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OFFERING MEMORANDUM

US$ 200,000,000

VRG Linhas Aéreas S.A.

10.750% Senior Notes Due 2023
Unconditionally Guaranteed by Gol Linhas Aéreas Inteligentes S.A.

VRG Linhas Aéreas S.A., or the Issuer, is offering an aggregate principal amount of US$ 200,000,000 of 10.750% guaranteed senior notes due February 12, 2023, or the notes. Interest on the notes accrues at a rate of 10.750% per annum and will be payable semi-annually in arrears on February 12 and August 12, commencing on August 12, 2013. Unless previously redeemed or purchased and in each case cancelled, the notes will mature on February 12, 2023.

The notes are the Issuer's senior, unsecured, general obligations and rank *pari passu* in right of payment with all of its existing and future senior, unsecured, general obligations. Gol Linhas Aéreas Inteligentes S.A., or the Guarantor, unconditionally guarantees on a senior unsecured basis, all of the Issuer's obligations pursuant to the notes. The guarantee ranks *pari passu* in right of payment with the other unsecured unsubordinated indebtedness and guarantees of the Guarantor. The notes are effectively junior to the Issuer's and the Guarantor's secured debt to the extent of the assets and properties securing such debts.

The Issuer may redeem the notes, in whole or in part, at any time on or after February 12, 2018 at the applicable redemption prices set forth in this offering memorandum together with accrued and unpaid interest, if any. 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 were issued only in registered form in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

An investment in the notes involves risks. See "Risk Factors" beginning on page 13 for a discussion of certain risks you should consider in connection with an investment in the notes.

Issue Price: 98.506% plus accrued interest, if any, from February 12, 2013.

The notes (and guarantee) 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 February 12, 2013.

BB Securities **BofA Merrill Lynch** **Bradesco BBI** **Citigroup**

Offering Memorandum dated March 11, 2013.

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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. All references to "Guarantor" refer to GLAI. The terms "VRG" and "Issuer" refer to VRG Linhas Aéreas S.A., a wholly owned subsidiary of GLAI.

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 accounting practices adopted in Brazil, which include those accounting guidelines established in Brazilian corporation law (Law No. 6,404/76, as amended), which sets forth the accounting method required to be followed by Brazilian corporations and the changes introduced by Law No. 11,638/07 and Law No. 11,941/09, as amended, or the Brazilian Corporate Law, as well as the Pronouncements, Instructions and Interpretations issued by the Accounting Pronouncements Committee, or CPC, approved by the Brazilian Securities and Exchange Commission, or 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 regard 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, which if omitted 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 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. BB Securities Limited, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banco Bradesco BBI S.A., and Citigroup Global Markets Inc. 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 prepared. 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.

The notes may not be purchased or held by (i) any plan, program or arrangement subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") or comparable provisions of any federal, state, local or non-U.S. law or (ii) any person acting on behalf of or using

the assets of any such plan, program or arrangement, unless such purchase and holding is covered by the exemptive relief provided by (i) Prohibited Transaction Class Exemption ("PTCE") 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption. Any purchaser or holder of notes or any interest therein will be deemed to have represented by its purchase or holding thereof that either (i) it is not a plan, program or arrangement subject to ERISA, Section 4975 of the Code or substantially similar provisions of any federal, state local or non-U.S. law and it is not purchasing securities on behalf of or using the assets of any such plan, program or arrangement or (ii) such purchase and holding and any subsequent disposition of such notes is covered by the exemptive relief provided by (i) PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption. Prospective purchasers must carefully consider the restrictions on purchase set forth in "Transfer Restrictions" and "Certain ERISA Considerations."

See "Risk Factors" beginning on page 13 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, 2011, 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.

The notes are 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 are shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. We expect the Regulation S global notes, if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through the Euroclear, Clearstream or other participants. See "Form of Notes" for further discussion of these matters.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our audited consolidated statements of financial position as of December 31, 2011, 2010 and 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flow and for each of the three years ended December 31, 2011, which are incorporated by reference in this offering memorandum from our Annual Report on Form 20-F for the year ended December 31, 2011, have been prepared in *reais* and in accordance with IFRS, as issued by IASB.

Our unaudited consolidated interim financial information as of and for the nine-month periods ended September 30, 2012 and 2011, which are included elsewhere herein, have been prepared in *reais* and in accordance with technical pronouncement CPC 21 – Interim Financial Reporting and IAS 34 – Interim Financial Reporting, issued by IASB, as well as the presentation of such information in accordance with the standards issued by the CVM.

The operating results of Webjet Linhas Aéreas S.A., or Webjet, are consolidated in our financial statements as from October 3, 2011. All information in this offering memorandum reflects the acquisition of Webjet as from such date, unless otherwise indicated.

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$2.031 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of September 30, 2012, 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. Furthermore, information derived from financial statements have been translated into U.S. dollars for convenience purpose only, and as such, the criteria used did not followed the criteria established in International Accounting Standard, which we refer to as "IAS," No. 21, "The Effects of Changes in Foreign Exchange Rates." See "Exchange Rates" for more detailed information regarding the translation of *reais* into U.S. dollars.

We make statements in this offering memorandum about our competitive position and market share in, and the market size of, the Brazilian and international airline industries. We have made these statements on the basis of statistical 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 in the airline industry that are defined as follows:

- "Aircraft utilization" represents the average number of block-hours operated per day per aircraft for the total aircraft fleet.
- "Available seat kilometers" or "ASK" represents the aircraft seating capacity multiplied by the number of kilometers flown.
- "Average stage length" represents the average number of kilometers flown per flight.
- "Block-hours" refers to the elapsed time between an aircraft's leaving an airport gate and arriving at an airport gate.
- "Breakeven load factor" is the passenger load factor that will result in passenger revenues being equal to operating expenses.
- "Load factor" represents the percentage of aircraft seating capacity that is actually utilized (calculated by dividing revenue passenger kilometers by available seat kilometers).
- "Operating expense per available seat kilometer" or "CASK" represents operating expenses divided by available seat kilometers.

- "Operating expense excluding fuel expense per available seat kilometer" or "CASK - ex fuel" represents operating expenses less fuel expense divided by available seat kilometers.
- "Operating revenue per available seat kilometer" or "RASK" represents operating 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 a free translation of our quarterly reports (Form ITR as filed with CVM) containing unaudited financial data for the first three quarters of each fiscal year, which is furnished to the SEC under Form 6-K. We furnish quarterly financial statements with the SEC within two months of the end of each 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.

INCORPORATION BY REFERENCE

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

- Our Annual Report on Form 20-F for the year ended December 31, 2011, as filed with the SEC on April 11, 2012, or the 2011 20-F, except that we do not incorporate by reference the selected financial information for the years ended December 31, 2008 and 2007, included in "Item 3.—Key Information—A. Selected Financial Data" therein, which information is not deemed to be part of this offering memorandum and you expressly acknowledge that you will not rely on that information;
- Our Report on Form 6-K furnished to the SEC on November 14, 2012, relating to operational information for the month of October 2012;
- Our Report on Form 6-K furnished to the SEC on December 21, 2012, relating to operational information for the month of November 2012; and
- Our Report on Form 6-K furnished to the SEC on January 22, 2013, relating to operational information for the month of December 2012.

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

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

We will, at the office of the Luxembourg paying agent listed below, provide, without charge, a copy of this offering memorandum and a copy of any or all of the documents incorporated herein by reference, where such documents will be available free of charge to any interested person.

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
Luxembourg

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

The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect" and similar words are 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 guarantee 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, 2011, which is incorporated by reference in this offering memorandum and which includes our audited consolidated financial statements and related notes, and our unaudited consolidated interim financial information (ITR) as of and for the nine-month periods ended September 30, 2012 and 2011, included elsewhere herein. See "Introduction," "Presentation of Financial and Other Data" and "Item 3.A. Selected Financial Data–Exchange Rates" in our Annual Report on Form 20-F for the year ended December 31, 2011, for information regarding our consolidated financial statements, exchange rates, definitions of technical terms and other introductory matters.

Overview

We are one of the largest low-cost carriers in the world, according to the International Air Transport Association, or IATA, in terms of passengers transported in the first nine months of 2012, and the largest low-cost carrier in Latin America. We provide frequent service on routes connecting all of Brazil's major cities and from Brazil to major cities in South America and selected tourist destinations in the Caribbean and the U.S. With our young and standardized operating fleet of 127 Boeing 737-700/800s, or Boeing 737 aircraft, we serve the most comprehensive network 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, other South American countries and select destinations in the Caribbean and the U.S. Our strategy is to increase our market share by attracting new passengers and business travelers as well as to diversify our revenue portfolio through our consolidated flight network, a modern aircraft fleet, targeted marketing and our loyalty program *Smiles* (one of the largest loyalty programs in Latin America with more than 8.9 million members and more than 150 partners, as of September 30, 2012), a variety of attractive ancillary businesses (cargo and other) such as our air cargo services (*Gollog*), and various payment mechanisms designed to make the purchase of our tickets easier for customers in lower income classes. Passenger transportation revenues represented 88.3% and ancillary revenues represented 11.7% of our net revenues of R$5,984 million for the nine-month period ended September 30, 2012.

As of the date of this offering memorandum, we offer approximately 900 daily flights to 65 destinations connecting the most important cities in Brazil as well as key destinations in Argentina, Bolivia, Paraguay, Uruguay, Venezuela, the U.S. and the Caribbean region. 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 to new markets with high potential (for example, in the U.S. and Caribbean region), all of which can be reached with our Boeing 737 Next Generation (NG) aircraft.

Financial and Operating Data Highlights

Operating Data	Year Ended December 31,			Nine-month Period Ended September 30,	
	2009	2010	2011	2011	2012
Passenger revenue per available seat kilometer (R$ cents)	13.1	13.7	13.4	13.1	13.4
Available seat kilometers—ASK (in million)	40,355	45,937	50,127	35,989	39,482
Load factor (%)	63.6%	66.7%	68.7%	69.7%	70.4%
Yield per passenger kilometer (R$ cents)	20.7	20.5	19.5	18.8	19.0
Utilization rate (block-hours per day)	11.6	12.9	13.0	13.4	12.2
Average operating fleet	108.7	112.3	133.6	110.3	132.8
Operating revenue per available seat kilometer (R$ cents)	14.9	15.2	15.0	14.7	15.2
Operating expense per available seat kilometer (R$ cents)	13.9	13.7	15.5	15.3	16.5

Financial Data	Year Ended December 31,			Nine-month Period Ended September 30,	
	2009	2010	2011	2011	2012
	(in millions of *reais*, except where stated otherwise)				
Operating revenues	**6,025.4**	**6,979.4**	**7,539.3**	**5,305.8**	**5,984.1**
Operating expenses	(5,612.1)	(6,281.7)	(7,783.8)	(5,516.4)	(6,532.1)
Operating income (loss)	**413.3**	**697.8**	**(244.5)**	**(210.6)**	**(548.0)**
Operating margin (%)[1]	6.9%	10.0%	(3.2)%	(4.0)%	(9.2)%
Income (loss) for the period	**890.8**	**214.2**	**(751.5)**	**(805.8)**	**(1,065.8)**
Non-GAAP Measures					
Total debt [2]	3,133.9	3,741.1	4,991.4	4,724.0	5,259.5
Total cash [3]	1,448.9	2,013.0	2,348.5	2,187.4	1,879.2
Net debt [4]	1,685.0	1,728.1	2,642.9	2,536.6	3,380.2
EBITDAR [5]	1,206.8	1,535.0	656.4	410.3	301.7
EBITDAR margin (%)[6]	20.0%	22.0%	8.7%	7.7%	5.0%
Total debt/EBITDAR[2][7]	2.6x	2.4 x	7.6x	5.3x	9.6x
Net debt/EBITDAR[4][7]	1.4x	1.1 x	4.1x	2.9x	6.2x

(1) Operating income (loss) divided by operating revenues.

(2) Total debt is comprised of short-term debt plus long term debt. Total debt as so presented is a non-GAAP accounting measure prepared by us that we believe to be a useful measure. Total debt does not have a standardized meaning and different companies may use different definitions. Therefore our definition of total debt may not be comparable to the definition of total debt or other similar measures used by other companies.

(3) Total cash is comprised of cash and cash equivalents, restricted cash (current and non-current), short-term investments and long-term investments. Total cash as so presented is a non- GAAP accounting measure prepared by us that we believe to be a useful measure. Total cash does not have a standardized meaning and different companies may use different definitions. Therefore our definition of total cash may not be comparable to the definition of total cash or other similar measures used by other companies.

(4) Net debt, which is comprised of short-term plus long-term debt, less total cash.

(5) 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 is a useful indicator of airline operating performance. A substantial amount of aircraft is leased, representing a material cost item. EBITDAR therefore indicates the capacity to cover such costs, as well as facilitating comparisons with other companies in the sector. For a reconciliation of EBITDAR to our net income (loss), see "Summary Financial and Other Information."

(6) EBITDAR divided by operating revenues.

(7) For the nine-month periods ended September 30, 2012 and 2011, the calculation considered the EBITDAR for the previous twelve months.

Our Competitive Strengths

We Have a Strong Market Position Based on Slots at the Most Important Airports in Brazil. Since 2007, we have been the carrier with the most flights connecting the busiest airports in Brazil: Congonhas and Guarulhos (São Paulo), Santos Dumont and Galeão (Rio de Janeiro), Juscelino Kubitschek (Brasília), Confins (Belo Horizonte), 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 strong yields achieved mostly from business travelers.

We Keep Our Operating Costs Low. Our operating expense per available seat kilometer (CASK) ex-fuel for the nine-month period ended September 30, 2012 was R$9.43 cents. We believe that our CASK for the nine-month period ended September 30, 2012, adjusted for the average number of kilometers flown per flight, or adjusted by stage length, was the lowest in the domestic market and among Latin American 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 September 30, 2012, our operating fleet of 127 Boeing 737 aircraft was one of Latin America's largest and youngest fleets, with an average age of 7.4 years. Having a young fleet reduces fuel costs due to the more advanced technologies incorporated in newer aircraft. We plan to keep our

operating fleet exclusively comprised of Boeing 737 aircraft, until the arrival of our newly ordered Boeing 737 Max-7/8 aircraft (the newest iteration of our current aircraft), which we expect will be delivered beginning in 2018. 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.

- *State of the art maintenance.* We carry out heavy maintenance on our Boeing 737 aircraft internally at our IOSA (IATA Operational Safety Audit) certified Aircraft Maintenance Center at the Tancredo Neves International Airport located in Confins, in the State of Minas Gerais. Since April 2012, our Aircraft Maintenance Center has also been certified by ANAC to provide conventional and electrostatic painting, weighing and recalibration services for aircraft owned or operated by other airlines. With our system of phased maintenance for our Boeing 737 fleet, we are able to perform maintenance work every day without sacrificing aircraft revenue time, and schedule preventative maintenance with more regularity and without interrupting the utilization of our aircraft, which further dilutes fixed costs.
- *We have one of the largest e-commerce platforms in Brazil.* Our effective use of technology helps to keep our costs low and our operations highly scalable and efficient. We seek to keep our distribution channels streamlined and convenient so as to allow our customers to interact with us via the Internet. In the nine-month period ended September 30, 2012, we booked 89.2% of our ticket sales through a combination of our website and application programming interface, or API, systems, 5.5% through our call center and 5.3% through Global Distribution System, or GDS. In addition, our customers can check in using kiosks, online and through mobile devices, which in the nine-month period ended September 30, 2012 represented 55% of all check-ins, an increase of 20p.p. versus the same period in 2011.

We Have One of the Largest Loyalty Programs in Latin America. Since the VRG acquisition in April 2007, we have had a loyalty program (*Smiles*), which is available to all our passengers and which we consider a strong relationship tool. As of January 2013 our *Smiles* program was effectively segregated into a separate entity and we are analyzing a potential initial public offering of *Smiles*. See "—Recent Developments—Smiles." 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 them for co-branded credit cards. It supports partnerships with more than 150 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. The *Smiles* loyalty program had over 8.9 million members at September 30, 2012.

We Stimulate Demand for Our Service. We believe that through our differentiated services we create demand for air travel services. We identify and stimulate demand among both business and leisure passengers for air travel that is safe, convenient, simple and 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, punctuality and regularity as well as strengthened customer loyalty. As a consequence, we have been able to attract new groups of air travelers in our markets.

We Have Strong Brand Recognition. We believe that the Gol brand has become synonymous with innovation and value in the airline industry. Our customers identify Gol as being safe, accessible, friendly, fair, intelligent and reliable and distinguish Gol in Brazil's domestic airline industry on the basis of its modern and simplified approach to air travel services. Our *Smiles* and *Gollog* brands and our website provide valuable customer recognition in various businesses and create a tool for brand diversification for us.

We Have a Strong Cash Position. We believe that a strong cash position is among the keys to our success. Our strong cash position (composed by cash and cash equivalents, current and non-current restricted cash and short term investments) increases our capacity to establish partnerships, negotiate with suppliers and mitigate the impact of volatility in the financial markets on our results, to strengthen our financial resilience and to ensure the execution of our growth strategy. We are also committed to maintaining a low amount of financial debt (excluding finance leases) coming due within any three-year horizon.

We Have High Corporate Governance Standards and Proven Management. We have three independent board members and one board member who is nominated by Delta Air Lines Inc., or Delta, pursuant to our partnership agreement. Our top managers have broad experience in many sectors of the Brazilian economy, including air and ground transportation,

telecommunications and consumer products. This experience has helped us to develop the most effective elements of our low-cost model and we expect will help us further penetrate the Brazilian middle-class and generate ancillary revenues.

Our Strategies

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

Capitalize on Our Strong Market Position in Brazil and Latin America. We intend to capitalize on our strong market position, with our widespread brand recognition, the greatest number of routes and highest frequencies between the most important airports in Brazil, our consolidated flight network and our *Smiles* loyalty program, to increase penetration across all segments of travelers. We will focus on Brazilian operations and selected South American destinations. We will also consider new routes to foreign markets with high growth potential (for example, in the U.S. and Caribbean region), 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 believe that establishing partnerships and alliances with other airlines will be a key factor to our success. In this environment we intend to play a leading role in the Latin American airline industry and to strengthen our position as a long-term player in the face of potential consolidations of the industry.

Improve Operating Efficiency and Financial Resilience. Reducing our operating expense per available seat kilometer and adjusting capacity are key to improving our profitability. We aim to maintain our position as one of the lowest cost airlines in the world. We intend to adjust our strategy to focus on more profitable routes and to further reduce the average age of our fuel-efficient fleet, to ensure we are responsive to current market conditions while maintaining high utilization rates. Our aircraft utilization rate was 12.2 block-hours per day in the nine-month period ended September 30, 2012, as compared to 13.4 block-hours per day in the nine-month period ended September 30, 2011, and to 13.0 block-hours, 12.9 block-hours and 11.6 block-hours per day in 2011, 2010 and 2009, respectively.

We seek 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 flights per aircraft. We will continue to utilize technological innovations wherever possible to reduce our distribution costs and improve our operating efficiency.

Furthermore, we seek to strengthen our balance sheet and meet financial targets that will allow us to improve our financial resilience, which we believe will facilitate the implementation of our growth strategy. We currently seek to maintain an adequate cash position and to lengthen the maturity profile of our financial liabilities, avoiding the concentration of significant debt maturities over the next three years.

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 U.S. and Caribbean. We are committed to providing air travel to a wide range of travelers. We will continue to offer products across all traveler segments, offering convenient and flexible alternatives to business travelers while still making low-fare flights more accessible to a larger portion of the population, through the following measures:

- *Increased focus on business travelers*. We intend to maintain our high punctuality and regularity rates, respectively 93.5% and 95.8% in the first nine months of 2012, along with our network with the most flights connecting the busiest airports in Brazil, which are all key drivers in the purchase decision of business travelers. In addition, we offer higher-rate fares that allow flexibility to reschedule or cancel tickets with little advance notice and no additional costs, higher mileage multiplier in our *Smiles* program and, in São Paulo – Rio de Janeiro shuttle flights, comfort seats.
- *Stimulating demand.* Our widely available service is also 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. The Brazilian middle class has grown significantly in the last few years, from 66 million in 2003 to 105 million in December 2011, according to *Fundação Getúlio Vargas*, or FGV, and the Brazilian Geographical and Statistical Institute (*Instituto Brasileiro de Geografia e Estatística*), or IBGE.
- *Overhubbing*. We estimate that between 40% and 50% of our passengers are connecting to other flights operated by us and, as a result, we may expand our network by adding capacity or creating new direct flights between two given

cities, avoiding the need to connect through a third city. This may also help us to increase our flights and the number of passengers we transport despite current limitations on slot availability in Brazil's busiest airports.

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

- *Separate entity*. On December 21, 2012, we approved the segregation of the activities related to our *Smiles* loyalty program, which began to be conducted by Smiles S.A., a recently incorporated subsidiary, as of January 1, 2013. We believe that segregating the *Smiles* program will allow us to have a fully dedicated management team to pursue all business opportunities from the growth of this market in Brazil.
- *New Products*. In 2012, we launched, among others: (i) an online platform allowing members to redeem tickets in partner airlines though our website; (ii) miles purchase program, creating an alternative for members to supplement their balance and adding to our revenues; and (iii) *Smiles* Shopping, a platform through which clients can use miles to acquire not only air tickets, but also approximately 300,000 new product and service options distributed through several partners.
- *Partnerships*. Fostering existing and new partnerships with large international airlines, in the form of code-share arrangements, financial institutions, retail chain-stores, car rental and insurance companies, among others, offer our *Smiles* members more opportunities to earn and redeem miles.

Expand our airline partnerships. We believe we have the best platform to expand our customer base in the markets in which we operate through partnerships. We intend to strengthen our existing airline 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. We have a strategic MRO (maintenance, repair and operations) partnership agreement with Delta TechOps, the maintenance division of Delta. Delta TechOps provides certain engine overhaul, aircraft maintenance and maintenance consulting services and is also assisting us with our efforts to secure FAA (Federal Aviation Administration) certification for our maintenance center. We assist Delta with certain line maintenance services for Delta aircraft with extended ground time in Brazil. As of September 30, 2012, we had 65 interline agreements and 6 code-share agreements, with: Delta Airlines, Iberia, KLM, Air France, Qatar Airways and Copa Airlines.

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

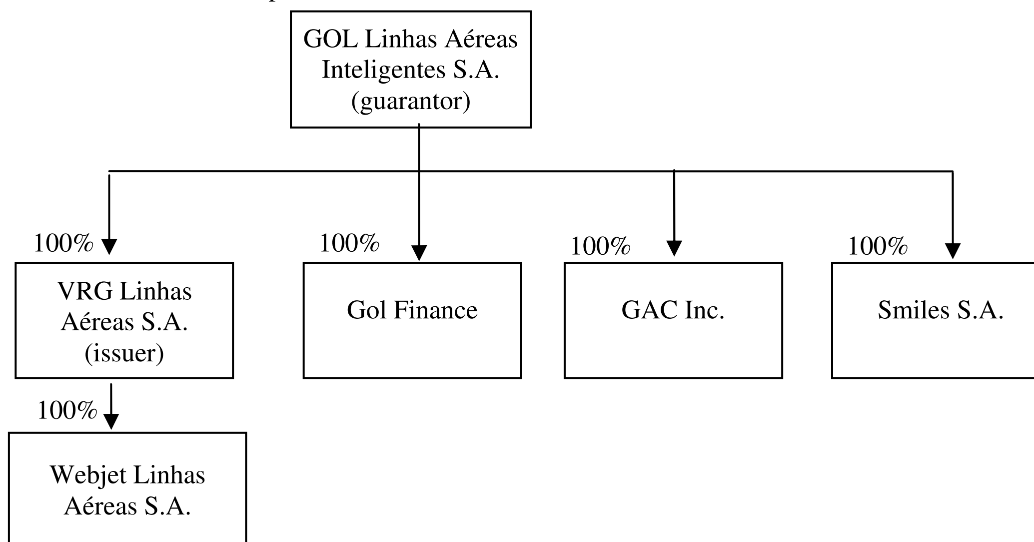
- *Focusing on express delivery services.* Through *Gollog*, our cargo transportation service, we make efficient use of extra capacity in our aircraft by carrying cargo. With a comprehensive service portfolio, express delivery accounted for approximately 25% of our cargo revenue in the first nine months of 2012.
- *Continuously innovating and introducing new businesses to the Brazilian market.* We have a strong track record of innovation and introduction of new business practices in Brazil. For example, in June 2009, we introduced the sale of beverages and food on board (buy on board) in Brazil, generating ancillary revenue without increasing our cost structure or fare price, and we were the first airline in Brazil to allow passengers to check-in entirely by mobile phone and the first to permit check-in on domestic flights via iPhone for passengers without checked baggage, simplifying customers' traveling.

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 carrier 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 and South America and selected destinations in the U.S. and Caribbean. VRG's business was acquired by the Company on April 9, 2007 and VRG's financial and operating data are included in our consolidated financial statements. For more information on the acquisition of VRG see note 1 to our financial statements for the year ended December 31, 2011. As of the date of this offering memorandum, VRG's authorized share capital, fully subscribed and paid in, is R$2,294,193,379 divided into 3,002,248,156 shares, of which 1,977,724,920 are Class A common shares, 170,753,871 are Class B common shares and 853,769,365 are preferred shares, all of them registered with no par value. Class A common shares may only be held by Brazilian citizens and Class B common shares cannot be converted into Class A common shares and cannot exceed 20.0% of all of VRG's issued common shares.

Corporate Structure

The chart below describes our corporate structure:



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.

Recent Developments

Webjet

On October 10, 2012, the Brazilian Antitrust Authority, or CADE, approved, without restrictions, the acquisition of Webjet Linhas Aéreas S.A., or Webjet, by VRG. The approval was subject to the execution of a term of undertaking (*Termo de Compromisso de Desempenho*) among VRG, Webjet and CADE whereby we have agreed to maintain a minimum regularity rate of 85% on scheduled flights in the Santos Dumont airport, in Rio de Janeiro. We retained all of the VRG and Webjet capacity in this airport.

On November 23, 2012, we began the process of winding up Webjet's activities and the consequent discontinuation of its brand. The first step adopted was to cease all Webjet flights. Webjet's passengers were absorbed by us and we became responsible for all air transport and associated services for these passengers. We estimate the return of all 20 Webjet's Boeing 737-300 aircraft by the end of the first half of 2013, 16 of which will be returned in the first quarter. As a result, we estimate additional costs of approximately R$140 million in the fourth quarter of 2012 in connection with Webjet's wind up. However, we expect that these measures will improve operational efficiency as of 2013.

On December 7, 2012, a Rio de Janeiro labor court issued an injunction requiring that we rehire all 850 Webjet employees laid off on November 23, 2012. We are pursuing alternatives to reverse this injunction, but in the meantime are still paying base salaries and benefits to these employees (which includes crew, pilots, co-pilots and maintenance employees).

Smiles

On December 21, 2012, we approved the segregation of the activities related to our *Smiles* loyalty program, previously managed by VRG, and which began to be conducted by Smiles S.A., a recently incorporated subsidiary, as of January 1, 2013. On February 1, 2013, we announced that we continue to analyze the possibility of carrying out an initial public offering (IPO) of Smiles S.A. and that we have selected banks in connection with this potential IPO. Although we have not yet made a definitive decision on the matter, on February 8, 2013 our board of directors will meet to discuss the matter. We cannot assure you when or if this transaction will be concluded.

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	VRG Linhas Aéreas S.A.
Guarantor	Gol Linhas Aéreas Inteligentes S.A.
Notes offered	US$ 200,000,000 aggregate principal amount of 10.750% senior notes due 2023.
Issue price	98.506% plus accrued interest, if any, from February 12, 2013.
Issue date	February 12, 2013
Maturity date	February 12, 2023
Interest payment dates	February 12 and August 12 of each year, commencing on August 12, 2013
Interest	The notes bear interest from February 12, 2013 at the annual rate of 10.750%, payable semi-annually in arrears on each interest payment date.
Guarantee	The Guarantor unconditionally guarantees on an unsecured unsubordinated basis, all of the Issuer's obligations pursuant to the notes.
Ranking	The notes are unsecured and rank equally with the other unsecured indebtedness the Issuer may incur. The guarantee ranks equally in right of payment with the other unsecured indebtedness and guarantees of the Guarantor. The notes are effectively junior to the Issuer's and the Guarantor's secured indebtedness to the extent of the assets and property securing such debts. Under Brazilian law, holders of the notes will not have any claim whatsoever against the Guarantor's non-guarantor subsidiaries. See "Description of Notes—Ranking." As of September 30, 2012, we had R$4,644.5 million (US$2,287.3 million) of consolidated long-term debt, of which R$309.1 million (US$152.2 million) was secured debt (which does not include finance leases).
Optional redemption	The Issuer may redeem the notes, in whole or in part, at any time on or after February 12, 2018 at the applicable redemption prices set forth in this offering memorandum together with accrued and unpaid interest, if any.
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 taxes as set forth under "Taxation." The Issuer, in respect of the notes, and the Guarantor, in respect of the guarantee, 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 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 Guarantor or any other of the Guarantor's present or future subsidiaries participate in a highly leveraged transaction. The terms of the notes do not permit the Issuer and the Guarantor 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 Guarantor, as the case may be, complies 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	The notes and the indenture contain certain events of default, consisting of, among others, the following: • 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 Guarantor's covenants with such failure continuing for either 30 or 60 days, after written notice has been delivered to the Issuer and the Guarantor; • any indebtedness of the Issuer, the Guarantor 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. For a full description of the Events of Default, see "Description of Notes—Events of Default."

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$ 195.0 million and will be primarily used for the pre-payment of existing debt maturing in the next three years and for general corporate purposes.
Form and denomination; settlement	The notes are in fully registered form without interest coupons attached, only in denominations of US$200,000 and in integral multiples of US$1,000 in excess thereof. The notes were 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, *Société Anonyme* and trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form are not 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."
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 guarantee and the notes are governed by the laws of the State of New York.
Trustee, transfer agent and registrar	The Bank of New York Mellon.
Principal paying agent	The Bank of New York Mellon.
Luxembourg listing agent, paying agent and transfer 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."
Risk factors	See "Risk Factors" and the other information in this offering memorandum before investing in our notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following table presents a summary of 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, 2011, which is incorporated by reference in this offering memorandum and our unaudited consolidated interim financial information (ITR) as of and for the nine-month periods ended September 30, 2012 and 2011, included elsewhere herein. For information on the financial statements of VRG see note 30 to our annual audited consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2011.

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 September 30, 2012, as reported by the Central Bank of R$2.031 to US$1.00 and should not be construed as implying that the criteria used followed the criteria established in International Accounting Standard, which we refer to as “IAS,” No. 21, “The Effects of Changes in Foreign Exchange Rates.”

Summary Financial and Operating Data

	Year Ended December 31,				**Nine-Month Period Ended September 30,**		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
				(in thousands)			
Income Statement Data:							
Operating revenues:							
Passenger	R$5,306,530	R$6,277,657	R$6,713,029	US$3,305,934	R$4,715,005	R$5,286,304	US$2,603,321
Cargo and other	718,852	701,790	826,279	406,914	590,755	697,760	343,623
Total operating revenues	**6,025,382**	**6,979,447**	**7,539,308**	**3,712,847**	**5,305,760**	**5,984,064**	**2,946,944**
Operating expenses:							
Salaries	(1,100,953)	(1,252,402)	(1,560,436)	(768,461)	(1,112,863)	(1,181,149)	(581,675)
Aircraft fuel	(1,813,104)	(2,287,410)	(3,060,665)	(1,507,271)	(2,145,299)	(2,808,696)	(1,383,185)
Aircraft rent	(650,683)	(555,662)	(505,058)	(248,724)	(349,397)	(477,601)	(235,202)
Sales and marketing	(364,551)	(367,757)	(402,568)	(198,251)	(293,160)	(305,749)	(150,571)
Landing fees	(312,637)	(331,882)	(395,249)	(194,646)	(281,804)	(423,027)	(208,326)
Aircraft and traffic servicing	(381,721)	(430,521)	(484,642)	(238,669)	(343,752)	(388,813)	(191,477)
Maintenance, materials and repairs	(417,212)	(422,950)	(434,181)	(213,819)	(298,924)	(251,002)	(123,610)
Depreciation and amortization	(142,853)	(281,604)	(395,807)	(194,921)	(271,487)	(372,159)	(183,275)
Other operating expenses	(428,376)	(351,464)	(633,634)	(312,043)	(419,678)	(323,908)	(159,513)
Gain on bargain purchase	–	–	88,428	43,548			
Total operating expenses	**(5,612,090)**	**(6,281,652)**	**(7,783,812)**	**(3,833,257)**	**(5,516,364)**	**(6,532,104)**	**(3,216,834)**
Income (loss) from operations before income (expense)	413,292	697,795	(244,504)	(120,410)	(210,604)	(548,040)	(269,891)
Interest expense	(288,112)	(297,256)	(414,430)	(204,092)	(285,337)	(334,791)	(164,873)
Financial income (expense), net	630,956	(14,043)	(341,484)	(168,169)	(400,315)	(216,464)	(106,601)
Income (loss) before income taxes and social contribution	756,136	386,496	(1,000,418)	(492,671)	(896,256)	(1,099,295)	(541,365)
Income taxes	134,696	(172,299)	248,880	122,565	90,449	33,462	16,479
Net income (loss)	**890,832**	**214,197**	**(751,538)**	**(370,106)**	**(805,807)**	**(1,065,833)**	**(524,886)**

	As of December 31,				Nine-Month Period Ended September 30,		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
Balance Sheet Data:				(in thousands)			
Cash and cash equivalents	R$1,382,408	R$1,955,858	R$1,230,287	US$605,874	R$1,302,673	R$1,050,557	US$517,363
Short-term investments	40,444	22,606	1,009,068	496,931	163,176	662,227	326,124
Trade receivables[1]	519,308	303,054	354,134	174,399	326,634	380,978	187,618
Deposits	855,569	715,377	630,599	310,548	691,749	623,758	307,179
Total assets	8,720,120	9,063,847	10,655,141	5,247,287	9,632,749	9,404,671	4,631,474
Short-term debt	591,695	346,008	1,552,440	764,523	441,600	614,967	302,850
Long-term debt	2,542,167	3,395,080	3,439,008	1,693,592	4,282,443	4,644,482	2,287,246
Shareholders' equity	2,609,986	2,929,169	2,205,911	1,086,335	1,997,371	1,175,483	578,885

	Year Ended December 31,				Nine-Month Period Ended September 30,		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
Other Financial Data:			(in thousands, except percentages)				
Operating margin[2]	6.9%	10.0%	(3.2)%	(3.2)%	(4.0)%	(9.2)%	(9.2)%
Net cash provided by (used in) operating activities	R$457,259	R$723,897	R$(602,520)	US$(296,720)	R$216,768	R$315,903	US$155,571
Net cash provided by (used in) investing activities	5,422	(279,459)	(469,168)	(231,049)	(1,012,235)	(518,843)	(255,512)
Net cash provided by (used in) financing activities	769,238	139,900	354,547	174,602	143,793	24,561	12,095

Summary Operational Data

	Year Ended December 31,			Nine-Month Period Ended September 30,	
	2009	**2010**	**2011[4]**	**2011**	**2012**
Operating Data:					
Revenue passengers (in thousands)	28,410	32,915	36,220	26,215	29,852
Revenue passenger kilometers (in millions)	25,669	30,649	34,415	25,066	27,777
Available seat kilometers (in millions)	40,355	45,937	50,127	35,989	39,482
Load-factor	63.6%	66.7%	68.7%	69.65%	70.35%
Break-even load-factor	59.2%	60.0%	70.9%	72.41%	76.80%
Aircraft utilization (block-hours per day)	11.6	12.9	13.0	13.4	12.2
Average fare	191	191	185	179.9	177.1
Yield per passenger kilometer (cents)	20.7	20.5	19.5	18.8	19.0
Passenger revenue per available seat kilometer (cents)	13.1	13.7	13.4	13.1	13.4
Operating revenue per available seat kilometer (cents)	14.9	15.2	15.0	14.7	15.2
Operating expense per available seat kilometer (cents)	13.9	13.7	15.5	15.3	16.5
Operating expense less fuel expense per available seat kilometer (cents)	9.4	8.7	9.4	9.4	9.4
Departures	273,602	295,160	314,190	229,734	267,021
Departures per day	750	811	861	909	874
Destinations served	59	59	63	63	62
Average stage length (kilometers)	890	907	908	909	874
Average number of operating aircraft during period	108.7	112.3	133.6	110.3	132.8
Full-time equivalent employees at period end	17,963	18,776	20,525	18,606	18,356
Fuel liters consumed (in thousands)	1,291,412	1,465,299	1,591,917	1,134,715	1,265,736
Percentage of sales through website during period[3]	92.4%	88.1%	88.4%	88.7%	89.2%
Percentage of sales through website and call center during period	98.7%	95.1%	94.5%	94.4%	94.8%

(1) Trade and other receivables related to receivables from credit card administrators, travel agencies, installment sales from the Voe Fácil 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.

(2) Operating margin represents operating income (loss) before financial results divided by operating revenues.

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

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

	Year Ended December 31,			Nine-Month Period Ended September 30,	
	2009	**2010**	**2011**	**2011**	**2012**
Reconciliation of Income (loss) to EBITDAR:			**(in thousands)**		
Income (loss) for the period	R$890,832	R$214,197	R$(751,538)	R$(805,807)	R$(1,065,833)
Income taxes	(134,696)	172,299	(248,880)	(90,449)	(33,462)
Income (loss) before income taxes	756,136	386,496	(1,000,418)	(896,256)	(1,099,295)
Financial income (expenses) net	(342,844)	311,299	755,914	685,652	551,255
Depreciation and amortization	142,853	281,604	395,807	271,487	372,159
Aircraft rent	650,683	555,645	505,058	349,397	477,601
EBITDAR[1]	1,206,828	1,535,044	656,361	410,280	301,720
EBITDAR Margin[2]	20.0%	22.0%	8.7%	7.7%	5.0%

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(1) 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 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.

(2) EBITDAR divided by operating revenues.

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks described below and should also read and consider the risk factors set forth in our Annual Report on Form 20-F for the year ended December 31, 2011, 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 Guarantee

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

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

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

The notes and the guarantee constitute unsecured unsubordinated obligations of the Issuer and the Guarantor and rank equal in right of payment with all of the other existing and future unsecured unsubordinated indebtedness of the Issuer and the Guarantor, respectively. Although the holders of the notes 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, including our recently incorporated subsidiary Smiles S.A., for which we are analyzing the possibility of carrying out an IPO. If we conclude an IPO for Smiles, the portion of dividends, if any, allocated to the non-controlling investors will not be available for distribution to the Guarantor. See "Summary–Recent Developments–Smiles." In addition, under Brazilian law, the obligations of the Issuer and the Guarantor under the notes and the guarantee 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 Issuer's and the Guarantor's liquidation, such statutory preferences will have preference over any other claims, including claims by any holder of the notes.

As of September 30, 2012, we had R$4,644.5 million (US$2,287.3 million) of consolidated long-term debt, of which R$309.1 million (US$152.2 million) was secured debt (which does not include finance leases).

Judgments of Brazilian courts enforcing the Issuer's and the Guarantor's 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 Issuer and Guarantor under the notes or the guarantee, the Issuer and Guarantor would not be required to discharge such obligations in a currency other than *reais*. Any judgment obtained against the Issuer and the Guarantor in Brazilian courts in respect of any payment obligations under the notes or the guarantee 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.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

EXCHANGE RATES

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

The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Most recently, the *real* was R$1.566 per US$1.00 in August 2008. Primarily as a result of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R$2.337 per US$1.00, at year end 2008. In 2009 and 2010, the *real* appreciated against the U.S. dollar and reached R$1.666 per US$1.00 at year end 2010. During 2011, the *real* depreciated and on December 31, 2011, the exchange rate was R$1.876 per US$1.00. During 2012, the *real* continued to depreciate, reaching R$2.031 per US$1.00 as of September 30, 2012 and R$2.044 per US$1.00 as of December 31, 2012. The exchange rate was R$1.988 per US$1.00 as of January 31, 2013.

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

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

	Period-End	Average for Period [1]	Low	High
	(*reais* per U.S. dollar)			
Year				
2008	2.337	1.836	1.559	2.500
2009	1.741	1.994	1.702	2.422
2010	1.666	1.759	1.655	1.881
2011	1.876	1.675	1.535	1.902
2012	2.043	1.955	1.702	2.112

	Month-End	Average for Month [2]	Low	High
	(*reais* per U.S. dollar)			
Month				
August 2012	2.037	2.029	2.017	2.051
September 2012	2.030	2.028	2.013	2.039
October 2012	2.031	2.030	2.022	2.038
November 2012	2.107	2.068	2.031	2.107
December 2012	2.043	2.078	2.043	2.112
January 2013	1.988	2.018	1.988	2.047

Source: Central Bank

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

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

The rate used to translate *real* amounts contained in this offering memorandum into U.S. dollars was R$2.031 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of September 30, 2012, as reported by the Central Bank.

RECENT DEVELOPMENTS

Interim Consolidated Statement of Operations

The following discussion should be read in conjunction with our unaudited interim consolidated financial information (ITR) and related notes as of September 30, 2012 and for the nine-month periods ended September 30, 2012 and 2011 included elsewhere herein. 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 unaudited interim consolidated statement of operations for the nine-month period ended September 30, 2012 and 2011.

	Nine-Month Period Ended September 30,	
	2011	**2012**
	(in thousands of *reais*)	
Operating revenues:		
Passenger	4,715,005	5,286,304
Cargo and other	590,755	697,760
Total operating revenues	**5,305,760**	**5,984,064**
Operating expenses:		
Salaries	(1,112,863)	(1,181,149)
Aircraft fuel	(2,145,299)	(2,808,696)
Aircraft rent	(349,397)	(477,601)
Sales and marketing	(293,160)	(305,749)
Landing fees	(281,804)	(423,027)
Aircraft and traffic servicing	(343,752)	(388,813)
Maintenance, materials and repairs	(298,924)	(251,002)
Depreciation and amortization	(271,487)	(372,159)
Other operating expenses	(419,678)	(323,908)
Total operating expenses	**(5,516,364)**	**(6,532,104)**
Operating loss before financial results	**(210,604)**	**(548,040)**
Financial income (expenses):		
Financial expense	(633,416)	(585,880)
Financial income	327,371	301,067
Exchange variation	(379,607)	(266,442)
Loss before income taxes	**(896,256)**	**(1,099,295)**
Income taxes	90,449	33,462
Loss for the period	**(805,807)**	**(1,065,833)**

Overview

In the nine-month period ended September 30, 2012, our total revenue passenger kilometers (RPK) increased by 10.8% as compared to the nine-month period ended September 30, 2011, mainly due to the consolidation of Webjet's fleet and route network since the last quarter of 2011. On the other hand, Gol's RPK (excluding Webjet figures) decreased by 3.9% as compared to the nine-month period ended September 30, 2011, mainly due to the slowing of Brazil's economy as measured by year-over-year GDP growth.

Demand in Brazil, as measured in revenue passenger kilometers (RPK), increased by 7.3% in the nine-month period ended September 30, 2012 when compared to the nine-month period ended September 30, 2011. International demand in revenue passenger kilometers was stable in the same period and capacity in Brazil, as measured by available seat kilometers (ASK), increased by 5.5%. These modest growth figures reflect a reduction of flights in our route network, an industry-wide response to new cost levels, sluggish Brazilian GDP growth and a changing focus towards route profitability. In September

2012, domestic supply fell by 2.1% as compared to September 2011. September, traditionally a month of increased travel, experienced its first decrease in supply since 2003.

Throughout 2012, we concentrated on adapting our operations to the current macroeconomic scenario, becoming a more efficient airline by adjusting domestic capacity and focusing on established, profitable routes. In the third quarter of 2012, this strategy began to yield results, such as a 2.4% increase in load factor and a 3.4% increase in passenger revenue per available seat kilometer (PRASK) over third quarter 2011 figures. Also in the third quarter of 2012, our pro-forma domestic supply fell by 8.4% as compared to the third quarter of 2011 (including Webjet's 2011 figures), contributing to a 2.2% increase in the domestic load factor.

In the nine-month period ended September 30, 2012, our pro-forma domestic supply decreased by 1.6% as compared to the nine-month period ended September 30, 2011 (including Webjet's 2011 figures). Domestic demand (considering Webjet's figures for 2011) decreased by 1.9%, due to our strategy of increased route efficiency implemented during 2012. In the international market, demand and capacity decreased by 3.5% and 7.4%, respectively, primarily due to the discontinuation of flights to Bogotá, Colombia, and the winding down of international charter flights using Boeing 767 aircraft.

In the same period, our total demand and capacity (considering Webjet's figures for 2011) experienced decreases of 2.0% and 2.1%, respectively, primarily in response to new industry cost levels and sluggish Brazilian GDP growth.

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

	Nine-Month Period Ended September 30,		
Operating Data	**2011**	**2012**	**Chg.%**
Revenue passengers (in thousands)	26,215	29,852	13.9%
Revenue passenger kilometers (RPK) (in millions)	25,066	27,777	10.8%
Available seat kilometers (ASK) (in millions)	35,989	39,482	9.7%
Load factor	69.6%	70.4%	0.7%
Break-even load factor	72.4%	76.8%	4.4%
Aircraft utilization (block-hours per day)	13.4	12.2	(8.7)%
Average fare (R$)	179.9	177.1	(1.5)%
Yield per passenger kilometer (R$ cents)	18.8	19.0	1.2%
Passenger revenue per ASK (R$ cents)	13.1	13.4	2.2%
Operating revenue per ASK (RASK) (R$ cents)	14.7	15.2	2.8%
Operating expense per ASK (CASK) (R$ cents)	15.3	16.5	7.9%
Operating cost excluding fuel per ASK (R$ cents)	9.4	9.4	0.7%
Departures	229,734	267,021	16.2%
Average stage length (km)	909	874	(3.9)%
Average number of operating aircraft	110.3	132.8	20.3%
Fuel consumption (in millions of liters)	1,135	1,266	11.5%
Full-time equivalent employees at period-end	18,606	18,356	(1.3)%

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

	Nine-Month Period Ended September 30,		
Economic Environment Data	**2011**	**2012**	**Chg.%**
Average exchange rate(1)	1.63	1.92	17.6%
End of period exchange rate(1)	1.85	2.03	9.5%
Inflation (IGP-M)(2)	11.3%	7.1%	(4.2)%
Inflation (IPCA)(3)	5.9%	3.8%	(2.1)%
WTI (avg. per barrel. US$)(4)	95.04	96.16	1.2%
Gulf Coast Jet Fuel cost (average per liter. US$)(4)	0.78	0.78	(0.2)%

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

We continued to experience a further increase in operating expenses, particularly fuel costs and foreign currency costs, during the fourth quarter of 2012.

Operating Revenue

Operating revenue increased by 12.8%, from R$5,305.8 million in the nine-month period ended September 30, 2011 to R$5,984.1 million in the nine-month period ended September 30, 2012:

	Nine-Month Period Ended September 30,		
Operating Revenue	**2011**	**2012**	**Chg.%**
	(in thousands of *reais*)		
Operating Revenue	**5,305,760**	**5,984,064**	**12.8%**
Passenger	4,715,005	5,286,304	12.1%
Cargo and other	590,755	697,760	18.1%

Passenger operating revenues increased by 12.1% from R$4,715.0 million in the nine-month period ended September 30, 2011 to R$5,286.3 million in the nine-month period ended September 30, 2012. This variation was primarily due to the consolidation of Webjet's net revenue in 2012, partially offset by a 3.9% decrease in Gol's domestic demand.

Cargo and other revenue or "ancillary revenue" (cargo, flight booking, excess baggage, on board sales, etc.) increased by 18.1% from R$590.8 million in the nine-month period ended September 30, 2011 to R$697.8 million in the nine-month period ended September 30, 2012, accounting for 11.7% of net revenue in the nine-month period ended September 30, 2012, primarily due to: (i) the consolidation of Webjet's ancillary revenue; (ii) the 10.0% increase in revenue from flight rebooking charges, no-show, passenger services and ticket cancellations; and (iii) the 27.0% increase in excess baggage revenue. Consolidated ancillary revenue per ASK increased by 7.7% year-over-year.

On a unit basis, revenue per available seat kilometer (RASK) increased by 2.8% from R$14.7 cents in the nine-month period ended September 30, 2011 to R$15.2 cents in the nine-month period ended September 30, 2012.

Operating Expenses

Operating expenses increased 18.4% from R$5,516.4 million in the nine-month period ended September 30, 2011 to R$6,532.1 million in nine-month period ended September 30, 2012, primarily due to: (i) the consolidation of Webjet's operating expenses; (ii) consistently high jet fuel prices throughout 2012 (approximately 17% greater than in the same period of 2011); (iii) an 18% average depreciation of the *real* against the U.S. dollar; and (iv) increased landing and navigation assistance fees resulting from new fee calculation methodologies introduced by Infraero.

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

	Nine-Month Period Ended September 30,		
Operating Expenses	**2011**	**2012**	**Chg.%**
	(in thousands of *reais*)		
Salaries	1,112,863	1,181,149	6.1%
Aircraft fuel	2,145,299	2,808,696	30.9%
Aircraft rent	349,397	477,601	36.7%
Sales and marketing	293,160	305,749	4.3%
Landing fees	281,804	423,027	50.1%
Aircraft and traffic servicing	343,752	388,813	13.1%
Maintenance, materials and repairs	298,924	251,002	(16.0)%
Depreciation and amortization	271,487	372,159	37.1%
Other operating expenses	419,678	323,908	(22.8)%
Total operating expenses	**5,516,364**	**6,532,104**	**18.4%**
Total operating expenses excluding fuel expenses	**3,371,065**	**3,723,408**	**10.5%**

Excluding fuel expenses, which increased by 30.9%, operating expenses directly managed by us increased 10.5% from R$3,371.1 million in the nine-month period ended September 30, 2011 to R$3,723.4 million in the nine-month period ended

September 30, 2012, mostly due to: (i) a 36.7% growth in aircraft rent expenses; (ii) increased variable costs due to higher operational volume (airport fees, hotels, handling, aircraft cleaning, landing fees, navigational assistance and other expenses); (iii) the new landing and navigation fee methodology established by Infraero at the leading airports under its concession introduced in 2011; and (iv) higher depreciation and amortization expenses as further explained below.

On a per unit basis, our operating expense per available seat kilometer (CASK) increased by 7.9% from R$15.33 cents in the nine-month period ended September 30, 2011 to R$16.54 cents in the nine-month period ended September 30, 2012, mainly due to higher CASK from fuel, aircraft rent, landing fees, and depreciation and amortization. The increase in CASK was partially offset by the 9.7% growth in supply (ASK, excluding Webjet's figures for 2011). Operating expenses per available seat kilometer excluding fuel (CASK Ex-fuel) increased 0.7% from R$9.37 cents in the nine-month period ended September 30, 2011 to R$9.43 cents in the same period in 2012, mainly due to higher expenses with aircraft rent, landing fees, and depreciation and amortization.

The following tables set forth the breakdown of our operating expenses per available seat kilometer for the periods indicated.

	Nine-Month Period Ended September 30,		
Operating Expenses per Available Seat Kilometer	**2011**	**2012**	**Chg. %**
	(in cents of *reais*, except percentages)		
Aircraft fuel	5.96	7.11	19.3%
Salaries	3.09	2.99	(3.3)%
Aircraft rent	0.97	1.21	24.6%
Sales and marketing	0.81	0.77	(4.9)%
Landing fees	0.78	1.07	36.8%
Aircraft and traffic servicing	0.96	0.98	3.1%
Maintenance, materials and repairs	0.83	0.64	(23.5)%
Depreciation and amortization	0.75	0.94	25.0%
Other operating expenses	1.17	0.82	(29.6)%
Operating Expenses per available seat kilometer (CASK)	**15.33**	**16.54**	**7.9%**
CASK excluding fuel expenses	**9.37**	**9.43**	**0.7%**

Aircraft fuel expenses increased by 30.9% from R$2,145.3 million in the nine-month period ended September 30, 2011 to R$2,808.7 million in the nine-month period ended September 30, 2012, largely due to the 17% increase in the price of jet fuel, as well as the 11.5% consolidated increase in fuel consumption due to the consolidation of Webjet's fleet and the 17.6% average period depreciation of the *real* against the U.S. dollar. In per-available seat kilometer terms, aircraft fuel costs increased by 19.3%, due to the same reasons, although diluted by the increase in available seat kilometers in the year-over-year comparison.

Salaries increased by 6.1%, from R$1,112.9 million in the nine-month period ended September 30, 2011 to R$1,181.1 million in the nine-month period ended September 30, 2012, due to: (i) the impact of the 6.5% salary increase for 2012 on payroll expenses; (ii) the 10.3% increase in the number of consolidated hours flown; and (iii) the 1,744 employee increase in the consolidated workforce due to the consolidation of Webjet's personnel into our operations as of December 31, 2011. This increase was partially offset by a 1.3% year-over-year decrease in our workforce, a decision made to ensure the sustainability of our labor force for the coming years. In per available seat-kilometer terms, salaries, wages and benefits decreased by 3.3%, due to these same reasons, although diluted by the increase in available seat kilometers in the year-over-year comparison.

Aircraft rent increased by 36.7%, from R$349.4 million in the nine-month period ended September 30, 2011 to R$447.6 million in the nine-month period ended September 30, 2012, due to the greater number of aircraft under operational leasing contracts (99 in the third quarter of 2012 as compared to 80 in the third quarter of 2011), combined with the 17.6% average period depreciation of the *real* against the U.S. dollar, given that most aircraft leasing costs are pegged to the U.S. dollar. In per available seat kilometer terms, aircraft rent increased by 24.6%, due to the same reasons.

Sales and marketing expenses increased by 4.3%, from R$293.2 million in the nine-month period ended September 30, 2011 to R$305.7 million in the nine-month period ended September 30, 2012, due to the reclassification of R$12 million in expenses related to mileage points of international partners from "other operating expenses" to "sales and marketing expenses." This particular expense increased by approximately 75% year-over-year due to the establishment of more

complex relationships with mileage partners and the implementation of an online platform to redeem partners' air tickets through the *Smiles* website. Excluding this particular increase, sales and marketing expenses remained virtually flat in the year-over-year comparison. In per available seat kilometer terms, sales and marketing expenses decreased 4.9%, due to the increase in available seat kilometers in the year-over-year comparison.

Landing fees increased by 50.1% from R$281.8 million in the nine-month period ended September 30, 2011 to R$423.0 million in the nine-month period ended September 30, 2012, due to: (i) the negative impact of the new landing and navigation fee calculation methodology introduced by Infraero in 2011; (ii) the 16.2% increase in the number of departures as a result of the consolidation of Webjet's operations; and (iii) the 17.6% average period depreciation of the *real* against the U.S. dollar, which had an adverse impact on international landing fees. In per-available seat-kilometer terms, these fees increased by 36.8%, due to the same reasons, although diluted by the increase in available seat kilometers in the nine-month period ended September 30, 2012.

Aircraft and traffic servicing expenses increased by 13.1% from R$343.8 million in the nine-month period ended September 30, 2011 to R$388.8 million in the nine-month period ended September 30, 2012, mainly due to: (i) the 16.2% increase in the number of arrivals and departures, mainly as a result of the consolidation of Webjet's operations, as operational volume impacts expenses from handling, collection and forwarding, among others; and (ii) the 17.6% average period depreciation of the *real* against the U.S. dollar, which had an adverse impact on the Company's international operations. In per available seat-kilometer terms, these costs increased by 3.1% in the same period, due to the increase in available seat kilometers in the year-over-year comparison greater than the absolute increase in traffic servicing expenses.

Maintenance, materials and repairs decreased by 16.0% from R$298.9 million in the nine-month period ended September 30, 2011 to R$251.0 million in the nine-month period ended September 30, 2012, due to: (i) a reduced number of engine removals; (ii) a decline in average unit engine maintenance cost as a result of the benefits from the maintenance agreement entered into with Delta Tech Ops in 2011; and (iii) the effects of expenses related to the return of three Boeing 767s in the second quarter of 2011 that did not occur in 2012. The decrease was partially offset by the consolidation of Webjet's maintenance expenses and the 17.6% average period depreciation of the *real* against the U.S. dollar, given that most maintenance expenses are U.S. dollar-denominated. In per available seat-kilometer terms, maintenance, materials and repairs decreased by 23.5%, due to the same reasons, although emphasized by the increase in available seat kilometers in the year-over-year comparison greater than the absolute increase in maintenance, materials and repairs.

Depreciation and amortization expenses increased by 37.1% from R$271.5 million in the nine-month period ended September 30, 2011 to R$372.2 million in the nine-month period ended September 30, 2012, mainly due to the higher number of aircraft under finance leases (45 in the nine-month period ended September 30, 2012, versus 44 in the nine-month period ended September 30, 2011), the addition of six Boeing 737-300 aircraft owned by Webjet, and the increase in the depreciation of estimated aircraft reconfiguration costs which will be incurred when the aircraft are returned and costs from improvements related to major engine maintenance established in the contracts. In per available seat-kilometer terms, depreciation and amortization increased by 25.0%, due to the same reasons, although diluted by the increase in available seat kilometers in the nine-month period ended September 30, 2012.

Other operating expenses (mainly crew travel and accommodation, direct passenger expenses, equipment leasing and general and administrative expenses) decreased 22.8% from R$419.7 million in the nine-month period ended September 30, 2011 to R$323.9 million in the nine-month period ended September 30, 2012 due to the R$90 million in additional expenses recorded in the nine-month period ended September 30, 2011 that did not affect the same period in 2012, partially offset by (i) the consolidation of Webjet's results; (ii) the increase in operational volume; and (iii) the 17.6% average period depreciation of the *real* against the U.S. dollar. In per available seat-kilometer terms, other operating expenses decreased by 29.6%, due to the same reasons, although emphasized by the increase in available seat kilometers in the year-over-year comparison.

Derivative Results

We have adopted a financial instruments policy in order to protect us against market price fluctuations of fuel, foreign exchange and interest rates that can adversely affect our operations. In order to define our objectives, we have a risk policy committee, which is comprised of members of our board of directors, external consultants, and senior management. The committee meets on a monthly 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 nine-month period ended September 30, 2012, we recognized a derivative net gain of R$38.8 million. These operations generated a positive cash impact of R$18.3 million. As of September 30, 2012, we had derivative positions in place to hedge approximately 25%, 4%, 3% and 4% of our estimated jet fuel consumption for the fourth quarter of 2012, and the first, second and third quarters of 2013, respectively.

- *Fuel*: Fuel consumption hedge transactions, which are effected through derivative contracts related to crude oil and its by-products (WTI, Brent and heating oil), generated losses of R$9.6 million in the nine months period of 2012, of which R$6.7 million was recorded under operating result and R$2.9 million under financial result.

- *Foreign Exchange*: Foreign exchange hedge transactions generated gains of R$52.6 million, booked under the financial result, comprising gains of R$56.8 million from cash flow hedges and losses of R$4.2 million from U.S. dollar-denominated loan hedge.

- *Interest*: swap transactions contracted to hedge aircraft leasing against increases in interest rates generated losses of R$4.2 million booked under the financial result.

	Nine-Month Period Ended September 30,			
Derivative Results	**WTI**	**Foreign Exchange**	**Interest Rate**	**Total**
	(in millions of *reais*)			
Subtotal – Operating Result	(6.7)	–	–	(6.7)
Subtotal – Financial Result	(2.9)	52.6	(4.2)	45.5
Total	(9.6)	52.6	(4.2)	38.8
OCI (net of taxes)	**16.3**	–	**(71.7)**	**(55.4)**

OCI (Other Comprehensive Income) is an account that records unrealized gains and losses on derivatives held as a cash flow hedge. Amounts in accumulated other comprehensive income are reclassified into income (loss) in the same period or periods during which the hedged transaction affects the earnings.

Net Financial Result

Our net financial expense decreased by 19.6% from R$685.7 million in the nine-month period ended September 30, 2011 to R$551.3 million in the nine-month period ended September 30, 2012 primarily as a result of the gain on derivative instruments and lower expenses related to exchange variation, partially offset by: an increase in other financial expenses and interest on loans due to the average period depreciation of the *real* against the U.S. dollar, given that most of our debt is denominated in foreign currency.

	Nine-Month Period Ended September 30,		
Financial Result	**2011**	**2012**	**Chg. %**
	(in thousands of *reais*)		
Interest on loans	(285,337)	(334,791)	17.3%
Exchange variation	(379,607)	(266,442)	(29.8)%
Derivative net results	(109,002)	45,468	(141.7)%
Investments income	106,944	81,556	(23.7)%
Other financial expenses	(18,650)	(77,046)	313.1%
Net financial results	**(685,652)**	**(551,255)**	**(19.6)%**

Interest on loans increased by 17.3% in the nine-month period ended September 30, 2012 as compared to the nine-month period ended September 30, 2011, due to: (i) interest on approximately R$450 million in new funding operations (working capital, Citibank, Finimp, Safra, Banco IBM and others); (ii) a 9.5% year-over-year increase in the period-end *real* to U.S. dollar exchange rate (which adversely impacted our dollar-denominated debt (equivalent to 70% of our total debt as of September 30, 2012); (iii) the consolidation of Webjet's debt interest expenses; and (iv) the greater number of aircraft under finance leases (45 in the nine-month period ended September 30, 2012 as compared to 44 in the nine-month period ended September 30, 2011);

Exchange variation decreased by 29.8% in the nine-month period ended September 30, 2012 as compared to the nine-month period ended September 30, 2011, due to lower exchange rate volatility (a 9% increase during 2012), which had a direct impact on foreign-currency-denominated financial assets and liabilities. In the nine-month period ended September 30, 2011, we recorded a R$379.6 million expense due to exchange rate variation of 19% between the second and third quarters, affecting the majority of our debt (72% of total debt was foreign currency denominated as of September 30, 2011).

Investments income decreased by 23.7% in the nine-month period ended September 30, 2012 as compared to the same period in 2011, mainly due to a lower volume of cash invested between the periods and a reduction in the SELIC rate, given that most of our cash investments are pegged to the CDI interbank rate.

Other operating expenses increased by 313.1%, from R$18.7 million in the nine-month period ended September 30, 2011 to R$77.0 million in the nine-month period ended September 30, 2012, mainly due to: (i) the consolidation of Webjet's other financial expenses; (ii) expense of R$8.1 million in connection with waiver fees paid to holders of our 4th and 5th debenture issues; (iii) a loss of R$11.1 million in escrow deposits related to the acquisition of Webjet; and (iv) other financial expenses totaling approximately R$6.0 million related to adjustments to the present value of Webjet's liabilities.

Income Tax

Income tax expenses decreased by 62.9%, from R$90.4 million in the nine-month period ended September 30, 2011 to R$33.5 million in the nine-month period ended September 30, 2012, mainly due to the reduction in deferred income taxes between the periods on account of the lower temporary differences generated in the taxable income base arising from aircraft under finance leases and lower utilization of our tax credit basis.

Loss for the period

As a result of the foregoing, we had net losses of R$1,065.8 million in the nine-month period ended September 30, 2012, versus net losses of R$805.8 million in the nine-month period ended September 30, 2011.

Liquidity and Debt

On September 30, 2012, our total cash position (consisting of cash, cash equivalents, short-term investments, restricted cash, and long-term investments of R$1,879.2 million and short-term receivables of R$381.0 million) was R$2,260.2 million.

As of September 30, 2012, our short-term debt was R$615.0 million and our total consolidated long-term debt was R$4,644.5 million, including finance leases but excluding operating lease obligations.

On December 31, 2011, we and our subsidiaries were not in compliance with certain financial covenants established with the IFC, Bradesco and Banco do Brasil for our Debentures IV and V. We therefore reclassified the long-term balance associated with these debenture issues as short-term in order to comply with Brazilian and international accounting rules. By March 2012, we had obtained waiver approval from the debenture holders (Banco do Brasil and Bradesco) for an initial period of three quarters, including the quarter ended December 31, 2011, upon which we again reclassified the amount related to these financings as long-term.

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

Non-derivative assets	**September 30, 2012**	**December 31, 2011**	**Chg. %**
	(in thousands of *reais*)		
***Real* denominated**			
Cash and cash equivalents	1,050,557	1,230,287	(14.6)%
Short-term investments	662,227	1,009,068	(34.4)%
Restricted cash	166,442	109,095	52.6%
Short-term trade and other receivables	380,978	354,134	7.6%
Foreign currency denominated			
Advances of property, plant and equipment acquisition	513,556	365,067	40.7%
Total non-derivative financial assets	**2,773,760**	**3,067,651**	**(9.6)%**

Total cash at September 30, 2012 was R$1,879.2 million (cash and cash equivalents of R$1,050.6 million, plus short-term investments of R$662.2 million and restricted cash of R$166.4 million), a 20.0% decrease as compared to R$2,347.9 million at December 31, 2011. As of September 30, 2012, our cash position represented approximately 22.9% of our operating revenue for the previous twelve months. We have and intend to maintain a cash and liquidity position in line with or above the levels of our industry peers in any fiscal quarter. In line with the characteristics of our industry, our cash and liquidity position may, however, in the short- or medium-term be lower than the September 30, 2012 levels, especially due to timing differences in our accounts receivables and the current airline operating environment in Brazil.

Trade and other 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 September 30, 2012, these receivables totaled R$381.0 million, an increase of 7.6% as compared to R$354.1 million at December 31, 2011, mostly due to the consolidation of Webjet's receivables balance of around R$26.6 million into the consolidated balance sheet and the period increase in sales volume.

The following table sets forth our total short and long term debt at the dates indicated:

Total short and long-term debt	**September 30, 2012**	**December 31, 2011**	**Chg. %**
	(in thousands of *reais*)		
Loans and financing	2,720,407	2,535,254	7.3%
Finance leases	2,087,509	2,056,304	1.5%
Subtotal	**4,807,916**	**4,591,558**	**4.7%**
Interest	88,058	64,122	37.3%
Subtotal	**4,895,974**	**4,655,680**	**5.2%**
Perpetual bonds	363,475	335,768	8.3%
Total short and long-term debt	**5,259,449**	**4,991,448**	**5.4%**

On September 30, 2012, total short and long-term debt was R$5,259.4 million. Long-term debt excluding perpetual bonds, that have no maturity date, had an average term of 6.5 years and an average rate of 11.5% for local currency debt and 6.6% for U.S. dollar-denominated debt. Excluding the perpetual bonds, our outstanding debt decreased to R$4,896.0 million, mainly due to 8.0% depreciation in the period-end exchange rate of the *real* against the U.S. dollar when compared to December 31, 2011. Total foreign currency debt at September 30, 2012 totaled R$3,668.5 million, a 4.5% increase as compared to R$3,511.6 million at December 31, 2011, due to same reasons and the scheduled amortization for the period.

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

Finance leases	**September 30, 2012**	**December 31, 2011**	**Chg. %**
	(in thousands of *reais*)		
Short-term (foreign currency)	203,312	161,755	25.7%
Long-term debt (foreign currency)	1,884,197	1,894,549	(0.5)%
Total Finance leases	**2,087,509**	**2,056,304**	**1.5%**

On September 30, 2012, finance leases totaled R$2,087.5 million. Operating leases, which are off balance sheet, totaled R$2,724.0 million.

A traditional measure of leverage ratio in the airline industry, also used by certain rating agencies, is to divide debt plus seven times the trailing 12 months operational leasing expenses by EBITDAR (adjusted gross debt /EBITDAR), therefore assuming an average maturity of non-cancelable operational leasing agreements of seven years. As of September 30, 2012, our adjusted gross debt /EBITDAR ratio using market methodology was 17.7x, as compared to 13.0x as of December 31, 2011.

However, because the average maturity of our non-cancelable operational leasing agreements is shorter than seven years, approximately 3.3 years as of September 30, 2012, and as a policy we maintain a significant cash position, we believe that a more adequate ratio would be to add our actual non-cancelable operational leasing agreements to our debt, subtract our cash position on the calculation date and then divide by EBITDAR (Net Financial Commitments / EBITDAR). According to this

methodology our Net Financial Commitments / EBITDAR ratio as of September 30, 2012 was 11.1x, as compared to 7.5x for the similar period ended December 31, 2011.

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

	2012[(1)]	2013	2014	2015	2016	After 2016	Without Maturity	Total
				(in millions of *reais*)				
***Real* Denominated**	**209.6**	**41.9**	**93.5**	**674.6**	**260.4**	**258.2**	–	**1,538.2**
Working Capital	150.0	–	–	–	–	–	–	**150.0**
BDMG	5.6	2.2	4.6	4.6	4.6	5.4	–	**27.0**
BNDES	3.1	0.8	3.1	3.1	3.1	1.8	–	**15.0**
BNDES-Safra	30.0	6.2	15.0	–	–	–	–	**51.2**
IBM	4.8	–	5.5	5.5	5.6	3.9	–	**25.3**
Citibank	14.9	–	–	–	–	–	–	**14.9**
Safra	–	32.7	65.3	65.3	–	–	–	**163.3**
Santander	1.2	–	–	–	–	–	–	**1.2**
Debentures IV and V	–	–	–	596.1	247.1	247.1	–	**1,090.3**
Foreign Currency Denominated	**113.9**	**7.7**	**37.1**	–	–	**1,023.5**	**363.5**	**1,545.7**
Aeroturbine	0.7	–	–	–	–	–	–	**0.7**
IFC	16.5	–	–	–	–	–	–	**16.5**
Finimp	20.5	–	–	–	–	–	–	**20.5**
J.P. Morgan	76.2	7.7	37.1	–	–	–	–	**121.0**
Senior Notes 2017	–	–	–	–	–	426.4	–	**426.4**
Senior Notes 2020	–	–	–	–	–	597.1	–	**597.1**
Perpetual Bonds	–	–	–	–	–	–	363.5	**363.5**
Total[(2)]	**323.5**	**49.6**	**130.6**	**674.6**	**260.4**	**1,281.7**	**363.5**	**3,083.9**

(1) includes the fourth quarter of 2012 and the first, second and third quarters of 2013.
(2) excluding interest expenses and finance leases.

The following table sets forth maturities, interest rates and currencies of our outstanding debt obligations as of September 30, 2012:

	Maturity	Contractual Interest	Effective Interest p.a.	Currency
Working Capital	Mar/13	128% of CDI	16.08%	*Real*
BNDES	Jul/17	TJLP +2.65%	10.72%	*Real*
BNDES-Safra	Out/14	TJLP +5.5%	11.46%	*Real*
BDMG	Mar/18	IPCA +6%	10.71%	*Real*
Debentures IV	Sep/15	118.0% of CDI	11.09%	*Real*
Debentures V	Jun/17	120.0% of CDI	10.64%	*Real*
IBM I	Mar/17	CDI + 2.42%	12.85%	*Real*
IBM II	Sep/17	CDI + 2.85%	13.31%	*Real*
Santander	Out/12	8.99%	8.99%	*Real*
Citibank	Dec/12	8.73%	8.73%	*Real*
Safra	Dec/15	125% of CDI	11.54%	*Real*
Finimp	Jun/13	Libor +1.80%	3.59%	U.S. dollar
Aeroturbine	Dec/12	–	–	U.S. dollar
IFC Loan[(1)]	Jan/13	Libor +3.75%	5.79%	U.S. dollar
J.P. Morgan (1st tranche)	Jun/14	1.00%	1.15%	U.S. dollar
J.P. Morgan (2nd tranche)	Sep/14	0.85%	0.98%	U.S. dollar
Senior Notes 2017	Apr/17	7.50%	7.70%	U.S. dollar
Senior Notes 2020	Jul/20	9.25%	9.65%	U.S. dollar
Perpetual Bonds	n/a	8.75%	8.75%	U.S. dollar

(1) Originally scheduled to mature on July 2013.

Covenant Compliance

On September 30, 2011 our financings with IFC, BNDES, and Debentures IV and V had the following restrictive covenants: (i) net debt / EBITDAR, (ii) current assets / current liabilities, (iii) EBITDA / debt service, (iv) short-term debt / EBITDA, (v) net debt/ EBITDA and (vi) debt coverage ratio (ICD).

As a result of losses during the period, on September 30, 2012 we did not reach the minimum levels for covenants involving EBITDA and EBITDAR. However, we had waivers or otherwise arranged with the respective lenders for the suspension of these covenants for all financings. See note 17 to our financial statements as of and for the nine-month periods ended September 30, 2012 and 2011 included elsewhere herein.

We maintain with BNDES a letter of credit in the amount of R$18.6 million, which exceeds the outstanding debt, and therefore are not subject to the covenant limits.

We received a waiver from IFC excusing covenant compliance through the end of 2012 in connection with an agreement to prepay this financing on January 15, 2013, six months prior to its originally scheduled maturity of July 2013. We repaid IFC on January 15, 2013.

We received a waiver for Debentures IV and V through the end of the first semester of 2012, which has semi-annual measurements. The next measurement will be based on our financial statements as of and for the year ended December 31, 2012.

As of the date of this offering memorandum, we anticipate that we were, as of December 31, 2012, not in compliance with certain financial covenants under Debentures IV and V. Although on February 1, 2013 we obtained a waiver approval from the debenture holders for the December 31, 2012 and June 30, 2013 measurements, according to IFRS and because we did not receive the waiver by December 31, 2012, we will reclassify our debentures in the amount of R$1,090.3 million from long-term debt to short-term debt as a result of this non-compliance. For our financial statements for the first quarter of 2013 we will again reclassify this amount as long-term. The waiver is subject to customary execution of a supplemental indenture within 15 business days.

Contractual Obligations

Our non-cancelable contractual obligations at September 30, 2012 included the following:

	Total	**2012**	**2013**	**2014**	**2015**	**2016**	**Beyond 2016**
	(in millions of *reais*)						
Non-derivative financial instruments							
Operating leases	**2,724.0**	175.7	630.9	452.4	307.0	254.6	903.4
Finance leases	**2,534.1**	65.1	317.0	317.0	307.6	298.9	1,228.6
Short-term debt	**411.7**	411.7	–	–	–	–	–
Long-term debt	**2,760.3**	–	49.5	130.6	674.7	260.4	1,645.2
Total non-derivative financial instruments	**8,430.1**	**652.5**	**997.4**	**899.9**	**1,289.3**	**813.9**	**3,777.1**
Derivative financial instruments							
Fuel derivative	**24.6**	13.4	4.2	7.0	–	–	–
Foreign exchange derivative	**(1.0)**	(1.0)	–	–	–	–	–
Interest rate swaps	**(68.9)**	(11.6)	(57.3)	–	–	–	–
Total derivative financial instruments	**(45.3)**	**0.8**	**(53.1)**	**7.0**	–	–	–
Aircraft commitments							
Pre-delivery deposits	**1,810.5**	136.5	606.5	527.6	444.8	91.4	3.6
Aircraft purchase commitments	**16,597.0**	493.4	3,181.3	4,700.2	4,214.9	3,301.3	706.0
Total aircraft commitments	**18,407.5**	**629.8**	**3,787.8**	**5,227.8**	**4,659.7**	**3,392.7**	**709.6**
Total	**26,792.3**	**1,283.1**	**4,732.1**	**6,134.7**	**5,949.0**	**4,206.6**	**4,486.7**

Other Recent Developments

Boeing 737 Max-7/8 Order

On October 1, 2012 we made a purchase order for 60 Boeing 737 Max-7/8 aircraft, to be delivered starting 2018. We will use the new aircraft mainly to renew our fleet in the future and further increase our operational efficiency with a young, modern and safe fleet. We will be the first airline in South America and one of the first airlines in the world to operate the new aircraft.

The Boeing 737 Max-7/8 is being developed by the U.S. manufacturer with the participation of our technical personnel and will be equipped with LEAP-1B engines, manufactured by CFM International, and advanced winglet technology. These improvements are expected to reduce fuel consumption and polluting emissions by up to 13% in comparison with our current Boeing 737 NG aircraft. The new aircraft will also be able to take off carrying more weight and will have increased flight autonomy.

Flights to the U.S.

On October 26, 2012 we began selling tickets for daily flights from São Paulo and Rio de Janeiro to Miami and Orlando, with stops in Santo Domingo, in the Dominican Republic. These flights commenced on December 15, 2012 and are operated by our standardized fleet of Boeing 737 NG aircraft.

Sale of Treasury Shares

On December 21, 2012 our board of directors approved the sale of our preferred shares held in treasury, in light of the termination of our stock repurchase program commenced on August 11, 2011. The maximum term for the sale of these preferred shares is February 13, 2013 and up to 3,724,225 preferred shares held in treasury may be sold. Any sales will be carried out at the BM&FBOVESPA, at market prices.

Management

The following table sets forth the name and position of each member of our board of directors. A brief biographical description of members of our board of directors appointed after the filing of the 2011 20-F follows the table.

Name	Position
Constantino de Oliveira Junior	Chairman
Henrique Constantino	Vice-Chairman
Alvaro de Souza*	Director
Antonio Kandir*	Director
Edward H. Bastian	Director
Joaquim Constantino Neto	Director
Luiz Kaufmann*	Director
Ricardo Constantino	Director
Richard F. Lark, Jr.	Director

* Denotes an independent director

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

The following table sets forth the name and position of each of our executive officers. A brief biographical description of executive officers appointed after the filing of the 2011 20-F follows the table.

Name	Position
Paulo Sergio Kakinoff	President and Chief Executive Officer
Adalberto Cambaúva Bogsan	Vice President – Technical
Edmar Prado Lopes Neto	Investor Relations Officer

Edmar Prado Lopes Neto has been an officer since July 2012 and is also our finance director. Mr. Lopes Neto has been in the Company since 2011, when he joined as Capital Markets Officer. Mr. Lopes Neto worked at Organizações Globo for 13 years, having served as Net Serviços de Comunicação S.A.'s Treasury Officer from 1998 to 2005 and as the Roberto Marinho Foundation's Planning Manager. Mr. Lopes Neto is a member of our Financial Policy Committee, Risk Policy Committee and the Sub-Committee on Accounting and Tax Policies and Financial Statements. With more than 25 years' experience in the financial area, Mr. Lopes Neto has worked for national and multinational companies and graduated in Civil Engineering from the Universidade Federal do Rio de Janeiro.

See "Item 6.A – Directors and Senior Management" in our 2011 20-F incorporated by reference to this offering memorandum for biographical information on Messrs. Constantino de Oliveira Junior, Henrique Constantino, Alvaro de Souza, Antonio Kandir, Joaquim Constantino Neto, Luiz Kaufmann, Ricardo Constantino, Richard F. Lark, Jr, Paulo Sergio Kakinoff and Adalberto Cambaúva Bogsan.

Long Term Incentive Plan

On October 19, 2012 our shareholders approved a new long-term incentive plan - stock option plan and a long-term incentive plan - restricted shares plan, in order to provide long-term incentives to senior management and key personnel at the Company.

USE OF PROCEEDS

We expect that the net proceeds of this offering will be approximately US$ 195.0 million, after deducting the discounts and commissions to the initial purchasers. The net proceeds to the Issuer from the sale of the notes will be primarily used for the pre-payment of existing debt maturing in the next three years and for general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated capitalization at September 30, 2012 on a historical basis, as adjusted to give effect to a subsequent event identified below and as further adjusted to give effect to the issuance of the notes in this offering and the receipt of approximately US$ 195.0 million in net proceeds therefrom. This table should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial information (ITR) and the notes thereto included elsewhere herein.

	As of September 30, 2012					
	Actual		**As adjusted**(1)		**As further adjusted**(2)	
	(in millions of *reais*)	(in millions of U.S. dollars)(3)	(in millions of *reais*)	(in millions of U.S. dollars)(3)	(in millions of *reais*)	(in millions of U.S. dollars)(3)
Short-term debt	615.0	302.9	1,705.3	839.7	1,705.3	839.8
Long-term debt	4,644.5	2,287.3	3,554.2	1,750.5	3,554.2	1,750.3
Notes issued in this offering	–	–	–	–	396.0	195.0
Total debt	5,259.5	2,590.1	5,259.5	2,590.1	5,655.5	2,785.1
Total shareholders' equity	1,175.5	578.9	1,175.5	578.9	1,175.5	578.9
Total capitalization(4)(5)	**6,435.0**	**3,169.0**	**6,435.0**	**3,169.0**	**6,831.0**	**3,364.0**

(1) Adjusted to reflect the reclassification, under IFRS, of our Debentures IV and V in the amount of R$1,090.3 million from long-term debt to short-term debt as a result of the anticipated non-compliance as of December 31, 2012 with certain financial covenants under the debentures issuances. On February 1, 2013 we obtained a waiver approval from the debenture holders for the December 31, 2012 and June 30, 2013 measurements. For our financial statements for the first quarter of 2013 we will again reclassify this amount as long-term. See "Recent Developments—Liquidity and Debt—Covenant Compliance."

(2) Adjusted to reflect the reclassification of our Debentures IV and V mentioned in note (1) above and the issuance of the notes in this offering.

(3) The *real* amounts for September 30, 2012 have been converted into dollars using the exchange rate of US$1.00 to R$2.031, 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.

(4) Total capitalization is the sum of total debt and total shareholders' equity.

(5) 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.

DESCRIPTION OF NOTES

We issued the notes pursuant to an indenture, dated as of February 12, 2013, among the Issuer, or VRG, Gol Linhas Aéreas Inteligentes S.A., or GLAI, as the Guarantor, 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 and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer 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 is a summary of the material provisions of the notes and the indenture. 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 Guarantor and your rights.

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

Prescription

Under New York's statute of limitations, any legal action upon the notes in respect of interest or principal must be commenced within six years after the payment thereof is due.

General

The notes:

- will be senior unsecured obligations of the Issuer;
- will initially be limited to an aggregate principal amount of US$ 200,000,000;
- will mature on February 12, 2023;
- will be issued in denominations of US$200,000 and integral multiples of US$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 non-global form only in limited circumstances.

Interest on the notes:

- will accrue at the rate of 10.750% 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 February 12 and August 12 of each year, commencing on August 12, 2013;
- will be payable to the holders of record on the January 28 and July 28 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 (as described below under "–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 aggregate amount of outstanding principal of the notes will be payable at the maturity date.

The indenture does not limit the amount of debt or other obligations that may be incurred by the Issuer or the Guarantor 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 Guarantor 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 (except as to the date of original issuance or the first interest payment date) 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 guarantee are unsecured, unsubordinated obligations of each of the Issuer and the Guarantor, ranking equally with all of their other respective unsubordinated obligations. However, the notes effectively rank junior to all secured debt of the Issuer and the Guarantor to the extent of the value of the assets securing that debt.

Guarantee

The Guarantor unconditionally guarantees, on an unsecured basis, all of the obligations of the Issuer pursuant to the notes and the indenture, which we refer to as the guarantee. 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 guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance laws. By virtue of this limitation, the Guarantor's respective obligations under the guarantee could be significantly less than amounts payable with respect to the notes, or the Guarantor may have effectively no obligation under the guarantee.

Claims of creditors of any Subsidiaries (other than VRG), including trade creditors, employees and creditors holding indebtedness or guarantees issued by any Subsidiaries (other than VRG), and claims of preferred stockholders of any Subsidiaries (other than VRG) generally will have priority with respect to the assets and earnings of any Subsidiaries (other than VRG) over the claims of the Guarantor's 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 Guarantor's existing or future Subsidiaries (other than VRG). The indenture does not require any of the Guarantor's existing or future Subsidiaries (other than VRG) to guarantee the notes, and it does not restrict the Guarantor 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 Guarantor.

The guarantee 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 February 12, 2018, 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 described 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 February 12 of the years set forth below:

Period	Redemption Price
2018	105.375 %
2019	103.583 %
2020	101.792 %
2021 and thereafter	100.0%

Any redemption of notes by the Issuer pursuant to this paragraph will be subject to either (1) there being at least US$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 described 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 Issuer or the Guarantor, or on or after the date a successor to the Issuer or the Guarantor assumes the obligations under the notes or guarantee, in the case of any such successor, either the Issuer or any successor to the Issuer or the Guarantor 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 the Issuer, the Guarantor or any such successor to the Issuer or 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 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90 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 above the Minimum Withholding Level, or (y) in the case of payments made under the guarantee, the Guarantor or any successor to the Guarantor would, but for such redemption, be obligated to pay the additional amounts above the Minimum Withholding Level. 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 which in the aggregate amount exceed the additional amounts payable at the Minimum Withholding Level or (b) the 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) an officers' certificate, signed in the name of the Issuer or any successor to the Issuer, 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, or the 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, and (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.

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 presentation and 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 Guarantor of any amount payable under the notes or the guarantee, 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 Guarantor, 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 Guarantor, 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 written 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.

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 "—Covenants—Reporting Requirements" below, 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 are in registered form without coupons attached in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S are 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 are 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 are 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 and subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) 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 are subject to certain restrictions on transfer as more fully set out in the indenture. See "Transfer Restrictions." 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 (or any paying agent) in respect of the notes or the Guarantor (or any paying agent) in respect of the guarantee 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 Brazil, or any authority therein or thereof or any other jurisdiction in which the Issuer or Guarantor is organized, doing business or otherwise subject to the power to tax (any of the aforementioned being a "Taxing Jurisdiction"), unless the Issuer or the Guarantor (or any paying agent) is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantor (or any paying agent), as applicable, will make such deduction or withholding, and the Issuer or the Guarantor, as applicable, will 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, had the note been surrendered 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 Tax that is required to be withheld or deducted from a payment made to a Holder who would have been able to avoid such withholding or deduction by presenting a note for a payment in any Member State of the European Economic Area (where presentation is required) to another available paying agent in another Member State of the European Economic Area (unless such notes could not have been presented for payment elsewhere);

(6) in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;

(7) 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;

(8) in respect of any tax imposed on overall net income or any branch profits tax; or

(9) 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 Guarantor 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 guarantee by the Guarantor 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 US$1,000 principal amount, provided that if the notes are tendered in part, such holder shall hold in excess of US$200,000. 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 Guarantor agreed 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 Guarantor 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 Guarantor, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer and the Guarantor. 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 Guarantor's ability to pay cash to the noteholders following the occurrence of a Change of Control may be limited by the Issuer's and the Guarantor's 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—Risks Relating to the Notes and the Guarantee—We may be unable to purchase 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 Guarantor 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 Guarantor 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:

Limitation on Transactions with Affiliates

Neither the Issuer nor the Guarantor will, nor will the Issuer or the 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 the 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 the 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 the 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 the Guarantor) will be a Person organized and existing under the laws of 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 Organization 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 the Guarantor under the notes, the guarantee (as applicable) and the indenture;

(2) the resulting, surviving or transferee Person (if not the Issuer or the Guarantor), if organized and existing under the laws of a jurisdiction other than 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 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 the 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, the Guarantor 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 Guarantor 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 expense of the Issuer and the Guarantor, 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 IAS 34 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 Guarantor 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 Guarantor 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 officer of the Issuer or the 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 the Guarantor are taking or propose to take with respect thereto.

Delivery of the reports referred to in clauses (1), (2) and (4) above 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 Guarantor's 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 (b) 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 Brazil, the Issuer Substitution Documents shall contain (x) 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 "Additional Amounts," with the substitution for the references to Brazil of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes, and (y) 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 and have been duly authorized , such opinion(s) to be dated as of 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 Brazilian lawyers acting for the Issuer and GLAI to the effect that the Issuer Substitution Documents have been duly authorized, executed and delivered by the Issuer and that they constitute legal, valid and binding obligations of the Issuer, such opinion to be dated as of 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 as of 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;

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

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

(b) Upon the execution of the Issuer Substitution Documents and the satisfaction of the conditions referred to in paragraph (a) 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.

(c) 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.

(d) 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 "Notices" below.

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 the 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, the 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, the Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Issuer, the 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 US$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 US$50 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against the Issuer, the 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, the 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, síndico, 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, the 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, the 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, the 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, síndico, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Guarantor or any of its Significant Subsidiaries or for all or substantially all of the property of the Issuer, the 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 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 Guarantor 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) a responsible officer 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, the 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.

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 the 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 the 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 the 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: (i) in the case of covenant defeasance, the Issuer must deliver to the trustee opinions of U.S. and Brazilian counsel to the effect that the holders of the outstanding notes will not recognize income, gain or loss for U.S. or Brazilian federal income tax purposes, as the case may be, as a result of such covenant defeasance and will be subject to U.S. or Brazilian federal income tax, as the case may be, on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred), or (ii) in the case of defeasance, the Issuer must deliver to the trustee an opinion of Brazilian counsel to the effect that the holders of the outstanding notes will not recognize income, gain or loss for Brazilian federal income tax purposes as a result of such defeasance and will be subject to Brazilian federal income tax on the same amounts, in the same manner, and at the same times as would have been the case if such defeasance had not occurred, and an opinion of U.S. counsel stating that: (x) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (y) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the holders of the outstanding notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred. In the case of defeasance or covenant defeasance, the guarantee 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 guarantee in a manner adverse to the holders of the notes; or

(11) make any change in the guarantee 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 66 2⁄3% in aggregate principal amount of the outstanding 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 give 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 Guarantor 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 Guarantor for the benefit of holders of the notes;

(5) to surrender any right conferred upon the Issuer or the Guarantor;

(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 allow for the Substitution of Debtor, as described under "—Substitution of the Issuer."

(9) 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

(10) 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 requires 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 guarantee are governed by the laws of the State of New York.

Each of the parties to the indenture submitted 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 guarantee (as applicable) and the indenture. The Issuer and the Guarantor appointted 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 Guarantor under or in connection with the indenture, the notes and the guarantee, 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 Person in respect of any sum expressed to be due to it from the Issuer or the Guarantor in connection with the indenture, the notes and the guarantee will only constitute a discharge to the Issuer or the Guarantor, 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, the Issuer and the Guarantor will indemnify such recipient 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 recipient, such recipient will be deemed to have agreed to repay such excess. In any event, the Issuer and the Guarantor 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 recipient 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 Guarantor, 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.

"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 IFRS; the amount of such obligation will be the capitalized amount thereof, determined in accordance with IFRS; 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 Issuer or the Guarantor, as the case may be, are liquidated or dissolved or adopt 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 IFRS.

"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 (ii) any successor obligor under the guarantee pursuant to the covenant described under the caption "—Covenants— Consolidation, Merger or Sale of Assets" and "Substitution of the Issuer," unless and until the 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" or "noteholder" 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 are represented by a permanent global note or notes in fully registered form without interest coupons (the "Regulation S Global Note") and are registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold in reliance on Rule 144A are 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 are deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes are 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 depositary 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 depositaries, which, in turn, will hold such interests in the Global Note in customers' securities accounts in the depositaries' 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 depositary; 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 depositary 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 depositaries 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 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 depositary and a successor depositary 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 to DTC (for delivery to the trustee) (a) written instructions 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, a 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 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 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 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.

Brazilian Taxation

The following discussion is a general description of certain Brazilian tax aspects of the notes applicable to a holder of the notes that is an individual, entity, trust or organization resident or domiciled outside Brazil for purposes of Brazilian taxation ("Non-Resident Holder") and does not purport to be a comprehensive description of all the tax aspects of the notes. Therefore, each Non-Resident Holder should consult his/her/its own tax advisor concerning the Brazilian tax consequences in respect of the notes.

Investors should note that, as to the discussion below, other income tax rates or treatment may be provided for in any applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled. This summary does not address any tax issues that affect solely our company, such as deductibility of expenses.

Interest Payment Under the Notes

Generally, a Non-Resident Holder is taxed in Brazil when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil.

Interest (including original issue discount) payable by us to a Non-Resident Holder is generally subject to withholding income tax at the rate of 15%, unless: (i) some other lower rate is provided for in a tax treaty between Brazil and the other country; or (ii) the Non-Resident Holder is domiciled in a favorable tax jurisdiction (i.e., a country or location which does not impose any income tax or which imposes it at a maximum rate of 20% , where the laws impose restrictions on the disclosure of ownership composition or securities ownership or do not allow for the identification of the effective beneficiary of the income attributed to non-residents (a "Favorable Tax Jurisdiction")) and the bonds are redeemed, liquidated or converted prior to 96 months after the date of issuance, in which cases the applicable rate is 25%. If the bonds are redeemed, liquidated or converted prior to 96 months, the difference of rates from 15% to 25% in relation to prior payments made to the Non-Resident Holder located in a Favorable Tax Jurisdiction may be charged from the issuer together with fine and interest.

Capital Gains

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with respect to assets located in Brazil are subject to income tax in Brazil, according to Article 26 of Law No. 10,833, enacted on December 29, 2003.

Although we believe that the notes do not fall within the definition of assets located in Brazil for purposes of Law No. 10,833/03, considering the broad and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we are unable to predict how Law No. 10,833/03 would be interpreted in the Brazilian courts. If such courts were to determine that the notes constitute assets located in Brazil, gains realized by a Non-Resident Holder from the sale or other disposition of the notes to a Brazilian resident or even to a Non-Resident Holder would be subject to income tax in Brazil at a rate of 15% (or 25% if such Non-Resident Holder is located in a Favorable Tax Jurisdiction).

Payments made by the Brazilian Guarantor

If, by any chance, a Brazilian source is required, as a guarantor, to assume the obligation to pay any amount in connection with the notes to a Non-Resident Holder, Brazilian tax authorities could attempt to impose withholding income tax at the rate of 15% or 25%, being the rate variable depending on the nature of the payment and the location of the respective Non-Resident Holder. In this circumstance, other income tax rate may be provided for in an applicable tax treaty between Brazil and the country of residence of the beneficiary. There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by the guarantor to the Non-Resident Holder.

Although there is an argument according to which such payments made by the guarantor do not convert the nature of the payment from principal into taxable income, there are no precedents from Brazilian courts endorsing that position and it is not possible to assure that such argument would prevail in court.

Discussion on Favorable Tax Jurisdictions

On June 4, 2010, Brazilian tax authorities enacted Normative Instruction No. 1,037 listing (i) the countries and jurisdictions considered as Favorable Tax Jurisdictions or where the local legislation does not allow access to information related to the shareholding composition of legal entities to their ownership or to the identity of the effective beneficiary of the income attributed to non-residents and (ii) the privileged tax regimes, which definition is provided by Law No. 11,727, of June 23, 2008. Although we believe that the best interpretation of the current tax legislation could lead to the conclusion that the above mentioned "privileged tax regime" concept should apply solely for purposes of Brazilian transfer pricing and thin capitalization rules, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of a "privileged tax regime" provided by Law No. 11,727 will also apply to a Non-Brazilian Holder on payments potentially made by a Brazilian source.

We recommend prospective investors to consult their own tax advisors from time to time to verify any possible tax consequences arising of Normative Ruling No. 1,037 and Law No. 11,727. If the Brazilian tax authorities determine that the concept of "privileged tax regime" provided by Law No. 11,727 will also apply to a Non-Resident Holder on payments potentially made by a Brazilian source the withholding income tax applicable to such payments could be assessed at a rate up to 25%.

Other Brazilian Tax Considerations

Brazilian law imposes a Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Câmbio*), or IOF/Exchange, due on the conversion of Brazilian *Reais* into foreign currency and on the conversion of foreign currency into Brazilian *Reais*.

Currently, the IOF/Exchange rate for several foreign exchange transactions is 0,38%, including those made in connection with payments under the guarantee to Non-Resident Holders.

In respect to the inflow of funds related to the notes, IOF/Exchange currently applies at 0% or 6%, if the minimum average term of the notes is shorter than 360 days or in case of early liquidation provisions that allows prepayment by the issuer or redemption by the note holder in breach of the minimum average term of 360 days. Based on the terms and conditions of the existent early liquidation clauses provided under the notes, the issuer takes the position that the application of the 0% should not be restricted. If any exercise and/or redemption occurs prior to 360 days, it will impact the average term of the notes, triggering the IOF/Exchange at 6% rate plus interest and penalties if the minimum average term of 360 days is not observed. The outflow of funds is subject to IOF/Exchange at the current rate of 0%.

Any renewal, renegotiation or transfer of issuer will be considered as a liquidation event, triggering simultaneous foreign exchange transactions and new taxation of IOF/Exchange at 0% or 6%, as the case may be. In any case, the Brazilian Government can increase the rate at any time up to 25%, but only with respect to future foreign exchange transactions

Stamp, Transfer or Similar Taxes

Generally, there are no stamp, transfer or other similar taxes in Brazil applicable to the transfer, assignment or sale of the notes outside Brazil, 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 a Non-Resident Holder to individuals or entities domiciled or residing within such Brazilian states.

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

Certain United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT 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 YOU, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER U.S. TAX LAW. YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion describes certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes by a holder hereof. This discussion only applies to notes that are held as "capital assets" for U.S. federal income tax purposes (generally, property held for investment) and that were purchased pursuant to this offering at their initial "issue price." The "issue price" of a note is equal to the first price to investors (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing final, temporary and proposed U.S. Treasury Regulations, administrative pronouncements by the IRS and judicial decisions, in each case as of the date hereof, all of which are subject to change (possibly on a retroactive basis) and to different interpretations.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and you are urged to consult your own tax advisor regarding your specific tax situation. The discussion does not address the tax consequences that may be relevant to U.S. Holders subject to special tax rules including, for example:

- insurance companies;
- tax-exempt organizations;
- broker or dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting;
- persons liable for the alternative minimum tax;
- banks or other financial institutions;
- partnerships or other pass through entities for U.S. federal income tax purposes;
- persons that received the notes as compensation for the performance of services;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- U.S. expatriates; or
- persons that hold the notes as part of a hedge, straddle, conversion, constructive sale or other integrated transaction;

This discussion does not address any U.S. federal tax consequences (such as the estate and gift tax) other than U.S. federal income tax consequences of acquiring, owning and disposing of the notes and does not address the Medicare tax on net investment income. In addition, this discussion does not address the state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes. You should consult your own tax advisor regarding the U.S. federal, state and local, as well as non-U.S., income and other tax consequences of acquiring, owning, and disposing of the notes in your particular circumstances.

As used herein, the term "U.S. Holder" means a beneficial owner of notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation, or any other entity taxable 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;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and upon the activities of the partnership. A partnership or a partner of such partnership holding the notes should consult its own tax advisor.

A Non-U.S. Holder is a beneficial owner of notes that is neither a U.S. Holder nor a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes).

Potential Contingent Payment Debt Treatment

In certain circumstances, we may be obligated to make payments on the notes in excess of stated interest and principal. For example, in the event of a Change of Control that results in a Ratings Decline, we would generally be required 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, with adjustments to such accruals when any contingent payments are made that differ from the payments calculated based on the assumed yield.

Under regulations relating to contingent payment debt instruments, or CPDIs, the possibility of a contingent payment on a note may be disregarded if the likelihood of the contingent payment, as of the issue date, is remote or incidental or under certain other circumstances. Based on these exceptions, we do not intend to treat the notes as CPDIs. Our position is binding on you unless you disclose that you are taking a contrary position in the manner required by applicable U.S. Treasury Regulations. 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 will not be considered contingent payment debt instruments.

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.

If Brazilian or other withholding taxes are imposed on payments of interest made with respect to the notes, U.S. Holders will be treated as having 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 included in gross income by a U.S. Holder with respect to payments of interest (including additional amounts, if any) on the notes 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. For purposes of the foreign tax credit limitation, interest payments (including additional amounts, if any) received or accrued on the notes will generally be from foreign sources for U.S. federal income tax purposes and will generally be treated as “passive category income” or, in certain cases, “general category income” for U.S. foreign tax credit purposes. 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, Exchange or Other Taxable Disposition of the Notes

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other taxable disposition of the notes equal to the excess of the amount realized on the sale, exchange or other taxable disposition of the notes over the U.S. Holder's adjusted tax basis in such notes. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "Interest and Additional Amounts" above. Any such gain or loss will be long-term capital gain or loss if the notes have been held for more than one year as of the time of the sale, exchange, retirement or other taxable disposition of the notes. Under current law, certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

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.

If Brazilian income tax is withheld on the sale, exchange, retirement or other taxable disposition of the notes, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange, retirement or other taxable disposition before deduction of the Brazilian income tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of the notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a note that is subject to Brazilian income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for that Brazilian income tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Brazilian income tax if it does not elect to claim a foreign tax credit with respect to any foreign income taxes paid or accrued during the taxable year.

Substitution of the Issuer

The Issuer may, subject to certain conditions, be replaced and substituted by GLAI or one of GLAI's wholly-owned subsidiaries as principal debtor in respect of the notes (see "Description of the Notes—Substitution of the Issuer"), which may result in certain adverse tax consequences to U.S. Holders. If the Substituted Debtor is organized in a jurisdiction other than Brazil, the Issuer and the Substituted Debtor will have an obligation to indemnify each noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or contemplated on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution described under "Description of the Notes—Substitution of the Issuer" and which would not have been so incurred or levied had such substitution not been made. U.S. Holders are urged to consult their own tax advisors regarding any potential adverse tax consequences to them that may result from a substitution of the Issuer.

Other Brazilian Taxes

U.S. Holders should be aware that certain Brazilian taxes, such the IOF/Exchange, will not be treated as creditable foreign income 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.

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, distributions on the notes, and payments of the proceeds of a sale, exchange or other taxable disposition of the notes, paid within the United States or through certain United States-connected financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to backup withholding at a current rate of 28% unless the holder (1) establishes that it is an exempt recipient or (2) with respect to backup withholding, provides an accurate taxpayer

identification number and certifies that it is a U.S. person and that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. The amount of any backup withholding tax from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. A U.S. Holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its U.S. federal income tax liability by timely filing a refund claim with the IRS.

Foreign Financial Asset Reporting

Recently enacted legislation imposes reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds US$50,000 at the end of the taxable year or US$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The notes are expected to constitute foreign financial assets subject to these requirements unless the notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

The above discussion is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the notes. You should consult your own tax advisor concerning the tax consequences applicable in your particular situation.

CERTAIN ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan (a "Plan") subject to the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the United States Internal Revenue Code (the "Code").

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also "Plans"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to the Plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) ("Non-ERISA Arrangements") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws ("Similar Laws").

Section 3(42) of ERISA and the regulations promulgated by the U.S. Department of Labor thereunder, as modified by Section 3(42) of ERISA (the "Plan Assets Regulation"), describe what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and the prohibited transaction provisions of Section 4975 of the Code. Under the Plan Assets Regulation, when a Plan acquires an equity interest in an entity, the Plan's assets will be considered to include the assets of the entity unless it is established that equity participation in the entity by Plans is not "significant" or that the issuer qualifies as an "operating company", each within the meaning of the Plan Assets Regulation. The Plan Assets Regulation defines an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. There can be no assurance that the notes would be characterized by the Department of Labor or others as indebtedness on the date of issuance or at any given time thereafter. However, we believe that we qualify as an "operating company" for purposes of ERISA and the Code.

The acquisition of the notes by a Plan with respect to which we or certain of our affiliates is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those notes are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or "PTCEs", that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" in connection with the transaction (the "service provider exemption").

Any purchaser or holder of notes or any interest therein will be deemed to have represented by its purchase and holding

of the notes that it either (1) is not a Plan or a Non-ERISA Arrangement and is not purchasing those notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement or (2) with respect to the purchase or holding is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under Similar Laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in notes, you should consult your legal counsel.

PLAN OF DISTRIBUTION

BB Securities Limited, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banco Bradesco BBI S.A., and Citigroup Global Markets Inc. are acting as initial purchasers. Subject to the terms and conditions set forth in a purchase agreement among the Issuer, the Guarantor and the initial purchasers, the Issuer has agreed to sell to the initial purchasers, and the initial purchasers have severally agreed to purchase from the Issuer, the respective principal amounts of notes set forth below:

Initial Purchasers	Principal Amount of Notes (in US$)
BB Securities Limited	50,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	50,000,000
Banco Bradesco BBI S.A.	50,000,000
Citigroup Global Markets Inc.	50,000,000
Total	**200,000,000**

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 propriety account. Such acquisitions may have an effect on demand and the price of the offering.

BB Securities Limited 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 BB Securities Limited intends to effect sales of the notes in the United States, it will do so only through Banco do Brasil Securities LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law. BB Securities Asia Pte. Ltd. may be involved in the sales of the notes in Asia.

Bradesco Securities Inc. will act as agent of Banco Bradesco BBI S.A. for sales of the notes in the United States of America. Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons. Banco Bradesco BBI S.A. and Bradesco Securities Inc. are affiliates of Banco Bradesco S.A.

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.

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.

No Sales of Similar Securities

We have agreed that for a period of 30 days from February 7, 2013, 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.

Stabilizing and Syndicate Covering Transactions

In connection with the offering of the notes, the initial purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may have the effect of preventing or retarding a decline in the market price of the notes or cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

Other Relationships

Some of the initial purchasers and their 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.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the issuer for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the issuer or any manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This offering memorandum has been prepared on the basis that any offer of notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the Company or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Company or the initial purchasers to publish a prospectus for such offer.

For the purpose of the above provisions, 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 the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

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 Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), 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 laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for 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 (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Notice to Prospective Investors in Chile

The notes are not registered in the Securities Registry (*Registro de Valores*) or subject to the control of the Chilean Securities and Exchange Commission (*Superintendencia de Valores y Seguros de Chile*). This offering memorandum and other offering materials relating to the offer of the notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

Notice to Prospective Investors in Switzerland

This document does not constitute a prospectus within the meaning of Article 652a of the Swiss Code of Obligations. The notes may not be sold directly or indirectly in or into Switzerland except in a manner which will not result in a public offering within the meaning of the Swiss Code of Obligations. Neither this document nor any other offering materials relating to the notes may be distributed, published or otherwise made available in Switzerland except in a manner which will not constitute a public offer of the notes in Switzerland.

TRANSFER RESTRICTIONS

The notes (and the guarantee) 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 guarantee) 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 guarantee), 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 GUARANTEE) 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 Guarantor 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 acknowledgements, 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 Guarantor 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.

The notes may not be purchased or held by (i) any plan, program or arrangement subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") or comparable provisions of any federal, state, local or non-U.S. law or (ii) any person acting on behalf of or using the assets of any such plan, program or arrangement, unless such purchase and holding is covered by the exemptive relief provided by (i) Prohibited Transaction Class Exemption ("PTCE") 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption. Any purchaser or holder of notes or any interest therein will be deemed to have represented by its purchase or holding thereof that either (i) it is not a plan, program or arrangement subject to ERISA, Section 4975 of the Code or substantially similar provisions of any federal, state local or non-U.S. law and it is not purchasing securities on behalf of or using the assets of any such plan, program or arrangement or (ii) such purchase and holding and any subsequent disposition of such notes is covered by the exemptive relief provided by (i) PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable exemption. Prospective purchasers must carefully consider the restrictions on purchase set forth in "Transfer Restrictions" and "Certain ERISA Considerations".

ENFORCEMENT OF CIVIL LIABILITIES

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 (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 guarantee, 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 and authority, after proper service of process on the parties, specially that all parties have been properly cited or legally considered in default, and which service must be in accordance with Brazilian law if made in Brazil, or after sufficient evidence of our absence has been given as required under applicable law;
- has become final and is not subject to appeal;
- is for payment of a determined sum of money or compliance with a determined covenant or obligation;
- is not equal to a proceeding in Brazil involving the same parties, based on the same grounds and with the same object, which has already been judged by Brazilian Court;
- 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 in Brazil; and
- is not contrary to Brazilian national sovereignty, public policy, good morals, public morality or is contrary to any provision having mandatory application that may not be waived by parties to a private agreement.

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, moratorium, liquidation, judicial or extrajudicial reorganization and similar laws of general application relating to or affecting the rights of creditors generally; 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, good morals 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 secure such payment, except in the case of collection claims based on an instrument that may be enforced in Brazilian courts without the review of its merit (*título executivo extrajudicial*) or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure. 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'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 were 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 were passed upon for us by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, our Brazilian counsel. Souza, Cescon, Barrieu & Flesch Advogados passed upon certain matters of Brazilian law relating to the notes for the initial purchasers.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011, prepared in accordance with IFRS, incorporated in this offering memorandum by reference from the Company's annual report on Form 20-F, and the effectiveness of internal control over financial reporting as of December 31, 2011, have been audited by Deloitte Touche Tohmatsu Auditores Independentes, an independent auditors, as set forth in their report which is incorporated herein by reference.

With respect to the unaudited consolidated interim financial information (ITR) as of and for the nine-month periods ended September 30, 2012 and 2011, included elsewhere herein, Deloitte Touche Tohmatsu Auditores Independentes, an independent auditors, have applied limited procedures in accordance with Brazilian and international standards on review of interim financial information (NBC TR2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). However, as stated in their report also included elsewhere herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report should be restricted in light of 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 and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	91829W AD9	P98079 AB5
ISIN	US91829WAD92	USP98079AB59
COMMON CODE	089103932	089081858

2. GLAI prepares annual and interim financial statements on both a consolidated and a non-consolidated basis. English-language copies of GLAI's by-laws (*estatuto social*) and consolidated financial statements and the indenture (including forms of notes and the guarantee), 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.

3. Financial information relating to VRG is included in GLAI's consolidated financial statements incorporated by reference herein; please refer to footnote 30 of GLAI's consolidated financial statements as of and for the years ended December 31, 2011 and 2010, and footnote 28 of GLAI's consolidated financial statements as of and for the years ended December 31, 2010 and 2009. VRG also prepares annual financial statements on both a consolidated and a non-consolidated basis and its annual financial statements as of and for the year ended December 31, 2011 are included elsewhere herein. English language copies of VRG's annual consolidated financial statements will be available for inspection and may be obtained at the offices of the Luxembourg paying agent. VRG is not required by law and does not prepare or publish interim financial statements.

4. Except as disclosed in this offering memorandum, there has been no material adverse change in GLAI's or VRG's financial position since December 31, 2011, the date of the latest audited financial statements incorporated by reference in this offering memorandum.

5. Except as disclosed in this offering memorandum, none of GLAI or VRG 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 or VRG is aware is any such litigation or arbitration pending or threatened.

6. 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.

7. 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.

8. The issuance of the notes was authorized by the Issuer's board of directors on February 7, 2013 and the guarantee of the notes was authorized by the Guarantor's board of directors on February 4, 2013.

9. 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 the Guarantor'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.

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

11. VRG is a wholly owned subsidiary of GLAI. GLAI is referred to herein as the Guarantor. The Guarantor was formed on March 12, 2004 as a *sociedade por ações*, a stock corporation duly incorporated under the laws of Brazil with unlimited duration. Its registered office and principal administrative establishment are located at Praça Comte. Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP: 04626-020, São Paulo, SP, Brazil. The Guarantor is registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under number NIRE 35.300.314.441. As of September 30, 2012, the Guarantor's authorized share capital was R$4.0 billion, represented by 278,716,786 fully subscribed and paid-in shares, of which 143,858,204 are common and 134,858,582 are preferred shares.

GOL LINHAS AÉREAS INTELIGENTES S.A.

INTERIM CONSOLIDATED FINANCIAL INFORMATION

September 30, 2012

(In thousands of Brazilian *Reais*)

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

Gol Linhas Aéreas Inteligentes S.A.

Individual and Consolidated Interim Financial Information for the Quarter Ended September 30, 2012 and Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Gol Linhas Aéreas Inteligentes S.A. and its subsidiaries (the "Company"), included in the Interim Financial Information Form (ITR), for the three-month period ended September 30, 2012, which comprises the statement of financial position as of September 30, 2012 and the related statement of income and statement of comprehensive income for the three-month and nine-month periods then ended and the statement of changes in equity and statement of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the Interim Financial Information (ITR) referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the Interim Financial Information (ITR) referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the CVM.

Other matters

Interim statements of value added

We also have reviewed the interim statements of value added ("DVA"), for the nine-month period ended September 30, 2012, prepared under the responsibility of Management, the presentation of which is required by the standards issued by CVM, applicable to the preparation of Interim Financial Information (ITR), and is considered as supplemental information for International Financial Reporting Standards - IFRS that do not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

Convenience translation

The accompanying interim individual and consolidated financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, November 13, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

André Ricardo Aguillar Paulon
Engagement Partner

Interim Financial Statements / Balance Sheets – Assets

(In Thousands of Brazilian Reais)

	Notes	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
		09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Assets					
Current Assets					
Cash and Cash Equivalents	4	**114,869**	232,385	**1,050,557**	1,230,287
Short-term Investments	5	**181,220**	69,885	**662,227**	1,009,068
Restricted Cash	6	**1,183**	-	**63,137**	8,554
Trade Receivables	7	**-**	-	**380,978**	354,134
Inventories	8	**-**	-	**152,598**	151,023
Recoverable Taxes	9	**44,238**	39,981	**151,043**	212,998
Prepaid Expenses	10	**463**	136	**60,311**	93,797
Deposits	11	**-**	-	**23,928**	35,082
Rights of derivative transactions	28	**-**	-	**23,856**	4,213
Other Credits		**-**	-	**27,318**	39,147
		341,973	342,387	**2,595,953**	3,138,303
Noncurrent Assets					
Deposits	11	**16,998**	12,065	**599,830**	595,517
Restricted Cash	6	**30**	-	**103,305**	100,541
Prepaid Expenses	10	**-**	-	**37,853**	44,964
Deferred Taxes	9	**43,389**	45,137	**349,649**	323,284
Other Noncurrent Assets		**-**	-	**2,818**	14,399
Others Related-party Transactions	12	**526,782**	593,817	**-**	-
Investments	13	**1,238,984**	2,103,325	**-**	-
Property, Plant and Equipment	15	**926,113**	776,678	**3,950,176**	3,890,470
Intangible Assets	16	**22**	89	**1,765,087**	1,783,957
		2,752,318	3,531,111	**6,808,718**	6,753,132
Total Assets		**3,094,291**	3,873,498	**9,404,671**	9,891,435

Interim Financial Statements / Balance Sheets - Liabilities

(In Thousands of Brazilian Reais)

LIABILITIES	Notes to Financial Statements	Individual (BRGAAP) 30/09/2012 09/30/2012	Individual (BRGAAP) 31/12/20111 2/31/2012	Consolidated (IFRS and BRGAAP) 30/09/2012 09/30/2012	Consolidated (IFRS and BRGAAP) 31/12/2011 12/31/2011
Current Liabilities					
Short-term Debt	17	**37,356**	79,475	**614,967**	1,552,440
Accounts Payable		**739**	6,353	**501,427**	414,563
Salaries, Wages and Benefits		**299**	25	**261,944**	250,030
Taxes Payable	21	**6,049**	3,233	**64,871**	76,736
Tax and landing fees		**-**	-	**271,656**	190,029
Advance Ticket Sales	18	**-**	-	**856,457**	744,743
Dividends Payable	23	**584**	584	**584**	584
Millage Program	19	**-**	-	**110,958**	71,935
Advances from Customers	20	**-**	-	**5,479**	30,252
Provisions	22	**-**	-	**62,296**	75,568
Liabilities from derivative transactions	28	**-**	-	**68,903**	115,432
Other Liabilities		**233**	-	**76,520**	73,353
		45,260	89,670	**2,896,062**	3,595,665
Noncurrent Liabilities					
Long-term Debt	17	**1,460,064**	1,347,300	**4,644,482**	3,439,008
Provisions	22	**-**	-	**252,838**	231,182
Smiles Deferred Revenue	19	**-**	-	**331,658**	214,779
Taxes Payable	21	**7,252**	7,892	**40,287**	112,935
Liabilities with Related-party Transactions	12	**406,232**	222,725	**-**	-
Other Liabilities		**-**	-	**63,861**	91,955
		1,873,548	1,577,917	**5,333,126**	4,089,859
Shareholder's Equity	23				
Issued Capital		**2,499,689**	2,316,500	**2,499,689**	2,316,500
Advance for Future Capital Increase		**-**	182,610	**-**	182,610
Capital Reserves		**60,263**	60,263	**60,263**	60,263
Cost on Issued Shares		**(31,951)**	(31,951)	**(145,279)**	(145,279)
Share-based Payments		**79,575**	68,602	**79,575**	68,602
Treasury Shares		**(51,377)**	(51,377)	**(51,377)**	(51,377)
Valuation Adjustments Equity		**(55,415)**	(79,268)	**(55,415)**	(79,268)
Accumulated Losses		**(1,325,301)**	(259,468)	**(1,211,973)**	(146,140)
		1,175,483	2,205,911	**1,175,483**	2,205,911
Total Liabilities and Equity		**3,094,291**	3,873,498	**9,404,671**	9,891,435

Individual Interim Financial Statements /Income Statement

(In Thousands of Brazilian Reais)

		Individual (BRGAAP)			
		Three months ended		Nine months ended	
	Notes	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Operating Expenses/Income					
General and administrative expenses	24	**(4,595)**	(7,512)	**(15,205)**	(29,571)
Other operating income	24	**4,655**	-	**11,398**	7,356
		60	(7,512)	**(3,807)**	(22,215)
Equity in subsidiaries	13	**(285,697)**	(325,217)	**(886,837)**	(602,478)
Profit Before Income Taxes and Financial		**(285,637)**	(332,729)	**(890,644)**	(624,693)
Finance Income/Expenses					
Financial income	26	**5,355**	6,918	**36,524**	22,086
Financial expenses	26	**(28,756)**	(31,127)	**(106,211)**	(88,962)
Exchange Variation (net)	26	**(16)**	(156,120)	**(99,461)**	(110,796)
		(23,417)	(180,329)	**(169,148)**	(177,672)
Profit Before Income Taxes		**(309,054)**	(513,058)	**(1,059,792)**	(802,365)
Current		**(277)**	(2,404)	**(4,293)**	(2,404)
Deferred		**(21)**	(1,038)	**(1,748)**	(1,038)
	9	**(298)**	(3,442)	**(6,041)**	(3,442)
Profit/ from Continuing Operations		**(309,352)**	(516,500)	**(1,065,833)**	(805,807)
Basic loss per share	14	**(1,14)**	(1,91)	**(3,98)**	(2,98)
Loss per share diluted	14	**(1,14)**	(1,91)	**(3,98)**	(2,98)

Interim Statements of Comprehensive Income

(In Thousands of Brazilian Reais)

	Notes to Financial Statements	Consolidated (IFRS and BRGAAP)			
		Three months ended		Nine months ended	
		30/09/2012	**30/09/2011**	**30/09/2012**	**30/09/2011**
Sales and services revenue					
Passenger		**1,760,050**	1,632,572	**5,286,304**	4,715,005
Cargo and Other		**227,288**	211,126	**697,760**	590,755
	25	**1,987,338**	1,843,698	**5,984,064**	5,305,760
Cost of Sales and Services	24	**(1,923,583)**	(1,614,525)	**(5,765,699)**	(4,662,384)
Gross profit		**63,755**	229,173	**218,365**	643,376
Operating Expenses/Income					
Marketing expenses	24	**(155,844)**	(166,971)	**(455,182)**	(469,361)
General and Administrative expenses	24	**(113,222)**	(137,261)	**(322,621)**	(391,975)
Other Operating Income	24	**4,655**	-	**11,398**	7,356
		(264,411)	(304,232)	**(766,405)**	(853,980)
Income Before Income Taxes and Financial Income/Expenses		**(200,656)**	(75,059)	**(548,040)**	(210,604)
Financial Income/Expenses					
Financial income	26	**89,084**	132,538	**301,067**	327,371
Financial expenses	26	**(160,499)**	(228,956)	**(585,880)**	(633,416)
Exchange variation, net	26	**(6,301)**	(476,403)	**(266,442)**	(379,607)
		(77,716)	(572,821)	**(551,255)**	(685,652)
Income Before Income Taxes		**(278,372)**	(647,880)	**(1,099,295)**	(896,256)
Current		**(597)**	(2,581)	**(5,192)**	(22,186)
Deferred		**(30,383)**	133,961	**38,654**	112,635
	9	**(30,980)**	131,380	**33,462**	90,449
Loss for the Period		**(309,352)**	(516,500)	**(1,065,833)**	(805,807)
Basic earnings (loss) per share	14	**(1,14)**	**(1,91)**	**(3,98)**	**(2,98)**
Diluted earnings (loss) per share	14	**(1,14)**	**(1,91)**	**(3,98)**	**(2,98)**

	Individual and Consolidated (BRGAAP and IFRS)			
	Three months ended		Nine months ended	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Net Profit (Loss) for the Period	**(309,352)**	(516,500)	**(1,065,833)**	(805,807)
Other Comprehensive Income				
Available for sale financial assets	-	-	-	(487)
Cash Flow Hedges	(8,129)	(110,654)	36,141	(130,394)
Tax effect	2,763	37,622	(12,288)	44,334
	(5,366)	**(73,032)**	**23,853**	**(86,547)**
Comprehensive loss for the period	**(314,718)**	**(589,532)**	**(1,041,980)**	**(892,354)**

Transactions shown in comprehensive income for the three months ended on September 30, 2012 and 2011 are provided below:

	Individual and Consolidated (BRGAAP and IFRS)		
	Cash flow hedges	Income tax	Total comprehensive income (loss)
Balance on June 30, 2011	**(3.700)**	**1.258**	**(2.442)**
Realized losses (gains) from financial instruments transferred to the income	40.485	(13.765)	26.720
Fair value variation	(151.139)	51.387	(99.752)
Balance on September 30, 2011	**(114.354)**	**38.880**	**(75.474)**

	Individual and Consolidated (BRGAAP and IFRS)		
	Cash flow hedges	Income tax	Total comprehensive income (loss)
Balance on June 30, 2012	**(76.682)**	**26.633**	**(50.049)**
Realized losses (gains) from financial instruments transferred to the income	(46.949)	15.962	(30.987)
Fair value variation	38.820	(13.199)	25.621
Balance on September 30, 2012	**(84.811)**	**29.396**	**(55.415)**

Transactions shown in comprehensive income for the nine months ended on September 30, 2012 and 2011 are provided below:

	Individual and Consolidated (BRGAAP and IFRS)			
	Financial assets available for sale	**Cash flow hedges**	**Income tax**	**Total comprehensive income (loss)**
Balance on December 31, 2010	**487**	**16.040**	**(5.454)**	**11.073**
Realized losses (gains) from financial instruments transferred to the income	362	80.065	(27.222)	53.205
Fair value variation	(849)	(210.459)	71.556	(139.752)
Balance on September 30, 2011	**-**	**(114.354)**	**38.880**	**(75.474)**

	Individual and Consolidated (BRGAAP and IFRS)		
	Cash flow hedges	**Income tax**	**Total comprehensive income (loss)**
Balance on December 31, 2011	**(120.952)**	**41.684**	**(79.268)**
Realized losses (gains) from financial instruments transferred to the income	13.658	(4.644)	9.014
Fair value variation	22.483	(7.644)	14.839
Balance on September 30, 2012	**(84.811)**	**29.396**	**(55.415)**

			Capital Reserve				Earnings reserves				Va
		Capital stock	**Advance for future capital increase**	**Goodwill on transfer of shares**	**Special goodwill reserve of subsidiary**	**Share issuance costs**	**Legal reserve**	**Reinvestment reserve**	**Share-based compensation**	**Treasury shares**	**Ava -for as**
Opening Balance on December 31,2010		2,315,655	-	31,076	29,187	(19,194)	49,833	479,699	43,727	(11,887)	
Other net Comprehensive income		-	-	-	-	-	-	-	-	-	
Net Profit for the Period		-	-	-	-	-	-	-	-	-	
Increase in advances for future capital		807	-	-	-	-	-	-	-	-	
Share – based payments	**23**	-	-	-	-	-	-	-	19,999	-	
Shares Buyback		-	-	-	-	-	-	-	-	(22,788)	
Closing Balance on September 30,2011		2,316,462	-	31,076	29,187	(19,194)	49,833	479,699	63,726	(34,675)	
Opening Balance on December 31,2011		**2,316,500**	**182,610**	**31,076**	**29,187**	**(31,951)**	**-**	**-**	**68,602**	**(51,377)**	
Other net Comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Net Profit for the Period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Increase in advances for future capital	**23**	**-**	**579**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Subscription of Capital on August 13, 2012	**23**	**183,189**	**(183,189)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Share – based payments	**23**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,973**	**-**	
Closing Balance on September 30,2012		**2,499,689**	**-**	**31,076**	**29,187**	**(31,951)**	**-**	**-**	**79,575**	**(51,377)**	

				Capital Reserve			Earnings reserves			
		Capital stock	**Advance for future capital increase**	**Goodwill on transfer of shares**	**Special goodwill reserve of subsidiary**	**Share issuance costs**	**Legal reserve**	**Reinvestment reserve**	**Share-based compensation**	**Treasu share**
Opening Balance on December 31,2010		2,315,655	-	31,076	29,187	(132,522)	49,833	593,027	43,727	(11,8
Other Comprehensive Income, net		-	-	-	-	-	-	-	-	
Net Profit for the Period		-	-	-	-	-	-	-	-	
Increase in advances for future capital		807	-	-	-	-	-	-	-	
Share – based payments	**23**	-	-	-	-	-			19,999	
Shares Buyback										(22,7
Closing Balance on September 30,2011		2,316,462	-	31,076	29,187	(132,522)	49,833	593,027	63,726	(34,6
Opening Balance on December 31,2011		**2,316,500**	**182,610**	**31,076**	**29,187**	**(145,279)**	**-**	**-**	**68,602**	**(51,3**
Other net Comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Net Profit for the Period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Increase in advances for future capital	**23**	**-**	**579**	**-**	**-**	**-**	**-**	**-**	**-**	
Subscription of Capital on August 13, 2012	**23**	**183,189**	**(183,189)**	**-**	**-**	**-**	**-**	**-**	**-**	
Share – based payments	**23**	**-**	**-**	-	**-**	**-**	**-**	**-**	**10,973**	
Closing Balance on September 30,2012		**2,499,689**	**-**	**31,076**	**29,187**	**(145,279)**	**-**	**-**	**79,575**	**(51,3**

Statements of Cash Flows

(In Thousands of Brazilian Reais)

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Net Income (loss) for the Period	**(1,065,833)**	(805,807)	**(1,065,833)**	(805,807)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and Amortization	**67**	67	**372,159**	271,487
Allowance for Doubtful Accounts	-	-	**4,029**	6,939
Provisions for contingencies	-	-	**10,792**	4,224
Provisions for Onerous Contracts	-	-	**-**	15,274
Reversion of provision for Inventory Obsolescence	-	-	**(364)**	130
Deferred Taxes	**1,748**	1,038	**(38,654)**	(112,635)
Equity in subsidiaries	**886,837**	602,478	-	-
Shared-based Payments	**10,973**	19,999	**10,973**	19,999
Exchange and Monetary Variations, Net	**77,790**	135,533	**290,526**	379,607
Interest on loans and other, net	**79,607**	81,389	**181,111**	285,336
Unrealized Hedge income, Net of taxes	**-**	(487)	**13,658**	80,427
Provision for Return of Aircraft	**-**	-	**-**	30,022
Provisions	**(25,629)**	-	**(25,629)**	-
Mileage Program	-	-	**155,902**	32,173
Write-of property, plant equipment and intangible assets	-	-	**55,606**	5,919
Provision for profit sharing plan	-	-	**-**	42,429
Impairment losses	-	-	**(7,105)**	-
Changes in operating assets and liabilities:		-	**-**	-
Accounts receivable	-	-	**(30,873)**	(30,519)
Investments used for trading	**(85,706)**	-	**372,469**	-
Inventories	-	-	**(1,211)**	23,500
Deposits	**(4,933)**	(6,046)	**40,776**	13,762
Prepaid Expenses and Recovery Taxes	**(290)**	1,870	**102,552**	15,272
Other Assets	-	2,595	**3,770**	72,636
Accounts Payable	**(5,614)**	(1,187)	**86,865**	5,209
Advance Ticket Sales	-	-	**111,714**	130,214
Advances from customers	-	-	**(24,773)**	(38,424)
Salaries, Wages and Benefits	-	-	**11,914**	26,306
Provision for Profit Sharing	-	-	**-**	(56,727)
Sales Tax and Landing Fees	-	-	**81,628**	43,457
Taxes Payable	**2,176**	3,958	**(79,320)**	43,504
Provision	-	-	**2,554**	(82,402)
Insurance	-	-	**(15,975)**	-

Derivatives Obligations	-	-	**(24,046)**	(26,317)
Other Liabilities	**1,859**	1,967	**(26,041)**	12,452
Cash provided by operating activities	**(126,948)**	37,367	**569,174**	407,447
Interest Paid	**(92,447)**	(95,380)	**(248,079)**	(167,766)
Income Tax Paid	**(4,293)**	(3,440)	**(5,192)**	(22,913)
Net Cash Provided by (used in) Operating Activities	**(223,688)**	(61,453)	**315,903**	216,768
Investing activities				
Short term Investments	**-**	(5,158)	**-**	(695,413)
Restricted Cash	**(1,213)**	(10,000)	**(57,347)**	(132,237)
Payment of Property	**(149,435)**	(87,119)	**(444,956)**	(161,374)
Increase in Intangible	**-**	-	**(16,540)**	(23,211)
Net cash used in investing activities	**(150,648)**	(102,277)	**(518,843)**	(1,012,235)
Financing activities				
Debt Increase	**-**	-	**304,663**	559,349
Payments of Debts	**(43,077)**	-	**(280,681)**	(209,602)
Credit with related parties	**299,318**	110,551	**-**	-
Dividends	-	(51,443)	**-**	(51,443)
Financial Lease Payments Increase	-	-	**-**	(155,318)
Capital increase	**579**	807	**579**	807
Net Cash Generated by Financing Activities	**256,820**	59,915	**24,561**	143,793
Exchange Variation on Cash and Cash Equivalents		-	**(1,351)**	(1,511)
Net Decrease in Cash and Cash Equivalents	**(117,516)**	(103,815)	**(179,730)**	(653,185)
Opening balance of cash and cash equivalents	**232,385**	229,436	**1,230,287**	1,955,858
Closing balance of cash and cash equivalents	**114,869**	125,621	**1,050,557**	1,302,673

Statements of Value Added

(In Thousands of Brazilian Reais)

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	**09/30/2011**	**09/30/2012**	**09/30/2011**
Revenues				
Transportation of Passengers, Cargo and Other	**-**	-	**6,285,564**	5,554,597
Other Income	**11,398**	7,356	**11,398**	7,356
Allowance for doubtful accounts	**-**	-	**(4,029)**	(6,939)
ACQUIRED FROM THIRD PARTIES				
Fuel and lubrificants Suppliers	**-**	-	**(2,859,184)**	(2,175,393)
Materials, Energy, Third Parties Services and Other	**(1,585)**	(6,862)	**(1,196,289)**	(1,112,163)
Aircraft Insurance	**-**	-	**(21,507)**	(25,555)
Sales and Marketing	**-**	-	**(301,720)**	(286,221)
GROSS VALUE ADDED	**9,813**	494	**1,914,233**	1,955,682
RETENTIONS				
Depreciation, Amortization and Exhaustion	**(67)**	(67)	**(372,159)**	(271,487)
ADDED VALUE PRODUCED	**9,746**	427	**1,542,074**	1,684,195
VALUE ADDED RECEIVED IN TRANSFER				
Equity equivalence result	**(886,837)**	(602,478)	**-**	-
Finance income	**36,524**	22,086	**301,067**	327,371
TOTAL ADDED VALUE FOR DISTRIBUTION (DISTRIBUTED)	**(840,567)**	(579,965)	**1,843,141**	2,011,566
ADDED VALUE FOR DISTRIBUTION (DISTRIBUTED)				
Employees	**12,160**	21,086	**981,660**	909,731
Taxes and Contributions	**7,434**	4,998	**597,391**	545,222
Third Party Capital Remuneration	**205,672**	199,758	**852,322**	1,013,023
Tenants	**-**	-	**477,601**	349,397
Retained Earnings / Loss for the Period	**(1,065,833)**	(805,807)	**(1,065,833)**	(805,807)
ADDED VALUE FOR DISTRIBUTION (DISTRIBUTED)	**(840,567)**	(579,965)	**1,843,141**	2,011,566

1 .General 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 Company is engaged in, controling of its wholly-owned subsidiary VRG Linhas Aéreas S.A. ("VRG"), and through its subsidiaries or affiliates, essentially exploring: (i) regular and non-regular air transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the competent authorities; (ii) complementary activities of air transport service provided in its bylaws.

Additionally, GLAI is the direct parent company of the subsidiaries GAC Inc ("GAC"), Gol Finance ("Finance"), and indirect parent company of the subsidiaries SKY Finance II ("SKY II") and Webjet Linhas Aéreas S.A. ("Webjet").

GAC was established on March 23, 2006, according to the laws of the Cayman Islands, and its activities are related to the aircraft acquisition for its single shareholder GLAI, which provides financial support for its operating activities and settlement of obligations. Finance was incorporated on March 16, 2006, in accordance with the laws of the Cayman Islands, and its activity is related to fundraising to finance the acquisition of aircraft.

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

On February 28, 2011, the subsidiary VRG constituted a Participation Account Company ("SCP BOB") engaged in developing and operating on-board sales of food and beverages in domestic flights. VRG has 50% participation in the share capital of the company, which started to operate in September, 2011.

On August 1, 2011, the subsidiary VRG acquired the entire share capital of Webjet, an airline based in the city of Rio de Janeiro, which provides domestic regular air transportation and nonregular international passenger cargo and mail transportation. The transaction was approved by the ANAC in October 3, 2011.

On April 28, 2012, the subsidiary VRG constituted a participation account company ("SCP Trip") in order to develop, produce and explore the "Gol Magazine", distributed free on flights of the Company. The participation of VRG is equivalent to 60% of the SCP.

The Company's shares are traded on the New York Stock Exchange (NYSE) and on the São Paulo Stock Exchange- BOVESPA. The Company has adopted Level 2 Differentiated Corporate Governance Practices with the São Paulo Stock Exchange-BOVESPA, and is included in the Special Corporate Governance Stock Index (IGC) and the Special Tag Along Stock Index (ITAG), which were created to identify companies committed to adopt differentiated corporate governance practices.

2. Approval and summary of significant accounting policies applied in preparing the Interim Financial Information- ITR.

The approval and authorization of these Interim Financial Information occurred at the Board of Directors' meeting held on November 13, 2012. The Company's registered office is located at Comandante Linneu Gomes Square, entrance 3, building 24, Jardim Aeroporto, Sao Paulo, Brazil.

2.1 Basis of preparation

The consolidated Interim Financial Information- ITR was prepared for the three and/or nine months period ended on September 30, 2012 in accordance with International Accounting Standards (IAS) no. 34, related to consolidated interim financial statements, as issued by the International Accounting Standards Board (IASB) and technical pronouncement CPC 21 – *Demonstração Intermediária* (Interim Financial Reporting).

IAS 34 requires the use of certain accounting estimates by the Company Management. The consolidated interim financial information - ITR was prepared based on historical cost, except for certain financial assets and liabilities, which are measured at fair value.

The Individual Interim Financial Information - ITR of the parent company was prepared in accordance with the accounting pratices adapted in Brazil, CPC 21 which deals with the Interim Finance Information.

The individual interim financial information prepared for statutory purposes, presents the valuation of investments in subsidiaries by the equity method, according to Brazilian legislation. Thus, these individual financial statements are not in accordance with IFRSs, which require the evaluation of these investments in separate financial statements of the parent at fair value or cost.

These Interim Financial Information- ITR individual and consolidated do not include all the information and disclosure items required in the individual and consolidated annual financial statements, therefore, they must be read together with the individual and consolidated financial statements for the year ended December 31, 2011, filed on March 26, 2012, which were prepared according to the accounting practices, as described above. There were no changes in accounting practices adopted on December 31, 2011 when compared to those of September 30, 2012. The balances of deferred income tax and social contribution assets and liabilities have been reclassified in September 30, 2012 and December 31, 2011 in order to present the net values by each taxpayer entity under CPC 32 - Income Taxes (IAS 12).

The Company has chosen to present these individual and consolidated interim financial information in one single set, side by side, because there is no difference between the individual and consolidated shareholders' equity and net income (loss).

3. Seasonality

The Company expects that the revenues and profits from its flights reach the highest levels during the summer and winter vacation periods, January and July, respectively, and during the last two weeks of December, during the holidays season. Given the high portion of fixed costs, this seasonality tends to result in fluctuations in our operational results over the year.

4. Cash and cash equivalents

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Cash and bank deposits	**55,610**	13,406	**352,892**	157,452
Cash equivalents	**59,259**	218,979	**697,665**	1,072,835
	114,869	232,385	**1,050,557**	1,230,287

As of September 30, 2012, cash equivalents were represented by private bonds (CDBs - Bank Deposit Certificates), Government bonds and fixed-income funds, paid at post fixed rates ranging between 96.8% and 102.8% of the Interbank Deposit Certificate Rate (CDI).

The composition of cash equivalents balance is as follows:

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Private bonds	**41,858**	218,979	**49,160**	284,911
Government bonds	**-**	-	**399,535**	787,605
Investment funds	**17,401**	-	**248,970**	319
	59,259	218,979	**697,665**	1,072,835

These investments have high liquidity, are readily convertible into known amounts of cash and are subject to an insignificant risk of value changes.

5. Short-term investments

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Private bonds	**-**	-	**60,162**	12,071
Government bonds	**-**	-	**233,039**	124,400
Investment funds	**181,220**	69,885	**369,026**	872,597
	181,220	69,885	**662,227**	1,009,068

Private bonds comprise of CDBs ("Bank Deposit Certificates"), with maturity until September 2013 and highly liquid, paid at a weighted average rate of 101.5% of the CDI rate.

Public bonds comprise of LTN (National Treasury Bills), NTN (National Treasury Bills), with immediate maturity, and paid at a variable average for the last twelve months of 11.27% p.a..

Investment funds are represented primarily by government bonds LTN and CDBs.

6. Restricted Cash

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	12/31/2011
Escrow - operation buyback	**1,183**	-
Margin deposits for hedge transactions (a)	**47,972**	82,996
Guarantee margin deposits associated with loans from BNDES (b)	**-**	8,591
Deposits in guarantee with letter of credit	**8,917**	8,471
Escrow - Webjet loan (c)	**61,954**	-
Escrow - purchase of Webjet	**-**	8,554
Deposits in guarantee to forward operations of future	**44,256**	-
Other deposits	**2,160**	483
	166,442	109,095
Current	**63,137**	8,554
Noncurrent	**103,305**	1,133

(a) Deposits in US dollar, subject to the libor rate (average yield of 0.90% p.a.).
(b) Guarantee margin, invested in DI investment funds and yielding at a weighted average rate of 102% of CDI.
(c) Escrow deposit equivalent to 30% of the loan transaction Webjet.

7. Trade and other receivables

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	12/31/2011
Local currency:		
Credit card administrators	**98,264**	100,214
Travel agencies	**218,811**	185,544
Installment sales	**38,418**	47,189
Cargo agencies	**34,319**	37,460
Airline partners companies	**17,812**	17,031
Other	**40,277**	35,077
	447,901	422,515
Foreign currency:		
Credit card administrators	**10,732**	9,228
Travel agencies	**7,528**	6,833
Cargo agencies	**345**	301
	18,605	16,362
	466,506	438,877
Allowance for doubtful accounts	**(84,988)**	(83,610)
	381,518	355,267
Current	**380,978**	354,134
Noncurrent (*)	**540**	1,133

(*) The portion of noncurrent trade receivables is recorded in other receivables, in noncurrent assets, and corresponds to installment sales made under the *Voe Fácil* program, with maturity over 360 days.

The aging list of accounts receivable is as follows:

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	12/31/2011
Falling due	**342,752**	317,016
Overdue until 30 days	**16,134**	20,618
Overdue 31 to 60 days	**7,560**	7,507
Overdue 61 to 90 days	**4,262**	4,954
Overdue 91 to 180 days	**6,190**	11,754
Overdue 181 to 360 days	**17,644**	15,307
Overdue above 360 days	**71,964**	61,721
	466,506	438,877

The average collection period of installment sales is eight months and 5.99% monthly interest is charged on the receivable balance, which is recognized as financial income. The average collection period of other receivables is 102 days (108 days as of December 31, 2011.)

Changes in the allowance for doubtful accounts, for the quarters ended September 30, 2012 and 2011, are as follows:

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	09/30/2011
Balance at beginning of period	**(83,610)**	(60,127)
Additions	**(19,786)**	(19,740)
Unrecoverable amounts	**2,651**	2,898
Recoveries	**15,757**	9,903
Balance at the end of period	**(84,988)**	(67,066)

8. Inventories

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	12/31/2011
Consumables	**19,642**	20,148
Parts and maintenance materials	**123,101**	127,080
Advances to suppliers	**23,625**	12,725
Others	**6,361**	12,331
Provision for adjustment to market value (a)	**(2,295)**	(3,061)
Provision for obsolescence	**(17,836)**	(18,200)
	152,598	151,023

(a) The amount refers to the amortization reduction on inventories purchased from Webjet. In the period ended September 30, 2012, there was the realization of the value allocated to the amount of R$776.

Changes in the allowance for inventory obsolescence are as follows:

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	**09/30/2011**
Balance at the beginning of the period	**(18,200)**	(17,004)
Additions	**(116)**	(51,180)
Write-offs	**480**	51,050
Balance at the end of the period	**(17,836)**	(17,134)

9. Deferred and recoverable taxes

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Recoverable taxes:				
Current assets				
ICMS [(1)]	**-**	-	**20,723**	13,222
Prepaid IRPJ and CSSL [(2)]	**43,445**	37,784	**76,094**	77,679
IRRF [(3)]	**546**	1,922	**25,367**	16,584
PIS and COFINS [(4)]	**-**	-	**699**	54,085
Withholding tax of public institutions	**-**	-	**4,712**	26,791
Value added tax – IVA [(5)]	**-**	-	**5,603**	4,242
Income tax on imports	**247**	275	**16,888**	17,740
Others	**-**	-	**957**	2,655
Total recoverable taxes - current	**44,238**	39,981	**151,043**	212,998

(1) ICMS: State tax on sales of goods and services.
(2) IRPJ: Brazilian federal income tax on taxable income.
CSLL: social contribution on taxable income, created to sponsor social programs and funds.
(3) IRRF: withholding income tax levied on certain domestic transactions, such as payment of fees to some service providers, payment of salaries, and financial income from bank investments.
(4) PIS/COFINS: Contributions to Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS)
(5) IVA: Value added tax on sales of goods and services abroad.

	GLAI		VRG		Consolidated	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**	**09/30/2012**	**12/31/2011**
Deferred taxes:						
Tax losses	**31,762**	33,121	**394,046**	394,046	**425,808**	427,167
Negative basis of social contribution	**11,434**	11,923	**141,857**	141,857	**153,291**	153,780

Temporary diferences:						
Mileage program:	**-**	-	**150,489**	97,483	**150,489**	97,483
Allowance for doubtful accounts and other credits	**-**	-	**62,466**	62,317	**62,466**	62,317
Provision for loss on acquisition of VRG	**-**		**143,350**	143,350	**143,350**	143,350
Provision for legal and tax liabilities	**-**	-	**33,047**	57,151	**33,047**	57,151
Return of aircraft	**-**	-	**35,834**	22,089	**35,834**	22,089
Derivative transactions not settled	**-**	-	**35,972**	36,852	**35,972**	36,852
Effects from Webjet's acquisition	**-**	-	**5,315**	7,086	**5,315**	7,086
Brands	**-**	-	**(21,457)**	(21,457)	**(21,457)**	(21,457)
Flight rights	**-**	-	**(353,226)**	(353,226)	**(353,226)**	(353,226)
Maintenance deposits	**-**	-	**(106,318)**	(101,630)	**(106,318)**	(101,630)
Depreciation of engines and parts for aircraft	**-**	-	**(156,002)**	(140,677)	**(156,002)**	(140,677)
Reversal of goodwill amortization	**-**	-	**(95,745)**	(76,596)	**(95,745)**	(76,596)
Derivative transactions not settled	**-**	-	**(14,436)**	(26,902)	**(14,436)**	(26,902)
Aircraft leasing	**193**	93	**51,068**	36,404	**51,261**	36,497
Total deferred tax and social contribution	**43,389**	45,137	**306,260**	278,147	**349,649**	323,284

The Company and its direct subsidiary VRG and indirect subsidiary Webjet have tax losses and negative basis of social contribution on calculation of taxable income, to be offset against 30% of annual taxable income, which can be carried forward indefinitely, in the following amounts:

	Individual (GLAI)		**Direct (VRG) and indirect subsidiary (Webjet)**	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Tax losses	**252,834**	258,268	**2,637,339**	1,887,267
Negative basis of social contribution	**252,834**	258,268	**2,637,339**	1,887,267

The tax credits arising from tax loss carryforwards and negative basis of social contribution were recorded based on the expected generation of future taxable income of the Company and its subsidiaries, as prescribed by tax laws.

Projected future taxable income for the utilization of tax loss carryforwards and negative basis of social contribution, technically prepared and supported based on business plans and approved by the Board of Directors, indicates the existence of sufficient taxable income for the realization of the recognized deferred tax assets.

The Company and its subsidiaries have a total tax credits in the amount of R$982,659, which R$85,964 are from GLAI and R$896,695 are from its subsidiaries VRG and Webjet, and recognized an allowance for loss of R$403,560 (R$42,768 from GLAI and R$360,792 from its subsidiaries VRG and Webjet), for credits that have no perspective of realization in the near future. Such tax credits are supported by projections of future profitability and reviewed annually.

Management considers that the deferred tax assets arising from temporary differences will be realized proportionally to the realization of provisions and final outcome of future events.

	Individual			
	Three months periods ended on		Nine months periods ended on	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Loss before income tax and social contribution	**(309,054)**	(513,058)	**(1,059,792)**	(802,365)
Combined tax rate	**34%**	34%	**34%**	34%
Income tax at combined tax rate	**105,078**	174,440	**360,329**	272,804
Adjustments to calculate the effective tax rate:				
Equity in subsidiaries	**(97,138)**	(110,575)	**(301,525)**	(204,844)
Nondeductible income from subsidiaries	**(8,211)**	(9,402)	**(25,131)**	(24,718)
Income tax on permanent differences	**(2,904)**	(1,721)	**(3,727)**	(6,794)
Income tax and social contribution not recognized on tax loss carryforwards or compensation 30%	**-**	722	**-**	-
Nondeductible expenses (nontaxable income)	**(51)**	(31)	**(163)**	320
Exchange differences on foreign investments	**2,928**	(56,875)	**(35,824)**	(40,210)
Income (expense) of tax and social contribution	**(298)**	(3,442)	**(6,041)**	(3,442)
Current income tax and social contribution	**(277)**	(2,404)	**(4,293)**	(2,404)
Deferred income tax and social contribution	**(21)**	(1,038)	**(1,748)**	(1,038)
	(298)	(3,442)	**(6,041)**	(3,442)

	Consolidated			
	Three months periods ended on		Nine months periods ended on	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Loss before income tax and social contribution	**(278,372)**	(647,880)	**(1,099,295)**	(896,256)
Combined tax rate	**34%**	34%	**34%**	34%
Income tax at combined tax rate	**94,646**	220,279	**373,760**	304,727
Adjustments to calculate the effective tax rate:				
Nondeductible income from subsidiaries	**(19,025)**	(9,402)	**(43,495)**	(24,718)
Nondeductible expenses	**(8,062)**	(7,967)	**(14,498)**	(17,106)
Income tax on permanent differences	**(320)**	(2,534)	**(2,897)**	(27,025)
Use of tax credits in the repayment of Law 11.941	**-**	-	**-**	(8,013)
Income tax and social contribution is not recognized on tax loss carryforwards	**(92,123)**	(12,125)	**(235,196)**	(97,210)
Exchange differences on foreign investments	**(6,096)**	(56,871)	**(44,212)**	(40,206)
Income (expense) of tax and social contribution	**(30,980)**	131,380	**33,462**	90,449
Current income tax and social contribution	**(597)**	(2,581)	**(5,192)**	(22,186)
Deferred income tax and social contribution	**(30,383)**	133,961	**38,654**	112,635
	(30,980)	131,380	**33,462**	90,449

10. Prepaid Expenses

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Deferred losses from sale-leaseback transactions	**-**	-	**47,172**	54,201
Prepayments of hedge premium	**-**	-	**91**	11,572
Lease prepayments	**-**	-	**27,255**	30,382
Insurance prepayments	**463**	136	**2,215**	22,775
Prepaid commissions	**-**	-	**14,603**	13,020
Others	**-**	-	**6,828**	6,811
	463	136	**98,164**	138,761
Current	**463**	136	**60,311**	93,797
Noncurrent	**-**	-	**37,853**	44,964

(a) During the reporting periods of 2007, 2008, and 2009, the Company recorded losses on sale-leaseback transactions performed by its subsidiary GAC Inc. relating to nine aircraft in the amount of R$89,337. These losses were deferred and are being amortized proportionally to the payments of the respective lease contracts during the contractual term of 120 months. Further information related to the sale-leaseback transactions are described in explanatory Note 27 b.

11. Deposits

Parent company

Escrow deposits

Escrow deposits represent guarantees in legal proceedings related to labor claims, deposited in escrow until the conclusion of the related claims, updated at the *SELIC* rate. The balances of escrow deposits as of September 30, 2012 recorded in noncurrent assets totaled R$16,998 (R$12,065 as of December 31, 2011).

Consolidated

Maintenance deposits

The Company and its subsidiaries VRG and Webjet made deposits in US dollars for maintenance of aircraft and engines that will be used in future events as set forth in some finance lease contracts.

The maintenance deposits do not exempt the Company and its subsidiaries, as lessee, neither from the contractual obligations relating to the maintenance of the aircraft nor from the risk associated with maintenance activities. The Company and its subsidiaries hold the right to select any of the maintenance service providers or to perform such services internally.

Based on the regular analysis of deposit recovery, management believes that the amounts reported in the consolidated balance sheet are recoverable and there are no indications of impairment of maintenance deposits, whose balances as of September 30, 2012 classified in current and noncurrent

assets amount to R$23,928 and R$343,316, respectively (R$35,082 and R$323,062 in current and noncurrent assets as of December 31, 2011, respectively).

Deposits in guarantee for lease agreements

As required by the lease agreements, the Company and its subsidiaries hold guarantee deposits in US dollars on behalf of the leasing companies, whose full refund occurs upon the contract expiration date. As of September 30, 2012, the balance of guarantee deposits for lease agreements, classified in noncurrent assets, is R$97,282 (R$96,983 as of December 31, 2011).

Escrow deposits

Escrow deposits represent guarantees in legal proceedings related to tax, civil and labor claims, deposited in escrow until the resolution of the related claims, paid at *SELIC* rate. The balances of escrow deposits as of September 30, 2012, recorded in noncurrent assets totaled R$159,232 (R$175,472 as of December 31, 2011).

12. Transactions with related parties

Loan agreements– noncurrent assets and liabilities– Individual

The Company, through GAC and Finance maintains loan agreements, assets and liabilities with its subsidiary VRG without interest rates prescribed, maturity or guarantees, as set forth below:

	Asset		Liability	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
GLAI with VRG	**50,698**	48,514	**-**	-
GAC with VRG (a)	**-**	71,280	**406,232**	222,725
Finance with VRG (a)	**476,084**	474,023	**-**	-
	526,782	593,817	**406,232**	222,725

a) The values that the Company maintains with GAC and Finance, subsidiaries abroad, are subject to exchange rate variations.

Graphic, consulting and transportation services

The subsidiary VRG holds a contract with the related party *Breda Transporte*s e *Serviços* S.A. for passenger and luggage transportation services between airports, and transportation of employees, expiring on May 31, 2013, renewable every 12 months for additional equal terms through an amendment instrument signed by the parties, annually adjusted based on the IGP-M fluctuation (General Market Price Index) .

The subsidiary VRG also holds contracts with the related parties *Expresso União Ltda*. and *Serviços Gráficos Ltda.*, for employee transportation and graphic services, expiring on September 16, 2012 and July 18, 2012, respectively. After the end of the term, these contracts were not renewed.

The subsidiary VRG also holds contracts for the operation of the *Gollog* franchise through the related party *União Transporte de Encomendas e Comércio de Veículos Ltda.*, expiring on December 29, 2015.

The subsidiary VRG also holds contracts with the related party *Vaud Participações S.A.* to provide executive administration and management services, expiring on October 01, 2014.

During the period ended September 30, 2012, VRG recognized total expenses related to these services of R$8,307 (R$8,401 as of September 30, 2011). All the entities referred above belong to the same economic group.

Property lease

VRG is the lessee of the property located at Rua Tamoios, 246, São Paulo, SP, owned by *Patrimony Administradora de Bens*, controlled by *Comporte Participações S.A.*, a company owned by the same shareholder of the Company, whose contract was terminated in August 2012. During the period ended September 30, 2012 VRG recognized total expenses related to this lease of R$329 (R$438 as of September 30, 2011).

Contracts Account Opening UATP (Universal Air Transportation Plan) to Grant Credit Limit

On September 2011, subsidiary VRG entered into agreements with related parties *Pássaro Azul Taxi Aéreo* Ltda. e *Viação Piracicabana* Ltda. The purpose of the agreement is the issuance of UATP (Universal Air Transportation Plan) accounts. VRG issued credits to related parties in the amounts of R$20 and R$40, respectively, to be used in the UATP system. Such system can be used to pay domestic and international air services to all members. VRG uses the UATP system, which is operated and maintained by the international air sector, and seeks to simplify billing and facilitate the payment of air travels and other related services.

Financing contract for engine maintenance

VRG has a line of funding for maintenance of engines whose disbursement occurs through the issuance of Guaranteed Notes. The series, issued on 29 June 2012 and 27 September 2012 respectively, will mature on June 29, 2014 and 27 September 2014 aims to support the maintenance of engines, (see details in note 17). In the nine months ended on September 30, 2012 spending on engine maintenance conducted by Delta Air Lines was R$62,944.

Trade payables – current liabilities

As of September 30, 2012, balances payable to related companies amounting to R$1,014 (R$1,198 as of December 31, 2011) are included in the balance of accounts payables and substantially refers to the payment to *Breda Transportes e Serviços S.A.* for passenger transportation services.

Key management personnel payments

	Three months period		**Nine months period ended**	
	09/30/2012	**09/30/2011**	**09/30/2012**	**09/30/2011**
Salaries and benefits	**3,391**	4,018	**10,043**	11,274
Related taxes	**1,313**	1,398	**3,881**	4,085
Share-based payments	**1,376**	2,400	**3,969**	11,576
Total	**6,080**	7,816	**17,893**	26,935

As of September 30, 2012, the Company did not offer postemployment benefits, and there are no severance benefits or other long-term benefits for the Management or other employees.

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 the grant of preferred stock options to the Company's management and key senior executive officers. For grants through 2009, the options vest at a rate of 20% per year, and can be exercised within up to 10 years after the grant date.

Due to changes in the Company's Stock Option Plan, approved at the Annual Shareholders' Meeting held on April 30, 2010, for plans granted beginning 2010, 20% of the options become vested as from the first year, an additional 30% as from the second, and the remaining 50% as from the third year. The options under these plans may also be exercised within 10 years after the grant date.

The fair value of stock options was estimated on the grant date using the Black-Scholes option pricing model.

The date of the Board of Directors' meetings and the assumptions utilized in the Black-Scholes option pricing model are as follows:

	Stock option plans						
	2005	**2006**	**2007**	**2008**	**2009 (a)**	**2010 (b)**	**2011**
Board of Directors' meeting date	December 9, 2004	January 2, 2006	December 31, 2006	December 20, 2007	February 4, 2009	February 2, 2010	December 20, 2010
Total options granted	87,418	99,816	113,379	190,296	1,142,473	2,774,640	2,722,444
Option strike price	33.06	47.30	65.85	45.46	10.52	20.65	27.83
Average fair value of the option on the grant date	29.22	51.68	46.61	29.27	8.53	16.81	16.11(c)
Estimated volatility of the share price	32.52%	39.87%	46.54%	40.95%	76.91%	77.95%	44.55%
Expected dividend	0.84%	0.93%	0.98%	0.86%	-	2.73%	0.47%
Risk-free return rate	17.23%	18.00%	13.19%	11.18%	12.66%	8.65%	10.25%
Option term (years)	10	10	10	10	10	10	10

(a) In April 2010 additional options were granted, totaling 216,673 in addition to those approved by the 2009 plan.
(b) In April 2010 additional options were approved totaling 101,894, referring to the 2010 plan.
(c) The calculated fair the value for 2011 plan was 16.92, 16.11, and 15.17 for the related vesting periods (2011, 2012, and 2013).
(d) The calculated fair the value for 2012 stock option plans was 6.04, 5.35 and 4.56 respectively.

Changes in the stock options as of September 30, 2012 are as follows:

	Stock options	**Weighted average strike price**
Outstanding options as of December 31, 2011	4,621,192	24.34
Options granted	-	-
Options expired and adjustment on forfeited rights estimate	(1,221,969)	26.54
Options outstanding as September 30,2012	**3,399,223**	**24.09**
Number of options to be vested as of December 31, 2011	1,784,759	23.89
Number of options to be vested as of September 30, 2012	**1,885,116**	**23.05**

The strike price range and the average maturity of outstanding options, as well as the strike price range for the exercisable options as of September 30, 2012, are summarized below:

Outstanding options				Options exercisable	
Strike price range	Outstanding options	Remaining weighted average maturity in years	Average strike price	Options exercisable	Average strike price
33.06	4,965	3	33.06	4,965	33.06
47.3	13,220	4	47.30	13,220	47.3
65.85	14,962	5	65.85	14,962	65.85
45.46	41,749	6	45.46	37,574	45.46
10.52	237,087	7	10.52	165,961	10.52
20.65	1,419,751	8	20.65	1,064,814	20.65
27.83	1,667,489	9	27.83	583,620	27.83
10.52-65.85	**3,399,223**	**8,26**	**24.63**	**1,885,116**	**23.05**

For the period ended September 30, 2012, the Company recognized in shareholders' equity an result with stock options in the amount of R$10,973 (R$19,999 for the period ended September 30, 2011), being the expense presented in the consolidated income statements as personnel expenses.

13. Investments

Due to the changes in Law 6404/76 introduced by Law 11,638/07, investments in foreign subsidiaries, GAC and Finance were considered as an extension of the controller GLAI and consolidated on a line by line basis, only the subsidiary VRG was considered as an investment.

Changes in investments to September 30, 2012 are as follows:

Balances as of December 31, 2010 - Investment	2,713,261
Equity in subsidiaries	(518,274)
Unrealized hedge losses (VRG)	(89,853)
Amortization losses, net of sale leaseback (a)	(1,809)
Balances as of December 31, 2011- Investment	**2,103,325**
Equity in subsidiaries	**(886,837)**
Unrealized hedge gains (VRG)	**23,853**
Deferred gains, net of sale leaseback transaction with (a)	**(1,357)**
Balances as of September 30, 2012- Investment	**1,238,984**

(a) The subsidiary GAC has net balance of deferred losses and gains on sale leaseback, whose deferral is subject to the payment of contractual installments made by its subsidiary VRG. Accordingly, as of September 30, 2012, the net balance to be deferred of R$29,328 (R$30,685 for the year ended December 31, 2011) is basically a part of the parent's net investment in the VRG. See explanatory note N°. 27 b.

The subsidiary VRG's shares are not traded on stock exchanges. The relevant information on VRG is summarized below:

	Total number of shares	Interest %	Capital	Shareholders' equity (b)	Net income (loss)
12/31/11	3,002,248,156	100%	2,294,191	2,072,640	(518,274)
09/30/12	**3,002,248,156**	**100%**	**2,294,191**	**1,209,656**	**(886,837)**

(b) The difference between the balance of investment and equity participation in VRG corresponds to the net effect of R$29,328 from sale leaseback, mentioned above under (a).

14. Earnings or Loss per Share

Although there are differences between common and preferred shares in terms of voting rights and priority in case of liquidation, the Company's preferred shares are not entitled to receive any fixed dividends. Rather, preferred shareholders are entitled to receive dividends per share in the same amount of the dividends per share paid to common shareholders. Therefore, the Company understands that, substantially, there is no difference between preferred shares and common shares, and, accordingly, basic and diluted earnings or loss per share are calculated equally for both shares.

Consequently, basic earnings or loss per share are computed by dividing income or losses by the weighted average number of all classes of shares outstanding during the period. Diluted earnings or loss per share are computed including stock options granted to key management and employees using the treasury stock method when the effect is dilutive. The antidilutive effect of all potential shares is disregarded in calculating diluted earnings or loss per share.

	Individual and Consolidated (IFRS and BRGAAP)			
	Three months periods ended on		Nine months periods ended on	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Numerator				
Income (loss) for the period	**(309,352)**	(516,500)	**(1,065,833)**	(805,807)
Denominator				
Weighted average number of outstanding shares (in thousands)	**271,058**	270,363	**268,130**	270,363
Adjusted weighted average number of outstanding shares and diluted presumed conversions (in thousands)	**271,058**	270,363	**268,130**	270,363
Basic earnings (loss) per share	**(1.14)**	(1.91)	**(3.98)**	(2.98)
Diluted earnings (loss) per share	**(1.14)**	(1.91)	**(3.98)**	(2.98)

Diluted earnings or loss per share are calculated by considering the instruments that may have a potential dilutive effect in the future, such as share-based payment transactions, discussed in note 12. However, due to the losses reported for the periods ended on September 30, 2012 and 2011, these instruments have anti-dilutive effect and, therefore, are not considered in the total number of outstanding shares.

15. Property, Plant and Equipment

Individual

The balance correspond to advances for acquisition of aircraft, related to prepayments made based on the contracts with Boeing Company to acquire 98 aircraft 737-800 Next Generation (101 aircraft as of 31 December 2011) in the amount of R$508,950 (R$359,515 as of December 31, 2011) and the

right on the residual value of aircraft in the amount of R$417,163 (R$417,163 as of December 31, 2011), both held by the subsidiary GAC.

Consolidated

	09/30/2012				12/31/2011
	Weighted anual depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount
Flight equipment					
Aircraft under finance leases	4%	2,956,113	(690,249)	**2,265,864**	2,377,234
Sets of replacement parts and spares	4%	932,570	(220,458)	**712,112**	733,095
Aircraft reconfigurations / overhauling	30%	636,298	(339,196)	**297,102**	253,655
Aircraft and safety equipment	20%	2,162	(1,160)	**1,002**	822
Tools	10%	27,157	(9,443)	**17,714**	18,387
		4,554,300	(1,260,506)	**3,293,794**	3,383,193
	-				
Impairment losses	-	(43,548)	-	**(43,548)**	(50,653)
		4,510,752	(1,260,506)	**3,250,246**	3,332,540
Property, plant and equipment in					
Vehicles	20%	10,637	(7,714)	**2,923**	2,969
Machinery and equipment	10%	49,878	(16,219)	**33,659**	31,573
Furniture and fixtures	10%	20,787	(10,870)	**9,917**	10,323
Computers and peripherals	20%	46,266	(31,757)	**14,509**	15,712
Communication equipment	10%	3,091	(1,668)	**1,423**	1,334
Facilities	10%	4,593	(2,986)	**1,607**	1,854
Maintenance center Confins	7%	105,971	(15,933)	**90,038**	92,047
Leasehold improvements	20%	51,374	(24,941)	**26,433**	15,115
Construction in progress	-	5,865	-	**5,865**	21,936
		298,462	(112,088)	**186,374**	192,863
		4,809,214	(1,372,594)	**3,436,620**	3,525,403
Advances for aircraft acquisition	-	513,556	-	**513,556**	365,067
		5,322,770	**(1,372,594)**	**3,950,176**	3,890,470

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

	Property, plant and equipment under finance lease	Others flight equipment (a)	Advances for acquisition of property, plant and equipment	Others	Total
As of December 31, 2010	2,210,433	751,816	323,661	175,058	3,460,968
Additions from Webjet's acquisition	-	65,328	-	6,264	71,592
Additions	371,262	300,915	273,984	38,576	984,737
Disposals	-	(3,383)	(232,578)	(5,132)	(241,093)
Depreciation	(204,461)	(136,120)	-	(21,903)	(362,484)
Impairment losses	-	(23,250)	-	-	(23,250)
As of December 31, 2011	**2,377,234**	**955,306**	**365,067**	**192,863**	**3,890,470**

Additions	**31,705**	**251,373**	**215,598**	**13,389**	**512,065**
Disposals	**-**	**(55,140)**	**(67,109)**	**(88)**	**(122,337)**
Depreciation	**(143,075)**	**(174,262)**	**-**	**(19,790)**	**(337,127)**
Impairment losses (b)	**-**	**7,105**	**-**	**-**	**7,105**
As of September 30, 2012	**2,265,864**	**984,382**	**513,556**	**186,374**	**3,950,176**

(a) Additions primarily represent total estimated costs to be incurred relating to the reconfiguration of aircraft when returned and improvement costs relating to major overhauled of engine, hulls and spare parts, under operating lease.
(b) Refers to adjustments of the depreciation of assets valued at recoverable amounts or fair value.

16. Intangible assets

Individual

As of September 30, 2012, the balance in the Parent Company in the amount of R$22 refers to software (R$89 as of December 31, 2011).

Consolidated

	Goodwill	**Trademarks**	**Airport operating licenses**	**Software**	**Total**
Balance as of December 31, 2010	542,302	63,109	560,842	100,924	1,267,177
Additions from Webjet's acquisition				209	209
Additions	-	-	-	73,598	73,598
Disposals	-	-	-	(8,936)	(8,936)
Amortization	-	-	-	(26,149)	(26,149)
Provisional fair value from Webjet's acquisition	-	-	478,058	-	478,058
Balance at December 31, 2011	**542,302**	**63,109**	**1,038,900**	**139,646**	**1,783,957**
Additions	-	-	-	16,540	16,540
Disposals	-	-	-	(378)	(378)
Amortization	-	-	-	(35,032)	(35,032)
Balance as of September 30, 2012	**542,302**	**63,109**	**1,038,900**	**120,776**	**1,765,087**

17. Short and Long-term Debt

	Maturity of contract	**Effective rate (p.a.)**	**Individual**		**Consolidated**	
		09/30/2012	**09/30/2012**	**12/31/2011**	**09/30/2012**	**12/31/2011**
Short-term debt:						
Local currency:						
Debentures IV	Sep, 2015	**11.09%**	**-**	-	**-**	595,160
Debentures V	Jun, 2017	**10.64%**	**-**	-	**-**	493,284
BNDES loan Safra	Oct, 2014	**11.46%**	**-**	-	**29,992**	29,956
Santander	Oct, 2012	**8.99%**	**1,161**	40,676	**1,161**	40,676
Citibank	Dec, 2012	**8.73%**	**-**	-	**14,931**	19,401

BNDES (direct)	Jul, 2017	**10.72%**	**-**	-	**3,138**	8,372
BDMG	Mar, 2018	**10.71%**	**-**	-	**5,643**	3,600
Industrial CDB	Mar, 2012	**-**	**-**	-	**-**	1,250
Banco IBM	Sep, 2017	**12,80%**	**-**	-	**4,752**	-
Working Capital/ Banco	Mar, 2013	**16.08%**	**-**	-	**150,042**	-
Interest			**-**	-	**52,806**	23,421
			1,161	40,676	**262,465**	1,215,120
Foreign currency (in U.S. Dollars):						
J.P.Morgan	Sep, 2014	**1,09%**	**-**	-	**76,236**	-
Working Capital	Mar, 2012	**3.42%**	**-**	-	**-**	95,894
IFC	Jan, 2013	**5.79%**	**-**	-	**16,507**	31,264
FINIMP	Jun,2013	**3.59%**	**-**	-	**20,490**	3,127
Aeroturbine	Dec,2012	**-**	**-**	-	**705**	4,579
Interest			**36,195**	38,799	**35,252**	40,701
			36,195	38,799	**149,190**	175,565
			37,356	79,475	**411,655**	1,390,685
Finance lease	Sep, 2013	**-**	-	-	203,312	161,755
Total short-term debt			**37,356**	79,475	614,967	1,552,440
Long-term debt:						
Local currency:						
Debentures IV	Sep, 2015	**11.09%**	**-**	-	**596,128**	-
Debentures V	Jun,2017	**10.64%**	**-**	-	**494,199**	-
Safra	Dec,2015	**11.54%**	**-**	-	**163,329**	196,000
BNDES – Loan Safra	Oct, 2014	**11.46%**	**-**	-	**21,163**	42,837
BDMG	Mar, 2018	**10.71%**	**-**	-	**21,325**	25,851
BNDES – (direct)	Jul, 2017	**10.72%**	**-**	**-**	**11,873**	-
IBM bank	Sept, 2017	**12.80%**	**-**	-	**20,485**	-
			-	-	**1,328,502**	264,688
Foreign Currency (in U.S. Dollars):						
J.P.Morgan	Sept, 2014	**1.09%**	**-**	-	**44,820**	-
Senior bond I	Apr, 2017	**7.70%**	**456,882**	421,669	**426,426**	393,532
Senior bond II	Jul, 2020	**9.65%**	**597,062**	550,471	**597,062**	550,471
Perpetual bond	-	**8.75%**	**406,120**	375,160	**363,475**	335,768
			1,460,064	1,347,300	**1,431,783**	1,279,771
			1,460,064	1,347,300	**2,760,285**	1,544,459
Finance lease	Until Dec, 2021		**-**	-	1,884,197	1,894,549
Total long-term debt			**1,460,064**	1,347,300	4,644,482	3,439,008
			1,497,420	1,426,775	**5,259,449**	4,991,448

The maturities of long-term debt for the next twelve months as of September 30, 2012, are as follows:

	Individual		
	After 2016	Without maturity date	Total
Foreign currency (Dollars):			
Senior bond I	456,882	-	456,882
Senior bond II	597,062	-	597,062
Perpetual bond	-	406,120	406,120
Total	**1,053,944**	**406,120**	**1,460,064**

	Consolidated						
	2013	2014	2015	2016	After 2016	Without maturity date	Total
Local currency:							
BNDES Loan	774	3,097	3,097	3,097	1,808	-	11,873
BNDES – Loan Safra	6,167	14,996	-	-	-	-	21,163
Safra	32,667	65,331	65,331	-	-	-	163,329
BDMG	2,195	4,566	4,566	4,566	5,432	-	21,325
IBM	-	5,459	5,532	5,605	3,889	-	20,485
Debêntures	-	-	596,128	247,099	247,100	-	1,090,327
	41,803	93,449	674,654	260,367	258,229	-	1,328,502
Foreign currency (Dollars):							
JP Morgan	7,707	37,113	-	-	-	-	44,820
Senior bond I	-	-	-	-	426,426	-	426,426
Senior bond II	-	-	-	-	597,062	-	597,062
Perpetual bond	-	-	-	-	-	363,475	363,475
	7,707	37,113	-	-	1,023,488	363,475	1,431,783
Total	**49,510**	**130,562**	**674,654**	**260,367**	**1,281,717**	**363,475**	**2,760,285**

The fair values of senior and perpetual bonds, as of September 30, 2012, are as follows:

	Individual		Consolidated	
	Book	Market (a)	Book	Market (a)
Senior bonds (I and II)	1,053,944	996,654	1,023,486	996,195
Perpetual bonds	406,120	287,850	363,475	245,207

(a) Senior and perpetual bonds market prices are obtained through market quotations.

Funding engine maintenance (JP Morgan)

On September 27, 2012, the Company through its subsidiary VRG, issued the second series of

Guaranteed Notes in funding for engine maintenance in the amount of US$84,8 million (R$172.2 million at September 30, 2012) with a financial guarantee from the Export-Import Bank of the United States (Ex-Im Bank). The second series of Guaranteed Notes was priced by capital market transactions with interest rate of 0.85% p.a. in the amount of R$46,007 (corresponding to US$22,667 on the disbursement date). The funding will be within two years due in September 27, 2014 and will have quarterly repayments of principal and interest and issuance costs in the amount of the transaction of R$1,385 (corresponding to U$682 on the balance sheet date).

Banco IBM II

On September 10, 2012 the Company, through its subsidiary VRG, signed a loan in the amount of R$12,482 in domestic currency with the Banco IBM S.A., with no transaction costs. The funds designed to finance the acquisition of machinery and services of information technology. The loan has a term of 60 months maturing September 10, 2017, with semi-annual payments of principal and interest. The interest rate is calculated based on the CDI plus 2.85% pa, effective rate of 13.31% pa. On September 30, 2012 the outstanding balance in current liabilities and noncurrent liabilities was R$4,752 and R$20,485 respectively.

Working Capital

On September 28, 2012, Webjet raised a new line of working capital loan with Banco Industrial e Comercial S.A. in domestic currency in the amount of R$30,000, without transaction costs, with an effective rate of 15.15% per annum and maturing in January 2013. On September 30, 2012 the balance of the transaction recorded in current liabilities was R$30,024.

Finance leases

Future payments of US dollar-denominated finance lease installments are as follows:

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**
2012	**65,123**	281,165
2013	**316,970**	292,835
2014	**316,954**	292,819
2015	**307,634**	284,205
2016	**298,883**	276,098
After 2016	**1,228,565**	1,118,240
Total minimum lease payments	**2,534,129**	2,545,362
Less total interest	**(446,620)**	(489,058)
Present value of minimum lease payments	**2,087,509**	2,056,304
Less current portion	**(203,312)**	(161,755)
Non- current portion	**1,884,197**	1,894,549

The discount rate used to calculate the present value of the minimum leasing payments is 6.10% as of September 30, 2012 (6.10% as of December 31, 2011). There are no significant differences between the present value of minimum leasing payments and the fair value of these financial liabilities.

The Company extended the maturity date of financing for some of its aircraft leased for 15 years using the SOAR framework (mechanism for extending financing amortization and repayment),

which enables the performance of calculated withdrawals to be settled at the end of the lease agreement. As of September 30, 2012, the withdrawals made for the repayment at maturity date of the lease agreement amount to R$40,632 (R$59,552 as of December 31, 2011), are recorded in long-term debt.

Covenants

VRG has restrictive covenants ("covenants") in its financing agreements with the following financial institutions: IFC, BNDES, *Bradesco* (Debenture V) and *Banco do Brasil* (Debentures IV e V).

The restrictive covenants measures for these loans are: (i) net debt / EBITDAR, (ii) Current Assets / Current Liabilities, (iii) EBITDA / Debt Service, (iv) Short-term Debt / EBITDA, (v) Net debt/ EBITDA and (vi) Debt Coverage Ratio (ICD).

On September 30, 2012, the Company and its subsidiaries did not reach the minimum requirements established for the financing from IFC, BNDES and Debentures IV and V, associated with EBITDA and EBITDAR as a result of loss observed during this period.

VRG maintain with BNDES a letter of guarantee of R$18.6 million, whose amount exceeds the current debt, and is not therefore subject to liquidity problems in case it is required to settle such debts.

VRG has not reached the minimum parameters set by the IFC, but received a specific consent of the IFC (waiver) that relieves the Company to perform the prepayment of this loan during the year 2012. Consequently, VRG has set a new expiration date to January 15, 2013.

On March 15, 2012, the Company obtained authorization to non declaration of acceleration and / or application of any penalty on noncompliance with its restrictive covenants for Debentures IV and V. This was deliberated in the General Meeting of Debenture Holders of the fourth and fifth issues for the period ended June 30, 2012.

The measurement of these Indices and Financial Limits is informed in biannual recurrence and therefore the next measurement will be performed on December 31, 2012. Thus it does not constitute the need to reclassify its debt to short-term as of September 30, 2012, in order to meet the Brazilian and international accounting standards.

18. Advance Ticket Sales

As of September 30, 2012, the balance of advance ticket sales in current liabilities of R$856,457 (R$744,743 as of December 31, 2011) is represented by 5,399,630 tickets sold and not yet used (4,245,181 as of 31 December 2011) with 95 days of average term of use (75 days as of December 31, 2011).

19. Smiles Deferred Revenue

As of September 30, 2012, the balance of Smiles deferred revenue is R$110,958 and R$331,658 classified in the current and non-current liabilities, respectively (R$71,935 and R$214,779 as of December 31, 2011). The number of outstanding miles as of September 30, 2012 amounted to 32,605,922,407 (23,004,285,890 as of December 31, 2011).

20. Advances from Customers

As of September 30, 2012, the Company recognized the amount of R$5,479 (R$30,252 on December 31, 2011), as detailed below:

Operating Agreement- *Co-Branded*

The subsidiary VRG, signed with *Banco Bradesco* S.A. and *Banco do Brasil* S.A., in September 2009, an Operating Agreement for the sale of miles and right to use the database of the Smiles mileage program, and right of use of the Smiles brand related to the credit card issues in Co-Branded format. The agreement is effective for five years.

The mileage sales was recognized as advances from customers and as of September 30, 2012 the balance of R$1,200 (R$9,620 as of December 31, 2011) represents the remaining miles which were not transferred to the customers' mileage account. The right of data bank's use of Smiles mileage program was recognized on other current and noncurrent liabilities and is recognized on cargo and other revenue on a straight line basis according to the agreement's period. The right of use of the Smiles brand on credit card was recognized on cargo and other revenue as of July, 2009.

CVC Advance

The Company, through its indirect subsidiary Webjet, holds an advance made on October 26, 2011 in the amount of R$25,000, related to an agreement signed with CVC, to buy tickets from Webjet. As of September 30, 2012, the Company has an outstanding amount of R$3,505 (R$20,632 on December 31, 2011).

Banco Patagônia S.A. Advances

The subsidiary VRG signed with Banco Patagônia S.A, on April 7, 2011, a contract of sale and granting of miles, in order to encourage the use of credit cards from Banco Patagônia by its customers for the accrual of points in its Incentive Program called Club Patagonia. The term of the contract is one year, renewable for the same period through an amendment to be signed between the parties. As of September 30, 2012 the Company holds the amount of R$774 as an advance related to this agreement.

21. Taxes Payable

	Individual (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
PIS and COFINS	**-**	-	**26,572**	107,987
REFIS	**7,732**	8,212	**22,825**	24,249
IRRF on payroll	**-**	5	**13,372**	26,372
ICMS	**-**	-	**19,535**	12,602
Import tax	**-**	-	**3,325**	3,410
CIDE	**18**	556	**961**	1,274
IOF	**61**	80	**61**	670
IRPJ and CSLL to collect	**5,486**	1,433	**12,723**	8,573
Others	**4**	839	**5,784**	4,534
	13,301	11,125	**105,158**	189,671

Current	**6,049**	3,233	**64,871**	76,736
Noncurrent	**7,252**	7,892	**40,287**	112,935

PIS and COFINS

With the beginning of the non-cumulative regime of PIS (Law 10637/02) and COFINS calculation (Law 10833/03), the subsidiary VRG implemented those rules and challenged in the courts the rate used to calculate these taxes until December 31, 2011. To this end, the Company had judicial deposits in an amount sufficient to ensure the suspension of the tax credit in the amount of R$81,010 (R$77,539 at December 31, 2011). However, on January 9, 2012, the Company filed a waiver of that lawsuit, which was approved in March 2012. On September 20, 2012 the judicial deposits were converted into final payment to the Federal Government

22. Provisions

	Insurance provision	Provision for anticipated return of aircraft Webjet	Provision for return of aircraft and engine VRG	Litigation	Total
Balance as of December 31, 2011	**23,499**	**26,263**	**181,044**	**75,944**	**306,750**
Additional provisions recognized	-	-	72,761	14,026	86,787
Utilized provisions	(16,862)	(4,457)	(65,750)	(3,234)	(90,303)
Foreign exchange	893	-	11,007	-	11,900
Balance as of September 30, 2012	**7,530**	**21,806**	**199,062**	**86,736**	**315,134**
Balance as of December 31, 2011					
Current	23,499	16,252	35,817	-	75,568
Noncurrent	-	10,011	145,227	75,944	231,182
	23,499	**26,263**	**181,044**	**75,944**	**306,750**
Balance as of September 30, 2012					
Current	7,530	11,161	43,605	-	62,296
Noncurrent	-	10,645	155,457	86,736	252,838
	7,530	**21,806**	**199,062**	**86,736**	**315,134**

Provision for anticipated return of Webjet's aircraft

In 2011, according to the strategic planning of Webjet, a provision for anticipated return of aircraft was recorded. This provision was calculated based on the expected return of 14 aircraft Boeing 737-300 with operating leases contracts, as part of the Company's fleet renewal. The anticipated returns from aircraft are scheduled to occur between 2012 and 2013 and the original termination of leases are in between 2012 to 2014. In the quarter ended September 30, 2012, the Company returned three aircraft with prefixes WJX, WJG and WJP.

Return of aircraft and engines

The return provision considers the costs that meet the contractual conditions for the return of engines maintained under operating leases, as well as the costs to reconfigure the aircraft without purchase option, as described in return conditions of lease contracts, which the counterpart is capitalized in the fixed assets (aircraft reconfigurations/overhauling),as described in note 15.

Lawsuits

As of September 30, 2012, the Company and its subsidiaries are parties to 26,739 lawsuits and administrative proceedings. The lawsuits and administrative proceedings are classified into Operation (those arising from the Company's normal course of operations), and Succession (those arising from the succession of former Varig S.A. obligations). Under this classification, the number of proceedings is as follows:

	Operation	**Succession**	**Total**
Civil lawsuits	14,979	634	**15,613**
Civil proceedings	1,915	15	**1,930**
Civil miscellaneous	164	-	**164**
Labor lawsuits	5,359	3,544	**8,903**
Labor proceedings	127	2	**129**
Total	**22,544**	**4,195**	**26,739**

The civil lawsuits are primarily related to compensation claims generally related to flight delays, flight cancellations, baggage loss and damages. The labor claims primarily consist of discussions related to overtime, hazard pay, and wage differences.

The provisions related to civil and labor suits, whose likelihood of loss is assessed as probable are as follows:

	09/30/2012	**12/31/2011**
Civil	**37,538**	34,101
Labor	**49,198**	41,843
	86,736	75,944

Provisions are reviewed based on the progress of the proceedings and history of losses based on the best current estimate for labor and civil lawsuits.

There are other lawsuits assessed by management and its legal counsel as possible risks, in the estimated amount as of September 30, 2012 of R$34,546 for civil claims and R$13,857 for labor claims (R$33,221 and R$16,019 as of December 31, 2011 respectively), for which no provisions are recognized.

The Company is party to 03 (three) labor actions in France due to debts of the former Varig SA The amount involved in discussions, not provisioned, is approximately R$ 5,481 (equivalent to €2.1 million). On September 30, 2012, the evaluation of our legal advisers in relation to the probability of loss was amended from possible to remote and therefore no provision for such that value is required.

GLAI has been challenging in courts the taxation of PIS and COFINS over revenue associated with interest on capital in the amount of R$ 20,140, received in the period between 2006 and 2008 from its subsidiary GTA Transportes Aéreos S.A., succeeded by VRG on September 25, 2008. According

to the opinion of our legal counsel and based on the jurisprudence recently occured , the Company classified this process as possible loss, with no provision for the amount involved.

The Company and its subsidiaries are challenging in court the ICMS levied on aircraft and engines imported under aircraft lease transactions without purchase options in transactions carried out with lessors headquartered in foreign countries. The Company's and its subsidiaries' management understands that these transactions represent simple leases in view of the contractual obligation to return the assets that are the subject matter of the contract.

Management believes there are no the evidence of goods circulation and so, there are no legal events to generate ICMS taxation. Based on the legal counsel opinion and supported by similar lawsuits with favorable decisions to taxpayers by the Superior Court of Justice (STJ) and Supreme Federal Court (STF) in the second quarter of 2007, the Company understands that the likelihood of loss is remote, and thus did not recognize provisions for these amounts. On September 30,2012 the estimated aggregated amount of the ongoing lawsuits related to the non-levy of ICMS tax on said imports is R$213,281 (R$205,102 as of December 31, 2011) adjusted for inflation, not including late payment charges.

23. Shareholders' Equity

a) Issued capital

As of September 30, 2012 and December 31, 2011, the Company's capital is represented by 278,716,786 shares, of which 143,858,204 are common and 134,858,582 are preferred shares. The *Fundo de Investimento em Participações Volluto* is the Company's controlling fund, which is equally controlled by Constantino de Oliveira Júnior, Henrique Constantino, Joaquim Constantino Neto, and Ricardo Constantino.

Shares are held as follows:

	09/30/2012			12/31/2011		
	Common	**Preferred**	**Total**	Common	Preferred	Total
Fundo Volluto	100.00%	22.99%	62.74%	100.00%	22.21%	61.63%
Wellington Management Company	-	10.50%	5.08%	-	5.04%	2.49%
Delta Airlines. Inc	-	6.15%	2.98%	-	6.22%	3.07%
Fidelity Investments	-	5.22%	2.52%	-	5.27%	2.60%
Treasury shares	-	2.76%	1.34%	-	2.79%	1.38%
Other	-	1.48%	0.72%	-	1.50%	0.74%
Free float	-	50.90%	24.62%	-	56.97%	28.09%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

The authorized share capital as of September 30, 2012 was R$4.0 billion (R$4.0 billion on December 31,2011). Within the authorized limit, the Company can, once approved by the Board of Directors, increase its capital regardless of any amendment to its bylaws, by issuing shares, without necessarily

maintaining the proportion between the different types of shares. The Board of Directors will define the issuance conditions, including price and payment term.

On August 13, 2012, the Board of Directors approved the capital subscription in the amount of R$183,189 million, represented by 6,825,470 common shares and 1,501,312 preferred shares, totaling 8,326,782 shares. Of this total, 8,300,455 shares were subscribed by the controlling shareholder and 26,327 shares subscribed by minority shareholders. At the end of all periods for the exercise of the Right of First Refusal, there were 5,118,453 still left unsubscribed shares which were canceled on the date of August 13, 2012, through the partial approval of the capital increase.

The price of Company shares as of September 30, 2012 are quoted, in the São Paulo Stock Exchange – BOVESPA, in the amount of R$11.57 and US$5.74 (R$12.44 and US$6.63 on December 31,2011) in New York Stock Exchange – NYSE. The book value per share as of September 30, 2012 is R$4.22 (R$8.24 as of December 31, 2011).

b) Retained earnings

i. Legal reserve

It is recognized by allocating 5% of profit for the year after the absorption of accumulated losses in accordance with Article 193 of Law 11,638/07, limited to 20% of the capital, according to the Brazilian Corporate Law and the Company's bylaws. On December 31, 2011, was used in its entirety to absorb losses.

ii. Reinvestment reserve

The reserve of retained earnings was constituted under Article 196 of Law 6.404/76, it is designated to invest in the capital budget, approved at the Board of Directors. As of December 31, 2011, such reserve was used in its entirety to absorb losses.

c) Dividends

The Company's bylaws provide for a mandatory minimum dividend to common and preferred shareholders, in the aggregate of at least 25% of annual adjusted profit. The Brazilian corporate law, permits the payment of cash dividends only from retained earnings, and certain reserves recognized in the Company's statutory accounting records.

d) Treasury shares

As of September 30, 2012, the Company has 3,724,225 treasury shares, totaling R$51,377, with a fair value of R$43,089 (R$51,377 in shares with fair value of R$46,329 as of December 31, 2011).

e) Share-based payments

As of September 30, 2012, the balance of share-based payments reserve was R$79,575. The Company recorded a share-based payment expense amounting to R$10,973 during the nine-months period ended September 30, 2012, with a corresponding item in the income statement as personnel costs (R$19,999 as of September 30, 2011).

f) Other comprehensive income

The fair value measurement financial instruments designated as cash flow hedges is recognized in line item other comprehensive income, net of taxes, until maturity of the contracts. The balance as of September 30, 2012 corresponds to a loss of R$55,415 (loss of R$79,268 as of December 31, 2011).

24. Costs of Services, Administrative and Selling Expenses

	Individual (BRGAAP) Three months period ended on				Individual (BRGAAP) Nine months period ended on			
	09/30/2012		09/30/2011		09/30/2012		09/30/2011	
	Total	%	Total	%	Total	%	Total	%
Salaries (a)	**(3,824)**	**(6,373.3)**	(5,438)	72.4	**(12,425)**	**326.4**	(21,182)	95.4
Services Rendered	**(220)**	**(366.7)**	(1,952)	26.0	**(1,220)**	**32.1**	(6,702)	30.2
Depreciation and amortization	**(22)**	**(36.7)**	(22)	0.3	**(67)**	**1.7**	(67)	0.3
Other expenses	**(529)**	**(881.7)**	(100)	1.3	**(1,493)**	**39.2**	(1,620)	7.2
Gains with sale leaseback transactions	**4,655**	**7,758.4**	-	-	**11,398**	**(299.4)**	7,356	(33.1)
	60	**100.0**	(7,512)	100.0	**(3,807)**	**100.0**	(22,215)	100.0

(a) The Company recognizes the cost of the Audit Committee and Board of Directors, as well as a plan of share-based compensation in the controller.

	Consolidated (IFRS and BRGAAP) Three months period ended on											
	09/30/2012						09/30/2011					
	Cost of services	Selling expenses	Administrative expenses	Other operating (expenses) income	Total	%	Cost of services	Selling expenses	Administrative expenses	Other operating (expenses) income	Total	%
Salaries	**(310,895)**	**(20,576)**	**(43,074)**	**-**	**(374,545)**	**17.1**	(299,852)	(20,828)	(47,441)	-	(368,121)	19.2
Fuel and lubricants	**(936,923)**	**-**	**-**	**-**	**(936,923)**	**42.8**	(745,335)	-	-	-	(745,335)	38.8
Aircraft rent	**(175,735)**	**-**	**-**	**-**	**(175,735)**	**8.0**	(108,641)	-	-	-	(108,641)	5.7
Aircraft Insurance	**(6,553)**	**-**	**-**	**-**	**(6,553)**	**0.3**	(8,786)	-	-	-	(8,786)	0.5
Maintenance materials and repairs	**(83,956)**	**-**	**-**	**-**	**(83,956)**	**3.8**	(129,961)	-	-	-	(129,961)	6.8
Traffic servicing	**(73,058)**	**(17,839)**	**(43,738)**	**-**	**(134,635)**	**6.2**	(58,174)	(20,396)	(39,861)	-	(118,431)	6.2
Sales and marketing	**-**	**(105,933)**	**-**	**-**	**(105,933)**	**4.9**	-	(111,847)	-	-	(111,847)	5.8
Tax and landing fees	**(145,933)**	**-**	**-**	**-**	**(145,933)**	**6.7**	(99,910)	-	-	-	(99,910)	5.2
Depreciation and amortization	**(102,795)**	**-**	**(18,322)**	**-**	**(121,117)**	**5.5**	(75,665)	-	(14,998)	-	(90,663)	4.7
Other income (expenses), net	**(87,735)**	**(11,496)**	**(8,088)**	**4,655**	**(102,664)**	**4.7**	(88,201)	(13,900)	(34,961)	-	(137,062)	7.1
	(1,923,583)	**(155,844)**	**(113,222)**	**4,655**	**(2,187,994)**	**100.0**	**(1,614,525)**	**(166,971)**	**(137,261)**	**-**	**(1,918,757)**	**100.**

	Consolidated (IFRS and BRGAAP) Nine months period ended on											
	09/30/2012						09/30/2011					
	Cost of services	Selling expenses	Administrative expenses	Other operating (expenses) income	Total	%	Cost of services	Selling expenses	Administrative expenses	Other operating (expenses) income	Total	%
Salaries	**(994,308)**	**(64,455)**	**(122,386)**	**-**	**(1,181,149)**	**18.1**	(923,275)	(66,131)	(123,457)	-	(1,112,863)	20.2
Fuel and lubricants	**(2,808,696)**	**-**	**-**	**-**	**(2,808,696)**	**43.0**	(2,145,299)	-	-	-	(2,145,299)	38.9

Aircraft rent	**(477,601)**	**-**	**-**	**-**	**(477,601)**	**7.3**	(349,397)	-	-	-	(349,397)	6.3
Aircraft Insurance	**(21,507)**	**-**	**-**	**-**	**(21,507)**	**0.3**	(25,555)	-	-	-	(25,555)	0.5
Maintenance materials and repairs	**(251,002)**	**-**	**-**	**-**	**(251,002)**	**3.8**	(298,924)	-	-	-	(298,924)	5.4
Traffic servicing	**(217,915)**	**(44,931)**	**(125,967)**	**-**	**(388,813)**	**6.0**	(170,064)	(52,869)	(120,819)	-	(343,752)	6.2
Sales and marketing	**-**	**(305,749)**	**-**	**-**	**(305,749)**	**4.7**	-	(293,160)	-	-	(293,160)	5.3
Tax and landing fees	**(423,027)**	**-**	**-**	**-**	**(423,027)**	**6.5**	(281,804)	-	-	-	(281,804)	5.1
Depreciation and amortization	**(317,214)**	**-**	**(54,945)**	**-**	**(372,159)**	**5.7**	(227,766)	-	(43,721)	-	(271,487)	4.9
Other income (expenses), net	**(254,429)**	**(440,047)**	**(19,323)**	**11,398**	**(302,401)**	**4.6**	(240,300)	(57,201)	(103,978)	7,356	(394,123)	7.2
	(5,765,699)	**(455,182)**	**(322,621)**	**11,398**	**(6,532,104)**	**100.0**	**(4,662,384)**	**(469,361)**	**(391,975)**	**7,356**	**(5,516,364)**	**100.**

25. Sales Revenue

a) The net sales revenue for the period has the following composition:

Consolidated (IFRS and BRGAAP)

	Three months period ended on		Nine months period ended on	
	09/30/2012	**09/30/2011**	**09/30/2012**	**09/30/2011**
Passenger transportation	**1,821,010**	1,689,529	**5,470,728**	4,879,182
Cargo transportation and other revenue	**268,180**	240,491	**814,836**	675,416
Gross revenue	**2,089,190**	1,930,020	**6,285,564**	5,554,598
Related taxes	**(101,852)**	(86,322)	**(301,500)**	(248,838)
Net revenue	**1,987,338**	1,843,698	**5,984,064**	5,305,760

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

Revenue by geographical segment is as follows:

Consolidated (IFRS and BRGAAP)

	Three months period ended on				Nine months period ended on			
	09/30/2012	**%**	**09/30/2011**	**%**	**09/30/2012**	**%**	**09/30/2011**	**%**
Domestic	1,834,611	92.3%	1,702,701	92.4	5,561,017	92.9%	4,880,680	91.9
International	152,727	7.7%	140,997	7.6	423,047	7.1%	425,080	8.1
Net revenue	**1,987,338**	**100.0**	1,843,698	100.0	**5,984,064**	**100.0**	5,305,760	100.0

26. Financial result

	Individual (BRGAAP)			
	Three months period ended on		Nine months period ended on	
Financial income	**09/30/2012**	**09/30/2011**	**09/30/2012**	**09/30/2011**
Income from short-term investments and Investment funds	**4,797**	3,359	**17,524**	10,810
Monetary variation	**558**	9	**2,032**	1,273
Other	**-**	3,550	**16,968**	10,003
	5,355	6,918	**36,524**	22,086
Financial expenses				
Interest on short and long term debt	**(27,388)**	(27,508)	**(98,608)**	(81,389)
Bank interest and expenses	**(397)**	(1,713)	**(4,831)**	(4,384)
Other	**(971)**	(1,906)	**(2,772)**	(3,189)
	(28,756)	(31,127)	**(106,211)**	(88,962)
Foreign exchange changes, net	**(16)**	(156,120)	**(99,461)**	110,796
	(23,417)	(180,329)	**(169,148)**	**(177,672)**

	Consolidated (BRGAAP and IFRS)			
	Three months period ended on		Nine months period ended on	
Financial income	**09/30/2012**	**09/30/2011**	**09/30/2012**	**09/30/2011**
Income from derivatives	**59,762**	87,311	**188,750**	193,041
Income from short-term investments and Investment funds	**21,394**	39,379	**81,556**	106,944
Monetary variation	**2,240**	1,986	**9,898**	7,209
Other	**5,688**	3,862	**20,863**	20,177
	89,084	132,538	**301,067**	327,371
Financial expenses				
Loss from derivatives	**(16,004)**	(102,844)	**(143,282)**	(302,043)
Interest on short and long term debt	**(112,468)**	(109,144)	**(334,791)**	(285,337)
Bank interest and expenses	**(1,332)**	(5,785)	**(29,580)**	(15,685)
Monetary variation	**(1,773)**	(2,032)	**(8,270)**	(11,338)
Other	**(28,922)**	(9,151)	**(69,957)**	(19,013)
	(160,499)	(228,956)	**(585,880)**	(633,416)
Foreign exchange changes, net	**(6,301)**	(476,403)	**(266,442)**	(379,607)
	(77,716)	(572,821)	**(551,255)**	(685,652)

27. Commitments

As of September 30, 2012 the Company had with Boeing 88 firm orders, 10 purchase rights and 40 purchase options granted on non-onerous basis, for aircraft acquisition. These aircraft purchase commitments include estimates for contractual price increase during the construction phase. The approximate amount of firm orders, not including contractual discount is R$16,597,033 (corresponding to US$8,173,463 at the reporting date) and are segregated according to the following periods:

	09/30/2012	12/31/2011
2012	493,379	896,087
2013	3,181,309	2,938,786
2014	4,700,191	4,341,879
2015	4,214,876	3,740,135
2016	3,301,299	3,207,569
After 2016	705,979	655,551
	16,597,033	**15,780,007**

As of September 30, 2012, in addition to the firm orders mentioned above, the Company has commitments the amount of R$1,810,472 (corresponding to US$891,595 at the reporting date), related to advances for aircraft purchase to be disbursed in accordance with the following schedule :

	09/30/2012	12/31/2011
2012	136,469	443,909
2013	606,534	537,137
2014	527,600	501,975
2015	444,834	407,115
2016	91,445	94,634
After 2016	3,590	6,632
	1,810,472	**1,991,402**

The installment financed by Long-term debt, collateralized by the aircraft through the U.S. Ex-Im Bank ("Exim") corresponds approximately to 85% of total cost of the aircraft. Other agents finance the acquisitions with equal or higher percentages, reaching up to the limit of 100%.

The Company makes payments related to the acquisition of aircraft using its own funds, short and long term debt, cash provided by operating activities, short- and medium-term credit facilities, and supplier financing.

The Company leases its entire aircraft fleet using a combination of finance and operating leases, except for 6 aircraft owned by its indirect subsidiary Webjet.

As of September 30, 2012, the total leased fleet was comprised of 144 aircraft (130 from VRG and 14 from Webjet), which 99 were operating leases and 45 were recorded as finance leases. The Company has 39 financial aircraft with purchase option. During the nine months period ended September 30, 2012, the Company received two aircraft based on operating lease contracts. In the quarter ended September 30, 2012, the Company returned five aircraft.

a) Operating leases

Future payments of non-cancelable operating lease contracts are denominated in U.S. dollars, and are as follows:

	09/30/2012	12/31/2011
2012	175,721	594,976
2013	630,914	517,326
2014	452,350	341,486
2015	307,020	205,631
2016	254,625	157,231
After 2016	903,358	452,831
Total minimum leasing payments	2,723,988	2,269,481

b) Sale-leaseback transactions

As of September 30, 2012, the Company recognized R$7,564 and R$10,258, as 'Other payables' in current and non-current liabilities, respectively (R$7,564 and R$15,931 as of December 31, 2011), related to gains on sale-leaseback transactions performed by its subsidiary GAC Inc. in 2006, related to eight 737-800 Next Generation aircraft. These gains were deferred and are being amortized proportionally to the monthly payments of the related lease agreements over the contractual term of 124 months.

On the same date, the Company recorded R$9,373 and R$37,799, as 'Prepaid expenses', in current and non-current assets, respectively (R$9,373 and R$44,828 as of December 31, 2011), related to losses on sale-leaseback transactions performed by its subsidiary GAC Inc. of nine aircraft. During the years of 2007, 2008 and 2009, these losses were deferred and are amortized proportionally to the payments of the operational lease agreements over the contractual term of 120 months.

Additionally, in the period ended September 30, 2012, the Company recorded a gain of R$11,398, recognized directly in profit and loss, since gains and losses on sale-leaseback transactions would not be compensated over lease terms.

28. Financial instruments

The Company and its subsidiaries have financial asset and financial liability transactions, which consist in part of derivative financial instruments.

The financial derivative instruments are used to hedge against the inherent risks relating to the operation. The Company and its subsidiaries consider as most relevant risks: fuel price, exchange rate and interest rate. These risks are mitigated by using exchange swap derivatives, futures and options contracts in the oil, U.S. dollar and interest markets.

Management follows a documented guideline when managing its financial instruments, set out in its Risk Management Policy, which is periodically revised by the Risk Committee (CPR), after approved by the Board of Directors. The Committee sets the guidelines and limits, monitors controls, including the mathematical models adopted for a continuous monitoring of exposures and possible financial effects and also prevents the execution of speculative financial instruments transactions.

The gains or losses on these transactions and the application of risk management controls are part of the Committee's monitoring and are satisfactory to the objectives proposed.

The fair values of financial assets and liabilities of the Company and its subsidiaries are established through information available on the market and according to valuation methodologies.

Most of the derivative financial instruments are contracted with the purpose of hedging against fuel and exchange rates risks based on scenarios with low probability of occurrence, and thus have lower costs compared to other instruments with higher probability of occurrence. Consequently, despite the high correlation between the hedged item and the derivative financial instruments contracted, a significant portion of the transactions presents ineffective for hedge accounting purposes upon settlement, which are presented in the tables below.

The description of the consolidated account balances and the categories of financial instruments included in the balance sheet as of September 30, 2012 and December 31, 2011 is as follows:

	Measured at fair value through profit and loss		Measured at amortized cost (a)	
	09/30/2012	12/31/2011	**09/30/2012**	12/31/2011
Assets				
Cash and cash equivalents	**1,050,557**	1,230,287	-	-
Short-term investments **(c)**	**662,227**	1,009,068	-	-
Restricted cash	**166,442**	109,095	-	-
Derivatives operation assets **(b)**	**23,856**	4,213	-	-
Accounts receivable	-	-	**380,978**	354,134
Deposits	-	-	**464,526**	455,127
Other credits	-	-	**30,136**	53,546
Prepayment of hedge premium	**91**	11,572	-	-
Liabilities				
Loans and financing	-	-	**5,259,449**	4,991,448
Suppliers	-	-	**501,427**	414,563
Derivatives Obligation **(b)**	**68,903**	115,432	-	-

(a) The fair value are approximately the book values, according to the short term maturity period of these assets and liabilities, except the amounts related to Perpetual Bonds and Senior Notes, as disclosed on Note 17.

(b) The Company recorded as of September 30, 2012 the amount of R$55,415 (R$79,268 on December 31, 2011) in shareholders' equity as valuation adjustment to equity as a corresponding item of this assets and liability.

(c) The Company manages its investments as held for trading to pay its operational expenses.

On September 30, 2012 and December 31, 2011 the Company had no assets available for sale.

Risks

The operating activities expose the Company and its subsidiaries to the following financial risks: market (especially currency risk, interest rate risk, and fuel price risk), credit and liquidity risks.

The Company's risk management policy aims at mitigating potential adverse effects from transactions that could affect its financial performance.

The Company's and its subsidiaries' decisions on the exposure portion to be hedged against financial risk, both for fuel consumption and currency and interest rate exposures, consider the risks and hedge costs.

The Company and its subsidiaries do not usually contract hedging instruments for its total exposure, and thus they are subject to the portion of risks resulting from market fluctuations. The portion of

exposure to be hedged is determined and reviewed at least quarterly in compliance with the strategies determined in the Risk Policies Committees.

The relevant information on the main risks affecting the Company's and its subsidiaries' operations is as follows:

a) Fuel price risk

As of September 30, 2012, fuel expenses accounted for 43% of the costs and operating expenses of the Company and its subsidiaries. The aircraft fuel price fluctuates both in the short and in the long term, in line with crude oil and oil byproduct price fluctuations.

In order to mitigate the fuel price risk, the Company and its subsidiaries contract derivatives linked mainly to crude oil and its byproducts. As of September 30, 2012, the Company used options, collar and swap agreements.

Fuel hedge transactions, classified as cash flow hedges are contracted by the counterparties rated as investment grade, or are performed on the NYMEX.

b) Exchange rate risk

The exchange rate risk derives from the possibility of unfavorable fluctuation of foreign currencies to which the Company's liabilities or cash flows are exposed. The exposure of the Company's and its subsidiaries' assets and liabilities to the foreign currency risk mainly derives from foreign currency-denominated leases and financing.

The Company's and its subsidiaries' revenues are mainly denominated in *Reais*, except for a small portion in U.S. dollars, Argentinean pesos, Bolivian bolivianos, Chilean peso, Colombian peso, Paraguay Guarani, Uruguayan peso, Venezuela bolivar, etc.

In order to mitigate the currency risk, the Company contracts the following currency derivatives: U.S. dollar futures and options settled on the BM&F-BOVESPA. These transactions may be performed using exclusive investment funds, as described in the Company's Risk Management Policy.

The Company's foreign exchange exposure as of September 30, 2012 and December 31, 2011 is as follows:

	Individual (BRGAAP)		**Consolidated (IFRS and BRGAAP)**	
	09/30/2012	**12/31/2011**	**09/30/2012**	**12/31/2011**
Assets				
Cash and short-term investments	**54,175**	38,458	**238,685**	237,668
Deposits	**-**	-	**464,526**	455,127
Hedge premium	**-**	-	**91**	11,572
Prepaid Expenses with leases	**-**	-	**27,255**	30,382
Related parties transaction	**526,782**	593,817	**-**	-
Others	**-**	-	**7,559**	6,588
Total assets	**580,957**	632,275	**738,116**	741,337

Liabilities				
Foreign suppliers	**-**	-	**22,070**	32,270
Short- and long-term debt	**1,496,259**	1,386,099	**1,580,973**	1,455,336
Finance leases payable	**-**	-	**2,087,509**	1,996,752
Other leases payable	**-**	-	**40,387**	59,552
Provision for aircraft return	**-**	-	**199,062**	181,044
Related Parties	**406,232**	222,725	**-**	-
Other U.S. dollar-denominated liabilities	**-**	-	**-**	7,616
Total liabilities	**1,902,491**	1,608,824	**3,930,001**	3,732,570
Exchange exposure in R$	**1,321,534**	976,549	**3,191,885**	2,991,233
Obligations not recognized in balance sheet				
Future obligations resulting from operating leases	**1,810,472**	1,991,402	**1,810,472**	1,991,402
Future obligations resulting from firm aircraft orders	**16,597,033**	15,780,007	**16,597,033**	15,780,007
Total	**18,407,505**	17,771,409	**18,407,505**	17,771,409
Total exchange exposure R$	**19,729,039**	18,747,958	**21,599,390**	20,762,642
Total exchange exposure US$	**9,715,867**	9,994,647	**10,636,950**	11,068,686
Exchange Rate (R$/US$)	**2,0306**	1,8758	**2,0306**	1,8758

c) Interest rate risk

The Company and its subsidiaries are exposed to fluctuations in domestic and foreign interest rates, substantially the CDI and Libor, respectively. The highest exposure is in lease transactions, indexed to the Libor and local debt.

In the period ended September 30, 2012, for interest rate hedges, the Company and its subsidiaries held swap transactions with counterparties rated as investment grade.

d) Credit risk

The credit risk is inherent in the Company's and its subsidiaries' operating and financing activities, mainly represented by trade receivables, cash and cash equivalents, including bank deposits.

The trade receivable credit risk consists of amounts falling due of the largest credit card companies, with credit risk better than or equal to those of the Company and its subsidiaries, and receivables from travel agencies, installment sales, and government sales, with a small portion exposed to risks from individuals or other entities.

As defined in the Risk Management Policy, the Company and its subsidiaries are required to evaluate the counterparty risks in financial instruments and diversify the exposure. Financial instruments are performed with counterparties rated at least as investment grade by S&P and Moody's. The financial instruments are mostly contracted on commodities and futures exchanges (BM&FBOVESPA and NYMEX), which substantially mitigates the credit risk. The Company's and its subsidiaries' Risk Management Policy establishes a maximum limit of 20% per counterparty for short-term investments.

e) Liquidity risk

Liquidity risk takes on two distinct forms: market liquidity risk and cash flow liquidity risk. The first is related to current market prices and varies in accordance with the types of assets and the markets where they are traded. Cash flow liquidity risk, however, is related to difficulties in meeting the contracted operating obligations at the agreed dates.

As a way of managing the liquidity risk, the Company and its subsidiaries invest its funds in liquid assets (governmental bonds, CDBs, and investment funds with daily liquidity), and the Cash Management Policy establishes that the Company's and its subsidiaries' weighted average debt maturity should be higher than the weighted average maturity of the investment portfolio. As of September 30, 2012, the weighted average maturity of the Company's and its subsidiaries' financial assets was 19 days and of financial debt, excluding perpetual bonds, was 4.4 years.

f) Capital management

The table below shows the financial leverage rate as of September 30, 2012 and December 31, 2011:

	Consolidated (IFRS and BRGAAP)	
	09/30/2012	**12/31/2011**
Shareholder's equity	**1,175,483**	2,205,911
Cash and cash equivalents	**(1,050,557)**	(1,230,287)
Restricted cash	**(166,442)**	(109,095)
Short-term investments	**(662,227)**	(1,009,068)
Short- and long-term debts	**5,259,449**	4,991,448
Net debt (a)	**3,380,223**	2,642,998
Total capital (b)	**4,555,705**	4,848,909
Leverage ratio (a) / (b)	**74%**	55%

The Company and its subsidiaries remain committed to maintaining high liquidity and an amortization profile without pressure in the short-term refinancing.

Derivative financial instruments

The derivative financial instruments were recognized in the following balance sheet line items:

Description	**Balance sheet account**	**09/30/2012**	**12/31/2011**
Rights from derivatives operation (assets)	Rights of derivative transactions	**23,856**	4,213
Obligation from derivatives operation (liabilities)	Liabilities from derivative transactions	**68,903**	115,432
Prepayment of hedge premium	Prepaid expenses	**91**	11,572

The Company and its subsidiaries adopt hedge accounting. On September 30, 2012, the derivatives contracted to hedge interest rate risk and fuel price risk were classified as "cash flow hedge", according to the parameters described in the Brazilian accounting standard CPC 38, and 40, technical guidance OCPC03 and International Accounting Standard IAS 39.

Classification of derivatives financial instruments

i) Cash flow hedges

The Company and its subsidiaries use cash flow hedges to hedge against future revenue or expense fluctuations resulting from changes in the exchange rates, interest rates or fuel price, and accounts for actual fluctuations of the fair value of derivative financial instruments in shareholders' equity until the hedged revenue or expense is recognized.

The Company and its subsidiaries estimates the effectiveness based on statistical correlation methods and the ratio between gains and losses on the financial instruments used as hedge, and the cost and expense fluctuation of the hedged items.

The instruments are considered as effective when the fluctuation in the value of derivatives offsets between 80 % to 125% the impact of the price fluctuation on the cost or expense of the hedged item.

The balance of the actual fluctuations in the fair values of the derivatives designated as cash flow hedges is transferred from shareholders' equity to profit or loss for the period in which the hedged costs or expenses impacts profit or loss. Gains or losses on effective cash flow hedges are recorded in balancing accounts of the hedged expenses, by reducing or increasing the operating cost, and the ineffective gains or losses are recognized as financial income or financial expenses for the period.

ii) Derivative financial instruments not designated as hedges

The Company and its subsidiaries contracts derivative financial instruments that are not formally designated for hedge accounting. This occurs when transactions are in the short term and the control and disclosure complexity make them unfeasible, or when the change in a derivative's fair value must be recognized in profit or loss for the same period of the effects of the hedged risk.

Designation of hedged item

a) *Fuel hedge*

Due to the low liquidity of jet fuel derivatives traded in commodities exchanges, the Company and its subsidiaries contracts crude oil derivatives (WTI, Brent) and its byproducts (Heating Oil) to hedge against fluctuations in jet fuel prices. Historically, oil prices are highly correlated with jet fuel prices.

As of September 30, 2012, the Company and its subsidiaries have derivative contracts and WTI designated as cash flow hedge fuel, traded in Nymex and OTC markets.

Oil derivative contracts, designated as fuel hedges of the Company and its subsidiaries, are summarized below:

Closing balance at:	**09/30/2012**	**12/31/2011**
Fair value at end of the period (R$)	**24,586**	(9,217)
Volume hedged for future periods (thousand barrels)	**1,944**	3,631
Volume engaged for future periods (thousand barrels)	**3,110**	5,810
Gains (losses) with hedge effectiveness recognized in shareholders' equity, net of taxes (R$)	**16,300**	(20,898)

	Three Months		Nine Months	
Period ended:	**2012**	**2011**	**2012**	**2011**
Gains (losses) on hedge effectiveness recognized as operating costs (R$)	**1,843**	-	**(6,674)**	-
Gains (losses) on hedge ineffectiveness recognized in financial income (expenses)	**9,134**	7,159	**(5,826)**	29,287
Gains (losses) on hedge ineffectiveness recognized in financial income (expenses) for future periods (R$)	**37,906**	(33,660)	**2,897**	(86,583)
Total gains (losses) on hedge ineffectiveness recognized in financial	**47,040**	(26,501)	**(2,929)**	(57,296)
Exposure percentage hedged during the period	**30%**	55%	**46%**	48%

	4T12	1T13	2T13	3T13	Total 12M	4T13 - 1T15
Percentage of fuel exposure hedged	25%	4%	3%	4%	**9%**	5%
Notional amount in barrels (thousands)	1,065	202	139	180	**1,586**	1.524
Future rate agreed per barrel (US$) *	111.02	113.43	112.13	108.45	**111.13**	104.24
Total in reais **	**240,091**	**46,527**	**31,649**	**39,639**	**357,906**	**322,597**

* Weighted average between call strikes,
** The exchange rate as of 09/30/12 was R$2.0306/ US$1.00.

b) *Foreign Exchange Hedge*

The Company and its subsidiaries uses derivative contracts as U.S. dollar hedges conducted with BM&FBOVESPA, using an exclusive investments fund as vehicle for contracting risk coverage.

In September 2011, Management, considering the future economic outlook, decided to suspend temporarily the currency hedge of the Company's cash flows. In January 2012, the Administration resumed hedging.

As of September 30, 2012, R$47,779 financial assets of the exclusive investment fund were bank guarantee linked to margin deposits warranty on the BM&F, to cover the derivative transactions.

As of September 30, 2012, the Company and its subsidiaries held foreign exchange derivative contracts in U.S. dollar not designated as hedge accounting.Losses from hedge ineffectiveness recognized during the period ended September 30, 2012 and of 2011 are presented below:

Period ended:	**09/30/2012**	**12/31/2011**
Fair value at the end of period (R$)	**(962)**	-
Volume hedged for future periods (R$)	**146,000**	-

	Three months		Nine months	
Period ended:	**2012**	**2011**	**2012**	**2011**
Total hedge ineffective gains (losses) recognized in financial income (expenses) (R$)	**(1,349)**	**1,022**	**56,787**	**293**
Percentage exposure hedged during the period	**24%**	**4.2%**	**11%**	**5.4%**

	4T12	1T13	2T13	3T13	Total 12M
Percentage of cash flow exposure	24%	0%	0%	0%	**6%**
Notional amount (US$)	146,000	-	-	-	**146,000**
Future rate agreed (R$)	2.0415	-	-	-	**2.0415**
Total in reais	298,055	-	-	-	**298,055**

Since July/2011 the Company and its subsidiaries do not have foreign exchange derivative contracts designated as fair value hedge of U.S. dollar. The table below shows the amounts recognized in financial income related to these transactions:

	Three months		Nine months	
Period ended:	**2012**	**2011**	**2012**	**2011**
Hedge effectiveness gains (losses) recognized in financial expenses (R$)	-	-	-	(34,130)
Percentage of exposure hedged during the period	-	-	-	21%

In March 2012 the currency swaps (USD x CDI) to hedge a credit facility (working capital) indexed to dollar were settled. The Company and its subsidiaries did not enter into new contracts of this type.The table below shows the amounts recognized in financial income (expenses) related to these transactions:

	Three months		Nine months	
Period ended:	**2012**	**2011**	**2012**	**2011**
Gains (losses) recognized in financial	-	23,930	(4,211)	5,051

c) *Interest rate hedges*

As of September 30, 2012, the Company and its subsidiaries have swap derivatives designated as cash flow hedge for Libor interest rate. The following is a summary interest rate derivative contracts designated as Libor cash flow hedges:

Closing balance at:	**09/30/2012**	**12/31/2011**
Fair value at the end of the period (R$)	**(68,903)**	(88,440)
Face value at the end of the period (US$)	**311,040**	505,181
Face value at the end of the period (R$)	**631,598**	947,618
Hedge losses recognized in shareholders' equity, net of taxes (R$)	**(71,715)**	(58,370)

	Three months		Nine months	
Period ended:	**2012**	**2011**	**2012**	**2011**
Losses recognized in financial expenses (R$)	**(1,934)**	-	**(4,054)**	-

As of September 30, 2012 the Company and its subsidiaries did not hold positions in Libor interest derivative contracts not designated for hedge accounting. The table below shows the amounts recognized in financial income and expenses related to these transactions:

	Three months		Nine months	
Period ended:	**2012**	**2011**	**2012**	**2011**
Losses recognized in financial expenses	-	(13,985)	**(123)**	(22,920)

Sensitivity analysis of derivative financial instruments

The sensitivity analysis of financial instruments was prepared according to CVM Instruction 475/08, in order to estimate the impact on the fair value of financial instruments operated by the Company, considering three scenarios considered in the risk variable: most likely scenario, the assessment of the Company; deterioration of 25% (possible adverse scenario) in the risk variable, deterioration 50% (remote adverse scenario).

The estimates presented, since they are based on simple statistics, do not necessarily reflect the amounts to be reported in the next financial statements. The use of different methodologies and /or assumptions may have a material effect on the estimates presented.

The tables below show the sensitivity analysis for market risks and financial instruments considered relevant by management, open position as of September 30, 2012 and based on the scenarios described above.

The probable scenario of the the Company is the maintaining of the market rates and therefore the impact on fair value is null.

In the tables, positive values are displayed as active exposures (assets greater than liabilities) and negative values are exposed liabilities (liabilities greater than assets).

Consolidated

I) Fuel risk fator

As of September 30, 2012, the Company held derivative contracts for oil WTI, Brent and Heating Oil, totaling 3,110 thousand barrels, maturing from September, 2012 to December 2014.

Derivative fuel

Risk	**Exposed fuels**	**Adverse Scenario Remote**	**Possible Adverse Scenario**	**Probable Scenario**
		-50%	**-25%**	
Curve drop in the price Brent	23,856	(267,917)	(122,074)	-
	Brent	US$57.29/bbl	US$85.93/bbl	US$114.57/bbl

II) Foreign exchange risk factor

As of September 30, 2012, the Company held derivatives contracts in US dollar in the notional value of US$146,000 with maturity in October and November 2012 and an exposure to exchange losses based on R$3,191,885.

Instruments	Risk	Exposed amounts as of	Probable Scenario	Possible Adverse Scenario *+25%*	Adverse Scenario Remote *+50%*
Assets- liabilities	Dollar devaluation	(3,191,885)	-	(797,971)	(1,595,943)
Derivative	Dollar devaluation	(962)	-	67,660	135,321
		(3,192,847)	-	(730,311)	(1,460,622)
		Dollar	2.0306	2.53825	3.0459

III) Interest risk factor

On September 30, 2012, the Company holds assets and liabilities indexed to the CDI-Cetip overnight rate, financial liabilities indexed to the TJLP and Libor interest, loans indexed to the IPCA and derivatives position in LIBOR.

In the sensitivity analysis of non-derivative financial instruments it was considered the impacts on quarterly interest of the exposed values as of September 30, 2012, arising from fluctuations in interest rates according to the scenarios presented below:

Instruments	Risk	Exposed amounts	Probable Scenario	Possible Adverse Scenario 25%	Adverse Scenario Remote 50%
Short-term financial investments	Decrease in the CDI	356,686	-	(3,138)	(6,277)
Derivative	Decrease in the Libor	(82,652)	-	(23,975)	(47,950)
Debt and finance lease	Increase in the Libor	(362,013)	-	(723)	(1,446)
Short and long term debt	Increase TJLP	(81,096)	-	(434)	(868)
Short and long term debt	Increase IPCA	(26,968)	-	(21)	(41)

Individual

I) Foreign exchange risk

On September 30, 2012, the Company has a currency exposure of R$1,321,534.

Instruments	Risk	Exposed amounts	Probable Scenario	Possible Adverse Scenario *25%*	Adverse Scenario Remote *50%*
Assets - liabilities	Dollar appreciation	(1,321,534)	-	(330, 384)	(660,767)
		Dollar	2.0306	2.53825	3.0459

IFRS

Besides the sensitivity analysis based on the abovementioned standards, the Company and its subsidiaries also analyze the impact of the financial instrument quotation fluctuation on the Company's and its subsidiaries' profit or loss and shareholders' equity considering:

- Increase and decrease by 10 percentage points in fuel prices, by keeping all the other variables constant;
- Increase and decrease by 10 percentage points in dollar exchange rate, by keeping all the other variables constant;
- Increase and decrease by 10 percentage points in Libor interest rate, by keeping all the other variables constant;

The sensitivity analysis includes only relevant monetary items that are material for the risks above mentioned. A positive number indicates an increase in income and equity when the risk appreciates by 10%.

The table below shows the sensitivity analysis made by the Company's management, at September 30, 2012 and 2011, based on the scenarios described above:

Fuel:

	Position as of September 30, 2012		Position as of December 31, 2011	
Increase/(decrease) in fuel prices (percentage)	**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	(276.6)	(155.5)	(294.6)	(186.0)
(10)	276.6	179.2	294.6	180.6

Foreign exchange - USD:

	Position as of September 30, 2012		Position as of December 31, 2011	
Appreciation/(devaluation) of USD/R$ (percentage)	**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	(353.3)	(233.2)	(385.7)	(254.5)
(10)	353.3	233.2	385.7	254.5

Interest rate - Libor:

	Position as of September 30, 2012		Position as of December 31, 2011	
Increase/(decrease) in Libor (percentage)	Effect on income before tax (R$ million)	Effect on equity (R$ million)	Effect on income before tax (R$ million)	Effect on equity (R$ millio n)
10	(0.9)	(4.3)	(0.5)	8.7
(10)	0.9	4.3	0.5	(9.4)

Measurement of the fair value of financial instruments

In order to comply with the disclosure requirements for financial instruments measured at fair value, the Company and its subsidiaries must classify its instruments in Levels 1 to 3, based on observable fair value levels:

a) *Level 1:* Fair value measurements are calculated based on quoted prices (without adjustment) in active market or identical liabilities;

b) *Level 2:* Fair value measurements are calculated based on other variables besides quoted prices included in Level 1, that are observable for the asset or liability directly (such as prices) or indirectly (derived from prices); and

c) *Level 3:* Fair value measurements are calculated based on valuation methods that include the asset or liability but that are not based on observable market variables (unobservable inputs).

The following table states a summary of the Company's and its subsidiaries' financial instruments measured at fair value, including their related classifications of the valuation method, as of September 30, 2012:

Financial Instrument	Carrying amount	Other Significant Observable Factors (Level 2)
Cash equivalents	1,050,557	1,050,557
Short-term investments	662,227	662,227
Restricted cash	166,442	166,442
Liabilities from derivative transactions	68,903	68,903
Rights on derivative transactions	23,856	23,856

29. Non-cash transactions

As of September 30, 2012, the Company and its subsidiaries increased their property, plant and equipment in the amount of R$1,310, these transactions did not affect its cash in the period.

30. Insurance

As of September 30, 2012, the insurance coverage by nature, considering the aircraft fleet, and related to the maximum reimbursable amounts indicated in U.S. Dollars, is as follows:

Aeronautical type	In Brazilian reais	In US dollar
Guarantee – Hull/war	9,640,932	4,738,723
Civil liability per event/aircraft	1,525,875	750,000
Inventories (base and transit)	335,693	165,000

Pursuant to Law 10,744, of October 9, 2003, the Brazilian government assumed the commitment to complement any civil liability expenses related to third parties caused by war or terrorist events, in Brazil or abroad, which VRG may be required to pay, for amounts exceeding the limit of the insurance policies effective beginning September 10, 2001, limited to the amount in Brazilian reais equivalent to one billion U.S. Dollars.

31. Subsequent event

On October 1, 2012 the Board of Directors of the Company placed an incremental purchase order of 60 737 MAX aircraft with Boeing, to be delivered on or after 2018. The company will use the new aircraft primarily for the renewal of its fleet in the future.

On 10 October 2012 the Administrative Council for Economic Defense (CADE) approved the acquisition of Webjet Linhas Aéreas SA ("Webjet") by VRG Linhas Aereas SA ("VRG"), a subsidiary of Gol Linhas Aéreas Inteligentes S.A. The approval was subject to the signing of a Term Performance Commitment ("TCD") between VRG, Webjet and CADE to achieve certain operational efficiencies, specifically in regards of maintaining, by VRG and Webjet, of a minimum regularity level (85%) in the use of operating schedules (HOTRAN) at Santos Dumont airport. The Company aims to optimize the organizational structure of the Companies unifying and integrating their operations, reducing costs and taking advantage of synergies.The effects of these actions are being evaluated by management.

On October 19, 2012 the Board of Directors of the Company announced to its shareholders and the market the approval at the Extraordinary General Meeting, the Long Term Incentive Plan - Option Shares ("Stock Option Purchase Plan") and Long Term Incentive Plan - Restricted Stock (" Restricted Stock Plan"). In connection with these plans, 1,368,216 grants have been approved at the Board of Directors' meeting on November 13, 2012 , which correspond to 778,912 Stock Option Purchase Plan and 589,304 of Restricted Shares.

ANNEX A: 2011 ANNUAL FINANCIAL STATEMENTS OF THE ISSUER

VRG Linhas Aéreas S.A.

Individual and Consolidated Financial Statements for the Years ended December 31, 2011and 2010 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

VRG LINHAS AÉREAS S.A.

Individual and Consolidated Financial Statements

December 31, 2011 and 2010
(In thousands of Brazilian reais)

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(Convenience Translation into English from the Original Previously Issued in Portuguese)
INDEPENDENT AUDITOR'S REPORT
To the Shareholders, Directors and Management of
VRG Linhas Aéreas S.A.
Rio de Janeiro - RJ

We have audited the accompanying individual and consolidated financial statements of VRG Linhas Aéreas S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2011, and the statement of operations, statement of comprehensive income, statement of changes in shareholder´s equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of VRG Linhas Aéreas S.A. as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of VRG Linhas Aéreas S.A. as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of VRG Linhas Aéreas S.A. these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2011, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Restatement of the opening balance

As described in note 2.3, the Company decided to restate the opening retained earnings balance as of January 1, 2011, to adjust the amount originally recognized in the statement of operations for the three month period ended March 31, 2011, that was identified after the Company concluded the implementation of a complementary revenue recognition system. The opening retained earnings as of January 1, 2011 was adjusted in accordance with item 44 of CVM Deliberation 592, issued on September 15, 2009, due to certain system limitations that prevent the Company from allocating this error to the appropriate periods. The impacts are presented in the above mentioned note.

Convenience translation

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 26, 2012

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

André Ricardo Aguillar Paulon

Engagement Partner

VRG LINHAS AÉREAS S.A.

BALANCE SHEETS
AS OF DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais – R$)

	Note	Parent Company		Consolidated	
		12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
ASSETS					
Short term assets					
Cash and cash equivalents	3	**981,186**	1,726,422	**997,902**	1,726,422
Short-term investments	5	**940,507**	3,992	**940,507**	3,992
Restricted cash	4	**8,554**	-	**8,554**	-
Trade receivables	6	**312,592**	303,054	**354,134**	303,054
Inventories	7	**148,551**	170,990	**151,023**	170,990
Recoverable taxes	8	**163,135**	53,242	**173,017**	53,242
Prepaid expenses	9	**74,414**	105,661	**84,309**	105,661
Deposits	10	**-**	-	**35,082**	-
Other receivables		**42,326**	41,144	**43,360**	41,144
		2,671,265	2,404,505	**2,787,888**	2,404,505
Long term assets					
Deposits	10	**553,096**	707,827	**583,452**	707,827
Restricted cash	4	**100,541**	34,500	**100,541**	34,500
Deferred taxes	8	**1,034,767**	796,826	**1,041,853**	796,826
Long-term investments	5	**67,529**	59,983	**67,529**	59,983
Other receivables		**14,400**	9,227	**14,535**	9,227
Related parties transactions	11	**237,725**	133,376	**222,725**	133,376
Investments	12	**103,779**	-	**-**	-
Property, plant and equipment	14	**3,034,962**	2,794,717	**3,113,792**	2,794,717
Intangible assets	15	**1,305,228**	1,267,000	**1,783,868**	1,267,000
		6,452,027	5,803,456	**6,928,295**	5,803,456
Total assets		**9,123,292**	8,207,961	**9,716,183**	8,207,961

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

VRG LINHAS AÉREAS S.A.

BALANCE SHEETS
AS OF DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais – R$)

		Parent Company		Consolidated	
LIABILITIES	Note	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Short term liabilities					
Short term debt	16	**1,448,625**	312,954	**1,474,289**	312,954
Trade payables		**352,230**	213,582	**408,210**	213,582
Salaries, wages and benefits		**233,600**	205,969	**250,005**	205,969
Tax obligations	20	**65,036**	57,478	**73,503**	57,478
Tax and landing fees		**164,576**	85,140	**190,029**	85,140
Advance ticket sales	17	**639,297**	517,006	**744,743**	517,006
Mileage program	18	**71,935**	55,329	**71,935**	55,329
Advances from customers	19	**9,620**	24,581	**30,252**	24,581
Provisions	21	**30,140**	55,967	**75,568**	55,967
Liabilities from derivative transactions	27	**115,432**	1,646	**115,432**	1,646
Other payables		**55,136**	64,320	**65,789**	64,320
		3,185,627	1,593,972	**3,499,755**	1,593,972
Long term liabilities					
Long term debt	16	**1,963,237**	2,261,748	**2,159,237**	2,261,748
Deferred taxes	8	**601,167**	642,185	**763,705**	642,185
Provisions	21	**193,393**	88,911	**231,182**	88,911
Mileage program	18	**214,779**	152,327	**214,779**	152,327
Advances from customers	19	**-**	33,362	**-**	33,262
Tax obligations	20	**105,043**	90,032	**105,043**	90,032
Payables to related companies	11	**724,540**	616,606	**593,817**	616,606
Other payables		**62,866**	10,689	**76,025**	10,689
		3,865,025	3,895,760	**4,143,788**	3,895,760
Shareholders' equity	22				
Capital		**2,294,192**	2,294,192	**2,294,192**	2,294,192
Capital reserves		**1,114,159**	**1,114,159**	**1,114,159**	**1,114,159**
Share issuance costs		**(113,328)**	(113,328)	**(113,328)**	(113,328)
Valuation adjustments to equity		**(79,268)**	10,585	**(79,268)**	10,585
Accumulated losses		**(1,143,115)**	(587,379)	**(1,143,115)**	(587,379)
		2,072,640	2,718,229	**2,072,640**	2,718,229
Total liabilities and shareholders' equity		**9,123,292**	8,207,961	**9,716,183**	8,207,961

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

VRG LINHAS AÉREAS S.A.

INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais – R$, except basic / diluted loss per share)

	Note	Parent Company		Consolidated	
		12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Net revenues					
Passenger		**6,455,349**	6,277,657	**6,713,029**	6,277,657
Cargo and other		**803,236**	701,790	**826,279**	701,790
	24	**7,258,585**	6,979,447	**7,539,308**	6,979,447
Cost of services	23	**(6,386,822)**	(5,410,520)	**(6,646,055)**	(5,410,520)
Gross profit		**871,763**	1,568,927	**893,253**	1,568,927
Operating income (expenses)					
Selling and marketing expenses	23	**(659,791)**	(591,076)	**(678,020)**	(591,076)
Administrative expenses	23	**(518,955)**	(261,675)	**(530,943)**	(261,675)
Other operating income (expenses)	23	**88,428**	-	**88,428**	-
		(1,090,318)	(852,751)	**(1,120,535)**	(852,751)
Equity in subsidiary	12	**(28,092)**	-	**-**	-
Income (loss) from operations before financial income (expenses)		**(246,647)**	716,176	**(227,282)**	716,176
Finance result					
Financial income	25	**443,865**	148,584	**445,002**	148,584
Financial expenses	25	**(667,818)**	(421,442)	**(687,563)**	(421,442)
Exchange rate changes, net	25	**(275,987)**	32,023	**(276,744)**	32,023
		(499,940)	(240,835)	**(519,305)**	(240,835)
Income (loss) before income tax and social contribution		**(746,587)**	475,341	**(746,587)**	475,341
Current		**(4,358)**	(52,823)	**(4,358)**	(52,823)
Deferred		**232,671**	(130,055)	**232,671**	(130,055)
	8	**228,313**	(182,878)	**228,313**	(182,878)
Net (loss) income		**(518,274)**	292,463	**(518,274)**	292,463
Weighted average number of outstanding shares in relation to basic earnings (loss) per share (in thousands)		**3,002**	3,002	**3,002**	3,002
Basic earnings (loss) per share		**(172,63)**	97,41	**(172,63)**	97,41

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

VRG LINHAS AÉREAS S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais – R$)

	Parenty Company and Consolidated	
	12/31/11	**12/31/10**
Income (loss) for the year	**(518,274)**	**292,463**
Other comprehensive income (loss)		
Cash flow hedges	(136,992)	13,080
Income tax	46,289	(4,447)
	(90,703)	**8,633**
Total comprehensive income for the year	**(608,977)**	**301,096**

Transactions shown in comprehensive income for the years ended on December 31, 2011 and 2010 are provided below:

	Parenty Company and Consolidated		
	Cash flow hedges	**Income tax**	**Total comprehensive income (loss)**
Balance on December 31, 2009	2,958	(1,006)	1,952
Realized losses (gains) from financial instruments transferred to the income	23,647	(8,040)	15,607
Fair value variation	(10,567)	3,593	(6,974)
Balance on December 31, 2010	16,038	(5,453)	10,585
Realized losses (gains) from financial instruments transferred to the income	**19,107**	**(6,496)**	**12,611**
Fair value variation	**(156,097)**	**53,633**	**(102,464)**
Balance on December 31, 2011	**(120,952)**	**41,684**	**(79,268)**

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

VRG LINHAS AÉREAS S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010 – **PARENT AND CONSOLIDATED COMPANY**
(In thousands of Brazilian reais – R$)

		Capital reserves			**Adj on va**
	Social capital	**Special reserve of goodwill on subscription**	**Special reserve of goodwill on subscription**	**Costs on share issue**	**Nor hed**
Balance at December 31, 2009	2,294,192	1,070,755	43,404	(113,328)	
Cash flow hedges	-	-	-	-	
Capital increase in February 10, 2010	403,000	-	-	-	
Advances for future capital increase	(403,000)	-	-	-	
Net income for the year	-	-	-	-	
Balance at December 31, 2010	2,294,192	1,070,755	43,404	(113,328)	
Error adjustment, net of taxes - note 2.3	**-**	**-**	**-**	**-**	
Restated balance as of January 1st , 2011	**2,294,192**	**1,070,755**	**43,404**	**(113,328)**	
Cash flow hedges	**-**	**-**	**-**	**-**	
Net income (loss) for the year	**-**	**-**	**-**	**-**	
Balance at December 31, 2011	**2,294,192**	**1,070,755**	**43,404**	**(113,328)**	

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

VRG LINHAS AÉREAS S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais – R$)

	Parent Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Net income (loss)	**(518,274)**	292,463	**(518,274)**	292,463
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**371,638**	281,515	**388,544**	281,515
Allowance for doubtful accounts	**20,107**	7,728	**23,483**	7,728
Provision for contingencies	**3,621**	18,842	**6,218**	18,842
Provision for (reversal of provision for) onerous contracts	**15,393**	(445)	**15,393**	(445)
Provision for inventory obsolescence	**1,183**	8,402	**1,196**	8,402
Deferred taxes	**(232,671)**	130,055	**(232,671)**	130,055
Equity in subsidiary	**28,092**	-	**-**	-
Exchange rate changes and inflation adjustments, net	**264,355**	(32,025)	**265,113**	(32,025)
Interest on loans	**293,954**	209,066	**302,399**	209,066
Unrealized hedge income (loss), net of taxes	**19,107**	106,601	**19,107**	106,601
Provision for aircraft return	**58,145**	-	**96,136**	-
Mileage program	**79,058**	(106,299)	**79,058**	(106,299)
Write-off of property, plant and equipment and intangible assets	**9,231**	-	**10,173**	-
Impairment	**23,250**	-	**23,250**	-
Other provisions	**(51,482)**	111,143	**(51,482)**	111,143
Present value of assets and liabilities	**(3,201)**	-	**(3,201)**	-
Gain on bargain purchase	**(88,428)**	-	**(88,428)**	-
Changes in operating assets and liabilities:				
Trade accounts receivable	**98,211**	208,526	**84,840**	208,526
Short-term investments used for trading	**(944,061)**	-	**(944,061)**	-
Inventories	**21,243**	(41,433)	**22,406**	(41,433)
Deposits	**148,560**	33,510	**148,971**	33,510
Prepaid expenses	**30,549**	44,477	**30,549**	44,477
Taxes recoverable	**(47,638)**	-	**(48,143)**	-
Related parties transactions	**(127,138)**	-	**(112,138)**	-
Other receivables	**9,891**	9,865	**9,820**	9,865
Trade accounts payable	**154,592**	(144,366)	**127,830**	(144,366)
Advanced ticket sales	**111,820**	(44,341)	**125,112**	(44,341)
Liabilities from derivative transactions	**(42,311)**	-	**(42,311)**	-
Advances from customers	**(27,591)**	(162,150)	**(27,591)**	(162,150)
Payroll	**25,818**	(27,168)	**22,253**	(27,168)
Tax and landing fees	**58,600**	8,809	**58,600**	8,809
Taxes payable	**3,378**	29,903	**4,497**	29,903
Insurance	**(7,571)**	-	**(7,571)**	-
Provisions	**(87,842)**	(124,722)	**(87,842)**	(124,722)
Other payables	**5,403**	(11,956)	**30,419**	(11,956)
Cash provided by operating activities	**(323,009)**	806,000	**(268,346)**	806,000
Interest paid	**(262,572)**	(63,155)	**(273,651)**	(63,155)
Income tax paid	**(4,358)**	(2,999)	**(4,358)**	(2,999)
Net cash provided by (used in) operating activities	**(589,939)**	739,846	**(546,355)**	739,846
Investing activities				
Acquisition of subsidiary, net of cash	**(33,885)**	-	**(33,885)**	-
Short-term investments	**-**	12,496	**-**	12,496
Restricted cash	**(74,594)**	(11,596)	**(74,594)**	(11,596)
Payment of property, plant and equipment	**(204,206)**	(368,849)	**(221,526)**	(368,849)
Intangible assets	**(80,256)**	(58,512)	**(80,863)**	(58,512)
Net cash used in investing activities	**(392,941)**	(426,461)	**(410,868)**	(426,461)
Financing activities				
Short and long term debt collection	**487,389**	113,128	**628,187**	113,128
Short, long term debt and lease payments	**(241,315)**	(128,246)	**(391,054)**	(128,246)
Due from related parties	**-**	283,622	**-**	283,622
Net cash provided by financing activities	**246,074**	268,504)	**237,133**	268,504
Exchange rate changes in cash and cash equivalents of foreign subsidiaries	**(8,430)**	(10,888)	**(8,430)**	(10,888)
Increase (decrease) in cash, net	**(745,236)**	571,001	**(728,520)**	571,001
Cash and cash equivalents at the beginning of period	**1,726,422**	1,155,421	**1,726,422**	1,155,421
Cash and cash equivalents at the end of period	**981,186**	1,726,422	**997,902**	1,726,422

The accompanying notes are an integral part of these financial statements

VRG LINHAS AÉREAS S.A.

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais – R$)

	Parent Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
REVENUES				
Passenger and cargo transportation and other revenues from passengers	**7,578,841**	7,303,416	**7,872,687**	7,303,416
Allowance for doubtful accounts	**(22,974)**	(7,728)	**(23,483)**	(7,728)
INPUT ACQUIRED FROM THIRD PARTIES (including ICMS and IPI)				
Fuel and lubricants	**(3,013,877)**	(2,287,410)	**(3,141,031)**	(2,287,410)
Supplies, energy, third party services and other	**(1,463,550)**	(1,264,578)	**(1,529,465)**	(1,264,578)
Aircraft insurance	**(31,921)**	(47,757)	**(31,921)**	(47,757)
Sales and marketing	**(395,109)**	(367,757)	**(402,568)**	(367,757)
GROSS VALUE ADDED	**2,651,410**	3,328,186	**2,744,219**	3,328,186
RETENTIONS				
Depreciation and amortization	**(371,638)**	(281,515)	**(388,544)**	(281,515)
WEALTH CREATED BY THE COMPANY, NET	**2,279,772**	3,046,671	**2,355,675**	3,046,671
WEALTH RECEIVED IN TRANSFER				
Equity in subsidiary	**(28,092)**	-	**-**	-
Financial income	**443,865**	735,147	**445,002**	735,147
WEALTH FOR DISTRIBUTION (DISTRIBUDED)	**2,695,545**	3,781,818	**2,800,677**	3,781,818
DISTRIBUTION OF WEALTH				
Employees	**1,487,666**	1,226,029	**1,533,299**	1,226,029
Government	**316,287**	735,289	**316,287**	735,289
Investors	**943,805**	975,980	**964,307**	975,980
Lessees	**466,061**	552,057	**505,058**	552,057
Net income (loss)	**(518,274)**	292,463	**(518,274)**	292,463
WEALTH FOR DISTRIBUTION (DISTRIBUDED)	**2,695,545**	3,781,818	**2,800,677**	3,781,818

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

1. General Information

The VRG is a low-cost and low-fare airline company, which operates domestic and international flights using GOL and VARIG brands, and provides regular and non-regular air transportation services from/to the main destinations in Brazil, South America and the Caribbean.

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

Company was constituted on August 25, 2005 with the denomination of Aéreo Participações S.A., and changed to VRG Linhas Aéreas S.A..

On April 9, 2007, the VRG was acquired by Gol Linhas Aéreas S.A. (GLAI), using GOL e VARIG brands, and provides regular and non-regular air transportation services from/to the main destinations in Brazil, South America and the Caribbean.

On June 25, 2008 the brazilian administrative and economic court of defense denominated Conselho Administrativo de Defesa Econômica (CADE) approved the acquisition of VRG by GTI S.A. on September 23,2008. ANAC approved the authorization request for company's restructure for the fusion of Gol Transportes Aéreos S.A. (GTA) and GTI S.A..

On February 28, 2011, the VRG constituted a Participation Account company engaged in developing and operating on-board sales of food and beverages in domestic flights. VRG controls 50% of this company, which started to operate in September, 2011.

On October 3, 2011, the VRG acquired the entire share capital of Webjet Linhas Aereas SA ("Webjet"), a low-cost and low-fare airline headquartered in the city of Rio de Janeiro, which provides scheduled passenger air chartering services in Brazil, for transaction´s details see Note 13 –Business Combination.

On October 27, 2011, CADE, VRG and Webjet entered into a Transaction Reversibility Preservation Agreement ("APRO"), concerning the acquisition of 100% (one hundred percent) of the capital of Webjet, whereby the reversibility of the transaction and preservation of assets is assured until a final decision is handed down by the governmental agency. The agreement ensures the independence in the management of both companies, including with respect to the Company's frequent flyer program ("Smiles").Without reducing Webjet's capacity, the agreement provides for the sharing of flights between the companies with the aim of optimizing the route network and offer more options to flyers.

2. Summary of significant accounting policies applied in preparing the financial statements

This financial statements were authorized for issuance at the Board of Directors' meeting held on March 26, 2012. The Company's registered office at Vinte de Janeiro avenue, s/nº, Terminal of passageiros nº 01 – Airport Internacional of Rio de Janeiro - Brazil.

2.1. Declaration of conformity

The Company's financial statements comprise:

• The consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board - IASB and the accounting practices adopted in Brazil, identified as Consolidated - IFRS and BR GAAP, and

• The individual financial statements of the Parent prepared in accordance with accounting practices adopted in Brazil, identified as Parent - BR GAAP.

The accounting practices adopted in Brazil comprise those included in the Brazilian corporate law and the pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee - CPC and approved by CVM.

The individual financial statements, prepared for statutory purposes, present the measurement of investments in subsidiary under the equity method, according to prevailing Brazilian legislation. Accordingly, these individual financial statements are not compliant with the IFRSs, which require the measurement of investments in financial statements separate from the parent company at fair value or cost.

The Company elected to present these individual and consolidated financial statements in one single set, side by side, because there is no difference between the individual and consolidated shareholders' equity and net income (loss).

2.2 Basis of preparation

These financial statements were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value in accordance with accounting practices described below.

These Financial Statements were prepared using brazilian Reais as the functional and reporting currency.

The summary of significant accounting policies adopted by the Company and its subsidiary are as follows:

a) Basis of consolidation

The consolidated financial statements comprise the accounts of *VRG Linhas Aéreas S.A* and its direct subsidiary presented below:

			% of capital stock	
	Location	**Type of control**	**2011**	**2010**
Webjet	Brazil	Direct	100%	-

The accounting policies were applied consistently in all the consolidated entities and are consistent with those used in previous years. All the transactions, balances, incomes and expenses between the entities are full eliminated in the consolidated financial statements.

The investments that VRG has in its off-shore subsidiaries (South America and U.S.) are fully eliminated.

b) Cash and cash equivalents

In this line are classified the bank deposits and short term investments with maturities of less than 90

days (or with no deadlines for redemption) which have high liquidity and are readily convertible into an amount of cash and have an insignificant risk of value changes, measured at fair value through income.

c) Restricted cash

Consist of investments measured at fair value through profit and loss, deposited in guarantees linked to securities, and short and long term debt.

d) Financial assets and financial liabilities

Non-derivative financial instruments include short-term investments, debt and equity instruments, trade accounts receivable, other receivables, short and long term debt, other payables and debts. Financial instruments are initially measured at fair value plus or minus costs directly attributable to their acquisition or issuance, except for financial instruments at fair value through profit or loss, whose costs are directly recorded in income or loss. After initial recognition, non-derivative financial instruments are measured at each balance sheet date, based on their classification, which is defined upon initial recognition considering the intent for which they were acquired or issued, as described below:

i. Financial assets measured at fair value through profit or loss: include financial assets held for trading (i.e., acquired primarily for the purpose of sale in the short term), or those designated at fair value through profit or loss. Interest, inflation adjustment, foreign exchange changes and changes arising from the adjustment to fair value are recognized in profit or loss under financial income or financial expenses, when earned or incurred. The Company has short-term investments classified as cash equivalents under this category.

ii. Held-to-maturity financial assets: non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. These are measured at amortized cost after initial recognition under the effective interest method, less possible impairment losses, when applicable, and changes are recognized in profit or loss, as financial income or financial expenses, when earned or incurred. The Company does not have financial assets classified under this category.

iii. Loans and receivables: include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which are measured at amortized cost after initial recognition under the effective interest method. Interest, inflation adjustment, foreign exchange changes, less impairment losses, when applicable, are recognized in profit or loss under financial income or financial expenses, when earned or incurred. The Company has mainly bank deposits and trade accounts receivable classified under this category.

iv. Available for sale: include non-derivative financial assets not classified under the categories above, measure at fair value. After initial recognition, available-for-sale securities are measured at fair value, and the respective gains and losses are recognized in “Other Comprehensive Income” in shareholders' equity until the investment is sold, and any gains and losses previously accumulated are reclassified to profit or loss. “Short-term Investments” are comprised by assets available for sale related to foreign deposits (time deposits). These assets have a maturity period of more than 90 days after the investment date and their amounts are subject to significant changes. The Company does not make speculative investments.

The main non-derivative financial assets recognized by the Company are cash and cash equivalents, short-term investments and trade accounts receivable.

Financial liabilities are classified under the categories below based on the nature of the financial instruments contracted or issued:

i. Financial liabilities at fair value through profit or loss: include financial liabilities that are regularly traded before maturity and liabilities at fair value through profit or loss on initial recognition, except those designated as hedge instruments. They are remeasured at fair value at every balance sheet date. Interest, inflation adjustment, foreign exchange changes and changes arising from measurement at fair value, when applicable, are recognized in profit or loss when incurred. The Company classifies under this category derivatives not designated as an effective hedge instrument.

ii. Financial liabilities not measured at fair value: non-derivative financial liabilities that are not regularly traded before maturity. After initial recognition, they are remeasured at amortized cost using the effective interest method. Interest, inflation adjustment and foreign exchange changes, if applicable, are recognized in profit or loss when incurred. The Company recognized under this category short and long term debt (comprising finance leases) and trade accounts payable.

e) Trade and other receivables

Trade receivable are stated at cost, less allowances for doubtful accounts, which approximate their fair values, given their short-term nature, except for trade accounts receivables falling due over 360 days, classified as other receivables, corresponding to less than 1% of total receivables

Allowance for doubtful accounts is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable through risk analysis and taking into account the historical analysis of the recovery of arrears. The allowance for doubtful receivables is the difference between the book value and recoverable amount and the provision is made for all accounts overdue for more than 90 days for installment sales, travel and cargo agencies, and 180 days in respect of airline partners.

f) Inventories

The inventories are composed primarily of maintenance and spare parts and materials, and are stated at the lower of cost and the net realizable value. The costs of inventories are determined under the average cost method and include expenses incurred in their acquisition and transportation to their current location. The provision for inventory obsolescence is recorded when losses are probable.

g) Lease accounting

In accordance with the CPC 06 and IAS 17 "Leases", leases are classified as finance leases when the lease arrangement transfers substantially all the risks and rewards of ownership to the lessee, or meet the following conditions:
(i) the lease transfers ownership of the asset to the lessee at the end of the lease term;

(ii) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable such that, at the inception of the lease, is reasonably certain that the option will be exercised;

(iii) the lease term is the most part of the economic asset life, even if the title is not transferred;

(iv) at the beginning of the lease, the present value of minimum lease payments represents at least substantially all the fair value of the leased asset, and

(v) the leased assets are of such a specialized nature such that only the lessee can use them without major modifications.

The amounts payable arising from finance lease installments are recognized and allocated between financial expenses and repayment of finance lease so as to achieve a stable interest rate.

The difference between the present value and the total amount of falling due installments is charged to profit or loss as financial expenses. The corresponding obligation to the lessor is accounted for as short and long term debt. The aircraft held under finance leases, which have a purchase option at the end of the contract, are depreciated on a straight-line basis over the useful life at rates calculated to write down the cost to the estimated residual value of 20% based on market price valuations. All other aircraft recorded on property, plant and equipment, when there is no reasonable certainty that the Company will obtain ownership of the property at the end of the contractual term, are depreciated over the shorter of the useful life of the assets and the lease term.

The other leases are classified as operating lease and are recognized as an expense in the income statement on straight-line basis over the term of the lease contract.

Gains or losses related to sale-leaseback transactions classified as an operating lease after the sale, are accounted for as follows:

- They are immediately recognized as other (expense) income when it is clear that the transaction is established at fair value;

- If the sale price is below fair value, any profit or loss is immediately recognized as other (expense) income, however, if the loss is compensated by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the contractual lease term;

- In the event of the sale price is higher than the fair value of the asset, the value exceeding the fair value is deferred and amortized during the period when the asset is expected to be used. The amortization of the gain is recorded as a reduction in lease expenses.

If the sale-leaseback transactions results in financial lease, any excess proceeds over the carrying amount shall be deferred and amortized over the lease term. The Company did not have any sale-leaseback transaction that resulted in financial lease.

h) Prepaid expenses

The prepaid expenses correspond to payments whose benefits to the Company will take place after the balance sheet date. Primarily consist of prepayments for aircraft and engine rentals under operating lease agreements, premium payments of option contracts designated as hedge, sales commissions, deferred losses arising from sale-leaseback transactions, and prepayments for insurance.

i) Investments

Investments in subsidiary on the individual financial statements are accounted for and measured under the equity method in profit or loss as operating income or expenses, using the financial statements of subsidiary for the same reporting period, in accordance with accounting practices in line with those adopted by the Company.

The balance of investments includes the amount measured under the equity method, balances of fair value allocations and goodwill, which is presented as intangible assets in the consolidated financial statements.

j) Property, plant and equipment

Property, plant and equipment, including rotable parts, are recorded at acquisition or construction costs, including interests and other financial charges. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. Aircraft and engine spares acquired on the introduction or expansion of the fleet, as well as rotable spares purchased separately, are carried as fixed assets and generally depreciated in line with the fleet to which they relate. Pre-delivery deposits refer to prepayments made based on the agreements entered into with Boeing Company for the purchase of Boeing 737-800 Next Generation aircraft.

Assets held through finance leases are depreciated over the expected useful life the same way as the owned assets or for a shorter period, if applicable, as under the lease agreement in question.

The estimated useful life for property and equipment is disclosed at Note 15.

Under CPC 27 and IAS 16 “Property, Plant and Equipment”, the costs relating to significant engine overhauls, including replacement of spare parts and personnel expenses, are treated and capitalized separately as a property, plant and equipment item and depreciated until the next significant overhaul.

Identifiable interest costs incurred on short and long term debt directly attributable to assets under construction, including pre-delivery deposits to acquire new aircraft, are capitalized and included as part of the cost of the assets through the earlier of the date of completion or aircraft delivery.

The book value of fixed assets is analyzed for check of possible loss in recoverable value when events or changes in circumstances indicate the book value is bigger than the estimated recoverable amount.

An item of fixed asset is write-off after disposal or when there are no future economic benefits resulting from continued use of the asset. Any gains or losses on fixed asset sale or write-off are determined by the difference between the values received in the sale and the asset's booking value, and are recognized in income.

k) Intangible assets

i. Goodwill

The goodwill value is tested annually by comparing the balance value to fair value recoverable from the cash-generating unit that, in this case is the operating VRG. Management exercises considerable judgment to assess the impact of operating and macroeconomic changes in order to estimate the future cash flows and measure the recoverable amount of that asset. The assumptions adopted by the Company on the impairment tests are consistent with internal projections and operating plans. No impairment losses have been recorded until the present date.

ii. Airport operating rights

Airport operating rights were acquired as part of the acquisition of VRG and of WEBJET, and were capitalized at fair value at the acquisition date and are not amortized. Those rights are considered to have an indefinite useful life due to several factors and considerations, including requirements and necessary

permits to operate within Brazil and limited slot availability in the most important airports in terms of traffic volume. The carrying value of these rights is evaluated annually as to its recoverable amount or in case of changes in circumstances indicates that carrying values may not be recoverable. No impairment has been recorded to until the present date.

iii. Trademarks

VRG brand name was acquired as part of the VRG acquisition and was capitalized at fair value at the acquisition date. The brand name is considered to have an indefinite useful life and, therefore, this is not amortized due to several factors and considerations, including the brand awareness and market position, customer recognition and loyalty and the continued use of the VARIG brand name. The carrying value of these rights is evaluated annually as to its recoverable amount or in case of changes in circumstances indicates that carrying values may not be recoverable. No impairment has been recorded to until the present date.

iv. Software

Costs related to the acquisition or development of computer software that is separable from an item of related hardware is capitalized separately and amortized over a period not exceeding five years on a straight-line basis.

The carrying value of these intangibles is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

l) Deposits

Represented by maintenance deposits for aircraft and engines, deposits in guarantee and collaterals of lease agreements and judicial deposits of contingent liabilities relating to labor, civil, and tax claims.

Aircraft and engine maintenance deposits

The Maintenance deposits refer to payments made in US dollar by the Company to commercial lease companies to be used in future aircraft and engine maintenance work. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated balance sheet are recoverable.

These deposits are used to pay for the maintenances performed, and might be reimbursed to the Company and its subsidiary after termination of the contracts. Maintenance costs are capitalized or recorded in profit or loss when incurred, in accordance with the maintenance cost accounting policy. Certain lease agreements establish that the existing deposits, in excess of maintenance costs are not refundable. Such excess occur when the amounts previously used in maintenance services are lower than the amounts deposited. Any excess amounts retained by the lessor upon the lease contract termination date, which are not considered material, are recognized as additional aircraft lease expense.

During the second quarter ended June 30, 2011, the Company and its subsidiary changed the classification of maintenance deposits from non-monetary to monetary asset, as the realization of these assets, since 2011 has become substantially through receipts of financial resources, according to the renegotiations conducted with the lessors. The exchange rate differences on payments, net of maintenance costs, are recognized as an expense in the financial result.

Additionally, the Company maintains agreements with some lessors to replace deposits by letters of credit, to enable the utilization of deposits to cover other disbursements related to lease agreements of VRG and its subsidiary Webjet. Many of the aircraft lease agreements do not require maintenance deposits.

Deposits in guarantee and collaterals for lease agreements

The deposits in guarantee and collaterals are represented by amounts deposited to lessors of the lease monthly payments, as required at the inception of the lease agreements. The deposits in guarantee and collaterals are denominated in U.S. Dollars, do not bear interest and are reimbursable to the Company upon termination of the agreements.

m) Foreign currency transactions

The functional currency used for preparation and presentation of the financial statements of the Company and its subsidiaries is the Brazilian Real. Transactions in foreign currencies are recorded at the exchange rate prevailing at the time that transaction occur. Monetary assets and liabilities denominated in foreign currencies are subsequently calculated based on conversion the exchange rate at the balance sheet date and differences resulting from the currency calculated based on conversion are recognized in the statements of income.

n) Hedge accounting

The Company contract certain financial derivatives to hedge its risks, related to the changes in oil prices (fuel), foreign exchange rate and interest rate. The derivatives may be designated to hedge accounting, and if they are designated, are classified as fair value hedges or cash flow hedge.

For classification as hedge accounting, the derivative should protect against changes in the hedged fair value or cash flow. At the beginning of the hedge transaction, the Company document the relationship between the hedge instrument and the hedged item, including risk management goals, and if the transaction will be designated for hedge accounting.

The hedge accounting is prospectively discontinued when the Company revoke the hedge relationship, the hedging instrument either expires, is sold, terminated, exercised, or no longer is qualified for hedge accounting.

Fair value hedge

Changes in fair value of derivatives designated and qualified as fair value hedge are recognized in income. The changes in fair value of hedge instruments and hedge item attributable to the hedge risk are recognized in the income statement item related to the hedge item.

Cash flow hedge

The effective part of changes in fair value of derivatives that are designated as cash flow hedge is recognized in other comprehensive income and accumulated under the “Other Comprehensive Income” in shareholder’s equity. The gains or losses that are related to the ineffective portion are recognized immediately in financial result.

At the moment that the hedge item is recognized in the financial result, amounts previously recognized in other comprehensive income and accumulated in shareholder’s equity are reclassified to profit and loss

under the same section of the income statement in which item is recognized.

If the hedge accounting is discontinued, any gains or losses recognized in other comprehensive income and accumulated in equity at that time remains in shareholder's equity and are recognized when the forecasted transaction is finally recognized as financial result.. When the forecasted transaction is not expected anymore, the gains or losses accumulated in equity and deferred are recognized in the financial result immediately.

o) Provisions

Provisions are recognized when the Company has a present obligation (legal or presumed) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Aircraft and engines´ return provision

For aircraft operating leases, the Company is contractually required to return the equipment in a predefined level of operational capability, for this reason it recognizes a provision based on the aircraft return costs as set forth in the agreement.

The aircraft´s return provisions costs are estimated based on expenditures incurred in aircraft reconfiguration (interior and exterior), license and technical certification, painting, and etc., according to return agreement clauses´.

The engines´ return provisions are estimated based on evaluation and minimum contractual conditions that the equipment should be returned to the lessor, considering not only the historical costs incurred, but also the equipment conditions at the evaluation moment.

Onerous contracts

Present obligations resulting from onerous contracts are recognized and measured as provisions. An onerous contract is entered into when unavoidable costs to meet the obligations assumed under the contract exceed the economic benefits that are expected to be received over the contract term.

The provision for onerous contracts refers to losses on operating lease agrements of out-of-service aircraft. The provision corresponds to the net amount between the present value of the installments of the respective leases and the expected revenue from the use of such aircraft through operation or subleases, where applicable. The assumptions used are estimates and the settlement of these transactions may result in amounts significantly different from those recorded.

Insurance provision

The Management keeps insurance coverage in amounts considered 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

10744/03.

Other provisions

Are substantially related to lawsuits and are provisioned for losses considered probable in management's judgment, related to labor, civil and tax matters, the last mentioned being presented under tax obligations line, in case of existence and legal obligation.

p) Revenue recognition

The passenger revenue s is recognized when air transportation services are actually provided to the passenger. Tickets sold but not yet used are recognized as advance ticket sales, correspond to a deferred revenue from sold tickets to be transported in a future date, net of tickets that will expire in accordance with the Company´s (breakage) expectations, i.e., estimate of tickets that expire without being used based on historical data.

Breakage consists of the statistical calculation, on a historical basis, of unused, expired tickets, i.e., tickets not booked (passengers to be transported) that have a high probability of not flying. The Company periodically records adjusted deferred revenues based on tickets actually expired.

The balance of deferred revenue also refers to tickets booked again by passengers.

Revenues from cargo shipment are recognized when transportation is provided. Other revenues includes charter services, miles sales, onboard sales services, tickets exchange rates, and other additional services, and are recognized when the service is provided.

q) Mileage program

Since the acquisition of VRG, the Company operates a frequent flyer program, denominated Smiles (“Smiles Program”) which consists mainly of mileage credits earned by participants for use when travelling. The obligations assumed under the Smiles Program were valued at the acquisition date of VRG at estimated fair value which represents the estimated price the Company would pay to a third party to assume the obligation for miles expected to be redeemed under the Smiles Program.

The fair value of mileage credits, net of estimated non-use of miles (breakage) is determined by the weighted average according to (i) the average amount charged per seat by VRG to airlines that participate in the loyalty program divided by the amount of miles required to issue a ticket using miles and (ii) the average sale price of miles sold to airlines that participate in the loyalty program Smiles. This fair value is updated every six months.

Miles awarded are valued at fair value described above and the redeemed miles are writen-off to “advanced ticket sales” based on the weighted average of the balance of miles that had been deferred. Revenue is recognized when transport is provided, under passenger´s revenue item and the portion of revenue from miles´ sale over the fair value of miles is recognized as marketing revenue (as other income) when the transport is provided.

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

r) Segment information

CPC 22 and IFRS 8 require that operations by segment are identified based on internal reports which are regularly reviewed by decision makers in order to allocate resources to segments and assess their performance.

The Company's operations are derived from VRG and Webjet and consist in to provide air transportation services within South America and Caribbean, where it operates domestic and international flights. The Company's Management performs the resources allocation in order to maximize the consolidated financial results. The major revenue earning assets of the Company are its aircraft, which are registered in Brazil. Other revenues primarily arises from cargo, Smiles mileage program, installment sales, excess baggage charges and cancellation fares, all directly attributable to air transportation services.

Based on the way the Company treats its business and the manner in which resource allocation decisions are made, the Company has only one operating segment for financial reporting purposes. The Company's primary reporting segments comprise of net revenue by geographic segments as described in Note 24.

s) Income taxes

i.Current income tax

The provision for income tax and social contribution is based on taxable profit for the year. Taxable income differs from earnings presented in the income statement because it excludes the effects of Regime Tributário de Transição (RTT) revenues or expenses taxable or deductible in other years, and exclude items not taxable or not deductible permanently.
The provision for income tax and social contribution is calculated for each company based on the rates prevailing at the end of the year.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

ii. Deferred income tax

Deferred income tax and social contribution are recognized on temporary differences at the end of each reporting period between the balances of assets and liabilities recognized in financial statements and tax bases used in the calculation of taxable income, including net tax losses, when applicable. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, only when it is probable that the company will present future taxable income in an amount sufficient to bring such deductible temporary differences can be used.

The carrying amount of deferred income tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow tax credit to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are determined, considering tax rates and tax laws ratified or substantially ratified at balance sheet date and which expects to be applied when the respective asset is realized or the liability is settled.

Deferred income tax and social contribution, assets and liabilities are compensated if there is a legal right

and intention to offset them when calculating the current taxes, generally when related to the same taxable entity and the same taxation authority.

t) Main accounting estimates and assumptions adopted

The preparation of the financial statements requires management to make judgments assumptions and estimates that affect the application of the policies and the reported amounts of assets and liabilities, revenues and expenses. These estimates and assumptions are based on historical experience and several other factors that are construed as reasonable according to the circumstances. Actual results could differ from those estimates. These assumptions are reviewed on a prospective basis. Revised accounting estimates are recognized in the period which the estimate is revised. The estimates and assumptions that have a significant risk of relevant adjustment to the carrying amount of assets and liabilities are discussed below.

i. Impairment of non-financial assets

The Company assesses if there are indications of impairment for all non-financial assets at every balance sheet date. The recoverable values of the cash-generating unit were determined using its value-in-use. The value-in-use is determined based on the assumption of discounted cash flows set by Management.

Other non-financial assets are tested for impairment when there are indications that their carrying amounts might not be recoverable.

ii. Impairment of available-for-sale financial assets

The Company classifies some financial assets as available for sale and recognized the changes in their fair values in shareholders' equity. When the fair value drops, Management analyzes the decline in its value to determine if the economic loss must be recognized in the income statement. As of December 31, 2011, the Company did not have financial assets classified as available for sale.

iii. Income taxes

The Company believes that the tax positions taken are reasonable. However, it recognizes that the authorities may question the positions taken which may result in additional liabilities for taxes and interest. The Company recognizes provisions that involve considerable judgment of the management. The provision are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax authorities, additional exposures based on identification of new issues or court decisions affecting a particular tax issue. Actual results can differ from estimates.

iv. Property, plant and equipment

At the end of the reporting period, the Company reviews the carrying amounts of its property, plant and equipment items to determine if there is any indication that they might be impaired. If such indication exists, the recoverable amount of the asset is estimated to measure the impairment loss.

u) Statement of value added ("DVA")

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not expected nor required by IFRSs.

The DVA was prepared based on information obtained in the accounting records that serve as basis for the preparation of financial statements and in accordance with the provisions of CPC 09 – Statement of Value Added. The first part of the DVA presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes levied on sales, other revenues and the effects of the allowance for doubtful accounts), inputs purchased from third parties (cost of sales and purchases of materials, power and services from third parties, including the taxes levied on purchase, the effects of impairment and recovery of assets, and depreciation and amortization) and the value added received from third parties (equity in subsidiary, financial income and other income). The second part of the DVA presents the distribution of wealth among employees, taxes and contributions, compensation to third parties and shareholders.

v) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, based on the fair value on acquisition date. Costs directly attributable to the acquisition are accounted for as expense when incurred.

The assets acquired and liabilities assumed were measured at fair, classified and allocated according to the contractual terms, economic circumstances and relevant conditions on the acquisition date.
Goodwill is measured as the excess of consideration transferred in relation to net assets acquired at fair value.

If the consideration is lower than the fair value of net assets acquired, the difference should be recognized as a gain in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

x) New standards and interpretations issued and revised in 2011:

i. New standards, interpretations and revisions issued and adopted in 2011:

• **IFRIC 13 - "Customer Loyalty Programs"** under which the meaning of "fair value" is clarified in the context of measurement of award credits in customer loyalty programs, is relevant and effective to the Company and its subsidiary to the initial adoption in the financial year ended December 31, 2011. The application of the clarified guidance does not result in any impact on the financial position and results of operations since the Company was already considering the requirements of IFRIC 13 in measuring the fair value of its award credits.

• **IFRIC 19, Extinction of financial liabilities with equity instruments -** The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the issuance of equity instruments by the entity to an entity creditor to extinguish all or part of a financial liability (debt conversion). This requires that a gain or loss is recognized in income, which is measured as the difference between the carrying amount of financial liability and the fair value of equity instruments issued. If the fair value of financial instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of financial liability extinguished. Applicable as of July 1st,2010.

• **IAS 32, Financial Instruments –** The purpose of this standard is to establish principles for presenting financial instruments as liabilities or net value, and for offsetting between financial assets and financial liabilities. The principles in this Standard complement the principles for recognition and measurement of

financial assets and financial liabilities in IAS 39 Financial Instruments: Recognition and Measurement, as well as the principles for disclosure of information about them in IFRS 7 Financial Instruments: disclosures. Applicable as of January 1st,2014.

• **Ammendment to IFRIC 14, IAS 19- The limit on a defined benefit assets, minimum funding requirements and their interaction –** Removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The results in pre-payment of contributions in certain circumstances are recognized as an asset rather than an expense. This standard did not have any significant impact to the Company, considering its current operations. Applicable as of January 1st,2011.

• **Amendments to IFRS 7, Financial Instruments: Transfers of financial assets –** This amendment will promote transparency in the disclosure of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. This standard will affect future disclosures to the extent that any transfer of financial assets. Applicable as of July 1st,2011.

• **Amendment to IAS 12, Income Taxes on deferred tax -** IAS 12 - "Income taxes", currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, for the "Investment Property" measured at fair value under IAS 40 existing principle, it can be difficult and subjective to assess whether the recovery will be through use or through sale. This amendment, therefore, introduces an exception to the existing principle to measure the deferred tax asset or liability on investment property measured at fair value. The amendment to IAS 12 resulted in the incorporation of SIC 21, "Income Taxes – Recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The changes also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is was removed. This standard should not have any significant impact to the Company, considering its current operations. Applicable as of July 1st,2011.

ii. New standards, amendments and interpretations issued in 2011 and apply in future years:

• **Amendment to IAS 1, Financial Statement Presentation regarding to other comprehensive income** – The main change resulting from these amendments was the requirement for entities to group items presented in other comprehensive income based on the possibility that they can or cannot be potentially reclassified to profit or loss subsequently (reclassification adjustments). The changes do not establish which items must be presented as other comprehensive income. The Company is evaluating the impact of this standard in their disclosures. Applicable as of July 1st,2012.

• **IFRS 13, Fair value measurement, issued in May 2011**. The objective of IFRS 13 is to improve consistency and reduce complexity of the fair value measurement, by providing a more precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied when its use is already required or permitted by other standards within IFRS or US GAAP. The Company is in the process of assessing whether IFRS 13 will have any impact on the manner on how fair value is determined. The standard is applicable as ofJanuary 1st,2013.

• **IFRS 12, Disclosures of interests in other entities –** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose participations and other off balance sheet interests. The Company is analyzing the additional disclosures which will be required by IFRS 12. The standard is applicable as of January 1st,2013.

• **IFRS 11, Joint arrangements – issued in May 2011.** The standard provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: (i) joint operations - arise when a joint operator has rights to the assets and contractual obligations and as a consequence registers his rights' portion in assets, liabilities, revenue and expenses; and (ii) joint ventures - =arise when the joint operator has rights to the net assets of the arrangement and registers his investments by the equity equivalence method. Proportional consolidation method will no longer allowed in joint control. This standard is applicable as of January 1st,2013.

• **IFRS 10, Consolidated Financial Statements –** supports itself on existing principles, identifying the concept of control as a major factor in determining whether an entity should or not be included within the consolidated financial statements of the parent company. The standard provides additional guidance to the determination of control. This standard should not have any significant impact to the Company considering its current operations. This standard is applicable as of January 1st,2013.

• **IFRS 9, Financial instruments –** addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010, and it replaces parts of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two categories: those measured at fair value and those measured at amortized cost. The determination is done at initial recognition. The basis of classification depends on the entity's business model and the contractual characteristics of the financial instruments cash flow. Regarding to financial liabilities, the standard maintains most of the requirements established by IAS 39. This standard should not have any significant impact to the Company considering its current operations. This standard is applicable as of January 1st,2013.

• **IAS 19, Employee benefits amended in June 2011.** The main impacts of the changes are: (i) elimination of corridor approach, (ii) recognition of all actuarial gains and losses in other comprehensive incomes as they occur, (iii) immediately recognition of past service costs as profit and loss, and (iv) the replacement of the participation costs and expected return plan over assets by an amount of net participation, calculated thru applying a discount rate to the asset (liability) of the net defined benefit. This standard should not have any significant impact to the Company considering its current operations. This standard is applicable as of January 1st,2013.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3 Restatement of the beginning balance - correction of error

In April of 2011, the Company concluded the implementation of the new revenue recognition module (ARACS) to complement the current reservations system - New Skies. In connection with this implementation, the Company has identified a difference at the deferred revenue balance in relation to the historical amounts recognized in the financial statements. The total quantified error, which was initially recognized in the profit or loss of the first quarter of 2011 as a reduction of revenue, amounted to R$56,760 (R$37,462 net of taxes), and was associated with the recognition of interline revenues.

The Company interline ticket sales represent sales from the Company to other airline entities under interline agreements. In accordance with these agreements an airline entity can use the

Company´s reservation system to book domestic flights in Brazil by paying a predetermined contractual price. Before implementing the new system, interline deferred revenue was recognized in accordance with the contractual price. However, the recognition of passenger´s revenue was based on the spot ticket price. Consequently, the difference could represent either an overstatement or an understatement of revenues, depending on the difference between the contractual interline price and the spot price.

In 2008 the Company initiated the interline transactions and since then the volume of these transactions have been increasing year after year. However, due to certain system limitations of the reservation system related to the inability to reprocess historical data, the Company is unable to allocate this error to the periods which they have occurred, which are the years ended December 31, 2008, 2009 and 2010 and the first quarter of 2011. After the first quarter of 2011 this system deficiency has been remediated with the conclusion of the new revenue recognition system implementation.

After further considerations, the Company has concluded that the most appropriate way to reflect this adjustment was in the opening balance of the retained earnings as of January 1st, 2011, pursuant to paragraph 44 of CVM Deliberation 592/09 "Políticas Contábeis, Mudança de Estimativa e Retificação de Erro" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

3. Cash and cash equivalents

	Parent Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Cash and bank deposits	**140,056**	90,506	**144,047**	90,506
Cash equivalents	**841,130**	1,635,916	**853,855**	1,635,916
	981,186	1,726,422	**997,902**	1,726,422

As of December 31, 2011, cash equivalents were represented by private bonds (CDBs - Bank Deposit Certificates), Government bonds (NTN - National Treasury Notes, LTN- National Treasury Bills, LFT – Treasury Financial Bills, "committed operations" and fixed-income funds, paid at post fixed rates ranging between 98.5% and 103.5% of the Interbank Deposit Certificate Rate (CDI).

The breakdown of cash equivalents balance is as follows:

	Parent Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Bank deposit certificates (CDBs)	**53,206**	552,804	**65,931**	552,804
Government bonds (NTN, LTN and LFT)	**787,605**	245,186	**787,605**	245,186
Investment funds	**319**	837,926	**319**	837,926
	841,130	1,635,916	**853,855**	1,635,916

These investments have high liquidity, are readily convertible into known amounts of cash, are subject to an insignificant risk of value changes and maturity of less than 90 days.

During the year ended December 31, 2011, the Company redeemed some of its private bonds and, through its investment strategy towards greater profitability, increased its position in government bonds.

4. Restricted Cash

As of December 31, 2011, restricted cash in short term assets was fully represented by the updated deposit made in a restricted account on August 8, 2011, relating to the acquisition of Webjet. See explanatory note 13.

The restricted cash in long term assets in the amount of R$100,541 as of December 31, 2011 was represented by:

- margin deposits, in US dollar, bond to hedge transactions, subject to the overnight rate (average yield of 0.14% p.a.), in the amount of R$82,996 (on December 31, 2010, the margin deposits were redeemed and replaced by a letter of guarantee in the amount of R$100,000 which maturity was on September 2011).
- guarantee margin deposits bond to loans from the *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES) applied in DI investment funds and yielding the weighted average rate of 98.5% of CDI, in the amount of R$8,591.
- deposits in guarantee, represented by a letter of guarantee with Safra Bank, in the amount of R$8,471.
- others in the amount of R$483.

On April 2011, the Company redeemed CDB with Santander Bank in the amount of R$25,000, which were guarantee to *Banco de Desenvolvimento de Minas Gerais* (BDMG), replaced by chattel mortgage of engines.

5. Short and long-term Investments

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Private Bonds	**80,443**	61,159	**80,443**	61,159
Government Bonds	**124,400**	-	**124,400**	-
Investment Funds	**803,193**	2,816	**803,193**	2,816
	1,008,036	63,975	**1,008,036**	63,975
Short term	**940,507**	3,992	**940,507**	3,992
Long term	**67,529**	59,983	**67,529**	59,983

Private bonds comprise of CDBs (“Bank Deposit Certificates”), with maturity until September 2013 and highly liquidity, paid at 102% of the CDI rate.

Public bonds comprise of LTN (National Treasury Bills), LTNO (prefixed National Treasury Bills) and NTN-B (indexed to IPCA), with immediate maturity paid at an variable average rate of 11.12% p.a..

Investment funds are represented primarily by government bonds LTN, LFT, NTN, CDBs and

Debentures.

The foreign bank deposits (time deposits) were provisioned in its totality due to the loss on coverage value of the instrument.

During the year ended December 31, 2011, the Company redeemed some of its private bonds and, through its investment strategy aiming at higher profitability, increased its position in government bonds.

6. Trade and Other Receivables

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Local currency:				
Credit card administrators	**76,207**	90,612	**100,214**	90,612
Travel agencies	**172,063**	149,393	**185,544**	149,393
Installment sales	**42,619**	51,253	**47,189**	51,253
Cargo agencies	**34,923**	20,582	**37,460**	20,582
Airline partners companies	**17,004**	16,608	**17,031**	16,608
Other	**34,781**	27,491	**35,077**	27,491
	377,597	355,939	**422,515**	355,939
Foreign currency:				
Credit card administrators	**9,228**	5,855	**9,228**	5,855
Travel agencies	**6,833**	3,935	**6,833**	3,935
Cargo agencies	**301**	141	**301**	141
	16,362	9,931	**16,362**	9,931
	393,959	365,870	**438,877**	365,870
Allowance for doubtful accounts	**(80,234)**	(60,127)	**(83,610)**	(60,127)
	313,725	305,743	**355,267**	305,743

	Parent Company		Consolidated	
Short term	**312,592**	303,054	**354,134**	303,054
Long term (*)	**1,133**	2,689	**1,133**	2,689

(*)The portion of long term trade receivables is recorded in other receivables, in long term assets, and corresponds to installment sales made under the *Voe Fácil* program, with maturity over 360 days.

Changes in the allowance for doubtful accounts are as follows:

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Balance at beginning of period	**(60,127)**	(52,399)	**(60,127)**	(52,399)
Additions	**(35,849)**	(27,689)	**(35,849)**	(27,689)
Additions from Webjet's acquisition	**-**	-	**(3,376)**	-
Unrecoverable amounts	**3,304**	5,623	**3,304**	5,623
Recoveries	**12,438**	14,338	**12,438**	14,338
Balance at the end of period	**(80,234)**	(60,127)	**(83,610)**	(60,127)

The aging list of accounts receivable is as follows:

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Falling due (until 360 days)	**281,194**	270,286	**315,883**	270,286
Falling due (after 360 days)	**1,133**	2,689	**1,133**	2,689
Overdue until 30 days	**15,147**	19,091	**20,618**	19,091
Overdue 31 to 60 days	**7,146**	4,128	**7,507**	4,128
Overdue 61 to 90 days	**4,506**	5,533	**4,954**	5,533
Overdue 91 to 180 days	**11,182**	8,041	**11,754**	8,041
Overdue 181 to 360 days	**14,314**	7,052	**15,307**	7,052
Overdue above 360 days	**59,337**	49,050	**61,721**	49,050
	393,959	365,870	**438,877**	365,870

The average collections period of installment sales is nine months and 5.99% interest is charged on the balance receivable, which is recognized as financial income. The average collection period of other receivables is 108 days.

As of December 31, 2011, accounts receivable from travel agencies in the minimum amount of R$16,000 (R$24,300 on December 31, 2010) and firm guarantees of 30% from accounts receivable with credit card administrators, are related to loan agreements guarantees with BNDES Bank.

Additionally, on December 31, 2011, 30% of the receivable amounts from credit card administrators are bound to guarantee the contract with *Banco Safra*, collected by the direct subsidiary Webjet.

7. Inventories

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Consumables	**19,252**	16,702	**20,148**	16,702
Parts and maintenance materials	**125,491**	117,740	**127,080**	117,740
Advances to suppliers	**12,725**	43,725	**12,725**	43,725
Imports in progress	**1,612**	1,885	**1,612**	1,885
Others	**7,658**	7,942	**7,658**	7,942
Provision for obsolescence	**(18,187)**	(17,004)	**(18,200)**	(17,004)
	148,551	170,990	**151,023**	170,990

Changes in the allowance for inventory obsolescence are as follows:

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Balance at beginning of the period	**(17,004)**	(8,602)	**(17,004)**	(8,602)
Additions	**(52,233)**	(44,426)	**(52,233)**	(44,426)
Additions from Webjet's acquisition	**-**	-	**(13)**	-
Write-offs	**51,050**	36,024	**51,050**	36,024
Balance at end of period	**(18,187)**	(17,004)	**(18,200)**	(17,004)

8. Deferred and Recoverable Taxes

	Parent Company		Consolidated	
	12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
Recoverable taxes:				
Short term assets				
ICMS [(1)]	**13,222**	7,039	**13,222**	7,039
Prepaid IRPJ and CSSL [(2)]	**33,745**	2,999	**39,895**	2,999
IRRF [(3)]	**14,662**	6,041	**14,662**	6,041
PIS and COFINS [(4)]	**52,334**	-	**54,085**	-
Withholding tax of public institutions	**26,791**	17,334	**26,791**	17,334
Value added tax – IVA [(5)]	**4,242**	3,512	**4,242**	3,512
Income tax on imports	**17,465**	15,628	**17,465**	15,628
Others	**674**	689	**2,655**	689
Total recoverable taxes - short term	**163,135**	53,242	**173,017**	53,242
Deferred taxes:				
Long term assets				
Tax losses	**394,046**	324,889	**394,045**	324,889
Negative basis of social contribution	**141,857**	116,960	**141,857**	116,960
Temporary differences				
Mileage program:	**97,483**	70,603	**97,483**	70,603
Allowance for doubtful accounts and others	**62,317**	190,664	**62,317**	190,664
Provision for loss on acquisition of VRG	**143,350**	-	**143,350**	-
Provision for legal and tax liabilities	**57,151**	44,556	**57,151**	44,556
Return of aircraft	**22,089**	11,318	**22,089**	11,318
Derivative transactions not settled	**65,377**	-	**65,377**	-
Effects from Webjet's acquisition	**-**	-	**7,086**	-
Others	**51,097**	37,836	**51,098**	37,836
Total long term deferred tax assets	**1,034,767**	**796,826**	**1,041,853**	**796,826**
Long term liabilities				
Temporary differences				
Brands	**21,457**	21,457	**21,457**	21,457
Flight rights	**190,687**	190,686	**353,226**	190,686
Maintenance deposits	**101,630**	155,266	**101,630**	155,266
Depreciation of engines and parts for aircraft maintenance	**140,677**	115,098	**140,677**	115,098
Reversal of goodwill amortization	**76,596**	51,064	**76,596**	51,064
Derivative transactions not settled	**28,525**	-	**28,525**	-
Leasing of aircraft	**26,902**	94,950	**26,902**	94,950
Other	**14,693**	13,664	**14,692**	13,664
Total long term deferred tax liabilities	**601,167**	642,185	**763,705**	642,185

(1) ICMS: State tax on sales of goods and services.
(2) IRPJ: Brazilian federal income tax on taxable income.
CSLL: social contribution on taxable income, created to sponsor social programs and funds.
(3) IRRF: withholding income tax levied on certain domestic transactions, such as payment of fees to some service providers, payment of salaries, and financial income from bank investments.
(4) PIS/COFINS: Contributions to Social Integration Program (PIS) and Contribution for the Financing of Social Security (COFINS)
(5) IVA: Value added tax on sales of goods and services abroad.

During the fourth quarter of 2011 the Company reviewed the criteria adopted to calculate PIS and COFINS. By changing the taxation regime, and the percentage of proportionality obtained on income subject to cumulative and noncumulative taxation applied to costs and expenses entitled to credit and taxes overpaid and/or shortcomings in previous periods, recognized a credit of R$52,334, being R$34,608 as reducing fuel costs and other services entitled to credit, R$21,739 reducing PIS and COFINS expenses on revenues and R$4,013 of interest costs and fine.

The Company have tax losses and negative basis of social contribution on calculation of taxable income, to be offset against 30% of annual taxable income, which can be carried forward indefinitely, in the following amounts:

	Parent (VRG)		Direct subsidiary (Webjet)	
	2011	**2010**	**2011**	**2010**
Tax losses	1,576,185	1,299,555	311,082	-
Negative basis of social contribution	1,576,185	1,299,555	311,082	-

Tax credits arising from tax loss carryforwards and negative basis of social contribution were recorded based on the expected generation of future taxable income of the Company and its subsidiary, as prescribed by tax laws.

Projected future taxable income for the utilization of tax loss carryforwards and negative basis of social contribution, technically prepared and supported based on business plans and approved by the Board of Directors, indicates the existence of sufficient taxable income for the realization of the recognized deferred tax assets.

The Company and its direct subsidiary Webjet, have a total tax credits amount of R$641,671, however, they recognized an allowance for loss of R$105,768 for credits that have no perspective of realization in an immediate future.

Management considers that the deferred tax assets arising from temporary differences will be realized proportionally to the realization of provisions and final outcome of future events.

	Parent Company e Consolidated	
	2011	**2010**
Income (loss) before income tax and social contribution	**(746,587)**	475,341
Combined tax rate	**34%**	34%
Income tax at combined tax rate	**253,840**	(161,616)
Adjustments to calculate the effective tax rate:		
Equity in subsidiary	**(9,551)**	-
Income tax on permanent differences	**25,208**	1,739
Exchange differences on foreign investments	**(41,184)**	(23,001)
Income (expense) of tax and social contribution	**228,313**	(182,878)
Current income tax and social contribution	**(4,358)**	(52,823)
Deferred income tax and social contribution	**232,671**	(130,055)
	228,313	(182,878)

9. Prepaid Expenses

	Parent Company		Consolidated	
	12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
Prepayments of hedge premium	**11,572**	22,824	**11,572**	22,824
Lease prepayments	**27,730**	33,322	**30,382**	33,322
Insurance prepayments	**20,019**	27,221	**22,639**	27,221
Prepaid commissions	**11,173**	16,628	**13,020**	16,628
Others	**3,920**	5,666	**6,696**	5,666
	74,414	105,661	**84,309**	105,661

10. Deposits

Parent company

<u>*Maintenance deposits*</u>

The Company made deposits in US dollars for maintenance of aircraft and engines that will be invested in future events as set forth in some finance lease contracts.

The maintenance deposits do not exempt the Company and its subsidiary, as lessee, neither from the contractual obligations relating to the maintenance of the aircraft nor from the risk associated with maintenance activities. The Company hold the right to select any the maintenance service providers or to perform such services internally.

Based on the regular analysis of deposit recovery, management believes that the amounts reported in the consolidated balance sheet are recoverable and there are no indications of impairment of maintenance deposits, whose balances as of December 31, 2011 classified in long term assets amount to R$298,913 (R$456,666 in long term assets as of December 31, 2010).

<u>*Deposits in guarantee for lease agreements*</u>

As required by the lease agreements, the Company hold guarantee deposits in US dollars on behalf of the leasing companies, who's fully refund occurs upon the contract expiration date. As of December 31, 2011, the balance of guarantee deposits for lease agreements, classified in long term assets, is R$91,421 (R$127,963 as of December 31, 2010).

<u>*Escrow deposits*</u>

Escrow deposits represent guarantees in legal proceedings related to tax, civil and labor nature, deposited in escrow until the resolution of the related claims, paid at *SELIC* tax. The balances of escrow deposits as of December 31, 2011, recorded in long term assets totaled R$162,762 (R$123,198 as of December 31, 2010).

Consolidated

<u>*Maintenance deposits*</u>

The Company made deposits in US dollars for maintenance of aircraft and engines that will be invested in future events as set forth in some finance lease contracts.

The maintenance deposits do not exempt the Company and its subsidiary, as lessee, neither from the contractual obligations relating to the maintenance of the aircraft nor from the risk associated with maintenance activities. The Company hold the right to select any the maintenance service providers or to perform such services internally.

Based on the regular analysis of deposit recovery, management believes that the amounts reported in the consolidated balance sheet are recoverable and there are no indications of impairment of maintenance deposits, whose balances as of December 31, 2011 classified in short term and long term assets amount to R$35,082 and R$323,062 (R$456,666 in long term assets as of December 31, 2010).

<u>*Deposits in guarantee for lease agreements*</u>

As required by the lease agreements, the Company hold guarantee deposits in US dollars on behalf of the leasing companies, who's fully refund occurs upon the contract expiration date. As of December 31, 2011, the balance of guarantee deposits for lease agreements, classified in long term assets, is R$96,983 (R$127,963 as of December 31, 2010).

Escrow deposits

Escrow deposits represent guarantees in legal proceedings related to tax, civil and labor nature, deposited in escrow until the resolution of the related claims, paid at *SELIC* tax. The balances of escrow deposits as of December 31, 2011, recorded in long term assets totaled R$163,407 (R$123,198 as of December 31, 2010).

11. Transactions with related parties

Loan agreements– long term assets– Parent company

The Company maintains assets and liabilities with GLAI, GAC, Finance without maturity or guarantees, as set forth below:

	Asset		Liability	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
GLAI	**-**	-	**48,514**	84,786
GAC (a)	**222,725**	133,376	**71,280**	117,404
Finance (a)	**-**	-	**474,023**	414,416
Total consolidated	**222,725**	**133,376**	**593,817**	**616,606**
Webjet	**-**	**-**	130,723	**-**
Advance for future capital increase (b)	**15,000**	-	**-**	-
Total parent company	**237,725**	**133,376**	**724,540**	**616,606**

a) The values that the Company maintains with GAC and Finance, subsidiaries abroad, are subject to exchange rate.
b) Advance for future capital increase related to purchase of Webjet.

Graphic, consulting and transportation services

The Company holds contract with the related party *Breda Transporte*s e *Serviços* S.A. for passenger and luggage transportation services between airports, and transportation of employees, maturating on May 31, 2012, renewable every 12 months for additional equal terms through an amendment instrument signed by the parties, annually adjusted based on the General Market Price Index (IGP-M) fluctuation.

The Company also holds contracts with the related parties *Expresso União Ltda*. and *Serviços Gráficos Ltda.*, for employee transportation and graphic services, maturating on September 16, 2012 and February 18, 2012, respectively.

The Company also holds contracts for the operation of the *Gollog* franchise through the related party *União Transporte de Encomendas e Comércio de Veículos Ltda.*, with 60-month maturity term.

The Company also holds contracts with related party *Vaud Participações S.A.* to provide executive administration and management services, with two year term beginning on October 2010.

During the period ended December 31, 2011, VRG recognized total expenses related to these services of R$11,101 (R$8,621 as of December 31, 2010). All the entities referred above belong to the same economic group.

Property lease

VRG is the lessee of the property located at Rua Tamoios, 246, São Paulo, SP, owned by *Patrimony Administradora de Bens*, controlled by *Comporte Participações S.A.*, a company owned by the same shareholder of the Company, whose contract expires on April 4, 2012. The contract includes an annual adjustment clause, based on the IGP-M. During the period ended December 31, 2011 a VRG recognized total expenses related to this lease of R$559 (R$361 as of December 31, 2010).

Commercial Agreement with Unidas Rent a Car

On December 31 2011, VRG remained in a commercial agreement with Unidas Rent a Car, a Brazilian company that provides car rentals to its customers at a 50% discount on daily rates of rent, when buying tickets for flights operated by VRG controlled through its website, signed in May 2009. This contract came to be dismissed as a related party on June 20, 2011 with the termination of Mr. Alvaro de Souza, president of the Board of GLAI, as a board member of Unidas Rent a Car.

Contracts Account Opening UATP (Universal Air Transportation Plan) to Grant Credit Limit

On September 2011, the Compay entered into agreements with related parties Pássaro Azul Taxi Aéreo Ltda. e Viação Piracicabana Ltda. The purpose of the agreement is the issuance of UATP (Universal Air Transportation Plan) accounts, where VRG issued credits to related parties in the amounts of R$20 and R$40, respectively, to be used in the UATP system. Such system can be used to pay domestic and international air services to all members. VRG uses the UATP system, which is operated and maintained by the international air sector, and seeks to simplify billing and facilitate the payment of air travels and other related services.

Trade payables – short term liabilities

As of December 31, 2011, balances payable to related companies amounting to R$1,198 (R$230 as of December 31, 2010) are included in the balance of accounts payables and substantially refers to the payment to *Breda Transportes e Serviços S.A.* for passenger transportation services.

Key management personnel payments

	12/31/2011	12/31/2010
Salaries and benefits	**15,260**	22,516
Related taxes	**5,569**	6,833
Total	**20,829**	29,349

As of December 31, 2011, the Company did not offer postemployment benefits, and there are no severance benefits or other long-term benefits for the Management or other employees.

12. Investments

Due to the changes in Law 6404/76 introduced by Law 11638/07, investments in foreign subsidiaries, and society for participation fee, were considered as an extension and consolidated on a line by line basis with the parent VRG, only subsidiary Webjet was considered as an investment.

On October 3, 2011 the Company acquired indirect control of 100% shareholding in Webjet, details see note 13, Business Combination.

Changes in investments in December 31, 2011 are as follows:

Investment by the acquisition in October 3, 2011	**(169,891)**
Equity	**(28,092)**
Provisional fair value of assets acquired – Note 13	**301,761**
Balances as of December 31, 2011 – Investment	**103,779**

The subsidiary Webjet does not have publicly traded. The Webjet information is summarized below:

	Total number of shares	Interest - %	Capital	Shareholders' equity	Shareholders' equity adjusted (*)	Net income (loss)
12/31/11	**85,100,000**	**100%**	**220,432**	**(197,982)**	**103,779**	**(28,092)**

13. Business Combination

On October 3, 2011, the Company acquired the total capital of Webjet, an airline headquartered in the city of Rio de Janeiro, engaged in passenger air transportation, with a fleet of twenty-four Boeing 737-300 and operating in 16 Brazilian cities, which carries approximately 1,000 weekly flights, by the adjusted price of R$43,443.

On February 27, 2011, after conclusion of the acquisition closing balance sheet audit, the provisional price of R$70,000 was reduced by R$26,557 and adjusted as provided in the contract to R$43,443. The amount of R$7,000 updated and deposited in blocked account will be released to the Company, and the amount of R$19,557, already transferred to the former controlling shareholders of Webjet by way of consideration, was recorded as other credits due to the agreement between the parties to give the Company the right to recover the greater part of the consideration determined under specific contractual conditions.

Webjet's acquisition aims to strengthen the Company's performance in the domestic market, increasing its presence in main Brazilian airports, including Guarulhos in São Paulo and Santos Dumont in Rio de Janeiro airport to provide services to the growing middle class, continuing its mission of making air transportation more affordable and operating as one of the leading companies in the low-cost aviation sector.

The transaction is being analyzed by the Administrative Council for Economic Defense ("CADE") and until it is approved, the two companies will continue to operate as separate entities.

The provisional fair value of assets acquired and liabilities assumed identifiable by the date of acquisition on October 3, 2011, are as follows:

	Opening Balance 10/03/2011	Adjustment	Opening Balance Adjusted 10/03/2011
ASSETS			
Cash and cash equivalents	9,556	-	9,556
Trade and other receivables	159,403	-	159,403
Inventories (i)	6,696	(3,061)	3,635
Deposits	65,204	-	65,204
Prepaid expenses	9,197	-	9,197
Taxes recoverable	10,211	-	10,211
Other	1,607	-	1,607
Deferred income tax	-	7,086	7,086
Property, plant and equipment (i)	71,592	(4,624)	66,968
Intangible assets (ii)	209	478,057	478,266
	333,675	477,458	811,133
LIABILITIES			
Short and long term debt	224,403	-	224,403
Trade payables	74,064	-	74,064
Payroll	21,791	-	21,791
Tax obligations	5,101	-	5,101
Tax and landing fees	25,796	-	25,796
Advance ticket sales	92,154	-	92,154
Provisions (iii)	39,662	13,158	52,820
Other short term liabilities	18,349	-	18,349
Deferred taxes	-	162,539	162,539
Lawsuits (iv)	2,245	-	2,245
	503,565	175,697	679,262
Net assets acquired from Webjet			131,871
(-)Adjusted purchase price			(43,443)
Gain on bargain purchase			88,428

(i) The fair values of inventories and property, plant and equipment were appraised by experts. They prepared an inventory of aircrafts, rotable, reparable and consumable items and evaluated individually each item according to its physical conditions of use.

(ii) The Company recognized the fair value of operating rights at Guarulhos in Sao Paulo (22 flight operating rights) and Santos Dumont in Rio de Janeiro (14 flight operating rights) under the heading intangible. These rights were evaluated based on discounted future cash flows of the acquired intangibles. Other intangible assets such as trade names, non-competition agreements, customers list and other were analyzed and did not qualify for recognition, as defined in accounting standards.

(iii) The fair value of operating leases presented unfavorable conditions, which resulted in the recognition of onerous contracts, which can occur at the time of negotiation of the aircraft returns.

(iv) The Company has not obtained all necessary information to measure reliably the fair value of contingent liabilities of the acquired Company, for which it has contractual guarantees of former shareholders without limiting values for a period of five years.

The acquisition of the direct subsidiary was accounted by the acquisition method in accordance with IFRS 3R and *CPC 15*, and the gain on bargain purchase of R$88,428 was recorded in the income statement for the year under other revenues (expenses), not taxable because is related od permanent

difference, according with the brazilian Transition Tax Regime *(Regime Tributário de Transição – RTT).*

Administration expects to finalize the valuation of certain assets, including intangible assets and liabilities, as well as the effect of deferred taxes until October 2, 2012.

The gain on bargain purchase generated by the purchase is related to the recognition of the intangible assets value not recorded on the books of acquired, represented by the rights of Guarulhos and Santos Dumont airports usage, which are the busiest airports in the country, and whose value is a consequence of the significant demand growth and the flow of domestic passengers in the next years, coupled with the Administration expectation for recovery of operation profitability at those airports.

Since the acquisition until December 31, 2011, the Company's results were impacted by R$ 28,092 for the Webjet's operational losses.

Transaction costs, totaling R$2,362, were treated as an expense and included under other expenses in the income statement for the year ended December 31, 2011.

14. Property, Plant and Equipment

Parent Company

	12/31/11				12/31/10
	Weighted annual depreciation rate	**Cost**	**Accumulated depreciation**	**Net amount**	**Net amount**
Flight equipment					
Aircraft under finance leases	4%	2,507,245	(547,173)	**1,960,072**	1,852,676
Sets of replacement parts and spare engines	4%	853,114	(165,473)	**687,641**	649,758
Aircraft reconfigurations / overhauling	30%	348,132	(147,498)	**200,634**	86,992
Aircraft and safety equipment	20%	1,394	(800)	**594**	601
Tools	10%	24,952	(7,450)	**17,502**	14,465
		3,734,837	(868,394)	**2,866,443**	2,604,492
Impairment losses (a)	-	(23,250)	-	**(23,250)**	-
		3,711,587	(868,394)	**2,843,193**	2,604,492
Property, plant and equipment in use					
Vehicles	20%	9,346	(6,665)	**2,681**	3,309
Machinery and equipment	10%	41,190	(11,341)	**29,849**	15,744
Furniture and fixtures	10%	18,720	(8,986)	**9,734**	10,696
Computers and peripherals	20%	40,079	(26,200)	**13,879**	14,354
Communication equipment	10%	2,724	(1,417)	**1,307**	1,517
Facilities	10%	4,485	(2,639)	**1,846**	2,192
Maintenance center – Confins	7%	105,971	(13,924)	**92,047**	93,160
Leasehold improvements	20%	31,595	(18,657)	**12,938**	18,540
Construction in progress	-	21,936	-	**21,936**	15,546
		276,046	(89,829)	**186,217**	175,058
		3,987,633	(958,223)	**3,029,410**	2,779,550
Advances for acquisition of aircraft	-	5,552	-	**5,552**	15,167

	3,993,185	**(958,223)**	**3,034,962**	2,794,717

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

	Property, plant and equipment under finance lease	Others flight equipment (a)	Advances for acquisition of property, plant and equipment	Others	Total
As of December 31, 2009	1,722,927	601,164	32,423	164,568	2,521,082
Additions	321,477	200,543	50,135	29,926	602,081
Disposals	-	(2,740)	(67,391)	(297)	(70,428)
Depreciation	(191,728)	(47,151)	-	(19,139)	(258,018)
As of December 31, 2010	1,852,676	751,816	15,167	175,058	2,794,717
Additions	311,857	276,464	25,681	37,965	651,967
Disposals	-	(2,447)	(35,296)	(5,127)	(42,870)
Depreciation	(204,461)	(119,462)	-	(21,679)	(345,602)
Impairment losses	-	(23,250)	-	-	(23,250)
As of December 31, 2011	**1,960,072**	**883,121**	**5,552**	**186,217**	**3,034,962**

Consolidated

	12/31/11				12/31/10
	Weighted annual depreciation rate	**Cost**	**Accumulated depreciation**	**Net amount**	**Net amount**
Flight equipment					
Aircraft under finance leases	4%	2,507,244	(547,173)	**1,960,071**	1,852,676
Sets of replacement parts and spare engines	4%	909,236	(176,141)	**733,095**	649,758
Aircraft reconfigurations / overhauling	30%	474,668	(221,013)	**253,655**	86,992
Aircraft and safety equipment	20%	1,693	(871)	**822**	601
Tools	10%	25,992	(7,605)	**18,387**	14,465
		3,918,833	(952,803)	**2,966,030**	2,604,492
Impairment losses (a)	-	(50,653)	-	**(50,653)**	-
		3,868,180	(952,803)	**2,915,377**	2,604,492
Property, plant and equipment in use					
Vehicles	20%	9,855	(6,886)	**2,969**	3,309
Machinery and equipment	10%	43,213	(11,640)	**31,573**	15,744
Furniture and fixtures	10%	19,697	(9,374)	**10,323**	10,696
Computers and peripherals	20%	43,250	(27,538)	**15,712**	14,354
Communication equipment	10%	2,785	(1,451)	**1,334**	1,517
Facilities	10%	4,501	(2,647)	**1,854**	2,192
Maintenance center – Confins	7%	105,971	(13,924)	**92,047**	93,160
Leasehold improvements	20%	34,182	(19,067)	**15,115**	18,540
Construction in progress	-	21,936	-	**21,936**	15,546
		285,390	(92,527)	**192,863**	175,058
		4,153,570	(1,045,330)	**3,108,240**	2,779,550
Advances for acquisition of aircraft	**-**	5,552	-	**5,552**	15,167
		4,159,122	(1,045,330)	**3,113,792**	2,794,717

a) In 2011, the Company recognized an amount of R$50,653 of impairment of fixed assets as follows:
In VRG was recognized a total of R$23,250, divided into: (i) provision for aircraft under lease (PR-VAC) of R$5,582, (ii) items rotable on 737-300 fleet and financial 767-300 fleet totaling R$17,668.
In Webjet recognized a total of R$ 27,403, being (i) R$4,624 of fair value of rotable aircraft items recognized at the acquisition date and (ii) R$22,779 resulting from impairment of its own aircraft WJA, WJF, WJH, WJI, WJJ and WJK and obsolete parts.

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

	Property, plant and equipment under finance lease	**Others flight equipment (a)**	**Advances for acquisition of property, plant and equipment**	**Others**	**Total**
As of December 31, 2009	1,722,927	601,164	32,423	164,568	2,521,082
Additions	321,477	200,543	50,135	29,926	602,081
Disposals	-	(2,740)	(67,391)	(297)	(70,428)
Depreciation	(191,728)	(47,151)	-	(19,139)	(258,018)
As of December 31, 2010	1,852,676	751,816	15,167	175,058	2,794,717
Additions from Webjet's acquisition (note 13)	-	65,328	-	6,264	71,592
Additions	311,856	300,915	25,681	38,576	677,028
Disposals	-	(3,383)	(35,296)	(5,132)	(43,811)
Depreciation	(204,461)	(136,120)	-	(21,903)	(362,484)
Impairment losses	-	(23,250)	-	-	(23,250)
As of December 31, 2011	**1,960,071**	**955,306**	**5,552**	**192,863**	**3,113,792**

(a) Additions in 2011 primarily represent total estimated costs to be incurred relating to the reconfiguration of aircraft when returned and improvement costs relating to major overhauled of engine under operating lease.

15. Intangible assets

Parent company	**Goodwill** (a)	**Trademarks**	**Airport operating licenses**	**Software**	**Total**
Balance as of December 31, 2009	542,302	63,109	560,842	65,266	1,231,519
Additions	-	-	-	58,512	58,512
Amortization	-	-	-	(23,031)	(23,031)
Balance as of December 31, 2010	542,302	63,109	560,842	100,747	1,267,000
Additions	-	-	-	73,199	73,199
Disposals	-	-	-	(8,935)	(8,935)
Amortization	-	-	-	(26,036)	(26,036)
Balance at December 31, 2011	542,302	63,109	560,842	138,973	1,305,228

Consolidated	Goodwill (a)	Trademarks	Airport operating licenses	Software	Total
Balance as of December 31, 2009	542,302	63,109	560,842	65,266	1,231,519
Additions	-	-	-	58,512	58,512
Amortization	-	-	-	(23,031)	(23,031)
Balance as of December 31, 2010	542,302	63,109	560,842	100,747	1,267,000
Additions from Webjet's acquisition				209	209
Additions	-	-	-	73,596	73,596
Disposals	-	-	-	(8,935)	(8,935)
Amortization	-	-	-	(26,060)	(26,060)
Provisional fair value from Webjet's acquisition (note 13)	-	-	478,058	-	478,058
Balance at December 31, 2011	**542,302**	**63,109**	**1,038,900**	**139,557**	**1,783,868**

(a) The goodwill arises from the acquisition of VRG on April 9, 2007.

The Company has allocated goodwill for future earnings, trademarks and airport operating licenses, with indefinite useful life, upon the acquisition of VRG on April 9, 2007 and Webjet on October 3, 2011, which are annually tested for impairment considering the operations of the subsidiary as single cash-generating unit. The recoverable amount of these assets has been tested for the date of December 31, 2011 and was not identified impairment losses for these assets.

The Company implemented a new mileage control system in the quarter ended March 31, 2011 and, consequently, reduced the unamortized remaining balance in the former system, in the amount of R$7,175.

16. Short and Long-term Debt

		Effective average interest rate (p.a.)	Parent Company		Consolidated	
	Maturity	12/31/2011	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Short-term debt:						
Local currency:						
Debêntures IV	Sep, 2015	**12.95%**	**595,160**	-	**595,160**	-
Debêntures V	Jun, 2017	**13.18%**	**493,284**	-	**493,284**	-
BNDES loan Safra	Oct, 2014	**11.50%**	**29,956**	27,550	**29,956**	27,550
Citibank	Dec, 2012	**11.33%**	**-**		**19,401**	-
BNDES	Jul, 2012	**8.66%**	**8,372**	14,352	**8,372**	14,352
BDMG	Mar, 2018	**8.05%**	**3,600**	3,376	**3,600**	3,376
Industrial CDB	Mar, 2012	**11.58%**	**-**	-	**1,250**	-
Interests			**22,988**	19,721	**23,421**	19,721
			1,153,360	64,999	**1,174,444**	64,999
Foreign currency (in U.S. Dollars):						
Working Capital	Mar, 2012	**12.95%**	**95,894**	83,803	**95,894**	83,803
IFC	Jul, 2013	**4.54%**	**31,264**	13,885	**31,264**	13,885
FINIMP	Sep,2012	**2.69%**	**3,127**	2,718	**3,127**	2,718
Aeroturbine	Dec,2012	**-**	-	-	**4,579**	-
Interests			**3,225**	915	**3,226**	915
			133,510	101,321	**138,090**	101,321
			1,286,870	166,320	**1,312,534**	166,320
Finance lease	Dec, 2021		161,755	146,634	**161,755**	146,634
Total short-term debt			**1,448,625**	312,954	**1,474,289**	312,954

Long-term debt:						
Local currency:						
Debêntures IV	Sep, 2015	**12.95%**	-	593,870	-	593,870
Safra	Dec,2015	**14.50%**	-	-	**196,000**	-
BNDES – Loan Safra	Out, 2014	**11.50%**	**42,837**	70,934	**42,837**	70,934
BDMG	Mar, 2018	**8.05%**	**25,851**	27,332	**25,851**	27,332
BNDES	Jul, 2012	**8.66%**	-	8,372	-	8,372
			68,688	700,508	**264,688**	700,508
Foreign currency						
(in U.S. Dollars):						
IFC	Jul, 2013	**4.54%**	-	27,770	**-**	27,770
			-	27,770	**-**	27,770
			68,688	728,278	**264,688**	728,278
Finance lease	Dec, 2021		1,894,549	1,533,470	**1,894,549**	1,533,470
Total long-term debt			**1,963,237**	2,261,748	**2,159,237**	2,261,748
			3,411,862	2,574,702	**3,633,526**	2,574,702

The maturities of long-term debt for the next twelve months as of December 31, 2011, are as follows:

	Parent Company					
	2013	**2014**	**2015**	**2016**	**After 2016**	**Total**
Local currency:						
BNDES – Loan Safra	27,841	14,996	-	-	-	42,837
BDMG	6,659	4,741	4,447	4,447	5,557	25,851
	34,500	**19,737**	**4,447**	**4,447**	**5,557**	**68,688**

	Consolidated					
	2013	**2014**	**2015**	**2016**	**After 2016**	**Total**
Local currency:						
BNDES – Loan Safra	27,841	14,996	-	-	-	42,837
Safra	64,813	65,632	65,555	-	-	196,000
BDMG	6,659	4,741	4,447	4,447	5,557	25,851
Total	**99,313**	**85,369**	**70,002**	**4,447**	**5,557**	**264,688**

Working Capital

On September 30, 2011 the Company raised a working capital loan in the amount of R$50,000 in local currency, subject to a rate of 108.4% of CDI Over p.a.. The Company settled the loan on October 28, 2011.

On March 21, 2011, the Company raised a working capital loan in the amount of R$85,000 (USD 51,121), an effective rate of 3.42% per annum and maturing on March 15, 2012. As of December 31, the balance recorded in short term liabilities was R$ 95,894.

As of December 31, 2010, the Company recorded R$83,803 as working capital with a financial institution. Along with the loan, the Company contracted a swap transaction, changing the effective cost of borrowing to 118% of CDI Over, in domestic currency. The loan was settled in March 2011.

Industrial CDB

On February 2010, the Company, through its subsidiary Webjet, raised a working capital loan in the amount of R$10,000 in local currency. The loan has as guarantee an aircraft and the Company's endorsement; the loan term is 24 months, adjusted at a rate of certificate of interbank deposit plus 6.17% p.a. generating an effective rate of 11.58% p.a., whose last installment falls due on March 14, 2012. As of December 31, the balance recorded in short term liabilities was R$1,250.

IFC

On July 2006, the Company, signed a floating rate guaranteed loan from the International Finance Corporation (IFC) in the amount of R$108,000 (USD 50,000). The loan aimed to purchase spare parts and for working capital, with maturity on July 2013(contracted term of six years with grace period of twelve months) interest calculated at LIBOR plus 1.875% p.a. and is guaranteed for a pledge of parts and equipments in the amount of R$7,256 (US$4,167). On July 2009, the Company renegotiated the contract by modifying the debt interest rate to Libor plus 3.75% generating an effective rate on 2011 of 4.54% p.a.. On December 31, 2011, the balance included in short term was R$31,264 (R$13,885 registered in short term and R$27,770 registered in the long term as of December 31, 2010).

Finimp

On October 4, 2011, the Company, raised the amount of US$1,667, corresponding to R$3,091 through Banco do Brasil. The purpose of this loan is to purchase parts for aircraft. This financing has as guarantee a promissory note in the amount of U$2,384 (R$4,472). As of December 31, 2011, the amount recorded in short term liabilities was R$3,127.

On June 14, 2011 the Company settled R$2,659, related to the *Banco do Brasil* foreign-currency denominated loan, raised in June 2010.

BNDES loan (Direct)

On July 31, 2006, the Company contracted a financing with BNDES (Direct) with the main goal of expansion the facilities of Confins Maintenance Center, purchase of domestic equipment and materials, the acquisition of national software, customization of software made in the country and technical and managerial staff, aimed at increasing its market share in civil aviation.

The effective rate for this loan in local currency at December 31, 2010 was 8.66%. As of December 31, 2011 the amount included in short term liabilities was R$8,372 (R$14,352 and R$8,372 on December 31, 2010 included in short term liabilities and long term liabilities, respectively). The loan requires as guarantee bank certificate deposits with minimum amount of R$8,000 recognized as restricted cash and receivables from travel agencies in the amount of R$16,000.

BDMG

On March 29, 2010, VRG received funds from BDGM (*Banco de Desenvolvimento de Minas Gerais*) amounting to R$20,000, which will be also used in the financing for the expansion of the Aircraft Maintenance Center at the Confins International Airport in Minas Gerais and the construction of the Brake maintenance center, located in Tancredo Neves International Airport in Lagoa Santa, Minas Gerais.

The total loan term is eight years with 36-month grace period and interests computed using the IPCA (National Price Index Consumer) plus 6% per year. The loan is monthly amortized monthly over 60 months, from April 2013. The financing is guaranteed by an aircraft motor chattel mortgage. As of December 31, 2011, the amount included in short term liabilities and long term liabilities was R$3,600

and R$25,851, respectively (R$ 3,376 recorded in short term liabilities and R$27,332 recorded as long term liabilities at December 31, 2010).

BNDES loan – intermediated by Banco Safra

On March 31, 2010, VRG contracted with *Banco Safra* a credit line amounting to R$44,436 with funds proceeding from the *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES), by its indirect transfer program "Finame Moderniza BK". The funds will be destined to the modernization of turbines in specialized Brazilian maintenance centers. The loan term is 48 months, with six month grace period and with capital to be amortized monthly. The monthly payment of interests is computed based on TJLP plus 5.50% per year.

On May 26, 2010, VRG received from *Banco Safra* the amount of R$23,000 related to the second part of the credit line with funds proceeding from the *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES), by its indirect transfer program "Finame Moderniza BK". The loan term is 48 months, with maturity date in May, 2014 with 6 months grace period and major capital to be amortized monthly. The monthly payment of interests is computed based on TJLP plus 5.5% per year.

On September 27, 2010, was released to the VRG at *Banco Safra* R$33,705 value of which is on the third part of the line of credit with funds from the *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES) through its program indirect transfer "Finame modernizes BK". The loan has a term of 48 months with maturity date in September 2014, the contract states 6 months grace period, principal amount amortization monthly and firm guarantees of receivables from credit card administrators. The monthly payment of interest is calculated based on the TJLP plus 5.5% per year. On December 31, 2010, the amount recorded in short term liabilities and long term liabilities was R$29,956 and R$42,837, respectively (R$27,550 and R$70,934 as of December 31, 2010).

Citibank

In December 2009, the Company, through its subsidiary Webjet, raised the amount of R$33,630, including transaction costs of R$2,080, with Citibank. The loan term is 36 months and is primarily intended to settle the US dollar financing raised by the Company with "Tribeca Aviation Partners" for the acquisition of aircraft. Interest on the agreement is 11.33% per year. The loan has a bank guarantee of R$26,550. As of December 31, 2011, the balance recorded in short term liabilities was R$19,401.

Safra

On December 2011, the indirect subsidiary Webjet, had a working capital loan in the amount of R$200,000 in local currency, being R$125.000 raised on December 2011 and R$75.000 which maturity date was renegotiated. The loan has a grace period of 18 months and the total payment of R$200,000 will be made in six semiannual installments, based on 125% of the average daily rate of CDI Over, with the last installment maturing on 2015, with guarantee of 30% of Webjet's receivable from credit card Administrator. The unamortized transaction costs amount to R$4,000. As of December 31, 2011, the balance recorded in long term liabilities was R$196,000.

Debêntures IV

On September 30, 2010, the Company approved the fourth public issue of 600 simple, nonconvertible debentures in a single series by VRG, with Company's guarantee, without collateral and guaranteed by the Company, at the par value of R$1,000 each, totaling R$600,000. This issue is intended to prepay the third issue that took place in May 2009 and meet VRG's working capital requirements. The issuance costs were R$6,453, totaling the net amount of R$593,547. The debentures mature within five years

after the issue date and they will be fully repaid on September 30, 2015. The debentures bear interest equivalent to 118% of CDI. As of December 31, 2011, the balance recorded in short term liabilities was R$595,160 (R$593,870 as of December 31, 2010 recorded in long term liabilities).

Debêntures V

On June 10, 2011, the Company approved the fourth public issue of 500 debentures convertible into shares in a single series issued by VRG and guaranteed by the Company, and without collateral at par value of R$1,000, totaling R$500,000. This issue is intended to prepay the working capital needs of VRG. The issuance costs were R$7,264 which total the net amount of R$492,736 and total R$610 have already been amortized and recognized in income. The maturity of the bonds is six years from the date of issuance and its repayment will be entirely recognized on June 10, 2017. The debentures are paid at an interest rate of 120% of CDI. On December 31, 2011, the amount recorded in long term liabilities debt was R$493,284.

Aeroturbine

The Company, through its subsidiary Webjet, hired services from Aeroturbine Inc. to exchange or replace defective engines for new and overhauled engines. This service is paid through a financing line directly with the supplier, in US dollars, and payment by 12 monthly installments, without interest. As of December 31, 2011, the balance recorded in short term liabilities was R$4,579.

Finance leases

Future payments of US dollar-denominated finance lease installments are as follows:

	Consolidated (IFRS and BRGAAP)	
	12/31/2011	**12/31/2010**
2011	**-**	227,174
2012	**281,165**	227,174
2013	**292,835**	227,174
2014	**292,819**	227,174
2015	**284,205**	219,576
2016	**276,098**	212,645
After 2016	**1,118,240**	722,805
Total minimum lease payments	**2,545,362**	2,063,722
Less total interest	**(489,058)**	(383,618)
Present value of minimum lease payments	**2,056,304**	1,680,104
Less short-term installment portion	**(161,755)**	(146,634)
Long-term installment portion	**1,894,549**	**1,533,470**

The discount rate used to calculate the present value of the minimum leasing payments is 6.10% as of December 31, 2011 (6.23% at December 31, 2010). There are no significant differences between the present value of minimum leasing payments and the fair value of these financial liabilities.

The Company extended the maturity date of financing for some of its aircraft leased for 15 years using the SOAR framework (mechanism for extending financing amortization and repayment), which enables performing calculated withdrawals to be made for a bullet payment settlement at the end of the lease agreement. As of December 31, 2011, the withdrawals made for the repayment at maturity date of the lease agreement amount to R$59,552 (R$37,407 as of December 31, 2010), are recorded in long-term debt.

Covenants

VRG has restrictive covenants ("covenants") in its financing agreements with the following financial institutions: IFC, BNDES, *Bradesco* and *Banco do Brasil* (Debentures IV and V, respectively).

The restrictive covenants measures for these loans are: (i) net debt / EBITDAR, (ii) Short term Assets / Short term Liabilities, (iii) EBITDA / Debt Service, (iv) Short-term Debt / EBITDA, (v) Liquidity and (vi)
Debt Coverage Ratio (ICD).

On December 31, 2011, the Company did not reach the minimum standards established for the financing from the IFC, BNDES and the Debentures IV and V, bond to EBITDA due to accumulated losses in the year ended December 31, 2011.

VRG issued to BNDES a letter of guarantee of R$14.5 million, whose amount exceeds the short term debt, and is not therefore subject to liquidity problems in case it is required to settle such debts.

The Company reclassified the long term balance of the Debentures IV and V for the short term, in order to meet the Brazilian and international accounting standards set out in *CPC 26 (R1) - Presentation of Financial Statements* and IAS 1 - Presentation of Financial Statements, respectively.

17. Advance Ticket Sales

As of December 31, 2011, the balance of advance ticket sales in short term liabilities of R$639,297 in Parent Company and R$744,743 in the Consolidated (R$517,006 as of December 31, 2010) is represented by 3,401,067 in Parent Company and 4,245,181 in Consolidated, tickets sold and not yet used (2,270,720 as of 31 December 2010) with 82 days of average term of use (95 days as of December 31, 2010).

As described in explanatory note 2.3, in the first quarter of 2011, the Company implemented a new revenue accounting system – ARACS and identified a difference between the balance of advance ticket sales calculated by the ARACS and the accumulated balance recorded in the old system (New Skies), in the amount of R$56,760 (R$37,462 net of PIS and Cofins). This difference arises from the fact that the old system recorded interline sales and mileage use in accordance with the amounts set in the related agreements but did not record the provision of the respective services, but rather based on the prices of domestic tickets.

18. Smiles Deferred Revenue

As of December 31, 2011, the balance of Smiles deferred revenue is R$71,935 and R$214,779 classified in the short term and long term liabilities, respectively (R$55,329 and R$152,327 as of December 31, 2010). The number of miles open on December 31, 2011 amounted to 23.004.285.890 (16.960.469.902 on December 31, 2010).

19. Advances from Customers

Parent Company

As of December 31, 2011, the Company recognized R$9,620 in line item “advances from customers” in short term liabilities, arising from the Co-branded Operating Agreement. As of December 31, 2010, the amounts recorded as advances from customers amounted to R$24,581 and R$33,262 in short term and

long term liabilities, respectively.

Consolidated

As of December 31, 2011, the Company recognized R$30,252 in line item “advances from customers” in short term liabilities, arising from the Co-branded Operating Agreement in the amount of R$ 9,620 and from the advance of CVC *Brasil Operadora e Agência de Viagens S.A.* (“CVC”), amounting to R$20,632, as detailed below. As of December 31, 2010, the amounts recorded as advances from customers amounted to R$24,581 and R$33,262 in short term and long term liabilities, respectively.

Operating Agreement- *Co-Branded*

The Company signed with Banco Bradesco S.A. and Banco do Brazil S.A., in September 2009, an Operating Agreement for the sale of miles and right to use the database of the Smiles mileage program, relating to the issuance of co-branded credit cards. The agreement is effective for five years.

The table below summarizes the aggregate amounts relating to these agreements.

Payment method:
Purchase of miles (i)..R$204,000
Right to access the customer database of the Smiles program (ii)............................. R$16,086
Right to use the Smiles brand in credit cards (iii).. R$32,000
Total.. R$252,086

(i) The purchase of miles was accounted for as advance from customers. The total amount received by the Company to purchase miles was R$204,000, which corresponds to the fair value of miles sold under this agreement, based on similar market transactions. These amounts are transferred from “advances from customers” to “deferred revenue from the mileage program”, to the extent that the banks request the issue of miles on behalf of their customers’ Smiles accounts. The balance of R$9,169 as of December 31, 2011 (R$49,746 as of December 31, 2010) corresponds to the remaining miles that were not awarded to the customers' accounts and transferred to the deferred revenue of the mileage program as of that date.

(ii) The rights to use the database of customers Smiles were recorded as other short term and long term liabilities. This amounts are recognized on other revenues balance, linearly for the contracted period of five years. The Company offers the updated databanks to the counterparties, as described in the agreement.

(iii) The right to use the Smiles flag in the credit cards was recorded as other revenues in July 2009 since the Company did not hold any contractual obligation to return the amount and this value was not associated with any service to be provided.

CVC Advance

The Company, through its indirect subsidiary Webjet, holds an advance made on October 26, 2011 in the amount of R$25,000, related to an agreement signed with CVC, to buy tickets from Webjet.

On December 31, 2010, the Company had the amount of R$8,097 recorded as advances from customers in short term liabilities related to an agreement firmed with CVC, finished at the begin of 2011.

20. Taxes Payable

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
PIS and COFINS	**105,241**	84,022	**107,987**	84,022
REFIS	**16,037**	27,990	**16,037**	27,990
IRRF on payroll	**24,546**	20,890	**26,367**	20,890
ICMS	**12,510**	7,165	**12,602**	7,165
Import tax	**3,410**	3,712	**3,410**	3,712
CIDE	**718**	349	**718**	349
IRPJ and CSLL to collect	**7,092**	779	**7,730**	779
Others	**525**	2,603	**3,695**	2,603
	170,079	147,510	178,546	147,510
Short term	**65,036**	57,478	**73,503**	57,478
Long term	**105,043**	90,032	**105,043**	90,032

PIS and COFINS

With the beginning of the non-cumulative calculation system of taxes on revenue PIS (Law 10637/02) and COFINS (Law 10833/03), the Company implemented those rules and challenged in the courts the rate used to calculate these taxes. The provision recorded in balance sheet as of December 31, 2011, amounting to R$105,241 (R$84,022 as of December 31, 2010) includes the unpaid portion, adjusted for inflation using the SELIC (Central Bank's policy rate). There are escrow deposits in the amount of R$77,539 (R$66,963 as of December 31, 2010) to ensure the suspension of the tax collection. On January 9, 2012, as described on note 31, the Company filed the withdrawal of judicial process and is awaiting review and approval of the conversion of deposits by the Judicial Court.

In the first quarter ended March 31, 2011, the Company identified R$24,058 arising from PIS and COFINS. During the fourth quarter of 2011 the Company revised the criteria for calculation of PIS and COFINS, as disclosed in Note 8 and offset the full amount provisioned with the calculated amounts in this review.

Adherence to the Program of Subdivision of Federal Taxes (REFIS)

On November 30, 2009, the Company and its subsidiary VRG filed its adherence to the Program of Subdivision of Federal Taxes (REFIS), as prescribed by Law no. 11,941 of May 27, 2009, including all debts with the *Receita Federal do Brasil* (Brazilian Federal Revenue Service) and *Procuradoria-Geral da Fazenda Nacional* (Brazilian National Treasury Attorney General's Office), maturing through November 30, 2008.

Management decided to pay debts in the amount of R$35,012 in 180 installments. This payment method offers reductions of 60% (sixty percent) of the late payment fines, 25% (twenty-five percent) of interest, and 20% (twenty percent) of assessment fines, reducing the debt to R$27,990.

The debts consolidation occurred on June 29, 2011, according with to PGFN/RFB Resolution 2/2011, and upon such consolidation the Company used a portion of their tax credits relating to tax loss carry forwards and negative basis of social contribution to settle amounts related to interest and penalties amounting to R$8,013.

The Company have paid REFIS installments on the consolidated debt in June/11.

21. Provisions

	Parent Company				
	Insurance provision	**Return of aircraft and engine**	**Onerous contracts**	**Litigation**	**Total**
Balance as of December 31, 2010	31,070	33,288	9,885	70,636	144,878
Additional provisions recognized	37,847	155,776	15,393	3,621	212,638
Utilized provisions	(47,736)	(59,409)	(25,278)	(1,560)	(133,983)
Balance as of December 31, 2011	**21,181**	**129,655**	**-**	**72,697**	**223,533**
Balance as of December 31, 2010					
Short term	31,070	21,228	3,669	-	55,967
Long term	-	12,060	6,216	70,636	88,911
	31,070	**33,288**	**9,885**	**70,636**	**144,878**
Balance as of December 31, 2011					
Short term	21,181	8,959	-	-	30,140
Long term	-	120,696	-	72,697	193,393
	21,181	**129,655**	**-**	**72,697**	**223,533**

	Consolidated					
	Insurance provision	**Provision for anticipated return of aircraft**	**Return of aircraft and engine**	**Onerous contracts**	**Litigation**	**Total**
Balance as of December 31, 2010	31,070	-	33,287	9,885	70,636	144,878
Additions from Webjet's acquisition (note 13)	1,938	-	39,662	-	2,245	43,845
Additional provisions recognized	38,251	26,263	167,504	15,393	6,218	253,629
Utilized provisions	(47,760)	-	(59,409)	(25,278)	(3,155)	(135,602)
Balance as of December 31, 2011	**23,499**	**26,263**	**181,044**	**-**	**75,944**	**306,750**
Balance as of December 31, 2010						
Short term	31,070	-	21,227	3,669	-	55,967
Long term	-	-	12,060	6,216	70,636	88,911
	31,070	**-**	**33,287**	**9,885**	**70,636**	**144,878**
Balance as of December 31, 2011						
Short term	23,499	16,252	35,817	-	-	75,568
Long term	-	10,011	145,227	-	75,944	231,182
	23,499	**26,263**	**181,044**	**-**	**75,944**	**306,750**

Onerous Contracts

On December 31, 2011 the Company reversed the entire provision of onerous contracts, concerning two Boeing 767-300 aircraft, due to the transfer of aircraft and the installments contracts of operating leases based on the long-term strategic agreement signed with Delta Airlines,Inc..

Provision for anticipated return of Webjet's aircraft

In 2011, according to the strategic planning of Webjet, provision was made for anticipated return of aircraft. This provision was calculated based on the return flow of 14 aircraft Boeing 737-300 with operating leases contracts, as part of the Company's fleet renewal. The anticipated returns from aircraft are scheduled to occur between 2012 and 2013 and the original maturities of leases are in between 2012 to 2014. On December 31, 2011 the amount recorded in short term liabilities and long term was

R$16,252 and R$10,011 respectively.

Return of aircraft and engines

The provision for return considers the costs that meet the contractual conditions for the return of engines maintained under operating leases, as well as the costs to reconfigure the aircraft without purchase option, as described in return conditions of lease contracts, which the counterpart is capitalized in the fixed assets, note 15.

In the first quarter ended March 31, 2011, the Company recognized an additional provision arising from the increased costs incurred in aircraft and engines returning when compared to the values previously estimated.

Lawsuits

As of December 31, 2011, the Company and its subsidiary are parties to 23,267 lawsuits and administrative proceedings. The lawsuits and administrative proceedings are classified into Operation (those arising from the Company and its subsidiary Webjet normal course of operations), and Succession (those arising from the succession of former Varig S.A. obligations). Under this classification, the number of proceedings is as follows:

	Operation	Succession	Total
Civil lawsuits	13,026	656	**13,682**
Civil proceedings	1,638	20	**1,658**
Civil miscellaneous	48	-	**48**
Labor lawsuits	4,178	3,618	**7,796**
Labor proceedings	81	2	**83**
Total	**18,971**	**4,296**	**23,267**

The civil lawsuits are primarily related to compensation claims generally related to flight delays, flight cancellations, baggage loss, and damages. The labor claims primarily consist of discussions related to overtime, hazard pay, and pay differences.

The provisions related to civil and labor suits, whose likelihood of loss is assessed as probable are as follows:

	12/31/11	12/31/10
Civil	**34,101**	29,786
Labor	**41,843**	40,850
	75,944	70,636

Provisions are reviewed based on the progress of the proceedings and history of losses based on the best current estimate for labor and civil lawsuits.

There are other lawsuits assessed by management and its legal counsel as possible risks, in the estimated amount of R$33,221 for civil claims and R$16,019 for labor claims at December 31, 2011 (R$10,681 and R$7,530 as of December 31, 2010 respectively), for which no provisions are recognized.

On December 31, 2011 the Company was party to three (03) labor lawsuits in France due to debts of the former Varig S.A. The amount involved in the discussions, not provisioned, is approximately R$5,112 (corresponding to € 2.1 million). Initially the company was party to four (04) labor suits, during the quarter ended September 30, 2010, the Company obtained a favorable court decision of not succession in one (01) of the labor suits.

The Company and its subsidiary are is challenging in court the ICMS levied on aircraft and engines imported under aircraft lease transactions without purchase options in transactions carried out with lessors headquartered in foreign countries. The Company's and its subsidiary management understands that these transactions represent simple leases in view of the contractual obligation to return the assets that are the subject matter of the contract. Management believes there are no the evidence of goods circulation and so, there are no legal events to generate ICMS taxation.

The estimated aggregated amount of the ongoing lawsuits related to the non-levy of ICMS tax on said imports is R$205,102 as of December 31, 2011 (R$193,173 as of December 31, 2010) adjusted for inflation, not including later payment charges. Based on its legal counsel's opinion and supported by similar lawsuits with favorable decisions to taxpayers by the Superior Court of Justice (STJ) and Supreme Federal Court (STF) in the second quarter of 2007, the Company understands that the likelihood of loss is remote, and thus did not recognize provisions for these amounts. Although the outcome of these lawsuits and proceedings cannot be anticipated, the Company's management, based on the opinion of its outside legal counsel, understands that the final decisions on these lawsuits will not have any material adverse impact on the financial position, operating results, and cash flows of the Company.

22. Shareholders' Equity

a) Issued capital

As of December 31, 2011 and 2010 the Company's capital is represented by 3,002,248 shares, of which 2,148,479 are common shares and 853,769 are preferred shares.

b) Capital reserves

Special reserve of goodwill on incorporation

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

Special reserve of goodwill on subscription

The reserve and share premium accounts for variation in the assets of the net assets of Gol Transportes Aéreos S.A. of R$43,404, related to the profit earned by the Company extinguished in the period between the date of the appraisal report of their net book value and the date of consummation the reorganization in September 30, 2008.

c) Dividends

The Company's bylaws provide for a mandatory minimum dividend to common and preferred shareholders, in the aggregate of at least 25% of annual adjusted profit determined in accordance with the Brazilian corporate law, which permits the payment of cash dividends only from retained earnings, and certain reserves recognized in the Company's statutory accounting records.

d) Other comprehensive income

The fair value measurement of short-term investments classified as available for sale and financial instruments designated as cash flow hedges is recognized in line item Valuation Adjustments to Equity, net of taxes, until maturity of the contracts. The balance as of December 31, 2011 corresponds to a loss of R$79,268 (gain of R$10,585 as of December 31, 2010).

23. Costs of Services, Administrative and Selling Expenses

	Parent Company					
	12/31/2011					
	Cost of services	Selling expenses	Administrative expenses	Other operating (expenses) income	Total	%
Salaries	(1,271,854)	(89,317)	(126,495)	-	(1,487,666)	20
Fuel and lubricants	(2,933,510)	-	-	-	(2,933,510)	39.2
Aircraft rent	(466,061)	-	-	-	(466,061)	6.2
Aircraft Insurance	(31,921)	-	-	-	(31,921)	0.4
Maintenance materials and repairs	(420,109)	-	-	-	(420,109)	5.6
Traffic servicing	(230,704)	(76,187)	(155,979)	-	(462,870)	6.2
Sales and marketing	-	(395,109)	-	-	(395,109)	5.3
Tax and landing fees	(381,797)	-	-	-	(381,797)	5.1
Depreciation and amortization	(308,430)	-	(63,208)	-	(371,638)	5
Other operating expenses	(342,436)	(99,178)	(173,273)	-	(614,887)	8.2
Gain on bargain purchase	-	-	-	88,428	88,428	(1.2)
	(6,386,822)	**(659,791)**	**(518,955)**	**88,428**	**(7,477,140)**	**100**

	Consolidated					
	12/31/2011					
	Cost of services	Selling expenses	Administrative expenses	Other operating (expenses) income	Total	%
Salaries	(1,312,444)	(90,436)	(130,419)	-	(1,533,299)	19.7
Fuel and lubricants	(3,060,665)	-	-	-	(3,060,665)	39.4
Aircraft rent	(505,058)	-	-	-	(505,058)	6.5
Aircraft Insurance	(31,921)	-	-	-	(31,921)	0.4
Maintenance materials and repairs	(434,181)	-	-	-	(434,181)	5.6
Traffic servicing	(240,931)	(76,187)	(159,717)	-	(476,835)	6.1
Sales and marketing	-	(402,568)	-	-	(402,568)	5.2
Tax and landing fees	(395,249)	-	-	-	(395,249)	5.1
Depreciation and amortization	(325,062)	-	(63,482)	-	(388,544)	5.0
Other operating expenses	(340,544)	(108,829)	(177,325)	-	(626,698)	8.1
Gain on bargain purchase	-	-	-	88,428	88,428	(1.1)
	(6,646,055)	**(678,020)**	**(530,943)**	**88,428**	**(7,766,590)**	**100.0**

(a) On December 31, the Company recognized an income from the gain on bargain purchase related to the acquisition of Webjet in the amount of R$88,428. For more details, see note Business Combination.

	Parent Company and Consolidated				
	12/31/2010				
	Cost of services	**Selling expenses**	**Administrative expenses**	**Total**	**%**
Salaries	(1,026,467)	(85,009)	(114,553)	(1,226,029)	19.4
Fuel and lubricants	(2,287,410)	-	-	(2,287,410)	36.5
Aircraft rent	(555,662)	-	-	(555,662)	8.9
Aircraft Insurance	(47,757)	-	-	(47,757)	0.8
Maintenance materials and repairs	(422,950)	-	-	(422,950)	6.8
Traffic servicing	(213,490)	(54,935)	(155,436)	(423,861)	6.8
Sales and marketing	-	(367,757)	-	(367,757)	5.9
Tax and landing fees	(331,882)	-	-	(331,882)	5.3
Depreciation and amortization	(235,636)	-	(45,879)	(281,515)	4.5
Other operating expenses	(289,266)	(83,375)	54,193	(318,448)	5.1
	(5,410,520)	**(591,076)**	**(261,675)**	**(6,263,271)**	**100.0**

24. Sales Revenue

a) The net sales revenue for the period has the following composition:

	Parent Company		**Consolidated**	
	12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
Passenger transportation	**6,679,754**	6,500,784	**6,947,195**	6,500,784
Cargo transportation and other revenue	**899,087**	802,632	**925,492**	802,632
Gross revenue	**7,578,841**	7,303,416	**7,872,687**	7,303,416
Related taxes	**(320,256)**	(323,969)	**(333,379)**	(323,969)
Net revenue	**7,258,585**	6,979,447	**7,539,308**	6,979,447

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

b) Revenue by geographical segment is as follows:

	Parent Company			
	12/31/11	**%**	**12/31/10**	**%**
Domestic	**6,719,278**	**92.6**	6,548,069	93.8
Internacional	**539,307**	**7.4**	431,378	6.2
Net revenue	**7,258,585**	**100.0**	6,979,447	100.0

	Consolidated			
	12/31/11	**%**	**12/31/10**	**%**
Domestic	**7,000,001**	**92.8**	6,548,069	93.8
Internacional	**539,307**	**7.2**	431,378	6.2
Net revenue	**7,539,308**	**100.0**	6,979,447	100.0

25. Financial Revenue

	Parent Company		Consolidated	
Financial income	**12/31/2011**	12/31/2010	**12/31/2011**	12/31/2010
Income from derivatives	**263,295**	37,782	**264,143**	37,782
Income from short-term investments and Investment funds	**132,881**	84,472	**132,918**	84,472
Monetary variation	**11,888**	3,674	**11,888**	3,674
Discounts obtained	**2,682**	3,911	**3,530**	3,911
Other	**33,119**	18,745	**32,523**	18,745
	443,865	148,584	**445,002**	148,584
Financial expenses				
Loss from derivatives	**(316,568)**	(144,383)	**(316,568)**	(144,383)
Interest on short and long term debt	**(293,954)**	(209,066)	**(302,399)**	(209,066)
Bank interest and expenses	**(18,502)**	(13,162)	**(18,568)**	(13,162)
Discounts granted	**-**	(38,032)	**-**	(38,032)
Monetary variation	**(8,686)**	(6,477)	**(8,687)**	(6,477)
Other	**(30,108)**	(10,322)	**(41,341)**	(10,322)
	(667,818)	(421,442)	**(687,563)**	(421,442)
Foreign exchange changes, net	**(275,987)**	32,023	**(276,744)**	32,023
TOTAL	**(499,940)**	(240,835)	**(519,305)**	(240,835)

26. Commitments

As of December 31, 2011 the Company had with Boeing 91 firm orders, 10 purchase rights and 40 purchase options granted on non-onerous basis, for aircraft acquisition. The commitments to purchase aircraft include estimates for contractual price increases during the construction phase. The approximate amount of firm orders, not including contractual discount is R$15,780,007 (corresponding to US$8,412,414) and are segregated according to the following periods:

	12/31/11
2012	896,087
2013	2,938,786
2014	4,341,879
2015	3,740,135
2016	3,207,569
After 2016	655,551
	15,780,007

As of December 31, 2011, in addition to the commitments mentioned above, the Company will be required to pay the amount of R$1,991,402, as advances for aircraft acquisition, as follows:

	12/31/11
2012	443,909
2013	537,137
2014	501,975
2015	407,115
2016	94,634
After 2016	6,632

1,991,402

The installment financed by Long-term debt, collateralized by the aircraft by the U.S. Ex-Im Bank ("Exim") corresponds approximately to 85% of total cost of the aircraft. Other agents finance the acquisitions with percentages equal or above this percentage, reaching up to the limit of 100%.

The Company is making payments related to the acquisition of aircraft using its own funds, short and long term debt, cash provided by operating activities, short- and medium-term credit facilities, and supplier financing.

The Company leases its entire aircraft fleet using a combination of finance and operating leases, except for 6 aircrafts owned by its direct subsidiary Webjet. As of December 31, 2011, the total leased fleet was comprised of 144 aircraft (124 from VRG and 20 from Webjet), which 101 were operating leases and 45 were recorded as finance leases. The Company has 39 financial aircraft with purchase option. During the three months ended December 31, 2011, the Company received 5 aircraft based on lease contracts, being 1 financial and 4 operational and there was a return of 1 737-700 aircraft. During the year ended December 31, 2011, the Company received 9 aircraft based on lease contracts, being 6 financial and 3 operational, and returns 8 aircraft, including: (i) 4 aircraft 737-300, (ii) 3 aircraft 767-300, and (iii) 1 aircraft 737-700.

a) Operating leases

Future payments of non-cancelable operating leases are denominated in U.S. dollars, and are as follows:

	12/31/2011	12/31/2010
2011	-	504,784
2012	594,976	481,109
2013	517,326	414,202
2014	341,486	261,098
2015	205,631	149,637
2016	157,231	107,221
After 2016	452,831	252,912
Total minimum leasing payments	2,269,481	2,170,963

	Parent Company		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
2011	-	504,784	-	504,784
2012	**543,199**	481,109	**594,976**	481,109
2013	**485,246**	414,202	**517,326**	414,202
2014	**319,778**	261,098	**341,486**	261,098
2015	**193,199**	149,637	**205,631**	149,637
2016	**145,446**	107,221	**157,231**	107,221
After 2016	**437,531**	252,912	**452,831**	252,912
Total minimum leasing payments	**2,124,399**	2,170,963	**2,269,481**	2,170,963

27. Financial instruments

The Company have financial asset and financial liability transactions, which consist partially of derivative financial instruments.

The financial derivative instruments are used to hedge against the inherent risks relating to the operation.

The Company consider as most relevant risks: fuel price, exchange rate and interest rate. These risks are mitigated by using exchange swap derivatives, U.S. dollar futures and options contracts in the oil market, U.S. dollar and interest.

Management follows a documented guideline when managing its financial instruments, set out in its Risk Management Policy, which is periodically revised by the Financial Policy and Risk Committee, after approved by the Board of Directors. The Committee sets the guidelines and limits, monitors controls, including the mathematical models adopted for a continuous monitoring of exposures and possible financial effects and also prevents the execution of speculative financial instruments transactions.

The gains on these transactions and the application of risk management controls are part of the Committee's monitoring and are satisfactory to the objectives proposed.

The fair values of financial assets and liabilities of the Company is established through information available on the market and according to valuation methodologies.

Most of the derivative financial instruments hired with the purpose of hedging against fuel and exchange rates risks provide scenarios with low probability of occurrence, and thus have lower costs compared to other instruments with higher probability of occurrence. Consequently, despite the high correlation between the hedged item and the derivative financial instruments hired, a significant portion of the transactions presents ineffective results upon settlement, which are presented in the tables below.

The description of the consolidated account balances and the categories of financial instruments included in the balance sheet as of December 31, 2011 and December 31, 2010 is as follows:

Parent Company

	Measured at fair value through profit and loss		**Measured at amortized cost (a)**		**Measured at fair value but not through profit and loss (Assets available for sale)**	
	12/31/11	12/31/10	**12/31/11**	12/31/10	**12/31/11**	12/31/10
Assets						
Cash and cash equivalents	**981,186**	1,726,422	**-**	-	**-**	-
Short-term investments	**1,008,036** (c)	-	-	-	-	63,975
Restricted cash	**109,095**	34,500	**-**	-	**-**	**-**
Derivatives operation assets	**4,213**	3,982	**-**	-	**-**	**-**
Accounts receivable	**-**	-	**312,592**	303,054	**-**	-
Deposits	**-**	-	**553,096**	-	**-**	-
Other credits	**-**	-	**56,726**	50,371	**-**	-
Hedge premium	**11,572**	18,841	**-**	-	**-**	**-**
Liabilities						
Loans and financing	**-**	-	**3,411,862**	2,574,702	**-**	-
Suppliers	**-**	-	**352,230**	213,582	**-**	-
Derivatives Obligation	**115,432** **(b)**	1,646	**-**	-	**-**	-

(a) The Company understands that their fair values are approximate their book values, except by the amounts related to Perpetual Bonds and Senior Notes, as disclosed on Note 17.

(b) The Company records as of December 31, 2011 the amount of R$79,268 in shareholders' equity as valuation adjustment to equity as a balancing item of this liability.

(c) The Company manages its investment as a part of its cash to supply its operational expenses.

Consolidated

	Measured at fair value through profit and loss		Measured at amortized cost (a)		Measured at fair value but not through profit and loss (Assets available for sale)	
	12/31/11	12/31/10	**12/31/11**	12/31/10	**12/31/11**	12/31/10
Assets						
Cash and cash equivalents	**997,902**	1,726,422	**-**	-	**-**	-
Short-term investments	**1,008,036**	-	**-**	-	**-**	63,975
Restricted cash	**109,095**	34,500	**-**	-	**-**	**-**
Derivatives operation assets	**4,213**	3,982	**-**	-	**-**	**-**
Accounts receivable	**-**	-	**354,134**	303,054	**-**	-
Deposits	**-**	-	**618,534**	-	**-**	-
Other credits	**-**	-	**57,759**	50,371	**-**	-
Hedge premium	**11,572**	18,841	**-**	-	**-**	**-**
Liabilities						
Loans and financing	**-**	-	**3,633,526**	2,574,702	**-**	-
Suppliers	**-**	-	**408,210**	213,582	**-**	-
Derivatives Obligation	**115,432 (b)**	1,646	**-**	-	**-**	-

(a) The Company understands that their fair values are approximate their book values, except by the amounts related to Perpetual Bonds and Senior Notes, as disclosed on Note 17.
(b) The Company records as of December 31, 2011 the amount of R$79,268 in shareholders' equity as valuation adjustment to equity as a balancing item of this liability.

Risks

The operating activities subject the Company to the following financial risks: market (including currency risk, interest rate risk, and fuel price risk), credit and liquidity risks.

The Company's risk management policy aims at mitigating potential adverse effects from transactions that could affect its financial performance.

The Company's decisions on the exposure portion to be hedged against financial risk, both for fuel consumption and currency and interest rate exposures, consider the risks and hedge costs.

The Company do not usually contract hedging instruments for its total exposure, and thus they are subject to the portion of risks resulting from market fluctuations. The portion of exposure to be hedged is determined and reviewed at least quarterly in compliance with the strategies determined in the Risk Policies Committees.

The relevant information on the main risks affecting the Company's operations is as follows:

a) Fuel price risk

As of December 31, 2011, fuel expenses accounted for 40% of the costs and operating expenses of the Company. The aircraft fuel price fluctuates both in the short and in the long terms, in line with crude oil and oil byproduct price fluctuations.

In order to mitigate the fuel price risk, the Company contract derivatives linked mainly to crude oil and possibly its byproducts. As of December 31, 2011, the Company used options, collar and swap agreements.

Fuel hedge transactions, classified as cash flow hedges are contracted by the counterparties rated as investment grade, or are performed on the NYMEX.

b) Exchange rate risk

The exchange rate risk derives from the possibility of unfavorable fluctuation of foreign currencies to which the Company's liabilities or cash flows are exposed. The exposure of the Company's and its subsidiary' assets and liabilities to the foreign currency risk mainly derives from foreign currency-denominated leases and financing.

The Company's revenues are mainly denominated in Reais, except for a small portion in U.S. dollars, Argentinean pesos, Bolivian bolivianos, Chilean peso, Colombian peso, Paraguay guarani, Uruguayan peso, Venezuela bolivar, etc.

In order to mitigate the currency risk, the Company contracts the following currency derivatives: U.S. dollar futures and options settled on the BM&F-BOVESPA. These transactions may be performed using exclusive investment funds, as described in the Company's Risk Management Policy.

The Company's foreign exchange exposure as of December 31, 2011 and December 31, 2010 is as follows:

	Parent Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Assets				
Cash and short-term investments	**199,210**	95,757	**199,210**	95,757
Deposits	**390,334**	-	**455,127**	-
Hedge premium	**11,572**	-	**11,572**	-
Prepaid Expenses with leases	**30,382**	123,624	**30,382**	123,624
Related parties transaction	**222,725**	-	**222,725**	-
Others	**1,084**	-	**6,588**	-
Total assets	**855,307**	219,381	**925,604**	219,381
Liabilities				
Foreign suppliers	**27,609**	27,831	**32,270**	27,831
Short- and long-term debt	**64,657**	1,371,323	**69,237**	1,371,323
Finance leases payable	**1,996,752**	1,680,104	**1,996,752**	1,680,104
Other leases payable	**59,552**	37,407	**59,552**	37,407
Provision for aircraft return	**103,391**	-	**181,044**	-
Related Parties	**593,817**	-	**593,817**	-
Other U.S. dollar-denominated liabilities	**7,616**	46,435	**7,616**	46,435
Total liabilities	**2,853,394**	3,163,100	**2,940,288**	3,163,100
Exchange exposure in R$	**1,998,087**	2,943,719	**2,014,684**	2,943,719
Obligations not recognized in balance sheet				
Future obligations resulting from operating leases				
Future obligations resulting from firm aircraft orders	**1,846,320**	1,943,879	**1,991,402**	1,943,879
Total	**15,780,007**	16,427,825	**15,780,007**	16,427,825
	17,626,327	18,371,704	**17,771,409**	18,371,704
Total exchange exposure R$				
Total exchange exposure US$	**19,624,414**	21,315,423	**19,786,093**	21,315,423
Exchange Rate (R$/US$)	**10,461,890**	12,792,836	**10,548,082**	12,792,836

c) Interest rate risk

The Company is exposed to fluctuations in domestic and foreign interest rates, substantially the CDI and Libor, respectively. The highest exposure is in lease transactions, indexed to the Libor, and local debt.

In the period ended December 31, 2011, for interest rate hedges, the Company held swap transactions with counterparties rated as investment grade.

d) Credit risk

The credit risk is inherent in the Company's operating and financing activities, mainly represented by trade receivables, cash and cash equivalents, including bank deposits.

The trade receivable credit risk consists of amounts falling due of the largest credit card companies, with credit risk better than or equal to those of the Company and receivables from travel agencies, installment sales, and government sales, with a small portion exposed to risks from individuals or other entities.

As defined in the Risk Management Policy, the Company is required to evaluate the counterparty risks in financial instruments and diversify the exposure. Financial instruments are performed with counterparties rated at least as investment grade by S&P and Moody's, or they are mostly contracted on commodities and futures exchanges (BM&FBOVESPA and NYMEX), which substantially mitigates the credit risk. The Company's and its subsidiary' Risk Management Policy establishes a maximum limit of 20% per counterparty for short-term investments.

e) Liquidity risk

Liquidity risk takes on two distinct forms: market liquidity risk and cash flow liquidity risk. The first is related to current market prices and varies in accordance with the types of assets and the markets where they are traded. Cash flow liquidity risk, however, is related to difficulties in meeting the contracted operating obligations at the agreed dates.

As a way of managing the liquidity risk, the Company invest its funds in liquid assets (governmental bonds, CDBs, and investment funds with daily liquidity), and the Cash Management Policy establishes that the Company's weighted average debt maturity should be higher than the weighted average maturity of the investment portfolio. As of December 31, 2011, the weighted average maturity of the Company's financial assets was 22 days and of their financial liabilities was 5 years.

As shown in Note 27, in order to hedge future commitments, the Company use derivative financial instruments contracted with prime banks for cash management purposes.

f) Capital management

The table below shows the financial leverage rate as of December 31, 2011 and December 31, 2010:

	Parent Company		**Consolidated**	
	12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
Shareholder's equity	2,072,640	2,718,229	2,072,640	2,718,229
Cash and cash equivalents	(981,186)	(1,726,422)	(997,902)	(1,726,422)
Restricted cash	(109,095)	(34,500)	(109,095)	(34,500)
Short-term investments	(1,008,036)	(63,975)	(1,008,036)	(63,975)
Short- and long-term debts	3,411,862	2,574,702	3,633,526	2,574,702
Net debt (a)	1,313,545	749,805	1,518,493	749,805
Total capital (b)	3,386,185	3,468,034	3,591,133	3,468,034
Leverage ratio (a) / (b)	**39%**	**22%**	**42%**	**22%**

The increase in leverage ratio occurred mainly due to the reduction in equity resulting from accumulated losses accrued in the year 2011 and additionally by the increase in total gross debt, both partially offset by an increase in total cash position.

Additionally, the Company is still committed to keep the amount of cash and cash equivalent close to 25% of the net revenue for the last twelve months.

Derivative financial instruments

The derivative financial instruments were recognized in the following balance sheet line items:

Description	Balance sheet account	12/31/11	12/31/10
Gain on derivatives operation (assets)	Other receivables	**4,213**	3,982
Loss on derivatives operation (liabilities)	Loss on derivatives operation	**115,432**	1,646
Premiums of options contracts (assets)	Prepaid expenses	**11,572**	18,841

The Company adopt hedge accounting and in December 31, 2011, the derivative contracted to hedge currency risks, interest rate risk and fuel price risk as "cash flow hedge", according to the parameters described in the Brazilian accounting standard CPC 38, 39 e 40, technical guidance OCPC03 and International Accounting Standard IAS 39.

Classification of derivatives financial instruments

i) Cash flow hedges

The Company use cash flow hedges to hedge against future revenue or expense fluctuations resulting from changes in the exchange rates, interest rates or fuel price, and accounts for actual fluctuations of the fair value of derivative financial instruments in shareholders' equity until the hedged revenue or expense is recognized.

The Company estimate the effectiveness based on statistical correlation methods and the ratio between gains and losses on the financial instruments used as hedge, and the cost and expense fluctuation of the hedged items.

The instruments are considered as effective when the fluctuation in the value of derivatives offsets between 80 % to 125% the impact of the price fluctuation on the cost or expense of the hedged item.

The balance of the actual fluctuations in the fair values of the derivatives designated as cash flow hedges is transferred from shareholders' equity to profit or loss for the period in which the hedged costs or expenses impacts profit or loss. Gains or losses on effective cash flow hedges are recorded in balancing accounts of the hedged expenses, by reducing or increasing the operating cost, and the ineffective gains or losses are recognized as financial income or financial expenses for the year.

ii) Derivative financial instruments not designated as hedges

The Company contract derivative financial instruments that are not formally designated for hedge accounting. This occurs when transactions are in the short term and the control and disclosure complexity make them unfeasible, or when the change in a derivative's fair value must be recognized in profit or loss for the same period of the effects of the hedged risk.

Designation of hedged item

a) *Fuel hedge*

Due to the low liquidity of jet fuel derivatives traded in commodities exchanges, the Company contract crude oil derivatives and its byproducts—West Texas Intermediate (WTI), Brent and Heating Oil—to

hedge against fluctuations in jet fuel prices. Historically, oil prices are highly correlated with jet fuel prices.

As of December 31, 2011, the Company has derivative contracts designated as cash flow hedge fuel, traded in Nymex and OTC markets.

Oil derivative contracts, designated as fuel hedges of the Company is summarized below:

Closing balance at:	**12/31/11**	**12/31/10**
Fair value at end of period (R$)	**(9,217)**	33,205
Average term (months)	**2**	4
Volume hedged for future periods (thousand barrels)	**3,631**	2,109
Gains (losses) with hedge effectiveness recognized in shareholders' equity, net of taxes (R$)	**(20,898)**	10,586

Period ended:	**2011**	**2010**
Gains on hedge effectiveness recognized in operating costs (R$)	**-**	215
Gains (losses) on hedge ineffectiveness recognized in financial income (expenses)	**24,360**	(7,666)
Gains (losses) on hedge ineffectiveness recognized in financial income (expenses) for future periods (R$)	**(23,583)**	(43,762)
Total gains (losses) on hedge ineffectiveness recognized in financial income (expenses) (R$)	**777**	(51,428)
Exposure percentage hedged during the year	**43%**	45%

The table below shows the notional amount of derivatives designated as hedges contracted by the Company to hedge future fuel expenses, the average rate contracted for the derivatives, and the percentage of fuel exposure hedged by reporting period as of December 31, 2011:

Market risk factor: Fuel price
Over-the-counter market

	1T12	**2T12**	**3T12**	**4T12**	**Total 12M**
Percentage of fuel exposure hedged	48%	41%	27%	20%	**34%**
Notional amount in barrels (thousands)	1,984	1,687	1,162	861	**5,694**
Future rate agreed per barrel (US$) *	124.71	122.20	113.16	101.60	**118.11**
Total in reais **	**464,109**	**386,699**	**246,652**	**164,088**	**1,261,549**

* Weighted average between call strikes,
** The exchange rate as of 12/31/11 was R$1.8758/ US$1.00.

b) *Foreign Exchange Hedge*

The Company use derivative contracts as U.S. dollar hedges conducted with BM&FBOVESPA, using an exclusive investments fund as vehicle for contracting risk coverage.

In September 2011, Management, faced with a future economic scenario, decided to suspend temporarily the currency hedge of the Company's cash flows.

As of December 31, 2011, the Company do not have financial assets or bank guarantee linked to margin deposits.

As of December 31, 2011, the Company do not have foreign exchange derivative contracts designated as U.S. dollar cash flow hedges. Losses from hedge ineffectiveness recognized during the twelve-month period ended December 31, 2011 and of 2010 are presented below:

Period ended:	**12/31/11**	**12/31/10**
Fair value at end of period (R$)	-	109
Remaining longer term (months)	-	4
Volume hedged for future periods US$)	-	65,000

Period ended:	**2011**	**2010**
Hedge effectiveness losses recognized in operating costs and expenses (R$)	-	-
Hedge ineffective gains (losses) recognized in financial income (expenses) (R$)	**823**	(22,464)
Hedge ineffective gains (losses) recognized in financial income (expenses) for future competences (R$)	**(530)**	(28,269)
Total hedge ineffective gains (losses) recognized in financial income (expenses) (R$)	**293**	(50,733)
Percentage exposure hedged during the period	**4,2%**	21%

As of December 31, 2011, the Company have no foreign currency derivative contracts designated as U.S. dollar fair value hedge. The hedge effective losses recognized in financial expenses for the Twelve-month period ended December 31, 2011 are summarized below:

Closing balance at:	**12/31/11**	**12/31/10**
Fair value at end of period (R$)	-	(6,645)
Finance leasing (US$)	-	984,264
Volume hedged (US$)	-	388,750
Actual percentage of hedged exposure	-	39%

Period ended:	**2011**	**2010**
Hedge effectiveness losses recognized in financial expenses (R$)	**(34,130)**	(15,819)

As of December 31, 2011, the Company have the following derivatives instruments to hedge against U.S. dollar fluctuations not designated for hedge accounting: currency swaps (USD x CDI) to hedge a credit facility (working capital). The table below shows the amounts recognized in financial income (expenses) related to these transactions:

Period ended:	**2011**	**2010**
Gains (losses) recognized in financial income (expenses)	**2,618**	(7,709)

c) Interest rate hedges

As of December 31, 2011, the Company have swap derivatives designated as cash flow hedge for Libor hedge, in the notional amount of US$505 million. The following is a summary of Company interest rate derivative contracts designated as Libor cash flow hedges:

Closing balance at:	**12/31/11**	**12/31/10**

Fair value at end of period (R$)	**(88,440)**	-
Face value at end of period (US$)	**505,181**	-
Face value at end of period (R$)	**947,618**	-
Hedge losses recognized in shareholders' equity, net of taxes (R$)	**(58,370)**	-

Period ended:	**2011**	**2010**
Hedge effectiveness gains (losses) recognized in financial income (expenses) (R$)	**(279)**	-

As of December 31, 2011 the Company held positions in Libor interest derivative contracts not designated for hedge accounting, in the notional amount of US$31 million The table below shows the amounts recognized in financial income and expenses related to these transactions:

Period ended:	**2011**	**2010**
Gains (losses) recognized in financial income (expenses)	**(21,704)**	(5,754)

Sensitivity analysis of derivative financial instruments

The sensitivity analysis of financial instruments was prepared pursuant to CVM Instruction 475/08, in order to provide a 25% and 50% positive and negative variation in the main risk factor of each financial instrument and, therefore, the impact of such variation on the Company's financial income and expenses in case such changes occur.

The estimates presented, since they are based on simple statistics, do not necessarily reflect the amounts to be reported in the next financial statements. The use of different methodologies and /or assumptions may have a material effect on the estimates presented.

The tables below show the sensitivity analysis for market risks and financial instruments considered relevant by management, open position as of December 31, 2011 and based on the scenarios described above.

Parent Company

I) Fuel risk factor

As of December 31, 2011, the Company held derivative contracts for oil WTI, Brent and Heating Oil, totaling 3,631 thousand barrels, maturing from January to December 2012.

Instrument	**Risk**	**Exposed values**	**-50% Adverse Scenario Remote**	**-25% Possible Adverse Scenario**	**Probable Scenario**
Derivative Fuel	WTI	(R$ 775)	(R$ 12,154)	(R$ 5,662)	R$ 0
	Heating Oil	(R$ 9,566)	(R$ 43,624)	(R$ 21,185)	R$ 0
	Brent	R$ 1,106	(R$ 334,088)	(R$ 156,209)	R$ 0
	Curve drop in the price of fuel	**(R$ 9,235)**	**(R$ 389,866)**	**(R$ 183,056)**	**R$ 0**

WTI	US$ 49.29/bbl	US$ 73.93/bbl	US$ 98.58/bbl
HO	US$ 61.07/bbl	US$ 91.60/bbl	US$ 122.13/bbl
Brent	US$ 53.86/bbl	US$ 80.79/bbl	US$ 107.72/bbl

II) Foreign exchange risk factor

As of December 31, 2011, the Company held a derivatives contract in US dollar in the notional value of US$51,122 with maturity in March 2012 and assets and liabilities indexed to the US dollar, totaling US$1,065,192 in foreign exchange exposure, equivalent to R$1,998,087.

	Consolidated						
			Additional changes in the account balance				
	Risk Factor	Exposed amounts as of 12/31/11	-50% 12/31/2011	-25% 12/31/2011	Probable Scenario 12/31/11	25% 12/31/2011	50% 12/31/2011
US dollar-denominated assets and liabilities	Dollar	(R$1,998,087)	R$999,044	R$499,522	R$ 0	(R$499,522)	(R$999,044)
US dollar denominated derivative	Dollar	R$ 4,213	(R$ 47,947)	(R$ 23,974)	R$ 0	R$ 23,974	R$ 47,947
Exchange rate used			R$0,9379/US$	R$1,4069/US$	R$1,8758/US$	R$2,3448/US$	R$2,8137/US$

III) Interest risk factor

	Parent Company						
			Additional changes in account balance				
	Risk factor	Exposed amounts at 12/31/2011	-50% 12/31/2011	-25% 12/31/2011	Probable scenario 12/31/2011	25% 12/31/2011	50% 12/31/2011
Short-term financial investments	CDI	R$ 732,805	(R$ 1,131)	(R$ 566)	R$ 0	R$ 566	R$ 1,131
Interest derivative	Libor	(R$ 96,229)	(R$ 72,873)	(R$ 36,436)	R$ 0	R$ 36,436	R$ 72,873
Debt and finance lease	Libor	(R$ 375,911)	R$ 1,613	R$ 807	R$ 0	(R$ 807)	(R$ 1,613)
Short and long term debt	TJLP	(R$ 81,549)	R$ 192	R$ 96	R$ 0	(R$ 96)	(R$ 192)
Short and long term debt	IPCA	(R$ 29,804)	R$ 176	R$ 88	R$ 0	(R$ 88)	(R$ 176)

Consolidated

IV) Fuel risk factor

As of December 31, 2011, the Company held derivative contracts for oil WTI, Brent and Heating Oil, totaling 3,631 thousand barrels, maturing from January to December 2012.

Instrument	Risk	Exposed values	-50% Adverse Scenario Remote	-25% Possible Adverse Scenario	Probable Scenario
Derivative Fuel	WTI	(R$ 775)	(R$ 12,154)	(R$ 5,662)	R$ 0
	Heating Oil	(R$ 9,566)	(R$ 43,624)	(R$ 21,185)	R$ 0
	Brent	R$ 1,106	(R$ 334,088)	(R$ 156,209)	R$ 0
	Curve drop in the price of fuel	**(R$ 9,235)**	**(R$ 389,866)**	**(R$ 183,056)**	**R$ 0**

WTI	US$ 49.29/bbl	US$ 73.93/bbl	US$ 98.58/bbl
HO	US$ 61.07/bbl	US$ 91.60/bbl	US$ 122.13/bbl
Brent	US$ 53.86/bbl	US$ 80.79/bbl	US$ 107.72/bbl

V) Foreign exchange risk factor

As of December 31, 2011, the Company held a derivatives contract in US dollar in the notional value of US$51,122 with maturity in March 2012 and assets and liabilities indexed to the US dollar, totaling US$1,074,040 in foreign exchange exposure, equivalent to R$2,014,684.

Consolidated

	Risk Factor	Exposed amounts as of 12/31/11	Additional changes in the account balance -50% 12/31/2011	-25% 12/31/2011	Probable Scenario 12/31/11	25% 12/31/2011	50% 12/31/2011
US dollar-denominated assets and liabilities	Dollar	(R$ 2,014,684)	R$ 1,007,342	R$ 503,671	R$ 0	(R$ 503,671)	(R$ 1,007,342)
US dollar denominated derivative	Dollar	R$ 4,213	(R$ 47,947)	(R$ 23,974)	R$ 0	R$ 23,974	R$ 47,947
Exchange rate used			R$0,9379/US$	R$1,4069/US$	R$1,8758/US$	R$2,3448/US$	R$2,8137/US$

VI) Interest risk factor

	Consolidated						
			Additional changes in account balance				
	Risk factor	Exposed amounts at 12/31/2011	-50% 12/31/2011	-25% 12/31/2011	Probable scenario 12/31/2011	25% 12/31/2011	50% 12/31/2011
Short-term financial investments	CDI	R$ 732,805	(R$ 1,131)	(R$ 566)	R$ 0	R$ 566	R$ 1,131
Interest derivative	Libor	(R$ 96,229)	(R$ 72,873)	(R$ 36,436)	R$ 0	R$ 36,436	R$ 72,873
Debt and finance lease	Libor	(R$ 375,911)	R$ 1,613	R$ 807	R$ 0	(R$ 807)	(R$ 1,613)
Short and long term debt	TJLP	(R$ 81,549)	R$ 192	R$ 96	R$ 0	(R$ 96)	(R$ 192)
Short and long term debt	IPCA	(R$ 29,804)	R$ 176	R$ 88	R$ 0	(R$ 88)	(R$ 176)

Measurement of the fair value of financial instruments

In order to comply with the disclosure requirements for financial instruments measured at fair value, the Company must do the grouping of its instruments in Levels 1 to 3, based on observable fair value grades:

a) *Level 1:* Fair value measurements are calculated based on quoted prices (without adjustment) in active market or identical liabilities;

b) *Level 2:* Fair value measurements are calculated based on other variables besides quoted prices included in Level 1, that are observable for the asset or liability directly (such as prices) or indirectly (derived from prices); and

c) *Level 3:* Fair value measurements are calculated based on valuation methods that include the asset or liability but that are not based on observable market variables (unobservable inputs).

The following table states a summary of the Company's financial instruments measured at fair value, including their related classifications of the valuation method, as of December 31, 2011:

Financial Instrument	Parent Company Carrying amount	Parent Company Other Significant Observable Factors (Level 2)	Consolidated Carrying amount	Consolidated Other Significant Observable Factors (Level 2)
Cash equivalents	**841.130**	**841.130**	**853.855**	**853.855**
Short-term investments	**1.008.036**	**1.008.036**	**1.008.036**	**1.008.036**
Restricted cash	**109.095**	**109.095**	**109.095**	**109.095**
Obligation with derivatives operation (liabilities)	**115.432**	**115.432**	**115.432**	**115.432**
Derivatives operation assets	**4.213**	**4.213**	**4.213**	**4.213**
Prêmios de hedge	**11.572**	**11.572**	**11.572**	**11.572**

28. Non-cash transactions

In the year ended December 31, 2011, the Company increased their property, plant and equipment under finance leases in the amount of R$371,262 (R$292,892 as of December 31, 2010); these transactions did not affect their cash for the year. The Company increased its intangible asset by capitalization of the renewal software license use of the Company's integrated system in the amount of R$41,994, net.

On October 3, 2011, with the Webjet acquisition, the Company acquired the net assets of R$131,871 as part of its additions in the year that do not affect cash.

29. Insurance

As of December 31, 2011, the insurance coverage by nature, considering the aircraft fleet, and related to the maximum reimbursable amounts indicated in U.S. Dollars, is as follows:

Aeronautical type	In Brazilian reais	In US dollar
Guarantee – Hull/war	7,935,390	4,230,403
Civil liability per event/aircraft	3,282,650	1,750,000
Inventories (base and transit)	234,475	125,000

Pursuant to Law 10744, of October 9, 2003, the Brazilian government assumed the commitment to complement any civil liability expenses related to third parties caused by war or terrorist events, in Brazil or abroad, which VRG may be required to pay, for amounts exceeding the limit of the insurance policies effective beginning September 10, 2001, limited to the amount in Brazilian reais equivalent to one billion U.S. Dollars.

30. Subsequent Events

On March 15, 2012, the Company obtained a waiver of anticipated maturity and/or application of any penalty on noncompliance of its covenants clauses. This was deliberated during General Meeting of Debenture Holders of the fourth and fifth issues of debentures. As a result of this waiver, on March 26, 2012 (the balance reporting date), the Company is complying its obligations in relation to the debentures.

On January 9, 2012 the Company filed, with the judiciary, the withdrawal of the legal proceedings in which questions to the PIS and COFINS, as mentioned in note 21. The withdrawal and authorization of the conversion of escrow deposits in favor of public finance are under consideration by Judicial Court.

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