrating travel-related products through the combination of partnerships, the development of new products, our e-commerce platform (www.voegol.com.br) and *Smiles*, will be key to a faster increase in our ancillary revenues. We intend to provide convenience to our clients by upgrading our current e-commerce platform into a fully-integrated portal that allows for a wide range of integrated travel-related products to be charged in a single invoice. We are constantly evaluating opportunities, 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 volume of customers using our website.

- *Focusing on express delivery services.* Through *Gollog*, our cargo transportation service, we make efficient use of extra capacity in our aircraft by carrying cargo. During 2009 we launched our express *Gollog* product line, a value-added service which provides a range of express delivery services focusing on the corporate market. We intend to intensify our commercial efforts in express delivery services as well as further strengthening our logistics capability, mainly by expanding our ground distribution network.

Improve Operating Efficiency and Financial Resilience. Continuing to reduce our operating expense per available seat kilometer is key to increased profitability. We aim to maintain our position as one of the lowest cost airlines in the world. We intend to further reduce the average age of our fuel-efficient fleet, while optimizing the size of our fleet to ensure high utilization rates. In 2005, we became the first airline in Latin America to use winglets on 737 aircraft and, in 2009, we became the first airline in Latin America to implement electrostatic painting of our aircraft, significantly reducing weight and providing savings on paint and environmental emissions. We are currently working on implementation of GPS Landing system, installation of winglets across our Boeing 737-700 fleet and a tankering strategy, among other initiatives to further increase our fuel efficiency and lower our operating costs.

We seek to continue to reduce our operating expense per available seat kilometer by using our aircraft efficiently, concentrating on minimizing our turnaround times at airports and maintaining a high number of daily block hours per aircraft. We will continue to utilize technological innovations wherever possible to reduce our distribution costs and improve our operating efficiency. We expect to benefit from economies of scale and reduce our average cost per available seat kilometer as we add aircraft to our established and efficient operating infrastructure.

We have a strong balance sheet and we seek to continuously set financial targets in order to further improve our financial resilience and support our growth strategy. We currently seek to maintain a cash position equivalent to over 25% of our net revenues in the previous twelve months, to continuously improve our debt ratios and to avoid significant debt maturities in the next three years.

The Issuer

The Issuer is an exempted limited liability company incorporated under the laws of the Cayman Islands. GLAI owns 100% of the Issuer's equity interests. The Issuer was established on March 16, 2006 to facilitate and finance cross-border transactions, including the leasing and purchase of aircraft. The Issuer's authorized share capital is US\$50,000.00, divided into 50,000 ordinary shares of US\$1.00 each. The Issuer's issued share capital is a single ordinary share of US\$1.00 par value, which is fully paid up.

VRG

VRG is a *sociedade anônima* organized under the laws of the Federative Republic of Brazil on September 30, 2008. VRG is a low-cost and low-fare airline company which operates domestic and international flights with GOL and VARIG brands offering regular and non-regular air transportation services to the main destinations in Brazil, South America and the Caribbean. VRG was acquired by the Company on April 9, 2007 and its financial and operating data are included in our consolidated financial statements. For more information on the acquisition of VRG see note 1 to our interim condensed consolidated financial statements as of and for the three-month period ended March 31, 2010. VRG's authorized share capital, fully subscribed and paid up, is R\$2,293,923,379.00 divided into 3,001,9768,156 shares, of which 1,977,547,058 are Class A ordinary shares, 170,738,515 are Class B ordinary shares and 853,692,583 are preferred shares, all of them registered with no par value. Class A ordinary shares may only be held by Brazilian citizens and Class B ordinary shares cannot be converted into Class A ordinary shares and cannot exceed 20.0% of all of VRG's issued ordinary shares.

Our principal executive offices are located at Praça Comte Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP: 04626-020, São Paulo, SP, Brazil, and our general telephone number is +55 11 2128-4000. The telephone number of our investor relations department is +55 11 2128-4700. Our website address is www.voegol.com.br and our website is available in Portuguese, Spanish and English. Investor information can be found on our website under the caption "Investor Relations" or through the address "www.voegol.com.br/ir." Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this offering memorandum.

The Offering

The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the notes, see “Description of Notes” in this offering memorandum.

| | |
|------------------------------|--|
| Issuer | Gol Finance |
| Guarantors..... | Gol Linhas Aéreas Inteligentes S.A. and VRG Linhas Aéreas S.A. |
| Notes offered..... | U.S.\$300,000,000 aggregate principal amount of 9.25% senior notes due 2020. |
| Issue price | 98.409% |
| Issue date | July 20, 2010 |
| Maturity date..... | July 20, 2020. |
| Interest payment dates | July 20 and January 20 of each year, commencing on January 20, 2011. |
| Interest | The notes will bear interest from July 20, 2010 at the annual rate of 9.25%, payable semi-annually in arrears on each interest payment date. |
| Ranking..... | The notes will be unsecured and will rank equally with the other unsecured indebtedness the Issuer may incur. The notes will be guaranteed, jointly and severally, on an unsecured unsubordinated basis by the Guarantors. The guarantees will rank equally in right of payment with the other unsecured indebtedness and guarantees of the Guarantors. The notes will be effectively junior to the Issuer’s and the Guarantors’ secured indebtedness. Under Brazilian law, holders of the notes will not have any claim whatsoever against the Guarantors’ non-guarantor subsidiaries. See “Description of Notes—Ranking.” As of March 31, 2010, the Guarantors had US\$1,501.4 million of consolidated long-term indebtedness, from which US\$386.1 million corresponded to the Issuer and US\$1,115.3 million to the Guarantors. As of March 31, 2010, the Issuer had no secured indebtedness and the Guarantors had US\$90.9 million of consolidated secured indebtedness and any non-guarantor subsidiaries had US\$74.5 million in unsecured indebtedness. |
| Guarantees | The Guarantors will unconditionally guarantee, jointly and severally, on an unsecured unsubordinated basis, all of the Issuer’s obligations pursuant to the notes. |
| Optional redemption | The Issuer may redeem the notes, in whole or in part, at any time on or after July 20, 2015 at the applicable redemption prices set forth in this offering memorandum. |
| Tax redemption | The Issuer may redeem the notes, in whole but not in part, at any time upon the occurrence of specified events relating to applicable tax laws as described under “Description of Notes—Redemption—Tax Redemption.” |
| Additional amounts | Payments of interest on the notes will be made after withholding and deduction for any Brazilian or Cayman taxes as set forth under “Taxation.” The Issuer, in respect of the notes, and the Guarantors, in respect of the guarantees, will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Brazilian or Cayman taxes been required, subject to certain exceptions set forth under “Description of Notes—Additional Amounts.” |

| | |
|---|---|
| Covenants | The terms of the notes do not contain any restrictive covenants or other provisions designed to protect holders of the notes in the event that the Issuer or the Guarantors or any other of the Guarantors' present or future subsidiaries participate in a highly leveraged transaction. The terms of the notes do not permit the Issuer and the Guarantors to consolidate or merge with, or transfer all or substantially all of their respective assets to, another person, or to enter into transactions with affiliates, unless the Issuer or the Guarantors, as the case may be, comply with certain requirements. See "Description of Notes—Covenants." |
| Change of control offer | Upon the occurrence of a change of control that results in a ratings decline, you will have the right, as a holder of the notes, subject to certain exceptions, to require the Issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See "Description of Notes—Repurchase of Notes Upon a Change of Control." |
| Events of default..... | <p>The notes and the indenture will contain certain events of default, consisting of, among others, the following:</p> <ul style="list-style-type: none"> • failure to pay the principal when due or failure to pay interest in respect of the notes within 30 days of the due date for an interest payment; • failure to comply with the Issuer's and the Guarantors' covenants with such failure continuing for either 30 or 60 days, after written notice has been delivered to the Issuer and the Guarantors; • any indebtedness of the Issuer, the Guarantors or any of the significant subsidiaries of GLAI exceeding US\$50 million that is not paid when due or is accelerated; and • specified events of bankruptcy, liquidation or insolvency of us or any of our subsidiaries. <p>For a full description of the Events of Default, see "Description of Notes—Events of Default".</p> |
| Further issuances | The Issuer may from time to time without notice to or consent of the holders of notes create and issue an unlimited principal amount of additional notes of the same series as the notes initially issued in this offering. See "Description of Notes—Further Issuances." |
| Use of proceeds | The net proceeds to the Issuer from the sale of the notes are estimated to be approximately US\$292.7 million and will be primarily used to repay existing debt maturing in the next three years. The issuer does not intend to increase its gross debt. |
| Form and denomination; settlement | <p>The notes will be in fully registered form without interest coupons attached, only in denominations of US\$2,000 and in integral multiples of US\$1,000 in excess thereof.</p> <p>The notes will be issued in book-entry form through the facilities of DTC, for the accounts of its participants, including Euroclear Bank S.A./N.V., as the operator of the Euroclear, and Clearstream Banking, <i>Société Anonyme</i> and will trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Form of Notes."</p> |
| Transfer restrictions..... | The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See "Transfer Restrictions." |
| Listings | Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and admission to trading has been made on the Euro MTF market of the Luxembourg Stock Exchange. |
| Governing law..... | The indenture, the guarantees and the notes will be governed by the laws of the State of New York. |

| | |
|---|--|
| Trustee, paying agent, transfer agent and registrar..... | The Bank of New York Mellon |
| Principal paying agent | The Bank of New York Mellon |
| Luxembourg listing agent | The Bank of New York Mellon (Luxembourg) S.A. |
| Selling restrictions | There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in “Plan of Distribution.” |

SUMMARY FINANCIAL AND OTHER INFORMATION

The following table presents summary historical consolidated financial and operating data for us for each of the periods indicated. You should read this information in conjunction with our consolidated financial statements and related notes and the information under “Item 5—Operating and Financial Review and Prospects” in our Annual Report on Form 20-F for the year ended December 31, 2009, which is incorporated by reference in this offering memorandum.

Since the date of its incorporation, no separate financial statements of the Issuer have been published or prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish or prepare audited financial statements for any period or appoint any auditors.

The following tables present summary historical consolidated financial and operating data for us for each of the periods indicated. Solely for the convenience of the reader, *real* amounts have been translated into U.S. dollars at the commercial market rate in effect as of March 31, 2010, as reported by the Central Bank of R\$1.78 to US\$1.00.

Summary Financial and Operating Data

| | Year Ended December 31, | | | | Three-month Period Ended March 31, | | |
|---|-------------------------|--------------------|--------------------|--------------------|------------------------------------|--------------------|------------------|
| | 2007 | 2008 | 2009 | 2009 | 2009 | 2010 | 2010 |
| | (in thousands) | | | | | | |
| Income Statement Data: | | | | | | | |
| Net operating revenues: | | | | | | | |
| Passenger..... | R\$4,566,691 | R\$5,890,104 | R\$5,306,530 | US\$2,981,196 | R\$1,386,436 | R\$1,567,882 | US\$880,832 |
| Cargo and other..... | 374,293 | 516,089 | 718,852 | 403,849 | 130,600 | 161,935 | 90,974 |
| Total net operating revenues | 4,940,984 | 6,406,193 | 6,025,382 | 3,385,046 | 1,517,036 | 1,729,817 | 971,807 |
| Operating expenses: | | | | | | | |
| Salaries..... | (799,344) | (983,783) | (1,100,953) | (618,513) | (246,430) | (284,440) | (159,798) |
| Aircraft fuel | (1,898,840) | (2,630,834) | (1,813,104) | (1,018,597) | (446,064) | (550,987) | (309,543) |
| Aircraft rent | (525,785) | (645,089) | (650,683) | (365,552) | (217,485) | (149,814) | (84,165) |
| Sales and marketing | (367,866) | (588,735) | (364,551) | (204,804) | (82,077) | (82,146) | (46,149) |
| Landing fees | (273,655) | (338,370) | (312,637) | (175,639) | (86,383) | (78,106) | (43,880) |
| Aircraft and traffic servicing.... | (348,732) | (422,177) | (381,721) | (214,450) | (80,676) | (99,102) | (55,675) |
| Maintenance, materials and repairs..... | (339,281) | (388,030) | (417,212) | (234,389) | (123,609) | (136,997) | (76,965) |
| Depreciation and amortization..... | (62,548) | (125,127) | (142,853) | (80,254) | (36,698) | (63,760) | (35,820) |
| Other operating expenses..... | (315,068) | (372,696) | (428,376) | (240,661) | (92,523) | (93,045) | (52,272) |
| Total operating expenses..... | (4,931,119) | (6,494,841) | (5,612,090) | (3,152,860) | (1,411,945) | (1,538,397) | (864,268) |
| Operating profit (loss)..... | 9,865 | (88,648) | 413,292 | 232,187 | 105,091 | 191,420 | 107,539 |
| Other income (expense): | | | | | | | |
| Financial expense..... | (448,562) | (1,858,738) | (1,076,058) | (604,527) | (294,291) | (402,110) | (225,904) |
| Financial income | 639,580 | 752,344 | 1,418,902 | 797,136 | 281,428 | 268,370 | 150,770 |
| Profit (loss) before income taxes | 200,883 | (1,195,042) | 756,136 | 424,796 | 92,228 | 57,680 | 32,404 |
| Income taxes | (33,595) | (44,305) | 134,696 | 75,672 | (30,794) | (33,758) | (18,965) |
| Profit (loss) for the period | 167,288 | (1,239,347) | 890,832 | 500,467 | 61,434 | 23,922 | 13,439 |
| Earnings (loss) per share, | | | | | | | |
| basic(1):..... | 0.84 | (6.16) | 3.92 | 2.20 | 0.31 | 0.09 | 0.05 |
| Earnings (loss) per share, | | | | | | | |
| diluted(1):..... | 0.84 | (6.16) | 3.91 | 2.20 | 0.31 | 0.09 | 0.05 |
| Weighted average shares used in computing earnings per share | | | | | | | |
| basic (in thousands)(1) | 198,609 | 201,193 | 227,472 | 227,472 | 200,727 | 265,288 | 265,288 |
| Weighted average shares used in computing earnings per share, | | | | | | | |
| diluted (in thousands)(1)..... | 198,657 | 201,193 | 227,583 | 227,583 | 200,727 | 265,451 | 265,451 |
| Earnings per ADS, basic(1)..... | 0.84 | (6.16) | 3.92 | 2.20 | 0.31 | 0.09 | 0.05 |
| Earnings per ADS, diluted(1)..... | 0.84 | (6.16) | 3.91 | 2.20 | 0.31 | 0.09 | 0.05 |
| Dividends paid per share (net of withheld income tax)(1)..... | | | | | | | |
| | 1.25 | 0.18 | 0.70 | 0.39 | — | — | — |
| Dividends paid per ADS (net of withheld income tax)(1)..... | | | | | | | |
| | 1.25 | 0.18 | 0.70 | 0.39 | — | — | — |

| | As of December 31, | | | | As of March 31, | | |
|--|------------------------------------|------------|--------------|-------------|------------------------------------|--------------|-------------|
| | 2007 | 2008 | 2009 | 2009 | 2009 | 2010 | 2010 |
| | (in thousands) | | | | | | |
| Balance Sheet Data: | | | | | | | |
| Cash and cash equivalents | R\$573,121 | R\$169,330 | R\$1,382,408 | US\$776,634 | R\$166,122 | R\$1,439,077 | US\$808,470 |
| Financial assets | 820,343 | 245,585 | 40,444 | 22,721 | 214,906 | 37,802 | 21,237 |
| Accounts receivable(2) | 903,061 | 344,927 | 519,308 | 291,746 | 326,625 | 317,979 | 178,640 |
| Deposits with lessors | 641,164 | 745,342 | 855,569 | 480,657 | 767,247 | 843,954 | 474,131 |
| Total assets | 7,486,412 | 7,258,578 | 8,720,120 | 4,898,944 | 6,951,836 | 8,566,906 | 4,812,869 |
| Short-term borrowings | 891,543 | 967,452 | 591,695 | 332,413 | 948,003 | 563,502 | 316,574 |
| Long-term borrowings | 1,714,716 | 2,452,437 | 2,542,167 | 1,428,184 | 2,382,707 | 2,672,585 | 1,501,452 |
| Shareholders' equity | 2,392,448 | 1,071,608 | 2,609,986 | 1,466,284 | 1,222,236 | 2,637,962 | 1,482,001 |
| | Year Ended December 31, | | | | Three-month Period Ended March 31, | | |
| | 2007 | 2008 | 2009 | 2009 | 2009 | 2010 | 2010 |
| | (in thousands, except percentages) | | | | | | |
| Other Financial Data: | | | | | | | |
| Operating margin(3) | 0.2% | (1.4)% | 6.9% | 6.9% | 6.9% | 11.1% | 11.1% |
| Net cash provided by (used in) operating activities | R\$(141,488) | R\$151,700 | R\$457,259 | US\$256,887 | R\$(269,512) | R\$144,769 | US\$81,331 |
| Net cash provided by (used in) investing activities | (190,339) | 40,650 | 5,422 | 3,046 | 160,425 | (170,865) | (95,992) |
| Net cash provided by (used in) financing activities | 617,484 | (611,301) | 769,238 | 432,156 | 109,386 | 90,727 | 50,970 |
| | Year Ended December 31, | | | | Three-month Period Ended March 31, | | |
| | 2007 | 2008 | 2009 | | 2009 | 2010 | |
| Operating Data: | | | | | | | |
| Revenue passengers (in thousands) | | | 23,689 | 25,664 | 28,410 | 6,133 | 7,212 |
| Revenue passenger kilometers (in millions) | | | 22,670 | 25,308 | 26,092 | 5,821 | 8,027 |
| Available seat kilometers (in millions) | | | 34,349 | 41,107 | 39,988 | 9,548 | 11,172 |
| Load-factor | | | 66.0% | 61.6% | 65.2% | 61.0% | 71.8% |
| Break-even load-factor | | | 65.9% | 62.5% | 60.8% | 56.7% | 63.9% |
| Aircraft utilization (block hours per day) | | | 13.8 | 12.1 | 11.6 | 11.3 | 13.0 |
| Average fare (in <i>reais</i>) | | | 198 | 262 | 191 | 232 | 220 |
| Yield per passenger kilometer (R\$ cents) | | | 20.1 | 23.3 | 20.3 | 23.82 | 19.53 |
| Passenger revenue per available seat kilometer (R\$ cents) | | | 13.3 | 14.3 | 13.3 | 14.52 | 14.03 |
| Operating revenue per available seat kilometer (R\$ cents) | | | 14.4 | 15.6 | 15.1 | 15.89 | 15.48 |
| Operating expense per available seat kilometer (R\$ cents) | | | 14.4 | 15.8 | 14.0 | 14.79 | 13.77 |
| Operating expense less fuel expense per available seat kilometer (R\$ cents) | | | 8.9 | 9.4 | 9.5 | 10.12 | 8.84 |
| Departures | | | 237,287 | 268,540 | 273,602 | 66,224 | 72,531 |
| Departures per day | | | 650 | 736 | 750 | 736 | 806 |
| Destinations served | | | 66 | 59 | 59 | 59 | 61 |
| Average stage length (kilometers) | | | 960 | 933 | 890 | 877 | 895 |
| Average number of operating aircraft during period | | | 88.6 | 106.4 | 108.7 | 107.3 | 107.9 |
| Full-time equivalent employees at period end | | | 15,722 | 15,911 | 17,963 | 16,799 | 18,235 |
| Fuel liters consumed (in thousands) | | | 1,177,300 | 1,364,719 | 1,291,412 | 306,417 | 360,010 |
| Percentage of sales through website during period | | | 90.1% | 92.5% | 92.4% | 92.7% | 89.4% |
| Percentage of sales through website and call center during period | | | 90% | 92% | 98.7% | 99.2% | 97.5% |

| | Year Ended December 31, | | | Three-month Period Ended March 31, | |
|--|-------------------------|----------------|-------------|------------------------------------|-----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | (in thousands) | | | | |
| Reconciliation of Profit (loss) to EBITDAR: | | | | | |
| Profit (loss) for the period | R\$167,288 | R\$(1,239,347) | R\$890,832 | R\$61,434 | R\$23,922 |
| Income taxes..... | 33,595 | 44,305 | (134,696) | 30,794 | 33,758 |
| Profit (loss) before income taxes | 200,883 | (1,195,042) | 756,136 | 92,228 | 57,680 |
| Financial expense | 182,618 | 269,278 | 1,076,058 | 294,291 | 402,110 |
| Financial income | (373,636) | 837,116 | (1,418,902) | (281,428) | (268,370) |
| Depreciation and amortization..... | 62,548 | 125,127 | 142,853 | 36,698 | 63,760 |
| Aircraft rent..... | 525,785 | 645,089 | 650,683 | 217,485 | 149,814 |
| EBITDAR(4)..... | 598,198 | 681,568 | 1,206,828 | 359,274 | 404,994 |
| EBITDAR Margin(5)..... | 12.1% | 10.6% | 20.0% | 23.7% | 23.4% |

- (1) Our preferred shares are not entitled to any fixed dividend preferences, but are instead entitled to receive dividends per share in the same amount of dividends per share paid to holders of our common shares. Consequently, our earnings (loss) per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the year.
- (2) Trade and other receivables related to receivables from credit card administrators, travel agencies, installment sales from the *Voe Fácil* ("Fly Easy") program, cargo agencies and others. These receivables are stated at cost less allowances for doubtful receivables, which approximates their fair value given their short term nature.
- (3) Operating margin represents operating profit (loss) divided by net operating revenues.
- (4) EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) is a non-GAAP measure and is presented as supplemental information because we believe it is a useful indicator of our operating performance for our investors. 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. However this figure should not be considered in isolation, as a substitute for net income in accordance with IFRS and Brazilian GAAP, or as a measure of a company's profitability. In addition, our calculations may not be comparable to other similarly titled measures of other companies. We believe that EBITDAR, equivalent to EBITDA (earnings before interest, taxes, depreciation and amortization) before expenses from aircraft leasing (denominated in dollars) is a useful indicator of airline operating performance. A substantial amount of aircraft are 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.
- (5) EBITDAR divided by net operating revenues.

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks described below and those described in our Annual Report on Form 20-F for the year ended December 31, 2009, which is incorporated by reference in this offering memorandum as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of the notes could decline and you could lose all or part of your investment.

Risks Relating to the Notes and the Guarantees

There are no financial covenants in the notes or the guarantees.

Neither the Issuer, the Guarantors nor any of their subsidiaries are restricted from incurring additional debt or liabilities, including additional senior debt, under the notes, the guarantees or the indenture. If either the Issuer or the Guarantors incur additional debt or liabilities, their ability to pay their obligations on the notes or the guarantees, as the case may be, could be adversely affected. The Issuer and the Guarantors expect from time to time to incur additional debt and other liabilities. In addition, neither the Issuer nor the Guarantors are restricted from creating liens on their assets, and the Guarantors are not restricted from paying dividends or issuing or repurchasing securities under the guarantees or the indenture.

Payments on the notes and the guarantees will be junior to any secured debt obligations of the Issuer and the Guarantors, as the case may be, and effectively junior to debt obligations of our non-guarantor subsidiaries.

The notes and the guarantees will constitute unsecured unsubordinated obligations of the Issuer and the Guarantors and will rank equal in right of payment with all of the other existing and future unsecured unsubordinated indebtedness of the Issuer and the Guarantors, respectively. Although the holders of the notes will have a direct, but unsecured claim on the assets and property of the Issuer, payment on the notes will be subordinated to any secured debt of the Issuer to the extent of the assets and property securing such debt. Payment on the notes will also be effectively subordinated to the payment of secured and unsecured debt and other creditors of the Guarantor's non-guarantor subsidiaries. In addition, under Brazilian law, the obligations of the Guarantors under the guarantees are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes, court fees, expenses and costs, as well as to other statutory claims specific to the aircraft industry. In the event of the Guarantors' liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

As of March 31, 2010, the Guarantors had US\$1,501.4 million of consolidated long-term indebtedness, from which US\$386.1 million corresponded to the Issuer and US\$1,115.3 million to the Guarantors. As of March 31, 2010, the Issuer had no secured indebtedness, the Guarantors had US\$90.9 million of consolidated secured indebtedness, and our non-guarantor subsidiaries had an aggregate of US\$74.5 million of unsecured indebtedness.

Judgments of Brazilian courts enforcing the Guarantors' obligations under the notes would be payable only in reais.

If proceedings were brought in the courts of Brazil seeking to enforce obligations of the Guarantors under the guarantees, the Guarantors would not be required to discharge such obligations in a currency other than *reais*. Any judgment obtained against the Guarantors in Brazilian courts in respect of any payment obligations under the guarantees will be expressed in *reais* equivalent to the U.S. dollar amount at the exchange rate published by the Central Bank of the date on which such judgment is rendered. We cannot assure you that this exchange rate will afford you full compensation of the amount invested in the notes.

We cannot assure you that an active trading market for the notes will develop.

The notes constitute a new issue of securities, for which there is no existing market. Although we have applied to list the notes on the Luxembourg Stock Exchange (Euro MTF Market), we cannot provide you with any assurances that the application will be accepted. Further, no assurance can be provided regarding the development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. Accordingly, we cannot assure you that an active trading market for the notes will develop or, if a trading market develops, that it will continue. The lack of an active trading market for the notes would have a material adverse effect on the market price and liquidity of the notes. Even if a market for the notes develops, the notes may trade at a discount from their initial offering price.

We may be unable to purchase the notes upon a change of control.

Upon the occurrence of a change of control that results in a rating decline, you may require us to purchase all or a portion of your notes at 101% of their principal amount, plus accrued and unpaid interest and any additional amounts. If such a change of control were to occur, we may not have enough funds at the time to pay the purchase price for all tendered notes.

Our future indebtedness may provide that a change of control constitutes an event of default which could result in the acceleration of maturity of such indebtedness and may prohibit the purchase of the notes upon a change of control that results in a ratings decline. If a change of control that results in a rating decline occurs at a time when we are prohibited from purchasing the notes, we could seek the consent of our lenders to purchase the notes or could attempt to refinance this debt. If we do not obtain a consent, we could not purchase the notes. Our failure to purchase any tendered notes would constitute an event of default under the applicable agreement. Our obligation to offer to purchase the notes upon a change of control that results in a rating decline would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us. The terms “change of control” and “rating decline” are defined in the “Description of the Notes—Certain Definitions” section.

There are restrictions on your ability to transfer or resell the notes without registration under applicable securities laws.

The notes have not been registered under the Securities Act or any state securities laws, and are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws. Therefore, you may transfer or sell the notes in the United States only in a transaction registered under or exempted from the registration requirements of the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See “Transfer Restrictions” for further description of the restrictions on transfer of the notes.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of reais by any person or legal entity, regardless of the 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. Between 2000 and 2002, the real depreciated significantly against the U.S. dollar, reaching an exchange rate of R\$3.53 per US\$1.00 at the end of 2002. Between 2003 and mid-2008, the real appreciated significantly against the U.S. dollar due to the stabilization of the macro-economic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R\$1.56 per US\$1.00 in August 2008. With the crisis in the global financial markets beginning in mid-2008, the real depreciated 31.9% against the U.S. dollar over the year 2008, reaching R\$2.34 per US\$1.00 on December 31, 2008. On December 31, 2009 the exchange rate was R\$1.74 per US\$1.00 and on October 31, 2010, the exchange rate was R\$1.66 per US\$1.00. The Central Bank has intervened occasionally to control 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 real may substantially depreciate or appreciate against the U.S. dollar.

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

| | Period-End | Average for Period(1) | Low | High |
|-----------------------------|-------------------------|--------------------------|-------|-------|
| | (reais per U.S. dollar) | | | |
| Year | | | | |
| 2005..... | 2.341 | 2.412 | 2.163 | 2.762 |
| 2006..... | 2.138 | 2.168 | 2.059 | 2.371 |
| 2007..... | 1.771 | 1.930 | 1.733 | 2.156 |
| 2008..... | 2.337 | 1.833 | 1.559 | 2.500 |
| 2009..... | 1.741 | 1.990 | 1.702 | 2.422 |
| 2010 (through July 12)..... | 1.764 | 1.797 | 1.723 | 1.881 |

| | Month-End | Average for Month(2) | Low | High |
|---------------------|-------------------------|-------------------------|-------|-------|
| | (reais per U.S. dollar) | | | |
| Month | | | | |
| October 2009..... | 1.744 | 1.744 | 1.704 | 1.784 |
| November 2009..... | 1.751 | 1.731 | 1.702 | 1.759 |
| December 2009..... | 1.741 | 1.749 | 1.710 | 1.788 |
| January 2010..... | 1.875 | 1.799 | 1.723 | 1.875 |
| February 2010..... | 1.811 | 1.841 | 1.805 | 1.877 |
| March 2010..... | 1.781 | 1.794 | 1.764 | 1.823 |
| April 2010..... | 1.731 | 1.756 | 1.731 | 1.781 |
| May 2010..... | 1.817 | 1.807 | 1.732 | 1.881 |
| June 2010..... | 1.802 | 1.816 | 1.766 | 1.866 |
| July 2010..... | 1.753 | 1.801 | 1.770 | 1.757 |
| August 2010..... | 1.749 | 1.773 | 1.760 | 1.756 |
| September 2010..... | 1.694 | 1.719 | 1.744 | 1.694 |
| October 2010..... | 1.655 | 1.711 | 1.684 | 1.701 |

Source: Central Bank

Notes:—

- (1) Represents the average of the exchange rates on the last day of each month during the period.
- (2) Represents the average of the lowest and highest rates in the month.

The rate used to translate *real* amounts contained in this offering memorandum into U.S. dollars was R\$1.78 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of March 31, 2010, as reported by the Central Bank.

RECENT DEVELOPMENTS

Interim Condensed Consolidated Statement of Operations

The following discussion should be read in conjunction with our interim condensed consolidated financial statements and related notes as of March 31, 2010 and for the three-month periods ended March 31, 2010 and 2009 included in our report on Form 6-K submitted to the SEC on May 6, 2010 (IFRS Interim Financial Statements), which is incorporated by reference in this offering memorandum. Our historical results discussed are not necessarily indicative of our full year performance or of results to be expected from any future period. The following discussion may contain forward looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including those set forth under “Risk Factors” and “Special Note About Forward-Looking Statements.”

The following table sets forth our interim condensed consolidated statement of operations for the three-month period ended March 31, 2010 and 2009.

| | Three-month Period Ended March 31, | |
|---|---------------------------------------|------------------|
| | 2009 | 2010 |
| | (In millions of reais) | |
| Net operating revenues: | | |
| Passenger | 1,386.4 | 1,567.9 |
| Cargo and other | 130.6 | 161.9 |
| Total net operating revenues | 1,517.0 | 1,729.8 |
| Operating expenses: | | |
| Salaries, wages and benefits | (246.4) | (284.4) |
| Aircraft fuel | (446.1) | (551.0) |
| Aircraft rent | (217.5) | (149.8) |
| Sales and marketing | (82.1) | (82.1) |
| Landing fees | (86.4) | (99.1) |
| Aircraft and traffic servicing | (80.7) | (78.1) |
| Maintenance, materials and repairs | (123.7) | (137.0) |
| Depreciation and amortization | (36.7) | (63.8) |
| Other operating expenses | (92.5) | (93.0) |
| Total operating expenses | (1,411.9) | (1,538.4) |
| Operating income | 105.1 | 191.4 |
| Financial expenses: | | |
| Financial expense | (294.3) | (402.1) |
| Financial income | 281.4 | 268.4 |
| Income before income taxes | 92.2 | 57.7 |
| Income taxes | (30.8) | (33.8) |
| Net income | 61.4 | 23.9 |
| Earnings per share, basic(1) | 0.31 | 0.09 |
| Earnings per share, diluted(1) | 0.31 | 0.09 |
| Weighted average shares used in computing earnings per share, basic (in thousands)(1) | 200,727 | 265,288 |
| Weighted average shares used in computing earnings per share, diluted (in thousands)(1) | 200,727 | 265,451 |
| Earnings (loss) per ADS, diluted | 0.31 | 0.09 |
| Dividends per ADS, basic and diluted(2) | — | — |

(1) Our preferred shares are not entitled to any fixed dividend preferences, but are instead entitled to receive dividends per share in the same amount of dividends per share paid to holders of our common shares.

(2) Includes interest on shareholder’s equity, which is net of 15% withholding taxes.

Overview

In the three-month period ended March 31, 2010, our revenue passenger kilometers (RPK) increased by 37.9% as compared to the three-month period ended March 31, 2009, mainly due to the stronger macroeconomic scenario in Brazil and Latin America, as well as the effects of our competitive advantages: (i) low-cost leadership as a result of higher aircraft utilization rates, (ii) highest frequencies between the most important domestic airports in Brazil, (iii) high operating quality

indices (punctuality, regularity, safety indicators and differentiated client service), (iv) increased demand from the Brazilian middle class, and (v) revitalization of the *Smiles* loyalty program.

Demand in Brazil, as measured in revenue passenger kilometers (RPK) increased by 38.4% in the three-month period ended March 31, 2010 when compared to the three-month period ended March 31, 2009. International demand in revenue passenger kilometers increased by 34.2% over the same period. The increased demand was mainly due to the stronger macroeconomic scenario in Brazil and Latin America, the average depreciation of the U.S. dollar against the *real* and the growth of the emerging Brazilian middle class demand, which allowed us to reduce fares while generating higher levels of profitability.

During the three-month period ended March 31, 2010, we focused on increasing our operating capacity to improve yields by discontinuing our non-profitable routes, adding two new routes (São Paulo—Bauru, in the outskirts of São Paulo State, Caracas (Venezuela), Punta Cana (Dominican Republic), connecting passengers from Rio de Janeiro and São Paulo to this new Caribbean destination) and increasing block hours from an average of 11.3 block hours per day in the three-month period ended March 31, 2009 to 13.0 block hours per day during the same period of 2010. We increased our available seat kilometers (ASK) by 17.0%, from 9.5 billion in the three-month period ended March 31, 2009 to 11.2 billion in the three-month period ended March 31, 2010 primarily due to higher fleet utilization as a result of strong growth in demand, especially in the domestic market.

In the three-month period ended March 31, 2010, our break-even load factor was 63.9%, a 720 basis points increase when compared to our 56.7% break-even load factor in the same period in 2009.

The table below presents certain operating data for the periods included.

| <u>Operating Data</u> | Three-month Period Ended March 31, | | |
|---|---------------------------------------|---------|------------|
| | 2009 | 2010 | Chg. %/bps |
| Revenue passengers (in thousands) | 6,133 | 8,005 | 30.5% |
| Revenue passenger kilometers (RPK) (in millions) | 5,821 | 8,027 | 37.9% |
| Available seat kilometers (ASK) (in millions) | 9,548 | 11,172 | 17.0% |
| Load factor | 61.0% | 71.8% | 1080bps |
| Break-even load factor | 56.7% | 63.9% | 720bps |
| Aircraft utilization (block hours per day) | 11.3 | 13.0 | 14.3% |
| Average fare (R\$) | 232 | 220 | (5.4)% |
| Yield per passenger kilometer (R\$ cents) | 23.8 | 19.5 | (18.0)% |
| Passenger revenue per ASK (R\$ cents) | 14.5 | 14.0 | (3.4)% |
| Operating revenue per ASK (RASK) (R\$ cents) | 15.9 | 15.5 | (2.5)% |
| Operating expense per ASK (CASK) (R\$ cents) | 14.8 | 13.8 | (6.9)% |
| Operating cost excluding fuel per ASK (R\$ cents) | 10.1 | 8.8 | (12.6)% |
| Departures | 66,224 | 72,531 | 9.5% |
| Average stage length (km) | 877 | 895 | 2.1% |
| Average number of operating aircraft | 107.3 | 107.9 | 0.6% |
| Fuel consumption (in millions of liters) | 306,417 | 360,010 | 17.5% |
| Full-time equivalent employees at period end | 16,799 | 18,235 | 8.5% |

The table below presents certain macro economic data for the periods included.

| <u>Economic Environment Data</u> | Three-month Period Ended March 31, | | |
|---|---------------------------------------|-------|------------|
| | 2009 | 2010 | Chg. %/bps |
| Average exchange rate(1) | 2.31 | 1.80 | (22.1)% |
| End of period exchange rate(1) | 2.32 | 1.78 | (23.1)% |
| Inflation (IGP-M)(2) | (0.92)% | 2.77% | 369bps |
| Inflation (IPCA)(3) | 1.23% | 2.06% | 83bps |
| WTI (avg. per barrel. US\$)(4) | 43.18 | 78.88 | 82.7% |
| Gulf Coast Jet Fuel cost (average per liter. US\$)(4) | 0.35 | 0.54 | 54.4% |

Sources:

- (1) Central Bank.
- (2) Fundação Getúlio Vargas (FGV).
- (3) Brazilian Institute of Geography and Statistics (IBGE).
- (4) Bloomberg.

Net Operating Revenue

Net operating revenue increased by 14.0% from R\$1,517.0 million in the three-month period ended March 31, 2009 to R\$1,729.8 million in the three-month period ended March 31, 2010:

| <u>New Operating Revenue</u> | Three-month Period Ended March 31, | | |
|------------------------------|---|-------------|--------------|
| | 2009 | 2010 | Chg.% |
| | (in million of reais) | | |
| Net Operating Revenue..... | 1,517.0 | 1,729.8 | 14.0% |
| Passenger | 1,386.4 | 1,567.9 | 13.1% |
| Cargo and other | 130.6 | 161.9 | 24.0% |

Passenger net operating revenues increased by 13.1% from R\$1,386.4 million in the three-month period ended March 31, 2009 to R\$1,567.9 million in the three-month period ended March 31, 2010. This variation was due to stronger demand given the positive macroeconomic scenario in Brazil and Latin America, particularly an increase in demand from the Brazilian middle class.

Net operating revenue from cargo and other incidental services increased by 24.0% from the three-month period ended March 31, 2009 to the three-month ended March 31, 2010, accounting for 9.4% of net revenue in the three-month period ended March 31, 2010, primarily due to revenue growth from cargo, excess baggage, flight rescheduling fees and insurance fees.

On a unit basis, our increase in revenues was offset by a 17.0% increase of available seat kilometers, and, as a result, revenue per available seat kilometer decreased by 2.5% from R\$15.89 cents in the three-month period ended March 31, 2009 to R\$15.48 cents in the three-month period ended March 31, 2010.

Operating Expenses

Operating costs and expenses increased 9.0% from R\$1,411.9 million in the three-month period ended March 31, 2009 to R\$1,538.3 million three-month period ended March 31, 2010, due to the expansion of our operations. The following table sets forth our total operating expenses for the period indicated:

| <u>Operating Expenses (in millions of reais)</u> | Three-month Period Ended March 31, | | |
|---|---|------------------|--------------|
| | 2009 | 2010 | Chg.% |
| Salaries, wages and benefits..... | (246.4) | (284.4) | 15.4% |
| Aircraft fuel | (446.1) | (551.0) | 23.5% |
| Aircraft rent | (217.5) | (149.8) | (31.1)% |
| Sales and marketing..... | (82.1) | (82.1) | 0.0% |
| Landing fees..... | (80.7) | (78.1) | (3.2)% |
| Aircraft and traffic servicing..... | (86.4) | (99.1) | 14.7% |
| Maintenance, materials and repairs | (123.6) | (137.0) | 10.8% |
| Depreciation and amortization | (36.7) | (63.8) | 73.8% |
| Other operating expenses..... | (92.5) | (93.0) | 0.5% |
| Total operating expenses | (1,411.9) | (1,538.4) | 9.0% |
| Total operating expenses excluding fuel expenses | (965.8) | (987.4) | 2.2% |

Our operating expenses increased by 9.0% from R\$1,411.9 million in the three-month period ended March 31, 2009 to R\$ 1,538.4 million in the three-month period ended March 31, 2010 primarily due to higher fleet utilization and the average depreciation of the U.S. dollar against the *real* from R\$2.31 per US\$1.00 in the three-month period ended March 31,

2009 to R\$1.78 per US\$1.00 in the three-month period ended March 31, 2010. The depreciation of the dollar against the *real* was partially offset by an 82.7% increase in WTI oil prices from US\$43.18 per barrel in the three-month period ended March 31, 2009 to US\$78.88 in the three-month period ended March 31, 2010.

Excluding fuel expenses, operating expenses increased by 2.2% from R\$965.8 million in the three-month period ended March 31, 2009 to R\$987.4 million in three-month period ended March 31, 2010, mostly due to expansion of our operations, partially offset by the 22.1% average depreciation of the U.S. dollar against the *real*.

On a per unit basis, our operating expense per available seat kilometer decreased by 6.9% from R\$14.79 cents in the three-month period ended March 31, 2009 to R\$13.77 cents in the three-month period ended March 31, 2010, mainly due to the 17.0% increase in capacity, which was partially the result of a 14.3% increase in our fleet utilization rate from 11.3 block hours per day in the three-month period ended March 31, 2009 to 13.0 block hours per day in the three-month period ended March 31, 2010, which was the result of increased sector demand and a 2.1% increase in the average stage length from 877km in the three-month period ended March 31, 2009 to 895km in the three-month period ended March 31, 2010.

The following tables set forth certain of our operating expenses per available seat kilometer as a percentage of total operating expenses, each for the period indicated.

| <u>Cost per Available Seat Kilometer Breakdown(%)</u> | Three-month Period Ended March 31, | | |
|---|---|-------------|----------------|
| | 2009 | 2010 | Chg bps |
| Fuel..... | 31.6% | 35.8% | 420 |
| Personnel | 17.5% | 18.5% | 100 |
| Rent | 15.4% | 9.7% | (570) |
| Maintenance..... | 8.8% | 8.9% | (10) |
| Other..... | 26.7% | 27.1% | (40) |

| <u>Operating Cost per Available Seat Kilometer (in cents R\$)</u> | Three-month Period Ended March 31, | | |
|---|---|----------------|----------------|
| | 2009 | 2010 | Chg % |
| Salaries, wages and benefits..... | (2.58) | (2.55) | (1.4)% |
| Aircraft fuel | (4.67) | (4.93) | 5.6% |
| Aircraft rent | (2.28) | (1.34) | (41.1)% |
| Sales and marketing..... | (0.86) | (0.74) | (14.5)% |
| Landing fees..... | (0.84) | (0.70) | (17.3)% |
| Aircraft and traffic servicing..... | (0.90) | (0.89) | (2.0)% |
| Maintenance, materials and repairs | (1.29) | (1.23) | (5.3)% |
| Depreciation and amortization | (0.38) | (0.57) | 48.5% |
| Other operating expenses..... | (0.97) | (0.83) | (14.1)% |
| Cost per available seat kilometer (CASK) | (14.79) | (13.77) | (6.9)% |
| CASK excluding fuel expenses | (10.12) | (8.84) | (12.6)% |

Aircraft fuel costs increased by 23.5% from R\$446.1 million in the three-month period ended March 31, 2009 to R\$551.0 million in the three-month period ended March 31, 2010, largely due to (i) an 82.7% increase in WTI oil prices from US\$43.18 per barrel in the three-month period ended March 31, 2009 to US\$78.88 in the three-month period ended March 31, 2010, (ii) the expansion of our operations and (iii) an increase in fleet utilization rate from 11.3 block hours per day in the three-month period ended March 31, 2009 to 13.0 block hours per day in the three-month period ended March 31, 2010. In per-available seat kilometers terms, aircraft fuel costs increased by 5.6% year-over-year, mainly due to the expansion of our operations.

Salaries, wages and benefits increased by 15.4%, from R\$246.4 million in the three-month period ended March 31, 2009 to R\$284.4 million in the three-month period ended March 31, 2010, due to a 6% compensation increase approved in December 2009 and an 8.5% increase in our workforce due to a 17.6% growth in the number of passengers transported, which demands a higher number of employees in operational areas. In per available seat-kilometer terms, salaries, wages and benefits decreased by 1.4% as a result of our 17.0% increase in available seat kilometers.

Aircraft rent decreased by 31.1% from R\$217.5 million in the three-month period ended March 31, 2009 to R\$149.8 million in the three-month period ended March 31, 2010, due to (i) the 22.1% average appreciation of the *real* against the U.S. dollar, and (ii) to a decrease in the number of operating lease aircraft in our fleet which decreased from 101

aircraft in a total fleet of 126 aircraft on March 31, 2009 to 85 aircraft in a total fleet of 120 aircraft on March 31, 2010. In per available seat-kilometer terms, aircraft rent decreased by 41.1% as a result of our 17.0% increase in available seat kilometers.

Sales and marketing expenses remained flat in a total of R\$82.1 million in the three-month periods ended March 31, 2009 and 2010, as the elimination of sales commission charges by travel agencies beginning February, 2010, was partially offset by the increase in commissions to credit card administrators linked to the increase in direct sales through sales agents. In per available seat-kilometer terms, sales and marketing expenses decreased 14.5% year-over-year as a result of 17.0% increase in available seat kilometers.

Landing fees decreased by 3.2% from R\$80.7 million in the three-month period ended March 31, 2009 to R\$78.1 million in the three-month period ended March 31, 2010, reflecting a decrease in the number of departures from international airports, which have higher landing fees. In per-available seat-kilometer terms, these fees decreased by 17.3% in the same period, due to the higher utilization rate of our fleet and our 17.0% increase in available seat kilometers.

Aircraft and traffic servicing expenses increased by 14.7% from R\$86.4 million in the three-month period ended March 31, 2009 to R\$99.0 million in the three-month period ended March 31, 2010, mainly due to the expansion of our operations and network, which consequently increased our handling and catering costs. In per available seat-kilometer terms, these costs decreased by 2.0% in the same period due to our 17.0% increase in available seat kilometers.

Maintenance, materials and repairs increased by 10.8% from R\$123.6 million in the three-month period ended March 31, 2009 to R\$137.0 million in the three-month period ended March 31, 2010, due to: (i) the final phase of the fleet renovation and unification program, with the replacement of 11 Boeing 737-300 aircraft by 737-800 and 700 NG aircraft that incurred in return costs of approximately R\$34 million; (ii) seasonal concentration of engine maintenance during the peak season of 13 engines; and (iii) costs in connection with the reactivation of 5 Boeing 767-300 aircraft during the three-month period ended March 31, 2010 to meet the increasing demand for intercontinental chartered flights. In per available seat-kilometer terms, the maintenance, materials and repairs decreased by 5.3% in the same period due to our 17.0% increase in available seat kilometers.

Depreciation expenses increased by 73.8% from R\$36.7 million in the three-month period ended March 31, 2009 to R\$63.8 million in the three-month period ended March 31, 2010, mainly due to (i) the larger number of finance lease aircraft in the total fleet that increased from 25 aircraft on March 31, 2009 to 35 aircraft on March 31, 2010 and; (ii) a change in the estimated useful life of engines and rotatable maintenance components to five years. In per available seat-kilometer terms, depreciation increased by 48.5% in the same period due to our 17.0% increase in available seat kilometers.

Other operating expenses (mainly crew travel and accommodation, direct passenger expenses, equipment leasing and general and administrative expenses) remained approximately the same with a slight increase of 0.6% from R\$92.5 million in the three-month period ended March 31, 2009 to R\$93.0 million in the three-month period ended March 31, 2010. In per available seat-kilometer terms, other operating expenses decreased by 14.1% in the same period due to our 17.0% increase in available seat kilometers.

Hedge Results

We have adopted a hedging policy in order to protect us against market price fluctuations of fuel, foreign exchange and interest rates that can adversely affect our operations. In order to define our objectives, we have a risk policy committee, which is comprised of members of our board of directors, an external consultant, and senior management. The committee meets on a quarterly basis and sets strategic goals. Based on such targets, our management executes our hedging plan and establishes our derivative positions. The committee can meet on an extraordinary basis if any of its members call for a meeting. We record derivative financial instruments in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

In the three-month period ended March 31, 2010, we recognized a net loss of R\$16.9 million related to hedge operations on fuel, foreign exchange and interest rate hedge operations, of which (i) R\$4.9 million related to operations maturing during the three-month period ended March 31, 2010 and (ii) R\$12 million related to future results to be recognized in our income statement, which were liquidated before maturity. These operations generated a cash loss of R\$9.8 million. As of March 31, 2010, we had derivative positions in place to hedge approximately 40%, 25%, 15% and 6% of our estimated jet fuel consumption for the second, third, fourth quarters of 2010 and first quarter of 2011, respectively. In the three-month period ended March 31, 2010, we acquired options to hedge our foreign-currency cash flow in the second quarter of 2010 with an average strike price of R\$1.8941 and a notional value of R\$227.3 million.

Net Financial Result

Our net financial expense increased by 939.7% from R\$12.9 million in the three-month period ended March 31, 2009 to R\$133.7 million in the three-month period ended March 31, 2010 primarily as a result of appreciation of the U.S. dollar against the *real* in the quarter, which generated exchange variation expenses on foreign-currency-denominated liabilities.

| <u>Financial Result (in millions of reais)</u> | <u>Three-month Period Ended</u> <u>March 31,</u> | | |
|--|---|----------------|---------------|
| | <u>2009</u> | <u>2010</u> | <u>Chg. %</u> |
| Interest expenses | (80.0) | (79.3) | (0.9)% |
| Capitalized interest | 1.4 | 2.6 | 82.4% |
| Exchange variation | 86.1 | (59.0) | (168.5)% |
| Interest and investment income | 73.3 | 25.8 | (64.8)% |
| Other | (93.7) | (23.9) | (74.5)% |
| Net financial results | (12.9) | (133.7) | 939.7% |

Interest expenses decreased by 0.9% in the three-month period ended March 31, 2009 as compared to expenses in the three-month period ended March 31, 2010, primarily due to the appreciation of the *real* against the U.S. dollar impacting our foreign-currency debt offset by the greater foreign-currency exposure in the three-month period ended March 31, 2009, when our foreign-currency debt accounted for 96.6% of our total gross debt.

Exchange variation results fluctuated from income of R\$86.1 million in the three-month period ended March 31, 2009 to an expense of R\$59.0 million in the three-month period ended March 31, 2010, driven by 2.3% average devaluation of the *real* against the U.S. dollar during the recent three-month period that directly impacts our foreign-currency debt, including the aircraft finance leases, which represent 81.3% of our total debt.

Interest and investment income decreased by 64.8% in the three-month period ended March 31, 2010 due mostly to lower gains in foreign exchange hedge operations.

Other financial expenses decreased by 74.5% from R\$93.7 million in the three-month period ended March 31, 2009 to R\$23.9 million in the three-month period ended March 31, 2010, mainly due lower fuel hedge losses.

Income Tax

Income tax increased by 12.4% from R\$30.8 million in the three-month period ended March 31, 2009 to R\$33.8 million in the three-month period ended March 31, 2010, due to the accounting of current fiscal income tax based on taxable profit in the three-month period ended March 31, 2010, which was partially offset by deferred income tax arising from temporary differences and tax credits.

Net Income

As a result of the foregoing, we had net income amount of R\$23.9 million in the three-month period ended March 31, 2010, with a net margin of 1.4%, versus a net income amount of R\$61.4 million in the three-month period ended March 31, 2009, with a net margin of 4.0%.

Liquidity and Indebtedness

On March 31, 2010, our total liquidity (consisting of cash, cash equivalents and short-term investments of R\$1,496.1 million and short-term receivables of R\$318.0 million) was R\$1,814.1 million, and our short-term debt was R\$563.5 million.

As of March 31, 2010, our total consolidated long-term indebtedness was R\$2,672.6 million, including aircraft finance leases and our PDP facility but excluding operating leases obligations.

The following table sets forth our total liquidity at the dates indicated:

| <u>Total Liquidity (in millions of reais)</u> | <u>March 31,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> | <u>Chg. %</u> |
|---|---------------------------------|------------------------------------|---------------|
| Total cash | 1,496.1 | 1,441.7 | 3.8% |
| Short term receivables | 318.0 | 519.3 | (38.8)% |
| Total liquidity | 1,814.1 | 1,961.0 | (7.5)% |

Total cash at March 31, 2010 totaled R\$1,496.1 million (cash and cash equivalent of R\$1,439.1 million, plus R\$37.8 million in immediate liquidity assets and R\$19.2 million in restricted cash), a 3.8% increase as compared to R\$1,441.7 million at December 31, 2009.

The Company has maintained its cash position above 20% of net revenue in the previous twelve months and currently seeks to maintain this ratio above 25% of net revenue. The cash generated in this 12-month period were partially offset by outflows of approximately R\$231 million primarily due to the pay down of a PDP Facility of approximately R\$111 million and investments in fixed assets in the amount of R\$110 million and the difference due to cash effect of losses from hedging operations in the three-month period ended March 31, 2010. See “—Hedge Results.”

Short-term receivables include flight sales via credit card, receivables from the *Voe Fácil*'s installment payment program, and accounts receivable from travel agencies and cargo transportation. At March 31, 2010, these receivables totaled R\$318.0 million, a decrease of 38.8% as compared to R\$519.3 million at December 31, 2009, mostly due to the seasonal effect of lower sales in comparison to the year end and consequently, a reduction of short-term receivables.

The Company has secured financing for all aircraft scheduled to be delivered from 2009 through 2012.

As part of our plan to continue strengthening our cash position, during the remainder of the year, we expect to:

(i) improve our operating cash flow by reducing our fleet costs and the cost of managing such assets as cargo program *Gollog* and *Smiles* loyalty program; and (ii) enter into additional financings through the sale of *Smiles* loyalty program miles to third parties.

The following table sets forth our total loans and financing (financial debt and financings) at the dates indicated:

| <u>Total Loans and Financing (in millions of reais)</u> | <u>March 31, 2010</u> | <u>December 31, 2009</u> | <u>Chg. %</u> |
|---|---------------------------|------------------------------|---------------|
| Financial loans | 1,090.9 | 1,003.0 | 8.8% |
| Aircraft financing | 1,803.0 | 1,800.8 | 0.1% |
| Subtotal | 2,893.9 | 2,803.9 | 3.2% |
| Interest | 24.7 | 19.9 | 24.1% |
| Subtotal | 2,918.6 | 2,823.8 | 3.4% |
| Perpetual bonds | 317.5 | 310.1 | 2.4% |
| Total loans and financing | 3,236.1 | 3,133.9 | 3.3% |

On March 31, 2010, total loans and financings were R\$3,236.1 million. Long-term debt had an average term of 7.3 years and an average rate of 10.8% for local-currency debt and 5.8% for dollar-denominated debt. Excluding the perpetual bonds, which have no maturity date, our outstanding indebtedness increased to R\$2,918.6 million, with the negative impact of the exchange variation, generating a 2.3% increase in foreign currency debt as of March 31, 2010, as well as additional local borrowings and financings of approximately R\$90 million in the three-month period ended March 31, 2010, which were partially offset by the payment of approximately R\$111 million of aircraft financing (the PDP Facility).

The following table sets forth our aircraft financings at the dates indicated:

| <u>Aircraft Financing (in millions of reais)</u> | <u>March 31, 2010</u> | <u>December 31, 2009</u> | <u>Chg. %</u> |
|--|---------------------------|------------------------------|---------------|
| Short-term (foreign currency) | 278.4 | 380.1 | (26.8)% |
| PDP Facility | 132.6 | 243.4 | (45.5)% |
| Finance leases | 145.8 | 136.7 | 6.7% |
| Long-term debt (foreign currency) | 1,524.6 | 1,420.7 | 7.3% |
| Finance leases | 1,524.6 | 1,420.7 | 7.3% |
| Total Aircraft Financing | 1,803.0 | 1,800.8 | 0.1% |

On March 31, 2010, aircraft financing totaled R\$1,803.0 million. This includes a credit line for the prepayment of aircraft acquisitions (the PDP Facility) amounting to R\$132.6 million, all of which already have committed refinancing, as the corresponding aircraft are delivered, through a combination of sale-leaseback operations and long-term bank loans with financial institutions backed by the U.S. Ex-Im Bank. Finance leasing operations, which totaled R\$1,670.4 million, result in financial expenses paid monthly to the aircraft lessors with our own operating cash flow.

The following table sets forth our payment schedule for our loans and financings (excluding aircraft financings):

| Financial Debt Schedule (in millions of reais)* (excluding aircraft financings) | 2010 | 2011 | 2012 | 2013 | 2014 | After 2014 | Total |
|--|--------------|--------------|--------------|--------------|--------------|-------------------|----------------|
| Working capital | 185.0 | — | — | — | — | — | 185.0 |
| BDMG I and II | 2.9 | 3.3 | 3.3 | 6.1 | 4.0 | 12.6 | 32.2 |
| BNDES | 14.3 | 10.8 | 8.4 | — | — | — | 33.5 |
| BNDES-Safra | 6.3 | 9.5 | 12.7 | 12.7 | 3.2 | — | 44.4 |
| Debentures | — | 93.7 | 93.5 | 93.5 | 93.6 | — | 374.3 |
| IFC | 51.7 | — | — | — | — | — | 51.7 |
| Senior Notes | — | — | — | — | — | 369.8 | 369.8 |
| Total | 260.2 | 117.3 | 117.9 | 112.3 | 100.8 | 382.4 | 1,090.9 |

The following table sets forth maturities, interest rates and currencies of our outstanding debt obligations:

| Maturing and Interest | Maturity | Contracted Rate | Effective Rate | Currency |
|------------------------------|-----------------|------------------------|-----------------------|-----------------|
| Working capital | 10-Aug | 134.3% of CDI | 12.83% | <i>Real</i> |
| BNDES | 12-Jul | TJLP + 2.65% | 10.50% | <i>Real</i> |
| BNDES-Safra | 14-Mar | TJLP + 5.50% | 0.00% | <i>Real</i> |
| BDMG I | 14-Jan | IPCA +6% | 11.67% | <i>Real</i> |
| BDMG II | 18-Mar | IPCA +6% | 10.46% | <i>Real</i> |
| Debentures | 14-Nov | 126.5% of CDI | 11.18% | <i>Real</i> |
| PDP Facility | 10-Dec | Libor + 0.5% | 2.68% | U.S. dollar |
| IFC Loans | 13-Jul | Libor + 2.45% | 4.55% | U.S. dollar |
| Senior Notes | 17-Apr | 7.50% | 7.50% | U.S. dollar |
| Perpetual Bonds | — | 8.75% | 8.75% | U.S. dollar |

Trend Information

We believe that the Brazilian economy will experience a full recovery, especially due to the growing size of the Brazilian middle class. We are forecasting demand for the Brazilian domestic airline industry to remain above the growth of the Brazilian GDP. We plan to continue to add capacity in a conservative basis by following demand growth and believe that yields in our network should remain stable as compared to 2009. This positive macroeconomic and operating scenario, combined with our strategy to continue to grow passenger revenue while further reducing and diluting unit costs, should further improve operating margins.

Contractual Obligations

There have been no material changes to the contractual obligations table contained in our 20-F for the year ended December 31, 2009, which is incorporated by reference herein.

Other Recent Developments

Dividend Reinvestment Share Offering

On March 11, 2010, we declared aggregate dividends of R\$185.8 million, for the fiscal year 2009 and announced that we are offering our shareholders the option to reinvest the dividends and subscribe for new shares in a R\$185.8 million capital increase. The dividends were paid on April 16, 2010 to holders of record of ADRs on April 1, 2010 and to holders of record of preferred shares on March 29, 2010. In the capital increase approved on March 11, 2010, and implemented by way of a rights offering in Brazil and internationally, we expected to issue up to 7,622,584 shares, of which up to 3,789,507 were preferred shares and up to 3,833,077 were common shares. We concluded this capital increase on May 5, 2010 with the issuance of 3,833,076 common shares and 1,050,680 preferred shares, and we received gross proceeds of R\$119.1 million from this capital increase. We strengthened our balance sheet with proceeds from this rights offering in order to: (i) maintain cash position of at least 25% of our net revenue in the previous twelve months; (ii) increase operating margins; and (iii) continue to improve our financial leverage indicators.

Tax Assessment Notice

On June 25, 2010, a tax assessment notice was filed by the Brazilian Internal Revenue Service (Receita Federal) to collect amounts of the Income Tax (Imposto de Renda Pessoa Jurídica) and Social Contribution on Net Profits (Contribuição Social sobre o Lucro Líquido), in the total amount of R\$ 62.1 million. We will defend our position in the administrative and the judicial courts and do not expect any material cash disbursements in this regard in the short term.

USE OF PROCEEDS

We expect that the net proceeds of this offering will be approximately US\$292.7 million, after deducting the discounts and commissions to the initial purchasers and estimated offering expenses. The net proceeds to the Issuer from the sale of the notes will be primarily used to repay existing debt maturing in the next three years.

CAPITALIZATION

The following table sets forth our consolidated capitalization at March 31, 2010 on a historical basis and as adjusted to give effect to (i) the issuance of the notes in this offering and the receipt of approximately US\$300 million in gross proceeds therefrom, (ii) the issuance of 3,833,076 common shares and 1,050,680 preferred shares, including in the form of American Depositary Receipts, and the receipt of R\$119.1 million in proceeds from our global dividend reinvestment share offering in May 2010, (see “Other Recent Developments” above,) and (iii) repayment of debt with proceeds from this offering. This table should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the notes thereto filed on Forms 20-F and 6-K and incorporated by reference in this memorandum.

| | As of March 31, 2010 | | As adjusted as of March 31, 2010 | |
|---|---------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | (in millions of reais) | (in millions of U.S. dollars)(1) | (in millions of reais) | (in millions of U.S. dollars)(1) |
| Short-term debt | 564 | 316 | 146 | 82 |
| Long-term debt | 2,673 | 1,501 | 2,673 | 1,501 |
| Notes issued in this offering | — | — | 534 | 300 |
| Total debt | 3,236 | 1,817 | 3,353 | 1,883 |
| Shareholders’ equity | | | | |
| Issued capital | 2,063 | 1,158 | 2,182 | 1,225 |
| Capital reserves | 60 | 34 | 60 | 34 |
| Treasury shares | (12) | (7) | (12) | (7) |
| Retained earnings | 503 | 283 | 503 | 283 |
| Deferred compensation | 23 | 13 | 23 | 13 |
| Accumulated other comprehensive gain | 0.8 | 0.4 | 0.8 | 0.4 |
| Total shareholders’ equity | 2,638 | 1,481 | 2,757 | 1,548 |
| Total capitalization(2)(3) | 5,874 | 3,298 | 6,110 | 3,431 |

- (1) The *real* amounts for March 31, 2010 have been converted into dollars using the exchange rate of US\$1.00 = R\$1.78, which is the selling rate reported by the Central Bank of Brazil on this date. This information is presented solely for the convenience of the reader. You should not interpret the currency conversions in this offering memorandum as a statement that the amounts in *reais* currently represent such values in U.S. dollars. Additionally, you should not interpret such conversions as statements that the amounts in *reais* have been, could have been or could be converted into U.S. dollars at this or any other foreign exchange rates.
- (2) Total capitalization is the sum of total debt and total shareholders’ equity.
- (3) After the completion of this offering, we may incur additional debt in the regular course of our business which may materially affect our total indebtedness as provided in this table.

Issuer

As at March 31, 2010, the Issuer has US\$385.9 million in indebtedness. Otherwise, the Issuer has no other assets or liabilities. There were no material changes to the financial condition of the Issuer since March 31, 2010.

DESCRIPTION OF NOTES

We issued the notes pursuant to an indenture, dated as of July 20, 2010, among the Issuer, Gol Linhas Aéreas Inteligentes S.A., or GLAI, VRG Linhas Aéreas S.A., or VRG, each as guarantors, or the Guarantors, The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the indenture), transfer agent, registrar and principal paying agent. A copy of the indenture, including the form of the notes, is available for inspection during normal business hours at the office of the trustee set forth on the inside back cover page of this offering memorandum.

This description of notes are the material provisions of the notes and the indenture and define the rights of the holders. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including the obligations of the Issuer and the Guarantors and your rights.

You will find the definitions of capitalized terms used in this section under “—Certain Definitions.”

General

The notes:

- will be senior unsecured obligations of the Issuer;
- will initially be limited to an aggregate principal amount of U.S.\$300,000,000;
- will mature on July 20, 2020;
- will redeem at par value on the maturity date;
- will be issued in denominations of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof; and
- will be represented by one or more registered notes in global form and may be exchanged for registered notes in definitive form only in limited circumstances.

Interest on the notes:

- will accrue at the rate of 9.25% per annum;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash semi-annually in arrears on July 20 and January 20 of each year, commencing on January 20, 2011;
- will be payable to the holders of record on the July 5 and January 5 immediately preceding the related interest payment dates; and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Principal of, and interest and any additional amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the trustee, and at the offices of the paying agents and transfer agents, respectively.

The indenture does not limit the amount of debt or other obligations that may be incurred by the Issuer or the Guarantors or any of their present or future Subsidiaries. The indenture does not contain any restrictive covenants or other provisions designed to protect holders of the notes in the event the Issuer or the Guarantors or any of their present or future Subsidiaries participate in a highly leveraged transaction or upon a change of control.

Further Issuances

The Issuer is entitled, without the consent of the holders, to issue additional notes under the indenture on the same terms and conditions as the notes being offered hereby in an unlimited aggregate principal amount. The notes and the additional notes, if any, will be treated as a single class for all purposes of the indenture, including waivers and amendments; provided, however, that unless such additional notes are issued under a separate CUSIP number, such additional notes must be fungible with the original notes for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the indenture and this “Description of Notes,” references to the notes include any additional notes actually issued.

Ranking

The notes and the guarantees will be unsecured, unsubordinated obligations of each of the Issuer and the Guarantors, ranking equally with all of their other respective unsubordinated obligations. However, the notes will effectively rank junior to all secured debt of the Issuer and the Guarantors to the extent of the value of the assets securing that debt.

Guarantees

The Guarantors will unconditionally guarantee, jointly and severally, on an unsecured basis, all of the obligations of the Issuer pursuant to the notes, which we refer to as the guarantees. So long as any note remains outstanding (as defined in the indenture), GLAI shall continue to own directly 100% of the outstanding share capital of the Issuer.

The guarantees will be limited to the maximum amount that would not render the Guarantors' respective obligations subject to avoidance under applicable fraudulent conveyance laws. By virtue of this limitation, the Guarantors' respective obligations under the guarantees could be significantly less than amounts payable with respect to the notes, or the Guarantors may have effectively no obligation under the guarantees.

None of the Guarantors' existing or future Subsidiaries (other than VRG in the case of GLAI) is guaranteeing the notes. Claims of creditors of such non-guarantor Subsidiaries, including trade creditors, employees and creditors holding indebtedness or guarantees issued by such non-guarantor Subsidiaries, and claims of preferred stockholders of such non-guarantor Subsidiaries generally will have priority with respect to the assets and earnings of such non-guarantor Subsidiaries over the claims of the Guarantors' creditors, including holders of the notes. Accordingly, the notes will be effectively subordinated to creditors (including trade creditors and employees) and preferred stockholders, if any, of the Guarantors' existing or future non-guarantor Subsidiaries. The indenture does not require any of the Guarantors' existing or future Subsidiaries (other than VRG in the case of GLAI) to guarantee the notes, and it does not restrict any of the Guarantors from disposing of its assets to a third party or a Subsidiary that is not guaranteeing the notes except as set forth under "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets."

Under Brazilian law, as a general rule, holders of the notes will not have any claim whatsoever against any non-guarantor Subsidiaries of the Guarantors.

The guarantees will terminate upon defeasance or repayment of the notes, as described under the caption "—Defeasance."

Redemption

The notes will not be redeemable, except as described below. Any optional or tax redemption may require the prior approval of the Central Bank.

Optional Redemption

On and after July 20, 2015, the Issuer may on any one or more occasions redeem the notes, at its option, in whole or in part, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest and Additional Amounts (as defined below under "—Additional Amounts"), if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on July 20 of the years set forth below:

| <u>Period</u> | <u>Redemption Price</u> |
|---------------------------|-------------------------|
| 2015..... | 104.625% |
| 2016..... | 103.083% |
| 2017..... | 101.542% |
| 2018 and thereafter | 100.000% |

Any redemption of notes by the Issuer pursuant to this paragraph will be subject to either (1) there being at least U.S.\$150 million in aggregate principal amount of notes (including any additional notes) outstanding after such redemption or (2) the Issuer redeeming all the then outstanding principal amount of the notes.

Tax Redemption

If as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction (as defined below under "—Additional Amounts"), or any amendment to or change in an official interpretation,

administration or application of such laws, any treaties, rules, or related agreements to which the Taxing Jurisdiction is a party or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issue date of the notes, in the case of the Issuers or the Guarantors, or on or after the date a successor to the Issuer or any Guarantor assumes the obligations under the notes or Guarantees, in the case of any such successor, (i) the Issuer or any successor to the Issuer has or will become obligated to pay additional amounts as described below under “—Additional Amounts” or (ii) either of the Guarantors or any successor to the Guarantor has or will become obligated to pay additional amounts as described below under “—Additional Amounts” in excess of the additional amounts either such Guarantor or any such successor to the Guarantor would be obligated to pay if payments were subject to withholding or deduction at a rate of 15% or at a rate of 25% in the case that the holder of the notes is resident in a tax haven jurisdiction for Brazilian tax purposes (*i.e.*, a country that does not impose any income tax or that imposes it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) (the “Minimum Withholding Level”), as a result of the taxes, duties, assessments and other governmental charges described above, the Issuer or any successor to the Issuer may, at its option, redeem all, but not less than all, of the notes, at a redemption price equal to 100% of their principal amount, together with accrued and unpaid interest to the date fixed for redemption, upon delivery of irrevocable notice of redemption to the holders not less than 30 days nor more than 60 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 60 days prior to the earliest date on which either (x) the Issuer or successor to the Issuer would, but for such redemption, become obligated to pay any additional amounts, or (y) in the case of payments made under the Guarantees, either Guarantor or any successor to the Guarantor would, but for such redemption, be obligated to pay the additional amounts above the Minimum Withholding Level. For the avoidance of doubt, the Issuer or any successor to the Issuer shall not have the right to so redeem the notes unless (a) it is obligated to pay additional amounts or (b) either Guarantor or any successor to the Guarantor is obliged to pay additional amounts which in the aggregate amount exceed the additional amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer or any such successor shall not have the right to so redeem the notes unless it has taken reasonable measures to avoid the obligation to pay additional amounts. For the avoidance of doubt, reasonable measures do not include changing the jurisdiction of incorporation of the Issuer or any successor to the Issuer or the jurisdiction of incorporation of a Guarantor or any successor to the Guarantor.

In the event that the Issuer or any successor to the Issuer elects to so redeem the notes, it will deliver to the trustee: (1) a certificate, signed in the name of the Issuer or any successor to the Issuer by any two of its executive officers or by its attorney in fact in accordance with its bylaws, stating that the Issuer or any successor to the Issuer is entitled to redeem the notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer or any successor to the Issuer to so redeem have occurred or been satisfied; and (2) an opinion of counsel, who is reasonably acceptable to the trustee, to the effect that (i) the Issuer or any successor to the Issuer has or will become obligated to pay additional amounts or either Guarantor or any successor to the Guarantor has or will become obligated to pay additional amounts in excess of the additional amounts payable at the Minimum Withholding Level, (ii) such obligation is the result of a change in or amendment to the laws (or any rules or regulations thereunder) of a Taxing Jurisdiction, as described above, (iii) the Issuer or any successor to the Issuer, or either Guarantor or any successor to the Guarantor, as the case may be, cannot avoid payment of such additional amounts by taking reasonable measures available to it and (iv) that all governmental requirements necessary for the Issuer or any successor to the Issuer to effect the redemption have been complied with.

Open Market Purchases

The Issuer or its affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

Payments

The Issuer will make all payments on the notes exclusively in such coin or currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

The Issuer will make payments of principal and interest on the notes to the principal paying agent (as identified on the inside back cover page of this offering memorandum), which will pass such funds to the trustee and the other paying agents or to the holders.

The Issuer will make payments of principal upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. The Issuer will pay principal on the notes upon presentation and surrender thereof. Payments of principal and interest in respect of each note will be made by the paying agents by U.S. dollar check drawn on a bank in New

York City and mailed to the holder of such note at its registered address. Upon written application by the holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Under the terms of the indenture, payment by the Issuer or the Guarantors of any amount payable under the notes or the guarantees, as the case may be, on the due date thereof to the principal paying agent in accordance with the indenture will satisfy the obligation of the Issuer, or the Guarantors, as the case may be, to make such payment; *provided, however*, that the liability of the principal paying agent shall not exceed any amounts paid to it by the Issuer or the Guarantors, as the case may be, or held by it, on behalf of the holders under the indenture.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of “—Additional Amounts.” No commissions or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the paying agents will pay to the Issuer upon request any monies held by them for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to the Issuer for payment as general creditors. After the return of such monies by the trustee or the paying agents to the Issuer, neither the trustee nor the paying agents shall be liable to the holders in respect of such monies.

Listing

The Issuer will use commercially reasonable efforts to cause the notes to be listed on the Luxembourg Stock Exchange (Euro MTF Market) and to remain so listed so long as the Issuer and the Guarantors do not reasonably believe that doing so would impose burdensome financial reporting or other requirements, or costs relating thereto.

Additional Information

For so long as any notes remain outstanding, the Issuer will make available to any noteholder or beneficial owner of an interest in the notes, or to any prospective purchasers designated by such noteholder or beneficial owner, upon request of such noteholder or beneficial owner, and in addition to the information referred to under “—Reporting Requirements” above, the information required to be delivered under paragraph (d)(4) of Rule 144A unless, at the time of such request the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.

Form, Denomination and Title

The notes will be in registered form without coupons attached in amounts of U.S.\$2,000 and integral multiples of U.S.\$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC for the accounts of Euroclear and Clearstream, Luxembourg. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See “Form of Notes—Global Notes.”

Title to the notes will pass by registration in the register. The registered holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no person will be liable for so treating the holder.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or the specified office of any transfer agent. Each new note to be issued upon exchange of notes or transfer of notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed at the risk of the holder entitled to the note to such address as may be specified in such request or form of transfer.

Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See “Notice to Investors.” Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See “Form of Notes.”

Transfer will be effected without charge by or on behalf of the Issuer, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. The Issuer is not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by the Issuer in respect of the notes or the Guarantors in respect of the guarantees will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Brazil, or any authority therein or thereof or any other jurisdiction in which the Issuer or Guarantors are organized, doing business or otherwise subject to the power to tax (any of the aforementioned being a “Taxing Jurisdiction”), unless the Issuer or the Guarantors are compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantors, as applicable, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the notes in the absence of such withholding or deduction. Notwithstanding the foregoing, no such additional amounts shall be payable:

- (1) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership, or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof, being incorporated in, being or having been engaged in a trade or business or present therein or having or having had a permanent establishment therein, other than the mere holding of the note or enforcement of rights under the indenture and the receipt of payments with respect to the note;
- (2) in respect of notes surrendered or presented for payment (if surrender or presentment is required) more than 30 days after the Relevant Date (as defined below) except to the extent that payments under such note would have been subject to withholdings and the holder of such note would have been entitled to such additional amounts, on surrender of such note for payment on the last day of such period of 30 days;
- (3) where the withholding or deduction is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings;
- (4) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, assessments or other governmental charges by reason of such holder’s failure to comply with any certification, identification, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such holder, if (a) compliance is required by law as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (b) the Issuer has given the holders at least 30 days’ notice that holders will be required to provide such certification, identification, documentation or other requirement;
- (5) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;
- (6) in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the note;
- (7) in respect of any tax imposed on overall net income or any branch profits tax; or
- (8) in respect of any combination of the above.

In addition, no additional amounts shall be paid with respect to any payment on a note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interestholder in a limited liability company or a beneficial owner who would not have been entitled to the additional amounts had that beneficiary, settlor, member or beneficial owner been the holder.

“Relevant Date” means, with respect to any payment on a note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the trustee. The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation. Except as specifically provided above, neither the Issuer nor the Guarantors shall be required to make a payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

In the event that additional amounts actually paid with respect to the notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof such holder is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title, and interest to any such claim for a refund or credit of such excess to the Issuer.

Any reference in this offering memorandum, the indenture or the notes to principal, interest or any other amount payable in respect of the notes by the Issuer or the guarantees by the Guarantors will be deemed also to refer to any additional amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The foregoing obligation will survive termination or discharge of the indenture.

Repurchase of Notes upon a Change of Control

Not later than 30 days following a Change of Control that results in a Rating Decline, the Issuer will make an Offer to Purchase all outstanding notes at a purchase price equal to 101% of the principal amount plus accrued interest up to, but not including the date of purchase.

An “Offer to Purchase” must be made by written offer, which will specify the purchase price. The offer must specify an expiration date (the “expiration date”) not less than 30 days or more than 60 days after the date of the offer and a settlement date for the purchase (the “purchase date”) not more than five business days after the expiration date. The offer must include information required by the Securities Act, Exchange Act or any other applicable laws. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a note tendered must be in a multiple of U.S.\$1,000 principal amount, provided that if the notes are tendered in part, such holder shall hold in excess of U.S.\$2,000. Holders are entitled to withdraw notes tendered up to the close of business on the expiration date. On the purchase date the purchase price will become due and payable on each note accepted for purchase pursuant to the Offer to Purchase, and interest on notes purchased will cease to accrue on and after the purchase date.

The Issuer will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

The Guarantors will agree in the indenture to obtain all necessary consents and approvals from the Central Bank of Brazil for the remittance of funds outside of Brazil prior to making any Offer to Purchase.

Existing and future debt of the Issuer and the Guarantors may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require the Issuer to purchase the notes could cause a default under other existing or future debt of the Issuer or the Guarantors, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer and the Guarantors. In addition, the remittance of funds outside of Brazil to noteholders or the trustee requires the consent of the Central Bank, which may not be granted. Finally, the Issuer’s and the Guarantors’ ability to pay cash to the noteholders following the occurrence of a Change

of Control may be limited by the Issuer's and the Guarantors' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See "Risk Factors—Certain Factors Relating to the Notes and the Guarantees—*We may be unable to repurchase the notes upon a change of control.*"

The phrase "all or substantially all," as used with respect to the assets of the Issuer and the Guarantors in the definition of "Change of Control," is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Issuer and the Guarantors has occurred in a particular instance, in which case a holder's ability to obtain the benefit of these provisions could be unclear.

In addition, pursuant to the terms of the indenture, we are only required to offer to repurchase the notes in the event that a Change of Control results in a Rating Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, we would not be required to offer to repurchase the notes.

Except as described above with respect to a Change of Control, the indenture does not contain provisions that permit the holder of the notes to require that the Issuer purchase or redeem the notes in the event of a takeover, recapitalization or similar transaction.

The provisions under the indenture relating to the Issuer's obligation to make an offer to repurchase the notes as a result of a Change of Control may be waived or amended as described in "—Amendment, Supplement, Waiver."

Covenants

The indenture contains the following covenants:

Limitations on the Issuer

The indenture limits and restricts the Issuer from taking the following actions or engaging in the following activities or transactions:

- (1) engaging in any business or entering into, or being a party to, any transaction or agreement except for:
- (a) the issuance, sale and redemption of the notes (including any additional notes) and activities incidentally related thereto;
 - (b) (i) the incurrence of Debt to make inter-company loans to GLAI and entities controlled by GLAI to finance the acquisition and leasing of aircraft, equipment and supply materials by GLAI and such entities and activities reasonably related thereto and (ii) the repayment of other debt of the Issuer or its Subsidiaries outstanding on the issue date and maturing in the next three years with the use of proceeds hereof;
 - (c) the entering into Hedging Agreements relating to the notes or such other Debt; and
 - (d) any other transaction required by law;
- (2) acquiring or owning any Subsidiaries or other assets or properties, except an interest in the intercompany loans described above and Hedging Agreements relating to its Debt and instruments evidencing interest in the foregoing; and
- (3) entering into any consolidation, merger, amalgamation, joint venture, or other form of combination with any person, or selling, leasing, conveying or otherwise disposing of any of its assets or receivables, except as otherwise permitted under "—Limitation on Consolidation, Merger or Transfer of Assets" below.

Limitation on Transactions with Affiliates

Neither the Issuer nor any Guarantor will, nor will the Issuer or any Guarantor permit any Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Issuer or such Guarantor, other than themselves or any Subsidiaries, (an “Affiliate Transaction”) unless the terms of the Affiliate Transaction are no less favorable to the Issuer or such Guarantor or such Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm’s length dealings with a person who is not an Affiliate.

Limitation on Consolidation, Merger or Transfer of Assets

Neither the Issuer nor any Guarantor will consolidate with or merge with or into, or sell, convey, transfer or dispose of, or lease all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to, any person, unless:

(1) the resulting, surviving or transferee person (if not the Issuer or such Guarantor) will be a person organized and existing under the laws of the Cayman Islands, Brazil, the United States of America, any State thereof or the District of Columbia, or any other country (or political subdivision thereof) that is a member country of the European Union or of the Organisation for Economic Co-operation and Development on the date of the indenture, and such person expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of the Issuer or such Guarantor under the notes, the guarantees (as applicable) and the indenture;

(2) the resulting, surviving or transferee person (if not the Issuer or such Guarantor), if organized and existing under the laws of a jurisdiction other than the Cayman Islands or Brazil, undertakes, in such supplemental indenture, (i) to pay such additional amounts in respect of principal (and premium, if any) and interest as may be necessary in order that every net payment made in respect of the notes after deduction or withholding for or on account of any present or future tax, duty, assessment or other governmental charge imposed by such other country or any political subdivision or taxing authority thereof or therein will not be less than the amount of principal (and premium, if any) and interest then due and payable on the notes, subject to the same exceptions set forth under “Additional Amounts” and (ii) that the provisions set forth under “Tax Redemption” shall apply to such person, but in both cases, replacing existing references in such clause to Cayman Islands or Brazil or to the Taxing Jurisdiction with references to the jurisdiction of organization of the resulting, surviving or transferee person as the case may be;

(3) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(4) the Issuer or such Guarantor will have delivered to the trustee an officers’ certificate and an opinion of independent legal counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

The trustee will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Notwithstanding anything to the contrary contained in the foregoing, any of the Guarantors may consolidate with or merge with the Issuer or any Subsidiary that becomes a Guarantor concurrently with the relevant transaction.

Reporting Requirements

The Issuer and the Guarantors will provide the trustee with the following reports (and will also provide the trustee with sufficient copies, as required, of the following reports referred to in clauses (1) through (4) below for distribution, at the expenses of the Issuer and Guarantors, to all holders of notes upon written request):

(1) an English language version of GLAI’s annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 120 days after the close of its fiscal year;

(2) an English language version of GLAI's unaudited quarterly financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of its fiscal year);

(3) simultaneously with the delivery of each set of financial statements referred to in clauses (1) and (2) above, an officers' certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which the Issuer and/or the Guarantors are taking or propose to take with respect thereto;

(4) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer and/or the Guarantors with (a) the CVM, (b) the Luxembourg Stock Exchange or any other stock exchange on which the notes may be listed or (c) the SEC (in each case, to the extent that any such report or notice is generally available to its security holders or the public in Brazil or elsewhere and, in the case of clause (c), is filed or submitted pursuant to Rule 12g3-2(b) under, or Section 13 or 15(d) of, the Exchange Act, or otherwise); and

(5) upon any director or executive officer of the Issuer or any Guarantor becoming aware of the existence of a Default or Event of Default, an officers' certificate setting forth the details thereof and the action which the Issuer and/or such Guarantor are taking or propose to take with respect thereto.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or the Guarantors' compliance with any of their covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

Substitution of the Issuer

(a) Notwithstanding any other provision contained in the indenture, the Issuer may, without the consent of the holders of the notes (and by purchasing or subscribing for any notes, each holder of the notes expressly consents to it), be replaced and substituted by (i) GLAI or (ii) any wholly-owned subsidiary of GLAI as principal debtor (in such capacity, the "Substituted Debtor") in respect of the notes; *provided that*:

(i) such documents shall be executed by the Substituted Debtor, the Issuer, GLAI and the trustee as may be necessary to give full effect to the substitution, including a supplemental indenture whereby the Substituted Debtor assumes all the Issuer's obligations under the indenture (together, the "Issuer Substitution Documents"), and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each noteholder, the trustee and the agents to be bound by the terms and conditions of the notes and the provisions of the indenture as fully as if the Substituted Debtor had been named in the notes and the indenture as the principal debtor in respect of the notes in place of the Issuer (or any previous substitute) and the covenants of GLAI (in the case the Issuer is substituted by GLAI), the covenants of the Issuer (in the case the Issuer is substituted by a wholly-owned subsidiary of GLAI), Events of Default and other relevant provisions shall continue to apply to the Issuer in respect of the notes as if no such substitution had occurred, it being the intent that the rights of noteholders in respect of the notes shall be unaffected by such substitution, subject to clause (c) below.

(ii) without prejudice to the generality of the preceding paragraph, where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than the Cayman Islands or Brazil, the Issuer Substitution Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each noteholder has the benefit of a covenant in terms corresponding to the obligation of the Issuer in respect of the payment of additional amounts set forth in "Payment of Additional Amounts," with the substitution for the references to the Cayman Islands or Brazil of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Issuer Substitution Documents shall also contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless the trustee and the agents and each noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against the trustee, any agent or such holder as a result of any substitution pursuant to the conditions set forth in this section and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such noteholder by any political subdivision or taxing authority of any country in which such noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made).

(iii) each stock exchange which has the notes listed thereon shall have confirmed in writing that following the proposed substitution of the Substituted Debtor the notes would continue to be listed on such stock exchange, or if such confirmation is not received or such continued listing is impracticable or unduly burdensome, the Issuer or GLAI may de-list the notes from the Luxembourg Stock Exchange or other exchange on which the notes are listed; and, in the event of any such de-listing, GLAI shall use commercially reasonable efforts to obtain an alternative admission to listing, trading and/or quotation of the notes by another listing authority, exchange or system within or outside the European Union as it may reasonably decide, provided, that if such alternative admission is not available or is, in the Issuer and GLAI's reasonable opinion, unduly burdensome, the Issuer and GLAI shall have no further obligation in respect of any listing of the notes;

(iv) the Issuer shall have delivered, or procured the delivery, to the trustee of a legal opinion addressed to the Issuer, the Substituted Debtor and the trustee from a leading firm of lawyers in the country of incorporation of the Substituted Debtor, to the effect that the Issuer Substitution Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion(s) to be dated not more than seven days prior to the date the Issuer Substitution Documents are executed and to be available for inspection by noteholders at the specified offices of the Trustee;

(v) the Issuer shall have delivered, or procured the delivery, to the Trustee of a legal opinion addressed to the Issuer, the Substituted Debtor and the trustee from a leading firm of Cayman lawyers acting for the Issuer and GLAI to the effect that the Issuer Substitution Documents constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than seven days prior to the date the Issuer Substitution Documents are executed and to be available for inspection by noteholders at the specified offices of the Trustee;

(vi) the Issuer shall have delivered, or procured the delivery, to the trustee of a legal opinion addressed to the Issuer, the Substituted Debtor and the trustee from a leading firm of New York lawyers to the effect that the Issuer Substitution Documents constitute legal, valid and binding obligations of the parties thereto under New York law, such opinion to be dated not more than seven days prior to the date the Issuer Substitution Documents are executed and to be available for inspection by noteholders at the specified offices of the Trustee;

(vii) the Substituted Debtor shall have appointed a process agent in the Borough of Manhattan, the City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the indenture, notes or the Issuer Substitution Documents;

(viii) there is no outstanding Event of Default in respect of the notes;

(ix) there is no downgrade in the rating of the notes by any of the Rating Agencies when the Substituted Debtor replaces and substitutes the Issuer in respect of the notes; provided, that any such downgrade is in whole or part in connection with such substitution; and

(x) the substitution complies with all applicable requirements established under the laws of the Cayman Islands and Brazil.

(b) Upon execution of the Issuer Substitution Documents, the Substituted Debtor, GLAI and the Issuer shall deliver to the trustee an officers' certificate, executed by authorized officers, certifying that the terms of this section have been complied with and attaching copies of all documents contemplated herein.

(c) Upon the execution of the Issuer Substitution Documents as referred to in paragraph (a)(i) above, the Substituted Debtor shall be deemed to be named in the notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the notes shall thereupon be deemed to be amended to give effect to the substitution. Except as set forth above, the execution of the Issuer Substitution Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all its obligations in respect of the notes and its obligation to indemnify the trustee under the indenture. Upon the execution of the Issuer Substitution Documents as referred to in paragraph (i) above, the Issuer and the Substituted Debtor will not be subject to the provisions of the covenant described above under the caption "— Limitations on the Issuer."

(d) The Issuer Substitution Documents shall be deposited with and held by the trustee for so long as any note remains outstanding and for so long as any claim made against the Substituted Debtor or the Issuer by any noteholder in relation to the notes or the Issuer Substitution Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor, GLAI and the Issuer shall acknowledge in the Issuer Substitution Documents the right of every

noteholder to the production of the Issuer Substitution Documents for the enforcement of any of the notes or the Issuer Substitution Documents.

(e) Not later than 10 business days after the execution of the Issuer Substitution Documents, the Substituted Debtor shall give notice thereof to the noteholders in accordance with the provisions described in this section.

Events of Default

An “Event of Default” occurs if:

(1) the Issuer defaults in any payment of interest (including any related additional amounts) on any note when the same becomes due and payable, and such default continues for a period of 30 days;

(2) the Issuer defaults in the payment of the principal (including any related additional amounts) of any note when the same becomes due and payable at its Stated Maturity, upon acceleration or redemption or otherwise;

(3) the Issuer or either Guarantor fails to comply with any of its covenants or agreements in the notes or the indenture (other than those referred to in (1) and (2) above), and such failure continues for 60 days after the notice specified below;

(4) the Issuer, either Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Issuer, either Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Issuer, such Guarantor or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default (“Payment Default”) or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals U.S.\$50 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(5) one or more final judgments or decrees for the payment of money of U.S.\$50 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against the Issuer, either Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(6) an involuntary case or other proceeding is commenced against the Issuer, either Guarantor or any Significant Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, *sindico*, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the Issuer, either Guarantor or any Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect and such order is not being contested by the Issuer, either Guarantor or such Significant Subsidiary, as the case may be, in good faith or has not been dismissed, discharged or otherwise stayed, in each case within 60 days of being made;

(7) the Issuer, either Guarantor or any of its Significant Subsidiaries (i) commences a voluntary case or other proceeding seeking liquidation, reorganization, *concordata* or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *sindico*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, either Guarantor or any of its Significant Subsidiaries or for all or substantially all of the property of the Issuer, either Guarantor or any of its Significant Subsidiaries or (iii) effects any general assignment for the benefit of creditors;

(8) any event occurs that under the laws of the Cayman Islands, Brazil or any political subdivision thereof or any other country has substantially the same effect as any of the events referred to in any of clause (6) or (7);

(9) any guarantee ceases to be in full force and effect, other than in accordance with the terms of the indenture, or a Guarantor denies or disaffirms its obligations under its guarantee; or

(10) GLAI ceases to own directly 100% of the outstanding share capital of the Issuer.

A Default under clause (3) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the notes outstanding notify the Issuer and the Guarantors of the Default and the Issuer and the relevant Guarantor, as the case may be, do not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an attorney, authorized officer or agent of the trustee with direct responsibility for the indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by the Issuer, any Guarantor or any holder.

If an Event of Default (other than an Event of Default specified in clause (6), (7) or (8) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes then outstanding may declare all unpaid principal of and accrued interest on all notes to be due and payable immediately, by a notice in writing to the Issuer and the trustee, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (6), (7) or (8) above occurs and is continuing, then the principal of and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

Subject to the provisions of the indenture relating to the duties of the trustee in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders have offered to the trustee indemnity reasonably satisfactory to the trustee. Subject to such provision for the indemnification of the trustee, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

Defeasance

The Issuer or any Guarantor may at any time terminate all of its obligations with respect to the notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes, the obligations owed to the trustee and the agents and to maintain agencies in respect of notes. The Issuer or any Guarantor may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, the Issuer or such Guarantor must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of opinions of U.S., Cayman Islands and Brazilian counsel as to certain tax matters (including to the effect that the holders of the notes will not recognize income, gain or loss for U.S., Cayman Islands or Brazilian federal income tax purposes, as the case may be, as a result of such deposit and defeasance and will be subject to U.S., Cayman Islands or Brazilian federal income tax, as the case may be, on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred). In the case of defeasance or covenant defeasance, the guarantees will terminate.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or Event of Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the notes then

outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment or waiver may:

- (1) reduce the principal amount of or change the Stated Maturity of any payment on any note;
- (2) reduce the rate of any interest on any note;
- (3) reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;
- (4) after the time an Offer to Purchase is required to be made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder;
- (5) change the currency for payment of principal of, or interest or any additional amounts on, any note;
- (6) impair the right to institute suit for the enforcement of any right to payment on or with respect to any note;
- (7) waive certain payment defaults with respect to the notes;
- (8) reduce the principal amount of notes whose holders must consent to any amendment or waiver;
- (9) make any change in the amendment or waiver provisions which require each holder's consent;
- (10) modify or change any provision of the indenture affecting the ranking of the notes or the guarantees in a manner adverse to the holders of the notes; or
- (11) make any change in the guarantees that would adversely affect the noteholders.

provided that the provisions of the covenant described under the caption “—Repurchase of Notes Upon a Change of Control” may, except as provided above, be amended or waived with the consent of holders holding not less than 66²/₃% in aggregate principal amount of the notes.

The holders of the notes will receive prior notice as described under “—Notices” of any proposed amendment to the notes or the indenture or any waiver described in the preceding paragraph. After an amendment or any waiver described in the preceding paragraph becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment or waiver. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment or waiver.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment or any waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

The Issuer, the Guarantors and the trustee may, without the consent or vote of any holder of the notes, amend or supplement the indenture or the notes for the following purposes:

- (1) to cure any ambiguity, omission, defect or inconsistency;
- (2) to comply with the covenant described under “—Limitation on Consolidation, Merger or Transfer of Assets”;
- (3) to add guarantees or collateral with respect to the notes;
- (4) to add to the covenants of the Issuer or the Guarantors for the benefit of holders of the notes;
- (5) to surrender any right conferred upon the Issuer or the Guarantors;
- (6) to evidence and provide for the acceptance of an appointment by a successor trustee;

- (7) to provide for the issuance of additional notes;
- (8) to provide for any guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any guarantee of the notes when such release, termination or discharge is permitted by the indenture; or
- (9) make any other change that does not materially and adversely affect the rights of any holder of the notes or to conform the indenture to this “Description of Notes.”

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in certificated form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the register maintained by the registrar. For so long as the notes are listed on the Luxembourg Stock Exchange and it is required by the rules of the Luxembourg Stock Exchange, publication of such notice to the holders of the notes in English in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Notices may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu)

Trustee

The Bank of New York Mellon is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee needs to perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

The Issuer and its Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its Affiliates.

Governing Law and Submission to Jurisdiction

The notes, the indenture and the guarantees will be governed by the laws of the State of New York.

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the notes, the guarantees (as applicable) and the indenture. The Issuer and the Guarantors will appoint National Registered Agents, Inc., currently having an office at 875 Avenue of the Americas, Suite 501, New York, New York 10001, as their authorized agent upon which process may be served in any such action.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Issuer or the Guarantors under or in connection with the notes and the guarantees, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any holder of a note in respect of any sum expressed to be due to it from the Issuer or the Guarantors will only constitute a discharge to the Issuer or the Guarantors, as the case may be, to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any note, the Issuer and the Guarantors will indemnify such holder against any loss sustained by it as a result; and if the

amount of United States dollars so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, the Issuer and the Guarantors will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

“Affiliate” means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other Person who is a director or officer (i) of such specified Person, (ii) of any subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Brazilian GAAP” means accounting practices prescribed by Brazilian Corporation Law, the rules and regulations issued by the CVM and the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*), in each case as in effect from time to time.

“Capital Lease Obligations” means, with respect to any Person, any obligation which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person prepared in accordance with Brazilian GAAP; the amount of such obligation will be the capitalized amount thereof, determined in accordance with Brazilian GAAP; and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

“Capital Stock” means, with respect to any Person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or nonvoting), such Person’s equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

“Change of Control” means:

- (1) the direct or indirect sale or transfer of all or substantially all the assets of GLAI to another Person (in each case, unless such other Person is a Permitted Holder); or
- (2) the consummation of any transaction (including, without limitation, by merger, consolidation, acquisition or any other means) as a result of which any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, other than Permitted Holders) is or becomes the “beneficial owner” (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of GLAI;
- (3) the first day on which a majority of the Board of Directors of GLAI consists of persons who were elected by shareholders who are not Permitted Holders; or
- (4) the Company is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under “—Covenants—Limitation on Consolidation, Merger or Transfer of Assets.”

“CVM” means the Brazilian Securities Commission, or *Comissão de Valores Mobiliários*.

“Debt” means, with respect to any person, without duplication:

(1) the principal of and premium, if any, in respect of (a) indebtedness of such person for money borrowed and (b) indebtedness evidenced by notes, debentures, notes or other similar instruments for the payment of which such person is responsible or liable;

(2) all Capital Lease Obligations of such person;

(3) all obligations of such person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such person and all obligations of such person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(4) all obligations of such person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth business day following receipt by such person of a demand for reimbursement following payment on the letter of credit);

(5) all Hedging Obligations of such person;

(6) all obligations of the type referred to in clauses (1) through (4) of other persons and all dividends of other persons for the payment of which, in either case, such person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other persons that are customers or suppliers of such person for which such person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such person does not, or is not required to, make payment in respect thereof);

(7) all obligations of the type referred to in clauses (1) through (5) of other persons secured by any Lien on any property or asset of such person (whether or not such obligation is assumed by such person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(8) any other obligations of such person which are required to be, or are in such person’s financial statements, recorded or treated as debt under Brazilian GAAP.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Fitch” means Fitch Ratings, Ltd. and its successors.

“guarantee” means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“Guarantor” means each of (i) GLAI and VRG and (ii) any successor obligor under the guarantees pursuant to the covenant described under the caption “—Certain Covenants—Consolidation, Merger or Sale of Assets” and “Substitution of the Issuer,” unless and until such Guarantor is released from its guarantee pursuant to the indenture.

“Hedging Agreement” means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

“Hedging Obligations” means, with respect to any person, the obligations of such person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such person against changes in interest rates or foreign exchange rates.

“holder” means the person in whose name a note is registered in the register.

“IFRS” means the International Financial Reporting Standards as issued by the International Accounting Standards Board.

“Lien” means any mortgage, pledge, security interest, encumbrance, conditional sale or other title retention agreement or other similar lien.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Permitted Holders” means any or all of the following

(1) an immediate family member of Messrs. Constantino de Oliveira, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino or any Affiliate or immediate family member thereof; immediate family member of a person means the spouse, lineal descendants, father, mother, brother, sister, father-in-law, mother-in-law, brother-in-law and sister-in-law of such person; and

(2) any Person the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned at least 51% by Persons specified in clause (1).

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

“Rating Agency” means Moody’s, Fitch or S&P; or if Moody’s, Fitch or S&P, individually or in the aggregate, are not making rating of the notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by us, which will be substituted for Moody’s, Fitch or S&P, or all three, as the case may be.

“Rating Decline” means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible down grade by any Rating Agency) after the earlier of date of public notice of a Change of Control, or of our intention or that of any Person to effect a Change of Control, the then-applicable rating of the notes is decreased by any Rating Agency by one or more categories; provided that any such Rating Decline is in whole or in part in connection with a Change in Control.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc., and its successors.

“Significant Subsidiary” means any Subsidiary of GLAI (or any successor) which at the time of determination either (a) had assets which, as of the date of GLAI’s (or such successor’s) most recent quarterly consolidated balance sheet, constituted at least 10% of GLAI’s (or such successor’s) total assets on a consolidated basis as of such date, or (b) had revenues for the 12-month period ending on the date of GLAI’s (or such successor’s) most recent quarterly consolidated statement of income which constituted at least 10% of GLAI’s (or such successor’s) total revenues on a consolidated basis for such period.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“Subsidiary” means, in respect of any specified Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

FORM OF NOTES

Notes sold in offshore transactions in reliance on Regulation S will be represented by a permanent global note or notes in fully registered form without interest coupons (the “Regulation S Global Note”) and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note or notes in fully registered form without interest coupons (the “Restricted Global Note”) and, together with the Regulation S Global Note, the “global notes”) and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes will be subject to certain restrictions on transfer as described in “Transfer Restrictions.” On or prior to the 40th day after the later of the commencement of the offering and the closing date of this offering, a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (a “Restricted Global Note Certificate”). After such 40th day, this certification requirement will no longer apply to such transfers. Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before, on or after such 40th day, only upon receipt by the trustee of a written certification from the transferor (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A under the Securities Act (a “Regulation S Global Note Certificate”). Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains an interest.

Except in the limited circumstances described under “—Global Notes,” owners of the beneficial interests in global notes will not be entitled to receive physical delivery of individual definitive notes. The notes are not issuable in bearer form.

Global Notes

Upon the issuance of the Regulation S Global Note and the Restricted Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC (“DTC Participants”) or persons who hold interests through DTC Participants (including Euroclear and Clearstream Luxembourg). Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies us that it is unwilling or unable to continue as depository for a global note, or ceases to be a “clearing agency” registered under the Exchange Act, or any of the notes becomes immediately due and payable in accordance with “Description of Notes—Events of Default,” owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in individual definitive form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC’s applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear and Clearstream).

Investors may hold interests in the Global Note through Euroclear or Clearstream, if they are participants in such systems, Euroclear and Clearstream will hold interests in the Global Notes on behalf of their account holders through customers’ securities accounts in their respective names on the books of their respective depositories, which, in turn, will hold such interests in the Global Note in customers’ securities accounts in the depositories’ names on the books of DTC.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. Neither we, any initial purchaser, the trustee nor any agent will have any responsibility or liability for any aspect of

the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical individual definitive certificate in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected at DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the global notes for individual definitive notes (in the case of notes represented by the Restricted Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act, DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing

corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“indirect participants”).

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Restricted Global Note among participants and accountholders of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the trustee will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by us within 90 days or (2) any of the notes has become immediately due and payable in accordance with “Description of Notes—Events of Default,” the Issuer will issue individual definitive notes in registered form in exchange for the Regulation S Global Note and the Restricted Global Note, as the case may be. Upon receipt of such notice from DTC, we will use our best efforts to make arrangements with DTC for the exchange of interests in the global notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the trustee in sufficient quantities and authenticated by the registrar for delivery to the trustee. Persons exchanging interests in a global note for individual definitive notes will be required to provide the trustee with (a) written instruction and other information required by us and the trustee to complete, execute and deliver such individual definitive notes and (b) in the case of an exchange of an interest in a Restricted Global Note, certification that such interest is not being transferred or is being transferred only in compliance with Rule 144A under the Securities Act. In all cases, individual definitive notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of individual definitive notes issued in exchange for the Restricted Global Note, such individual definitive notes will bear, and be subject to, the legend described in “Transfer Restrictions” (unless we determine otherwise in accordance with applicable law). The holder of a restricted individual definitive note may transfer such note, subject to compliance with the provisions of such legend, as provided in “Description of Notes.” Upon the transfer, exchange or replacement of notes bearing the legend, or upon specific request for removal of the legend on a note, the Issuer will deliver only notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to us such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by us that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any individual definitive note may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the trustee with a Restricted Global Note Certificate or a Regulation S Global Note Certificate, as the case may be.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear, Clearstream or DTC.

TAXATION

The following discussion, subject to the limitations set forth below, describes material Cayman Islands, Brazilian and United States tax considerations relating to your ownership and disposition of notes. This discussion does not purport to be a complete analysis of all tax considerations in the Cayman Islands, Brazil or the United States and does not address tax treatment of holders of notes under the laws of other countries or taxing jurisdictions. Holders of notes who are resident in countries other than the Cayman Islands, Brazil and the United States along with holders that are resident in those countries, are urged to consult with their own tax advisors as to which countries' tax laws could be relevant to them.

Cayman Islands Tax Considerations

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any notes under the laws of their country of citizenship, residence or domicile.

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments of interest and principal on the notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the notes, nor will gains derived from the disposal of the notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the notes. An instrument of transfer in respect of a note is stampable if executed in or brought into the Cayman Islands.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

The Tax Concessions Law 1999 Revision Undertaking as to Tax Concessions

In accordance with the provision of Section 6 of The Tax Concession Law (1999 Revision), the Governor in Cabinet undertakes with Gol Finance (the "Company").

- 1** *That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and*
- 2** *In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:*
 - 2.1** *On or in respect of the shares, debentures or other obligations of the Company; or*
 - 2.2** *by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).*
- 3** *These concessions shall be for a period of twenty years from the date of issue of the certificate.*

Material Brazilian Tax Considerations

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to an individual, entity, trust or organization, resident or domiciled outside Brazil for tax purposes ("Non-Brazilian Holder").

Generally, a Non-Brazilian Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, based on the fact that the Issuer is considered for tax purposes domiciled abroad, any income (including interest and original issue discount, if any) paid by the Issuer in respect to the notes in favor of Non-Brazilian Holders are not subject to withholding income tax or other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by such entity outside of Brazil.

According to Section 26 of Law No. 10,833 dated December 29, 2003, or Law No. 10,833, capital gains realized on the disposition of assets located in Brazil by a Non-Brazilian Holder to another non-resident made outside Brazil are subject to taxation in Brazil.

Since the notes will not be issued by a Brazilian company, being, thus, issued abroad and registered in Luxembourg, we believe that the notes would not fall within the definition of assets located in Brazil for the purposes of Law No. 10,833/03 and, for such reason, gains on the sale or other disposition of the notes made outside Brazil by a Non-Brazilian Holder to another Non-Brazilian Holder are not subject to Brazilian taxes. However, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereto, we cannot assure prospective Non-Brazilian Holders that such interpretation of Law No. 10,833 will prevail in the courts of Brazil.

In case the notes are deemed to be located in Brazil gains recognized by a Non-Brazilian Holder upon the sale or other disposition of the notes to a Non-Brazilian Holder will be subject to income tax in Brazil at a rate of 15%, or 25% if the Non-Brazilian Holder is located in a country or jurisdiction that does not tax income or that taxes it at a tax rate lower than 20% ("Low or Nil Tax Jurisdiction"), or that imposes restrictions on the disclosure of shareholding composition or the ownership of the investment). A lower rate may be provided for in an applicable tax treaty between Brazil and the country where the Non-Brazilian Holder is domiciled and payments are made. Non-Brazilian Holders should note that there is no tax treaty between Brazil and the United States.

If the notes are purchased from a Non-Brazilian Holder by a resident in Brazil, the same tax rate will be applied regardless of where the notes are deemed to be located.

If the Guarantors make payments in connection with the notes to a Non-Brazilian Holder, the Brazilian tax authorities could try to impose the withholding income tax at the rate of 15% (or 25%, in case the beneficiary is located in a Low or Nil Tax Jurisdiction, or a jurisdiction that imposes restrictions on the disclosure of shareholding composition or the ownership of the investment) or at a lower rate provided in any applicable tax treaty between Brazil and the country of the beneficiary.

In addition, on June 24, 2008, Law 11,727 was enacted with effect from January 1, 2009, and changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a privileged tax regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if it (i) does not tax income or that taxes it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or one of its territories or (b) conditioned upon the non-exercise of a substantial economic activity in the country or one of its territories, or (iii) does not tax proceeds generated abroad or taxes them at a maximum rate lower than 20%, or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. We believe that the best interpretation of Law No. 11,727 is that the new concept of "privileged tax regime" is applied solely for purposes of the transfer pricing rules in export and import transactions and thin capitalization rules. However, we are unable to determine whether the privileged tax regime concept will be extended to the concept of Low or Nil Tax Jurisdiction, although tax authorities appear to agree with our position, in view of the provisions recently introduced by Normative Ruling No. 1,037 of June 4, 2010.

Moreover, law No. 12,249 of June 11, 2010, applied the privileged tax regime concept to other income remitted abroad. Although we are of the opinion that the concept of privileged tax regime should not affect the tax treatment of payments made by the Guarantors to a Non-Brazilian Holder described above, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of privileged tax regime will extend such concept to the tax treatment of a Non-Brazilian Holder described above.

In addition, payments made by the Guarantors are subject to the Tax on Foreign Exchange Transactions ("IOF/Exchange") due on the conversion of reais into foreign currency and on the conversion of foreign currency into reais. Currently, as a general rule, except in limited cases, most of the foreign currency exchange transactions are subject to IOF/Exchange at the rate of 0.38%, although the Brazilian government is authorized to increase such rate any time up to the limit of 25%, but only with respect to future transactions.

Generally, there is no stamp, transfer or other similar tax in Brazil with respect to the transfer, assignment or sale of any debt instrument outside Brazil (including the notes) nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian states.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

Material United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF U.S. TAX MATTERS SET FORTH IN THIS OFFERING MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER U.S. TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion, subject to the limitations and conditions set forth herein, describes the material U.S. federal income tax considerations to U.S. Holders (as defined below) in owning and disposing of notes. The discussion is only applicable to U.S. Holders that hold notes as “capital assets” (generally for investment purposes), and who are initial purchasers of the notes at their initial “issue price” (the initial offering price offered to the public, excluding bond houses and brokers, at which price a substantial amount of the notes is sold). This discussion also assumes that the notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. This discussion does not address all aspects of U.S. federal income taxation that may be applicable to a U.S. Holder subject to special treatment under U.S. federal income tax law (including, but not limited to, banks, tax-exempt organizations, regulated investment companies, real estate investment trusts, insurance companies and dealers in securities or foreign currencies, traders who elect to mark their investment to market, partnerships or other pass-through entities, holders who have a functional currency other than the U.S. dollar, or holders that hold notes as part of a hedge, constructive sale, straddle, conversion or integrated transaction.)

In addition, except as otherwise specifically provided above, there is no discussion of state, local, or non-U.S. tax consequences of the ownership or disposition of notes. This discussion does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate and gift tax, the alternative minimum tax and the Medicare tax on net investment income. The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations, rulings and other pronouncements of the U.S. Internal Revenue Service (the “IRS”) and judicial decisions as of the date hereof. Such authorities may be repealed, revoked or modified (with possible retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below.

Holders of notes are urged to consult their own independent tax advisors concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of notes in light of their particular situations, as well as any consequences arising under the laws of any other taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of notes that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Section 7701(a)(30) of the Code or (Y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If a partnership (or an entity classified as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A U.S. Holder that is a partner of a partnership holding notes is urged to consult its tax advisors regarding the consequences of the ownership or disposition of notes.

Potential Contingent Payment Debt Treatment

Under certain circumstances, the Issuer may be obligated to pay U.S. Holders amounts in excess of the stated interest and principal payable on the notes. For instance, if a Change of Control results in a Ratings Decline, the Issuer would generally be required to offer to repurchase the notes at 101% of their principal amount, plus accrued and unpaid interest. The obligation to make these payments may implicate the provisions of the Treasury regulations relating to “contingent payment

debt instruments.” If the notes were deemed to be contingent payment debt instruments, U.S. Holders would generally be required to treat any gain recognized on the sale or other disposition of the notes as ordinary income rather than as capital gain. Furthermore, U.S. Holders would be required to accrue interest income on a constant yield basis at an assumed yield determined at the time of issuance of the notes (which is not expected to differ significantly from the interest rate on the notes), with adjustments to such accruals when any contingent payments are made that differ from the payments calculated based on the assumed yield. The Issuer does not believe that the notes should be treated as contingent payment debt instruments, and does not intend to treat them as such. However, there is no assurance that the IRS will not take a contrary position. U.S. Holders of the notes are urged to consult their tax advisors regarding the possible application of the contingent payment debt instrument rules to the notes. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments.

Taxation of Payments of Interest and Additional Amounts

Interest paid on a note (including Additional Amounts, if any) will be included in the gross income of a U.S. Holder as ordinary interest income at the time it is treated as received or accrued, in accordance with the U.S. Holder’s regular method of tax accounting. A U.S. Holder will also be required to include in gross income any withholding tax paid with respect to interest on the notes, including withholding tax on payments of Additional Amounts.

If Brazilian or other withholding taxes are imposed, U.S. Holders will be treated as having actually received an amount equal to the amount of such taxes and as having paid such amount to the relevant taxing authority. As a result, the amount of income included in gross income by a U.S. Holder may be greater than the amount of cash actually received by the U.S. Holder. Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability for Brazilian or other income taxes withheld by us. Alternatively, a U.S. Holder may elect to claim a deduction for such Brazilian or other income taxes in computing its U.S. federal taxable income provided that the election shall apply to all foreign income taxes paid or accrued by the U.S. Holder for the taxable year. U.S. Holders should be aware that certain taxes that may be withheld from payments on the Guarantees, such as the IOF/Exchange, will not be treated as creditable foreign taxes for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisors concerning the U.S. federal income tax consequences of the imposition of such taxes. Interest received or accrued on the notes and Additional Amounts generally will constitute foreign source income to U.S. Holders for U.S. foreign tax credit purposes. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets,” and the credit for foreign taxes paid or accrued with respect to foreign source income in any basket is limited to U.S. federal income tax allocable to that income. Interest on the notes generally will be in the “passive category income” basket or, for certain U.S. Holders, the “general category income” basket. The calculation of U.S. foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders should, therefore, consult their own tax advisors regarding the application of the U.S. foreign tax credit rules.

Sale, Redemption, Retirement and Other Taxable Disposition of the Notes

A U.S. Holder will generally recognize gain or loss on the sale, redemption, retirement or other taxable disposition of a note (including any deemed exchange of notes for “new” notes that might occur for U.S. federal income tax purposes as a result of an assumption of our obligations under the notes by any person, as described under “Description of Notes—Covenants—Limitation on Consolidation, Merger or Transfer of Assets.” or as a result of significant modifications (as determined under U.S. federal tax principles) to the indenture as described under “Description of Notes—Amendment, Supplement, Waiver”) in an amount equal to the difference between (i) the amount of cash and the fair market value of property received by such U.S. Holder on such disposition (less any amounts attributable to accrued but unpaid interest which will be taxable as ordinary interest income), and (ii) the U.S. Holder’s adjusted tax basis in the note. A U.S. Holder’s initial tax basis in a note will generally equal the acquisition cost of such note to the U.S. Holder. Gain or loss with respect to a taxable disposition of a note generally will be capital gain or loss. Capital gains of certain non-corporate U.S. Holders, including individuals, derived with respect to capital assets held for over one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale, redemption, retirement or other taxable disposition of a note will generally be U.S.-source gain or loss. Accordingly, if Brazilian or other withholding tax is imposed on the sale or disposition of the notes, a U.S. Holder may not be able to fully utilize its U.S. foreign tax credits in respect of such withholding tax unless such U.S. Holder has other foreign source income. Prospective investors should consult their own tax advisors as to the U.S. federal income tax and foreign tax credit implications of such sale, redemption, retirement or other disposition of a note.

Non-U.S. Holders

Payments on the notes to a holder other than a U.S. Holder (a “Non-U.S. Holder”) will not be subject to United States withholding tax. A Non-U.S. Holder’s net income from the notes also will not be subject to U.S. federal income taxation unless the income is effectively connected with such Non-U.S. Holder’s conduct of a United States trade or business. Gain realized by a Non-U.S. Holder on its disposition of the notes will not be subject to U.S. federal income tax unless (1) the gain is effectively connected with the Non-U.S. Holder’s conduct of a United States trade or business or (2) the Non-U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

Backup Withholding and Information Reporting

In general, payments of principal and interest, and payments of the proceeds of a sale, exchange or other disposition of notes, paid within the United States or through certain United States-related financial intermediaries to a U.S. Holder may be subject to information reporting and backup withholding at a current maximum rate of 28% unless the U.S. Holder (i) is an exempt recipient or (ii) in the case of backup withholding (but not information reporting), provides an accurate taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The backup withholding on a note is currently scheduled to increase to 31% for taxable years beginning after December 31, 2010. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a refund or a credit against the U.S. Holder’s U.S. federal income tax liability provided the required information is timely provided to the IRS.

Recently enacted legislation requires certain U.S. Holders to report information with respect to their investment in notes not held through a custodial account with a U.S. financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this new legislation on their investment in notes.

PLAN OF DISTRIBUTION

Banc of America Securities LLC, Citigroup Global Markets Inc., Banco Itaú Europa, S.A.—London Branch and BB Securities Ltd., are acting as initial purchasers. Subject to the terms and conditions set forth in a purchase agreement among the Issuer, the Guarantors and the initial purchasers, the Issuer has agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from the Issuer, the respective principal amounts of notes set forth below:

| <u>Initial Purchasers</u> | <u>Principal Amount of Notes (in US\$)</u> |
|--|--|
| Banc of America Securities LLC..... | 90,090,090.09 |
| Citigroup Global Markets Inc..... | 90,090,090.09 |
| Banco Itaú Europa, S.A.—London Branch..... | 90,090,090.09 |
| BB Securities Ltd. | 29,729,729.73 |
| Total | 300,000,000.00 |

Banco Itaú Europa, S.A.—London Branch is not a broker-dealer registered with the SEC and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Itaú Europa, S.A.—London Branch intends to effect sales of the notes in the United States, it will do so only through Itau USA Securities Inc., its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

BB Securities Ltd. is not a broker-dealer registered with the U.S. Securities and Exchange Commission and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that BB Securities Ltd. intends to effect any sales of the Securities in the United States, BB Securities Ltd. will do so only through Banco do Brasil Securities LLC, its selling agent, or one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the notes sold under the purchase agreement if any of these notes are purchased.

We have agreed to indemnify the initial purchasers and their respective controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions. Also, the initial purchasers and/or their affiliates may acquire the notes for their own proprietary account. Such acquisitions may have an effect on demand and the price of the offering.

Commissions and Discounts

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The expenses of the offering, not including the underwriting discount, are estimated at U.S.\$0.6 million and are payable by us.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the

commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

New Issue of Notes

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for inclusion of the notes on any automated dealer quotation system. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

Delivery of the notes was made to investors on July 20, 2010, which was the fifth business day following July 13, 2010.

No Sales of Similar Securities

We have agreed that for a period of 30 days after the date of this offering memorandum, we will not without first obtaining the prior written consent of the initial purchasers, directly or indirectly, sell, offer, announce the offering of, or file any registration statement under the Securities Act in respect thereof, any U.S. dollar debt securities, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Notice to Prospective Investors in Brazil

The notes have not been, and will not be, registered with the CVM. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of any notes which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any notes may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the initial purchasers to fewer than 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of notes within the EEA should only do so in circumstances in which no obligation arises for us or the initial purchasers to produce a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final offering of notes contemplated in this offering memorandum.

For the purposes of this provision, and your representation below, the expression an “offer to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any notes to be offered so as to enable an investor to decide to purchase any notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any notes under, the offer of notes contemplated by this offering memorandum will be deemed to have represented, warranted and agreed to and with us and the initial purchasers that:

- (a) it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than “qualified investors” (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

Notice to Prospective Investors in United Kingdom

The initial purchasers have:

(a) only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 (“FSMA”) received by them in connection with the issue or sale of such notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to any notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Germany

Each person who is in possession of this offering memorandum is aware of the fact that no German sales prospectus (Verkaufsprospekt) within the meaning of the Securities Sales Prospectus Act (Wertpapier-Verkaufsprospektgesetz, the “Act”) of the Federal Republic of Germany has been or will be published with respect to our notes. In particular, each initial purchaser has represented that it has not engaged and has agreed that it will not engage in a public offering in (öffentliches Angebot) within the meaning of the Act with respect to any of our notes otherwise than in accordance with the Act and all other applicable legal and regulatory requirements.

Notice to Prospective Investors in France

The notes are being issued and sold outside the Republic of France and that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any notes to the public in the Republic of France, and that it has not distributed and will not distribute or cause to be distributed to the public in the Republic of France this offering memorandum or any other offering material relating to the notes, and that such offers, sales and distributions have been and will be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98 880 dated 1st October, 1998.

Notice to Prospective Investors in Netherlands

Our notes may not be offered, sold, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, “Professional Investors”), provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of our notes is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of our notes, and this offering memorandum or any other offering material relating to our notes may not be considered an offer or the prospect of an offer to sell or exchange our notes.

Notice to Prospective Investors in Italy

The offering of our notes has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa*), or the CONSOB, pursuant to Italian securities legislation and, accordingly, our notes may not and will not be offered, sold or delivered, nor may or will copies of this offering memorandum or any other documents relating to our notes or the offer be distributed in Italy, other than to professional investors (*operatori qualificati*), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended, or Regulation No. 11522, or in other circumstances where an exemption from the rules governing solicitations to the public at large applies in accordance with Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended, or the Italian Financial Law, and Article 33 of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of our notes or distribution of copies of this offering memorandum or any other document relating to our notes or the offer in Italy may and will be effected in accordance with all Italian securities, tax, exchange control, and other applicable laws and regulations, and in particular, will be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of September 1, 1993, as amended, or the Italian Banking Law, the Italian Financial Law, Regulation No. 11522, and any other applicable laws and regulations;
- in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and
- in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing our notes in the offer is solely responsible for ensuring that any offer or resale of notes it purchased in the offer occurs in compliance with applicable laws and regulations. This offering memorandum and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party residing in or located in Italy for any reason. No person residing in or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospective Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading “—European Economic Area” above shall apply to Italy.

Notice to Prospective Investors in Portugal

Each initial purchaser has represented and agreed that the notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários*, as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the notes nor a public offer for the sale of the notes shall be promoted in Portugal.

Notice to Prospective Investors in Spain

Neither the notes nor this offering memorandum have been approved or registered in the administrative registries of the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the notes may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of Article 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Notice to Prospective Investors in Switzerland

This document, as well as any other material relating to the notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the notes, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The notes are being offered in Switzerland by way of a private placement, *i.e.* to a small number of selected investors only, without any public offer and only to investors who do not purchase the notes with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document, as well as any other material relating to the notes, is personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in Hong Kong

The initial purchasers and each of their affiliates have not (i) offered or sold, and will not offer or sell, in Hong Kong, by means of any document, our notes other than (a) to “professional investors” as defined in the Securities and Futures

Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to our notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance any rules made under that Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Notice to Prospective Investors in Singapore

This offering memorandum or any other offering material distributed by them relating to the notes has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notice to Prospective Investors in the Cayman Islands

No invitation may be made to the public in the Cayman Islands to subscribe for any of the notes.

TRANSFER RESTRICTIONS

The notes (and the guarantees) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only to (1) “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) (“QIBs”) in compliance with Rule 144A and (2) outside the United States to persons other than U.S. persons (“foreign purchasers”), which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust), in reliance upon Regulation S under the Securities Act.

By its purchase of notes, each purchaser of notes will be deemed to:

- (1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above);
- (2) acknowledge that the notes (and the guarantees) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) if it is a person other than a foreign purchaser outside the United States, agree that if it should resell or otherwise transfer the notes (and the guarantees), it will do so only (a) to us or any of our subsidiaries, (b) to a QIB in compliance with Rule 144A, (c) outside the United States in compliance with Rule 904 under the Securities Act, (d) pursuant to the exemption from registration or (e) pursuant to an effective registration statement under the Securities Act;
- (4) agree that it will deliver to each person to whom it transfers notes notice of any restriction on transfer of such notes;
- (5) if it is a foreign purchaser outside the United States, (a) understand that the notes will be represented by the Regulation S global note and that transfers are restricted as described under “Form of Notes” and (b) represent and agree that it will not sell short or otherwise sell, transfer or dispose of the economic risk of the notes into the United States or to a U.S. person;
- (6) understand that until registered under the Securities Act, the notes (other than those issued to foreign purchasers or in substitution or exchange therefor) will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THIS NOTE (AND RELATED GUARANTEES) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE, BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER

- (1) REPRESENTS THAT
 - (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT; OR
 - (B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND
- (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY
 - (A) TO THE ISSUER.
 - (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT.

- (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT.
- (D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR
- (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(E) ABOVE, THE ISSUER RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND MAY ONLY BE REMOVED WITH CONSENT OF THE ISSUER; and

- (7) acknowledge that the Issuer, the Guarantors and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgments, representations or warranties deemed to have been made by it by its purchase of notes are no longer accurate, it shall promptly notify the Issuer, the Guarantors and the initial purchasers; if they are acquiring notes as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Notes sold outside of the United States to persons other than U.S. persons, will be freely transferable to persons other than U.S. persons. Accordingly, in compliance with chapter VI, article 3, section (A)(II)(2) of the Rules and Regulations of the Luxembourg Stock Exchange, no transaction made on the Luxembourg Stock Exchange involving a non-U.S. purchaser shall be cancelled, and the notes shall be freely transferable to such purchasers.

ENFORCEMENT OF CIVIL LIABILITIES

Cayman Islands

The Issuer is a company with limited liability incorporated under the laws of the Cayman Islands. As a result, it may not be possible for investors to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. The Issuer has been informed by Maples and Calder, its legal advisor in the Cayman Islands, that the United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters and that a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States securities laws, would, therefore, not be automatically enforceable in the Cayman Islands and there is doubt as to the enforceability in the Cayman Islands, in original actions or in actions for the enforcement of judgments of the United States courts, of liabilities predicated solely upon United States securities laws. The Issuer will appoint National Registered Agents, Inc. as its agent for service of process.

Brazil

GLAI and VRG are corporations organized under the laws of Brazil. Substantially all of their directors and officers and independent accountants and some of the advisors named herein reside in Brazil or elsewhere outside the United States and all or a significant portion of the assets of such persons may be located outside the United States. As a result, it may not be possible for investors to effect service of process upon these persons within the United States or other jurisdictions outside Brazil or to enforce against them judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the laws of such other jurisdictions.

In the terms and conditions of the notes, we will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, The City of New York, will have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (2) name an agent for service of process in the Borough of Manhattan, The City of New York, See “Description of Notes.”

We have been advised by Mattos Filho, Veiga Filho, Marrey Jr, e Quiroga Advogados, Brazilian counsel to GLAI and VRG, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of countries other than Brazil in respect of the guarantees, including the U.S. securities law, may be enforced in Brazil subject to certain requirements as described below. A judgment against GLAI, VRG or any of their directors, officers, independent auditors or advisors obtained outside Brazil would be enforceable in Brazil against GLAI, VRG or any such person without retrial or reexamination of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (Superior Tribunal de Justiça). That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of process is made in compliance with Brazilian legislation if made in Brazil, or after sufficient evidence of the parties’ absence has been given;
- is not subject to appeal;
- is for a sum certain;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese; and
- is not contrary to Brazilian national sovereignty, public policy or public morality.

The confirmation process may be time-consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, it cannot be assured that confirmation would be obtained, that the confirmation process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil, including the U.S. securities laws.

GLAI and VRG have also been advised that:

- the ability of a judgment creditor to satisfy a judgment against GLAI and/or VRG is limited by Brazilian bankruptcy, insolvency liquidation, reorganization and similar laws; and
- civil actions may be brought before Brazilian courts based on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce such liabilities in such actions against GLAI and/or VRG (provided that the provisions of the federal securities laws of the United States do not contravene Brazilian public policy, public morality or national sovereignty and provided further that Brazilian courts can assert jurisdiction over the particular action).

A plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil or is outside of Brazil during the course of litigation in Brazil must provide a note to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This note must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge, except in the case of the enforcement of foreign judgments that have been duly confirmed by the Brazilian Superior Court of Justice.

GLAI and VRG have also been advised that, if notes or the indenture were to be declared void by a court applying the laws of the State of New York, a judgment obtained outside of Brazil seeking to enforce GLAI and VRG's guarantee may not be confirmed by the Brazilian Superior Court of Justice.

VALIDITY OF THE NOTES

The validity of the notes offered and sold in this offering will be passed upon for us by Milbank, Tweed, Hadley & McCloy LLP, and for the initial purchasers by Davis Polk & Wardwell LLP. Certain matters of Brazilian law relating to the notes and the guaranty be passed upon for us by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, our Brazilian counsel. Souza, Cescon, Barriau e Flesch Advogados will pass upon certain matters of Brazilian law relating to the notes for the initial purchasers.

INDEPENDENT AUDITORS

Our consolidated financial statements included in our annual report on Form 20-F for the year ended December 31, 2009, which is incorporated by references in this offering memorandum, have been audited by Deloitte Touche Tohmatsu Auditores Independentes, independent accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference.

Our interim condensed consolidated financial information and related notes for the three-month periods ended March 31, 2009 included in our report on Form 6-K submitted to the SEC on May 6, 2010 (IFRS Interim Financial Statements), which is incorporated by reference in this offering memorandum, have been subject to a limited review by Ernst & Young Auditores Independentes S.S., independent registered public accounting firm.

Ernst & Young Auditores Independentes S.S. has audited our consolidated financial information for the years ended December 31, 2008 and 2007, which are included on our Annual Report on Form 20-F for the year ended December 31, 2009, which is incorporated by reference herein.

With respect to our unaudited condensed consolidated interim financial information for the three-month period ended March 31, 2010, included in this offering memorandum, Deloitte Touche Tohmatsu Auditores Independentes reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated May 5, 2010, included in our Form 6-K furnished May 6, 2010, and incorporated by reference herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on the information included in their separate report should be restricted due to the limited nature of the review procedures applied.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

| | <u>Restricted Global Note</u> | <u>Regulation S Global Note</u> |
|-------------------|-------------------------------|---------------------------------|
| CUSIP | 38045U AD2 | G3980P AD7 |
| ISIN | US38045UAD28 | USG3980PAD71 |
| Common Code | 052793637 | 052768586 |

2. Copies of our latest audited annual financial statements and unaudited quarterly financial statements, if any, may be obtained at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent. GLAI does not prepare annual or interim financial statements on a non-consolidated basis. Copies of our, GLAI's and VRG's by-laws (*estatuto social*), as well as our consolidated financial statements and the indenture (including forms of notes and the guarantees), will be available for inspection and may be obtained at the offices of the principal paying agent and any other paying agent, including the Luxembourg paying agent. Copies of VRG's latest audited annual financial statements and an explanation of the differences between Brazilian GAAP and IFRS will be made available to any investor at no cost, upon request, at the offices of the Luxembourg paying agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change (i) in GLAI's, VRG's financial position since December 31, 2009, the date of the latest audited financial statements incorporated by reference in this offering memorandum or (ii) in the Issuer's financial position since the date of its incorporation.

4. Except as disclosed in this offering memorandum, none of GLAI, VRG or the Issuer is involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as any of GLAI, VRG or the Issuer is aware is any such litigation or arbitration pending or threatened.

5. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market.

6. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, we shall appoint and maintain a paying agent in Luxembourg, where the notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for definitive certificated notes. In addition, in the event that the global notes are exchanged for definitive certificated notes, announcement of such exchange shall be made through the Luxembourg Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the paying agent in Luxembourg.

7. The issuance of the notes was authorized by the Issuer's board of directors on July 13, 2010 and the guarantee of the Notes was authorized by the Guarantors' board of directors on July 12, 2010.

8. The Issuer's registered office is at M&C Corporate Services Limited, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and VRG's registered office is at Praça Comte Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP: 04626-020, São Paulo, SP. Brazil. The Issuer's and VRG's statutory documents can be inspected at our headquarter at Praça Comte Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP: 04626-020, São Paulo, SP. Brazil.

GOL LINHAS AÉREAS INTELIGENTES S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

(In thousands of Brazilian Reais)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Gol Linhas Aéreas Inteligentes S.A.
São Paulo—SP—Brazil

1. We have reviewed the accompanying condensed consolidated balance sheet of Gol Linhas Aéreas Inteligentes S.A. (the “Company”) and its subsidiaries as of March 31, 2010, and the related condensed consolidated statements of income, changes in shareholders’ equity and cash flows for the three-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of the interim financial information in accordance with International Financial Reporting Standards—IFRS. Our responsibility is to express a conclusion on this interim financial information based on our review.
2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Brazilian Federal Accounting Council (CFC), and consisted, principally, of: (a) inquiries of and discussions with certain officials of the Company and its subsidiaries who have responsibility for accounting, financial and operating matters about the criteria adopted in the preparation of the interim financial statements; and (b) review of the information and subsequent events that have, or might have had, material effects on the financial position and results of operations of the Company and its subsidiaries.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2010, and their financial performance and their cash flows for the three-month period then ended in accordance with IFRS.

May 5, 2010

DELOITTE TOUCHE TOHMATSU
Independent Accountants
CRC nº 2 SP 011609/O-8

José Domingos do Prado
Partner
CRC nº 1 SP 185087/O-0

GOL LINHAS AÉREAS INTELIGENTES S.A.

**CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE PERIODS ENDED
MARCH 31, 2010 AND 2009**

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

| | <u>Note</u> | <u>03/31/10</u> | <u>03/31/09</u> |
|--|-------------|--------------------|-----------------|
| Operating revenues | | | |
| Passenger | | 1,567,882 | 1,386,436 |
| Cargo and other | | 161,935 | 130,600 |
| Total operating revenues | | 1,729,817 | 1,517,036 |
| Operating expenses | | | |
| Salaries | | (284,440) | (246,430) |
| Aircraft fuel | | (550,987) | (446,064) |
| Aircraft rent | | (149,814) | (217,485) |
| Maintenance materials and repairs | | (136,997) | (123,609) |
| Landing fees | | (99,102) | (86,383) |
| Sales and marketing | | (82,146) | (82,077) |
| Aircraft and traffic servicing | | (78,106) | (80,676) |
| Depreciation and amortization | | (63,760) | (36,698) |
| Other operating expenses | | (93,045) | (92,523) |
| Total operating expenses | | (1,538,397) | (1,411,945) |
| Financial result | 26 | | |
| Financial expenses | | (402,110) | (294,291) |
| Financial revenues | | 268,370 | 281,428 |
| Profit before income taxes | | 57,680 | 92,228 |
| Income tax expense | 9 | (33,758) | (30,794) |
| Profit for the period attributable to equity holders of the parent | | 23,922 | 61,434 |
| Earnings (loss) per share: | | | |
| Basic | | 0.09 | 0.31 |
| Diluted | 13 | 0.09 | 0.31 |

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

GOL LINHAS AÉREAS INTELIGENTES S.A.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED
MARCH 31, 2010 AND 2009**

(In thousands of Brazilian Reais)

| | Note | 03/31/10 | 03/31/09 |
|--|------|---------------|----------|
| Profit for the period | | 23,922 | 61,434 |
| Other comprehensive income | | | |
| Available for sale financial assets..... | | (323) | (1,345) |
| Cash flow hedges..... | | 443 | (16,649) |
| Income tax..... | | (150) | 5,661 |
| | | (30) | (12,333) |
| Total of comprehensive income for the period..... | | 23,892 | 49,101 |

The movements in comprehensive income for the periods ended on March 31, 2010 and 2009 are presented below:

| | Financial assets available for sale | Cash flow Hedges | Fiscal Effect | Total of comprehensive profit (losses) |
|---|--|---------------------|------------------|---|
| Balance at December 31, 2008..... | 4,001 | (30,869) | 10,495 | (16,373) |
| Realized (gains) losses on financial instruments transferred to profit or loss | (1,345) | 32,342 | (10,997) | 20,000 |
| Decrease in fair value..... | — | (48,991) | 16,658 | (32,333) |
| Balance at March 31, 2009..... | 2,656 | (47,518) | 16,156 | (28,706) |

| | Financial assets available for sale | Cash flow Hedges | Fiscal Effect | Total of comprehensive profit (losses) |
|--|--|---------------------|------------------|---|
| Balance at December 31, 2009..... | 2,135 | (1,995) | 678 | 818 |
| Realized (gains) losses on financial instruments | (323) | 16,233 | (5,497) | 10,413 |
| Decrease in fair value..... | — | (15,790) | 5,347 | (10,443) |
| Balance at March 31, 2010..... | 1,812 | (1,552) | 528 | 788 |

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

GOL LINHAS AÉREAS INTELIGENTES S.A.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF MARCH 31, 2010 AND
DECEMBER 31, 2009**

(In thousands of Brazilian Reais)

| | <u>Note</u> | <u>03/31/10</u> | <u>12/31/09</u> |
|--|-------------|-----------------|-----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 1,439,077 | 1,382,408 |
| Restricted cash | 5 | 19,211 | 18,820 |
| Short-term investments | 6 | 37,802 | 40,444 |
| Trade and other receivables | 7 | 317,979 | 519,308 |
| Inventories, net | 8 | 153,516 | 137,959 |
| Recoverable taxes, net | 9 | 85,239 | 86,125 |
| Prepaid expenses | 10 | 114,296 | 124,728 |
| Deposits | 11 | 7,307 | 50,429 |
| Other current assets | | 38,585 | 42,983 |
| Total current assets | | 2,213,012 | 2,403,204 |
| Non-current assets | | | |
| Deposits | 11 | 836,647 | 805,140 |
| Prepaid expenses | 10 | 61,230 | 63,574 |
| Restricted cash | 5 | 32,515 | 7,264 |
| Deferred income tax | 9 | 852,717 | 866,136 |
| Other non-current assets | | 14,429 | 17,304 |
| | | 1,797,538 | 1,759,418 |
| Property, plant and equipment, net | 14 | 3,325,821 | 3,325,713 |
| Intangible assets | 15 | 1,230,535 | 1,231,785 |
| Total of Property, plant and equipment | | 4,556,356 | 4,557,498 |
| Total non-current assets | | 6,353,894 | 6,316,916 |
| Total assets | | 8,566,906 | 8,720,120 |

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

GOL LINHAS AÉREAS INTELIGENTES S.A.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF MARCH 31, 2010 AND
DECEMBER 31, 2009**

(In thousands of Brazilian Reais)

| | Note | 03/31/10 | 12/31/09 |
|--|------|-----------|-----------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Short-term debt..... | 16 | 563,502 | 591,695 |
| Accounts payable..... | | 335,781 | 362,382 |
| Salaries, wages and benefits..... | | 241,506 | 233,162 |
| Tax obligations..... | 20 | 40,587 | 57,277 |
| Sales taxes and landing fees..... | | 73,034 | 76,331 |
| Advance ticket sales..... | 17 | 383,936 | 561,347 |
| Dividends payable..... | | 186,416 | 186,416 |
| Smiles deferred revenue..... | 18 | 78,045 | 92,541 |
| Advances from customers..... | 19 | 101,967 | 126,059 |
| Provisions..... | 21 | 41,632 | 66,259 |
| Other current liabilities..... | | 93,730 | 85,789 |
| Total current liabilities..... | | 2,140,136 | 2,439,258 |
| Non Current | | | |
| Long-term debt..... | 16 | 2,672,585 | 2,542,167 |
| Deferred taxes..... | 9 | 555,593 | 562,303 |
| Provisions..... | 21 | 83,954 | 76,834 |
| Smiles deferred revenue..... | 18 | 227,631 | 221,414 |
| Advances from customers..... | 19 | 52,610 | 64,087 |
| Tax obligations..... | 20 | 83,649 | 88,642 |
| Other non-current liabilities..... | | 112,786 | 115,429 |
| Total non-current liabilities..... | | 3,788,808 | 3,670,876 |
| Shareholders' equity..... | 22 | | |
| Issued capital..... | | 2,062,735 | 2,062,272 |
| Capital reserves..... | | 60,263 | 60,263 |
| Treasury shares..... | | (11,887) | (11,887) |
| Other comprehensive income..... | | 788 | 818 |
| Share-based payments..... | | 22,605 | 18,984 |
| Accumulated earnings..... | | 503,458 | 479,536 |
| Total of Shareholders' equity..... | | 2,637,962 | 2,609,986 |
| Total of liabilities and Shareholder's Equity..... | | 8,566,906 | 8,720,120 |

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

GOL LINHAS AÉREAS INTELIGENTES S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2010 AND 2009
(In thousands of Brazilian Reais)

| | <u>Issued Capital</u> | | <u>Capital Reserves</u> | | | | <u>Equity's evaluation</u> |
|---|-----------------------|----------------------------|-------------------------|---|-----------------------------|------------------------|--|
| | <u>Capital</u> | <u>Capital to increase</u> | <u>Share Premium</u> | <u>Subsidiary goodwill special reserves</u> | <u>Share-based payments</u> | <u>Treasury Shares</u> | <u>Available for sale financial assets</u> |
| Balance at December 31, 2008, adjusted | 1,250,618 | — | 60,369 | 29,187 | 14,444 | (41,180) | (2,002) |
| Capital increases on March 20, 2009 | 203,531 | (103,447) | — | — | — | — | — |
| Comprehensive Income, net | — | — | — | — | — | — | 4,658 |
| Net income for the period | — | — | — | — | — | — | — |
| Share-based payments | — | — | — | — | 1,444 | — | — |
| Balance at March 31, 2009 | 1,454,149 | (103,447) | 60,369 | 29,187 | 15,888 | (41,180) | 2,656 |
| | | | | | | | |
| | <u>Issued Capital</u> | | <u>Capital Reserves</u> | | | | <u>Equity's evaluation</u> |
| | <u>Capital</u> | <u>Capital to increase</u> | <u>Share Premium</u> | <u>Subsidiary goodwill special reserves</u> | <u>Share-based payments</u> | <u>Treasury Shares</u> | <u>Available for sale financial assets</u> |
| Balance at December 31, 2009, adjusted | 2,062,272 | — | 31,076 | 29,187 | 18,984 | (11,887) | 2,135 |
| Comprehensive Income, net | — | — | — | — | — | — | (323) |
| Net income for the period | — | — | — | — | — | — | — |
| Stock options capital increase | 463 | — | — | — | — | — | — |
| Share-based payments | — | — | — | — | 3,621 | — | — |
| Balance at March 31, 2010 | 2,062,735 | — | 31,076 | 29,187 | 22,605 | (11,887) | 1,812 |

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

GOL LINHAS AÉREAS INTELIGENTES S.A.

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED
MARCH 31, 2010 AND 2009
(In thousands of Brazilian Reais)**

Cash flows from operating activities

| | 03/31/10 | 03/31/09 |
|--|------------------|------------------|
| Net income for the period | 23,922 | 61,434 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 63,760 | 36,697 |
| Allowance for doubtful accounts | 2,805 | 6,139 |
| Litigation | 6,971 | 425 |
| Onerous contracts | 237 | — |
| Other Provisions | (4,444) | — |
| Deferred income taxes | 1,318 | 28,037 |
| Share-based payments | 3,621 | 1,444 |
| Net foreign exchange fluctuations and interests | 65,511 | (82,570) |
| Interest on loans | 67,154 | — |
| Non realized hedge profits changes, net | 293 | (12,334) |
| Smiles deferred revenues | (8,279) | (11,538) |
| Return of aircraft provision | 5,957 | (4,705) |
| | 228,826 | 23,029 |
| Changes in operating assets and liabilities: | | |
| Trade and other receivables | 198,525 | 12,163 |
| Changes in inventories | (15,557) | 18,649 |
| Deposits | 11,615 | (21,905) |
| Other assets | 7,272 | 40,952 |
| Prepaid expenses, recoverable taxes and other credits | 12,775 | 2,036 |
| Suppliers | (26,601) | (51,742) |
| Advance ticket sales | (177,411) | (150,524) |
| Advances from customers | (35,569) | — |
| Salaries, wages and benefits | 8,344 | (6,827) |
| Tax obligations | 17,337 | 52,686 |
| Insurance provision | (26,227) | (83,877) |
| Sales tax and landing fees | (3,297) | (24,742) |
| Hedge operations to appropriate | 3,371 | — |
| Other liabilities | 1,324 | (76,653) |
| Cash provided by operating activities | (24,099) | (266,753) |
| Interest paid | (27,518) | — |
| Income tax paid | (32,440) | (2,757) |
| Net cash provided by (used in) operating activities | (59,958) | (2,757) |
| Cash flows from investing activities | | |
| Short term investments | 2,320 | 130,014 |
| Investments in restricted cash, net | (25,641) | 162,851 |
| Payment for property, plant and equipment | (145,792) | (134,877) |
| Payment for intangible assets | (1,752) | 2,437 |
| Net cash provided by investing activities | (170,865) | 160,425 |
| Cash flows from financing activities | | |
| Debt | | |
| Increases | 215,886 | 60,016 |
| Payments | (71,298) | (50,804) |
| Financial leases payment | (54,324) | — |
| Capital increase | 463 | 100,084 |
| Net cash provided by financing activities | 90,727 | 109,386 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (7,962) | (3,509) |
| Net increase (decrease) in cash and cash equivalents | 56,669 | (3,208) |
| Cash and cash equivalents at the beginning of the year | 1,382,408 | 169,330 |
| Cash and cash equivalents at the end of the year | 1,439,077 | 166,122 |

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

GOL LINHAS AÉREAS INTELIGENTES S.A.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIODS ENDED MARCH 31, 2010 AND 2009

(In thousands of Brazilian Reais, except as indicated otherwise)

1. Corporate information

Gol Linhas Aéreas Inteligentes S.A. (“Company” or “GLAI”) is a publicly-listed company incorporated in accordance with Brazilian Corporate laws, organized on March, 12, 2004. The objective of the Company is through its operating wholly-owned subsidiary VRG Linhas Aéreas S.A. (“VRG”), to exploit (i) regular and non-regular air transportation services of passengers, cargo and mail bags, domestically or internationally, according to the concessions granted by the competent authorities; (ii) complementary activities of chartering air transportation of passengers.

GLAI is direct parent company of foreign wholly-owned subsidiaries GAC Inc. (“GAC”), Gol Finance (“Finance”) and indirect of SKY Finance (“SKY”) and SKY Finance II (“SKY II”).

GAC was constituted on March 23, 2006 according to the bylaws of the Cayman Islands and its activity is related to the aircraft acquisition from its only shareholder GLAI, which provides a finance support for its operational activities. GAC is the parent company of SKY and SKY II, constituted on August 28, 2007 and November 30, 2009, respectively, both located in the Cayman Islands which activities are related to funds rising to finance aircraft acquisition.

Finance was constituted on March 16, 2006, according to the bylaws of the Cayman Islands and its activities are related to fund raising to finance aircraft acquisition and financing.

On April 9, 2007, the Company acquired VRG, a low-cost and low-fare airline company which operates domestic and international flights with GOL and VARIG brands offering regular and non-regular air transportation services to the main destinations in Brazil, South America and the Caribbean.

The Company’s shares are traded on the New York Stock Exchange (NYSE) and on the São Paulo Stock Exchange (BM&FBOVESPA). The Company has entered into an Agreement for Adoption of Level 2 Differentiated Corporate Governance Practices with the BM&F BOVESPA, integrating indices of Shares with Differentiated Corporate Governance—IGC and Shares with Differentiated Tag Along—ITAG, created to identify companies committed to adopting differentiated corporate governance practices.

2. Summary of significant accounting policies

The authorization for issue of this interim condensed consolidated financial statements occurred in the Board of Directors’ meeting on May 05, 2010.

2.1 Basis of preparation

The interim condensed consolidated financial statements were prepared in respect of the period ended on March 31, 2010 and are in accordance with the *International Accounting Standards (IAS)* n.34, related to condensed consolidated interim financial statements

IAS 34 requires the use of certain accounting estimates by the Management. The interim condensed consolidated financial statements were prepared based on historical cost, except for certain finance assets and liabilities which are measured at fair value.

This interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements related to the year ended December 31, 2009, filed on March 11, 2010 which was prepared in accordance of *International Financial Reporting Standards—IFRS*.

2.2 Transition to IFRS

The Company has adopted IFRS for the first time in its consolidated interim financial statements for the year ended December 31, 2008, which include comparative financial statements for December 31, 2007, for filing of the 20-F form with the SEC (Security Exchange Commission).

As allowed by SEC and CVM and aiming to attend to the information needs of the market, the Company discloses its financial statements according to International Financial Reporting Standards—IFRS, as issued by “*International Accounting Standards Board*”—IASB and in Brazilian Corporate Law, simultaneously.

The Brazilian Corporate Law is being complied by the Company *through* the disclosure of its interim condensed consolidated financial statements in accordance with IFRS, instead of the information prepared according to Brazilian Generally Accepted Accounting Principles (BRGAAP), until December 31, 2009, as requested by the Brazilian Security Exchange Commission (CVM) through its instruction CVM n.457/07.

The resolution nº 457/07 requires the reconciliation of the equity and the net profit of the financial statements of the controlling company prepared in accordance with BRGAAP.

On March 31, 2010, in order to attend to the Brazilian Corporate Law, the Company anticipated the adoption of all the accounting pronouncements with obligation of adoption until December 31, 2010, which converges with international accounting standards. The adjustments were made retrospectively as requested by the accounting standards.

Therefore, there are no differences between the controlling company financial statements in accordance with BRGAAP and the consolidated financial statements prepared in accordance with IFRS.

3. Seasonality

The Company has expectations in respect of its revenues and the profitability of flights in that such will attain higher levels during the summer and winter vacation periods, in January and July respectively, and in the last week of December, during the Christmas and New Years Eve Party. In the Carnival week, there is a decrease of load factoring ratio. Because of the high portion of fixed costs, this seasonality may cause variations in the operational revenues during such quarters of the year.

4. Cash and cash equivalents

Cash and cash equivalents are composed as follows:

| | Cash and Cash Equivalents | |
|-----------------------------|----------------------------------|-----------------|
| | 03/31/10 | 12/31/09 |
| Cash and bank deposits..... | 92,574 | 84,262 |
| Cash equivalents..... | 1,346,503 | 1,298,146 |
| | 1,439,077 | 1,382,408 |

Since the first quarter of 2010, Company has concentrating the holding of its resources in investment funds, according to a formal policy. The Company maintains cash and cash equivalents with a number of financial institutions, does not limit its exposure to one institution in particular, and holds units in conservative-profile fixed-income investment funds. The funds assets comprise government bonds and first-line private securities with low risk ratings as per the guidelines set by the Company.

The composition of the cash equivalents is as follows:

| | Cash and Cash Equivalents | |
|----------------------------------|----------------------------------|-----------------|
| | 03/31/10 | 12/31/09 |
| Bank deposits certificates | 374,475 | 619,587 |
| Government securities | 514,109 | 582,710 |
| Committed—Overnight | 90,996 | 95,849 |
| Investment Funds | 366,923 | — |
| | 1,346,503 | 1,298,146 |

These investments have high liquidity, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

5. Restricted cash

The restricted cash represents guarantee margin deposits related to hedge operations and BNDES and BDMG loans.

The guarantee margin deposits related to hedge exchange rates corresponds to R\$19,211 (R\$18,820 in December 31, 2009), recorded in current assets, and are deposited with the BM&FBOVESPA for future U.S. Dollars operations and, in the case of derivative operations with oil and interest, are deposited with banks with which the contracts were made. These deposits are primarily invested in government securities bearing interest based on SELIC or another prime rate.

The restricted cash linked to BNDES and BDMG loans are invested in DI securities, bearing interest rates of 98.2% of CDI, and correspond to the requirement of margin deposits from counterparties. On March 31, 2010, the balance recorded in non-current assets, corresponds to R\$32,515 (R\$7,264 on December 31, 2009).

6. Short terms investments

| | Short term investments | |
|---|------------------------|----------|
| | 03/31/10 | 12/31/09 |
| Bank deposits certificates | 14,113 | 16,307 |
| Foreign bank deposits..... | 21,888 | 22,312 |
| Other..... | 1,801 | 1,825 |
| Total of available for sale assets..... | 37,802 | 40,444 |

The financial assets classified as available for sale are primarily comprised of exclusive funds, debt securities (FIDC) and foreign bank deposits (time deposits). These financial assets have an average maturity of 357 days bearing interest at an average rate of 109.4% per year of CDI as of March 31, 2010.

The cash flow hedge consists of future derivative financial instruments and purchase options of U.S. Dollars recorded in equity or compensation accounts in operating income, aiming to manage the Company exposure to market and exchange rate risks, as detailed in Note 26.

7. Trade and other receivables

| | Trade and other receivables | |
|--------------------------------------|-----------------------------|----------|
| | 03/31/10 | 12/31/09 |
| Local currency: | | |
| Credit card administrators..... | 90,180 | 341,784 |
| Travel agencies..... | 168,184 | 123,884 |
| Installment sales | 52,551 | 57,491 |
| Cargo agencies | 15,370 | 14,220 |
| Other..... | 36,946 | 23,161 |
| | 363,231 | 560,540 |
| Foreign currency | | |
| Credit card administrators..... | 4,610 | 4,273 |
| Travel agencies..... | 5,029 | 6,349 |
| Cargo agencies | 313 | 545 |
| | 9,952 | 11,167 |
| | 373,183 | 571,707 |
| Allowance for doubtful accounts..... | (55,204) | (52,399) |
| | 317,979 | 519,308 |

Changes in the allowance for doubtful accounts are as follows:

| | Allowance for doubtful accounts | |
|---|---------------------------------|----------|
| | 03/31/10 | 12/31/09 |
| Balances at the beginning of the year | (52,399) | (44,698) |
| Additions..... | (8,095) | (41,366) |
| Irrecoverable amounts | 2,390 | 17,672 |
| Recoveries..... | 2,900 | 15,993 |
| Balances at the end of the year..... | (55,204) | (52,399) |

The aging analysis of accounts receivable is as follows:

| | Accounts receivable | |
|---------------------------------|---------------------|----------------|
| | 03/31/10 | 12/31/09 |
| Falling due | 287,805 | 498,684 |
| Overdue 30 days..... | 13,387 | 10,172 |
| Overdue 31 – 60 days..... | 8,312 | 4,870 |
| Overdue 61 – 90 days..... | 4,378 | 2,350 |
| Overdue 91 – 180 days | 14,650 | 14,592 |
| Overdue 181 – 360 days | 8,550 | 9,492 |
| Overdue more than 360 days..... | 36,101 | 31,547 |
| | 373,183 | 571,707 |

At March 31, 2010, the accounts receivable from travel agencies in the amount of R\$17,578 (R\$67,691 at December 31, 2009), are related to loan agreements guarantees.

8. Inventories

| | Inventories | |
|---|----------------|----------------|
| | 03/31/10 | 12/31/09 |
| Consumable material | 18,832 | 11,040 |
| Parts and maintenance material | 104,800 | 98,744 |
| Advances to suppliers | 20,332 | 25,086 |
| Importation of assets in progress | 13,912 | 5,749 |
| Other | 4,242 | 5,942 |
| Provision for obsolescence | (8,602) | (8,602) |
| | <u>153,516</u> | <u>137,959</u> |

9. Deferred and recoverable taxes

| | Deferred and recoverable taxes | |
|--|--------------------------------|----------------|
| | 03/31/10 | 12/31/09 |
| Recoverable taxes | | |
| Current assets | | |
| ICMS(1) | 5,777 | 4,711 |
| Prepaid IRPJ and CSSL(2) | 34,494 | 37,644 |
| Withholding tax (IRRF) on cash equivalents(3) | 2,788 | 2,044 |
| Withholding tax (IRRF) of public institutions | 17,682 | 18,047 |
| Value-added taxes recoverable (IVA)(4) | 5,609 | 5,071 |
| Import tax | — | 18,119 |
| Other recoverable taxes | 18,889 | 489 |
| Total recoverable taxes—current | <u>85,239</u> | <u>86,125</u> |
| Deferred non-current tax assets: | | |
| Credits on accumulated IRPJ tax losses carryforward | 337,163 | 346,725 |
| Negative base of CSSL | 121,379 | 124,821 |
| Temporary differences: | | |
| VRG acquisition effects | 97,226 | 99,215 |
| Provision for asset losses | 170,369 | 170,351 |
| Allowance for doubtful accounts | 17,945 | 17,207 |
| Provision for contingencies | 64,341 | 60,419 |
| Return of aircraft | 7,243 | 6,729 |
| Smiles deferred revenue | 2,910 | 10,085 |
| Others | 34,141 | 30,584 |
| Total of deferred non-current tax assets | <u>852,717</u> | <u>866,136</u> |
| Deferred non-current tax liabilities: | | |
| VRG acquisition effects | 207,791 | 210,154 |
| Maintenance deposits | 142,595 | 151,820 |
| Engine and rotatable depreciation | 94,976 | 83,427 |
| Reversal of goodwill amortization | 31,914 | 25,532 |
| Aircraft leasing operations | 65,805 | 69,893 |
| Smiles deferred revenue | — | 11,117 |
| Other | 12,512 | 10,360 |
| Total of deferred non-current tax liabilities | <u>555,593</u> | <u>562,303</u> |

(1) ICMS: Value Added Tax on sales and services;

(2) IRPJ: Brazilian income tax, which is a federal tax charged on the net taxable income;

CSSL: Federal tax levied on the net taxable income and was introduced to fund social and welfare programs;

- (3) IRRF: Withholding income tax applied on certain domestic transactions, such as payment of fees to some service providers, payment of salary and interest income resulting from short term investments;
- (4) IVA: foreign indirect Value Added Tax on sales and services.

The Company and its subsidiary have IRPJ tax losses and negative basis of CSLL carry forwards in calculating taxable income that are off settable against up to 30% of the taxable income accrued each year, with no expiration date, in the following amounts:

| | Company | | Subsidiary (VRG) | |
|-----------------------------------|----------------|------------|------------------|------------|
| | 03/31/2010 | 12/31/2009 | 03/31/2010 | 12/31/2009 |
| Accumulated IRPJ tax losses | 264,350 | 266,250 | 1,322,140 | 1,360,390 |
| Negative base of CSLL..... | 264,350 | 266,250 | 1,322,140 | 1,360,390 |

On March 31, 2010, the tax credits resulting from accumulated IRPJ tax losses, negative basis of CSLL and temporary differences were recorded based on expectations for future taxable income of the Company and its subsidiaries, within the legal limits.

The reconciliation of the IRPJ and CSLL, calculated according to the combined statutory rate, and the amounts recorded in the statement of operations, is shown as follows:

| | 03/31/10 | 03/31/09 |
|---|-----------------|----------|
| Income before Income Tax (IRPJ) and Social Contribution on | | |
| Net Income (CSLL) | 57,680 | 92,228 |
| Combined tax rate | 34% | 34% |
| IRPJ and CSLL at combined tax rate..... | (19,612) | (31,357) |
| Adjustments to calculate the effective tax rate: | | |
| Exchange variation on overseas investments | (9,054) | — |
| Benefit from calculation of deferred IRPJ and CSLL at subsidiaries..... | — | 1,895 |
| Recognized (unrecognized) benefit on tax loss | (3,594) | (1,822) |
| Non-deductible expenses (non-taxable revenue) of subsidiaries | 254 | (10,165) |
| Income tax on permanent differences | (1,753) | (9,027) |
| Tax benefit of offsetting of tax losses | — | 19,682 |
| Expense related to income tax and social contribution | (33,758) | (30,794) |
| Effective rate..... | 58.5% | 33.4% |
| Current IRPJ and CSLL | (32,440) | (2,757) |
| Deferred IRPJ and CSLL | (1,318) | (28,037) |
| | (33,758) | (30,794) |

10. Prepaid Expenses

| | 03/31/10 | 12/31/09 |
|--|----------------|----------|
| Deferred losses on sale-leaseback transactions | 70,604 | 72,947 |
| Prepayments for insurance..... | 49,135 | 60,398 |
| Prepayments for lease agreements..... | 38,812 | 35,453 |
| Prepaid commission expenses..... | 10,326 | 14,705 |
| Others | 6,649 | 4,799 |
| | 175,526 | 188,302 |
| Current..... | 114,296 | 124,728 |
| Non-current..... | 61,230 | 63,574 |

11. Deposits

Maintenance deposits

Under certain existing lease agreements, maintenance deposits are paid to aircraft and engine lessors that are to be applied to future maintenance deposits. The maintenance deposits paid under lease agreements transfer neither the obligation to maintain the aircraft nor the cost risk associated with the maintenance activities to the aircraft lessor. The Company maintains the right to select any third-party maintenance provider or to perform such services in-house.

These deposits are calculated based on a performance measure, such as flight hours or cycles, and are available for reimbursement to the Company upon the completion of the maintenance of the lease aircraft. Therefore, these amounts are recorded as a deposit on the balance sheet and maintenance cost is recognized when the underlying maintenance is performed, in accordance with the Company's maintenance policy. Certain lease agreements provide that the excess deposits are not refundable to the Company. Such excess could occur if the amounts ultimately expended for the maintenance events were less than the amounts deposited. Any excess amounts held by 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.

Based on the foregoing analysis, management believes that the amounts reflected on the consolidated balance sheet are probable of recovery. There has been no impairment of the Company's maintenance deposits, which presented on March 31, 2010 the amount of R\$7,307 and R\$481,694 (R\$50,429 and R\$472,244 at December 31, 2009).

Additionally, the Company has reached agreements with certain lessors to replace the deposits with letters of credit and amend the lease terms to enable the Company to utilize the deposited funds to settle other amounts owed under the lease. Many of the new aircraft leases do not require maintenance deposits.

Deposits in guarantee for leasing contracts

As required by the lease agreements, the Company made deposits in guarantee for aircraft leasing companies, which are fully redeemable at the maturity dates of the lease contracts. On March 31, 2010, the balance of these deposits classified in non-current asset is R\$266,227 (R\$251,716 on December 31, 2009).

Judicial deposits

The judicial deposits represent, primarily, guarantees for contingent liabilities relating tax claims until the resolution of the related litigations. The balance of judicial deposits recorded on March 31, 2010, of R\$1,809 (R\$26,785 at December 31, 2009 and R\$19,794 on January 01st, 2009) with remote possibility of gain are presented deducting the amount of the provision, in accordance with CVM Deliberation 489/05.

The balance of judicial deposits on March 31, 2010, registered in current assets amount to R\$88,726 (R\$81,180 at December 31, 2009).

12. Transactions with related parties

Graphic, consultancy and transportation services

VRG maintains an operating agreement with related party Breda Transportes e Serviços S.A., for passengers, baggage and employees transportation between airports, with a contractual term expiring on June 02, 2010, with a possibility to be renewed every 12 months for the same period by the signing of an additive instrument by the parties with annual price restatement based on the General Market Price Index (IGP-M) variation.

VRG also maintains operating agreements with related parties Expresso União Ltda., Serviços Gráficos Ltda. and HK Consultoria e Participações, for passengers, baggage and employees transportation between airports, graphic services and consultancy, respectively, with a contractual maturity of 12 months without incidence of financial charges.

During the period ended March 31, 2010, VRG recognized a total expense relating to such services amounting R\$2,776 (R\$2,277 for the three month period ending on March 31, 2009). The entities mentioned above belong to the same economic group and are all controlled by Comporte Participações S.A.

Operating lease

VRG is the tenant of the property located at Rua Tamoios, 246, in São Paulo—SP, owned by a related company Patrimony Administradora de Bens controlled by Comporte Participações S.A. whose lease agreement expires on April 05, 2010 and has an annual price restatement clause based on the General Market Price Index (IGP-M) variation. During the period ended March 31, 2010, VRG recognized a total expense relating to such rental amounting R\$107 (R\$68 for the three month period ending on March 31, 2009).

Unidas Rent a Car

In May, 2009, VRG entered into a commercial agreement with Unidas Rent a Car, a Brazilian car rental company, which gives Unidas' customers a 50% discount on the daily car rental charges when these customers purchase their tickets through the Company's website. The Company's chairman, Álvaro de Souza, is also the member of Unidas Rent a Car.

Accounts payable—current liability

The accounts payable to related parties, in the amount of R\$1,552 on March 31, 2010 (R\$688 on December 31, 2009) are included in the suppliers' balances and are mainly related to payment for services performed by Breda Transportes e Serviços S.A.

Key management personnel

| | 03/31/10 | 03/31/09 |
|----------------------------|--------------|--------------|
| Salary and benefits | 2,780 | 2,420 |
| Social charges | 961 | 871 |
| Share-based payments | 3,427 | 427 |
| Total | <u>7,168</u> | <u>3,718</u> |

On March 31, 2010, the Company was not offering post-employment benefits, and there are no benefits for breach of employment agreements or other long term benefits for the Administration or other employees.

Profit Sharing Plan

The Company maintains a profit sharing plan and stock option plans for its employees. The employee profit sharing plan is linked to the economic and financial results measured based on the Company's performance indicators that measure the achievements by the Company, its business units and individual performance goals. On March 31, 2010, no provision was made, due to the definition of goals for the Company in respect of 2010 occurring only during the second half of 2010.

Share-based payments

The Company's Board of Directors within the scope of its functions and in conformity with the Company's Stock Option Plan, approved a stock option plan for key senior executive officers and employees. The options vest at a rate of $\frac{1}{5}$ per year, and can be exercised up to 10 years after the grant date. The Board of Directors meetings date and the assumptions utilized to estimate the fair value of the stock purchase options using the Black-Scholes option pricing model are demonstrated below:

| | Share acquisition plan | | | | | |
|---|------------------------|-----------------|-------------------|-------------------|------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Date of meeting of the Board of Directors | December 09, 2004 | January 2, 2006 | December 31, 2006 | December 20, 2007 | February 4, 2009 | February 2, 2010 |
| Total of options exercisable | 87,418 | 99,816 | 113,379 | 190,296 | 925,800 | 2,672,746 |
| Price of share exercise | 33.06 | 47.30 | 65.85 | 45.46 | 10.52 | 20.65 |
| Fair value of the concession option | 29.22 | 51.68 | 46.61 | 29.27 | 8.53 | 16.81 |
| Estimated volatility share price | 32.52% | 39.87% | 46.54% | 40.95% | 76.91% | 77.95% |
| Expected dividend | 0.84% | 0.93% | 0.98% | 0.86% | — | 2.73% |
| Return tax free of risk | 17.23% | 18.00% | 13.19% | 11.18% | 12.66% | 8.65% |
| Option's duration (years) | 10 | 10 | 10 | 10 | 10 | 10 |

Changes in the stock options as of March 31, 2010 are shown as follows:

| | Purchase options | Average weighted purchase price |
|--|------------------|---------------------------------|
| Options in circulation as of December 31, 2009 | 849,354 | 26,59 |
| Granted (1 ^a grantee)..... | 2,672,746 | 20,65 |
| Exercised..... | (16,000) | 10,52 |
| Cancelled | (155,563) | 32,43 |
| Options in circulation as of March 31, 2010 | 3,350,537 | 21,66 |
| Number of options exercisable as of December 31, 2009..... | 303,774 | 29,89 |
| Number of options exercisable as of March 31, 2010..... | 225,564 | 36,83 |

The interval of the exercise prices and the average maturity of the outstanding options, as well as the intervals of the exercise prices for the exercisable options as of March 31, 2010, are summarized below:

| Options in circulation | | | | Options exercisable | | |
|--------------------------|---------------------------------------|-------------------------------------|---------------------------------|------------------------------------|---------------------------------|--|
| Exercise price intervals | Options in circulation as of mar/2009 | Remaining weighted average maturity | Weighted average exercise price | Options exercisable as of mar/2010 | Weighted average exercise price | |
| 33.06 | 39,489 | 5 | 33.06 | 39,489 | 33.06 | |
| 47.30 | 47,873 | 6 | 47.30 | 38,067 | 47.30 | |
| 65.85 | 54,932 | 7 | 65.85 | 32,959 | 65.85 | |
| 45.46 | 130,347 | 8 | 45.46 | 52,139 | 45.46 | |
| 10.52 | 405,150 | 9 | 10.52 | 62,910 | 10.52 | |
| 20.65 | 2,672,746 | 10 | 20.65 | — | 20.65 | |
| 10.52 – 65.85 | 3,350,537 | 9,64 | 21.66 | 225,564 | 36.83 | |

For the period of three months ended in March 31, 2010, the Company registered an expense with stock options in the amount of R\$3,621 (R\$1,444 for the period of three months ended on March 31, 2009), being the expense shown in the Consolidated Statements of Operations as labor expenses.

13. Earnings per share

Although, there are differences in voting rights and liquidation preferences, the Company's preferred shares are not entitled to receive any fixed dividends. Rather, the preferred shareholders have identical rights to earnings and are entitled to receive dividends per share in the same amount of the dividends per share paid to holders of the common shares. Therefore, the Company understands that, substantially, there is no difference between preferred shares and common shares and the basic earnings (loss) per share calculation should be the same for both shares.

Consequently, basic earnings per share are computed by dividing income by the weighted average number of all classes of shares outstanding during the period. The diluted earnings per share are computed including dilutive potential shares from the executive employee stock options using the treasury-stock method when the effect is dilutive. The effect anti-dilutive potential shares are ignored in calculating dilutive earnings per share.

| | 03/31/10 | 03/31/09 |
|---|----------------|----------|
| <i>Numerator</i> | | |
| Net income for the year | 23,922 | 61,434 |
| <i>Denominator</i> | | |
| Weighted-average shares outstanding for basic earnings per share (in thousands)..... | 265,288 | 200,727 |
| <i>Treasury shares</i> | — | — |
| Adjusted weighted-average shares outstanding for basic earnings per share (in thousands)..... | | |
| <i>Effect of dilutive securities:</i> | | |
| Executive stock options (in thousands)..... | 160 | — |
| Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per shares (in thousands) | 265,448 | 200,727 |
| Basic earnings per share..... | 0.09 | 0.31 |
| Diluted earnings per share..... | 0.09 | 0.31 |

As of March 31, 2010, diluted earnings per share, takes into account potential future dilutive instruments related to the 2009 year stock option plan which had an exercise price of R\$10.52 and R\$20.65, respectively below the average market price during the period (“in-the-money”). Consequently, there is dilution related to the stock options amounting R\$2,643.

As of March 31, 2010, the total of 272.641 stock options are non-dilutive (364,204 options at December 31, 2009 and 361,901 stock options as of January 01st, 2009).

14. Property, plant and equipment

| | | 03/31/10 | | 12/31/09 | |
|---|--------------------------|-----------|--------------------------|------------|------------|
| | Annual depreciation rate | Cost | Accumulated depreciation | Net Amount | Net Amount |
| Flight equipment | | | | | |
| Aircraft under financial leases..... | 4 – 10% | 2,281,247 | (182,411) | 2,098,836 | 2,021,083 |
| Sets of replacement parts and spare engines | 4% | 665,822 | (107,836) | 557,986 | 548,411 |
| Reconfigurations of aircraft | 4% | 87,015 | (51,126) | 35,889 | 39,927 |
| Aircraft and safety equipment | 20% | 1,259 | (604) | 655 | 682 |
| Tools..... | 10% | 16,075 | (4,049) | 12,026 | 12,144 |
| | | 3,051,418 | (346,026) | 2,705,392 | 2,622,247 |
| Property and equipment in use | | | | | |
| Vehicles | 20% | 6,818 | (4,601) | 2,218 | 2,472 |
| Machinery and equipment..... | 10% | 20,232 | (6,094) | 14,138 | 14,231 |
| Furniture and fixtures | 10% | 16,325 | (5,884) | 10,441 | 10,183 |
| Computers and peripherals..... | 20% | 54,126 | (34,345) | 19,781 | 13,686 |
| Communications equipment..... | 10% | 2,402 | (955) | 1,447 | 1,365 |
| Installations | 10% | 4,416 | (1,874) | 2,542 | 2,652 |
| Confins maintenance center | 7% | 98,590 | (9,236) | 89,354 | 86,664 |
| Leasehold improvements | 20% | 27,479 | (223) | 27,256 | 23,265 |
| Construction in progress | — | 5,192 | — | 5,191 | 10,050 |
| | | 235,580 | (63,212) | 172,368 | 164,568 |
| | | 3,286,998 | (409,238) | 2,877,760 | 2,786,815 |
| Advances for acquisition of aircraft..... | — | 448,061 | — | 448,061 | 538,898 |
| | | 3,735,059 | (409,238) | 3,325,821 | 3,325,713 |

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

| | Property, plant and equipment under finance lease | Rotable parts and spares | Advances for acquisition of property, plant and equipment | Other | Total |
|------------------------------------|---|--------------------------|---|---------|-----------|
| At December 31, 2009..... | 2,021,083 | 601,164 | 538,898 | 164,568 | 3,325,713 |
| Additions..... | 131,054 | 17,379 | 106,572 | 12,436 | 267,442 |
| Disposals..... | (6,474) | (2,990) | (197,409) | — | (206,873) |
| Depreciation and amortization..... | (46,827) | (8,997) | — | (4,637) | (60,461) |
| At March 31, 2010..... | 2,098,836 | 606,556 | 448,061 | 172,368 | 3,325,821 |

During the first quarter of 2010, Company revised the engine maintenance useful life under financial leases from 25 to 5 years based on the average estimated maintenance period of this component. The change was applied prospectively since 01st January, 2010 and the depreciation for the three month period ended March 31, 2010 increased approximately R\$15,030.

15. Intangible assets

| | Goodwill | Trade names | Airport operating rights | Software | Total |
|---------------------------|----------|-------------|--------------------------|----------|-----------|
| At December 31, 2009..... | 542,302 | 63,109 | 560,842 | 65,532 | 1,231,785 |
| Additions..... | — | — | — | 1,751 | 1,751 |
| Amortization | — | — | — | (3,001) | (3,001) |
| At March 31, 2010..... | 542,302 | 63,109 | 560,842 | 64,282 | 1,230,535 |

16. Financial assets and liabilities

| | | Effective interest rate as of | | | |
|---|---------------|----------------------------------|------------|------------|------------|
| | Maturity | 03/31/2010 | 03/31/2009 | 03/31/2010 | 12/31/2009 |
| <i>Current</i> | | | | | |
| Local currency | | | | | |
| Working Capital | August 2010 | 12.83% | 10.89% | 185,000 | 160,000 |
| Secured floating rate BNDES loan | July 2012 | 10.5% | 8.90% | 14,352 | 14,352 |
| Secured floating rate BNDES loan Safra | March 2014 | (*) | — | 6,348 | — |
| Secured floating rate BDMG loan | January 2014 | 11.67% | 8.88% | 2,872 | 2,800 |
| Interest | | | | 3,425 | 3,309 |
| | | | | 211,997 | 180,461 |
| Foreign currency in U.S. Dollars: | | | | | |
| Unsecured floating rate PDP loan facility | February 2010 | — | 1.99% | — | 111,585 |
| Unsecured floating rate PDP II loan facility..... | December 2010 | 2.68% | 2.68% | 132,606 | 131,836 |
| IFC Loan | July 2013 | 4.55% | 4.72% | 51,817 | 14,510 |
| Interest | | | | 21,262 | 16,624 |
| | | | | 205,685 | 274,555 |
| | | | | 417,682 | 455,016 |
| Financial Lease..... | | | | 145,820 | 136,679 |
| Total Currency..... | | | | 563,502 | 591,695 |
| <i>Non current</i> | | | | | |
| Local currency | | | | | |
| Secured floating rate BNDES loan | July 2012 | 10.5% | 8.9% | 19,137 | 22,725 |
| Secured floating rate BNDES loan Safra | March 2014 | (*) | — | 38,088 | — |
| Secured floating rate BDMG loan | January 2014 | 11.67% | 8.88% | 9,367 | 10,056 |
| Secured floating rate BDMG II loan..... | March 2018 | 10.46% | — | 19,841 | — |
| Debêntures | November 2014 | 11.18% | 11.03% | 374,283 | 374,045 |
| | | | | 460,716 | 406,826 |
| Foreign currency in U.S. Dollars: | | | | | |
| IFC loan | July 2013 | — | 4.72% | — | 43,530 |
| Bônus sênior..... | April 2017 | 7.5% | 7.5% | 369,794 | 360,993 |
| Bônus perpétuos | — | 8.75% | 8.75% | 317,493 | 310,079 |
| | | | | 687,287 | 714,602 |
| | | | | 1,148,003 | 1,121,428 |
| Financial Lease..... | | | | 1,524,582 | 1,420,739 |
| Total non Currency..... | | | | 2,672,585 | 2,542,167 |

(*) Refers to contractual annual ratio composed by TJLP + 5,5%. The effect ratio will be calculated only when the payments starts.

The table below presents the Company's long term contractual payments required in respect of its financial assets and liabilities for the next 12 months from April 1st to March 31 of subsequent year after March 31, 2010:

| | 2011 | 2012 | 2013 | 2014 | Therefore 2014 | Total |
|--------------------------------------|----------------|----------------|----------------|----------------|-------------------|----------------|
| <i>Local currency:</i> | | | | | | |
| BNDES Loan | 10,764 | 8,373 | — | — | — | 19,137 |
| Bank—Safra Loan | 9,522 | 12,696 | 12,696 | 3,174 | — | 38,088 |
| BDMG and BDMG II Loan | 3,287 | 3,281 | 6,066 | 3,978 | 12,596 | 29,208 |
| Debêntures | 93,730 | 93,492 | 93,492 | 93,569 | — | 374,283 |
| | 117,303 | 117,842 | 112,254 | 100,721 | 12,596 | 460,716 |
| <i>Foreign currency (US Dollars)</i> | | | | | | |
| Senior Bonus | — | — | — | — | 369,794 | 369,794 |
| Perpetual Bonus | — | — | — | — | 317,493 | 317,493 |

| | | | | | | |
|--------------------|----------------|----------------|----------------|----------------|----------------|-------------------------|
| Total | <u>117,303</u> | <u>117,842</u> | <u>112,254</u> | <u>100,721</u> | <u>699,883</u> | <u>1,148,003</u> |
|--------------------|----------------|----------------|----------------|----------------|----------------|-------------------------|

Working capital

On March 31, 2010, the Company had R\$185,000 (R\$160,000 at December 31, 2009) of working capital lines with three financial institutions. The weighted average annual interest rate for these loans in local currency at March 31, 2010 was 12.83% (10.89% at December 2009). The loans are guaranteed by the Company and certain accounts receivable from travel agencies, as applicable.

In the period ended on March 31, 2010, the Company extended its lines of working capital lines by up to 180 days.

BNDES loan—intermediated by Safra Bank

In March 2010, the Company through its wholly-owned subsidiary VRG, contracted with Banco Safra a secured floating rate borrowing agreement in the amount of R\$44,436 with the BNDES resources through its indirect program “Finame Moderniza BK”. The resources will be designated to make a modernization maintenance of its turbines in national specialized maintenance centers. The borrowing has a term of four years with an annual interest rate of TJLP plus 5.50%. The principal is amortized in monthly payments with a grace period of 6 months. The borrowing has as guarantee, specific accounts receivables from credit card administration companies.

BDMG loan

On February 29, 2010, the Company through its wholly-owned subsidiary VRG, contracted a secured floating rate loan in the amount of R\$20,000 with the Development Bank of Minas Gerais State (BDMG). This credit line will be used to finance a portion of the investments and operating expenses of the Company Aircraft Maintenance Center at the International Airport of Confins, in the state of Minas Gerais and the construction of the brake maintenance center located in Tancredo Neves International Airport, in Lagoa Santa, Minas Gerais State. The loan has a term of eight years with an annual interest rate of IPCA (National Price Index to Consumer) plus 6%. The principal is amortized in monthly payments during the period of 60 months and has as guarantee CDB (banks deposit certificates) with a minimum value of R\$25,000.

Perpetual and senior notes

The fair values of the senior notes and perpetual bonds as of March 31, 2010, reflecting the frequent readjustment of the market quotations for these instruments, based on the exchange rate in effect on the balance sheet closing date, are as follows:

| | <u>Book</u> | <u>Market</u> |
|----------------------|-------------|---------------|
| Senior notes | 369,794 | 372,233 |
| Perpetual bonds..... | 317,493 | 291,711 |

Finance leases

Future minimum lease payments non-cancelable under finance leases are denominated in US dollars with initial or remaining terms in excess of one year at March 31, 2010 and 2009 and were as follows:

| | <u>03/31/10</u> | <u>12/31/09</u> |
|--|------------------|------------------|
| 2010..... | 167,205 | 207,877 |
| 2011..... | 223,318 | 206,823 |
| 2012..... | 220,809 | 204,907 |
| 2013..... | 219,948 | 204,053 |
| 2014..... | 219,948 | 204,053 |
| Beyond 2014..... | 1,082,218 | 975,870 |
| Total minimum lease payments..... | 2,133,446 | 2,003,583 |
| Less: amount representing interest | (463,044) | (446,165) |
| Present value of net minimum lease payments..... | 1,670,402 | 1,557,418 |
| Less current portion..... | (145,820) | (136,679) |
| Long-term portion | <u>1,524,582</u> | <u>1,420,739</u> |

The discount rate used to calculate the present value of the minimum rental payments is 5.96% on March 31, 2010 (6.64% on December 31, 2009). There is no significant difference between the present value of the minimum rental payments and the fair value of these financial liabilities.

The Company has extended the maturity of the financing for some of its leased aircraft to 15 years by using the SOAR structure, which is a mechanism for lengthening the period for amortizing and paying off the financing and permits calculated draw downs to be made for settlement by payment in full at the end of the lease agreement. As of March 31, 2010 the value of the drawdowns made for payment in full upon termination of the lease agreement is R\$28,737 (R\$24,617 as of December 31, 2009).

Restrictive covenants

The Company holds agreements that require compliance with certain financial and performance indicators (covenants) based on Interim condensed consolidated financial statements such as: (1) Net Debt/EBITDAR, (2) Current Assets/Current Liabilities, (3) EBITDA/Debt Service, (4) Short-term Debt/EBITDA, (5) Current Ratio and (6) Debt Coverage Index (DCI).

On March 31, 2010, the calculation of covenants ratio resulted in 4,9x of the net debt/EBTIDA, a higher level than required by IFC agreement. However, Management understands that the Company meets the obligation required by the contract, which establishes in its clauses that a default will only effectively occur after 30 days of a formal notification from the financial institution. This period is denominated as the “Cure period”.

Conservatively, Management reclassified the long term balance of this loan to short term, in order to comply with the established standard IAS 37—*Provisions, Contingent Liabilities and Contingent Assets*.

The Company complied with the minimum parameters established with Natixis for the ratios required for the period ended on March 31, 2010.

17. Advance Ticket Sales

On March 31, 2010, the balance of advance ticket sales of R\$383,936 (R\$561,347 at December 31, 2009) is represented by 1,787,069 tickets sold and not yet used with 85 days of average term of use (96 days at December 31, 2009).

18. Smiles deferred revenue

Since the VRG’s acquisition, the Company has a mileage program denominated Smiles (“Smiles Program”). This program consists in the reward of mileage credits, though of accumulation of mileage credits by the passengers, to use in new travels. The obligations assumed under the frequent flyer program, (“Smiles Program”) were valued at the VRG’s acquisition date at estimated fair value.

The sale of passenger tickets by the Company includes air transportation and mileage credits. The Company’s sales of miles to business partners include marketing and mileage credits. The Company records the mileage credits allowed in deferred revenues account, based on the fair value of the mileage credits. The fair value of the mileage credit component is determined based (i) on weighted-average price of passenger tickets sold by VRG parted for mileage amount necessary to issue a ticket when VRG offers mileage for flying and, (ii) on weighted-average price at which the Company sells mileage credits to business partners.

The Company uses the residual method for revenue recognition of mileage credits. Under the residual method, the portion of revenue from the sale mileage credits and the mileage component of passenger ticket sales that approximates fair value is deferred and recognized as revenue when miles are redeemed and services are provided based on the weighted-average price of all miles that have been deferred. The portion of the revenue received in excess of the fair value of mileage credits sold (the “marketing premium”) is recognized in income when the related marketing services are provided and classified as cargo and other revenue.

The associated value for mileage credits which the Company estimates are not likely to be redeemed (“breakage”) is recognized as revenue. The Company calculates its breakage estimate based on historical redemption patterns.

On March 31, 2010, the Smiles deferred revenue balances are R\$78,045 and R\$227,631 classified in current and non-current liabilities, respectively (R\$92,541 and R\$221,414 at December 31, 2009 respectively).

19. Advances from customers

On June 30, 2009, the Company, through its subsidiary VRG concluded a partnership with Brazilian financial institutions: Banco Bradesco S.A. and Banco do Brasil S.A. through an Operating Agreement for the issuance and management of credit cards in a co-branded format. Under the agreement, the Company initially received an amount of R\$252,686 related to the purchase of miles from SMILES frequent flyer program, for access and use of the customer database of the program. Until March 31, 2010 the Company received an advance of purchase of miles from the SMILES program, the amount of R\$178,800 from the two financial institutions described above. The Company's expects to receive the full amount within 5 years from the date of the agreement, and also the remuneration conditioned by the right to access and use of the registration database, share of the revenue from the credit cards issued by the financial institutions and participation in revenues. As of March 31, 2010, the balance recorded as advances from customers in current liabilities, relating to this agreement corresponds to R\$69,428 and R\$52,610 in non-current liabilities.

On November 13, 2009, the Company through its wholly-owned subsidiary VRG signed a commercial agreement with Banco Santander (Brasil) S/A with a term of 13 months in the amount of R\$34,500 for the purchase of mileage credit, not exclusive, to use in their rewards programs. As of March 31, 2010, the balance recorded as advances from customers in current liabilities related to this agreement is R\$29,614.

On July 27, 2009, the Company through its wholly-owned subsidiary VRG signed a commercial agreement with Travel Agency CVC Tur ("CVC") with a term of 6 months in the amount of R\$50,000 allowing the sale of tickets to their customers of flights operated by VRG. On January 27, 2010 the agreement was amended and extended for a term of 6 months in the amount of R\$5,000 to be utilized as from March 05, 2010.

As of March 31, 2010, the balance recorded as advances from customers in current liabilities related to this agreement is R\$2,925.

20. Tax obligations

| | 03/31/10 | 12/31/09 |
|------------------------------------|----------------|----------------|
| PIS e COFINS(1) | 55,579 | 63,971 |
| REFIS(2)..... | 38,165 | 38,166 |
| IOF(3)..... | 88 | 13,415 |
| IRRF on wages and benefits(4)..... | 10,496 | 8,855 |
| CIDE(5)..... | 515 | 4,593 |
| ICMS(6)..... | 2,905 | 2,121 |
| Import tax | 3,463 | 2,455 |
| Others | 13,025 | 12,343 |
| | <u>124,236</u> | <u>145,919</u> |
| Current..... | 40,587 | 57,277 |
| Non-current..... | <u>83,649</u> | <u>88,642</u> |

21. Provisions

| | Insurance provision | Return of aircraft | Onerous contracts | Litigation | Total |
|---------------------------|---------------------|--------------------|-------------------|---------------|----------------|
| At December 31, 2009..... | 42,632 | 19,792 | 10,330 | 70,339 | 143,093 |
| Recognized..... | — | 5,957 | 237 | 6,971 | 13,165 |
| Utilized | (26,227) | (4,445) | — | — | (30,672) |
| At March 31, 2010..... | <u>16,405</u> | <u>21,304</u> | <u>10,567</u> | <u>77,310</u> | <u>125,586</u> |
| Current..... | 16,405 | 21,304 | 3,923 | — | 41,632 |
| Non-current..... | — | — | 6,644 | 77,310 | 83,954 |

Insurance provision

Management takes out insurance coverage in amounts it considers necessary to cover any claims, in view of the nature the Company's assets and the risks inherent in its operating activities, with due heed being paid to the limits set in the lease agreements, in compliance with provisions of the Law nº. 10.744/03. The insurance provision includes provisions related to the accident of an aircraft during Gol Airlines Flight 1907 on September 29, 2006 and amounts payable for aircraft insurance.

The payments for the hull to the lessor were made by the insurance company. Management does not expect any liabilities arising from the accident involving Flight 1907 to have a material adverse effect on the financial position or results of its operations.

Return of aircraft

The aircraft return costs includes provisions for the maintenance to meet the contractual return conditions on engines held under operating leases.

Onerous contract

As of March 31, 2010, the Company recorded a provision of R\$10,567 being a total of R\$3,923 classified in current liability and R\$6,644 classified in non-current liability (R\$10,330 in December 31, 2009) for onerous operating lease contracts related to two non-operating Boeing 767-300 aircrafts. The provision represents the present value of the future lease payments that the Company is presently obligated to make under non-cancelable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilization of the leased premises and sub-lease arrangements where applicable. The term of the leases ranges from 2 to 4 years.

Litigation

At March 31, 2010, the Company and its subsidiaries are parties in judicial lawsuits and administrative proceedings, totaling 17,029 according to the following distribution: (i) 11,927 civil claims, being 1,151 administrative proceedings and (ii) 5,102 labor claims, being 82 administrative proceedings.

As a result of the Company's normal course of operations, there are respectively, 11,927 civil claims, 1,157 labor claims and 1,233 administrative proceedings. The remainder is related to requests for recognition of succession related by obligations from the former Varig S.A. Provisions are recognized for probable losses and are reviewed based on the development of suits and the historical record of loss of civil and labor suits, based on the best current estimate.

The estimated obligations resulting from the civil and labor suits are shown as follows:

| | 03/31/10 | 12/31/09 |
|-------------|---------------|---------------|
| Civil..... | 41,174 | 34,815 |
| Labor | 36,136 | 35,524 |
| | <u>77,310</u> | <u>70,339</u> |

There are other processes evaluated by Management and by lawyers classified as of possible risk, as of March 31, 2010 in the amount of R\$54,823 for civil claims and R\$1,731 for labor claims (R\$54,823 and R\$1,731 as of December 31, 2009) for which there is no provision recorded. The amounts remain the same, because there was no court definition related to these claims.

The Company is discussing 4 labor claims in France arising from Varig S.A. debts. As of March 31, 2010, the Company obtained a first judicial decision sentence, favorable to the Company. The amount involved related to these discussions, not provided, is approximately R\$7,227 (corresponding to €2.1 million) and is updated until December 2009.

The Company is challenging in court the VAT (ICMS) levies on aircraft and engines imported under aircraft leases without purchase options in transactions carried out with lessors headquartered in foreign countries. The Company's management understands that these transactions represent simple leases in view of the contractual obligation to return the assets that are the subject of the contract. Given that there is no circulation of goods, management understands that a relevant tax triggering event is not characterized.

Litigation—Continued

The estimated aggregate value of lawsuits filed refers to non chargeable taxation of ICMS on import operations is R\$211,256 at March 31, 2010 (R\$210,164 at December 31, 2009), monetarily adjusted and not including charges in arrears. Management, based on the assessment of the cases by its legal advisors and supported by case laws favorable to taxpayers from the High Court (STJ) and the Supreme Federal Court (STF) handed down in the second quarter of 2007, understands

that it is unlikely for the Company to have losses on these lawsuits. Therefore, there is no provision recorded in respect of this judicial process.

Although the results of these proceedings cannot be anticipated, according to management's opinion supported by its outside legal advisors, the final judgment of these cases will not have a material effect on the Company's financial position, operating income and cash flows.

22. Shareholders' equity

As of March 31, 2010, the capital of the Company is comprised of 265,339,700 fully paid-up shares being 133,199,658 common shares and 132,140,042 preferred shares. The ASAS Investment Fund is the Company's controlling fund which is equally controlled by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto and Ricardo Constantino.

The following table sets forth the ownership and the percentage of the Company's voting (common) and non-voting (preferred) shares as of March 31, 2010 and 2009:

| | 03/31/10 | | | 12/31/09 | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Common | Preferred | Total | Common | Preferred | Total |
| ASAS Investment Fund | 100.00% | 27.07% | 63.68% | 100.00% | 26.96% | 63.64% |
| Others | — | 1.41% | 0.70% | — | 1.57% | 0.78% |
| Treasury shares..... | — | 0.34% | 0.17% | — | 0.34% | 0.17% |
| Public Market (Free Float)..... | — | 71.18% | 35.45% | — | 71.13% | 35.41% |
| | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

The authorized capital as of March 31, 2010 is R\$4 billion. Each common share entitles its holder to one vote at the Company's shareholder meetings. The outstanding preferred shares have no class designation, are not convertible into any other security and are non-voting, except under the limited circumstances provided under Brazilian law. Upon liquidation, holders of preferred shares are entitled to receive distributions prior to the holders of common shares. In addition, the São Paulo Stock Exchange—Bovespa Level 2 of Differentiated Corporate Governance Practices 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.

As of March 11, 2010, the Board of Directors authorized the capital increase of R\$185,839 (corresponding to the same amount of dividends declared in respect of the year ended as at December 31, 2009) by way of the private issue of 7,622,584 shares, being 3,833,077 common and 3,789,507 preferred, all nominative and registered, with no nominal value. The price of the issued common and preferred shares was fixed at R\$24.38 per common and preferred share, fixed based on quotation of the Company issued shares at the Bolsa de Valores, Mercadorias e Futuros (BM&FBOVESPA) on March 11, 2010, after the closing of business.

The shares quotation of Gol Linhas Aéreas Inteligentes S.A. as of March 31, 2010 on BOVESPA was R\$22.30 and U\$12.39 at the New York Stock Exchange—NYSE. The equity value per share at March 31, 2010 is R\$10.05 (R\$10.71 as of December 31, 2009 and R\$6.45 as of January 01st, 2009).

Treasury shares

The Board of Directors, at the meeting held on December 9, 2009, approved the cancellation of 1,119,775 preferred shares held in Treasury shares, at the amount of R\$29,293 recorded against the capital reserves account. As of 31 March 2010, the Company has 454,425 Treasury shares, amounting to R\$11,887 with a market value of R\$10,134 (R\$11,887 in shares with market value of R\$11,851 as of December 31, 2009 and R\$41,180 in shares with market value of R\$15,600 as of January 1st, 2009).

Share-based Payments

For the period ended on March 31, 2010 the Company recorded an expense with share base remuneration in the amount of R\$3,621 (R\$1,444 for the period ended on March 31, 2009); such amount registered in the Consolidated Statements of Operation as labor cost, as described in Note n.12.

Other comprehensive income

The mark-to-market fair value of short-term investments classified as available for sale financial assets and derivative financial instruments designated as cash flow hedges are recognized in the Shareholders' equity as other comprehensive income (loss), net of tax effects, until the end of the contracts. The balance at March 31, 2010 corresponds to a net gain of R\$788 (net gain of R\$818 as of December 31, 2009)

23. Sales Revenue

a) The net sales revenue for the period is as follows:

| | 03/31/10 | 03/31/09 |
|----------------------------|------------------|------------------|
| PAX transportation..... | 1,638,326 | 1,446,772 |
| Other revenues | 169,211 | 135,832 |
| Gross Revenue | 1,807,537 | 1,582,604 |
| Related Taxes..... | (77,720) | (65,568) |
| Net Revenue | 1,729,817 | 1,517,036 |

24. Finance income and expenses

| | 03/31/10 | 03/31/09 |
|--|------------------|------------------|
| Finance expenses: | | |
| Interest on loans | (67,154) | (53,696) |
| Liability exchange variations | (291,500) | (106,659) |
| Exchange variation and Leases | — | (26,279) |
| Losses on investment funds | (11) | (978) |
| Losses on financial instruments | (21,175) | (100,183) |
| Liability monetary variations | — | — |
| Tax on financial operations..... | (2,788) | (1,112) |
| Other financial expenses..... | (19,482) | (5,384) |
| | (402,110) | (294,291) |
| | 03/31/10 | 03/31/10 |
| Finance income: | | |
| Interest and gains on marketable securities..... | 19,409 | 8,812 |
| Asset exchange variations..... | 233,751 | 193,475 |
| Gains on financial instruments..... | 3,404 | 70,506 |
| Dividends and interest on Shareholder's equity | — | 1,413 |
| Asset monetary variations..... | 761 | 373 |
| Other financial income | 11,045 | 6,849 |
| | 268,370 | 281,428 |
| Net finance income (expenses)..... | (133,740) | (12,863) |

25. Commitments

The Company has a purchase contract with Boeing for acquisition of aircraft, and at March 31, 2010, the Company has 86 firm orders and 40 purchase options granted with non-onerous terms. Within one year, the Company will make pre-delivery deposits for 13 aircraft, which have a schedule for delivery until August 2012 and the others with a term exceeding 18 months. These advances for aircraft acquisition were being financed by financings denominated Pre-delivery Facility I and II, with maturities in February 2010 and December 2010 respectively, as described in Note 16. The firm orders have an approximate value of R\$10,783,408 (US\$6 billion) based on the aircraft list price (which excludes contractual manufacturer discounts), including estimated amounts for contractual price escalations and pre-delivery deposits. Aircraft purchase commitments financed with long-term financing guaranteed by the U.S. Ex-Im Bank corresponds to approximately 85% of the total acquisition cost. Other agents finance the acquisition at or above this percentage, reaching 100%.

The Company has been making payments for pre-delivery deposits of aircraft using combined resources of: Company's own capital, borrowings, cash generated by operations, short and medium-term working capital and financing to the supplier.

The following table provides a summary of the Company's principal payments under aircraft purchase commitments for the next years:

| | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter 2014 | Total |
|--|----------------|------------------|----------------|------------------|------------------|--------------------|-------------------|
| Advances for Aircraft acquisition..... | 113,208 | 204,804 | 415,430 | 439,211 | 227,562 | 160,462 | 1,560,677 |
| Commitments for Aircrafts acquisition..... | 658,391 | 988,999 | 426,851 | 2,325,176 | 3,428,987 | 2,955,003 | 10,783,407 |
| Total | 771,599 | 1,193,803 | 842,281 | 2,764,387 | 3,656,549 | 3,115,465 | 12,344,084 |

The Company leases its entire fleet under a combination of operating and finance leases. At March 31, 2010, the total fleet was 126 aircraft, of which 91 were operating leases and 35 were recorded as finance leases. The Company's has 29 finance leases aircraft with bargain purchase options. During the period ended on March 31, 2010, two aircraft under finance leases were delivered and three 737-300 and two 737-800 aircraft were returned. At March 31, 2010, there were five 737-300 aircraft which were in the process of being returned.

a) Operating leases

The Company leases aircraft in operation, airport terminal space, other airport facilities, office space and other equipment with initial lease term expiration dates ranging from 2010 to 2021. Future minimum lease payments under non-cancelable operating leases are denominated in US dollars. Such leases with initial or remaining terms in excess of one year at March 31, 2010 and 2009 were as follows:

| | 03/31/10 | 12/31/09 |
|---------------------------------------|------------------|-----------|
| 2010..... | 406,843 | 515,936 |
| 2011..... | 519,095 | 489,655 |
| 2012..... | 494,136 | 466,315 |
| 2013..... | 428,859 | 402,497 |
| 2014..... | 268,572 | 245,792 |
| Thereafter..... | 467,916 | 378,376 |
| Total of leases minimum payments..... | 2,585,421 | 2,498,571 |

b) Sale-leaseback transactions

During 2006 the Company had gains on the sale-leaseback transactions for eight Boeing 737-800 Next Generation aircraft. The net deferred gain on the sale-leaseback transactions in the amount of R\$58,347 is being deferred in proportion to the monthly payments of their respective operating leases over the contractual term of 124 months. On March 31, 2010, the balances classified as other current and non-current liabilities are R\$7,172 and R\$27,860 respectively (R\$7,172 and R\$29,653 at December 31, 2009). For the years ended March 31, 2010 and 2009, the total gains recognized were R\$8,910.

During 2007, 2008 and 2009, the Company had losses on the sale-leaseback transactions for nine Boeing 737-800 Next Generation aircraft. The net deferred losses on the sale-leaseback transactions in the amount of R\$86,715 are being deferred in proportion to the monthly payments of their respective operating leases over the contractual term of 120 months. On March 31, 2010, the balances classified as current and non-current prepaid expenses are R\$9,373 e R\$61,230, respectively (R\$9,373 e R\$63,574 at December 31, 2009). For the period ended March 31, 2010 and 2009, the total losses recognized were R\$2,343.

26. Financial instruments and concentration of risk

The Company and its subsidiaries are exposed to market risks as a result of its operations and consider as more relevant risks the effects of changes in the price of fuel, exchange rates, interest rate risks and credit risks.

The goal of the risk management program of the Company aims to protect against the sudden increase of the costs linked to market prices that could affect the Company's competitiveness in a given period. These risks are managed through the use of financial instruments for protection available in the financial market such as swaps, future contracts, exchange options and fuel options. The operations that involve fuel and interest are contracted with international banks classified as low risk (average rating of A+ according to Moody's and Fitch) and the operations that involve foreign currency are negotiated on BM&FBOVESPA. The use of these instruments is oriented by a formal policy of risk management which is under the guidance of its executive officers, Risk Policies Committee and Board of Directors. The Company's Risk

Management Policy establishes controls and limits, as well as other tracking techniques, chiefly mathematical models adopted to constantly monitor exposures, in addition to expressly prohibiting the carrying out of speculative operations involving derivative instruments. The derivative financial instruments are only used for hedge purposes. Additionally, the Company does not conduct any type of operation involving leverage.

The majority of the financial instruments contracted for protection purposes of fuel price and foreign currency risks aim scenarios with low probability to occur and therefore, those derivatives have lower costs comparing to others with a higher probability to occur. As a result, despite the highly correlation between the protected object and the derivatives financial instruments contracted to protect them, when the transactions are settled, a substation part of them show ineffectiveness results, as presented in the following tables in this note.

Historically, the Company does not contract protection for all of its exposure to fuel consumption, to foreign exchange and interest exposure and is, therefore, subject to the portion of the risks arising from market fluctuations. The portion of the exposure being protected is determined quarterly in line with the strategies determined in the Risk Policies Committee and are monitored periodically, and can reach the totality of the exposure.

The Financial Risk Committee recommends for approval of the Board of Directors long term programs of contracting derivative financial instruments to protect the Company against possible changes in the market price relating to risk of fuel, exchange rates and interest rates during the period of 12 months on a rolling basis allowing, such to be extended if some predetermined prices are reached.

The Company adopts, for a large portion of its derivatives financial instruments, the hedge accounting method according to the parameters described in the IAS 39. All derivative financial instruments contracted with the purpose of protection are formally identified through documentation on the acquisition to allow it to comply with the requirements needed to use the hedge accounting method. The Company classified the derivative financial instruments used for protection as "cash-flow hedge" and recognizes, based on the criteria for hedge accounting described in IAS39, the changes in fair value of effective derivatives financial instruments under shareholders' equity until the object of the hedge achieves its maturity.

The IAS 39 also requires proof of the effectiveness, prospective and retrospective, of the derivative financial instruments to contain the changes of the expenses protected. The Company estimates the effectiveness based on statistical correlation methods or by the proportion of the variation of gains and losses in fair value of derivatives instruments used as hedge and the variation of the costs of the protected object. The results of effective hedges are booked as a reduction or increase in the operational cost (with exception of interest rate hedge results), and the results of hedges that are not effective are recognized as a financial income or expense of the period. Ineffective hedges occur when the variation in the value of the derivatives is not between 80% and 125% of the variation in the price of the object of hedge. When the protected object is consumed and the respective derivative financial instrument is settled, the unrealized gains or losses booked in shareholders' equity are recognized in the income statement. In the case of the derivative financial instruments designated for hedging interest rates, the values of gains or losses with liquidation of these instruments are recorded in income or expense.

The Company also contracts derivative financial instruments which are not designated as hedge, in other words, such do not use the criteria for hedge accounting. These contracts are derivatives of interest swap-lock that are used to protect the exposure denominated in Libor rates on operation of aircraft leases. For these derivatives instruments, the change in fair value is recognized directly as financial income or expense of the period.

The market fair value of swaps is estimated based on the method of discounted cash-flow and the fair value of options is estimated using the Black & Scholes method (adapted to commodities options in the case of oil).

The derivative financial instruments were recorded in the following accounts in the balance sheet:

| <u>Description</u> | <u>Accounts</u> | <u>Amounts on March 31, 2010</u> |
|--|-----------------------------------|--------------------------------------|
| Amount receivable on settlement | Other assets | 24,737 |
| Amount payable on settlement | Other liabilities | (14,902) |
| Margin deposits related to hedge exchange rate | Restricted cash | 19,211 |
| Changes in fair value of hedge accounting | Other comprehensive income (loss) | (1,024) |

The relevant information relating to the main risks that affect the Company operations are detailed as follows:

a) *Fuel price risk*

One of the main market risks that the airline companies face is the price of aircraft fuel whose variations are tied to fluctuations in the price of oil and the fuel represents a significant portion of airline companies' costs. Because of this exposure, the Company manages this risk by using strategies of contracting derivative financial instruments that aims to provide protection against sudden and significant increases in the price of oil, thus ensuring the competitiveness of the Company.

Aircraft fuel consumed in the period ended March 31, 2010 and 2009 represented 36.1% and 31.6% of the Company's operating costs of service, respectively.

Because the jet fuel traded in commodity exchanges has lower liquidity, the Company acquires derivatives of crude oil to protect against oscillation of aircraft fuel price. Historically, oil prices have been highly correlated to aviation fuel prices, which make oil derivatives effective in offsetting the prices of aviation fuel, so as to provide immediate protection. The hedged item of fuel is the operational expenses with aircraft fuel. The contracts of derivatives for fuel hedge are done in Nymex and over the Counter markets with the following financial institutions: Barclays, British Petroleum, Citibank, Deutsche Bank, Goldman Sachs, JP Morgan and Morgan Stanley.

On March 31, 2009, there were no financial assets linked to margin deposits for contracting derivative instruments for fuel hedge.

The following is a summary of the Company's oil derivative contracts designated for hedge of aircraft fuel (in thousands, except as otherwise indicated):

| Year ended: | March 31, 2010 | December 31, 2009 |
|--|---------------------------|------------------------------|
| Fair value of derivative instruments (R\$)..... | 15,310 | 18,588 |
| Medium term (months)..... | 4 | 5 |
| Protected volume for future periods (thousands of barrels) | 2,039 | 1,878 |
| Hedge effectiveness gains recognized in shareholders' equity, net of taxes (R\$) | 917 | — |
| Period ended March 31: | 2010 | 2009 |
| Hedge effectiveness gains recognized in operating costs (R\$)..... | — | — |
| Hedge ineffectiveness losses recognized in finance expenses during the year (R\$)..... | (3,197) | (42,346) |
| Hedge ineffectiveness losses recognized in finance expenses for future period (R\$)..... | (10,437) | (24,127) |
| Total hedge ineffectiveness losses recognized in finance expenses (R\$)..... | (13,634) | (66,473) |
| Hedged volume (in thousands of barrels) during the year | | |
| Percentage of exposure hedged during the year* | 31% | 12% |

* The percentage is calculated through the value of contracted hedge (notional value) divided by fuel costs.

The following table demonstrates the notional value of the derivatives designated as hedges contracted by the Company to protect the future fuel costs, the average rate contracted for the derivatives and the percentage of the fuel exposure protected for each period of competence as of March 31, 2010:

| Market risk factor: | Maturities | | | | |
|--|-------------------|----------------|---------------|---------------|----------------|
| Fuel Price Over the Counter | 2Q10 | 3Q10 | 4Q10 | 1Q11 | Total |
| Percentage of the fuel exposure hedged..... | 40% | 25% | 15% | 6% | |
| Notional volume in barrels (thousands) | 1,486 | 941 | 572 | 264 | 3,263 |
| Notional volume in liters (thousands)..... | 236,244 | 149,600 | 90,937 | 41,971 | 518,752 |
| Future agreed rate per barrel (USD)* | 85.62 | 91.57 | 93.98 | 90.61 | 89.21 |
| Total in Reais** | 226,599 | 153,464 | 95,740 | 42,603 | 518,435 |

* Weighted average between the strikes of collars and callspreads.

** Exchange rate at 03.31.2010 was R\$ 1.7810/ US\$ 1.00

b) *Foreign currency risk*

Risk of exchange rate is the risk related to unexpected variation, in a favorable or unfavorable way, of the expenses and/or revenues whose values are tied to the fluctuations in foreign currencies. The Company's exposure to foreign currencies is mainly related to operating activities and investments in foreign subsidiaries. The Company's revenue is generated in Brazilian reais, except for a small portion in Argentine Pesos, Aruban Florin Bolivian Bolivianos, Chilean Pesos, Colombian Pesos, Paraguayan Guaranis, Uruguayan Pesos and Venezuelan Bolivares from flights between Brazil, Argentina, Aruba, Bolivia, Chile, Colombia, Paraguay, Uruguay and Venezuela. However, the Company has a significant portion of its liabilities exposed to changes in the exchange rate of U.S. dollars, particularly those related to aircraft leasing and instruments for raising funds for financing aircraft acquisitions, requiring contracting derivative financial instruments to mitigate this risk. The main expenses accounts that are hedged due to exchange rate exposure are: jet fuel, leasing, maintenance, insurance and international IT services.

The contracts of derivative financial instruments for U.S. dollar hedges are performed with BM&FBOVESPA using exclusive investments funds which are used as vehicles for contracting risk coverage as described in the Company's Risk Management Policy.

The value of financial assets linked to margin deposits on March 31, 2010 is R\$19,211 represented by CDB's (Bank Certificate Deposits) of first tier banks.

The Company's current and future currency exchange exposure at March 31, 2010 and 2009 are as set forth below:

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Assets | | |
| Cash, cash equivalents and short-term investments..... | 87,697 | 139,287 |
| Deposits in guarantee of lease agreements..... | 266,227 | 247,562 |
| Maintenance deposits..... | 489,001 | 510,576 |
| Prepayments of lease agreements..... | 38,812 | 35,453 |
| Other..... | 47,365 | 66,823 |
| Total assets | 929,102 | 999,701 |
| Liabilities | | |
| Foreign suppliers..... | 14,645 | 30,077 |
| Loans and borrowings..... | 892,972 | 989,157 |
| Finance leases | 1,670,402 | 1,557,418 |
| Other leases payable | 45,401 | 38,708 |
| Insurance premium payable | 11,676 | 38,150 |
| Total liabilities | 2,635,096 | 2,653,510 |
| Exchange exposure, net—R\$..... | 1,705,994 | 1,653,808 |
| Exchange exposure, net—US\$..... | 957,885 | 949,810 |
| Future obligations | | |
| Operating leases | | |
| Aircraft commitments..... | 2,585,420 | 2,498,571 |
| Total future obligations—R\$ | 12,344,084 | 12,565,036 |
| Total future obligations—US\$ | 14,929,504 | 15,063,607 |
| Total exchange exposure (current and future)—R\$ | 16,635,498 | 16,717,416 |
| Total exchange exposure (current and future)—US\$ | 9,340,538 | 9,601,087 |

b) *Foreign currency risk*

The following is a summary of the Company's foreign currency derivative contracts designated for hedge of U.S. dollars (in thousands, except as otherwise indicated):

| Balance at: | March 31, 2010 | December 31, 2009 |
|--|---------------------------|------------------------------|
| Fair value of derivative instruments (R\$)..... | 942 | 982 |
| Medium term (months)..... | 3 | 3 |
| Protected volume for future periods (thousands of barrels) | 120,000 | 95,000 |
| Hedge effectiveness gains (losses) recognized in shareholders' equity, net of taxes (R\$)..... | (1,366) | (294) |

| <u>Period ended March 31:</u> | <u>2010</u> | <u>2009</u> |
|--|----------------|-------------|
| Hedge effectiveness gains (losses) recognized in operating expenses (R\$) | 922 | — |
| Hedge ineffectiveness gains recognized in finance income during the year (R\$)..... | (748) | 22,822 |
| Hedge ineffectiveness losses recognized in finance expenses for future period (R\$)..... | (1,563) | 5,184 |
| Total hedge ineffectiveness gains recognized in finance income (R\$) | (2,311) | 28,006 |
| Percentage of exposure hedged during the year | 14% | 0% |

The following table demonstrates the notional value of the derivatives designated as hedges contracted by the Company to protect the future expenses denominated in U.S. dollars and the average rate contracted for each period, as of March 31, 2010:

| <u>Market risk factor: U.S. dollar exchange Exchange market</u> | <u>2Q10</u> |
|---|----------------|
| Notional value in U.S. dollar..... | 120,000 |
| Futures contracted average rate..... | 1.8941 |
| Total in Reais | <u>227,292</u> |

c) *Credit risk*

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily for trade receivables, cash and cash equivalents, including bank deposits, financial assets classified as available for sale assets, and derivative financial instruments. The credit risk of accounts receivable is minimized because it is substantially represented by accounts receivable of the largest credit card operators. The derivative financial instruments are made with counterparties that have high ratings according to the assessment by Moody's and Fitch (an average rate of A+) or the instruments are contracted in the stock exchange of futures and commodities (BM&FBOVESPA). In addition, the Company assesses the risks of counterparties and diversifies its exposure. The Company's management believes that the risk of not receiving the amounts owed by their counterparts in derivative transactions is not significant.

d) *Interest rate risk*

The Company results are affected by fluctuations in international interest rates because of the impacts of such changes on expenses with leasing. On March 31, 2010 the Company has derivative financial instruments of interest swap-lock to protect against oscillations of interest rates on aircraft leasing.

The interest rate hedge operations are performed through contracts with first tier financial institutions. At March 31, 2010, the Company has open contracts with the following financial institutions: Calyon, Citibank and Merrill Lynch.

The Company had no financial assets linked to margin deposits as of March 31, 2010.

The following is a summary of Company's interest rate derivative contracts designated as hedge interest rate Libor (in thousands, except as otherwise indicated):

| <u>Balance at:</u> | <u>March 31, 2010</u> | <u>December 31, 2009</u> |
|---|---------------------------|------------------------------|
| Fair value of derivative instruments, end of period (R\$) | (1,502) | (2,182) |
| Nominal value of derivative instruments, end of period (US\$)..... | 60,575 | 60,575 |
| Nominal value of derivative instruments, end of period (R\$) | 107,884 | 105,474 |
| Hedge effectiveness losses recognized in shareholders' equity, net of taxes (R\$) | (574) | (1,023) |

| <u>Period ended March 31:</u> | <u>2010</u> | <u>2009</u> |
|---|--------------|-------------|
| Hedge effectiveness gains (losses) recognized in operating expenses (R\$) | (767) | 156 |
| Total hedge ineffectiveness losses recognized in finance expenses (R\$)..... | (767) | 156 |

The following is a summary of the Company's interest rate derivative contracts not designated as hedges (in thousands, except as otherwise indicated):

| <u>Balance at:</u> | <u>March 31, 2010</u> | <u>December 31, 2009</u> |
|---------------------------------------|---------------------------|------------------------------|
| Fair value, end of period (R\$) | (3,973) | (4,411) |
| Nominal, end of period (US\$)..... | 22,500 | 29,500 |
| Nominal, end of period (R\$) | 40,073 | 51,365 |

| <u>Period ended March 31:</u> | <u>2010</u> | <u>2009</u> |
|---|----------------|-------------|
| Hedge gains (losses) recognized in finance income (R\$) | (1,059) | 5,764 |

The Company results are affected by fluctuations in interest rates applied to Brazil, on financial investments, short term investments, obligations in Reais, assets and liabilities indexed by US Dollars. This fluctuation causes impacts on market value of financial instruments, bonds and on remuneration of cash and cash equivalents.

e) Sensitivity Analysis Demonstration of the Financial Instruments

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in fuel prices, with all other variables held constant, on income before tax and equity:

| Increase/(decrease) in fuel price (percent) | Position as of March 31, 2010 | | Position as of March 31, 2009 | |
|---|---|-----------------------------------|---|-----------------------------------|
| | Effect on income before tax (R\$ million) | Effect on equity (R\$ million) | Effect on income before tax (R\$ million) | Effect on equity (R\$ million) |
| 10 | (59.3) | (30.5) | (49.5) | (49.0) |
| -10 | 59.3 | 38.5 | 39.7 | 40.0 |

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of forward exchange contracts).

| Strengthening/weakening in U.S. dollar (percent) | Position as of March 31, 2010 | | Position as of March 31, 2009 | |
|--|---|-----------------------------------|---|-----------------------------------|
| | Effect on income before tax (R\$ million) | Effect on equity (R\$ million) | Effect on income before tax (R\$ million) | Effect on equity (R\$ million) |
| 10 | (77.3) | (43.5) | (95.7) | (96.4) |
| -10 | 77.3 | 44.9 | 85.9 | 86.4 |

The following table illustrates the sensitivity of financial instruments on profit before tax for the year to a reasonably possible change in Libor interest rates, with effect from the beginning of the year. There was no impact on shareholders' equity. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on financial instruments held at each balance sheet date. All other variables were held constant.

| Increasing (decreasing) in Libor interest rates for all maturities, in percent | Position as of March 31, 2010 | | Position as of March 31, 2009 | |
|--|---|-----------------------------------|---|-----------------------------------|
| | Effect on income before tax (R\$ million) | Effect on equity (R\$ million) | Effect on income before tax (R\$ million) | Effect on equity (R\$ million) |
| 10 | (0.1) | (0.0) | (0.2) | (0.0) |
| -10 | 0.1 | 0.0 | 0.2 | 0.2 |

f) Liquidity risk

Liquidity risk represents the risk of shortage of funds to pay off debts. To avoid mismatch of accounts receivable and accounts payable, the Company's cash management policy limits a maximum of 20% of its investments with maturities in the same month and the duration of the investments cannot exceed the duration of the Company's payment obligations.

The Company's off-balance sheet exposure represents the future obligations related to operating lease contracts and aircraft purchase contracts. The Company utilizes derivative financial instruments with first-tier banks for cash management purposes.

The table below presents the Company's contractual payments required on its financial assets and liabilities:

| Period ended March 31, | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter 2014 | Total |
|-----------------------------------|------------------|----------------|----------------|----------------|----------------|--------------------|------------------|
| Non-derivative Financial | | | | | | | |
| Assets | | | | | | | |
| Cash and Cash Equivalent..... | 1,439,077 | — | — | — | — | — | 1,439,077 |
| Financial assets..... | 36,860 | — | — | — | — | — | 36,860 |
| Restricted Cash..... | 19,211 | 25,138 | 6,235 | — | 1,142 | — | 51,726 |
| Trade and other receivables..... | 317,979 | — | — | — | — | — | 317,979 |
| Total | 1,813,127 | 25,138 | 6,235 | — | 1,142 | — | 1,845,642 |
| Non-derivative Financial | | | | | | | |
| Liabilities | | | | | | | |
| Interest-bearing borrowings: | | | | | | | |
| Finance leases | 167,205 | 223,318 | 220,809 | 219,948 | 219,948 | 1,082,218 | 2,133,446 |
| Floating rate loans | 209,981 | 117,303 | 117,842 | 112,254 | 100,721 | 12,596 | 670,697 |
| Fixed rate loans | 20,360 | — | — | — | — | 687,287 | 707,647 |
| Working capital | 187,341 | — | — | — | — | — | 187,341 |
| Total | 584,887 | 340,621 | 338,651 | 332,202 | 320,669 | 1,782,101 | 3,699,131 |
| Derivative Instruments—net | | | | | | | |
| settlement | | | | | | | |
| Fuel derivative..... | 15,310 | — | — | — | — | — | 15,310 |
| Foreign exchange derivative | 942 | — | — | — | — | — | 942 |
| Interest rate swaps | (5,475) | — | — | — | — | — | (5,475) |
| Total | 10,777 | — | — | — | — | — | 10,777 |
| | 2,408,791 | 365,759 | 344,886 | 332,202 | 321,811 | 1,782,101 | 5,555,550 |

g) *Capital management*

The leverage ratios at March 31, 2010 and December 31, 2009 were as follows:

| | March 31, 2010 | December 31, 2009 |
|--------------------------------------|--------------------|----------------------|
| Total equity | 2,637,962 | 2,609,986 |
| Cash and cash equivalents..... | (1,439,077) | (1,382,408) |
| Restricted cash | (19,211) | (18,820) |
| Other current financial assets | (37,802) | (40,444) |
| Loans and borrowings..... | 1,565,685 | 1,576,444 |
| Finance leases | 1,670,402 | 1,557,418 |
| Net debt(a) | 1,739,997 | 1,692,190 |
| Total capital(b)..... | 4,377,959 | 4,302,176 |
| Leverage ratio(a)/(b)..... | 40% | 39% |

As of March 31st, 2010 the Company remains committed in having cash and cash equivalents of approximately 20% of the last twelve months ("LTM") net revenues. The leverage ratio has no significant change from the year ended on December 31, 2009.

The Company leverage ratio results from the growth in retained earnings and reduction in net debt due to higher cash balances resulting from higher operating profits and financial operations.

27. Revenue by geographic segment

The Company operates domestic and international flights. Since the Company's aircraft fleet is flexibly employed across its route network in South America and Caribbean, there is no suitable basis of allocating such assets and related liabilities to geographical segments. Geographic information for net operating revenues by market was compiled based on passenger and cargo transportation provided by origin to final destination for VRG flights and is presented below:

| | <u>03/31/2010</u> | <u>%</u> | <u>03/31/2009</u> | <u>%</u> |
|--------------------|-------------------------|----------------------|-------------------------|-----------------|
| Domestic..... | 1,617,210 | 93.5% | 1,396,900 | 92.1% |
| International..... | 112,607 | 6.5% | 120,136 | 7.9% |
| Total | | | | 100.0 |
| | <u>1,729,817</u> | <u>100.0%</u> | <u>1,517,036</u> | <u>%</u> |

28. Non-cash transactions

During the period ended March 31, 2010, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The Company acquired R\$23,383 and disposed of R\$136,050 of pre-delivery deposits included in property, plant and equipment that was financed directly through PDP facility financing, as described in Note 16.
- The Company acquired R\$131,054 of aircraft and other equipment under a finance lease (R\$526,559 during the year ended, December 31, 2009).

29. Insurance

As of March 31, 2010 the insurance cover by nature, considering the aircraft fleet and related to maximum reimbursable amount denominated in US dollars, is as follows:

| <u>Type of Aircraft Insurance</u> | <u>Reais</u> | <u>US Dollar</u> |
|---|--------------|------------------|
| Guarantee for plane fuselage..... | 7,972,493 | 4,476,414 |
| Civil Liability per occurrence/aircraft | 3,116,750 | 1,750,000 |
| Inventories | 222,625 | 125,000 |

Based on law n. 10.744, of October 09, 2003, the Brazilian Government assumed the commitment for completion of eventual expenses related to civil responsibilities, caused by war acts or terrorist attempts against third parties, occurring in Brazil or other countries, in the case that the current insurance agreement is insufficient to cover the event.

27. Subsequent events

The dividends approved at the Board of Director's meeting on March 11, 2010 as described in Note 22 were paid April 16, 2010.

The capital increase approved at the same meeting on March 11, 2010 in the amount of R\$185,839 is in the process of being approved.

Due to the restructuring of the Company's administration, a complementary grant of 216,673 and 101,894 stock options related to 2009 and 2010, respectively, were approved. The condition of this grant is the same as that originally approved.

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