OFFERING MEMORANDUM

US$325,000,000

GOL LuxCo S.A.

8.875% Senior Notes Due 2022
Unconditionally Guaranteed by Gol Linhas Aéreas Inteligentes S.A. and VRG Linhas Aéreas S.A.

Gol LuxCo S.A., or the Issuer, a public limited liability company (*société anonyme*) organized and established under the laws of the Grand Duchy of Luxembourg, is offering an aggregate principal amount of US$325,000,000 of 8.875% guaranteed senior notes due 2022, or the notes. Interest on the notes will accrue at a rate of 8.875% per annum and will be payable semi-annually in arrears on January 24 and July 24, commencing on January 24, 2015. Unless previously redeemed or purchased and in each case cancelled, the notes will mature on January 24, 2022.

The notes will be the Issuer's senior, unsecured, general obligations and will rank *pari passu* in right of payment with all of its existing and future senior, unsecured, general obligations. Gol Linhas Aéreas Inteligentes S.A. and VRG Linhas Aéreas S.A., or the Guarantors, will unconditionally guarantee on a senior unsecured basis, all of the Issuer's obligations pursuant to the notes and the indenture. The guarantees will rank *pari passu* in right of payment with the other senior unsecured indebtedness and guarantees of the Guarantors. The notes will be effectively junior to the Issuer's and the Guarantors' 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 January 24, 2019 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."

There is currently no market for the notes. 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 Euro MTF Market is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments. The notes will be 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 15 for a discussion of certain risks you should consider in connection with an investment in the notes.

Issue Price: 98.706% plus accrued interest, if any, from September 24, 2014.

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

Delivery of the notes will be made to investors in book-entry form only through the facilities of The Depository Trust Company, or DTC, and its direct and indirect participants, including Clearstream Banking S.A. Luxembourg, or Clearstream Luxembourg, and Euroclear Bank S.A./N.V., as operator of the Euroclear Bank System, or Euroclear, on September 24, 2014.

Joint Book-Running Managers

BB Securities **Bradesco BBI** **Citigroup** **Morgan Stanley** **Santander**

Offering Memorandum dated October 7, 2014.

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In this offering memorandum, we use the terms "Gol," "Company," "we," "us" and "our" to refer to the Gol Linhas Aéreas Inteligentes S.A., or "GLAI," and its consolidated subsidiaries together, except where the context requires otherwise. The term "VRG" refers to VRG Linhas Aéreas S.A., a wholly-owned subsidiary of GLAI. All references to "Guarantors" refer to GLAI and VRG, collectively. The terms "LuxCo" and "Issuer" refer to Gol LuxCo S.A., a financing 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 proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. BB Securities Limited, Banco Bradesco BBI S.A., Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Santander Investment Securities 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 15 of this offering memorandum as well as the risk factors set forth in our Annual Report on Form 20-F for the year ended December 31, 2013, 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 will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, DTC, and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. 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, 2013, 2012 and 2011, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows and for each of the three years ended December 31, 2013, which are incorporated by reference in this offering memorandum from our Annual Report on Form 20-F for the year ended December 31, 2013, have been prepared in *reais* and in accordance with IFRS, as issued by IASB.

Our unaudited consolidated interim financial information as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013, 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 of October 3, 2011. All information in this offering memorandum reflects the acquisition of Webjet as of 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$2.2025 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of June 30, 2014, 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, or IAS, 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” or “PRASK” represents passenger revenue divided by available seat kilometers.
- “Revenue passengers” represents the total number of paying passengers flown on all flight segments.
- “Revenue passenger kilometers” or “RPK” represents the numbers of kilometers flown by revenue passengers.
- “Yield per passenger kilometer” or “yield” represents the average amount one passenger pays to fly one kilometer.

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 consolidated 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 consolidated financial data for the first three quarters of each fiscal year, which is furnished to the SEC under Form 6-K. We furnish quarterly consolidated 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, 2013, as filed with the SEC on April 28, 2014, as amended;
- Our Report on Form 6-K furnished to the SEC on August 21, 2014, relating to operational information for the month of July 2014; and
- Our Report on Form 6-K furnished to the SEC on September 15, 2014, relating to operational information for the month of August 2014.

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 Comandante Linneu Gomes, S/N, Portaria 3
CEP: 04626-020, São Paulo, SP, Brazil
Telephone +55 11 2128-4000

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

FORWARD-LOOKING STATEMENTS

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

- general economic, political and business conditions in Brazil and in other South American, United States 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, 2013, which is incorporated by reference in this offering memorandum and which includes our audited consolidated financial statements and related notes, and our unaudited interim condensed consolidated financial information as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013, 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, 2013, for information regarding our consolidated financial statements, exchange rates, definitions of technical terms and other introductory matters.

The Issuer

Gol LuxCo S.A. (the "Issuer") is a public limited liability company (*société anonyme*), incorporated under the laws of Luxembourg on June 21, 2013, having its registered office at 6, rue Guillaume Schneider L-2522 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B 178497, and is a financing subsidiary of GLAI. The Issuer has a share capital of $60,000 divided into 60,000 shares with $1.00 par value, all of which have been issued and fully paid-up, with 59,999 shares held by GLAI and 1 share held by VRG.

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 2013, 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 United States.

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 young and standardized operating fleet of 133 Boeing 737-700/800s, or Boeing 737, aircraft and our convenient flight routes offer the highest number of daily departures among airlines in Latin America.

Beginning in 2012, we increased our focus on business passengers (high value-added customers), diversifying our revenue base from leisure passengers. Our strategy is to increase our share in this market while at the same time consolidating our leadership in flight routes. We also intend to expand our Smiles loyalty program, one of the largest loyalty programs in Latin America with approximately 9.9 million members and 218 partners as of June 30, 2014, and a number of ancillary businesses, such as our air cargo services, or Gollog. Passenger transportation revenues represented 91% and ancillary revenues represented 9% of our net revenues of R$8,956.2 million in 2013 and 91% and 9%, respectively, of our net revenues of R$4,874.7 million in the six-month period ended June 30, 2014.

As of June 30, 2014, we offered approximately 853 daily flights to 67 destinations connecting the most important cities in Brazil as well as key destinations in Argentina, Bolivia, Paraguay, Uruguay, Venezuela, the United States and the Caribbean. We strategically focus on the Brazilian and South American markets and will continue to carefully evaluate opportunities to continue growing by increasing flights to our existing high-demand markets and adding routes to new markets with high potential (such as the United States and Caribbean), all of which can be reached with our Boeing 737 Next Generation aircraft.

Financial and Operating Data Highlights

Operating Data	Year Ended December 31,			Six-month Period Ended June 30,	
	2011	2012	2013	2013	2014
Passenger revenue per available seat kilometer (R$ cents)	13.5	13.8	16.4	14.8	18.3
Available seat kilometers—ASK (in million)	49,683	51,867	49,633	24,509	24,147
Load factor (%)	68.5%	70.2%	69.9%	67.5%	75.7%
Yield per passenger kilometer (R$ cents)	19.5	19.7	23.4	21.9	24.2
Utilization rate (block-hours per day)	12.9	12.1	11.2	11.7	11.3
Average operating fleet	133.6	130.8	127.0	120.8	124.8
Operating revenue per available seat kilometer (R$ cents)	15.2	15.6	18.0	16.3	20.2
Operating expense per available seat kilometer (R$ cents)	15.7	17.4	17.5	16.0	19.4

Financial Data	Year Ended December 31,			Six-month Period Ended June 30,	
	2011	2012	2013	2013	2014
	(in millions of *reais*, except where stated otherwise)				
Net revenue	**7,539.3**	**8,103.6**	**8,956.2**	**3,997.5**	**4,874.7**
Operating expenses, net	(7,783.8)	(9,009.2)	(8,690.2)	(3,931.4)	(4,691.0)
Income (loss) before financial result and income taxes	**(244.5)**	**(905.6)**	**266.0**	**66.1**	**182.3**
Operating margin (%)(1)	(3.2)%	(11.2)%	3.0%	1.7%	3.7%
Net loss	**(751.5)**	**(1,512.9)**	**(724.6)**	**(508.2)**	**(241.1)**
Non-GAAP Measures					
Total debt (2)	4,991.4	5,191.2	5,589.4	5,594.5	5,407.0
Total cash (3)	2,348.5	1,585.1	3,045.7	2,767.1	2,820.3
Net debt (4)	2,642.9	3,606.1	2,543.7	2,827.4	2,586.7
EBITDAR (5)	656.4	258.0	1,526.1	601.7	867.9
EBITDAR margin (%)(6)	8.7%	3.2%	17.0%	15.1%	17.8%
Total debt/EBITDAR(2)(7)	7.6x	20.1x	3.7x	8.6x	3.0x
Net debt/EBITDAR(4)(7)	4.0x	14.0x	1.7x	4.3x	1.4x

(1) Income (loss) before financial result and income taxes divided by net revenue.

(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 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. EBITDAR as so presented is a non-GAAP accounting measure prepared by us that we believe to be a useful measure. 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 our net loss to our EBITDAR, see "Summary Financial and Other Information."

(6) EBITDAR divided by net revenue.

(7) For the six-month periods ended June 30, 2014 and 2013, the calculation considered the EBITDAR for the previous twelve months.

Our Competitive Strengths

We Have a Leading 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), Magalhães (Salvador), Salgado Filho (Porto Alegre), Gilberto Freyre (Recife) and Afonso Pena (Curitiba). 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 CASK–ex-fuel, for 2013 was R$10.23 cents and R$11.48 cents in the six-month period ended June 30, 2014. We believe that our CASK–ex-fuel for the six-month period ended June 30, 2014, adjusted by stage length, was one of the lowest among global peers, 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 June 30, 2014, our operating fleet of 133 Boeing 737 aircraft was one of Latin America's largest and youngest fleets, with an average age of 7.1 years. Advanced technology present or installed in our newer aircraft has reduced fuel consumption and helped improve our operating margins. 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 generation of our current aircraft), which we expect to receive beginning in 2018. A standardized fleet reduces inventory costs, as it requires fewer spare parts and eliminates the need to train our pilots to operate different aircraft types. Fleet consistency 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. With our system of phased maintenance for our Boeing 737 fleet, we are able to perform maintenance work every day without sacrificing aircraft block hours and schedule preventive maintenance with more regularity and without impacting aircraft utilization, further diluting fixed costs and contributing to higher margins. 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.
- *We have one of the largest e-commerce platforms in Brazil*. Our effective use of technology helps keep our costs low and benefit significantly from our highly scalable and streamlined business model. Our distribution channels are streamlined and convenient, allowing our customers to interact with us via the Internet. In the six-month period ended June 30, 2014, we booked 80.2% of our ticket sales through a combination of our website and application programming interface (API), 5.0% through our call center and 14.8% through Global Distribution Systems (GDS). In addition, in the main airports used by business passengers, remote check-ins represented approximately 60% of all clients in six-month period ended June 30, 2014.

We Are Majority Shareholders of Smiles, an Operator of One of the Largest Loyalty Programs in Latin America. With the acquisition of VRG in April 2007, we also acquired the *Smiles* loyalty program, which is available to all our passengers and which we consider a strong relationship-building tool and representing a sustainable competitive advantage. The *Smiles* loyalty program has partnerships with 218 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 approximately 9.9 million members at June 30, 2014.

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. Brand and product diversification from *Smiles*, *Gollog* and *Gol+Conforto* products increase our brand recognition across a diverse set of customers in various industrial segments and represent an important tool for us.

We Have High Corporate Governance Standards and Proven Management. We have four independent board members, one of whom 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 these competitive advantages will help us further penetrate the Brazilian middle-class market, as well as the business passenger market, 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 increase penetration across all traveler segments by capitalizing on our strong market position, our widespread brand recognition, the greatest number of business routes and highest frequencies between the most important airports in Brazil, our consolidated flight network and the *Smiles* loyalty program. We will focus on Brazilian operations and selected South American destinations. We will also consider new routes to foreign markets that present high growth potential in the Unites States and the Caribbean that fit our flight network and can be reached with our current Boeing 737 aircraft. In addition, we believe that the airline industry may experience further consolidation 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 further strengthen our position as a long-term participant in the industry.

Improve Operating Efficiency. Reducing our CASK 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 11.7 block-hours per day in 2013, as compared to 12.1 block-hours per day in 2012 and 13.0 block-hours per day in 2011. In the six-month period ended June 30, 2014, our aircraft utilization rate was 11.3 block-hours per day.

We seek to reduce our CASK by utilizing 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.

Maintain a Strong Cash Position. 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 two years. In May 2013, we concluded an initial public offering of shares of Smiles. The proceeds of this initial public offering, or IPO, were used for the advance purchase from us of tickets redeemed by Smiles members, in the amount of approximately R$1.1 billion. On December 31, 2013, we had a consolidated total of R$3,045.7 million in cash, cash equivalents, financial investments and short and long-term restricted cash, of which R$382.7 million were held by Smiles, and a consolidated total of R$2,820.3 million as of June 30, 2014, of which R$469.3 million were held by Smiles.

Expand Our Customer Base. Our growth strategy will concentrate around selecting routes and building the frequency of our service based on the extent and type of demand in the areas we serve in Brazil, South America, the United States and the Caribbean. 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 (92%, 94% and 93% in 2012, 2013, and the six-month period ended June 30, 2014, respectively) and regularity (95% in 2012 and 2013 and 93% in the six-month period ended June 30, 2014, respectively), both key elements impacting business traveler airline choice. To achieve this level of operational performance, we implemented the fast travel concept, a series of measures intended to reduce boarding time. 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 the *Smiles* loyalty program, and our new and exclusive *Gol+* and *Gol+Conforto* on São Paulo-Rio de Janeiro shuttle flights. *Gol+* seats offer additional leg room and *Gol+Conforto*, seats which include additional legroom and recline, are located in rows where the middle seat is not sold and are found in aircraft specifically configured for this specific route, with a higher share of business travelers. In February 2013, we implemented a new route network designed to better meet the needs of business travelers by offering even more convenient flight times and connections.

- *Stimulating demand.* Our widely available service is also designed to make air travel more accessible and stimulate demand, particularly from fare-conscious leisure travelers and business travelers working for small to mid-sized companies, 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 104 million in 2013, according to the Secretary for Strategic Affairs (*Secretaria de Assuntos Estratégicos*), or SAE.

- *More destinations*. We have increased our operations by including new destinations, including Santo Domingo in the Dominican Republic, Miami and Orlando, Florida, which were added in the end of 2012. Also, we resumed flights to Santiago, Chile in July 2014 and plan to introduce flights between Campinas and Miami later this year.

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

- *Separate entity*. In 2013, we segregated our *Smiles* loyalty program activities into a distinct company, Smiles, with a management team fully dedicated to pursue all business opportunities from the growth of this market in Brazil. In May 2013, Smiles concluded its approximately R$1.1 billion initial public offering.
- *New Products*. In 2012, prior to the segregation of Smiles, we launched products that are now within the *Smiles* loyalty program structure, including: (i) an online platform allowing members to redeem tickets in partner airlines though our website; (ii) a miles purchase program, creating an alternative for members to add to their mileage balance, which added 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 product and service options distributed through several partners. In 2013, we launched (i) *Clube Smiles*, a benefits club, whereby, for a R$30.00 monthly fee, members receive 1,000 miles a month plus a one-year extension of their mileage expiration date as well as other benefits, such as early access to *Smiles* promotions; (ii) option to purchase and reactivate miles; (iii) the option to transfer miles; and (iv) a partnership with PayPal, allowing *Smiles* clients to exchange miles accumulated in the program for a pre-paid virtual card that can be used as payment for purchases made with all PayPal partners.
- *Partnerships*. 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, are offered to *Smiles* loyalty program members with more opportunities to earn and redeem miles.

Expand our Industry 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 industry partnerships and enter into new ones, including with large international airlines in the form of code-share arrangements to further increase our international feeder network, load factor and profitability.

On December 7, 2011, we entered into a long-term commercial agreement with Delta to strengthen the operational cooperation and synergies between us. Approximately 20% of Delta passengers arriving in Brazil through major airports with connections to other destinations make such connections through our flights. We also have a strategic maintenance, repair and operations, or MRO, partnership agreement with Delta TechOps, the maintenance division of Delta. Delta TechOps is also assisting us with our efforts to secure Federal Aviation Administration, or FAA, certification for our maintenance center. We assist Delta with certain line maintenance services for Delta aircraft with extended ground time in Brazil.

In January 2013, we entered into a maintenance agreement with MTU Maintainance Hannover GmbH and MTU Maintainance Zhuhai Co., Ltd., jointly MTU, in order to provide MRO services to the remaining 50% of our CFM 56-7 engines as well as maintenance of engine parts and components of our Boeing 737 Next Generation aircraft.

On February 19, 2014, we entered into an exclusive long term strategic partnership for commercial cooperation with Air France-KLM. Under this agreement, Air France-KLM has made a US$33.1 million payment and will make additional payments of US$15.0 million for the purpose of enhancing our codesharing, connectivity and joint sale activities as well as other benefits for our customers, including the integration and improvement of products and services for our frequent flyer programs. As part of this agreement, Air France-KLM has invested US$52.0 million in the acquisition of a number of our newly issued preferred shares, equivalent to 1.5% of our capital stock, at an issuance price equivalent to US$12.23 per share. The agreement further provides for the creation of an alliance committee, comprised of at least one representative of Air France-KLM, at least two members of our board of directors and at least one representative of Delta, to coordinate efforts to improve the benefits of these partnerships.

As of June 30, 2014, we had 78 interline agreements and eight code-share agreements with: Delta Airlines, Iberia, Air France-KLM, Qatar Airways, Alitalia, Aerolineas Argentinas, Etihad and TAP.

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:

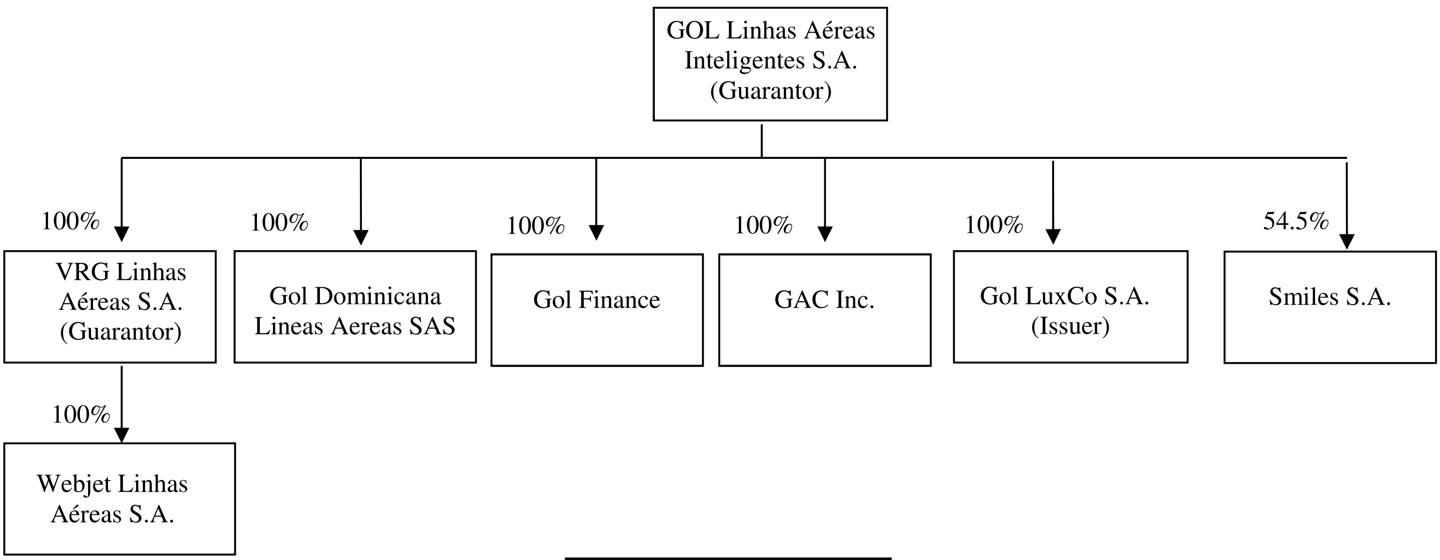
- *Focusing on express delivery services.* Through *Gollog*, our cargo transportation service, we make efficient use of extra capacity in our aircraft by carrying highly profitable cargo.
- *Continuously innovating and introducing new products to the Brazilian market.* We have a strong track record of innovation and introduction of new business practices in Brazil. For example, in June 2009, we were the first airline to introduce the sale of beverages and food on board in Brazil, generating ancillary revenue without increasing our cost structure or fare price. More recently in 2013, we introduced the sale of the new *Gol+Conforto* seats, which are available free of charge for Smiles Diamond and Delta Air Lines Elite customers, and to customers for an additional fee, as part of our *Gol+* product. *Gol+Conforto* seats are currently available on the São Paulo-Rio de Janeiro shuttle flights, with service expanding to selected routes during the course of 2014.

VRG

VRG is a corporation (*sociedade anônima*) organized under the laws 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 United States and Caribbean. VRG was acquired by us on April 9, 2007 and its financial and operating data are included in our consolidated financial statements. For more information on the acquisition of VRG see notes 1 and 33 to our financial statements for the year ended December 31, 2013. As of the date of this offering memorandum, VRG's authorized share capital, fully subscribed and paid in, is R$2,607,193,379 divided into 3,315,248,156 shares, of which 2,183,970,778 are Class A common shares, 188,584,576 are Class B common shares and 942,692,802 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. VRG's registered office is at Praça Comandante Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP 04626-020, São Paulo, SP, Brazil.

Corporate Structure

The chart below describes our corporate structure:



Our principal executive offices are located at Praça Comandante 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

August Tender Offer

On August 1, 2014 we concluded a debt tender offer, or the August Tender Offer, for any and all of our outstanding 7.50% Senior Notes due 2017, or the Senior Notes due 2017, and 10.750% Senior Notes due 2023, or the Senior Notes due 2023, pursuant to which we acquired and subsequently cancelled US$88.2 million and US$98.9 million in aggregate principal amount of our Senior Notes due 2017 and 2023, respectively.

Concurrent Tender Offers and Consent Solicitations

Concurrently with this offering, on August 26, 2014 we commenced cash tender offers, or the Concurrent Tender Offers, for any and all of our outstanding 7.50% Senior Notes due 2017, or the 2017 Notes, 9.250% Senior Notes due 2020, or the 2020 Notes, and 10.750% Senior Notes due 2023, or the 2023 Notes, of which US$122.1 million, US$299.1 million and US$80.8 million in aggregate principal amount are outstanding, respectively. We are also soliciting consents, or the Consent Solicitations, to remove certain restrictive covenants in the indentures governing each of the 2023 Notes, 2020 Notes and 2017 Notes. The Concurrent Tender Offers are subject to certain terms and conditions, including the completion of this offering.

Smiles Debentures

On July 15, 2014 Smiles issued R$600 million in debentures, or the Smiles Debentures. The Smiles Debentures bear interest equivalent to 115% of the CDI rate, have 12 monthly amortization payments and mature on July 4, 2015. The proceeds from the debentures were used to pay Smiles shareholders in connection with the Smiles return of capital (as described below).

Smiles Return of Capital

On July 16, 2014, Smiles completed a R$1.0 billion return of capital, of which we received our proportional share of 54.5%. This return of capital was part of our strategy to distribute Smiles' earnings to its shareholders.

THE OFFERING

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

Issuer	Gol LuxCo S.A.
Guarantors	Gol Linhas Aéreas Inteligentes S.A. and VRG Linhas Aéreas S.A.
Notes offered	US$325 million aggregate principal amount of 8.875% senior notes due 2022.
Issue price	98.706% plus accrued interest, if any, from September 24, 2014.
Issue date	September 24, 2014
Maturity date	January 24, 2022
Interest payment dates	January 24 and July 24 of each year, commencing on January 24, 2015
Interest	The notes will bear interest from September 24, 2014 at the annual rate of 8.875%, payable semi-annually in arrears on each interest payment date.
Guarantee	The Guarantors will unconditionally guarantee on an unsecured unsubordinated basis, all of the Issuer's obligations pursuant to the notes and the indenture.
Ranking	The notes will be unsecured and will rank equally with the other unsecured indebtedness the Issuer may incur. The guarantees will rank equally in right of payment with the other senior unsecured indebtedness and guarantees of the Guarantors. The notes will be effectively junior to the Issuer's and the Guarantors' 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 Guarantors' non-guarantor subsidiaries. See "Description of Notes—Ranking." As of June 30, 2014, we had R$4,875.3 million (US$2,213.5 million) of consolidated long-term debt, of which R$175.7 million (US$79.7 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 January 24, 2019 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 Luxembourg or Brazilian taxes as set forth under "Taxation." The Issuer, in respect of the notes, and the Guarantors, in respect of the guarantees, will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for Luxembourg or 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 Guarantors or any other of the Guarantors' present or future subsidiaries participate in a highly leveraged transaction. The terms of the notes do not permit the Issuer and the Guarantors to consolidate or merge with, or transfer all or substantially all of their respective assets to, another person, or to enter into transactions with affiliates, unless the Issuer or the Guarantors, as the case may be, 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 will 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 Guarantors' covenants with such failure continuing for either 30 or 60 days, after written notice has been delivered to the Issuer and the Guarantors;

- any indebtedness of the Issuer, the Guarantors or any of the significant subsidiaries of GLAI exceeding US$50 million that is not paid when due or is accelerated; and

- specified events of bankruptcy, liquidation or insolvency of us or any of our subsidiaries.

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$319 million and will be primarily used to purchase notes that are tendered in connection with the Concurrent Tender Offers, subject to the terms and conditions of the Concurrent Tender Offers. Any remaining portion of the net proceeds of this offering will be used for general corporate purposes.
Form and denomination; settlement	The notes will be 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 will be issued in book-entry form through the facilities of DTC, for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as the operator of the Euroclear, and Clearstream Banking, *Société Anonyme* and will trade in DTC's same-day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Form of Notes." We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fourth business day following the date of the pricing of the notes. Because trades in the secondary market generally settle in three business days, purchasers who wish to trade notes on the date of pricing will be required, by virtue of the fact that the notes initially will settle in T+4, to specify alternative settlement arrangements to prevent a failed settlement.

Transfer restrictions	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See “Transfer Restrictions.”
Listings	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and admission to trading has been made on the Euro MTF Market of the Luxembourg Stock Exchange.
Governing law	The indenture, the guarantees and the notes will be governed by the laws of the State of New York.
Trustee, transfer agent, registrar and 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, 2013, which is incorporated by reference in this offering memorandum and our unaudited interim condensed consolidated financial information as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013, included elsewhere herein. For information on the financial statements of LuxCo see note 33 to our annual audited consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2013 and its separate financial statements included elsewhere herein.

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 June 30, 2014, as reported by the Central Bank of R$2.2025 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,				Six-Month Period Ended June 30,		
	2011	**2012**	**2013**	**2013**	**2013**	**2014**	**2014**
				(in thousands)			
Income Statement Data:							
Net revenue:							
Passenger	R$6,713,029	R$7,159,987	R$8,122,161	US$3,687,701	R$3,628,668	R$4,415,697	US$2,004,857
Cargo and other	826,279	943,572	834,051	378,684	368,833	458,991	208,395
Net revenue	**7,539,308**	**8,103,559**	**8,956,212**	**4,066,385**	**3,997,501**	**4,874,688**	**2,213,252**
Operating expenses:							
Personnel	(1,560,436)	(1,569,670)	(1,333,462)	(605,431)	(622,068)	(674,428)	(306,210)
Aircraft fuel	(3,060,665)	(3,742,219)	(3,610,822)	(1,639,420)	(1,724,905)	(1,919,364)	(871,448)
Aircraft rent	(505,058)	(644,031)	(699,193)	(317,454)	(308,424)	(425,995)	(193,414)
Sales and marketing	(402,568)	(426,582)	(516,059)	(234,306)	(199,420)	(322,237)	(146,305)
Landing fees	(395,249)	(559,421)	(566,541)	(257,226)	(268,641)	(293,812)	(133,399)
Aircraft and traffic servicing	(484,642)	(528,737)	(599,479)	(272,181)	(277,218)	(367,869)	(167,023)
Maintenance, materials and repairs	(434,181)	(417,990)	(460,805)	(209,219)	(174,642)	(227,935)	(103,489)
Depreciation and amortization	(395,807)	(519,631)	(560,966)	(254,695)	(227,152)	(259,561)	(117,848)
Other operating expenses, net	(633,634)	(600,891)	(342,896)	(155,685)	(128,935)	(199,782)	(90,707)
Gain on bargain purchase	88,428	—	—	—	—	—	—
Total operating expenses and costs	**(7,783,812)**	**(9,009,172)**	**(8,690,223)**	**(3,945,618)**	**(3,931,405)**	**(4,690,983)**	**(2,129,844)**
Equity pick-up	—	—	—	—	—	(1,407)	(639)
Income (loss) from operations before financial income (expense)	**(244,504)**	**(905,613)**	**265,989**	**120,767**	**66,096**	**182,298**	**82,769**
Financial expense	477,524	(764,852)	(1,031,644)	(468,397)	(437,584)	(578,419)	(262,619)
Financial income	(834,541)	370,214	602,524	273,564	180,208	171,064	77,668
Exchange variation, net	(398,897)	(284,571)	(490,096)	(222,518)	(274,531)	107,878	48,980
Loss before income taxes	**(1,000,418)**	**(1,584,822)**	**(653,227)**	**(296,584)**	**(465,810)**	**(117,179)**	**(53,202)**
Income taxes	248,880	71,907	(71,363)	(32,401)	(42,434)	(123,947)	(56,276)
Net loss	**(751,538)**	**(1,512,915)**	**(724,590)**	**(328,985)**	**(508,244)**	**(241,126)**	**(109,478)**

	As of December 31,				As of June 30,		
	2011	2012	2013	2013	2013	2014	2014
Balance Sheet Data:				(in thousands)			
Cash and cash equivalents	R$1,230,287	R$775,551	R$1,635,647	US$742,632	R$1,162,090	R$2,450,393	US$1,112,551
Short-term investments	1,009,068	585,028	1,155,617	524,684	1,403,514	143,355	65,087
Trade receivables[(1)]	354,134	325,665	324,821	147,478	353,377	466,826	211,953
Deposits	630,599	657,196	847,708	384,884	785,576	844,295	383,335
Total assets	9,891,435	9,027,098	10,638,448	4,830,169	10,348,242	10,256,690	4,656,840
Short-term debt	1,552,440	1,719,625	440,834	200,152	487,546	531,651	241,385
Long-term debt	3,439,008	3,471,550	5,148,551	2,337,594	5,106,986	4,875,317	2,213,538
Total equity	2,205,911	732,828	1,218,500	553,235	1,358,645	1,092,722	496,128

	Year Ended December 31,				Six-Month Period Ended June 30,		
	2011	2012	2013	2013	2013	2014	2014
Other Financial Data:			(in thousands, except percentages)				
Operating margin[(2)]	(3.2)%	(11.2)%	3.0%	3.0%	1.7%	3.7%	3.7%
Net cash provided by (used in) operating activities	R$(602,520)	R$133,293	R$403,881	US$183,374	R$(584,835)	R$683,166	US$310,178
Net cash provided by (used in) investing activities	(469,168)	(590,443)	(318,936)	(144,806)	(98,751)	84,551	38,389
Net cash provided by (used in) financing activities	354,547	(4,381)	807,162	366,475	1,085,973	156,609	71,105

Summary Operational Data

	Year Ended December 31,			Six-Month Period Ended June 30,	
	2011[(4)]	2012	2013	2013	2014
Operating Data:					
Revenue passengers (in thousands)	36,220	39,164	36,306	17,270	19,062
Revenue passenger kilometers (in millions)	34,415	36,410	34,684	16,541	18,273
Available seat kilometers (in millions)	50,127	51,867	49,633	24,509	24,147
Load-factor	68.7%	70.2%	69.9%	67.5%	75.7%
Break-even load-factor	70.9%	78.0%	67.8%	66.4%	72.8%
Aircraft utilization (block-hours per day)	13.0	12.1	11.2	11.7	11.3
Average fare	185.0	182.8	223.7	210.1	231.7
Yield per passenger kilometer (cents)...	19.5	19.7	23.4	21.9	24.2
Passenger revenue per available seat kilometer (cents)	13.4	13.8	16.4	14.8	18.3
Operating revenue per available seat kilometer (cents)	15.0	15.6	18.0	16.3	20.2
Operating expense per available seat kilometer (cents)............................	15.5	17.4	17.5	16.0	19.4
Operating expense less fuel expense per available seat kilometer (cents) .	9.4	10.2	10.2	9.0	11.5
Departures	314,190	348,578	316,466	156,627	154,399
Departures per day	861	955	867	865	853
Destinations served	63	65	65	65	67
Average stage length (kilometers)	908.0	877.0	897.0	898.1	905.9
Average number of operating aircraft during period	133.6	130.8	127.0	120.8	124.8
Full-time equivalent employees at period end	20,525	17,726	16,319	16,465	16,302
Fuel liters consumed (in thousands)	1,591,917	1,655,421	1,511,869	744,733	749,418
Percentage of sales through website during period [(3)]...............................	88.4%	88.8%	87.6%	88.3%	80.2%
Percentage of sales through website and call center during period	94.5%	94.5%	92.5%	93.1%	85.2%

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(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 income (loss) before financial result and income taxes divided by net revenue.

(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,			Six-Month Period Ended June 30,	
	2011	2012	2013	2013	2014
Reconciliation of Net Loss to EBITDAR:	(in thousands, except percentages)				
Net loss	R$(751,538)	R$(1,512,915)	R$(724,590)	R$(508,245)	R$(241,126)
Income taxes	(248,879)	(71,907)	71,363	42,434	123,947
Loss before income taxes	(1,000,417)	(1,584,822)	(653,227)	(465,811)	(117,179)
Financial income (expenses) net	755,914	679,209	919,216	531,907	299,477
Depreciation and amortization	395,807	519,631	560,966	227,152	259,561
Aircraft rent	505,058	644,031	699,193	308,424	425,995
EBITDAR[1]	656,361	258,049	1,526,148	601,672	867,854
EBITDAR Margin[2]	8.7%	3.2%	17.0%	15.1%	17.8%

(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 net revenue.

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, 2013, which is incorporated by reference in this offering memorandum as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of the notes could decline and you could lose all or part of your investment.

Risks Relating to the Notes and the Guarantees

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

The Issuer, the Guarantors and their subsidiaries are not restricted from incurring additional debt or liabilities, including additional senior debt, under the notes, the guarantees or the indenture. If the Issuer or the Guarantors incur additional debt or liabilities, their ability to pay their obligations on the notes or the guarantees, as the case may be, could be adversely affected. The Issuer and the Guarantors expect from time to time to incur additional debt and other liabilities. In addition, the Issuer, the Guarantors and their subsidiaries are not restricted from creating liens on their assets, and the Guarantors are not restricted under the guarantees or the indenture from paying dividends or issuing or repurchasing securities.

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

The notes and the guarantees will constitute unsecured unsubordinated obligations of the Issuer and the Guarantors and will rank equal in right of payment with all of the other existing and future unsecured unsubordinated indebtedness of the Issuer and the Guarantors, respectively. Although the holders of the notes will have a direct, but unsecured claim on the assets and property of the Issuer, payment on the notes will be subordinated to any secured debt of the Issuer to the extent of the assets and property securing such debt. Payment on the notes will also be effectively subordinated to the payment of secured and unsecured debt and other creditors of the Guarantors' non-guarantor subsidiaries, including Smiles S.A., for which the portion of dividends, if any, allocated to the non-controlling investors will not be available for distribution to the Guarantors. In addition, under Brazilian law, the obligations of the Issuer and the Guarantors under the notes and the guarantees are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes, court fees, expenses and costs, as well as to other statutory claims specific to the aircraft industry. These statutory preferences will have priority in a liquidation over any other claims, including claims by any holder of the notes.

As of June 30, 2014, we had R$4,875.3 million (US$2,213.5 million) of consolidated long-term debt, of which R$175.7 million (US$79.7 million) was secured debt (which does not include finance leases).

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

If proceedings were brought in the courts of Brazil seeking to enforce obligations of the Issuer and Guarantors under the notes or the guarantees, the Issuer and Guarantors would not be required to discharge such obligations in a currency other than *reais*. Any judgment obtained against the Issuer and the Guarantors in Brazilian courts in respect of any payment obligations under the notes or the guarantees will be expressed in *reais* equivalent to the U.S. dollar amount. We cannot assure you that this exchange rate will afford you full compensation of the amount invested in the notes, plus accrued interest.

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 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 will likely 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$2.044 per US$1.00 as of December 31, 2012. The exchange rate was R$2.343 per US$1.00 as of December 31, 2013. The exchange rate was R$2.34 per US$1.00 as of September 17, 2014.

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				
2009	1.74	1.96	1.70	2.42
2010	1.67	1.76	1.66	1.81
2011	1.88	1.67	1.53	1.90
2012	2.04	1.95	1.70	2.11
2013	2.34	2.16	1.95	2.45

	Month-End	**Average for Month** (2)	**Low**	**High**
		(*reais* per U.S. dollar)		
Month				
March 2014	2.26	2.31	2.26	2.36
April 2014	2.24	2.23	2.20	2.28
May 2014	2.23	2.22	2.21	2.24
June 2014	2.20	2.24	2.20	2.28
July 2014	2.27	2.22	2.27	2.21
August 2014	2.24	2.27	2.24	2.30
September 2014 (through September 17)	2.34	2.28	2.23	2.34

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$2.2025 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of June 30, 2014, 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 condensed consolidated financial information and related notes as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013 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 "Forward-Looking Statements."

The following table sets forth our unaudited interim condensed consolidated statement of operations for the six-month periods ended June 30, 2014 and 2013.

	Six-Month Period Ended June 30,	
	2013	2014
	(in thousands of *reais*)	
Net revenue:		
Passenger	3,628,668	4,415,697
Cargo and other	368,833	458,991
Net revenue	**3,997,501**	**4,874,688**
Operating expenses:		
Personnel	(622,068)	(674,428)
Aircraft fuel	(1,724,905)	(1,919,364)
Aircraft rent	(308,424)	(425,995)
Sales and marketing	(199,420)	(322,237)
Landing fees	(268,641)	(293,812)
Aircraft and traffic servicing	(277,218)	(367,869)
Maintenance, materials and repairs	(174,641)	(227,935)
Depreciation and amortization	(227,152)	(259,561)
Other operating expenses, net	(128,935)	(199,782)
Total operating expenses	**(3,931,404)**	**(4,690,983)**
Equity pick-up	—	(1,407)
Income before financial result and income taxes	**66,097**	**182,298**
Financial income (expenses):		
Financial expense	(437,584)	(578,419)
Financial income	180,208	171,064
Exchange variation, net	(274,531)	107,878
Loss before income taxes	**(465,810)**	**(117,179)**
Income taxes	(42,434)	(123,947)
Loss for the period	**(508,244)**	**(241,126)**

Overview

In the six-month period ended June 30, 2014, our total revenue passenger kilometers (RPK) increased by 10.5% as compared to the six-month period ended June 30, 2013, mainly due to our efforts to offer additional services to our passengers, including services such as our *Gol+* and *Gol+Conforto* products. The change is part of our standardization process to increase operating efficiency and revenue generation.

Demand in Brazil, as measured in RPK, increased by 6.6% in the six-month period ended June 30, 2014 when compared to the six-month period ended June 30, 2013. Capacity in Brazil, as measured by available seat kilometers (ASK), increased by 0.2% in the same period. These 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 June 2014, domestic supply fell by 1.5% as compared to June 2013. June, traditionally a month of increased travel, experienced its first decrease in supply since 2003.

In the first half of 2014, we strengthened our strategy of concentrating our operations at the main Brazilian airports in order to become a more efficient airline by adjusting domestic capacity, focusing on established, profitable routes. In addition we are studying new potential destinations to expand our international operations, especially in South America, the United States and Caribbean. In 2014, we expect to reduce domestic capacity by between 3% and 1%, an increase in RASK equal to or above 10% and an expansion of up to 8% in international capacity in comparison with 2013.

Domestic load factor increased 7.9 percentage points from 68.5% in the six-month period ended June 30, 2013 to 76.4% in the six-month period ended June 30, 2014. This figure represents the highest load factor ever for this period and also represents our new load factor levels. The new load factor level, together with the continuing upturn in yield, which increased by 10.2% in the six-month period ended June 30, 2014 as compared to the same period in 2013, fueled PRASK, which increased by 23.5%, in the same period.

International demand, as measured by RPK, in the six-month period ended June 30, 2014 increased by 23.8% when compared to the same period in 2013. International capacity, as measured by ASK, in the six-month period ended June 30, 2014 increased by 4.3% when compared to the same period in 2013. The combined result of these figures was an increase of 11.1 percentage points in load factor to 70.4% in the six-month period ended June 30, 2014 from 59.3% in the six-month period ended June 30, 2013.

Our total demand in RPK increased by 10.5% and our capacity in ASK decreased by 1.5% in the six-month period ended June 30, 2014 as compared to the same period in 2013 due to our strategy of capacity discipline and focus on improving revenues through load factor optimization.

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

	Six-Month Period Ended June 30,		
Operating Data	**2013**	**2014**	**Change %**
Revenue passengers (in thousands)	17,270	19,062	10.4%
Revenue passenger kilometers (RPK) (in millions)	16,541	18,273	10.5%
Available seat kilometers (ASK) (in millions)	24,509	24,147	(1.5)%
Load factor	67.5%	75.7%	12.1%
Break-even load factor	66.4%	72.8%	9.7%
Aircraft utilization (block-hours per day)	11.7	11.3	(3.3)%
Average fare (R$)	210.1	231.7	10.3%
Yield per passenger kilometer (R$ cents)	21.9	24.2	10.2%
Passenger revenue per ASK (PRASK) (R$ cents)	14.8	18.3	23.5%
Operating revenue per ASK (RASK) (R$ cents)	16.3	20.2	23.8%
Operating expense per ASK (CASK) (R$ cents)	16.0	19.4	21.1%
Operating cost excluding fuel per ASK (R$ cents)	9.0	11.5	27.5%
Departures	156,627	154,399	(1.4)%
Average stage length (km)	898.1	905.9	0.9%
Average number of operating aircraft	120.8	124.8	3.4%
Fuel consumption (in millions of liters)	744.7	749.4	0.6%
Full-time equivalent employees at period-end	16,465	16,302	(1.0)%

The table below presents certain macro-economic data for the periods indicated:

	Six-Month Period Ended June 30,		
Economic Environment Data	**2013**	**2014**	**Change %**
Average exchange rate[1]	2.03	2.30	13.0%
End of period exchange rate[1]	2.22	2.20	(0.6)%
Inflation (IGP-M)[2]	1.8%	2.4%	0.7%
Inflation (IPCA)[3]	3.7%	3.8%	0.1%
WTI (avg. per barrel in US$)[4]	94.3	100.9	7.0%
Gulf Coast Jet Fuel cost (average per liter in US$)[4]	0.77	0.77	(0.3)%

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 six-month period ended June 30, 2014.

Net Revenue

Net revenue increased by 21.9%, from R$3,997.5 million in the six-month period ended June 30, 2013 to R$4,874.7 million in the six-month period ended June 30, 2014.

The table below presents net revenue data for the periods indicated:

	Six-Month Period Ended June 30,		
Net Revenue	**2013**	**2014**	**Change %**
	(in thousands of *reais*)		
Net Revenue	**3,997,501**	**4,874,688**	**21.9%**
Passenger	3,628,668	4,415,697	21.7%
Cargo and other	368,833	458,991	24.4%

Passenger revenue increased by 21.7% from R$3,628.7 million in the six-month period ended June 30, 2013 to R$4,415.7 million in the six-month period ended June 30, 2014. This variation was primarily due to the 8.2 percentage point increase in the load factor and the 10.2% increase in yield in the same period. Consolidated PRASK increased by 23.5%.

Cargo and other revenue or "ancillary revenue" (cargo, flight booking, excess baggage, premium seat products, on board sales, etc.) increased by 24.4% from R$368.8 million in the six-month period ended June 30, 2013 to R$459.0 million in the six-month period ended June 30, 2014, accounting for 9% of net revenue in the six-month period ended June 30, 2014, primarily due to: (i) the 20% increase in revenue from flight rebooking charges, no-show, passenger services and ticket cancellations; (ii) the 4% increase in cargo operation; and (iii) the 7% increase in excess baggage revenue. Consolidated ancillary revenue per ASK increased by 26.3% in the same period.

On a per unit basis, revenue per available seat kilometer (RASK) increased by 23.8% from R$16.3 cents in the six-month period ended June 30, 2013 to R$20.2 cents in the six-month period ended June 30, 2014.

Operating Expenses

Operating expenses increased 19.3% from R$3,931.4 million in the six-month period ended June 30, 2013 to R$4,691.0 million in six-month period ended June 30, 2014, primarily due to: (i) an 11% increase in average fuel prices; (ii) a 13% average depreciation of the *real* against the U.S. dollar; (iii) an increase of R$63 million in losses from sales in direct sales channels (primarily on-line sales); (iv) higher landing costs relating to a passenger connection fee introduced at the end of 2012 and fully implemented by July 2013 at Brazilian airports where we operate; (v) additional maintenance expenses for five aircraft in the process of being returned (as we must incur certain reconfiguration costs in connection with the return of such aircraft); (vi) an increase in the number of aircraft under operational leases from 90 at June 30, 2013 to 101 at June 30, 2014; (vii) contractual adjustments and the upgrade of IT infrastructure and services related to on-board entertainment; and (viii) the settlement of certain labor claims, which resulted in a reversal of provisions for labor claims of R$22 million recorded under personnel expenses.

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

Operating Expenses	Six-Month Period Ended June 30, 2013	2014	Change %
	(in thousands of *reais*)		
Personnel	(622,068)	(674,428)	8.4%
Aircraft fuel	(1,724,905)	(1,919,364)	11.3%
Aircraft rent	(308,424)	(425,995)	38.1%
Sales and marketing	(199,420)	(322,237)	61.6%
Landing fees	(268,641)	(293,812)	9.4%
Aircraft and traffic servicing	(277,218)	(367,869)	32.7%
Maintenance, materials and repairs	(174,641)	(227,935)	30.5%
Depreciation and amortization	(227,152)	(259,561)	14.3%
Other operating expenses	(128,935)	(199,782)	54.9%
Total operating expenses	**(3,931,404)**	**(4,690,983)**	**19.3%**

Excluding fuel expenses, which increased by 11.3%, operating expenses directly managed by us increased 25.6% from R$2,206.5 million in the six-month period ended June 30, 2013 to R$2,771.6 million in the six-month period ended June 30, 2014, mostly due to: (i) a 61.6% growth in sales and marketing expenses; (ii) an increase in the number of aircraft under operational leases; (iii) R$22 million in connection with settlement of certain labor claims, (iv) upgrades in IT infrastructure and services related to on-board entertainment; (v) additional maintenance expenses for five aircraft in the process of being returned (as we must incur certain reconfiguration costs in connection with the return of such aircraft); (vi) higher landing costs relating to a passenger connections fee charged at the main airports where we operate; and (vii) increased depreciation and amortization expenses as further explained below.

On a per unit basis, our CASK increased by 21.1% from R$16.4 cents in the six-month period ended June 30, 2013 to R$19.4 cents in the six-month period ended June 30, 2014, mainly due to higher CASK from sales and marketing, aircraft rent, fuel, landing fees, maintenance and other expenses. The increase in CASK was also due to the 1.5% capacity reduction in the same period. Operating expenses per available seat kilometer excluding fuel (CASK Ex-fuel) increased 27.5% from R$9.0 cents in the six-month period ended June 30, 2013 to R$11.5 cents in the six-month period ended June 30, 2014, mainly due to the reasons described above.

The following tables set forth the breakdown of our CASK for the periods indicated:

Operating Expenses per Available Seat Kilometer	Six-Month Period Ended June 30, 2013	2014	Change %
	(in cents of *reais*, except percentages)		
Aircraft fuel	7.04	7.95	12.9%
Personnel	2.54	2.79	10.0%
Aircraft rent	1.26	1.76	40.2%
Sales and marketing	0.81	1.33	64.0%
Landing fees	1.10	1.22	11.0%
Aircraft and traffic servicing	1.13	1.52	34.7%
Maintenance, materials and repairs	0.71	0.94	32.5%
Depreciation and amortization	0.93	1.07	16.0%
Other operating expenses	0.53	0.83	57.3%
Operating expenses per available seat kilometer (CASK)	**16.04**	**19.43**	**21.1%**
CASK excluding fuel expenses	**9.00**	**11.48**	**27.5%**

Aircraft fuel expenses increased by 11.3% from R$1,724.9 million in the six-month period ended June 30, 2013 to R$1,919.4 million in the six-month period ended June 30, 2014, largely due to the 10.6% increase in the price of jet fuel and the 13.0% average period depreciation of the *real* against the U.S. dollar. In terms of ASK, aircraft fuel costs increased by 12.9%, due to the reasons above, as well as the decrease in ASK during the period.

Personnel expenses increased by 8.4%, from R$622.1 million in the six-month period ended June 30, 2013 to R$674.4 million in the six-month period ended June 30, 2014, due to: (i) the impact of a 6.0% salary increase for 2013 on payroll expenses; (ii) the write-down, in the first quarter of 2013, of a provision for social security taxes (INSS), due to the inclusion of the air transport sector in the *Brasil Maior* incentive program, which exempts employers' social security contributions on payroll and had an impact of R$20 million; and (iii) a R$34 million increase in provisions for the payment of variable compensation for crew and for the employees profit sharing program. This increase was partially offset by a 1.0% decrease in our workforce and the reversal of R$22 million in provisions for labor claims in connection with the settlement of certain labor claims. In per available seat kilometer terms, personnel expenses increased by 10.0%, due to the reasons mentioned above, as well as the decrease in ASK during the period.

Aircraft rent increased by 38.1%, from R$308.4 million in the six-month period ended June 30, 2013 to R$426.0 million in the six-month period ended June 30, 2014, due to the greater number of aircraft under operational leases (90 in the six-month period ended June 30, 2013 as compared to 101 in the same period in 2014), combined with the 13.0% 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 terms of ASK, aircraft rent increased by 40.2%, due to the reasons above, as well as the decrease in ASK during the period.

Sales and marketing expenses increased by 61.6%, from R$199.4 million in the six-month period ended June 30, 2013 to R$322.2 million in the six-month period ended June 30, 2014, due to: (i) an increase of R$63 million in losses from sales in direct sales channels (primarily on-line sales); (ii) higher commissions resulting from increased sales and; (iii) R$6 million growth in marketing and advertising expenses. In terms of ASK, sales and marketing expenses increased 64.0%, due to the reasons above, as well as the decrease in ASK during the period.

Landing fees increased by 9.4% from R$268.6 million in the six-month period ended June 30, 2013 to R$293.8 million in the six-month period ended June 30, 2014, due to higher landing costs relating to a passenger connections fee charged at the main airports where we operate and the 13.0% average depreciation of the *real* against the U.S. dollar during the period, which impacted our international operations. This increase was partially offset by a 1.4% decrease in our departures in the same period. In terms of ASK, these fees increased by 11.0%, due to the reasons above, as well as the decrease in ASK during the period.

Aircraft and traffic servicing expenses increased by 32.7% from R$277.2 million in the six-month period ended June 30, 2013 to R$367.9 million in the six-month period ended June 30, 2014, mainly due to: (i) R$33 million of contractual adjustments and risk premium for ground services employees; (ii) R$26 million increase in advisory services and in services related to upgrading IT structures; and (iii) the 13.0% average depreciation of the *real* against the U.S. dollar for the period. In terms of ASK, these costs increased by 34.7% in the period, due to the reasons above, as well as the decrease in ASK in the period.

Maintenance, materials and repairs increased by 30.5% from R$174.6 million in the six-month period ended June 30, 2013 to R$227.9 million in the six-month period ended June 30, 2014, due to: (i) additional maintenance expenses for five aircraft in the process of being returned (as we must incur certain reconfiguration costs in connection with the return of such aircraft); (ii) an increased number of engine removals; and (iii) the 13.0% average depreciation of the *real* against the U.S. dollar during the period, given these expenses are mostly U.S dollar denominated. In terms of ASK, maintenance, materials and repairs increased by 32.5%, due to the reasons above, as well as the decrease in ASK during the same period.

Depreciation and amortization expenses increased by 14.3% from R$227.2 million in the six-month period ended June 30, 2013 to R$259.6 million in the six-month period ended June 30, 2014, mainly due to 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 terms of ASK, depreciation and amortization increased by 16.0%, due to the reasons above, as well as the decrease in ASK during the same period.

Other operating expenses, net (mainly crew travel and accommodation, direct passenger expenses, equipment leasing and general and administrative expenses) increased by 54.9% from R$128.9 million in the six-month period ended June 30, 2013 to R$199.8 million in the six-month period ended June 30, 2014 due to: (i) higher expenses from the improvement in our international operations; (ii) the 13.0% average depreciation of the *real* against the U.S. dollar during the period; and (iii) higher accommodation expenses due to the additional allocation of human resources during the World Cup. This increase was partially offset by a 1.4% decrease in our departures and gains from the sale lease-back of aircraft (nine aircraft in the six-month period ended June 30, 2014 compared to six aircraft in the six-month period ended June 30, 2013). In terms of ASK, other operating expenses increased by 57.3%, due to the reasons above, as well as the decrease in ASK during the same period.

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 six-month period ended June 30, 2014, we recognized a derivative net loss of R$155.3 million. These operations generated a negative cash impact of R$143.6 million. As of June 30, 2014, we do not have fuel derivative positions in place.

- *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 gains of R$8.9 million in the six-month period ended June 30, 2014, recorded under financial result.
- *Foreign Exchange*: Foreign exchange hedge transactions generated losses of R$90.2 million in the six-month period ended June 30, 2014, recorded under financial result.
- *Interest*: Swap transactions contracted to hedge aircraft leasing against increases in interest rates generated losses of R$80.6 million in the six-month period ended June 30, 2014, recorded under financial result.

	As of and for the six-month period ended June 30, 2014			
Derivative Results	**WTI**	**Foreign Exchange**	**Interest Rate**	**Total**
	(in thousands of *reais*)			
Subtotal – Operating Result	—	—	(6,573)	(6,573)
Subtotal – Financial Result	8,949	(90,214)	(74,005)	(155,270)
Total	**8,949**	**(90,214)**	**(80,578)**	**(161,843)**
Balance in OCI (net of taxes)	**1,847**	**—**	**(76,686)**	**(74,839)**

OCI (Other Comprehensive Income) is an account that records unrealized gains and losses on derivatives held as a cash flow hedge. Amounts in accumulated OCI 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 result decreased by 43.7% from a net expense of R$531.9 million in the six-month period ended June 30, 2013 to a net expense of R$299.5 million in the six-month period ended June 30, 2014 primarily as a result of the gain related to exchange variation compared to a loss related to exchange variation in the same period in 2013.

	Six-Month Period Ended June 30,		
Financial Result	**2013**	**2014**	**Change %**
	(in thousands of *reais*)		
Interest on debt	(250,793)	(276,004)	10.1%
Exchange variation, net	(274,531)	107,878	—
Derivative net results	13,324	(155,270)	—
Investments income	20,881	67,530	223.4%
Other financial expenses	(40,788)	(43,612)	6.9%
Net financial results	**(531,907)**	**(299,477)**	**(43.7)%**

Interest on debt increased by 10.1% in the six-month period ended June 30, 2014 as compared to the six-month period ended June 30, 2013, due to: (i) interest of R$155 million from new financing facilities, such as Finimp, JP Morgan and others (see note 17 to our interim condensed consolidated financial information as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013); and (ii) the 13% increase in the *real* to U.S. dollar exchange rate (which adversely affected our dollar-denominated debt and was equivalent to 78% of our total debt as of June 30, 2014). This increase was partially offset by the decrease of our local debt portfolio during the period.

Exchange variation resulted in a net gain of R$107.9 million in the six-month period ended June 30, 2014 as compared an expense of R$274.5 million in the six-month period ended June 30, 2013, due to the appreciation of the *real* against the U.S. dollar by 2.0% in the first half of 2014, which had a positive effect on foreign currency liabilities, given that the majority of our debt (78% of our total debt) was foreign currency denominated as of June 30, 2014. The gain was partially offset by a R$134 million effect of devaluation of the Venezuelan currency against the U.S. dollar.

Investments income increased by 223.4% in the six-month period ended June 30, 2014 as compared to the same period in 2013, mainly due to: (i) a higher volume of cash invested between the periods, especially given the Smiles IPO and improvements in operating cash flow during the period and (ii) an increase in the SELIC rate during the last twelve months, given that most of our cash investments are pegged to the CDI interbank rate which is tied to the SELIC rate. The increase was partially offset by the increase in cash denominated in foreign currency, which had depreciated during the period.

Other financial expenses increased by 6.9%, from R$40.8 million in the six-month period ended June 30, 2013 to R$43.6 million in the six-month period ended June 30, 2014, mainly due to: (i) the increase of financial commissions in the period; and (ii) 13.0% average period depreciation of the *real* against the U.S. dollar.

Income Tax

Income tax expenses increased by 192.1%, from R$42.4 million in the six-month period ended June 30, 2013 to R$123.9 million in the six-month period ended June 30, 2014, mainly due to the increase in deferred income taxes between the periods due to the lower temporary differences generated in the taxable income base arising from aircraft under finance leases and higher income recorded by Smiles.

Loss for the period

As a result of the foregoing, we had a net loss of R$241.1 million in the six-month period ended June 30, 2014, compared to a net loss of R$508.2 million in the six-month period ended June 30, 2013.

Liquidity and Debt

On June 30, 2014, our total liquidity (consisting of cash, cash equivalents, short-term investments and restricted cash of R$2,820.3 million and short-term receivables of R$466.8 million) was R$3,287.1 million.

As of June 30, 2014, our short-term debt was R$531.7 million and our total consolidated long-term debt was R$4,875.3 million, including finance leases but excluding operating lease obligations.

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

Non-derivative assets	June 30, 2014	December 31, 2013	Change %
		(in thousands of *reais*)	
***Real* denominated:**			
Cash and cash equivalents	2,450,393	1,635,647	49.8%
Short-term investments	143,355	1,155,617	(87.6)%
Restricted cash	226,546	254,456	(11.0)%
Trade receivables	466,826	324,821	43.7%
Foreign currency denominated:			
Advances for aircraft acquisition	314,331	467,763	(32.8)%
Total non-derivative financial assets	**3,601,451**	**3,838,304**	**(6.2)%**

Total cash at June 30, 2014 was R$2,820.3 million (cash and cash equivalents of R$2,450.4 million, plus short-term investments of R$143.4 million and restricted cash of R$226.5 million) a 7.4% decrease as compared to R$3,045.7 million at December 31, 2013. We have and intend to maintain liquidity in line with or above the levels of our industry peers in any fiscal quarter. However, our cash and liquidity position may, in the short- or medium-term be lower than the June 30, 2014 levels, especially due to timing differences in our accounts receivables and the current airline operating environment in Brazil.

On June 30, 2014, cash, cash equivalents, financial investments and short and long-term restricted cash held by Smiles was R$469.3 million.

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 June 30, 2014, our trade receivables totaled R$466.8 million, an increase of 43.7% as compared to R$324.8 million at December 31, 2013, mostly due to the increase of sales in the period, especially in the travel agency channel.

On July 15, 2014 Smiles issued R$600 million in Smiles Debentures. See "—Other Recent Developments—Smiles Debentures."

On August 1, 2014 we completed the August Tender Offer pursuant to which we acquired and subsequently cancelled US$88.2 million and US$98.9 million in aggregate principal amount of our Senior Notes due 2017 and 2023, respectively. See "—Other Recent Developments—August Tender Offer."

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

Total short and long-term debt	**June 30, 2014**	**December 31, 2013**	**Change %**
	(in thousands of *reais*)		
Loans and financing	2,970,874	2,891,682	2.7%
Finance leases	1,955,348	2,195,328	(10.9)%
Interest	86,498	83,049	4.2%
Perpetual bonds	394,248	419,326	(6.0)%
Total short and long-term debt	**5,406,968**	**5,589,385**	**(3.3)%**

On June 30, 2014, total short- and long-term debt was R$5,407.0 million. Long-term debt excluding perpetual bonds, that have no maturity date, had an average term of 4.6 years and an average rate of 12.5% for local currency debt and 8.3% for U.S. dollar-denominated debt. Excluding the perpetual bonds, our outstanding debt increased to R$5,012.7 million, mainly due to new financing facilities in the period such as Finimp, JP Morgan and others (see note 17 to our interim condensed consolidated financial information as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013). The increase was partially offset by debt amortization in the period and 6.0% average period appreciation of the *real* against the U.S. dollar.

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

Finance leases	**June 30, 2014**	**December 31, 2013**	**Change %**
	(in thousands of *reais*)		
Short-term (foreign currency)	256,460	259,833	(1.3)%
Long-term debt (foreign currency)	1,698,888	1,935,495	(12.2)%
Total Finance leases	**1,955,348**	**2,195,328**	**(10.9)%**

On June 30, 2014, finance leases totaled R$1,955.3 million. Operating leases, which are off balance sheet, totaled R$4,051.3 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 month 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 June 30, 2014, our adjusted gross debt/EBITDAR ratio using market methodology was 6.2x, as compared to 6.9x as of December 31, 2013.

However, because the average maturity of our non-cancelable operational leasing agreements is shorter than seven years, approximately 4.0 years as of June 30, 2014, 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 June 30, 2014 was 3.7x, as compared to 4.3x for the similar period ended December 31, 2013.

The following table sets forth our payment schedule for our loans and financings (excluding aircraft financings and accrued interest of R$86.5 million as of June 30, 2014):

	2014[1]	2015[2]	2016	2017	2018	After 2018	Without Maturity	Total
				(in thousands of *reais*)				
***Real* Denominated**	**69,245**	**178,221**	**297,549**	**296,258**	**344,452**	**—**	**—**	**1,185,725**
BNDES	3,105	1,548	3,097	1,807	—	—	—	9,557
Safra	66,140	32,221	—	—	—	—	—	98,361
Debentures IV and V	—	144,452	294,452	294,451	344,452	—	—	1,077,807
Foreign Currency Denominated	**119,448**	**28,313**	**21,631**	**474,306**	**11,781**	**1,129,670**	**394,248**	**2,179,397**
Finimp	52,600	—	—	—	—	—	—	52,600
J.P. Morgan	55,067	22,423	9,850	—	—	—	—	87,340
Engine Facility	11,781	5,890	11,781	11,781	11,781	95,790	—	148,804
Senior Notes 2017[3]	—	—	—	462,525	—	—	—	462,525
Senior Notes 2020	—	—	—	—	—	649,120	—	649,120
Senior Notes 2023[4]	—	—	—	—	—	384,760	—	384,760
Perpetual Bonds	—	—	—	—	—	—	394,248	394,248
Total[5]	**188,693**	**206,534**	**319,180**	**770,564**	**356,233**	**1,129,670**	**394,248**	**3,365,122**

(1) Includes the third and fourth quarters of 2014 and the first, second and third quarters of 2015.
(2) Excluding the first, second and third quarters of 2015.
(3) On August 1, 2014 we completed the August Tender Offer in which we acquired US$87.7 million in aggregate principal amount of our Senior Notes due 2017, which were subsequently cancelled. See "—Other Recent Developments—August Tender Offer."
(4) On August 1, 2014 we completed the August Tender Offer in which we acquired US$98.9 million in aggregate principal amount of our Senior Notes due 2023, which were subsequently cancelled. See "—Other Recent Developments—August Tender Offer."
(5) Excluding accrued interest and finance leases.

The following table sets forth maturities, interest rates and currencies of our outstanding debt obligations as of June 30, 2014:

	Maturity	Contractual Interest	Effective Interest p.a.	Currency
BNDES	July 2017	TJLP +1.4%	6.15%	*Real*
Debentures IV	September 2015	128.0% of CDI	12.77%	*Real*
Debentures V	June 2017	128.0% of CDI	12.56%	*Real*
Safra	December 2015	125% of CDI	11.54%	*Real*
Finimp	March 2015	4.09%	4.09%	U.S. dollar
Engine Facility (Cacib)	June 2021	Libor 3m + 2.25%	2.52%	U.S. dollar
J.P. Morgan (2nd tranche)	September 2014	0.85%	0.98%	U.S. dollar
J.P. Morgan (3rd tranche)	March 2015	Libor 3m + 1.5%	1.92%	U.S. dollar
J.P. Morgan (4th tranche)	February 2016	0.622%	0.72%	U.S. dollar
Senior Notes 2017	April 2017	7.50%	7.70%	U.S. dollar
Senior Notes 2020	July 2020	9.25%	9.65%	U.S. dollar
Senior Notes 2023	February 2023	10.75%	11.30%	U.S. dollar
Perpetual Bonds	n/a	8.75%	8.75%	U.S. dollar

Covenant Compliance

Our long-term financings contain customary covenants and our Debentures IV and V have additional restrictions that require us to comply with specific debt liquidity and interest expense coverage ratios. As of June 30, 2014, we were in compliance with all the covenants contained in our long-term financings.

On June 30, 2014, our Debentures IV and V had the following restrictive covenants: (i) net debt/EBITDA below 5.69 times and (ii) debt coverage ratio, or ICD, which is a ratio of cash generation divided by interest and principal payments due on the trailing 12 months, of at least 1.53 times. These ratios will gradually evolve to 1.28 and 4.30 until maturity of these debentures. On the same date, our measurements for each of the restrictive covenants were: (i) net debt/EBITDA of 2.65 times; and (ii) debt coverage ratio (ICD) of 2.11 times.

Contractual Obligations

Our non-cancelable contractual obligations at June 30, 2014 included the following:

	Total	2014	2015	2016	2017	2018	Beyond 2018
				(in thousands of *reais*)			
Non-derivative financial instruments							
Operating leases	**4,051,325**	351,002	605,787	535,173	481,083	420,816	1,657,464
Finance leases	**1,955,348**	125,643	264,720	270,352	258,881	266,210	769,542
Short-term debt	**275,191**	275,191	—	—	—	—	—
Long-term debt(1)	**3,176,429**	—	206,534	319,180	770,564	356,233	1,523,918
Total non-derivative financial instruments	**9,458,293**	**751,836**	**1,077,041**	**1,124,705**	**1,510,528**	**1,043,259**	**3,950,924**
Derivative financial instruments							
Fuel derivative	**—**	—	—	—	—	—	—
Foreign exchange derivative	**359**	359	—	—	—	—	—
Interest rate swaps	**46,032**	6,548	—	2,879	28,457	8,148	—
Total derivative financial instruments	**46,391**	**6,907**	**—**	**2,879**	**28,457**	**8,148**	**—**
Aircraft commitments							
Pre-delivery deposits	**4,476,474**	87,657	240,420	127,875	222,139	539,907	3,258,476
Aircraft purchase commitments	**32,704,865**	—	1,097,700	1,148,522	1,768,451	1,207,917	27,482,275
Total aircraft commitments	**37,181,339**	**87,657**	**1,338,120**	**1,276,397**	**1,990,590**	**1,747,824**	**30,740,751**
Total	**46,686,023**	**846,400**	**2,415,161**	**2,403,981**	**3,529,575**	**2,799,231**	**34,691,675**

(1) On August 1, 2014 we completed the August Tender Offer pursuant to which we acquired and subsequently cancelled US$88.2 million and US$98.9 million in aggregate principal amount of our Senior Notes due 2017 and 2023, respectively. See "—Other Recent Developments—August Tender Offer."

Other Recent Developments

August Tender Offer

On August 1, 2014 we concluded the August Tender Offer, pursuant to which we acquired and subsequently cancelled US$88.2 million and US$98.9 million in aggregate principal amount of our Senior Notes due 2017 and 2023, respectively.

Smiles Debentures

On July 15, 2014 Smiles issued R$600 million in Smiles Debentures. The Smiles Debentures bear interest equivalent to 115% of the CDI rate, have 12 monthly amortization payments and mature on July 4, 2015. The proceeds from the debentures were used to pay Smiles shareholders in connection with the Smiles return of capital (as described below).

Smiles Return of Capital

On July 16, 2014, Smiles completed a R$1.0 billion return of capital, of which we received our proportional share of 54.5%. This return of capital was part of our strategy to distribute Smiles' earnings to its shareholders.

USE OF PROCEEDS

We expect that the net proceeds of this offering will be approximately US$319 million, after deducting the discounts and commissions to the initial purchasers and estimated offering expenses payable by us. The net proceeds to the Issuer from the sale of the notes will be primarily used to purchase notes that are tendered in connection with the Concurrent Tender Offers, subject to the terms and conditions of the Concurrent Tender Offers. Any remaining portion of the net proceeds of this offering will be used for general corporate purposes.

CAPITALIZATION

The following table sets forth our consolidated capitalization at June 30, 2014 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$319 million in net proceeds therefrom. This table should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited interim condensed financial information as of June 30, 2014 and for the six-month periods ended June 30, 2014 and 2013 and the notes thereto included elsewhere herein.

	As of June 30, 2014					
	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	531,651	241,385	1,131,651	513,803	1,131,651	513,803
Long-term debt	4,875,317	2,213,538	4,463,293	2,026,467	4,004,909	1,818,347
Notes issued in this offering	—	—	—	—	702,598	319,000
Total debt	5,406,968	2,454,923	5,594,944	2,540,270	5,839,158	2,651,150
Total equity	1,092,722	496,128	1,092,722	496,128	1,092,722	496,128
Total capitalization[(4)(5)]	**6,499,690**	**2,951,051**	**6,687,666**	**3,036,398**	**6,931,880**	**3,147,278**

(1) Adjusted to reflect the cancellation of US$88.2 million and US$98.9 million in our Senior Notes due 2017 and 2023, respectively, repurchased in the August Tender Offer and the issuance of R$600 million in Smiles Debentures, which was adjusted under "short-term debt" as it matures on July 4, 2015. See "Recent Developments—Other Recent Developments—August Tender Offer" and "Recent Developments—Other Recent Developments—Smiles Debenture."

(2) Adjusted to reflect the repurchase and cancellation of certain notes mentioned in note (1) above, the issuance of the notes in this offering and the repurchase of estimated US$208.1 million in aggregate principal amount of notes in the Concurrent Tender Offers.

(3) The *real* amounts for June 30, 2014 have been converted into dollars using the exchange rate of US$1.00 to R$2.2025, 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 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 will issue the notes pursuant to an indenture, to be dated as of September 24, 2014, among the Issuer, or LuxCo, Gol Linhas Aéreas Inteligentes S.A., or GLAI, and VRG Linhas Aéreas S.A., or VRG, as the Guarantors, The Bank of New York Mellon, as trustee (which term includes any successor as trustee under the indenture), transfer agent, registrar and 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 Guarantors 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$325 million;
- will mature at par on January 24, 2022;
- 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 8.875% 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 January 24 and July 24 of each year, commencing on January 24, 2015;
- will be payable to the holders of record on the January 9 and July 9 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 indenture does not limit the amount of debt or other obligations that may be incurred by the Issuer or the Guarantors or any of their present or future Subsidiaries. The indenture does not contain any restrictive covenants or other provisions designed to protect holders of the notes in the event the Issuer or the Guarantors or any of their present or future Subsidiaries participate in a highly leveraged transaction or upon a change of control.

Further Issuances

The Issuer is entitled, without the consent of the holders, to issue additional notes under the indenture on the same terms and conditions (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 guarantees will be unsecured, unsubordinated obligations of each of the Issuer and the Guarantors, ranking equally with all of their other respective unsubordinated obligations. However, the notes will effectively rank junior to all secured debt of the Issuer and the Guarantors to the extent of the value of the assets securing that debt.

Guarantee

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

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

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

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

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

Redemption

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

Optional Redemption

On and after January 24, 2019 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 January 24 of the years set forth below:

Period	Redemption Price
2019	104.438%
2020	102.219%

2021 and thereafter	100.000%

Any redemption of notes by the Issuer pursuant to this paragraph will be subject to either (1) there being at least 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 any Guarantor, or on or after the date a successor to the Issuer or any Guarantor assumes the obligations under the notes and the indenture or guarantees, in the case of any such successor, (i) the Issuer or any successor to the Issuer has or will become obligated to pay any additional amounts as described below under "—Additional Amounts" in excess of the additional amounts the Issuer or any successor to the Issuer would be obligated to pay if payments were subject to withholding or deduction at a rate of 0% (or in the case of a successor, the rate of withholding applicable to payments on the notes in the jurisdiction of the successor to the Issuer on the date such successor replaces the Issuer) or (ii) the Guarantors or any successor to the Guarantors has or will become obligated to pay additional amounts as described below under "—Additional Amounts" in excess of the additional amounts the Guarantors or any such successor to the Guarantors 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) (or in the case of a successor whose jurisdiction is not Brazil, the rate of withholding applicable to payments on the notes in the jurisdiction of the successor to a Guarantor on the date such successor replaces a Guarantor) (each of the rates in (i) and (ii), a "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 Guarantors or any successor to the Guarantors 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) either Guarantor or any successor to the Guarantors 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 Guarantors or any successor to the Guarantors.

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 Guarantors, or any successor to the Guarantors, 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 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 certificated, non-global 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. Payments of principal and interest in respect of each global note will be made to the depositary in accordance with its applicable procedures.

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

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

Subject to applicable law, the trustee and the paying agents will pay to the Issuer upon 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.

Listing

The Issuer will use commercially reasonable efforts to cause the notes to be listed on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market and to remain so listed so long as the Issuer and the Guarantors do not reasonably believe that doing so would impose burdensome financial reporting or other requirements, or costs relating thereto. There can be no guarantee that the application to list the notes on the Official List of the Luxembourg Stock Exchange and to admit the notes on the Euro MTF Market will be approved as of the date the notes are issued or at any time thereafter, and settlement of the notes is not conditioned on obtaining this listing.

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

Title to the notes will pass by registration in the register. The registered holder of any note will (except as otherwise required by law 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 will be 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 Guarantors (or any paying agent) in respect of the guarantees will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Luxembourg or Brazil, or any authority therein or thereof or any other jurisdiction in which the Issuer or any 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 Guarantors (or any paying agent) are compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantors (or any paying agent), as applicable, will make such deduction or withholding, and the Issuer or the Guarantors, 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;

(9) in respect of any tax imposed pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code; or

(10) in respect of any combination of the above.

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

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

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

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

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

Repurchase of Notes upon a Change of Control

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

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

A holder may tender all or any portion of its notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a note tendered must be in a multiple of 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 Guarantors will agree in the indenture to obtain all necessary consents and approvals from the Central Bank of Brazil for the remittance of funds outside of Brazil prior to making any Offer to Purchase.

Existing and future debt of the Issuer and the Guarantors may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require the Issuer to purchase the notes could cause a default under other existing or future debt of the Issuer or the Guarantors, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer and the Guarantors. In addition, the remittance of funds outside of Brazil to noteholders or the trustee requires the consent of the Central Bank, which may not be granted. Finally, the Issuer's and the Guarantors' ability to pay cash to the noteholders following the occurrence of a Change of Control that results in a Rating Decline may be limited by the Issuer's and the Guarantors' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See "Risk Factors—Risks Relating to the Notes and the Guarantees—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 Guarantors in the definition of "Change of Control," is subject to interpretation under applicable state law, and its applicability in a given instance would depend upon the facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Issuer and the Guarantors has occurred in a particular instance, in which case a holder's ability to obtain the benefit of these provisions could be unclear.

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

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

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

Covenants

The indenture contains the following covenants:

Limitation on Transactions with Affiliates

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

Limitation on Consolidation, Merger or Transfer of Assets

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

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

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

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

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

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

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

Reporting Requirements

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

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

(2) an English language version of GLAI's unaudited quarterly financial statements prepared in accordance with 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 Guarantors are taking or propose to take with respect thereto;

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

(5) upon any officer of the Issuer or any Guarantor becoming aware of the existence of a Default or Event of Default, an officers' certificate setting forth the details thereof and the action which the Issuer and/or the Guarantors 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 Guarantors' compliance with any of their covenants in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

Substitution of the Issuer

(a) Notwithstanding any other provision contained in the indenture, the Issuer may, without the consent of the holders of the notes (and by purchasing or subscribing for any notes, each holder of the notes expressly consents to it), be replaced and substituted by (i) GLAI or (ii) any wholly-owned Subsidiary of GLAI as principal debtor (in such capacity, the "Substituted Debtor") in respect of the indenture and 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 Luxembourg, 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 Luxembourg 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 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 Luxembourg 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 Luxembourg and 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 indenture and 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 either Guarantor fails to comply with any of its covenants or agreements in the notes or the indenture (other than those referred to in (1) and (2) above), and such failure continues for 60 days after the notice specified below;

(4) the Issuer, either Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Issuer, either Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Issuer, such Guarantor or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals 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, either Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

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

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

(8) any event occurs that under the laws of Luxembourg, 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, or indirectly, 100% of the outstanding share capital of the Issuer.

A Default under clause (3) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the notes outstanding notify the Issuer and the Guarantors of the Default and the Issuer and the relevant Guarantors, 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 a responsible officer of the trustee with direct responsibility for the indenture has received written notice of such Default or Event of Default has been given to the trustee by the Issuer, any Guarantor or any holder.

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

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

Defeasance

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

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or Event of Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment or waiver may:

(1) reduce the principal amount of or change the Stated Maturity of any payment on any note;

(2) reduce the rate of any interest on any note;

(3) reduce the amount payable upon redemption of any note or change the time at which any note may be redeemed;

(4) after the time an Offer to Purchase is required to be made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder;

(5) change the currency for payment of principal of, or interest or any additional amounts on, any note;

(6) impair the right to institute suit for the enforcement of any right to payment on or with respect to any note;

(7) waive certain payment defaults with respect to the notes;

(8) reduce the principal amount of notes whose holders must consent to any amendment or waiver;

(9) make any change in the amendment or waiver provisions which require each holder's consent;

(10) modify or change any provision of the indenture affecting the ranking of the notes or the guarantees in a manner adverse to the holders of the notes; or

(11) make any change in the guarantees that would adversely affect the noteholders.

provided that the provisions of the covenant described under the caption "—Repurchase of Notes Upon a Change of Control" may, except as provided above, be amended or waived with the consent of holders holding not less than 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 Guarantors and the trustee may, without the consent or vote of any holder of the notes, amend or supplement the indenture or the notes for the following purposes:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with the covenant described under "—Limitation on Consolidation, Merger or Transfer of Assets";

(3) to add guarantees or collateral with respect to the notes;

(4) to add to the covenants of the Issuer or the Guarantors for the benefit of holders of the notes;

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

(6) to evidence and provide for the acceptance of an appointment by a successor trustee;

(7) to provide for the issuance of additional notes;

(8) to 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 will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

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

Governing Law and Submission to Jurisdiction

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

Each of the parties to the indenture will submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York for purposes of all legal actions and proceedings instituted in connection with the notes, the guarantees (as applicable) and the indenture. The Issuer and the Guarantors will appoint National Corporate Research, Ltd., currently having an office at E. 40th Street, 10th Floor, New York, NY 10016, as their authorized agent upon which process may be served in any such action.

The provisions relating to meetings of bondholders contained at Articles 86 to 94-8 and 98 of the Luxembourg Act on commercial companies of August 10, 1915, as amended, shall not apply in respect of the notes.

Currency Indemnity

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

For the purposes of the preceding paragraph, it will be sufficient for the 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 Guarantors, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

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

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

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

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

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

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

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

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

Global Notes

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

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Unless DTC notifies us that it is unwilling or unable to continue as 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. None of us, the trustee or any agent will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Individual Definitive Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a 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 Luxembourg, 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 Luxembourg, 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 Luxembourg, 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.

Luxembourg Taxation

This section provides for a general overview of the material Luxembourg tax consequences relating to your investment in the notes issued by the Issuer. This section is therefore not intended to provide for a comprehensive description of all the tax consequences related to your decision to invest in, hold or dispose of the notes.

Withholding tax

Except as provided for by the Luxembourg laws of June 21, 2005 implementing the Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments (the "EU Savings Directive") and the law of December 23, 2005, which implemented a withholding tax that applies to Luxembourg resident individuals only, under the existing laws of Luxembourg there is no withholding tax on payments of principal, premium or interest, or on accrued but unpaid interest, in respect of the notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the notes.

Under the Luxembourg laws of June 21, 2005 implementing the EU Savings Directive, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of (i) individuals being resident of a Member State (other than Luxembourg) or of certain dependent or associated territories that have agreed to adopt similar measures to those provided for under the EU Savings Directive (such agreements being referred to as the "Accords"), or (ii) residual entities established in such Member State or dependent or associated territory, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the payments of interest or similar income to the fiscal authorities of his or her country of residence (or its establishment) or has provided a tax certificate from his or her fiscal authority in the format required by law to that paying agent. Where withholding tax is applied, it will be levied at a rate of 35% (the "Savings WHT").

In this section, "interest," "residual entities" and "paying agent" have the meaning given thereto in the Luxembourg law of June 21 2005 (or the relevant Accords). "Interest" will include accrued or capitalised interest at the sale, repayment or redemption of the notes. "Residual entities" include, in general, all entities established in the EU and certain dependent or associated territories other than legal entities, undertakings for collective investments in transferable securities ("UCITS") authorized under the European Council directive 85/611/EEC, and entities taxed as enterprises. "Paying agent" is defined broadly for this purpose and in the context of the notes means any economic operator established in Luxembourg who pays interest on the notes to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner or the residual entity whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner, or the residual entity, as the case may be, to collect such payment of interest.

The Savings WHT system will only apply during a transitional period, the ending of which (i) can be decided by the relevant Member States unilaterally or (ii) depends on the conclusion of certain agreements relating to information exchange with certain other countries.

In April 2013, the Luxembourg Government announced its intention to end the transitional period and abolish the withholding system with effect from January 1, 2015, in favor of automatic information exchange under the EU Savings Directive. On March 18, 2014, a draft law was introduced into parliament by the Luxembourg Minister of Finance with a view to amend the laws of June 21, 2005 in that sense.

On March 24, 2014, the Council of the European Union adopted an EU Council Directive 2014/48/EU amending and broadening the scope of the EU Savings Directive. In particular, the changes expand the range of payments covered by the EU Savings Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the EU Savings Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by January 1, 2016 (national legislation must apply from January 1, 2017).

Further, according to the law of December 23, 2005, interest payments on the notes paid by a Luxembourg paying agent will be subject to a withholding tax of 10 %, in the following cases:

(i) if such payments are made for the immediate benefit of individuals resident in Luxembourg; or

(ii) if such payments are made to residual entities for the benefit of Luxembourg resident individuals, except if the residual entity elects to exchange information or elects to be treated or is treated as a UCITS.

The 10% withholding tax will operate a full discharge of income tax for Luxembourg resident individuals acting in the context of the management of their private wealth.

Interest on the notes paid by a Luxembourg paying agent to residents of Luxembourg which are not individuals will not be subject to any withholding tax.

Any withholding of tax in application of the above-mentioned laws of June 21, 2005 and December 23, 2005 is the responsibility of the Luxembourg paying agent (within the meaning of these Laws).

Taxes on income and capital gains

Holders of notes resident in Luxembourg are taxed for income and possibly gains derived from the notes depending on whether they hold the notes in the context of carrying on an enterprise or in the context of managing their private wealth. Resident corporate holders of notes are always deemed to hold the notes in the context of carrying on an enterprise.

If held in the context of carrying on an enterprise, any interest income, whether paid or accrued, and any capital gain or foreign exchange result whether realised or accrued, derived from the notes is subject to Luxembourg income taxes (income tax levied at progressive rates and municipal business tax for individuals, and corporate income tax and municipal business tax for corporate holders).

If held in the context of managing private wealth, interest income received is subject to income tax at progressive rates. Furthermore, capital gains realised upon disposal of notes are taxable if realised within six months from the acquisition of the notes.

Non-resident holders of notes are only subject to income taxes in Luxembourg in respect of their holding of notes if such holding is effectively connected to a permanent establishment or a fixed place of business in Luxembourg, through which the holder carries on an enterprise. In that case, any interest income, whether paid or accrued, and any capital gain or foreign exchange result whether realised or accrued, derived from the notes is subject to Luxembourg municipal business tax, and income tax levied at progressive rates in the case of individuals and corporate income tax in the case of companies.

Net wealth tax

Corporate holders of notes resident in Luxembourg are subject to annual net wealth tax, levied at a rate of 0.5%, in respect of the notes.

Non-resident corporate holders of notes are only subject to such net wealth tax in Luxembourg in respect of the notes if such holding is effectively connected to a permanent establishment or a fixed place of business in Luxembourg, through which the holder carries on an enterprise.

Individuals are not subject to Luxembourg net wealth tax.

Registration tax

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty due in Luxembourg by the holders of notes as a consequence of the issuance of the notes. No Luxembourg registration tax, stamp duty or other similar tax or duty is due either in case of a subsequent repurchase, redemption or transfer of the notes.

Gift and inheritance tax

Inheritance tax is levied in Luxembourg at progressive rates (depending on the value of the assets inherited and the degree of relationship). No Luxembourg inheritance tax will be due in respect of the notes unless the holder of notes resides in Luxembourg at the time of his decease. No Luxembourg gift tax is due upon the donation of notes unless such donation is registered in Luxembourg (which is generally not required).

Value added tax

No Luxembourg value added tax is levied with respect to (i) any payment made in consideration of the issuance of the notes, (ii) any payment of interest, (iii) any repayment of principal or upon redemption, and (iv) any transfer of the notes.

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.

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. Given that LuxCo is an entity incorporated under the laws of Luxembourg and is not registered to conduct business in Brazil, it would not qualify as a Brazilian resident company for purposes of the Brazilian tax legislation.

As the Issuer is not a resident legal entity in Brazil, interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable on the notes to a Non-Resident Holder by the Issuer will not be subject to Brazilian income tax withheld at source.

Capital Gains

Generally, a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil, according to Section 26 of Law No. 10,833, enacted on December 29, 2003, which states that gains assessed on the sale or other disposal of assets located in Brazil by non-residents, whether to other non-resident or Brazilian residents, may be subject to Brazilian taxation.

As the Issuer is not a resident legal entity in Brazil, it would not qualify as a Brazilian resident company for purpose of the Brazilian tax legislation, and thus we do not believe that the notes will fall within the definition of assets located in Brazil for purposes of Law No. 10,833/03. Therefore, gains recognized by a Non-Resident Holder from the sale or other means of disposition of the notes will not subject to income tax in Brazil.

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 country or jurisdiction which does not impose any income tax or which imposes it at a maximum rate of less than 20% or 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 (a "Favorable Tax Jurisdiction").

Payments made by the Brazilian Guarantors

There is some uncertainty regarding the applicable tax treatment to payments of the principal amount by the guarantors to Non-Resident Holders. 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, a lower income tax rate may be provided for in an applicable tax treaty between Brazil and the country of residence of the beneficiary.

In any event, there are arguments that can be sustained that payments made under the guarantees should be subject to imposition of the Brazilian income tax according to the nature of the guaranteed payment, in which case only interest and fees should be subject to taxation at the rates of 15%, or 25% in cases of beneficiaries located in a Favorable Tax Jurisdiction. There are no precedents from Brazilian courts endorsing that position and it is not possible to assure that such argument would prevail in court.

If the Brazilian Guarantors make payments of fees and commissions as guarantor under the notes, the Brazilian tax authorities could try to impose (i) withholding tax at the rate of 15% or 25% (depending on the nature of the service); (ii) CIDE at the rate of 10%; (iii) Contri*buição ao Programa de Integração Social* (PIS) and *Contribuição para o Financiamento da Seguridade Social* (COFINS) at the total rate of 9.25%; and/or (iv) Tax on Services (ISS) at rates which may vary from 2% to 5%.

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, thin capitalization and beneficial owner 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-Resident 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 180 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 180 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 180 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 180 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 the applicable rate, 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.

On November 12, 2013 the Brazilian government published Provisional Measure 627, or MP 627, which was enacted as Law No. 12,973 on May 13, 2014, or Law No. 12,973. The purpose of this law is to harmonize Brazilian federal tax legislation, in the form that it has been adopted for Brazilian GAAP since 2008, with IFRS. Law 12,973 amends several aspects of Brazilian corporate law, including the treatment of distributions of profits and dividends, the basis for calculating interest on capital, the criteria for calculating equity, calculation of corporate income tax and social contribution and the rules related to taxation of subsidiaries and affiliated companies abroad. Many of the amendments have not yet been implemented by the Brazilian Federal Tax Authority (Receita Federal do Brasil). Companies are permitted elect to adopt Law No. 12,973 beginning in 2014 or in 2015, and we have not yet made a determination with respect to which year we will choose. Based on the current text of this law, we do not anticipate any significant accounting or financial statement impact to us or our results of operations.

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

The following is a general discussion based upon present law of certain U.S. federal income tax considerations for prospective purchasers of the notes. The discussion addresses only persons that purchase notes in the original offering, hold the notes as capital assets, and use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, dealers, traders who elect to mark their investment to market, and persons holding the notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. The discussion does not address any state, local or foreign taxes, the Medicare tax on net investment income or the federal alternative minimum tax. Prospective investors should note that no rulings have been, or are expected to be, sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE STATE AND LOCAL LAWS OF THE UNITED STATES, BRAZIL, LUXEMBOURG AND THE LAWS OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, "U.S. Holder" means the beneficial owner of a note that for U.S. federal income tax purposes is

- a citizen or individual resident of the United States,
- a corporation organized in or under the laws of the United States or any political subdivision thereof,
- a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

"Non-U.S. Holder" means a person that is a beneficial owner of a note other than a U.S. Holder.

The treatment of partners in a partnership that owns notes may depend on the status of such partners and the status and activities of the partnership and such persons should consult their own tax advisors about the consequences of an investment in the notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Issuer may be required to make payments on a note that would change the yield of the note. See e.g., "Description of Notes—Change of Control." This obligation may implicate the provisions of Treasury regulations relating to contingent payment debt instruments ("CPDIs"). According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are "remote or incidental" or certain other circumstances apply. The Issuer intends to take the position that the notes are not CPDIs. This determination, however, is not binding on the IRS and if the IRS were to challenge this determination, a holder may be required to accrue income on the notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the notes of the CPDI rules and the consequences thereof. The remainder of this discussion assumes that the notes will not be treated as CPDIs.

Interest

Stated interest paid to a U.S. Holder, and any Additional Amounts with respect to withholding tax on the notes (including the amount of tax withheld from payments of interest and Additional Amounts), will be includible in such U.S. Holder's gross income as ordinary interest income at the time interest and Additional Amounts are received or accrued in accordance with such U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes, provided that the U.S. Holder does not elect to claim a foreign tax credit for any income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid interest, which will be taxable as interest) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will be equal to the amount that the U.S. Holder paid for the note. Any such gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. 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.

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 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 Luxembourg, 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 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.

Non-U.S. Holders

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on interest and Additional Amounts on or gain with respect to the notes. A Non-U.S. Holder also generally will not be subject to U.S. federal income tax on a net income basis with respect to interest and Additional Amounts received in respect of the notes or gain realized on the sale, exchange or other taxable disposition (including redemption) of the notes, unless that interest or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts), and to proceeds from the sale, exchange or other taxable disposition (including redemption) of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding may be required on reportable payments if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The notes generally are expected to constitute "specified foreign financial assets" unless they are held in accounts maintained by financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the notes.

FATCA Withholding

Pursuant to Sections 1471 to 1474 of the Code and Treasury Regulations thereunder (provisions commonly referred to as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain pass-thru payments made on or after January 1, 2017 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining "foreign pass-through payments" are filed generally will be "grandfathered" and exempt from withholding unless the obligations are materially modified after that date. Accordingly, even if the Issuer were treated as a foreign financial institution, FATCA would apply to payments on the notes only if there was a significant modification of the notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Many non-U.S. governments have entered into agreements with the United States to implement FATCA in a manner that alters the rules described above. Holders should therefore consult their own tax advisors on how these rules may apply to their investment in the notes. In the event any withholding under FATCA is imposed with respect to any payments on the notes, no Additional Amounts will be paid to compensate for the withheld amount.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

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, Banco Bradesco BBI S.A., Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Santander Investment Securities Inc., are acting as initial purchasers. Subject to the terms and conditions set forth in a purchase agreement among the Issuer, the Guarantors and the initial purchasers, the Issuer has agreed to sell to the initial purchasers, and the initial purchasers have 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	65,000,000
Banco Bradesco BBI S.A.	65,000,000
Citigroup Global Markets Inc.	65,000,000
Morgan Stanley & Co. LLC	65,000,000
Santander Investment Securities Inc.	65,000,000
Total	**325,000,000**

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.

We expect to deliver the notes against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fourth business day following the date of the pricing of the notes. Because trades in the secondary market generally settle in three business days, purchasers who wish to trade notes on the date of pricing will be required, by virtue of the fact that the notes initially will settle in T+4, to specify alternative settlement arrangements to prevent a failed settlement.

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

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 Luxembourg

This offering memorandum has not been approved by, and will not be submitted for approval to, the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*, CSSF) or a competent authority of another EU Member State for notification to the CSSF, where applicable, for purposes of a public offering or sale in the Grand Duchy of Luxembourg ("Luxembourg"). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other offering circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in, from or published in, Luxembourg, except for the sole purpose of the admission of the Notes to trading on the Euro MTF and listing on the Official List of the Luxembourg Stock Exchange, and except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended, (the "Prospectus Act") and implementing the Prospectus Directive.

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

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

(1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above);

(2) acknowledge that the notes (and the guarantees) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) if it is a person other than a foreign purchaser outside the United States, agree that if it should resell or otherwise transfer the notes (and the guarantees), it will do so only (a) to us or any of our subsidiaries, (b) to a QIB in compliance with Rule 144A, (c) outside the United States in compliance with Rule 904 under the Securities Act, (d) pursuant to the exemption from registration or (e) pursuant to an effective registration statement under the Securities Act;

(4) agree that it will deliver to each person to whom it transfers notes notice of any restriction on transfer of such notes;

(5) if it is a foreign purchaser outside the United States, (a) understand that the notes will be represented by the Regulation S global note and that transfers are restricted as described under "Form of Notes" and (b) represent and agree that it will not sell short or otherwise sell, transfer or dispose of the economic risk of the notes into the United States or to a U.S. person;

(6) understand that until registered under the Securities Act, the notes (other than those issued to foreign purchasers or in substitution or exchange therefor) will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

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

(1) REPRESENTS THAT

(A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT; OR

(B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND

(2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY

(A) TO THE ISSUER;

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT;

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT;

(D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR

(E) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION OF THE SECURITIES ACT.

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

(7) acknowledge that the Issuer, the Guarantors and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the 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 Guarantors and the initial purchasers; if they are acquiring notes as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

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

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

Service of Process and Enforcement of Civil Liabilities in Luxembourg

The Issuer is a public limited liability company (*société anonyme*) under the laws of Luxembourg. Certain of the Issuer's directors and executive officers are non-residents of the United States. In addition, all or a substantial portion of the assets of the Issuer and substantially all of the assets of its directors are located outside the United States. As a result, it may not be possible for you to serve process on these persons or the Issuer in the United States or to enforce judgments obtained in U.S. courts against them or the Issuer based on civil liability provisions of the securities laws of the United States. It may be possible for investors to effect service of process upon the Issuer within Luxembourg provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognised by Luxembourg private international and local law;
- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the judgment was granted following proceedings where the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defence; and
- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of Luxembourg or has been given in proceedings of a criminal or tax nature.

If an original action is brought in Luxembourg, a court of competent jurisdiction may refuse to apply the designated law if its application contravenes Luxembourg's international public policy and, if such action is brought on the basis of U.S. Federal or State securities laws, may not have the requisite power to grant the remedies sought. In practice, Luxembourg courts now tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

Service of Process and Enforcement of Civil Liabilities in Brazil

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

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

We have been advised by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, Brazilian counsel to GLAI and VRG, that judgments of non-Brazilian courts for civil liabilities predicated upon the securities laws of countries other than Brazil in respect of the guarantees, including the U.S. securities law, may be enforced in Brazil subject to certain requirements as described below. A judgment against GLAI, VRG or any of their directors, officers 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 jurisdiction, court and authority, after proper service of process on the parties, which service must be in accordance with Brazilian law if made in Brazil, or after sufficient evidence of the parties' 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;
- 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 (as set forth in Brazilian Law).

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 by attaching certain assets of GLAI and/or VRG and/or their directors and officers and some of the advisors named herein is limited by provisions of Brazilian bankruptcy, insolvency, moratorium, liquidation, judicial or extrajudicial reorganization and similar laws given that assets are located in Brazil; and
- civil lawsuits may be brought before Brazilian courts in connection with the notes based solely on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce such liabilities in such lawsuits 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, under Brazilian law, Brazilian courts can assert jurisdiction whenever the defendant is domiciled in Brazil, the obligation has to be performed in Brazil or the subject matter under dispute originates in Brazil, considering that Brazilian courts may exercise jurisdiction over such matters or disputes pursuant to article 88 of the Brazilian Civil Procedure Code.

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 bond to guarantee the payment of court expenses and defendant's 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 (which does not include the notes issued hereunder) 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 (Law No. 5,869/73). This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge.

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 and VRG's guarantees may not be confirmed by the Brazilian Superior Court of Justice.

VALIDITY OF THE NOTES

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

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, prepared in accordance with IFRS, incorporated in this offering memorandum by reference from our annual report on Form 20-F, and the effectiveness of internal control over financial reporting as of December 31, 2013, 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 our unaudited interim condensed consolidated interim financial information as of and for the six-month periods ended June 30, 2013, Deloitte Touche Tohmatsu Auditores Independentes reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 12, 2013, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

With respect to our unaudited interim condensed consolidated interim financial information as of and for the six-month period ended June 30, 2014, included in this offering memorandum, Ernst & Young Auditores Independentes S.S. reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 12, 2014, included in this offering memorandum, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information 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	38045LAA8	L4441PAA8
ISIN	US38045LAA89	USL4441PAA86
COMMON CODE	110852401	110852380

2. 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.

3. 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.

4. The Issuer accepts responsibility for the information contained in this offering memorandum for purposes of Luxembourg Law. This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended, and may only be used for the purposes for which it has been published.

5. For so long as the notes are admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and to listing on the Official List of the Luxembourg Stock Exchange and the rules and regulations of that exchange so require, copies of the following documents in English may be inspected and obtained at our expense at the specified office of the trustee and the paying agent in Luxembourg during normal business hours on any weekday:

- the Issuer's articles of incorporation (which may also be inspected at the Luxembourg Register of Commerce and Companies Register during normal business hours) and the Guarantors' organizational documents (*estatuto social*);
- any present and future annual and interim reports of GLAI (GLAI does not prepare annual or interim financial statements on a non-consolidated basis.) and annual reports of VRG and the Issuer to the extent published (the Issuer and VRG do not produce interim financial statements); and
- the Indenture, which includes the guarantees and the form of the notes.

7. The issuance of the notes was authorized by the Issuer's board of directors on August 25, 2014 and the guarantee of the notes was authorized by the Guarantors' respective board of directors on August 25, 2014 by VRG and August 26, 2014 by GLAI. The Issuer and each of the Guarantors have obtained all necessary consents, approvals, authorizations or other orders for the issue of the Notes and other documents to be entered into by the Issuer in connection with the issue of the notes in Luxembourg.

8. The articles of incorporation of the Issuer were published in the Luxembourg Official Gazette (*Mémorial, Recueil des Sociétés et Associations*) on August 27, 2013, Number 2080, p. 99825.

9. Except as disclosed in this offering memorandum, there has been no material adverse change in LuxCo's, GLAI's or VRG's financial position since December 31, 2013, the date of the latest audited consolidated financial statements incorporated by reference in this offering memorandum.

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

11. The Issuer's statutory auditor has a business address at Praça Comandante Linneu Gomes, S/N, Portaria 3, Jardim Aeroporto, CEP 04626-020, São Paulo, SP, Brazil, and is a member of the regional accounting board of the Sate of Rio de Janeiro (*Conselho Regional de Contabilidade – Rio de Janeiro*).

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GOL LINHAS AÉREAS INTELIGENTES S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

AS OF JUNE 30, 2014 AND FOR THE SIX-MONTHS PERIODS ENDED JUNE 30, 2014 AND 2013

CONTENTS

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Report on review of interim condensed consolidated financial information

To
The Shareholders, Board of Directors and Officers
Gol Linhas Aéreas Inteligentes S.A.
São Paulo—SP

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Gol Linhas Aéreas Inteligentes S.A. ("Company"), comprising of the interim consolidated statement of financial position as at June 30, 2014 and the related interim consolidated statements of operations and comprehensive income (loss) for the three-month and six-month periods ended June 30, 2014, and the interim consolidated statements of changes in equity and cash flows for the six-month period ended June 30, 2014, and explanatory notes.

Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with CPC 21 (R1) and Interim Financial Reporting Standard IAS 34—Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410—Review of Interim Financial Information Performed by the Independent Auditor of the Entity, 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 Brazilian and International 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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34.

Audit and review of the corresponding amounts of the prior year and period

Other matter

The corresponding amounts in the consolidated financial position as at December 31, 2013 and the statements of operations, of comprehensive income (loss) for the three and six-month periods ended June 30, 2013, and the statements of changes in equity, cash flows and value added for the six-month period ended June 30, 2013, presented for comparison purposes, were previously audited and reviewed, respectively, by other independent auditors, who issued an unmodified opinion dated March 25, 2014 and report on review of the interim financial information dated August 12, 2013.

São Paulo, August 12, 2014.

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

Luiz Carlos Passetti Accountant CRC-1SP144343/O-3	Vanessa R. Martins Accountant CRC-1SP244569/O

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 June 30, 2013 interim condensed consolidated financial information of Gol Linhas Aéreas Inteligentes S.A. (the "Company"), comprising of the statements of operations and comprehensive income for the three and six-month periods then ended and statements of changes in equity and cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with CPC 21 (R1) and IAS 34—Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim condensed consolidated 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 Brazilian and International 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 interim condensed consolidated financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34.

São Paulo, August 12, 2013

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

GOL LINHAS AÉREAS INTELIGENTES S.A.

Interim consolidated statement of financial position
June 30, 2014 (unaudited) and December 31, 2013
(In thousand of Brazilian Reais – R$)

	Note	06/30/2014	12/31/2013
Assets			
Current assets			
Cash and cash equivalents	4	**2,450,393**	1,635,647
Short-term investments	5	**143,355**	1,155,617
Restricted cash	6	**7**	88,417
Trade receivables	7	**466,826**	324,821
Inventories	8	**147,729**	117,144
Recoverable taxes	9a	**30,936**	52,124
Prepaid expenses	10	**79,171**	80,655
Rights on derivatives transactions	29	**–**	48,934
Other current assets		**38,821**	62,350
		3,357,238	3,565,709
Noncurrent assets			
Deposits	11	**844,295**	847,708
Restricted cash	6	**226,539**	166,039
Prepaid expenses	10	**22,386**	26,526
Recoverable taxes	9a	**67,844**	73,537
Deferred taxes	9b	**465,251**	488,157
Other credits		**21,418**	4,423
Investments		**8,775**	–
Property, plant and equipment	15	**3,517,216**	3,772,159
Intangible assets	16	**1,725,728**	1,694,190
		6,899,452	7,072,739
Total assets		**10,256,690**	10,638,448

GOL LINHAS AÉREAS INTELIGENTES S.A.

	Note	06/30/2014	12/31/2013
Liabilities			
Current liabilities			
Short-term debt	17	**531,651**	440,834
Suppliers		**498,760**	502,919
Salaries, wages and benefits	18	**256,201**	233,584
Taxes payable	19	**75,637**	94,430
Tax and landing fees		**300,127**	271,334
Advance ticket sales	20	**1,129,699**	1,219,802
Mileage program	21	**208,650**	195,935
Advances from customers	22	**43,700**	167,759
Provisions	23	**156,284**	199,471
Liabilities from derivative transactions	29	**42,140**	30,315
Other liabilities		**125,613**	90,408
		3,368,462	3,446,791
Noncurrent liabilities			
Long-term debt	17	**4,875,317**	5,148,551
Provisions	23	**248,544**	282,903
Mileage program	21	**496,013**	456,290
Advances from customers	22	**383**	3,645
Taxes payable	19	**62,869**	61,038
Other liabilities		**112,380**	20,730
		5,795,506	5,973,157
Equity	24		
Capital		**2,501,653**	2,501,574
Cost on issued shares		**(145,279)**	(145,279)
Shares to be issued		**116,357**	–
Capital reserves		**103,366**	103,366
Share-based payments	13	**88,464**	85,438
Treasury shares		**(32,116)**	(32,116)
Equity valuation adjustments		**(74,839)**	(18,162)
Gains on capital		**687,902**	611,130
Accumulated losses		**(2,760,398)**	(2,455,025)
Equity attributable to the Company's shareholders		**485,110**	650,926
Non-controlling interests		**607,612**	567,574
Total equity		**1,092,722**	1,218,500
Total liabilities and equity		**10,256,690**	10,638,448

The accompanying notes are an integral part of this interim condensed consolidated financial information.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated statements of operations (unaudited)
For the three and six-month periods ended June 30, 2014 and 2013
(In thousand of Brazilian Reais—R$, except basic and diluted loss per share)

	Note	Three-month period ended		Six-month period ended	
		06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
Net sales and services revenue					
Passenger		**2,131,409**	1,722,561	**4,415,697**	3,628,668
Cargo and other		**249,880**	192,264	**458,991**	368,833
	25	**2,381,289**	1,914,825	**4,874,688**	3,997,501
Operating costs and expenses					
Personnel		**(327,129)**	(335,169)	**(674,428)**	(622,068)
Fuel and lubricants		**(908,042)**	(817,530)	**(1,919,364)**	(1,724,905)
Aircraft rental		**(213,033)**	(153,983)	**(425,995)**	(308,424)
Aircraft insurance		**(4,776)**	(5,116)	**(9,661)**	(10,240)
Sales and marketing		**(161,004)**	(109,297)	**(322,237)**	(199,420)
Tax and landing fees		**(142,344)**	(134,797)	**(293,812)**	(268,641)
Traffic services		**(202,026)**	(141,659)	**(367,869)**	(277,218)
Maintenance materials and repairs		**(152,404)**	(81,559)	**(227,935)**	(174,641)
Depreciation and amortization		**(124,309)**	(116,227)	**(259,561)**	(227,152)
Other operating expenses, net		**(107,413)**	(54,566)	**(190,121)**	(118,695)
		(2,342,480)	(1,949,903)	**(4,690,983)**	(3,931,404)
Equity pick-up		**(961)**	–	**(1,407)**	–
Income before financial result and income taxes		**37,848**	(35,078)	**182,298**	66,097
Financial result					
Financial expenses	26	**68,312**	122,795	**171,064**	180,208
Financial income	26	**(224,398)**	(214,089)	**(578,419)**	(437,584)
Exchange variation, net	26	**50,391**	(333,685)	**107,878**	(274,531)
		(105,695)	(424,979)	**(299,477)**	(531,907)
Loss before income taxes		**(67,847)**	(460,057)	**(117,179)**	(465,810)
Current income taxes		**(34,799)**	(10,968)	**(74,055)**	(28,372)
Deferred income taxes		**(42,334)**	38,071	**(49,892)**	(14,062)
	9	**(77,133)**	27,103	**(123,947)**	(42,434)
Net loss for the period		**(144,980)**	(432,954)	**(241,126)**	(508,244)
Net loss attributable to Company's shareholders		**(174,178)**	(449,521)	**(305,373)**	(524,811)
Net loss attributable to noncontrolling interests		**29,198**	16,567	**64,247**	16,567
Basic loss per share	14	**(0.624)**	(1.626)	**(1.099)**	(1.898)
Diluted loss per share	14	**(0.626)**	(1.626)	**(1.100)**	(1.898)

The accompanying notes are an integral part of this interim condensed consolidated financial information.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated statements of comprehensive income (loss) (unaudited)
For the three and six-month periods ended June 30, 2014 and 2013
(In thousand of Brazilian Reais—R$)

	Note	Three-month period ended		Six-month period ended	
		06/30/2014	06/30/2013	06/30/2014	06/30/2013
Net loss for the period		**(144,980)**	(432,954)	**(241,126)**	(508,244)
Other comprehensive income to be reclassified to profit or loss in subsequent periods	30				
Cash flow hedges		**(40,857)**	33,800	**(85,874)**	44,388
Income tax effect		**13,891**	(11,492)	**29,197**	(15,092)
		(26,966)	22,308	**(56,677)**	29,296
Comprehensive loss for the period		**(171,946)**	(410,646)	**(297,803)**	(478,948)
Comprehensive income (loss) for the period attributable to:					
Company's shareholders		**(201,144)**	(427,213)	**(362,050)**	(495,515)
Non-controlling interests		**29,198**	16,567	**64,247**	16,567

Transactions shown in comprehensive income for the three and six-month period ended June 30, 2014 and 2013 are provided below:

	Cash flow hedges	Income tax effect	Total comprehensive income (loss)
Balances as of March 31, 2014	**(72,534)**	**24,661**	**(47,873)**
Realized gains from financial instruments transferred to net losses for the period	**19,599**	**(6,664)**	**12,935**
Fair value variation	**(60,456)**	**20,555**	**(39,901)**
Balances as of June 30, 2014	**(113,391)**	**38,552**	**(74,839)**

	Cash flow hedges	Income tax effect	Total comprehensive income (loss)
Balances as of March 31, 2013	(93,324)	31,730	(61,594)
Realized gains from financial instruments transferred to net losses for the period	22,977	(7,812)	15,165
Fair value variation	10,823	(3,680)	7,143
Balances as of June 30, 2013	**(59,524)**	**20,238**	**(39,286)**

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated statements of comprehensive income (loss) (unaudited) (Continued)
For the three and six-month periods ended June 30, 2014 and 2013
(In thousand of Brazilian Reais—R$)

	Cash flow hedges	Income tax effect	Total comprehensive income (loss)
Balances as of December 31, 2013	**(27,517)**	**9,355**	**(18,162)**
Realized gains from financial instruments transferred to net losses for the period	**80,359**	**(27,322)**	**53,037**
Fair value variation	**(166,233)**	**56,519**	**(109,714)**
Balances as of June 30, 2014	**(113,391)**	**38,552**	**(74,839)**

	Cash flow hedges	Income tax effect	Total comprehensive income (loss)
Balances as of December 31, 2012	**(103,912)**	**35,330**	**(68,582)**
Realized gains from financial instruments transferred to net losses for the period	27,300	(9,282)	18,018
Fair value variation	17,088	(5,810)	11,278
Balances as of June 30, 2013	**(59,524)**	**20,238**	**(39,286)**

The accompanying notes are an integral part of this interim condensed consolidated financial information.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated statements of changes in equity (unaudited)
For the six-month periods ended June 30, 2014 and 2013
(In thousand of Brazilian Reais—R$)

						Capital reserves			Valuation adjustments		
	Note	Capital	Share issuance costs	Treasury shares	Shares to be issued	Goodwill on transfer of shares	Special goodwill reserve of subsidiary	Share-based payment	Unrealized hedge result	Effects due change on capital partici-pation	Accumulated Losses
Balances as of December 31, 2012		2,499,689	(145,279)	(35,164)	—	32,200	29,187	79,255	(68,582)	—	(1,658,478)
Other comprehensive income, net		—	—	—	—	—	—	—	29,296	—	—
Net loss for the period		—	—	—	—	—	—	—	—	—	(524,811)
Capital increase through the exercise of stock options	24	1,885	—	—	—	—	—	—	—	—	—
Share-based payments		—	—	—	—	—	—	3,351	—	—	—
Change on equity through public offer		—	—	—	—	—	—	—	—	611,042	—
Treasury shares sale		—	—	3,048	—	187	—	—	—	—	—
Balances as of June 30, 2013		2,501,574	(145,279)	(32,116)	—	32,387	29,187	82,606	(39,286)	611,042	(2,183,289)
Balances as of December 31, 2013		**2,501,574**	**(145,279)**	**(32,116)**	**—**	**32,387**	**70,979**	**85,438**	**(18,162)**	**611,130**	**(2,455,025)**
Other comprehensive income, net		—	—	—	—	—	—	—	**(56,677)**	—	—
Net loss for the period		—	—	—	—	—	—	—	—	—	**(305,373)**
Capital increase through the exercise of stock options		**79**	—	—	—	—	—	—	—	—	—
Share-based payments	24	—	—	—	—	—	—	**3,026**	—	—	—
Shares to be issued	24	—	—	—	**116,357**	—	—	—	—	—	—
Gains on capital due to decrease on participation		—	—	—	—	—	—	—	—	**2,802**	—
Effects due change on capital participation – G.A. Smiles	1	—	—	—	—	—	—	—	—	**73,970**	—
Dividends paid		—	—	—	—	—	—	—	—	—	—
Balances as of June 30, 2014		**2,501,653**	**(145,279)**	**(32,116)**	**116,357**	**32,387**	**70,979**	**88,464**	**(74,839)**	**687,902**	**(2,760,398)**

The accompanying notes are an integral part of this interim condensed consolidated financial information.

GOL LINHAS AÉREAS INTELIGENTES S.A.

Consolidated statements of cash flows (unaudited)
For the six-month periods ended June 30, 2014 and 2013
(In thousand of Brazilian Reais—R$)

	06/30/2014	06/30/2013
Operating activities		
Net loss for the period	**(241,126)**	(524,811)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**259,561**	227,155
Allowance for doubtful accounts	**7,757**	16,393
Provisions for judicial deposits	**2,541**	8,073
Reversion for inventory obsolescence	**(1)**	(8,289)
Deferred taxes	**49,892**	14,062
Equity in subsidiary	**1,407**	—
Share-based payments	**4,186**	3,741
Exchange and monetary variations, net	**(111,061)**	328,784
Interest on loans and financial lease	**148,074**	104,957
Unrealized hedge results	**15,852**	24,765
Result share plan provision	**32,546**	—
Mileage program	**52,438**	93,985
Write-off property, plant and equipment and intangible assets	**40**	20,126
	222,106	308,941
Changes in assets and liabilities:		
Accounts receivable	**(149,762)**	(44,105)
Financial aplications used for trading	**1,012,262**	(818,486)
Inventories	**(30,585)**	(1,888)
Deposits	**(34,275)**	(54,439)
Prepaid expenses, insurance and tax recoverable	**36,452**	(18,634)
Other assets	**6,534**	29,452
Suppliers	**(42,625)**	(96,863)
Advanced ticket sales	**(90,103)**	122,289
Advances from customers	**(127,321)**	285,725
Salaries, wages and benefits	**(9,929)**	2,194
Taxes and landing fees	**28,793**	(1,299)
Taxes payable	**62,246**	16,800
Obligations from derivative operations	**5,200**	(21,337)
Provisions	**(87,995)**	(137,905)
Other liabilities	**125,716**	(5,543)
	926,714	(435,098)
Interest paid	**(167,065)**	(129,127)
Income tax paid	**(76,483)**	(20,610)
Net cash provided by (used in) operating activities	**683,166**	(584,835)
Investing activities		
Restricted cash	**27,910**	23,025
Investment acquisition	**(12,500)**	—
Sale of investment, net	**65,752**	—
Advance for acquisition of property, plant and equipment	**153,432**	—
Property, plant and equipment	**(125,724)**	(112,494)
Intangible	**(24,319)**	(9,282)
Net cash from (used in) investing activities	**84,551**	(98,751)
Financing activities		
Loan funding	295,719	397,600
Loan payment	(73,304)	(318,175)
Financial lease payment	(122,355)	(94,525)
Treasury shares sold	—	3,235
Capital increase in subsidiary	—	1,095,953
Shares to be issued	117,249	—
Capital increase	1,235	1,885
Gains on capital due to decrease on participation	5,474	—
Dividends paid to noncontrolling shareholders	(67,409)	—
Net cash from financing activities	**156,609**	1,085,973
Foreign exchange variation on cash and cash equivalents	**(109,580)**	(15,848)
Net increase in cash and cash equivalents	**814,746**	386,539
Cash and cash equivalents at beginning of the period	**1,635,647**	775,551
Cash and cash equivalents at end of the period	**2,450,393**	1,162,090

The accompanying notes are an integral part of this interim condensed consolidated financial information.

1. General information

Gol Linhas Aéreas Inteligentes S.A. (“Company” or “GLAI”) is a publicly-listed company incorporated in accordance with the Brazilian Corporate Law, organized on March 12, 2004. The Company is engaged in controlling its wholly-owned subsidiary (i) VRG Linhas Aéreas S.A. (“VRG”), and through its subsidiaries or affiliates, essentially exploring: (a) regular and non-regular air transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the competent authorities; (b) complementary activities of air transport service provided in its bylaws; and (ii) Smiles S.A., which mainly operates: (a) the development and management of its own or third party’s customer loyalty program, and (b) sale of redemption rights of awards related to the loyalty program.

Additionally, GLAI is the direct parent Company of the subsidiaries GAC Inc. (“GAC”), Gol Finance (“Finance”), Gol LuxCo S.A. (“Gol LuxCo”), Gol Dominicana Lineas Aereas SAS (“Gol Dominicana”) and indirect parent Company of the subsidiary Webjet Linhas Aéreas S.A. (“Webjet”).

On February 27, 2014, the Company sold to General Atlantic S.A. (G.A.) the total of 3,433,476 shares of Smiles S.A. through the exercise of stock options in accordance with the investment agreement between the companies dated April 5, 2013 in the amount of R$80,000. As a result of the exercise of the options, the Company decreased its participation in Smiles’ capital, from 57.3% to 54.5% and remained as the controlling shareholder. The gain generated by this partial decrease in the investment was recorded in equity. This gain is also consists of the reversal of R$46,216 previously classified in equity as derivatives of equity instruments.

The Company’s shares are traded on the New York Stock Exchange (“NYSE”) and on the São Paulo Stock Exchange (“BOVESPA”). The Company entered into an agreement for adoption of Level 2 Differentiated Corporate Governance Practices with 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 condensed consolidated financial information

The interim condensed consolidated financial information was authorized for issuance at the Board of Directors' meeting held on August 12, 2014. The Company's registered Office is at Praça Comandante Linneu Gomes, s/n, portaria 3, prédio 24, Jardim Aeroporto, São Paulo, Brazil.

2.1. Basis of preparation

The interim condensed consolidated financial information for the six-month period ended June 30, 2014 was prepared in accordance with IAS 34—Interim Financial Reporting and technical pronouncement CPC 21 (R1).

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

This interim condensed consolidated interim financial information does not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013, which were prepared in accordance with accounting practices adopted in Brazil and IFRS. There were no changes in accounting policies during the period from December 31, 2013 to June 30, 2014.

3. Seasonality

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

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

4. Cash and cash equivalents

	06/30/2014	12/31/2013
Cash and bank deposits(a)	**1,055,348**	667,985
Cash equivalents	**1,395,045**	967,662
	2,450,393	1,635,647

(a) On January 23, 2014, the government of Venezuela announced that the airline companies could request the repatriation of their resources generated by sales in Venezuela through CADIVI ("Comisión de Administración de Divisas") by the official rate of BS 6.30/US$1.00. This rate experienced a level increase and the rate as of June 30, 2014 was BS 10.60/US$1.00. The exchange variation control in Venezuela is determined on a weekly basis by its Federal Reserve (SICAD). Given this increase, the Company recorded a currency depreciation justified by the intention to repatriate its values related to the operations performed in the country from January 2014. The total amount of the cash in Venezuela as of June 30, 2014 was R$464,043, which the portion accrued as an impairment from the Venezuelan Bolívar related to U.S. Dollar was R$134,333 with a contra-entry in " Exchange variation, net" (see Note 29).

The register is subject to future changes due to the doubtful economic scenario in Vezenuela, with the possibility of new limitations in the cash flows by CADIVI or sanctions by the government that may difficult the cash repatriation. Accordingly, considering the intention of the Company to perform the repatriation of the amount involved, the recoverable balance of Venezuela's cash as of June 30, 2014 is R$329,710 recorded as "Cash and bank deposits".

The cash equivalents breakdown was as follows:

	06/30/2014	12/31/2013
Private bonds	**1,152,092**	537,196
Government bonds	**6,195**	65,673
Investment funds	**236,758**	364,793
	1,395,045	967,662

As of June 30, 2014, the cash equivalents were represented by private bonds (Bank Deposit Certificates—"CDBs"), and buy-back transactions. The government bonds were represented by LFT and LTN paid at post fixed rates ranging between 95.0% and 102.0% of the Interbank Deposit Certificate Rate ("CDI").

The investment funds classified as cash equivalentes have immediate liquidity and, according to the Company's analysis, can be converted to a known amount of cash with insignificant risk of change in its value.

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

5. Short-term investments

	06/30/2014	12/31/2013
Private bonds	**7**	554,032
Government bonds	**20,112**	88,596
Investment funds	**123,236**	512,989
	143,355	1,155,617

As of June 30, 2014, the private bonds comprise of CDBs with maturity up to 90 days, paid at a weighted average rate of 98.0% of the CDI rate.

Government bonds are represented primarily by government bonds LTN, NTN and LFT paid at a weighted average of 100.5% of CDI rate.

Investment funds are represented primarily by government bonds LTN, NTN, LFT and private credits with first-rate financial institutions (Debentures and CDBs), paid at a weighted average 95.0% of CDI rate.

6. Restricted cash

	06/30/2014	12/31/2013
Margin deposits for hedge transactions(a)	**49,050**	29,845
Deposits in guarantee of letter of credit—Safra(b)	**40,180**	75,681
Escrow deposits—Bic Banco(c)	**71,150**	57,923
Escrow deposits—Leasing(d)	**57,314**	—
Guarantee deposits of forward transactions(e)	**—**	88,410
Other deposits	**8,852**	2,597
	226,546	254,456
Current(f)	**7**	88,417
Noncurrent	**226,539**	166,039

(a) Denominated in U.S. Dollar, remunerated by the Libor rate (average remuneration of 0.5% p.a.).
(b) The guarantee amount is related to Webjet's loan (See Note 17).
(c) The amount of R$20,690 is related to a contractual guarantee for STJ's PIS and COFINS proceeding, paid to GLAI as detailed in Note 23c) and existing notes guarantees.
(d) Is related to a credit letter of financial leasings of aircraft.
(e) Escrow deposits of forward transactions applied in LTN and LFT (average remuneration of 9.7% p.a.).
(f) As of December 31, 2013, the Company held escrow deposits of forward transactions on the current assets which were mainly paid during the six-month period ended June 30, 2014.

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

7. Trade receivables

	06/30/2014	12/31/2013
Local currency:		
Credit card administrators	**162,132**	74,359
Travel agencies	**187,146**	175,723
Installment sales	**43,857**	45,475
Cargo agencies	**31,930**	32,339
Airline partners companies	**60,832**	20,544
Other(a)	**37,570**	21,153
	523,467	369,593
Foreign currency:		
Credit card administrators	**13,007**	27,156
Travel agencies	**12,035**	11,881
Cargo agencies	**—**	1,321
	25,042	40,358
	548,509	409,951
Allowance for doubtful accounts	**(81,678)**	(85,101)
	466,831	324,850
Current	**466,826**	324,821
Noncurrent(b)	**5**	29

(a) From the total amount of R$37,570, R$16,519 is related to Air France-KLM investment to be received in June 2015. For further information, see Note 12d.
(b) The portion of noncurrent trade receivables is recorded in “Other receivables” in noncurrent assets and corresponds to installment sales from the Voe Fácil Program, with maturity over 360 days.

The aging list of trade receivables is as follows:

	06/30/2014	12/31/2013
Falling due	**407,332**	280,271
Overdue until 30 days	**14,737**	17,778
Overdue 31 to 60 days	**10,440**	6,864
Overdue 61 to 90 days	**7,278**	6,196
Overdue 91 to 180 days	**8,727**	5,830
Overdue 181 to 360 days	**16,802**	12,464
Overdue above 360 days	**83,193**	80,548
	548,509	409,951

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

7. Trade receivables (Continued)

The average collection period of installment sales is 7 months and a 5.99% monthly interest is charged on the receivable balance, recognized in financial result. The average collection period of other receivables is 126 days (122 days as of December 31, 2013).

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

	06/30/2014	12/31/2013
Balances at beginning of the period	**(85,101)**	(80,712)
Additions	**(7,757)**	(32,849)
Unrecoverable amounts	**6,470**	8,119
Recoveries	**4,710**	20,341
Balances at the end of the period	**(81,678)**	(85,101)

8. Inventories

	06/30/2014	12/31/2013
Consumables	**24,520**	19,601
Parts and maintenance materials	**117,261**	105,649
Advances to suppliers	**12,562**	286
Others	**5,612**	3,835
Provision for obsolescence	**(12,226)**	(12,227)
	147,729	117,144

The changes in the provision for obsolescence are as follows:

	06/30/2014	12/31/2013
Balances at the beginning of the period	**(12,227)**	(17,591)
Additions	**(68)**	(3,702)
Write-off and reversal	**69**	9,066
Balances at the end of the period	**(12,226)**	(12,227)

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

9. Deferred and recoverable taxes

a) Recoverable taxes

	06/30/2014	12/31/2013
ICMS(1)	**37,416**	32,205
Prepaid IRPJ and CSSL(2)	**35,472**	46,389
IRRF(3)	**6,230**	26,505
PIS and COFINS(4)	**2,530**	2,177
Withholding tax of public institutions	**7,568**	8,693
Value added tax—IVA(5)	**5,994**	6,544
Income tax on imports	**2,843**	2,741
Others	**727**	407
Total recoverable taxes	**98,780**	125,661
Current assets	**30,936**	52,124
Noncurrent assets	**67,844**	73,537

(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 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.

b) Deferred taxes—long term

	06/30/2014	12/31/2013
Tax losses	**433,520**	433,520
Negative basis of social contribution	**156,068**	156,068
Temporary differences:		
Mileage program	**68,973**	94,540
Allowance for doubtful accounts and other credits	**93,623**	73,300
Provision for losses on VRG's acquisition	**143,350**	143,350
Provision for legal and tax liabilities	**42,204**	49,689
Aircraft return	**77,458**	85,350
Derivative transactions not settled	**51,318**	15,727
Tax benefit due to goodwill incorporation(**)	**65,647**	72,942
Flight rights	**(353,226)**	(353,226)
Maintenance deposits	**(129,091)**	(140,246)
Depreciation of engines and parts for aircraft maintenance	**(161,827)**	(158,775)
Reversal of goodwill amortization on VRG's acquisition	**(127,659)**	(127,659)
Aircraft leasing	**(21,189)**	34,764
Others(*)	**126,082**	108,813
Total deferred tax and social contribution—noncurrent	**465,251**	488,157

(*) Includes the portion of taxes on Smiles unrealized profit in the amount of R$8,062 (R$9,579 as of December 31, 2013).
(**) Related to the tax benefit from the reverse incorporation of the G.A. Smiles Participações S.A. by the Company's subsidiary Smiles S.A. Under the terms of the current legislation, the goodwill generated by the operation will be a deductible expense on the Income Tax and Social Contribution calculation.

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

9. Deferred and recoverable taxes (Continued)

The Company and its direct subsidiary VRG and indirect subsidiary Webjet have tax losses carryforward and negative basis of social contribution in the calculation of taxable income, to compensate with 30% of annual taxable profits, without time limit for expiration, in the following amounts:

	Direct (VRG) and indirect subsidiary (Webjet)	
	06/30/2014	12/31/2013
Tax losses	**4,068,945**	3,315,218
Negative basis of social contribution	**4,068,945**	3,315,218

As of June 30, 2014, the tax credits arising from tax loss carryforward and negative social contribution basis were valued based on the reasonably expected generation of future taxable income of the parent Company and its subsidiaries, subject to legal limitations.

Estimated recovery of deferred tax assets was based on taxable income projections, considering the assumptions above and several financial assumptions, business and internal and external factors considered at the end of the period. Consequently, the estimates may be subject to not materialize in the future, due to the uncertainties inherent in these estimates.

The Company and its subsidiaries has tax credits from net operating losses carryforward of R$1,383,441, of which R$80,208 is related to GLAI and R$1,303,233 is related to its subsidiaries VRG and Webjet.

The forecasts of GLAI and the indirect subsidiary Webjet did not present sufficient taxable profits to be realized over the next 10 years and, as a result, a provision was recorded for unrealizable tax losses credits of R$26,522 for GLAI and R$250,090 for Webjet. For the subsidiary VRG, such forecasts indicate sufficient taxable profits for such to be realized in the next 10 years. However, due to tax losses presented during the recent years, the Administration conducted a sensitivity analysis on the forecast results, and considering significant changes in the macroeconomic scenario, registered the deferred tax assets on tax losses based on the lowest value obtained in this analysis. As a result, the Company and its subsidiaries did not recognize tax credits of R$517,241 in its subsidiary VRG.

The Company's management considers that the deferred assets recognized as of June 30, 2014 arising from temporary differences will be realized when the provisions are settled and the related future events are resolved.

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

9. Deferred and recoverable taxes (Continued)

	Consolidated			
	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Loss before income taxes	**(67,847)**	(460,057)	**(117,179)**	(465,810)
Combined tax rate	**34%**	34%	**34%**	34%
Income tax credits at the combined tax rate	**23,069**	156,419	**39,841**	158,375
Adjustments to calculate the effective tax rate:				
Equity pick-up	**(327)**	—	**(478)**	—
Income from subsidiaries	**(4,998)**	(3,089)	**(4,815)**	(2,268)
Income tax on permanent differences and others	**171**	(3,623)	**(100)**	(4,343)
Nontaxable revenues (nondeductible expenses), net	**(30,927)**	(20,060)	**(58,004)**	(27,501)
Exchange differences on foreign investments	**20,104**	(44,945)	**61,208**	(25,244)
Benefit on tax losses and temporary differences not constituted	**(84,224)**	(57,599)	**(161,599)**	(141,453)
Income taxes expenses	**(77,133)**	27,103	**(123,947)**	(42,434)
Current income taxes	**(34,799)**	(10,968)	**(74,055)**	(28,372)
Deferred income taxes	**(42,334)**	38,071	**(49,892)**	(14,062)
	(77,133)	27,103	**(123,947)**	(42,434)

10. Prepaid expenses

	06/30/2014	12/31/2013
Deferred losses from sale-leaseback transactions(a)	**30,763**	35,449
Prepaid hedge	**—**	1,532
Prepaid lease	**29,692**	27,238
Prepaid insurance	**7,726**	16,970
Prepaid commissions	**14,203**	18,509
Others(b)	**19,173**	7,483
	101,557	107,181
Current	**79,171**	80,655
Noncurrent	**22,386**	26,526

(a) During 2007, 2008 and 2009, the Company recorded losses from sale-leaseback transactions performed by its subsidiary GAC Inc. related to 9 aircrafts 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 is described in Note 28.

(b) Includes the amount of R$13,191 related to the agreement with Confederação Brasileira de Futebol ("CBF") signed in 2013, for the sponsorship and transportation of the Brazilian soccer team and other participating teams in the Brazilian cup and championship, with maturity in 2017.

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

11. Deposits

	06/30/2014	12/31/2013
Escrow deposits(a)	**232,091**	217,540
Maintenance deposits(b)	**379,711**	412,488
Deposits in guarantee for lease agreements(c)	**232,493**	217,680
	844,295	847,708

a) *Escrow deposits*

Deposits and blocked escrows represent guarantees of lawsuits related to tax, civil and labor claims deposited in escrow until the resolution of the related claims. Part of the blocked amount in escrow is related to civil and labor claims arising on the succession orders on claims against Varig S.A. and proceedings filed by employees that are not related to the Company or any related party (third-party claims). As the Company is not correctly classified as the defendant of these lawsuits, whenever such blockages occur, the exclusion of such is requested in order to release the resources. As of June 30, 2014, the blocked amounts regarding the Varig' succession and the third-party lawsuits were R$82,520 and R$62,792, respectively (R$71,457 and R$52,343 as of December 31, 2013, respectively).

b) *Maintenance deposits*

The Company and its subsidiaries VRG and Webjet made deposits in U.S. Dollars for maintenance of aircraft and engines that will be used in future events as set forth in some leasing contracts.

The maintenance deposits do not exempt the Company and its subsidiaries, as lessee, neither from the contractual obligations relating to the maintenance of the aircraft neither from the risk associated with maintenance activities. The Company and its subsidiaries hold the right to select any of the maintenance service providers or to perform such services internally.

c) *Deposits in guarantee for lease agreements*

As required by the lease agreements, the Company and its subsidiaries hold guarantee deposits in U.S. Dollars on behalf of the leasing companies, whose full refund occurs upon the contract expiration date.

12. Transactions with related parties

a) Transportation services and consulting

All the agreements related to transportation and consulting services are held by the Company's subsidiary VRG. The related parties for these services are:

i. Breda Transportes e Serviços S.A. for passenger and luggage transportation services between airports, and transportation of employees, expiring on May 31, 2015, renewable every 12 months for additional equal terms through an amendment instrument signed by the parties, annually adjusted based on the IGP-M fluctuation (General Market Price Index from Getulio Vargas Foundation).

ii. União Transporte de Encomendas e Comércio de Veículos Ltda., expiring on December 29, 2015 for the operation of the Gollog franchise in Passos/MG.

iii. Vaud Participações S.A. to provide executive administration and management services, expiring on October 1, 2014.

During the six-month period ended June 30, 2014, the subsidiary VRG recognized expenses related to these services of R$3,255 (R$3,114 for the six-month period ended June 30, 2013).

b) Contracts account opening UATP ("Universal Air Transportation Plan") to grant credit limit

In September 2011, the subsidiary VRG entered into agreements with the related parties Pássaro Azul Taxi Aéreo Ltda. and Viação Piracicabana Ltda., both with no expiration date, with the purpose of the issuance of credits in the amounts of R$20 and R$40, respectively, to be used in the UATP (Universal Air Transportation Plan) system. The UATP account (virtual card) is accepted as a payment method on the purchase of airline tickets and related services, seeking to simplify the billing and facilitate the payment between participating companies.

c) Financing contract for engine maintenance

The subsidiary VRG has a line of funding for maintenance of engines services, which disbursement occurs through the issuance of Guaranteed Notes. As of June 30, 2014, VRG holds three series of Guaranteed Notes for maintenance of engines, issued on September 27, 2012, March 11, 2013 and February 14, 2014, maturing in two years. During the six-month period ended June 30, 2014 the spending on engine maintenance conducted by Delta Air Lines was R$17,403 (R$41,170 for the six-month period ended June 30, 2013).

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

12. Transactions with related parties (Continued)

d) Financing contract for engine maintenance

On February 19, 2014, the Company signed an exclusive strategic partnership for long-term business cooperation with Airfrance-KLM with the purpose of the sales activities improvements and codeshare expansion and mileage programs benefts between the companies for the customers in the Brazilian and European markets. The agreement provides the incentive investment in the Company in the amount of R$112,152, which payment is divided in three installments: the first installments in the amount of R$74,506 was received during the six-month period ended June 30, 2014, the second and the third installments, both in the amount of R$16,519, will be received in June 2015 and 2016, respectively. The agreement will mature within 5 years and the installments will be amortized monthly. On June 30, 2014, the Company has deffered revenue in the amount of R$22,340 and R$82,245 recorded as "Other liabilities" in the current and non-current liabilities, respectively.

e) Trade payables—current liabilities

As of June 30, 2014, balances payable to related companies amounting to R$3,202 (R$1,008 as of December 31, 2013) 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.

f) Key management compensation

	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Salaries and benefits	**9,981**	1,883	**15,741**	4,724
Related taxes	**849**	341	**2,173**	788
Share-based payments	**904**	542	**1,979**	1,516
	11,734	2,766	**19,893**	7,028

As of June 30, 2014, the Company did not offer postemployment benefits, and there are no severance benefits or other long-term benefits for the Management or other employees.

13. Share-based payments

The Company holds two share-based payment plans offered to its management personnel: the Stock Option Plan and the Restricted Shares Plan. Both of these plans are offered in order to stimulate and promote the alignment of the gols of the Company, management and employees, to mitigate the risks in value created for the Company resulting from the loss of their executives and strengthen the commitment and productivity of these executives to long-term results.

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

13. Share-based payments (Continued)

GLAI

a) *The Stock Option Plan*

The changes of existing stock options during the period ended June 30, 2014 is as follows:

	Total of stock options	Weighted average exercise price
Options outstanding as of December 31, 2013	3,463,462	20.66
Options exercised	**(6,194)**	**12.81**
Options cancelled and adjustments in estimated lost rights	**(113,457)**	**27.83**
Options outstanding as of June 30, 2014	**3,343,811**	**20.72**
Number of options exercisable as of December 31, 2013	2,609,906	24.39
Number of options exercisable as of June 30, 2014	**2,841,695**	**21.76**

The range of exercise prices and the average maturity of outstanding options, as well as the average exercise price for exercisable options as of June 30, 2014 are summarized below:

Outstanding options				Exercisable options	
Range of exercise prices	Outstanding options	Average remaining maturity (in years)	Average exercise price	Options exercisable	Average exercise price
33.06	4,965	2	33.06	4,965	33.06
47.30	13,220	3	47.30	13,220	47.30
65.85	14,962	4	65.85	14,962	65.85
45.46	41,749	5	45.46	41,749	45.46
10.52	20,414	6	10.52	20,414	10.52
20.65	1,097,811	7	20.65	1,097,811	20.65
27.83	1,011,614	8	27.83	1,011,614	27.83
12.81	545,299	9	12.81	438,512	12.81
12.76	593,777	9	12.76	198,448	12.76
10.52-65.85	**3,343,811**	**7.92**	**20.72**	**2,841,695**	**21.76**

b) *Restricted shares*

The fair value of the restricted shares granted was estimated on the grant date using the Black-Scholes pricing model, and the assumptions are listed below:

Restricted shares					
Year	Date of the Board Meeting	Total shares granted	Fair value of the share at grant date (in Reais)	Estimate volatility of share price	Risk-free rate of return
2012	11/13/2012	589,304	9.70	52.25%	9.0%
2013	05/13/2013	712,632	12.76	46.91%	7.5%

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

13. Share-based payments (Continued)

Until June 30, 2014, there were no restricted shares transferred to the plan's participants.

Smiles

On February 22, 2013, the Smiles' Board of Directors, during the Extraordinary General Meeting, approved the grant of a stock options plan, which consists of an additional payment to the Smiles' management and executives. On August 08, 2013, the Smiles' Board of Directors approved the grant of 1,058,043 shares related to the stock option plan, of which 260,020 shares were granted to employees of its affiliate VRG.

On February 4, 2014, the Smiles' Board of Directors approved the issue of 1,150,000 new stock options at a price of R$31.28 per share, under the terms of the Stock Options Plan previously established for its management and participants which feature under the terms of the plan. Until June 30, 2014, there was no grant approval of these shares to its beneficiaries.

The fair value of stock options was estimated on the grant date using the Black-Scholes option pricing model. The expected volatility of Smiles shares is based on the historical volatility of 252 working days of the Bovespa index. The other assumptions utilized in the Black-Scholes option pricing model are as follows:

Stock Options Plan								
Year	Date of the Board Meeting	Total shares granted	Exercise price of the option (In Reais)	The fair value of the option at grant date (In Reais)	Estimate volatility of share price	Expected dividend	Risk-free rate of return	Length of the option (in years)
2013	08/08/2013	1,058,043	21.70	4.13(a)	36.35%	6.96%	7.40%	10
2014	02/04/2014	1,150,000	31.28	4.90(b)	33.25%	10.67%	9.90%	10

(a) The fair value calculated for the plan was R$4.84, R$4.20, R$3.73 and R$3.73 for the respective periods of vesting of 2013, 2014, 2015 and 2016.
(b) The fair value calculated for the plan was R$4.35, R$4.63, R$4.90, R$5.15 and R$5.17 for the respective periods of vesting from 2014 to 2018.

For the six-month period ended June 30, 2014, the Company recorded in total equity a result from share-based payments in the amount of R$3,026 related to Company's shareholders and R$529 related to its noncontrolling interests (R$3,351 related to Company's shareholders and R$341 related to its noncontrolling interests for the six-month period ended June 30, 2013) for the plans presented above, with corresponding entry in the statements of operations classified as personnel expenses.

14. Losses 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 losses 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.

	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Numerator				
Net loss for the year attributable to Company' shareholders	**(174,178)**	(449,521)	**(305,373)**	(524,811)
Diluted securities effect—Smiles(a)	**(333)**	—	**(333)**	—
	(174,511)	(449,521)	**(305,706)**	(524,811)
Denominator				
Weighted average number of outstanding shares (In thousands)	**278,986**	276,437	**277,844**	276,437
Adjusted weighted average number of outstanding shares and diluted presumed conversions (In thousands)	**278,986**	276,437	**277,844**	276,437
Basic loss per share	**(0.624)**	(1.626)	**(1.099)**	(1.898)
Diluted loss per share	**(0.626)**	(1.626)	**(1.100)**	(1.898)

(a) Smiles holds a Stock Options Plan for its employees. These equity instruments have a dilutive effect on earnings per share of this subsidiary, impacting, therefore, the loss considered on the basis calculation of Company's diluted result per share, in accordance with CPC 41.

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

14. Losses per share (Continued)

Diluted earnings (losses) per share are calculated by the weighted average number of outstanding shares, in order to assume the conversion of all potential dilutive shares.

Diluted earnings or loss per share are calculated based on considering the instruments that may have a potential dilutive effect in the future, such as share-based payment transactions, described in Note 13. However, due to the losses reported for the three and six-month periods ended June 30, 2014, these instruments issued have anti-dilutive effect and, therefore, are not considered in the total number of outstanding shares.

15. Property, plant and equipment

	06/30/2014				12/31/2013
	Weighted anual depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount
Flight equipment					
Aircraft under finance leases	4%	**3,114,391**	**(958,959)**	**2,155,432**	2,175,697
Sets of replacement parts and spares engines	4%	**1,070,905**	**(338,894)**	**732,011**	710,337
Aircraft reconfigurations/ overhauling	30%	**893,798**	**(687,829)**	**205,969**	287,038
Aircraft and safety equipment	20%	**2,044**	**(1,150)**	**894**	956
Tools	10%	**28,217**	**(13,748)**	**14,469**	15,327
		5,109,355	**(2,000,580)**	**3,108,775**	3,189,355
Impairment losses (*)	—	**(37,611)**	**—**	**(37,611)**	(26,348)
		5,071,744	**(2,000,580)**	**3,071,164**	3,163,007
Property, plant and equipment in use					
Vehicles	20%	**9,436**	**(7,906)**	**1,530**	1,946
Machinery and equipment	10%	**48,362**	**(22,145)**	**26,217**	28,237
Furniture and fixtures	10%	**19,826**	**(12,765)**	**7,061**	7,738
Computers and peripherals	20%	**32,697**	**(23,516)**	**9,181**	9,661
Communication equipment	10%	**2,412**	**(1,326)**	**1,086**	1,110
Facilities	10%	**4,235**	**(3,364)**	**871**	1,026
Maintenance center—Confins	10%	**105,971**	**(41,615)**	**64,356**	69,759
Leasehold improvements	20%	**51,786**	**(39,706)**	**12,080**	13,242
Construction in progress	—	**9,339**	**—**	**9,339**	8,670
		284,064	**(152,343)**	**131,721**	141,389
		5,355,808	**(2,152,923)**	**3,202,885**	3,304,396
Advances for aircraft acquisition	—	**314,331**	**—**	**314,331**	467,763
		5,670,139	**(2,152,923)**	**3,517,216**	3,772,159

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

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

15. Property, plant and equipment (Continued)

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

	Property, plant and equipment under finance lease	Other flight equipment (a)	Advances for acquisition of property, plant and equipment	Others	Total
As of December 31, 2012	2,224,036	1,008,972	481,289	171,502	3,885,799
Additions	106,101	318,707	411,584	6,570	842,962
Disposals	—	(8,223)	(425,110)	(3,056)	(436,389)
Depreciation	(154,440)	(332,146)	—	(33,627)	(520,213)
As of December 31, 2013	2,175,697	987,310	467,763	141,389	3,772,159
Additions	**59,289**	**74,296**	**228,595**	**4,134**	**366,314**
Disposals	**—**	**—**	**(382,027)**	**(36)**	**(382,063)**
Depreciation	**(79,554)**	**(145,874)**	**—**	**(13,766)**	**(239,194)**
As of June 30, 2014	**2,155,432**	**915,732**	**314,331**	**131,721**	**3,517,216**

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

16. Intangible assets

	Goodwill	Trademark	Airport operating licenses	Software	Total
Balances as of December 31, 2012	542,302	6,348	1,038,900	112,381	1,699,931
Additions	—	—	—	51,035	51,035
Disposals	—	(6,348)	—	(9,675)	(16,023)
Amortizations	—	—	—	(40,753)	(40,753)
Balances as of December 31, 2013	542,302	—	1,038,900	112,988	1,694,190
Additions (a)	**17,863**	**—**	**—**	**34,046**	**51,909**
Disposals	**—**	**—**	**—**	**(4)**	**(4)**
Amortizations	**—**	**—**	**—**	**(20,367)**	**(20,367)**
Balances as of June 30, 2014	**560,165**	**—**	**1,038,900**	**126,663**	**1,725,728**

(a) Refers to the goodwill generated by the difference between the equity and portion paid of Netpoints attributable to Smiles.

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

17. Short and long-term debt

	Maturity of the Contract	Effective Rate (p.a.)	06/30/2014	12/31/2013
Short-term debt				
Local currency:				
BNDES—Direct	Jul. 2017	6.15%	**3,105**	3,088
BDMG	—	—	**—**	5,203
Safra (a)	Dec. 2015	11.28%	**66,140**	32,299
Interest	—	—	**27,570**	19,689
			96,815	60,279
Foreign currency (in US$):				
J.P. Morgan	Feb. 2016	0.93%	**55,067**	51,524
FINIMP	Mar. 2015	4.09%	**52,600**	5,838
Engine Facility (Cacib)	Jun. 2021	2.52%	**11,781**	—
Interest	—	—	**58,928**	63,360
			178,376	120,722
			275,191	181,001
Financial lease	Jul. 2025	5.11%	**256,460**	259,833
Total short-term debt			**531,651**	440,834
Long-term debt				
Local currency:				
Debentures IV	Sep. 2018	12.77%	**589,057**	597,741
Debentures V	Jun. 2017	12.56%	**488,750**	495,726
Safra (a)	Dec. 2015	11.28%	**32,221**	65,555
BDMG	Mar. 2018	10.88%	**—**	15,704
BNDES—Direct	Jul. 2017	6.15%	**6,452**	8,001
			1,116,480	1,182,727
Foreign currency (in US$):				
J.P. Morgan	Feb. 2016	0.93%	**32,273**	1,540
Engine Facility (Cacib)	Jun. 2021	2.52%	**137,023**	—
Senior Bond I	Apr. 2017	7.63%	**462,525**	491,946
Senior Bond II	Jul. 2020	9.65%	**649,120**	691,028
Senior Bond III (b)	Feb. 2023	11.30%	**384,760**	426,489
Perpetual Bond	—	8.75%	**394,248**	419,326
			2,059,949	2,030,329
			3,176,429	3,213,056
Financial lease	Jul. 2025	5.11%	**1,698,888**	1,935,495
Total long-term debt			**4,875,317**	5,148,551
			5,406,968	5,589,385

(a) The total amount of the Safra loan as of June 30, 2014 was R$98,361, and held a deposit in guarantee in the amount of R$40,180 as described in Note 6.

(b) The Senior Bond issued on February 7, 2013 with maturity in 2023 was transferred from VRG to LuxCo along with the financial applications acquired on the date of issuance.

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

17. Short and long-term debt (Continued)

The maturities of long-term debt (excluding financial lease) as of June 30, 2014 are as follows:

	2015	2016	2017	2018	After 2018	Without maturity date	Total
Local currency:							
BNDES—Direct	1,548	3,097	1,807	—	—	—	6,452
Safra	32,221	—	—	—	—	—	32,221
Debentures	144,452	294,452	294,451	344,452	—	—	1,077,807
	178,221	297,549	296,258	344,452	—	—	1,116,480
Foreign currency (in US$):							
J.P. Morgan	22,423	9,850	—	—	—	—	32,273
Engine Facility (Cacib)	5,890	11,781	11,781	11,781	95,790	—	137,023
Senior Bond I	—	—	462,525	—	—	—	462,525
Senior Bond II	—	—	—	—	649,120	—	649,120
Senior Bond III	—	—	—	—	384,760	—	384,760
Perpetual Bond	—	—	—	—	—	394,248	394,248
	28,313	21,631	474,306	11,781	1,129,670	394,248	2,059,949
Total	206,534	319,180	770,564	356,233	1,129,670	394,248	3,176,429

The fair values of Senior and Perpetual Bonds as of June 30, 2014 were as follows:

	Book	Market (a)
Senior Bonds	1,496,405	1,598,934
Perpetual Bond	394,248	338,193

(a) Senior and Perpetual Bonds' market prices are obtained through market quotations (level 1).

i) Covenants

Long-term financing (excluding perpetual bonds and financing of aircraft) in the total amount of R$2,782,181, as of June 30, 2014, hold clauses and contratual restrictions, including but not limited to those that require the Company to maintain the liquidity requirements and coverage of interest expenses defined in the covenants. The Company has restrictive covenants in its financing agreements with the following financial institutions: Bradesco and Banco do Brasil (Debentures IV and V), with quarterly measurements.

17. Short and long-term debt (Continued)

i) Covenants (Continued)

On the Meeting of the Holders of Debentures IV and V held on June 20, 2014, was resolved: (i) the extension of the term and changes on the amortization amounts of Debenture IV; (ii) change the remuneration of the Debentures IV and V to 128% of the CDI (from 118% and 120% of the CDI, respectively); and (iii) change the restrictive contractual clauses relative to financial indicators and limits for the Debentures IV and V Issues. The costs for the deeds addition were R$17,310.

As of June 30, 2014, the Debentures IV and V have the following restrictive clauses: (i) net debt/EBITDAR below 5.69, and (ii) coverage of debt (CID) of at least 1.53. Based on the measurements, the following indexes were obtained: (i) net debt/EBITDA of 2.65; and (ii) coverage of debt (CID) of 2.11. Accordingly, as of June 30, 2014, the Company was in compliance with the limits stablished on the agreement. The next measurement will be on December 31, 2014.

ii) New loans raised on the three-month period ended June 30, 2014

Import Financing (Finimp)

On April 03, 2014, the Company, through its subsidiary VRG, obtained a loan part of a credit line for import financing (Finimp) in the amount of R$18,616 (US$8,156 as of the loan date) with Banco Safra, with maturity of 360 days on March 30, 2015 and interest rate of 3.01% p.a., for purchase of spare parts and aircraft equipment. In guarantee for this loan there is one promissory note in the total amount of the loan.

Engine financing (Engine Facility)

On June 30, 2014, the Company, through its subsidiary VRG, contracted a financing in the amount of US$68 million with Credit Agricole Corporate and Investment Bank (“Cacib”), with guarantee of twelve proprietary spare CFM56-7B engines, and with the possibility of the financing increase of an additional US$100 million (equivalent to R$220 million at the reporting date) for future proprietary engine deliveries. The financing is over 7 years, with quarterly amortization of the principal and interest starting as from September 2014 at a cost of 3 months Libor index plus 2.25% p.a. The operation aims the maintainance of the high liquidity in order to reduce the cost of the Company’s debts.

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

17. Short and long-term debt (Continued)

iii) Financial leases

The future payments of financial lease contracts indexed to U.S. Dollar are detailed below:

	06/30/2014	12/31/2013
2014	**169,198**	356,642
2015	**340,462**	362,099
2016	**330,996**	352,050
2017	**306,328**	325,813
2018	**301,088**	320,240
Beyond 2018	**820,532**	862,149
Total minimum lease payments	**2,268,604**	2,578,993
Less total interest	**(313,256)**	(383,665)
Present value of minimum lease payments	**1,955,348**	2,195,328
Less current portion	**(256,460)**	(259,833)
Noncurrent portion	**1,698,888**	1,935,495

The discount rate used to calculate the present value of the minimum lease payments was 5.11% as of June 30, 2014 (5.20% as of December 31, 2013). There are no significant differences between the present value of minimum lease payments and the fair value of these financial liabilities.

The Company extended the maturity date of the financing for some of its aircraft leased for 15 years using the SOAR framework (mechanism for extending financing amortization and repayment), which enables the performance of calculated withdrawals to be settled at the end of the lease agreement. As of June 30, 2014, the withdrawals made for the repayment at maturity date of the lease agreements totaled R$126,415 (R$123,879 as of December 31, 2013) and are recorded in long-term debt.

18. Salaries, wages and benefits

	06/30/2014	12/31/2013
Salaries	**171.653**	135,027
INSS and FGTS recoverable	**46,406**	45,630
Profit sharing plan	**33,608**	51,650
Others	**4,534**	1,277
	256,201	233,584

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

19. Taxes payable

	06/30/2014	12/31/2013
PIS and COFINS	**27,694**	37,926
REFIS	**32,412**	32,490
IRRF on Payroll	**16,016**	23,175
ICMS	**33,856**	32,440
Tax on import	**3,467**	3,467
CIDE	**2,767**	2,686
IOF	**61**	62
IRPJ and CSLL payable	**12,783**	15,838
Others	**9,450**	7,384
	138,506	155,468
Current	**75,637**	94,430
Noncurrent	**62,869**	61,038

Adoption of the Law nº 12,973/2014 (Provisional Measure 627/2013)

In November 2013, the Provisional Measure No. 627 was issued establishing that non-taxation over the profit and dividends calculated based on results from January 01, 2008 to December 31, 2013 by the companies taxable based on actual profits, presumed or arbitrate, paid until the date of the provisional measure publication, in higher values that the ones calculated by the current accounting policies on December 31, 2007 if the company which had already paid the earnings or dividends opted for the anticipated adoption of the new tax regulation beginning in 2014.

In May 2014, the provisional measure was converted into Law No. 12973, resulting in significant changes to the previously established, along with dividends, return on shareholders' equity and investments measurement through equity. A change from Provisional Measure No. 627 to Law No. 12973, was the unconditional non-taxation for the profits and dividends calculated based on the results from January 01, 2008 to December 31, 2013.

In order to ensure tax neutrality established in Law No. 11941, from 2009, since dividend payments occurred until the date of the law's publication, the Company and its subsidiary Smiles S.A.'s managements chose the early adoption of the Law through DCTF related to May 2014. Thus, it will be guaranteed the use of the equity measured in accordance with Law No. 6404 from 1976, for purposes of calculating the limits as per laws related to the tax effects of interest on shareholders' equity.

The Company analyzed the potential effects from the Law No. 12973 adoption and concluded that there are no significant effects on its interim financial information as of June 30, 2014 and December 31, 2013 on GLAI and Smiles. On VRG and Webjet, the Company will analyse the impacts of the adoption of the law and the related effects will be registered starting as from January 01, 2015.

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

20. Advance ticket sales

As of June 30, 2014, the balance of transport to perform classified in current liabilities was R$1,129,699 (R$1,219,802 as of December 31, 2013) and is represented by 5,324,146 coupons tickets sold and not yet used (5,951,486 as of December 31, 2013) with an average use of 119 days (111 days as of December 31, 2013).

21. Mileage program

As of June 30, 2014, the balance of Smiles deferred revenue is R$208,650 (R$195,935 as of December 31, 2013) and R$496,013 (R$456,290 as of December 31, 2013), classified in the current and noncurrent liabilities, respectively, and the number of outstanding miles as of June 30, 2014 amounted to 40,853,705,083.

22. Advances from customers

The Company performs advance miles sales and recorded such under "Advances from customers". As of June 30, 2014, the outstanding balance related to these anticipated sales is as follows:

	06/30/2014	**12/31/2013**
Financial institutions(a)	**42,860**	169,649
Others	**1,223**	1,755
	44,083	171,404
Current	**43,700**	167,759
Noncurrent	**383**	3,645

(a) A portion of the amount in the current liabilities of R$41,563 (R$166,004 as of December 31, 2013) is related to the miles sales agreement in the approximately total amount of R$400,000 signed on April 08, 2013 along with the financial institutions Bradesco S.A., Banco do Brasil S.A. and Banco Santander (Brasil) S.A.

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

23. Provisions

	Insurance Provision	Provision for anticipated return of Webjet's aircraft (a)	Provision for aircraft and engine return of VRG and Webjet (b)	Lawsuits (c)	Total
Balances on December 31, 2013	17,519	12,381	334,909	117,565	482,374
Additional provisions recognized	789	—	11,995	2,541	15,325
Utilized provisions	(11,264)	(8,844)	(52,773)	(25,147)	(98,028)
Foreign exchange effects	(274)	(462)	6,795	(902)	5,157
Balances on June 30, 2014	**6,770**	**3,075**	**300,926**	**94,057**	**404,828**
As of December 31, 2013					
Current	17,519	12,381	169,571	—	199,471
Noncurrent	—	—	165,338	117,565	282,903
	17,519	12,381	334,909	117,565	482,374
As of June 30, 2014					
Current	**6,770**	**3,075**	**146,439**	**—**	**156,284**
Noncurrent	**—**	**—**	**154,487**	**94,057**	**248,544**
	6,770	**3,075**	**300,926**	**94,057**	**404,828**

a) Provision for anticipated return of aircraft

In 2011, according to the strategic planning of Webjet, a provision for the anticipated return of aircraft was recorded. This provision was calculated based on the expected return of 18 aircrafts Boeing 737-300 with operating leases contracts, as part of the Company's fleet renewal. During the six-month period ended June 30, 2014 the Company completed 5 aircraft returns with the following prefixs: PR-WJV, PR-WJB, PR-WJD, PR-WJF e PR-WJH.

b) Return of aircraft and engines

The returns provisions consider the costs that meet the contractual conditions for the return of engines maintained under operating leases, as well as the costs to reconfigure the aircraft without purchase option, as prescribed in the returns conditions of the lease contracts, and which is capitalized in property, plant and equipment (aircraft reconfigurations/overhauling), as described in Note 15.

c) Lawsuits

As of June 30, 2014, the Company and its subsidiaries are parties to 27,057 (7,429 labor and 19,628 civil) 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:

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

23. Provisions (Continued)

c) Lawsuits (Continued)

	Operation	Succession	Total
Civil lawsuits	16,464	447	**16,911**
Civil proceedings	2,707	10	**2,717**
Labor lawsuits	3,910	3,297	**7,207**
Labor proceedings	220	2	**222**
	23,301	**3,756**	**27,057**

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

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

	06/30/2014	12/31/2013
Civil	**50,053**	66,294
Labor	**44,004**	51,271
	94,057	117,565

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

There are other civil and labor lawsuits assessed by management and its legal counsel as possible risks, in the estimated amount as of June 30, 2014 of R$20,839 for civil claims and R$2,990 for labor claims (R$13,226 and R$3,929 as of December 31, 2013 respectively), for which no provisions are recognized.

The tax lawsuits below were evaluated by the Company’s management and its legal consultants as being relevant and with probable risk as of June 30, 2014:

- GLAI is discussing the non-incidence of taxation of PIS and COFINS on revenues generated by the interest on capital in the amount of R$37,750, related to the years from 2006 to 2008, paid by its subsidiary GTA Transportes Aéreos S.A., succeeded by VRG on September 25, 2008. According to the opinion of the Company’s legal counsel and based on the jurisprudence occurred in recent events, the Company classified this case as possible loss, without a provision registered for the related amount. Additionally, the Company maintains a letter of credit with Bic Banco with a partial guarantee on the lawsuit value of R$20,690 as disclosed in Note 6.

23. Provisions (Continued)

c) Lawsuits (Continued)

- Tax on Services (ISS), the amount of R$15,532 arising from assessment notices issued by the Municipality of São Paulo against the Company, in the period from January 2007 to December 2010 regarding a possible ISS taxation on partners agreements. The classification of the possible risk stems from the matters under discussion and are interpretative, and involves discussions of factual and evidential materials, and has no final positioning of the Superior Courts.
- Customs Penalty in the amount of R$33,044 relating to assessment notices issued against the Company for alleged breach of customs rules regarding procedures for temporary import of aircraft. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.
- BSSF goodwill (BSSF Air Holdings) in the amount of R$42,514 related to Infraction notices due to the deductibility of the goodwill allocated to future profitability. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.
- VRG's goodwill in the amount of R$16,670 resulted from summons of violation related to the deductibility of the goodwill classified as future payment. The classification of probable risk arises from the absence of a final opinion from the Superior Courts.

There are other lawsuits considered by the Company's management and its legal counsel as possible risk, in the estimated amount of R$20,178 which added to the lawsuits mentioned above, amount to R$165,688 as of June 30, 2014.

The Company and its subsidiaries are challenging in the court the ICMS levied on aircraft and engines imported under aircraft lease transactions without purchase options in transactions carried out with lessors' registered in foreign countries. The Company and its subsidiaries' management understand 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 that there is no evidence of goods circulation and so, there are no legal events to generate the 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. As of June 30, 2014, the estimated aggregated amount of the ongoing lawsuits related to the non-levy of ICMS tax on said imports was R$239,232 (R$229,450 as of December 31, 2013) adjusted for inflation, not including late payment charges.

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

24. Equity

a) Capital

As of June 30, 2014, the Company's capital is represented by 278,867,520 shares, of which 143,858,204 are common shares and 135,009,316 are preferred shares. The Fundo de Investimento em Participações Volluto ("Fundo 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:

	06/30/2014			12/31/2013		
	Common	**Preferred**	**Total**	**Common**	**Preferred**	**Total**
Fundo Volluto	**100.00%**	**21.84%**	**62.16%**	100.00%	22.30%	62.38%
Wellington Management Company	**—**	**10.49%**	**5.08%**	—	10.49%	5.08%
Delta Airlines, Inc.	**—**	**6.15%**	**2.98%**	—	6.15%	2.98%
Fidelity Investments	**—**	**5.21%**	**2.52%**	—	5.21%	2.52%
Treasury shares	**—**	**1.59%**	**0.77%**	—	1.59%	0.77%
Other	**—**	**1.50%**	**0.73%**	—	1.51%	0.73%
Free float	**—**	**53.22%**	**25.76%**	—	52.75%	25.54%
	100.00%	**100.00%**	**100.00%**	100.00%	100.00%	100.00%

The authorized share capital, as of June 30, 2014, was R$4.0 billion. 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. Under the law terms, in case of a capital increase, the Board of Directors will define the issuance conditions, including pricing and payment terms.

On the Board of Director's General Meeting held on May 28, 2014, it was aproved the capital increase limited to R$185,757, with the amount of R$116,357 proceeding from Air France—KLM S.A. investment ("Air France KLM"), to be subscribed of 4,246,620 preferred shares of the Company, registered as of June 30, 2014 as "Shares to be issued", see Note 32.

The Company's shares as of June 30, 2014 are quoted on the São Paulo Stock Exchange—BM&FBOVESPA in the amount of R$12.02 per share and US$5.48 per share on the New York Stock Exchange—NYSE (R$10.48 and US$4.57 on December 31, 2013, respectively). The book value per share as of June 30, 2014 was R$1.74 (R$2.33 as of December 31, 2013).

24. Equity (Continued)

b) Retained earnings

Legal reserve

It is recognized by allocating 5% of the 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.

c) Dividends

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

d) Treasury shares

As of June 30, 2014, the Company holds 2,146,725 treasury shares, totaling R$32,116, with a market value of R$25,803 (R$32,116 in treasury shares with market value of R$22,499 as of December 31, 2013).

e) Share-based payments

As of June 30, 2014, the balance of share-based payments reserve was R$88,464 (R$85,438 as of December 31, 2013). The Company recorded a share-based payment expense amounting to R$3,026 related to the Company's controlling shareholders and R$529 related to its noncontrolling interests in the six-month period ended June 30, 2014, with a corresponding expense classified as personnel expenses in the statement of operations (R$6,183 related to the Company's controlling shareholders and R$905 related to noncontrolling interests for the year ended December 31, 2013).

f) Other comphensive income

The fair value measurement of financial instruments designated as cash flow hedges is recognized as "Other Comphensive Income", net of tax effects. The balance as of June 30, 2014 corresponds to a net loss of R$74,839 (net loss of R$18,162 as of December 31, 2013), see Note 29.

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

25. Sales and services revenue

The net sales and services revenue has the following composition:

	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Passenger transportation	**2,243,799**	1,782,365	**4,604,380**	3,752,998
Cargo	**83,631**	83,386	**160,951**	155,146
Other revenue	**202,542**	161,971	**389,083**	326,414
Gross sales and services revenue	**2,529,972**	2,027,722	**5,154,414**	4,234,558
Related taxes	**(148,683)**	(112,897)	**(279,726)**	(237,057)
Net sales and services revenue	**2,381,289**	1,914,825	**4,874,688**	3,997,501

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:

	Three-month period ended				Six-month period ended			
	06/30/2014	%	06/30/2013	%	06/30/2014	%	06/30/2013	%
Domestic	**2,065,921**	**86.8**	1,768,321	92.3	**4,285,132**	**87.9**	3,645,826	91.2
International	**315,368**	**13.2**	146,504	7.7	**589,556**	**12.1**	351,675	8.8
Net revenue	**2,381,289**	**100.0**	1,914,825	100.0	**4,874,688**	**100.0**	3,997,501	100.0

26. Financial result

	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Financial income				
Income from derivatives	**34,996**	105,213	**89,755**	149,900
Income from short-term investments and investment funds	**25,359**	13,801	**67,530**	20,881
Monetary variation	**1,919**	3,509	**4,485**	6,020
Other	**6,038**	272	**9,294**	3,407
	68,312	122,795	**171,064**	180,208
Financial expenses				
Losses from derivatives	**(71,781)**	(65,821)	**(260,926)**	(136,576)
Interest on short and long-term debt	**(132,899)**	(129,963)	**(276,004)**	(250,793)
Bank interest and expenses	**(5,739)**	(3,767)	**(11,362)**	(30,305)
Monetary variation	**(1,134)**	(909)	**(2,110)**	(1,760)
Other	**(12,845)**	(13,629)	**(28,017)**	(18,150)
	(224,398)	(214,089)	**(578,419)**	(437,584)
Exchange variation, net (*)	**50,391**	(333,685)	**107,878**	(274,531)
Total	**(105,695)**	(424,979)	**(299,477)**	(531,907)

(*) The net amount of R$107,878 for the six-month period ended June 30, 2014, includes R$134,333 related to the cash loss of the Bolívar Venezuelano, as described in Note 4a.

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

27. Operating segments

Operating segments are defined as business activities from which it may earn revenues and incur expenses, which operating results are regularly reviewed by the relevant decision makers to evaluate performance and allocate resources to the segments.

As of January 01, 2013, as a result of the Smiles Program as an independent entity, the Company presents two operating segments: the flight transportation segment and the customer's loyalty program segment.

The flight transportation segment offers regular transportation of passenger and cargo, and the customer's loyalty program segment consists on the granting of credit reward miles to participants who can use them to redeem rewards, mainly airline tickets.

The accounting policies of the operating segments are the same as those applied to the consolidated financial statements. Additionally, the Company has distinct natures between the two reportable segments, which prevents any form of cost allocation, so there is no common costs and revenues between the operating segments.

The information below presents the summarized financial position related to reportable segments.

a) Assets and liabilities of the operating segments:

	06/30/2014				
	Flight transportation	**Smiles loyalty program**	**Combined information**	**Eliminations and adjustments**	**Total consolidated**
Assets					
Current	2,846,790	978,528	3,825,318	(468,080)	**3,357,238**
Noncurrent	7,483,663	1,002,530	8,486,193	(1,586,741)	**6,899,452**
Total assets	**10,330,453**	**1,981,058**	**12,311,511**	**(2,054,821)**	**10,256,690**
Liabilities					
Current	4,403,916	276,322	4,680,238	(1,311,776)	**3,368,462**
Noncurrent	5,441,427	372,665	5,814,092	(18,586)	**5,795,506**
Total equity	485,110	1,332,071	1,817,181	(724,459)	**1,092,722**
Total liabilities and equity	**10,330,453**	**1,981,058**	**12,311,511**	**(2,054,821)**	**10,256,690**

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

27. **Operating segments** (Continued)

a) Assets and liabilities of the operating segments: (Continued)

	12/31/2013				
	Flight transportation	Smiles loyalty program	Combined information	Eliminations and adjustments	Total consolidated
Assets					
Current	3,158,731	834,116	3,992,847	(427,138)	3,565,709
Noncurrent	7,727,103	1,110,034	8,837,137	(1,764,398)	7,072,739
Total assets	10,885,834	1,944,150	12,829,984	(2,191,536)	10,638,448
Liabilities					
Current	3,501,303	344,120	3,845,423	(398,632)	3,446,791
Noncurrent	6,733,604	270,974	7,004,578	(1,031,421)	5,973,157
Shareholder’s equity	650,927	1,329,056	1,979,983	(761,483)	1,218,500
Total liabilities and shareholder’s equity	**10,885,834**	**1,944,150**	**12,829,984**	**(2,191,536)**	**10,638,448**

b) Income and expenses of the operating segment:

	06/30/2014				
	Fligh Transpor-tation	Smiles loyalty Program	Combined information	Eliminations and adjustments	Total consolidated
Net sales and services revenue					
Passenger	4,332,418	—	4,332,418	83,279	**4,415,697**
Cargo and other	422,588	—	422,588	(9,281)	**413,307**
Miles redeemed revenue	—	340,374	340,374	(294,690)	**45,684**
Costs	(4,062,355)	(180,643)	(4,242,998)	225,276	**(4,017,722)**
Gross profit	**692,651**	**159,731**	**852,382**	**4,584**	**856,966**
Equity pick-up	81,124	(1,407)	79,717	(81,124)	**(1,407)**
Operating income (expenses)					
Sales expenses	(395,757)	(26,976)	(422,733)	(2,667)	**(425,400)**
General and administrative expenses	(310,772)	(14,688)	(325,460)	2,526	**(322,934)**
Other operating income, net	75,073	—	75,073	—	**75,073**
Finance result					
Financial income	148,363	100,049	248,412	(77,348)	**171,064**
Financial expense	(655,317)	(450)	(655,767)	77,348	**(578,419)**
Exchange variation, net	107,251	627	107,878	—	**107,878**
Loss (income) before income taxes	**(257,384)**	**216,886**	**(40,498)**	**(76,681)**	**(117,179)**
Income taxes—current and deferred	(47,964)	(74,463)	(122,427)	(1,520)	**(123,947)**
Net income (loss)	**(305,348)**	**142,423**	**(162,925)**	**(78,201)**	**(241,126)**
Attributable to the Company’s shareholders	—	—	—	—	**(305,373)**
Attributable to noncontrolling interests	—	—	—	—	**64,247**

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

27. Operating segments (Continued)

b) Income and expenses of the operating segments: (Continued)

	06/30/2013				
	Fligh Transportation	**Smiles loyalty program**	**Combined information**	**Eliminations and adjustments**	**Total consolidated**
Net sales and services revenue					
Passenger	3,550,182	—	3,550,182	78,486	3,628,668
Cargo and other	415,577	—	415,577	(83,493)	332,084
Miles redeemed revenue	—	229,877	229,877	(193,128)	36,749
Costs	(3,467,736)	(110,359)	(3,578,095)	101,626	(3,476,469)
Gross profit	**498,023**	**119,518**	**617,541**	**(96,509)**	**521,032**
Operating income (expenses)					
Sales expenses	(342,067)	(21,490)	(363,557)	56,773	(306,784)
General and administrative expenses	(223,809)	(12,902)	(236,711)	21,858	(214,853)
Other operating income, net	66,707	—	66,707	(5)	66,702
Finance result					
Financial income	177,599	33,972	211,571	(31,363)	180,208
Financial expense	(468,731)	(216)	(468,947)	31,363	(437,584)
Exchange variation, net	(274,531)	—	(274,531)	—	(274,531)
Loss (income) before income taxes	**(566,809)**	**118,882**	**(447,927)**	**(17,883)**	**(465,810)**
Income taxes – current and deferred	(7,835)	(40,743)	(48,578)	6,144	(42,434)
Net income (loss)	**(574,644)**	**78,139**	**(496,505)**	**(11,739)**	**(508,244)**
Attributable to the Company's shareholders	—	—	—	—	(524,811)
Attributable to noncontrolling interests	—	—	—	—	16,567

In the individual interim financial information of the subsidiary Smiles S.A., which represents the segment Smiles Loyalty Program and in the information provided to the relevant decision makers, the revenue recognition occurs upon redemption of the miles by the participants. Under this perspective, this measurement is appropriate given that this is when the revenue recognition cycle is complete. At this point, Smiles has transferred to its suppliers the obligation to provide services or deliver products to its customers.

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

27. Operating segments (Continued)

b) Income and expenses of the operating segments: (Continued)

However, from a consolidated perspective, the revenue recognition cycle related to miles exchanged for flight tickets is only complete when the passengers are effectively transported. Therefore, for purposes of reconciliation with the consolidated assets, liabilities and results, as well as for purposes of equity method of accounting and for consolidation purposes, the Company performed, besides eliminations entries, consolidating adjustments to adjust the accounting practices related to Smiles´ revenues. In this case, under the perspective of the consolidated financial statements, the miles that were used to redeem airline tickets are only recognized as revenue when passengers are transported, in accordance with accounting practices and policies adopted by the Company.

28. Commitments

As of June 30, 2014, the Company holds 130 firm orders for aircraft acquisitions with Boeing. These aircraft acquisition commitments include estimates for contractual price increases during the construction phase. The approximate amount of firm orders, not including the contractual discounts, is R$32,704,865 (corresponding to US$14,848,974 at the reporting date) and are segregated according to the following years:

	06/30/2014	12/31/2013
2014	—	1,764,882
2015	**1,097,700**	1,167,524
2016	**1,148,522**	1,221,579
2017	**1,768,451**	1,880,941
2018	**1,207,917**	1,284,752
Beyond 2018	**27,482,275**	29,230,410
	32,704,865	36,550,088

As of June 30, 2014, from the total orders mentioned above, the Company holds commitments in the amount of R$4,476,474 (corresponding to US$2,032,451 at the reporting date) related to advances for aircraft acquisition, to be disbursed in accordance with the following schedule:

	06/30/2014	12/31/2013
2014	**87,657**	163,368
2015	**240,420**	255,714
2016	**127,875**	136,009
2017	**222,139**	236,269
2018	**539,907**	574,250
Beyond 2018	**3,258,476**	3,465,745
	4,476,474	4,831,355

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

28. Commitments (Continued)

The installment financed by long-term debt with aircraft guarantee through the U.S. Ex-Im Bank corresponds approximately to 85% of the aircraft total cost. Other establishments finance the acquisitions with equal or higher percentages, reaching up to 100%.

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

The Company leases its entire aircraft fleet through a combination of operational and financial leases. As of June 30, 2014, the total fleet leased was comprised of 147 aircrafts, excluding 3 aircrafts from Webjet's fleet, of which 101 were under operating leases and 46 were recorded as financial leases. The Company holds 40 aircrafts under financial leasing with purchase option. During the six-month period ended June 30, 2014, the Company received 9 aircrafts under operating lease contracts and returned 4 aircrafts under operating lease.

a) Operating leases

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

	06/30/2014	12/31/2013
2014	**351,002**	693,125
2015	**605,787**	581,153
2016	**535,173**	508,828
2017	**481,083**	456,990
2018	**420,816**	397,103
Beyond 2018	**1,657,464**	1,456,846
Total minimum lease payments	**4,051,325**	4,094,045

b) Sale-leaseback transactions

During the six-month period ended June 30, 2014, the Company recorded the amount of R$2,356 and R$2,228, as "Other liabilities" in current and noncurrent liabilities, respectively (R$5,247 and R$3,118 as of December 31, 2013, respectively), related to the gains from sale-leaseback transactions performed by its subsidiary GAC Inc. in 2006 of 8 aircrafts 737-800 Next Generation. These gains were deferred and are being amortized proportionally to the payments of the operational lease agreements, of which 1 aircraft have the agreement maturity of 91 months, 5 aircrafts have contract term of 96 months and 2 aircrafts have contract term of 120 months.

28. Commitments (Continued)

b) Sale-leaseback transactions (Continued)

On the same date, the Company held the amount of R$8,377 and R$22,386 as “Prepaid expenses” in current and noncurrent assets, respectively (R$8,923 and R$26,526 as of December 31, 2013, respectively), related to the losses on sale-leaseback transactions performed by its subsidiary GAC Inc. of 9 aircraft. During the years 2007, 2008 and 2009 these losses were deferred, and are being amortized proportionally to the payments of the operational lease agreements over the contract term of 120 months.

Additionally, during the six-month period ended June 30, 2014, the Company recorded a gain of R$75,073 resulting from 9 aircrafts received during the period (8 aircrafts received during the six-month period ended June 30, 2013) that were used as sale-leaseback transactions and resulted in operating leases. Given that the gains and losses from sale-leaseback transactions will not be offset against future lease payments and were negotiated at fair value, such gain was recognized directly in profit or loss.

29. 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 related to the Company’s operations. The Company and its subsidiaries consider as most relevant risks: fuel price, exchange rate and interest rate. These risks can be mitigated by using exchange swap derivatives, futures and options contracts based on oil, U.S. Dollar and interest markets. The contracts may be held by means of exclusive investment funds, as described in the Risk Management Policy of the Company.

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

The gains or losses on these transactions and the application of risk management controls are part of the Committee’s monitoring and have been satisfactory when considering the objectives proposed.

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

29. Financial instruments (Continued)

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

Most of the derivative financial instruments are engaged 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, can presents ineffective positions 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 June 30, 2014 and December 31, 2013 is as follows:

	Measured at fair value through profit or loss		Measured at amortized cost (a)	
	06/30/2014	12/31/2013	06/30/2014	12/31/2013
Assets:				
Cash and cash equivalents	**2,450,393**	1,635,647	**—**	—
Short-term investments (c)	**143,355**	1,155,617	**—**	—
Restricted cash	**226,546**	254,456		—
Rights on derivatives transactions (b)	**—**	48,934		—
Trade receivable	**—**	—	**466,826**	324,821
Deposits (d)	**—**	—	**612,204**	630,168
Other credits	**—**	—	**60,239**	66,773
Prepayment of hedge premium	**—**	—	**—**	1,532
Liabilities:				
Loans and financing	**—**		**5,406,968**	5,589,385
Suppliers	**—**		**498,760**	502,919
Liabilities from derivatives transactions (b)	**42,140**	30,315	**—**	—

(a) The fair values are approximately similar to the book values, due 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 registered as of June 30, 2014 the amount net of R$74,839, net of tax effects (R$18,162 as of December 31, 2013) in equity as an equity valuation resulting from these assets and liabilities, as explained in Note 24f;
(c) The Company manages its investments as held for trading to pay its operational expenses;
(d) Excludes the escrow deposits, as mentioned in Note 11.

On June 30, 2014 the Company had no financial assets classified as 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. These risks are originated by, essentially, leasing agreements of aircraft purchase.

29. Financial instruments (Continued)

Risks (Continued)

The Company's risk management policy aims to mitigate 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, 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 annually 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' operation is as follows:

a) *Fuel price risk*

As of June 30, 2014, fuel expenses accounted for 41% 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.

To mitigate the risk of fuel price, the Company and its subsidiaries contract derivative financial instruments referenced mainly to crude oil and, eventually, to their derivatives, also contracted, directly with the local supplier, are future fuel deliveries to aircraft at predetermined prices.

As of June 30, 2014, there are no open transactions of derivatives instruments of fuel price variation hedge.

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.

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

29. Financial instruments (Continued)

Risks (Continued)

b) *Exchange rate risk* (Continued)

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

To mitigate the exchange rate risk, the Company and its subsidiaries hold derivative financial instruments that are referenced to the U.S. Dollar.

The currency exposure of the Company as of June 30, 2014 and December 31, 2013 is shown below:

	Consolidated	
	06/30/2014	**12/31/2013**
Assets:		
Cash and short-term investments	**1,536,202**	1,061,746
Trade receivables	**24,703**	39,924
Deposits	**612,203**	630,168
Hedge premium	**—**	1,532
Prepaid expenses with leases	**29,692**	27,238
Rights on derivative transactions	**—**	48,934
Others	**18,244**	5,968
Total assets	**2,221,044**	1,815,510
Liabilities:		
Foreign suppliers	**63,151**	30,629
Short and long-term debt	**2,238,325**	2,151,051
Finance leases payable	**1,955,348**	2,195,328
Other leases payable	**60,001**	45,140
Provision for aircraft return	**304,001**	347,290
Provision of legal claims	**880**	27,267
Total liabilities	**4,621,706**	4,796,705
Exchange exposure in R$	**2,400,662**	2,981,195
Obligations not registered in the balance sheet		
Future obligations resulting from operating leases	**4,051,325**	4,094,045
Future obligations resulting from firm aircraft orders	**32,704,865**	36,550,088
Total	**36,756,190**	40,644,133
Total exchange exposure R$	**39,156,852**	43,625,328
Total exchange exposure US$	**17,778,366**	18,622,611
Exchange rate (R$/US$)	**2.2025**	2.3426

29. Financial instruments (Continued)

Risks (Continued)

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 related to lease transactions, of which the installments to be paid are indexed to the Libor after the date that the aircrafts are delivered. Another relevant exposure is the local investments and debts indexed to the CDI rate.

To mitigate the interest rate risk the Company and its subsidiaries hold swap instruments.

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 from 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 contracted 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 mitigate the credit risk, derivative transactions contracted on the OTC market (OTC) have counterparts with a minimum rating of "investment grade". 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 and cash flow liquidity risk. The first is related to current market prices and varies in accordance with the types of assets and the markets where they are traded. Cash flow liquidity risk, however, is related to difficulties in meeting the contracted operating obligations at the maturity dates.

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

29. Financial instruments (Continued)

Risks (Continued)

e) *Liquidity risk* (Continued)

To manage 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 June 30, 2014, the weighted average maturity of the Company's and its subsidiaries' financial assets was 18 days and of financial debt, excluding perpetual bonds, was 4.3 years.

f) *Capital management*

The table below shows the financial leverage rate as of June 30, 2014 and December 31, 2013:

	06/30/2014	12/31/2013
Shareholder's equity(b)	**485,110**	650,926
Cash and cash equivalents	**(2,450,393)**	(1,635,647)
Restricted cash	**(226,546)**	(254,456)
Short-term investments	**(143,355)**	(1,155,617)
Short- and long-term debts	**5,406,968**	5,589,385
Net debt(a)	**2,586,674**	2,543,665
Leverage ratio(a)/(b)	**533%**	391%

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

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

29. Financial instruments (Continued)

Derivative financial instruments

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

Movement of assets and liabilities	**Fuel**	**Foreign currency**	**Interest rate**	**Derivatives of equity instruments**	**Total**
Asset (liability) as of December 31, 2013	22,873	—	34,874	(30,315)	27,432
Fair value variations:					
Gains (losses), net recognized in results (a)	8,730	(90,214)	—	(15,901)	**(97,385)**
Gains (losses) recognized in other comprehensive income (loss)	(1,133)	—	(165,100)	—	**(166,233)**
Payments (cash receipts) during the period	(30,470)	89,855	84,194	—	**143,579**
Exercise of stock options by General Atlantic	—	—	—	46,216	**46,216**
Asset (liability) as of June 30, 2014(*)	**—**	**(359)**	**(46,032)**	**—**	**(46,391)**

Movement of other comprehensive Results	**Fuel**	**Foreign currency**	**Interest rate**	**Derivatives of equity instruments**	**Total**
Balance as of December 31, 2013	2,739	—	(20,901)	—	(18,162)
Fair value adjustments during the period	(1,133)	—	(165,100)	—	(166,233)
Reversal, net to profit or loss (b)	(219)	—	80,578	—	80,359
Tax effect	460	—	28,737	—	29,197
Balance as of June 30, 2014	**1,847**	**—**	**(76,686)**	**—**	**(74,839)**
Effects on result (a+b)	**8,949**	**(90,214)**	**(80,578)**	**(15,901)**	**(177,744)**
Operational income (expense)	**—**	**—**	**(6,573)**	**—**	**(6,573)**
Financial income (expense)	**8,949**	**(90,214)**	**(74,005)**	**(15,901)**	**(171,171)**

(*) Classified as “Rights with derivative operations” if the amount results in an asset or “Liabilities from derivative transactions” if the amount results in a liability. Includes R$4,251 of assets related to hedges held in an exclusive fund.

The Company and its subsidiaries adopt hedge accounting. The derivatives contracted to hedge interest rate risk and fuel price risk are classified as “cash flow hedge”.

29. Financial instruments (Continued)

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 hedge*

The Company and its subsidiaries hold derivative financial instruments that are not formally designated for hedge accounting.

iii. *Derivative equity instruments*

In April 2013, the Company entered into an investment agreement with General Atlantic Service Company LLC. ("G.A.") that established the grant by the Company of an option to purchase its Smiles shares enabling the secondary acquisition by G.A. (or other person designated by it), of Smiles S.A. shares held by the Company. These stock options were exercised on February 27, 2014 and, during the six-month period ended June 30, 2014, the Company registered a loss in derivative instruments on the financial result in the amount of R$15,901 related to the derivative market pricing. As of June 30, 2014, the Company performed a reversal of this derivative obligation to the equity in the amount of R$46,216 as described on Note 1.

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

29. Financial instruments (Continued)

Hedge activities

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 aircraft fuel prices.

As of June 30, 2014, the Company and its subsidiaries does not have contracts designated as "cash flow hedge accounting" of fuel.

The gains and losses from the derivative contracts for the three- and six-month periods ended June 30, 2014 and 2013 and as of June 30, 2014 and December 31, 2013 are summarized below:

Closing balance on:	06/30/2014	12/31/2013		
Fair value at end of the period (R$)	—	22,294		
Gains with hedge effectiveness recognized in shareholders' equity, net of taxes (R$)	**1,847**	2,740		
	Three-month period ended		**Six-month period ended**	
	06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
Hedge result recognized in operating costs (R$)	—	(3,815)	—	(3,777)
Hedge result recognized in financial expenses (R$)	**9,145**	(17,134)	**8,040**	(12,475)
Total earnings (losses)	**9,145**	(20,949)	**8,040**	(16,252)

As of June 30, 2014, the Company and its subsidiaries did not hold contracts not designated as cash flow hedge accounting.

	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Gains recognized in financial income	**1,458**	—	**908**	—

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

29. Financial instruments (Continued)

As of December 31, 2013, the Company and its subsidiaries hold crack Brent x Heating Oil contracts, both not designated as oil cash flow hedge accounting.

Closing balance on:	12/31/2013
Fair value at end of the year (R$)	**579**
Gains (losses) recognized in financial income (R$)	**579**

Closing balance on:	12/31/2013
Volume hedged for future periods (Thousand barrels)	1,183
Volume engaged for future periods (Thousand barrels)	1,860

	1Q14	2Q14	3Q14	4Q14	Total 12M	1Q15
Percentage of fuel exposure hedged	19%	15%	7%	6%	12%	2%
Notional amount in barrels (Thousands barrels)	693	559	274	250	1,776	84
Future rate agreed per barrel (US$)*	109.27	109.26	103.79	103.79	107.65	103.75
Total in Brazilian Reais**	**177,384**	**143,081**	**66,618**	**60,785**	**447,868**	**20,416**

b) *Foreign exchange hedge*

As of June 30, 2014, the Company and its subsidiaries have future derivative contracts for the U.S. Dollar for foreign exchange cash flow protection, not designated as hedge accounting. The losses and gains of the derivatives, for the three- and six-month periods ended June 30, 2014 and 2013 and as of June 30, 2014 and December 31, 2013, are presented below:

	06/30/2014	12/31/2013
Fair value at the end of period (R$)	**(359)**	—
Volume hedged for future periods (US$)	**262,250**	319,000

	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Gains (losses) recognized in financial result (R$)	**29,251**	(49,062)	**90,214**	(21,373)

	3Q14	4Q14	1Q15	Total 12M
Percentage of cash flow exposure	**100%**	**38%**	**—**	**16%**
Notional amount (US$)	**102,500**	**159,750**	**—**	**262,250**
Future rate agreed (R$)	**2.4849**	**2.3923**	**—**	**2.4285**
Total in Brazilian Reais	**254,702**	**382,170**	**—**	**636,874**

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

29. Financial instruments (Continued)

c) *Interest rate hedges*

As of June 30, 2014, the Company and its subsidiaries have swap derivatives designated as cash flow hedge for Libor interest rate. The summary of interest rate derivatives designated as Libor cash flow hedges is shown below:

Closing balance at:	06/30/2014	12/31/2013
Fair value at the end of the period (R$)	**(46,032)**	34,873
Nominal value at the end of the period (US$)	**688,500**	1,319,250
Hedge losses recognized in shareholders' equity, net of taxes (R$)	**(76,686)**	(20,901)

	Three-month period ended		Six-month period ended	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Losses recognized in financial expenses (R$)	**(18,186)**	(2,029)	**(74,005)**	(6,677)
Losses recognized in financial income (R$)	**(3,286)**	—	**(6,573)**	—
Total losses	**(21,472)**	(2,029)	**(80,578)**	(6,677)

As of June 30, 2014, the Company and its subsidiaries did not hold positions in Libor interest derivative agreements not designated for hedge accounting.

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, as of June 30, 2014, and based on the scenarios described above.

The probable scenario of the Company is the maintaining of the market rates.

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

29. Financial instruments (Continued)

Sensitivity analysis of derivative financial instruments (Continued)

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

I) *Fuel risk*

As of June 30, 2014, the Company does not hold derivative contracts for oil.

II) *Foreign exchange risk*

As of June 30, 2014, the Company holds Dollar derivative contracts with a notional value of US$262,250 with maturity until January 2015, and a net exchange exposure liability of R$2,400,662 (see Note 29b). At the current date, the Company adopted the closing exchange rate of R$2.2025/US$ as a likely scenario, and the impact of the change of 25% and 50% over the current rate, is shown below:

Instruments	Exposed amount	-50% R$1.1013/USD	-25% R$1.6519/USD	+ 25% R$2.7531/USD	+50% R$3.3038/USD
Liabilities, net	(2,400,662)	1,200,331	600,165	(600,165)	(1,200,331)
Derivative	(30,843)	(248,664)	(124,358)	127,815	266,291
	(2,431,505)*	**951,667**	**475,807**	**(472,350)***	**(934,040)***

* Negative values correspond to net losses expected in the case of U.S. Dollar appreciation.

III) *Interest risk*

As of June 30, 2014, the Company holds financial investments and financial liabilities indexed to several rates and Libor interest.

In the sensitivity analysis of non-derivative financial instruments it was considered the impacts on yearly interest of the exposed values as of June 30, 2014, arising from fluctuations in interest rates according to the scenarios presented below:

Instruments	Risk	Exposed amount	Probable Scenario	Possible Adverse Scenario 25%	Adverse Scenario Remote 50%
Financial investments and short and long-term debt(a)	Increase in the CDI rate	**(101,546)**	—	**(12,075)**	**(24,150)**
Derivative	Decrease in the Libor rate	**(46,032)**	—	**(87,607)**	**(175,327)**

(a) Refers to the sum of the values invested and raised in the market and indexed to CDI, the negative amounts means more debt than application.

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

29. Financial instruments (Continued)

Sensitivity analysis of derivative financial instruments (Continued)

III) *Interest risk (Continued)*

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 as of June 30, 2014 and December 31, 2013, based on the scenarios described above:

Fuel:	**Position as of June 30, 2014**		**Position as of December 31, 2013**	
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	—	—	(436)	(260)
(10)	—	—	436	283

Foreign exchange—USD:	**Position as of June 30, 2014**		**Position as of December 31, 2013**	
Appreciation/ (devaluation) of US$/R$ (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	—	—	(578)	(382)
(10)	—	—	578	382

Interest rate—libor:	**Position as of June 30, 2014**		**Position as of December 31, 2013**	
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$ million)
10	—	—	(0.3)	34
(10)	—	—	0.3	(34)

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

29. Financial instruments (Continued)

Fair value measurement 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 (unadjusted) prices in active markets for identical assets or 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 shows a summary of the Company's and its subsidiaries' financial instruments measured at fair value, including their related classifications of the valuation method, as of June 30, 2014 and December 31, 2013:

Fair value measurement of financial instruments (Continued)

	06/30/2014		12/31/2013	
Financial instrument	**Book value 06/30/2014**	**Other significant observable factors (level 2)**	**Book value 12/31/2013**	**Other significant observable factors (level 2)**
Cash and cash equivalents	**2,450,393**	**2,450,393**	1,635,647	1,635,647
Short-term investments	**143,355**	**143,355**	1,155,617	1,180,828
Restricted cash	**226,546**	**226,546**	254,456	254,456
Liabilities from derivative transactions	**(42,140)**	**(42,140)**	(30,315)	(30,315)
Rights on derivative transactions	**—**	**—**	48,934	48,934

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

30. Non-cash transactions

As of June 30, 2014, the Company increased its property, plant and equipment in the amount of R$11,995, related to an increase of the provision for aircraft return.

As of June 30, 2014, the Company recorded the amount of R$12,500 related to the affiliate Company obligation due to the acquisition of Netpoints S.A. with a contra-entry in "Investments". This transaction did not affect its cash position during the six-month period ended June 30, 2014.

As of June 30, 2014, the Company acquired software licenses ("Siebel") in the amount of R$12,774. This transaction did not affect its cash position during the six-month period ended June 30, 2014.

31. Insurance

As of June 30, 2014, the insurance coverage by nature, considering the aircraft fleet, and related to the maximum reimbursable amounts denominated in U.S. Dollars, is as follows:

Aeronautical Type	In Reais	In U.S. Dollars
Guarantee—hull/war	**11,865,664**	**5,388,829**
Civil liability per event/aircraft(*)	**1,651,425**	**750,000**
Inventories(*)	**308,266**	**140,000**

(*) Values per incident and annual aggregate.

Pursuant to Law 10,744, of October 9, 2003, the Brazilian government assumed the commitment to complement any civil liability expenses related to third parties caused by war or terrorist events,

in Brazil or abroad, which VRG may be required to pay, for amounts exceeding the limit of the insurance policies effective beginning September 10, 2001, limited to the amount in Brazilian Reais equivalent to one billion U.S. Dollars.

The scope the review from the Company's independent auditors does not include the review of the effectiveness of the insurance coverage, which was determined by the Company and is considerated sufficient to cover possible losses.

32. Subsequent events

a) On July 03, 2014, it was approved the capital subscription on Smiles of R$1,956 related to the issuance of 97,375 shares from the exercise of stock options.

b) On July 15, 2014 Smiles issued its first debentures with 60,000 debentures non-convertible with principal value of R$600,000, under the terms of CVM Instruction 476. The debentures will be remunerated at 115% of CDI rate, with monthly amortization in 12 consecutive installments, maturing as of July 4, 2015 with possibility of anticipated maturity and redemption. The funds obtained from the issuance will be exclusively utilized by Smiles to the payment of its shareholders, of the amount of the decrease on capital.

c) On July 16, 2014, it was concluded the process of decrease of Smiles' capital in the Extraordinary Shareholder's Meeting in the amount of R$1,000,000,without reducing the number of shares, with the consequent amendment of the 5th Article of its Bylaws. The restitution to its shareholders will occur upon: (i) delivery of its own resources arising from Smiles' cash; and (ii) debt contract with financial institutions, in the amount of R$600,000.

d) On August 1, 2014, the Company closed the offer for the acquisition by Gol Luxco any and all of its outstanding Senior Notes due 2023 and interest rates of 10.75% ("Senior Notes 2023"), and the offer for the acquisition by Gol Finance any and all Senior Notes due 2017 and interest rates of 7.50% ("Senior Notes 2017"). The company was informed that, until the closing date, the amount of US$98,909 from the Senior Notes 2023, or around 54.95% of the Senior Notes 2023, and the amount of US$88,162 from the Senior Notes 2017, or around 41.98% from the Senior Notes 2017, were duly offered for the acquisition according to the offer for the acquisition.

e) On August 12, 2014, it was approved during the Management General Meeting, the Company's capital increase by issuance of 4,248,286 preferred shares, of which 4,246,620 preferred shares proceeding from AirFrance-KLM's investment on the Company in the amount of R$116,357.

f) On August 12, 2014, it was approved the issuance of 653,130 stock options and 804,073 restricted shares to grant to the beneficiaries of the Stock Options Plan and the Restricted Shares Plan of the Company.

Gol LuxCo S.A.
Société anonyme

Annual accounts

for the financial period from June 21, 2013 (date of incorporation) to December 31, 2013

With the report of the "Commissaire" thereon

Registered office:
6, rue Guillaume Schneider
L-2522 Luxembourg
Luxembourg Trade and Companies Register number: B 178 497

Gol LuxCo S.A.
Société anonyme

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STATUTORY AUDITOR REPORT

The Statutory Auditor of GOL LUXCO S.A ("Company"), elected on the extraordinary general meeting of shareholders of the Company, held on June 30, 2014, in accordance with its bylaws, and legal provisions, states that she was appointed Statutory Auditor in order to examine the Financial Statements of the Company for the year ended December 31, 2013.

The Statutory Auditor states that she examined the Financial Statements of the Company for the year ended December 31, 2013. Based on the examinations performed, all the information, documents and explanations received during the year ended December 31, 2013, opines that these financial statements offer a true and fair view of the actual economic reality, therefore, able to be appreciated by the Annual Shareholder's Meeting of 2014.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gol Luxco S.A. as of December 31, 2013, have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the law of December 19, 2002, as amended (the "Law"), determined and applied by the Board of Directors of the Company.

São Paulo, June 30, 2014.

Valdenise Menezes

Valdenise dos Santos Menezes

Statutory Auditor of Gol LuxCo S.A.

Gol LuxCo S.A.
Société anonyme

Balance sheet as at December 31, 2013
(expressed in USD)

ASSETS	Notes	31/12/2013 USD
CURRENT ASSETS		
Debtors	3	
Other debtors		
becoming due and payable after more than one year		224,084,750.00
Cash at bank and in hand		59,709.27
TOTAL ASSETS		**224,144,459.27**

LIABILITIES	Notes	31/12/2013 USD
CAPITAL AND RESERVES	4	
Subscribed capital		60,000.00
Result for the financial period		(65,778.61)
		(5,778.61)
NON SUBORDINATED DEBTS	5	
Trade creditors		
becoming due and payable within one year		35,908.94
Tax and social security		
Tax		29,578.94
Other creditors		
becoming due and payable after more than one year		224,084,750.00
		224,150,237.88
TOTAL LIABILITIES		**224,144,459.27**

The accompanying notes form an integral part of these annual accounts.

Gol LuxCo S.A.
Société anonyme

Profit and loss account

for the financial period from June 21, 2013 (date of incorporation) to December 31, 2013 (expressed in USD)

CHARGES	Notes	Period from 21/06/2013 to 31/12/2013 USD
Other external charges	6	36,199.67
Interest payable and similar charges	7	
other interest payable and similar charges		10,084,750.00
Extraordinary charges		66.20
Income tax	9	29,512.74
TOTAL CHARGES		**10,150,528.61**

INCOME	Notes	Period from 21/06/2013 to 31/12/2013 USD
Other interests and other financial income	8	
other interest receivable and similar income		10,084,750.00
Loss for the financial period		65,778.61
TOTAL INCOME		**10,150,528.61**

The accompanying notes form an integral part of these annual accounts.

Note 1 - General information

Gol LuxCo S.A., hereinafter the "Company", was incorporated on June 21, 2013 as a "société anonyme" for an unlimited period. The Company is organised under the laws of Luxembourg, in particular the law of August 10, 1915 on commercial companies, as amended.

The registered office of the Company is established in Luxembourg City and is registered at the Trade and Companies register in Luxembourg under the number B 178 497.

The financial year of the Company starts on January 1 and ends on December 31 of each year. Exceptionally, the first financial period runs from the date of incorporation to December 31, 2013.

The object of the Company is the investment in, acquisition of, disposal of, granting or issuing of loans, bonds, notes debentures and other debt instruments and derivatives including, but not limited to swaps, and any combination of the foregoing, in each case whether readily marketable or not, and obligations (including but not limited to synthetic securities obligations) in any type of company, entity or other legal person.

The Company may grant pledges, guarantees, liens, mortgages and any other form of security interests as well as any form of indemnities, to Luxembourg or foreign entities, in respect of its own obligations and debts.

The Company may also provide assistance in any form (including but not limited to the granting of advances, loans, money deposits and credits as well as the providing of pledges, guarantees, liens, mortgages and any other form of securities, in any kind of form) to direct or indirect subsidiaries of its shareholder(s). On a more occasional basis, the Company may provide the same kind of assistance to undertakings which are part of the same group of companies which the Company belongs to or to third parties, provided that doing so falls within the Company's best interest and does not trigger any license requirements.

Notwithstanding the above, the Company shall not enter into any transaction which would cause it to be engaged in any activity which would be considered as a regulated activity or that would require the Company to have any other license.

Based on the criteria defined by Luxembourg law, the Company is exempt from the obligation to draw up consolidated accounts and a consolidated management report for the year ended December 31, 2013. Therefore, in accordance with the legal provisions, these annual accounts are presented on a non-consolidated basis to be approved by the shareholders during the annual general meeting.

Note 2 - Summary of significant accounting policies

Basis of preparation

These annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the law of December 19, 2002, as amended (the "Law"), determined and applied by the Board of Directors of the Company.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

On July 30, 2013, the amended law concerning the content and layout of the annual accounts of Luxembourg commercial companies as well as related accounting policies, was voted in Luxembourg. In article 4, the law allows companies not to implement the changes brought by the law for the accounting year or period not yet closed at the date when the law entered into force.

Accordingly, the Board of Directors of the Company decided to benefit from this article 4 exemption of the amended law for the year then ended, considering also that the Company was not significantly impacted by this amended law. This implies that the Company will apply the amended law for the year ending December 31, 2014.

Significant accounting policies

The main valuation rules applied by the Company are the following:

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

Foreign currency translation

The Company maintains its accounting records in USD and the balance sheet and the profit and loss accounts are expressed in this currency.

Transactions expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction.

Formation expenses and long term non-monetary assets expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain converted using the exchange rate at the time of the transaction (the "historical exchange rate").

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

In accordance with prudence principles found within generally accepted accounting principles in Luxembourg ("LuxGaap"), other assets are translated separately, at the lower of the value converted using the historical exchange rate and the value converted using the exchange rate at the balance sheet date. Conversely, other liabilities are translated separately, at the higher of the value converted using the historical exchange rate and the exchange rate at the balance sheet date. Consequently, both realised and unrealised exchange losses are recorded in the profit and loss account while exchange gains are recorded in the profit and loss account when realised only.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account while the net unrealised gains are not recognised.

Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date at which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date at which they will arise.

Non subordinated debts

Debts are stated as their nominal value. Where the amount repayable on account is greater than the amount received, the difference is shown in the profit and loss account when the debt is issued.

Current tax provisions

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption "Tax debts". The advance payments are shown in the assets of the balance sheet under the caption "Other debtors", if applicable.

(expressed in USD)

Note 3 - Debtors

This item is detailed as follows:

	2013 USD
Becoming due and payable after more than one year:	
Loan to GAC INC, Cayman Islands	
Principal amount	214,000,000.00
Interest on loan (11,70%)	10,084,750.00
	224,084,750.00

Note 4 - Capital and reserves

Subscribed capital

As at December 31, 2013, the share capital of the Company amounts to USD 60,000.00 and is divided into 60,000 shares fully paid up with a nominal value of 1.00 USD each.

The movements on the "Subscribed capital " item during the period are as follows:

	Share capital USD	Total number of Shares
Opening balance	-	-
Subscriptions for the period	60,000.00	60,000
Redemptions for the period	-	-
Closing balance	**60,000.00**	**60,000**

Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Note 5 - Non subordinated debts

	Within one year USD	After more than one year USD	Total 2013 USD
Trade creditors	35,908.94	-	35,908.94
Tax and social security	29,578.94	-	29,578.94
Other creditors			
Loan from GOL FINANCE, Cayman Islands			
Principal amount	-	214,000,000.00	214,000,000.00
Interests (11.70%)	-	10,084,750.00	10,084,750.00
Total	**65,487.88**	**224,084,750.00**	**224,150,237.88**

(expressed in USD)

Note 6 - Other external charges

This item is detailed as follows:

	Period from 21/06/2013 to 31/12/2013 USD
Notary fees	1,583.93
Legal fees	13,044.25
Domiciliation fees	11,280.76
Audit fees	10,000.00
Bank servicing fees	290.73
	36,199.67

Note 7 - Interest payable and similar charges

This item is detailed as follows:	Period from 21/06/2013 to 31/12/2013 USD
Interest on loan amounts owed to GOL FINANCE (See Note 5)	10,084,750.00
	10,084,750.00

Note 8 - Other interests and other financial income

This item is detailed as follows:	Period from 21/06/2013 to 31/12/2013 USD
Interest income on loan amounts owed by GAC INC (See Note 3)	10,084,750.00
	10,084,750.00

Note 9 - Taxation

The Company is subject to the general tax regulation applicable to all Luxembourg commercial companies.

Note 10 - Off balance sheet commitments and contingencies

The Company does not have any off balance sheet commitments or contingencies at the end of the financial period.

Note 11 - Subsequent events

No other matters or circumstances of importance other than those already described in the present notes to the accounts have arisen since the end of the financial year which could have significantly affected or might significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

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

VRG Linhas Aéreas S.A.

Individual and Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

VRG Linhas Aéreas S.A.

Individual and Consolidated Financial Statements

December 31, 2013 and 2012
(In thousands of Brazilian Reais)

Contents

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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 Individual and Consolidated, respectively, which comprise the balance sheet as at December 31, 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting 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 conduct 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 of 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 misstatements 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 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, 2013, 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, 2013, 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 2.1 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 IFRS, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value. Our opinion is not modified with respect to 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, 2013, 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 the presentation of a 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.

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

São Paulo, March 25, 2014.

DELOITTE TOUCHE TOHMATSU	André Ricardo Aguillar Paulon
Auditores Independentes	Engagement Partner

(In thousands of Brazilian Reais - R$)

		Individual		Consolidated	
	Note	**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Current assets					
Cash and cash equivalents	3	**1,137,000**	523,334	**1,137,316**	528,406
Short-term investments	4	**927,260**	404,198	**927,260**	410,057
Restricted cash	5	**88,410**	-	**88,410**	-
Trade receivables	6	**291,826**	324,760	**296,914**	325,665
Inventories	7	**116,768**	137,741	**116,883**	138,039
Recoverable taxes	8	**43,534**	92,948	**43,534**	104,305
Prepaid expenses	9	**67,596**	48,518	**67,990**	52,643
Deposits	10	**-**	-	**-**	2,575
Derivative operations	29	**48,934**	10,696	**48,934**	10,696
Other receivables		**46,409**	14,102	**61,950**	52,094
Available for sale assets	11	**-**	-	**-**	8,174
		2,767,737	1,556,297	**2,789,191**	1,632,654
Noncurrent assets					
Deposits	10	**826,618**	635,314	**827,537**	636,073
Long-term investments	4	**49,195**	73,566	**49,195**	73,566
Restricted cash	5	**145,837**	224,262	**145,837**	224,262
Deferred taxes	8	**540,549**	514,687	**390,239**	351,948
Other receivables		**931**	4,313	**3,944**	5,485
Related parties transactions	12	**143,766**	523,487	**113,741**	493,918
Investments	14	**202,974**	-	**-**	-
Property, plant and equipment	16	**2,875,639**	2,984,290	**2,880,190**	2,993,301
Intangible assets	17	**1,215,774**	1,221,177	**1,694,024**	1,699,931
		6,001,283	6,181,096	**6,104,707**	6,478,484
Total assets		**8,769,020**	7,737,393	**8,893,898**	8,111,138

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

(In thousands of Brazilian Reais - R$)

		Individual		Consolidated	
	Note	**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Current liabilities					
Short term debt	18	**363,517**	1,568,485	**396,001**	1,679,087
Trade payables		**544,522**	469,895	**545,602**	480,139
Salaries, wages and benefits	19	**217,036**	189,977	**217,640**	206,928
Tax obligations	23	**80,041**	66,153	**81,442**	67,855
Tax and landing fees		**271,334**	235,771	**271,334**	240,739
Advance ticket sales	20	**1,178,613**	806,130	**1,178,898**	823,190
Mileage program	21	**88,995**	124,905	**88,995**	124,905
Advances from customers	22	**355,077**	94,049	**355,077**	94,049
Provisions	24	**187,059**	80,721	**199,473**	179,950
Liabilities from derivative transactions	30	**-**	56,752	**-**	56,752
Other payables		**73,946**	57,059	**79,822**	53,891
		3,360,140	3,749,897	**3,414,284**	4,007,485
Noncurrent liabilities					
Long term debt	18	**3,480,696**	1,944,198	**3,546,251**	2,075,386
Provisions	24	**277,622**	295,927	**282,799**	299,880
Mileage program	21	**189,064**	364,307	**189,064**	364,307
Advances from customers	22	**1,031,423**	-	**1,031,423**	-
Tax obligations	23	**48,261**	38,602	**48,261**	38,602
Payables to related companies	12	**50,293**	534,262	**50,293**	534,262
Other payables		**17,611**	40,920	**17,611**	40,940
Provision for loss on investments	14	**-**	19,004	**-**	-
		5,094,968	3,237,220	**5,165,702**	3,353,377
Shareholders' equity	25				
Capital		**2,294,192**	2,294,192	**2,294,192**	2,294,192
Advance for future capital increase		**222,990**	-	**222,990**	-
Capital reserves		**1,114,159**	1,114,159	**1,114,159**	1,114,159
Valuation adjustments to equity		**(18,162)**	(68,582)	**(18,162)**	(68,582)
Accumulated losses		**(3,299,267)**	(2,589,493)	**(3,299,267)**	(2,589,493)
		313,912	750,276	**313,912**	750,276
Total liabilities and shareholders' equity		**8,769,020**	7,737,393	**8,893,898**	8,111,138

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

INDIVIDUAL AND CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian Reais – R$, except loss per share)

		Individual		Consolidated	
	Note	**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Net revenue					
Passenger		**8,077,665**	6,323,437	**8,077,709**	7,159,987
Cargo and other		**766,021**	854,613	**784,649**	942,982
	26	**8,843,686**	7,178,050	**8,862,358**	8,102,969
Cost of sales and services	25	**(7,509,016)**	(6,787,237)	**(7,568,938)**	(7,901,621)
Gross profit		**1,334,670**	390,813	**1,293,420**	201,348
Operating expenses					
Selling and marketing expenses	25	**(703,212)**	(589,376)	**(703,483)**	(630,587)
Administrative expenses	25	**(533,032)**	(468,870)	**(564,297)**	(479,000)
Other operating expenses	25	**-**	(19,371)	**-**	(19,371)
		(1,236,244)	(1,077,617)	**(1,267,780)**	(1,128,958)
Equity in subsidiary	14	**(91,921)**	(284,739)	**-**	-
Income (loss) before financial result		**6,505**	(971,543)	**25,640**	(927,610)
Financial result					
Financial income	28	**568,013**	334,900	**576,882**	329,785
Financial expenses	28	**(948,784)**	(588,826)	**(973,893)**	(624,027)
Exchange variation, net	28	**(353,775)**	(185,227)	**(355,968)**	(188,262)
		(734,546)	(439,153)	**(752,979)**	(482,504)
Loss before income taxes		**(728,041)**	(1,410,696)	**(727,339)**	(1,410,113)
Current income tax (expenses)		**(1,632)**	(1,290)	**(2,334)**	(1,873)
Deferred income tax		**19,899**	78,953	**19,899**	78,953
	8	**18,267**	77,663	**17,565**	77,080
Net loss for the year		**(709,774)**	(1,333,033)	**(709,774)**	(1,333,033)
Basic loss per share (in R$)	15	**(236.43)**	(444.01)	**(220.07)**	(444.01)

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

(In thousands of Brazilian Reais – R$)

	Individual and Consolidated	
	12/31/2013	**12/31/2012**
Net loss for the year	**(709,774)**	(1,333,033)
Other comprehensive income		
Cash flow hedges	**76,395**	16,191
Tax effect	**(25,975)**	(5,505)
	50,420	10,686
Comprehensive loss for the year	**(659,354)**	(1,322,347)

Transactions shown in comprehensive income for the years ended on December 31, 2013 and 2012 are provided below:

	Individual and Consolidated		
	Cash flow hedges	**Income tax**	**Total Comprehensive income (loss)**
Balance on December 31, 2012	**(104,761)**	**36,179**	**(68,582)**
Other comprehensive income which will be reclassified subsequently to profit or loss			
Realized losses (gains) from financial instruments transferred to the income	**(25,358)**	**8,622**	**(16,736)**
Fair value variation	**101,753**	**(34,597)**	**67,156**
Balance on December 31, 2013	**(28,366)**	**10,204**	**(18,162)**

	Individual and Consolidated		
	Cash flow hedges	**Income tax**	**Total Comprehensive income (loss)**
Balance on December 31, 2011	**(120,952)**	**41,684**	**(79,268)**
Other comprehensive income which will be reclassified subsequently to profit or loss			
Realized losses (gains) from financial instruments transferred to the income	(4,733)	1,609	(3,124)
Fair value variation	20,924	(7,114)	13,810
Balance on December 31, 2012	**(104,761)**	**36,179**	**(68,582)**

VRG LINHAS AÉREAS S.A.

INDIVIDUAL AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER
(In thousands of Brazilian Reais – R$)

			Capital reserves		Adjustment equity valua
	Capital	**Advance for future capital increase**	**Special reserve of goodwill on subscription**	**Non-realized hedge result**	**Resultado realizado *hedge***
Balance as of December 31, 2011	2,294,192	-	1,070,755	43,404	(79
Other comprehensive result, net	-	-	-	-	1
Net loss for the year	-	-	-	-	
Balance as of December 31, 2012	**2,294,192**	**-**	**1,070,755**	**43,404**	**(68**
Other comprehensive income result, net	**-**	**-**	**-**	**-**	**5**
Advances for future capital increase	**-**	**222,990**	**-**	**-**	
Net loss for the year	**-**	**-**	**-**	**-**	
Balance as of December 31, 2013	**2,294,192**	**222,990**	**1,070,755**	**43,404**	**(18**

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

INDIVIDUAL AND CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED ON DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian Reais – R$)

	Individual		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Net loss for the year	**(709,774)**	(1,333,033)	**(709,774)**	(1,333,033)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**551,457**	445,326	**575,474**	519,542
Allowance for doubtful accounts	**1,612**	4,683	**4,094**	5,662
Provision for judicial deposits	**19,795**	16,290	**21,023**	16,996
Provision for inventory obsolescence	**(5,352)**	(609)	**(5,365)**	(609)
Deferred taxes	**(19,899)**	(79,305)	**(19,899)**	(79,305)
Equity in subsidiary	**91,921**	285,911		-
Exchange and monetary variations, net	**367,695**	150,783	**370,796**	150,783
Interest on loans	**227,640**	137,947	**234,492**	161,091
Unrealized hedge results, net of taxes	**(59,187)**	(4,733)	**(59,187)**	(4,733)
Restructuring provision	**-**	16,694		36,978
Provision for participation in results	**38,542**	-	**38,542**	-
Mileage program	**(211,153)**	202,498	**(211,153)**	202,498
Write-off of property, plant and equipment and intangible	**8,748**	4,319	**19,139**	58,031
Impairment losses	**16,023**	11,860	**16,023**	82,527
Other provisions	-	-	**12,552**	-
Adjusted net income (loss) for the year	**318,068**	(141,369)	**286,757**	(183,572)
Cash flows from operating activities:				
Trade accounts receivable	**31,322**	(194,358)	**24,657**	23,417
Investments used for trading	**(498,691)**	524,413	**(492,832)**	524,413
Inventories	**26,325**	13,431	**26,521**	13,593
Deposits	**(114,553)**	40,475	**(114,713)**	24,681
Prepaid expenses and recoverable taxes	**36,528**	95,947	**39,570**	100,378
Other assets	**(29,007)**	9,593	**(8,699)**	(4,524)
Accounts payable	**74,627**	111,539	**65,463**	71,929
Advance ticket sales	**372,483**	166,833	**355,708**	78,447
Advances from customers	**1,292,451**	84,429	**1,292,451**	63,797
Salaries, wages and benefits	**(11,484)**	(42,567)	**(27,830)**	(43,077)
Sales tax and landing fees	**35,563**	50,710	**30,595**	50,710
Tax obligations	**23,547**	(44,684)	**23,246**	(71,505)
Liabilities from derivative transactions	**40,592**	(44,239)	**40,592**	(44,239)
Provisions	**(110,608)**	7,683	**(210,588)**	7,683
Other liabilities	**(6,446)**	(24,315)	**2,581**	(47,030)
Cash flows from operating activities	**1,480,717**	613,521	**1,333,479**	565,101
Interest paid	**(217,320)**	(233,694)	**(225,980)**	(256,838)
Income tax paid	**-**	(584)	**-**	(584)
Net cash provided by (used in) operating activities	**1,263,397**	379,243	**1,107,499**	307,679
Restricted cash	**(9,985)**	(115,167)	**(9,985)**	(115,167)
Property, plant and equipment	**(231,472)**	(268,804)	**(252,741)**	(339,284)
Intangible assets	**(50,833)**	(20,478)	**(50,833)**	(20,772)
Net cash used in investing activities	**(292,290)**	(404,449)	**(313,559)**	(475,223)
Short and long term debt	**397,725**	282,401	**397,725**	312,401
Payments of loans	**(289,148)**	(228,171)	**(431,092)**	(290,446)
Payments of financial leases	(238,850)	-	(238,850)	-
Advances for future capital increase	**(90,909)**	(133,400)	222,990	-
Related parties	**(104,248)**	(360,271)	**(103,792)**	(330,702)
Net cash used in financing activities	**(325,430)**	(439,441)	**(153,019)**	(308,747)
Exchange variation of foreisubsidiares subsidiaries	**(32,011)**	6,795	**(32,011)**	6,795
Net increase (decrease) in cash and cash equivalents	**613,666**	(457,852)	**608,910**	(469,496)
Cash and cash equivalents at the beginning of year	**523,334**	981,186	**528,406**	997,902
Cash and cash equivalents at the end of year	**1,137,000**	523,334	**1,137,316**	528,406

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

INDIVIDUAL AND CONSOLIDATED STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED ON DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian Reais – R$)

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Revenues				
Passengers, cargo and other	**9,317,975**	7,548,922	**9,339,400**	8,515,903
Allowance for doubtful accounts	**(1,612)**	664	**(4,094)**	2,898
Acquired from third parties (including ICMS and IPI)				
Fuel and lubricants	**(3,655,821)**	(3,353,645)	**(3,656,361)**	(3,808,260)
Supplies, power, outside services and other	**(2,098,959)**	(1,533,315)	**(2,140,154)**	(1,877,517)
Aircraft insurance	**(18,769)**	(22,787)	**(20,222)**	(26,875)
Sales and advertising	**(481,645)**	(408,331)	**(482,949)**	(426,582)
Gross value added	**3,061,169**	2,231,508	**3,035,620**	2,379,567
Retentions				
Depreciation and amortization	**(551,457)**	(445,327)	**(575,474)**	(519,542)
Net added value produced	**2,509,712**	1,786,181	**2,460,145**	1,860,025
Value added received in transfer				
Equity in subsidiary	**(91,921)**	(284,739)	**-**	-
Financial income	**568,013**	334,900	**576,882**	329,785
Total wealth for distribution	**2,985,804**	1,836,342	**3,037,028**	2,189,810
Wealth for distribution				
Employees	**1,159,502**	1,378,007	**1,234,784**	1,515,334
Taxes	**535,875**	467,023	**482,964**	538,052
Financiers	**1,302,559**	774,053	**1,329,861**	825,426
Lessors	**697,642**	550,292	**699,193**	644,031
Reinvested/loss for the year	**(709,774)**	(1,333,033)	**(709,774)**	(1,333,033)
Total wealth for distribution (distributed)	**2,985,804**	1,836,342	**3,037,028**	2,189,810

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

1. General information

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.

VRG Linhas Aéreas S.A. (Company or VRG) is a subsidiary of Gol Linhas Aéreas Inteligentes S.A. (GLAI) and is engaged in essentially exploring: (i) regular and non-regular air transportation services of passengers, cargo and mailbags, domestically or internationally, according to the concessions granted by the competent authorities; (ii) additional passenger air chartering services. The Company was constituted on August 25, 2005 with the denomination of Aéreo Participações S.A., and later changed to VRG Linhas Aéreas S.A..

VRG maintains loan agreements, assets and liabilities, with GAC, which 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.

On April 9, 2007, VRG was acquired by Gol Linhas Aéreas S.A. (GLAI), 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 and 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, VRG constituted a Participation Account Company ("SCP BOB") 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 August 1, 2011, the Company acquired the entire share of Webjet, an airline headquartered in Rio de Janeiro. The operation was approved by the ANAC on October 3, 2011 and by the Administrative Council for Economic Defense ("CADE") on October 10, 2012.

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

On November 23, 2012, the Company started the process of discontinuance of the Webjet trademark, along with the ending of its operations, remaining VRG, thereafter, responsible for all air transport services and assistance to passengers and customers Webjet. For further details, see Note 11.

In December, 2012, the Company, which previously conducted the "Smiles" Program, announced the segregation of the activities related to this Program, which began to be conducted by Smiles S.A., a Company established on June 10, 2012 and which started its operations in 2013.

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

These financial statements were authorized for issuance at the Board of Directors' meeting held on March 25, 2014. The Company's registered office is at Pça. Comandante Linneu Gomes, s/n, portaria 3, prédio 24, Jardim Aeroporto, São Paulo, Brazil.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

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 Individual - 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 subsidiaries and jointly controlled companies based on 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 separate financial statements of 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 subsidiaries are as follows:

a) Basis of consolidation

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

			% of capital stock	
	Location	Type of control	12/31/2013	12/31/2012
Webjet	Brazil	Direct	100%	100%
SCP BOB (*)	Brazil	Direct	50%	50%
SCP Trip (*)	Brazil	Direct	60%	60%

(*) Since the operations are joint ventures the assets, liabilities and income or loss are consolidated according to the Company's percentage share.

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

The investments that its subsidiary VRG has in its off-shore subsidiaries (South America, Caribean and United States) 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 or loss, deposited in guarantee and linked to securities, and short and long term debt.

d) Financial assets and financial liabilities

Consist of non-derivative financial investments and include investments in debt instruments, accounts receivable and other receivables, interest-bearing loans borrowings, other accounts payable and other debts.

The measurement of initial recognition of financial assets and liabilities is as follows:

Non-derivative financial instrument	Initial recognition
Asset	Fair value
Liability	Fair value except direct costs from issue *

* Except financial instruments measured at fair value through the result, whose costs are recognized directly in profit or loss for the year.

After initial recognition, are measured in each balance sheet with the pre-defined classification, based on the purposes 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). 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: financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. These are measured at amortized cost after initial recognition under the effective interest method, less possible impairment losses, when applicable, and changes are recognized in profit or loss, as financial income or financial expenses, when earned or incurred. The Company does not have financial assets classified under this category.

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

iv. Available for sale: include financial assets not classified under the categories above, measured at fair value, and the respective gains and losses resulting from market adjustments are recognized in “Other Comprehensive Income” in shareholders' equity until the investment is sold, and any gains and losses previously accumulated are reclassified to income statement.

The Company does not hold financial assets under this category. “Short-term Investments” are comprised of assets available for sale related to foreign currency 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 writes off a financial asset only when the contractual rights to the cash flows from the asset expire, or transfers the asset and substantially all the risks and benefits of ownership to a third party. If the Company does not transfer nor retains substantially all the risks and benefits of ownership of the financial asset, but continues to control the transferred asset, the Company recognizes the participation retained and its liabilities on the values that it will have to pay. If the Company retains substantially all the risks and benefits of ownership of the financial asset transferred, the Company continues recognizing this asset.

- Financial liabilities

i. Financial liabilities measured 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 adjustments, foreign exchange changes and changes arising from measurement to fair value, when applicable, are recognized in the profit or loss when incurred. The Company classifies under this category derivatives not designated as an effective hedge instrument.

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

e) Trade and other receivables

Trade receivables are measured based on cost, less allowances for doubtful accounts, which approximates its fair value, due to their short-term nature.

The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable through risk analysis and taking into account the historical analysis of the recovery of arrears. The allowance for doubtful receivables is the difference between the 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. Additionally, in some cases, the Company performs individual analyses.

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) Leasing

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 meets the following conditions:

i. The lease transfers ownership of the asset to the lessee at the end of the lease agreement;

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

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

iv. At the beginning of the lease, the present value of minimum lease payments represents substantially all the fair value of the leased asset;

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

The amounts payable arising from finance lease installments are recognized and allocated between financial expenses and repayment of finance leases 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 in property, plant and equipment, when there is no reasonable certainty that the Company will obtain ownership of the property at the end of the contractual term, are depreciated over the shorter of the useful life of the assets and the lease agreement.

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

h) Prepaid expenses

Represent advance payments whose benefits to the Company will occur after the balance sheet date, obeying the criteria of segregation between short and long term.

i) Investments

Investments in subsidiaries in the separate financial statements are recorded and evaluated based on the equity method and recognized as operating income or expense in results, on the basis of the financial statements of the subsidiaries prepared on the same date, using accounting practices consistent with the Company's accounting practices. The balance of investments includes the amount measured by the equity method, the balance of the value of assets and the goodwill, that in the consolidated financial statements are presented in accordance with their nature.

j) Property, plant and equipment

Property, plant and equipment, including rotable parts, are recorded at acquisition or construction costs, including interest and other financial charges. Each component of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item is depreciated separately. 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 and 737- MAX aircraft.

Assets held through finance leases are depreciated over the shorter of the expected useful life or the contractual lease term, if there is no purchase option at the end of the agreement in question.

The estimated useful life for property and equipment is disclosed in Note 16.

The Company follows the CPC 27 and IAS 16 - "Property, Plant and Equipment", and performs the capitalization of the costs relating to engine overhauls of engines. This practice establishes that costs on major maintenance (including replacement parts and labor) should be capitalized only when there is an extension of the estimated useful life of the engine. Such costs are capitalized and depreciated until the next stop for major maintenance. The expense recognized directly in the income statement refers to maintenance costs of other aircraft components or even maintenance of engines that do not extend their useful life.

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 accounted value of fixed assets is analyzed in order to verify losses in recoverable value when events or changes in circumstances indicate the book value is higher than the estimated recoverable amount.

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

The Company registers provisions for aircraft reconfiguration based on the return requirements, considering the costs that meet the agreement terms regarding the return conditions on engines held under operating leases.

k) Intangible assets

There are non-monetary assets without physical substance, whose book value is reviewed annually as to its recoverable amount, or when strong evidence of changes in circumstances indicates that the carrying amount may not be recoverable.

i. Goodwill

The goodwill value is tested annually by comparing the balance value to fair value recoverable from the cash-generating unit. Management exercises 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 in 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 until the present date.

iii. Trademark

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, it is not amortized. The book value of the trademark is annually reviewed as to its recoverable amount or in case of changes in circumstances indicates that the book values may not be recoverable. The current circumstances of the trademark usage led the Company to register the write-off of its trademark in the income statement, as disclosed in Note 17.

iv. Software

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

The book value of these intangibles is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. As of December 31, 2013, the Company recorded an impairment related to the discontinuance of the Integrated People

Management "PeopleSoft" as described in Note 17.

l) Deposits

i. Aircraft and engine maintenance deposits

The Maintenance deposits refer to payments made in U.S. Dollars by the Company to commercial lease companies to be used in future aircraft and engine maintenance work. The realization of these assets occurs substantially by the receipts of funds, according to the renegotiations with the lessors. The exchange rate variations arising from payments, net of uses for maintenance, are recognized as an expense or revenue in the financial result. Management performs regular reviews of the recovery of maintenance deposits and believes that the values reflected in the consolidated balance sheet are recoverable.

Certain lease agreements establish that when the amounts previously used in maintenance services are lower than the amounts deposited, the existing deposits are not refundable. Any excess amounts retained by the lessor upon the lease contract termination date, which are not considered material, are recognized as additional aircraft lease expense.

Additionally, the Company maintains agreements with some lessors to replace deposits by letters of credit, which can be claimed by the lessor if the aircraft maintenance does not occur as established with the scheduled review. Many of the aircraft lease agreements do not require maintenance deposits and have the letters of credit as a guarantee that the maintenance periods will be executed as scheduled. Until December 31, 2013, no letter of credit had been executed.

ii. 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

Transactions in foreign currencies are recorded at the exchange rate prevailing at the time that the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are subsequently calculated based on the conversion using the exchange rate at the balance sheet date and differences resulting from the currency calculated based on conversion are recognized in the income statements under "exchange variation".

n) Hedge accounting

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

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 and its subsidiaries 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.

i. Fair value hedge

The changes in the fair value of hedge instruments and hedge items attributable to the hedge risk are recognized in the income statement item related to the hedged item.

ii. Cash flow hedge

The effective part of changes in fair value of derivatives that are designated as a 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 results.

At the moment that the hedge item is recognized in the financial results, amounts previously recognized in other comprehensive income and accumulated in shareholder's equity are reclassified to profit or loss under the same section of the income statement in which the item is recognized.

Hedge accounting is discontinued prospectively when the Company and its subsidiaries (i) cancel the protection relation, (ii) the derivative instrument expires or is settled, terminated or executed, or (iii) when it no longer qualifies for hedge accounting. If the hedge accounting is discontinued, any gains or losses recognized in "Other comprehensive income" and previously accumulated in equity until that date are recognized in the income statement when the transaction is also recognized in the income statement. When the forecasted transaction is not expected anymore, the gains or losses accumulated in equity and deferred are recognized in income statement immediately.

o) Share-based payments

The fair value of the Company equity-settled transactions with employees of stock options and restricted shares were estimated on the date of grant of the options using the Black-Scholes pricing. This fair value is recorded on a straight-line basis, according to CPC 10 (R1) – "Share-Based Payment", as an expense in net income for the year over the vesting period, based on Management's estimates on which options granted will become eventually vested, with a corresponding increase in shareholders' equity. At the end of each reporting year, the Company revises its estimates of the amount of equity instruments that will be acquired. The impact of the review of the amount of stock options or restricted shares related to original estimates, if any, is prospectively recognized as profit or loss when the remaining options and shares are exercised, so that the cumulative expense reflects the best (revised) estimates with a corresponding adjustment to equity in the "Share-based payments", which registers the benefits to employees.

p) Provisions

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

When the Company expects some or all of the 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.

Provisions for aircraft and engines returns follow different criteria in relation to when such expenses are recognized in income statement.

i. Aircraft return provision

For aircraft operating leases, the Company is contractually required to return the equipment in a predefined level of operational capability. In these cases, the Company accrues the cost of returning, since these are present obligations arising from past events that will generate future disbursements, whose measurement is made with reasonable assurance. These costs are primarily related to expenses of aircraft reconfiguration (interior and exterior), obtaining licenses and certifications techniques, painting, etc. according to return agreement clauses. The estimated cost is initially recorded at present value and the consideration of the provision for aircraft return is made under "other flight equipment" of fixed assets (see note 16). After initial recognition, the asset is depreciated on a straight-line basis and liabilities updated according to the discount rate with the result shown in financial result.

ii. Engine return provisions

Are estimated based on the minimum contractual conditions that the equipment must have when returned to the lessor, considering the historical costs incurred and the conditions of the equipment at the time of evaluation. These provisions are recorded in the income statement from the time that the minimum contract requirements are reached and the next maintenance is scheduled for a date later than the date set for the return of the engine.

iii. Provision for restructuring

The restructuring is a program planned and controlled by management and that materially changes the way the company's activity is conducted. During this process, the costs necessary for the closure are measured and a provision is recognized for the amount considered to be sufficient to meet the obligations generated. For further details, see Note 24.

iv. Provision for insurance

Management keeps insurance coverage in amounts considered necessary to cover any claims, in view of the nature of 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 10744/03. The provision for insurance is represented by the Company's obligation to pay for existing policies.

v. Provisions for lawsuits

The Company is a defendant in several lawsuits and administrative proceedings. Provisions are registered for all the lawsuits that represent probable loss according to its probability, which includes the assessment of available evidence, including the opinion of internal and external legal consultants, the Company, the nature of the processes and past experiences. Management believes that these provisions are sufficient and are correctly presented in the financial statements. Provisions are calculated considering the likely settlement at the date of the financial statements and restated later, when applicable.

q) Revenue recognition

The passenger revenue is recognized when air transportation services are actually provided to the passenger. Tickets sold but not yet used are recognized as advance ticket sales and correspond to 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 based on historical data.

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

The balance of deferred revenue also refers to tickets rescheduled by passengers. Future opportunities may significantly change the customers' profile and the historical pattern, and such changes may result in significant changes in the deferred revenue balance and the revenue recognition resulting from this program.

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

r) Assets held for sale

These are assets that can recover their value through highly probable sales transactions, and are available for immediate sale in their present condition. They are measured based on the lowest value between the fair value and the book value less selling costs. Such assets are not depreciated or amortized and once classified in this category, the sale must be completed within one year. For more details, see Note 11.

s) Mileage program

The "Smiles Program" is designed to retain its customers through the granting of mileage credits to participants. The obligation created by the issuance of miles is measured based on the price that the miles were sold to its airline and non-airline partners, classified by the Company as the fair value of the transaction. The revenue recognition in the consolidated income or loss occurs when the Smiles Program participant, after redeeming the miles and exchanging it for flight tickets, is transported (see Note 29 for the specific accounting policies).

The Company's policy is to cancel all miles contained in the accounts of customers for longer than 3 years and 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 revenues recognized from that program.

t) Income taxes

The income tax and social contribution expenses are represented by the sum of current and deferred income taxes.

Current tax

The provision for income tax and social contribution is based on the years' taxable income and tax loss carryforwards. The taxable income differs from the one reported in the income statements, since such excludes other years' taxable or deductible revenues or expenses, and also excludes permanently nontaxable or nondeductible items. The provisions for income and social contribution taxes are calculated individually for each Company in the group based on effective rates at the end of the year.

Deferred tax

The deferred income tax is recognized on temporary differences between the balances of assets and liabilities recognized in the financial statements and tax bases used in calculation of taxable income. The deferred income tax liability is usually recognized on all taxable temporary differences and the deferred income tax asset is recognized on all deductible temporary differences, only when it is probable that the Company will produce enough taxable income in the future so such deductible temporary differences can be used. The deferred income tax assets and liabilities are not recognized on temporary differences from the initial recognition of assets and liabilities on a transaction which does not affect the taxable or the book income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is not probable that sufficient taxable profits will be incurred to allow all or part of the deferred tax asset to be realized.

Deferred tax related to items recognized directly in equity also has its deferred tax recognized in equity and not in the income statement. Deferred tax items are recognized in accordance with the transaction that gave rise to deferred tax in other comprehensive income or directly in equity.

Income tax and social contribution taxes, assets and liabilities, are offset when there is a legal right and intention to offset it upon the calculation of current taxes, in general as it relates to the same legal entity and the same taxation authority.

The tax credits from tax losses and negative basis of social contribution are registered based on the future tax profit expected from the individual Company and its subsidiaries, in accordance with legal limitations.

The projections of future tax profits under tax losses and negative basis of social contribution are prepared based on the business plan, and are annually reviewed and approved by the Company's Board of Directors.

Additionally, deferred tax liabilities are not recognized if the temporary difference is an effect arising from the goodwill initial recognition.

u) Main accounting estimates and assumptions adopted

The elaborating process of the Financial Statements often requires that the Management adopt assumptions, judgments and estimates that may affect the application of the policies and amounts of assets and liabilities, revenues and expenses.

The actual results may differ from the adopted estimates, since such use historical experience and some assumptions that are believed to be appropriate under the circumstances. The reviews of accounting estimates are recognized in the same period in which the assumptions are reviewed and the effects are recognized on a prospective basis.

The estimates and assumptions that have a significant risk of material adjustments on the accounted amounts 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, or when there is evidence that the carrying amount may not be recoverable. The recoverable values of the cash-generating unit were determined using its value-in-use. The value-in-use is determined based on the assumption of discounted cash flows.

ii. Income taxes

The Company believes that the tax positions taken are reasonable. However, it recognizes that the authorities may question the positions taken which may result in additional liabilities for taxes and interest. The Company recognizes provisions that involve considerable judgment of the management. The provisions are reviewed and adjusted to account for changes in circumstances, such as lapsing of applicable statutes of limitations, conclusions of tax authorities, additional exposures based on identification of new issues or court decisions affecting a particular tax issue. Actual results can differ from estimates. The analysis of the recovery of the deferred income taxes is detailed on Note 8.

iii. Property, plant and equipment and intangible assets

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. The aging of the usage of the properties is described in Note 16.

iv. Breakage

As part of the process of revenue recognition, the flight tickets issued that will not be used and the miles issued that will not be redeemed are estimated and recognized as revenue at the moment of the sale and issuance, respectively. These estimates, referred to as breakage, are reviewed annually and are based on historical data of expired flight tickets and expired miles.

v. Allowance for doubtful accounts

The allowance for doubtful accounts is recorded in the amount considered sufficient by the management in order to cover possible losses on accounts receivable arising from receivables, considering the risks involved. The Company periodically evaluates its receivables and, based on historical data, combined with risk analysis per client, registers the allowance for losses.

vi. Provisions for judicial processes

Provisions are recorded for all lawsuits that represent probable losses, according to the loss probability, which includes the assessment of available evidence, including the legal consultants' opinion, internal and external, the proceedings nature and past experiences. Additionally, the provisions are periodically reviewed and the management believes that the provisions recorded are sufficient, based on the probability of loss. However, significant changes in judicial decisions can have significant impacts on the Company's financial statements.

vii. Aircraft return provision

The Company estimates the provision for aircraft returns and obsolescence considering the costs in accordance with returns conditions agreements held under operating leases, as well the costs of aircraft reconfiguration to be carried out, without purchase option, as set out in the return conditions in the leasing contracts.

viii. Engine return provision

The Company records engine return provisions estimated based on the agreement conditions which lay out the conditions in which the engine should be returned to its lessor, based on not only historical costs but also on the equipment condition at the date of the analysis.

v) 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 IFRS.

The DVA was prepared based on information obtained in the accounting records that serve as a 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 subsidiaries, 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.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

w) 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 the acquisition date. Costs directly attributable to the acquisition are accounted for as an expense when incurred.

The assets acquired and liabilities assumed were measured at fair value, classified and allocated according to the contractual terms, economic circumstances and relevant conditions on the acquisition date. 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.

Goodwill is measured as the excess of consideration transferred in relation to net assets acquired at fair value. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

x) New standards and interpretations issued and revised in 2013

i. New standards, interpretations and revisions issued and adopted in 2013:

Standard	Description	Applicable
Amendment to IFRS 7	Disclosure - netting of financial assets and liabilities	January 01, 2013
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Participation Agreements	January 01, 2013
IFRS 12	Disclosures of interests in other entities	January 01, 2013
IFRS 13	Fair value measurement	January 01, 2013
Amendment to IAS 1	Presentation of Items of Other Comprehensive Income	July 01, 2012
IAS 19 (reviewed in 2011)	Employee Benefit	January 01, 2013

- The amendments to IFRS 7 increase the requirements of disclosure of transactions involving financial assets. These changes are intended to provide greater transparency to risk exposures when a financial asset is transferred, but the transferor still retains some level of exposure to the asset. The amendments also require the disclosure of the transfer of financial assets when they are not equally distributed in the year.

The impacts of the amendment did not affect the disclosures in the Company's financial statements.

- On May 2011, a package of five rules for consolidation, participation agreement, affiliated companies and disclosures was issued, including the IFRS 10, 11, 12, IAS 27 (reviewed in 2011) and IAS 28 (reviewed in 2011).

  The main requirements of these five standards are described below:

  a) The IFRS 10 supersedes the parts that IAS 27 consolidated financial statements address. SIC-12 Consolidation - special purpose entities was withdrawn with the issuance of IFRS 10. In accordance with IFRS 10, there is only one basis of consolidation, that is, the control.

b) The IFRS 11 supersedes IAS 31 – "Interests in Joint Ventures". IFRS 11 discusses how a participation agreement in which two or more parties have control set must be classified. SIC-13 "Joint Ventures"-non-monetary Contributions from investors was withdrawn with the issuance of IFRS 11. In accordance with IFRS 11, the participation agreements are classified as joint operations or joint ventures, based on the rights and obligations of the parties to the agreements.

c) The IFRS 12 is a standard of disclosure applicable to entities that own stakes in subsidiaries, participation agreements, affiliates and/or unconsolidated structured entities. Generally, the disclosure requirements in accordance with IFRS 12 are more comprehensive than the current standards.

There were no effects resulting from the adoption of the IFRS 10, 11, 12, IAS 27 (reviewed in 2011) on the Company's financial statements.

- IFRS 13 offers a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, provides a framework for measuring fair value and requires disclosure of fair value measurements. The scope of the IFRS 13 is comprehensive, applying to items of financial and non-financial instruments, for which other IFRSs require or permit fair value measurements and disclosures of fair value measurements, except in certain cases. IFRS 13 is applicable to annual periods beginning on or after January 01, 2013.

  There were no impacts due to adoption of this new regulation in the Company's financial statements.

- Amendments to IAS 1 allow the presentation of the result and another comprehensive result in one statement or in two separate statements. However, the change to IAS 1 requires additional disclosures in the other comprehensive income so that the items of other comprehensive income are grouped into two categories: (i) items that will not be reclassified later in the result; and (ii) items that will be reclassified later in the result based on certain conditions. The income tax on the items of other comprehensive income will be divulged in the same way. The amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012 and did not affect the statements of comprehensive income of the Company.

- Amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant modification refers to accounting for changes in defined benefit obligations and plan assets. The modifications require the recognition of changes in defined benefit obligations and the fair value of plan assets as they occur, and therefore the Elimination of the "corridor approach" allowed in the previous version of IAS 19 and the early recognition of past service costs. The amendments to IAS 19 are applicable to annual periods beginning on or after January 1, 2013 and demands retroactive application, except in certain circumstances.

  The Company has no operations that may be impacted by the changes to IAS 19.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

ii. New standards, amendments and interpretations issued in 2013 and not applied by the Company:

Standard	Description	Aplicable
Amendment to IFRS 10,12 and IAS 27	Investment entities	January 01, 2014
Amendment to IAS 32	Offsetting Financial assets and liabilities	January 01, 2014
IFRS 9	Financial Instruments	January 01, 2015
Amendment to IFRS 9 and IFRS 7	Date of mandatory application of IFRS 9 and transition disclosures	January 01, 2015

- IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for classification and measurement of financial liabilities and for derecognition.

According to IFRS 9, entities may elect irrevocably, by presenting subsequent to the fair value of an equity investment changes (not held for trading) in other comprehensive income, with only dividend income recognized in income.

IFRS 9 requires all recognized financial assets that are included in the scope of IAS 39 (equivalent to CPC 38) are subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held according to a business model whose objective is to receive the contractual cash flows, and that have contractual cash flows that refer exclusively to payments of principal and interest on the principal amount due are generally measured at amortized cost at the end of subsequent accounting periods cost. All other debt instruments and investments in equity securities are measured at fair value at the end of subsequent periods. Additionally, in accordance with IFRS 9, entities may elect irrevocably, by presenting subsequent alterations to the fair value of an equity investment (not held for trading) in other comprehensive income, with only dividend income recognized in income.

The Company's management does not expect these amendments to IFRS 9 to have a significant effect on the disclosure in its financial statements.

- The amendments to IFRS 10 define an investment entity and require that the reporting entity that fits the definition of an investment entity does not consolidate its subsidiaries, but instead measure its subsidiaries at fair value through profit or loss on its individual and consolidated financial statements.

  To be defined as an investment entity, the reporting entity must:

  (a) obtain resources from one or more investors in exchange of professional services of investment management;
  (b) commit to its investor(s) that its corporate purpose is to invest resources only in order to obtain return on capital appreciation and investment revenue, or both; and
  (c) measure and assess the performance of basically all its investments based on fair value.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

There were amendments arising from IFRS 12 and IAS 27 in order to introduce the new disclosure requirements for investment entities.

The Company's management does not expect that the amendments to investment entities affect its financial statements.

- The amendment to IAS 32 clarifies the requirements related to assets and financial liabilities offset. Specifically, the amendment clarifies the meaning of "currently have the legal right to offset" and "simultaneous realization and settlement".

The Company's management does not expect that the adoption of IAS 32 amendments will result in any impact to its financial statements, since there were no assets or liabilities that qualify for compensation.

The previous amendments to IFRSs mentioned above were not yet issued by CPC. However, under the CPC and CVM commitment of updating the issued standards based on the changes and amendments issued by IASB, it is expected that these amendments will be issued by CPC and approved by CVM before the applicable mandatory date.

CFC and CPC assumed the commitment of issuance new standards issued by IASB, and review and update of all the issued documents, in order to maintain the Brazilian accounting policies in full accordance with the international standards, for purposes of preparation and presentation of the individual financial statements of the Brazilian Companies (with the commented exception that the complete convergence is legally possible or until IASB proposes changes).

The Company can apply a new IFRS, although not yet mandatory, only when this IFRS allows its prior application, however subject to the approval of correlated pronouncement by the CPC and CVM.

3. Cash and cash equivalents

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Cash and bank deposits	**345,761**	221,140	**346,077**	226,212
Cash equivalents	**791,239**	302,194	**791,239**	302,194
	1,137,000	523,334	**1,137,316**	528,406

As of December 31, 2013, the cash equivalents were represented by private bonds (Bank Deposit Certificates – "CDBs"), government bonds and fixed-income funds, paid at post fixed rates ranging between 95.0% and 103.0% of the Interbank Deposit Certificate Rate ("CDI").

The cash equivalents breakdown is as follows:

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

	Individual and Consolidated	
	12/31/2013	12/31/2012
Private bonds	**470,946**	115,891
Government bonds	**65,402**	166,760
Investment funds	**254,891**	19,543
	791,239	302,194

4. Short-term investments

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Private bonds	**605,883**	247,333	**605,883**	253,192
Government bonds	**87,667**	220,778	**87,667**	220,778
Investment funds	**282,905**	9,653	**282,905**	9,653
	976,455	477,764	**976,455**	483,623
Current	**927,260**	404,198	**927,260**	410,057
Noncurrent	**49,195**	73,566	**49,195**	73,566

Private bonds comprise of time deposits and buy-back transactions with debentures indexed to the CDI, with maturity up to 90 days, paid at a weighted average rate of 101.1% of the CDI rate.

Public bonds comprise of National Treasury Bills (“LTN”), National Financial Bills (“LFT”) and National Treasury Bills (“NTN”), paid at a weighted average rate of 99.0% of CDI rate.

Investment funds are represented primarily by government bonds LTN, NTN, LFT and private credits with first-rate financial institutions (debentures and CDBs).

5. Restricted cash

	Individual and Consolidated	
	12/31/2013	12/31/2012
Margin deposits for hedge transactions (a)	**29,845**	50,749
Deposits in guarantee with letter of credit – Safra (b)	**75,681**	72,092
Escrow - Bic Banco	**38,006**	10,040
Deposits in guarantee of forward future operations (c)	**88,410**	89,038
Other deposits	**2,305**	2,343
	234,247	224,262
Current	**88,410**	-
Noncurrent	**145,837**	224,262

(a) Deposits in U.S. Dollar, subject to the libor rate (average yield of 0.6% p.a.).
(b) The guarantee amount is related to Webjet’s loan (See Note 18) and guarantee note.
(c) Escrow deposits of forward transactions applied in LTN and LFT (average remuneration of 9.7% p.a.).

6. Trade and other receivables

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Local currency:				
Credit card administrators	**67,974**	92,654	**67,974**	92,621
Travel agencies	**143,606**	169,808	**145,139**	171,314

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Installment sales	**45,475**	37,882	**45,475**	37,882
Cargo agencies	**32,339**	34,936	**33,300**	35,897
Airline partners companies	**20,468**	17,366	**20,468**	17,443
Other	**23,778**	33,860	**29,996**	33,396
	333,640	386,506	**342,352**	388,553
Foreign currency:				
Credit card administrators	**27,156**	12,269	**27,156**	12,269
Travel agencies	**11,881**	5,685	**11,881**	5,685
Cargo agencies	**360**	393	**360**	393
	39,397	18,347	**39,397**	18,347
	373,037	404,853	**381,749**	406,900
Allowance for doubtful accounts	**(81,182)**	(79,570)	**(84,806)**	(80,712)
	291,855	325,283	**296,943**	326,188

	Individual		**Consolidated**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Current	**291,826**	324,760	**296,914**	325,665
Noncurrent (*)	**29**	523	**29**	523

(*) 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:

	Individual		**Consolidated**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Falling due	**253,136**	288,261	**253,136**	288,327
Overdue until 30 days	**17,353**	11,980	**17,344**	12,077
Overdue 31 to 60 days	**6,626**	7,106	**6,626**	7,659
Overdue 61 to 90 days	**6,138**	5,398	**6,138**	5,707
Overdue 91 to 180 days	**4,577**	8,810	**5,556**	9,176
Overdue 181 to 360 days	**12,388**	14,741	**12,471**	15,087
Overdue above 360 days	**72,819**	68,557	**80,478**	68,867
	373,037	404,853	**381,749**	406,900

The average collection period of installment sales is 8 months and a 5.99% monthly interest is charged on the receivable balance, which is recognized as financial income. The average collection period of other receivables is 122 days.

Changes in the allowance for doubtful accounts are as follows:

	Individual		**Consolidated**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Balance at beginning of the year	**(79,570)**	(80,234)	**(80,712)**	(83,610)
Additions	**(29,485)**	(23,895)	**(31,917)**	(25,193)
Unrecoverable amounts	**8,119**	5,345	**8,119**	8,560
Recoveries	**19,754**	19,214	**19,704**	19,531
Balance at the end of the year	**(81,182)**	(79,570)	**(84,806)**	(80,712)

7. Inventories

	Individual		**Consolidated**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Consumables	**19,486**	16,423	**19,601**	16,974

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Parts and maintenance materials	**105,648**	116,429	**105,648**	121,261
Advances to suppliers	**25**	15,861	**25**	15,861
Others	**3,836**	6,607	**3,836**	6,919
Provision for inventory losses	**-**	-	**-**	(5,384)
Provision for obsolescence	**(12,227)**	(17,579)	**(12,227)**	(17,592)
	116,768	137,741	**116,883**	138,039

Changes in the allowance for inventory obsolescence are as follows:

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Balance at the beginning of the year	**(17,579)**	(18,187)	**(17,592)**	(18,200)
Additions	**(3,715)**	(325)	**(3,702)**	(325)
Write-offs	**9,067**	933	**9,067**	933
Balance at the end of the year	**(12,227)**	(17,579)	**(12,227)**	(17,592)

8. Deferred and recoverable taxes

a) Recoverable taxes

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
ICMS [(1)]	**32,205**	24,147	**32,205**	24,147
Prepaid IRPJ and CSSL [(2)]	**989**	14,862	**11,108**	24,850
IRRF [(3)]	**24,242**	29,375	**24,242**	29,375
PIS and COFINS [(4)]	**169**	-	**2,177**	1,250
Withholding tax of public institutions	**8,693**	6,182	**8,693**	6,182
Value added tax – IVA [(5)]	**6,519**	4,744	**6,519**	4,744
Income tax on import	**2,150**	13,330	**2,150**	13,330
Others	**407**	308	**407**	427
Total	**75,374**	92,948	**87,501**	104,305
Current	**43,534**	92,948	**43,534**	104,305
Noncurrent	**31,840**	-	**43,967**	-

(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.

b) Deferred taxes – Long term

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Tax losses	**394,045**	394,046	**394,045**	394,046
Negative basis of social contribution	**141,857**	141,857	**141,857**	141,857
Temporary differences:				
Mileage program	**94,540**	166,332	**94,540**	166,332
Allowance for doubtful accounts and others	**73,200**	69,785	**73,200**	69,785
Provision for loss on acquisition of VRG	**143,350**	143,350	**143,350**	143,350
Provision for legal and tax liabilities	**48,434**	36,764	**48,434**	36,764

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Return of aircraft	**85,350**	46,812	**85,350**	46,812
Derivative transactions not settled	**15,727**	42,007	**15,727**	42,007
Brands	**-**	(2,158)	**-**	(2,158)
Flight rights	**(190,687)**	(190,687)	**(353,226)**	(353,226)
Maintenance deposits	**(140,246)**	(110,327)	**(140,246)**	(110,327)
Depreciation of engines and parts for aircraft maintenance	**(158,775)**	(159,697)	**(158,775)**	(159,697)
Reversal of goodwill amortization	**(127,659)**	(102,128)	**(127,659)**	(102,128)
Aircraft leasing	**34,764**	(12,876)	**34,764**	(12,876)
Other	**94,809**	51,407	**94,911**	51,407
Total deferred tax liabilities - noncurrent	**508,709**	514,487	**346,272**	351,948

The Company and its direct subsidiary Webjet have tax losses and negative basis of social contribution in the calculation of taxable income, to compensate with 30% of annual taxable profits, without time limit for expiry, in the following amounts:

	VRG		**Direct subsidiary (Webjet)**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Tax losses	**2,602,369**	2,343,996	**712,849**	510,320
Negative basis of social contribution	**2,602,369**	2,343,996	**712,849**	510,320

As of December 31, 2013, the tax credits arising from tax loss carryforwards and negative social contribution basis were valued based on the reasonably expected generation of future taxable income of the parent Company and its subsidiaries, subject to legal limitations.

The forecasts of taxable income on tax losses and negative basis of social contribution are prepared based on the business plans and are annually reviewed and approved by the Company's Board of Directors. These forecasts reflect the changes in the economic scenario, market and the ones resulting from the Management decisions, considering the following assumptions:

i. The long-term scenario presents the continuation of the streamlining of the domestic offering strategy adopted in 2013. Based on this strategy one can observe stabilization in the aircraft's occupancy rate aligned to yield increasing, below the estimated long-term inflation.

ii. The Company presented a strong recovery in 2013, which can be verified by the obtention of a positive operating result.

iii. Regarding the costs, even with a significant macroeconomic pressure, the efforts of the Company continue to result in a cost structure which is more efficient and such can be verified based on the results achieved in 2013.

iv. The forecasts contemplated the arrival of aircraft Boeing 737-MAX, announced in 2012. From 2018, the new aircraft will contribute to more efficient fuel consumption.

The estimated recovery of deferred tax assets was based on taxable income projections, considering the assumptions adopted for the long-term business plan preparation, besides the several financial assumptions, business and internal and external factors considered at the end of the year. Consequently, the estimates may not materialize in the future, due to the uncertainties inherent in these estimates.

The Company and its subsidiary hold the total amount of fiscal credits of R$1,127,174, of which

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

R$884,805 is related to the individual Company VRG and R$242,369 is related to its subsidiary Webjet.

The forecasts of the parent Company GLAI and the indirect subsidiary Webjet did not present sufficient taxable profits to be realized over the next 10 years and, as a result, a provision was recorded for unrealizable tax loss credits of R$242,369 for Webjet. For the individual Company VRG such forecasts indicate sufficient taxable profits for such to be realized in the next 10 years. However, due to tax losses presented during the recent years, the Administration conducted a sensitivity analysis on the forecast results, and considering significant changes in the macroeconomic scenario, registered the deferred tax assets on tax losses based on the lowest value obtained in this analysis. As a result, the Company and its subsidiaries recognized an impairment provision of R$348,903 in respect of VRG related to 2012 and 2013.

The expected utilization of tax credits per year registered as of December 31, 2013 is as follows:

	Individual VRG (*)
2015	89,700
2016	65,328
2017	102,369
2018 to 2025	278,505
	535,902

(*) The estimated realization of deferred income tax and social contribution does not include deferred tax assets and liabilities calculated on temporary differences, since these are realized simultaneously with the assets and liabilities that gave rise to these differences.

The amount shown above does not contemplate the provision for losses on tax credits related to the Parent Company VRG.

Additionally, the Company's management remains focused on most effective actions to reduce operating costs and increase revenue, besides the improvements in the quality of services with the implementation of actions directed to improve the customer service, achievement of high levels of punctuality, and search for synergy in its operational processes. All these actions reinforce the Company's commitment to achieve sustainable levels of future profits and rectify the realization of the deferred tax asset.

The Company’s management considers that the deferred assets recognized as of December 31, 2013 arising from temporary differences will be realized when the provisions are settled and the related future events are resolved.

	Individual		**Consolidated**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Loss before income tax and social contribution	**(728,041)**	(1,410,695)	**(727,339)**	(1,410,113)
Combined tax rate	**34%**	34%	**34%**	34%
Income tax credits at the combined rate	**247,534**	479,636	**247,295**	479,438
Adjustments for calculation of effective tax rate:				
Equity in subsidiaries	**(31,253)**	(96,811)	**-**	-
Income tax on permanent differences	**(1,319)**	734	**(1,319)**	(10,496)
Nondeductible expenses (nontaxable), net	**(115,803)**	(32,542)	**(116,313)**	(50,766)
Exchange variation on investments abroad	**8,355**	(12,299)	**8,315**	(12,299)
Benefit not recorded on tax losses and temporary differences	**(89,247)**	(261,055)	**(120,413)**	(328,797)
Credit for income tax and social contribution	**18,267**	77,663	**17,565**	77,080

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Current income tax and social contribution	**(1,632)**	(1,290)	**(2,334)**	(1,873)
Deferred income tax and social contribution	**19,899**	78,953	**19,899**	78,953
	18,267	77,663	**17,565**	77,080
Effective rate	**(2.51%)**	(5.51%)	**(2.41%)**	(5.47%)

9. Prepaid Expenses

	Individual		Consolidated	
	12/31/2012	12/31/2012	12/31/2012	12/31/2012
Prepayments of hedge premium	**1,531**	-	**1,531**	-
Lease prepayments	**26,921**	13,657	**27,238**	15,291
Insurance prepayments	**16,350**	15,903	**16,386**	17,393
Prepaid commissions	**18,509**	13,984	**18,509**	14,605
Others	**4,285**	4,974	**4,326**	5,354
	67,596	48,518	**67,990**	52,643

10. Deposits

Individual

a) Maintenance deposits

The Company and its subsidiary Webjet made deposits in U.S. 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.

As of December 31, 2013, maintenance deposits are presented based on the net recoverable amount, whose balance classified in noncurrent assets was R$412,488 (R$2,575 and R$324,492 in current and noncurrent assets as of December 31, 2012, respectively).

b) Deposits in guarantee for lease agreements

As required by the lease agreements, the Company and its subsidiaries hold guarantee deposits in U.S. Dollars on behalf of the leasing companies, whose full refund occurs upon the contract expiration date. As of December 31, 2013, the balance of guarantee deposits for lease agreements, classified in noncurrent assets, was R$217,680 (R$173,313 as of December 31, 2012).

c) 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 the SELIC rate. The balances of escrow deposits as of December 31, 2013, recorded in noncurrent assets totaled R$197,450 (R$137,509 as of December 31, 2012).

Consolidated

a) Maintenance deposits

The Company and its subsidiary Webjet made deposits in U.S. Dollar 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.

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11. Webjet's operation restructuring

On November 23, 2012, the Company initiated the winding up of Webjet's activities and the consequent discontinuation of its brand. The winding up of Webjet´s activities aims at the optimization of the organizational structure between the companies and unification of their operations, reducing costs and bringing new synergies.

Assets held for sale

Due to not representing a component according to IFRS 5 and CPC 31 "Noncurrent assets held for sale and discontinued operations", with operations and cash flows that could be clearly distinguished, operationally and for disclosure purposes in the financial statements of the Company, Webjet was not considered a "discontinued Operation". This understanding is supported by the fact that the routes previously operated by Webjet will continue to be operated by the Company. Given that Webjet's fleet is available for immediate sale and their sale is considered to be highly probable, the accounting balance of aircraft was reclassified in accordance with IFRS 5 and CPC 31, to the Group of "Assets held for sale" and are recorded at the recoverable amount estimated by the Company as detailed below:

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

	12/31/2013	12/31/2012
Aircraft	**7,273**	12,253
Engines	**11,473**	11,473
Impairment of assets	**(18,746)**	(15,552)
	-	8,174

During the year ended on December 31, 2013, the Company sold one aircraft Boeing 737-300 and recorded an offset of R$1,502 under “Other Expenses, net”.

As of December 31, 2013, the Company did not hold sales contracts for the 5 remaining aircraft. Under this scenario, the Company is obliged to reclassify these aircraft to property, plant and equipment, under the requirements of CPC 31 - "Non-current Assets Held for Sale and Discontinued Operations”. The depreciation registered was R$2,561 and the impairment registered was R$4,111 as described in Note 16.

12. Transactions with related parties

a) Loan agreements – Noncurrent asstes and liabilities - Individual

VRG holds mutual assets and liabilities, with GLAI, GAC, Smiles and Webjet without expected maturity or guarantees, as set forth below:

	Assets		Liabilities	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
GLAI	**-**	-	**49,961**	50,887
GAC (*)	**113,741**	493,918	**-**	-
Finance (*)	**-**	-	**-**	483,375
Smiles	**-**	-	**332**	-
Total Consolidated	**113,741**	493,918	**50,293**	534,262
Webjet	**30,025**	29,569	-	-
Total Individual	**143,766**	523,487	**50,293**	534,262

(a) The values that VRG maintains with GAC and Finance, subsidiaries abroad, are subject to exchange rate.

b) Graphic services, transportation and consulting

i. Breda Transportes e Serviços S.A. for passenger and luggage transportation services between airports, and transportation of employees, expiring on May 31, 2015, renewable every 12 months for additional equal terms through an amendment instrument signed by the parties, annually adjusted based on the IGP-M fluctuation (General Market Price Index from Getulio Vargas Foundation).

ii. Expresso União Ltda. for employee transportation with maturity on April 01, 2014.

iii. União Transporte de Encomendas e Comércio de Veículos Ltda., expiring on December 29, 2015 for the operation of the Gollog franchise in Passos/MG.

iv. Vaud Participações S.A. to provide executive administration and management services, expiring on October 01, 2014.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

During the year ended on December 31, 2013, the subsidiary VRG recognized the total expenses related to these services of R$12,774 (R$10,636 as of December 31, 2012).

c) Contract Account Opening UATP (Universal Air Transportation Plan) with concession credit limit

In September 2011, the subsidiary VRG entered into agreements with related parties Pássaro Azul Taxi Ltda. and Viação Piracicabana Ltda., both with no expiration date, with the purpose of the issuance of credits in the amounts of R$20 and R$40, respectively, to be used in the UATP (Universal Air Transportation Plan) system. The UATP account (virtual card) is accepted as a payment method on the purchase of airline tickets and related services, seeking to simplify the billing and facilitate the payment between participating companies.

d) 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 June 29, 2012 and September 27, 2012 respectively, will mature on June 29, 2014 and 27 September 2014 and aims to support the maintenance of engines, (see details in Note 18). On March 11, 2013, VRG issued the third serie of Guaranteed Notes for maintenance of engines, with financial guarantee from the Export-Import Bank of the United States ("Ex-Im Bank"), with maturity date on March 11, 2015. During the year ended on December 31, 2013 the spending on engine maintenance conducted by Delta Air Lines was R$95,647 (R$86,577 as of December 31, 2012).

e) Accounts payable - current liabilities

As of December 31, 2013, balances payable to related companies amounting to R$1,008 (R$1,019 as of December 31, 2012) 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.

f) Remuneration of key management personnel

	12/31/2013	**12/31/2012**
Salaries and benefits	**20,501**	13,534
Related taxes	**2,225**	5,234
Total	**22,726**	18,768

As of December 31, 2013, the Company did not offer postemployment benefits, and there are no severance benefits or other long-term benefits for the Management or other employees.

13. Share-based payments

The Company has two kinds of share-based payments plans offered to the key management personnel: the Stock Option Plan and the Restricted Shares. Both plans stimulate and promote the alignment of the Company’s goals, the administrators and employees, mitigate risks in value creation for the Company resulting from the loss of their executives and strengthen the commitment and productivity of these executives to long-term results. The plans were developed to attract and retain key managers and strategic talents, linking a significant part of their equity to the value of the Company.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

a) The Stock Option Plan

The Company's Board of Directors, within the scope of their functions and in conformity with the Company's stock options plan, approved the grant of preferred stock options to the Company's management and executives. 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 Options Plan approved by the Company's 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 expected volatility of the options is based on the historical volatility of 252 working days of the Company's shares traded on the stock exchange.

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

Stock Options Plan

Year of the option	Date of the board meeting	Total options granted	Exercise price of the option (In Reais)	The fair value of the option at grant date (In Reais)	Estimate volatility of share price	Expected dividend	Risk-free rate return	Length of the option (in years)
2005	12/09/2004	87,418	33.06	29.22	32.52%	0.84%	17.23%	10
2006	01/02/2006	99,816	47.30	51.68	39.87%	0.93%	18.00%	10
2007	12/31/2006	113,379	65.85	46.61	46.54%	0.98%	13.19%	10
2008	12/20/2007	190,296	45.46	29.27	40.95%	0.86%	11.18%	10
2009 (a)	02/04/2009	1,142,473	10.52	8.53	76.91%	-	12.66%	10
2010 (b)	02/02/2010	2,774,640	20.65	16.81	77.95%	2.73%	8.65%	10
2011	12/20/2010	2,722,444	27.83	16.07 (c)	44.55%	0.47%	10.25%	10
2012	10/19/2012	778,912	12.81	5.32 (d)	52.25%	2.26%	9.00%	10
2013	05/13/2013	802,296	12.76	6.54(e)	46.91%	2.00%	7.50%	10

(a) In April 2010 216,673 shares were granted in addition to the 2009 plan.
(b) In April 2010 additional options were approved totaling 101,894, referring to the 2010 plan.
(c) The fair value calculated for the 2011 plan was R$16.92, R$16.11 and R$15.17 for the respective periods of vesting (2011, 2012 and 2013).
(d) The fair value calculated for the 2012 plan was R$6.04, R$5.35 and R$4.56 for the respective periods of vesting (2012, 2013 and 2014).
(e) The fair value calculated for the 2013 plan was R$7.34, R$6.58 and R$5.71 for the respective periods of vesting (2013, 2014 and 2015).

The movement of existing stock options during the year to December 31, 2013 is as follows:

	Total of stock options	Weighted average exercise price
Options outstanding as of December 31, 2012	3,999,170	22.40

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Options granted	802,296	12.76
Options cancelled and adjustments in estimated lost rights	(1,338,004)	27.83
Options outstanding as of December 31, 2013	**3,463,462**	**20.66**
Number of options exercisable as of December 31, 2012	1,885,116	23.05
Number of options exercisable as of December 31, 2013	**2,609,906**	**24.39**

The range of exercise prices and the average maturity of outstanding options, as well as the intervals of exercise prices for options exercisable as of December 31, 2013 are summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices	**Outstanding options**	**Average remaining maturity (in years)**	**Average exercise price**	**Options exercisable**	**Average exercise price**
33.06	4,965	2	33.06	4,965	33.06
47.3	13,220	3	47.30	13,220	47.30
65.85	14,962	4	65.85	14,962	65.85
45.46	41,749	5	45.46	41,749	45.46
10.52	20,414	6	10.52	20,414	10.52
20.65	1,097,811	7	20.65	1,097,811	20.65
27.83	1,062,175	8	27.83	1,062,175	27.83
12.81	595,150	9	12,81	354,610	12.81
12.76	613,016	9	12,76	-	12.76
12.76-65.85	**3,463,462**	**7.94**	**20.66**	**2,609,906**	**24.39**

b) Restricted shares

During the Extraordinary General Meeting held on October 19, 2012, the Company approved the Restricted Shares Plan. The first grants were approved at the Board of Directors´ meeting on November 13, 2012. The transfer of restricted shares will be at the end of third year from the date of grant, assuming as an acquisition condition the employee relationship up to the end of this period.

The fair value of the restricted shares granted was estimated on the grant date using the Black-Scholes pricing model, and the assumptions are listed below:

Restricted shares					
Year of the share	**Date of the Board Meeting**	**Total shares granted**	**The fair value of the share at grant date (In Reais)**	**Estimate volatility of share price**	**Risk-free rate of return**
2012	11/13/2012	589,304	9.70	52.25%	9.0%
2013	05/13/2013	712,632	12.76	46.91%	7.5%

The movement of existing restricted shares during the period to December 31, 2013 is as follows:

	Total of Shares
Restricted shares outstanding as of December 31, 2012	460,314
Restricted shares granted	712,632
Restricted shares cancelled and adjustments in estimated lost rights	(365,446)
Restricted exerciseable shares as of December 31, 2013	**807,500**

Until December 31, 2013 there were no restricted shares transferred to participants of the plan.

14. Investments

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

The change in investments as of December 31, 2013 is as follows:

Relevant information of the Company's subsidiaries as of December 31, 2013:	
Total number of shares	85,100,000
Capital	220,432
Interest	100.0%
Total shareholder's equity	(577,057)
Net loss for the year	(93,163)
Changes on investments:	
Balance as of December 31, 2011	103,779
Equity in subsidiaries	(284,739)
Advances for future capital increase	148,400
Assets and liabilities acquired at fair value realized due to Bussiness Combination	13,556
Balance as of December 31, 2012	**(19,004)**
Equity in subsidiary - Webjet	**(93,163)**
Equity in subsidiary - SCP TRIP	**1,242**
Advances for future capital increase	**313,899**
Balance as of December 31, 2013	**202,974**

15. Losses per share

	Individual and Consolidated	
	12/31/2013	**12/31/2012**
Numerator		
Net loss for the year attributable to Company' shareholders	**(709,774)**	(1,333,033)
Denominator		
Weighted average number of outstanding shares (In thousands)	**3,002**	3,002
Basic loss per share	**(236.43)**	(444.01)

16. Property, plant and equipment

Individual

	12/31/2013				12/31/2012
	Weighted anual depreciation rate	**Cost**	**Accumulated depreciation**	**Net amount**	**Net amount**
Flight equipment					
Aircraft under finance leases	4%	2,627,802	(879,405)	**1,748,397**	1,806,875
Sets of replacement parts and spares	4%	978,923	(269,292)	**709,631**	675,895
Aircraft reconfigurations / overhauling	30%	837,801	(550,763)	**287,038**	340,316
Aircraft and safety equipment	20%	2,045	(1,089)	**956**	471
Tools	10%	26,638	(12,078)	**14,560**	16,410
		4,473,209	(1,712,627)	**2,760,582**	2,839,967
Impairment losses	-	(26,076)	-	**(26,076)**	(26,893)
		4,447,133	(1,712,627)	**2,734,506**	2,813,074

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Property, plant and equipment in use					
Vehicles	20%	8,901	(7,280)	**1,621**	2,444
Machinery and equipment	10%	45,912	(19,255)	**26,657**	31,426
Furniture and fixtures	10%	18,625	(11,417)	**7,208**	8,794
Computers and peripherals	20%	27,282	(18,591)	**8,691**	12,115
Communication equipment	10%	2,268	(1,181)	**1,087**	1,327
Facilities	10%	4,264	(3,244)	**1,020**	1,345
Maintenance Center - Confins	10%	105,971	(36,212)	**69,759**	80,558
Leasehold improvements	20%	47,884	(34,815)	**13,069**	21,389
Construction in progress	-	7,789	-	**7,789**	5,863
		268,896	(131,995)	**136,901**	165,261
		4,716,029	(1,844,622)	**2,871,407**	2,978,335
Advances for aircraft acquisition	-	4,232	-	**4,232**	5,955
		4,720,261	(1,844,622)	**2,875,639**	2,984,290

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

	Property, plant and equipment under finance lease	Other flight equipment	Advances for acquisition of property, plant and equipment	Others	Total
As of December 31, 2011	1,960,072	883,121	5,552	186,217	3,034,962
Additions	31,265	304,189	1,264	13,010	349,728
Disposals	-	(1,160)	(861)	(289)	(2,310)
Depreciation	(184,462)	(179,951)	-	(33,677)	(398,090)
As of December 31, 2012	1,806,875	1,006,199	5,955	165,261	2,984,290
Additions	**89,293**	**318,650**	**5,337**	**5,121**	**418,401**
Disposals		**(6,004)**	**(7,060)**	**(2,744)**	**(15,808)**
Depreciation	**(147,771)**	**(332,736)**	**-**	**(30,737)**	**(511,244)**
As of December 31, 2013	**1,748,397**	**986,109**	**4,232**	**136,901**	**2,875,639**

Consolidated

	12/31/2013				12/31/2012
	Weighted anual depreciation rate	**Cost**	**Accumulated depreciation**	**Net amount**	**Net amount**
Flight equipment					
Aircraft under finance leases	4%	2,637,636	(883,263)	**1,754,373**	1,806,875
Sets of replacement parts and spares	4%	1,024,789	(308,936)	**715,853**	693,035
Aircraft reconfigurations / overhauling	30%	856,197	(569,159)	**287,038**	345,499
Aircraft and safety equipment	20%	2,045	(1,089)	**956**	873
Tools	10%	27,783	(12,456)	**15,327**	17,291
		4,548,450	(1,774,903)	**2,773,547**	2,863,571
Impairment losses (*)	-	(37,857)	-	**(37,857)**	(47,726)
		4,510,593	(1,774,903)	**2,735,690**	2,815,844
Property, plant and equipment in use					
Vehicles	20%	9,447	(7,687)	**1,760**	2,677
Machinery and equipment	10%	48,159	(19,922)	**28,237**	33,198
Furniture and fixtures	10%	19,627	(11,889)	**7,738**	9,393
Computers and peripherals	20%	31,060	(21,462)	**9,598**	13,882
Communication equipment	10%	2,330	(1,220)	**1,110**	1,352
Facilities	10%	4,280	(3,254)	**1,026**	1,353
Maintenance Center - Confins	10%	105,971	(36,212)	**69,759**	80,565
Leasehold improvements	20%	50,315	(37,073)	**13,242**	23,218
Construction in progress	-	7,800	-	**7,800**	5,865
		278,989	(138,719)	**140,270**	171,503
		4,789,582	(1,913,622)	**2,875,960**	2,987,347
Advances for aircraft acquisition	-	4,230	-	**4,230**	5,954

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

	4,793,812	(1,913,622)	**2,880,190**	2,993,301

(*) Refers to the Company's provisions established in order to its assets be presented by its real capacity of economic benefits generation.

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

	Property, plant and equipment under finance	Other flight equipment (a)	Advances for acquisition of property, plant	Other	Total
As of December 31, 2011	1,960,071	955,306	5,552	192,863	3,113,792
Additions	31,265	395,661	1,264	14,883	443,073
Disposals	-	(81,155)	(861)	(1,237)	(83,253)
Assets held for sale	-	(8,174)	-	-	(8,174)
Depreciation	(184,462)	(252,667)	-	(35,008)	(472,137)
As of December 31, 2012	1,806,875	1,008,971	5,954	171,503	2,993,303
Additions	**99,127**	**330,162**	**5,336**	**5,044**	**439,669**
Disposals	**-**	**(8,222)**	**(7,060)**	**(2,743)**	**(18,025)**
Depreciation	**(151,629)**	**(349,594)**	**-**	**(33,534)**	**(534,757)**
As of December 31, 2013	**1,754,373**	**981,317**	**4,230**	**140,270**	**2,880,190**

(a) The additions primarily represent: (i) the total costs estimated to be incurred related to reconfiguration of aircraft to be incurred at the moment of the maintenance; and (ii) capitalized costs related to major maintenance on engines.

As of December 31, 2013, the Company incurred depreciation on its property, plant and equipment in the amount of R$2,561 and a reduction due to an impairment offset of R$4,111 due to Webjet's aircraft reclassification as detailed in Note 11.

17. Intangible assets

Individual

	Goodwill (a)	Trademarks	Airport operating licenses	Software	Total
Balance as of December 31, 2011	542,302	63,109	560,842	138,975	1,305,228
Additions	-	-	-	20,305	20,305
Disposals	-	-	-	(378)	(378)
Amortization	-	-	-	(47,217)	(47,217)
Impairment	-	(56,761)	-	-	(56,761)
Balance as of December 31, 2012	542,302	6,348	560,842	111,685	1,221,177
Additions	**-**	**-**	**-**	**50,833**	**50,833**
Disposals	**-**	**(6,348)**	**-**	**(9,675)**	**(16,023)**
Amortization	**-**	**-**	**-**	**(40,213)**	**(40,213)**
Balance as of December 31, 2013	**542,302**	**-**	**560,842**	**112,630**	**1,215,774**

Consolidated

	Goodwill (a)	Trademarks	Airport operating licenses	Software	Total
Balance as of December 31, 2011	542,302	63,109	1,038,900	139,557	1,783,868
Additions	-	-	-	20,773	20,773
Disposals	-	-	-	(544)	(544)
Amortization	-	-	-	(47,405)	(47,405)

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Impairment	-	(56,761)	-	-	(56,761)
Balance as of December 31, 2012	**542,302**	**6,348**	**1,038,900**	**112,381**	**1,699,931**
Additions	**-**	**-**	**-**	**50,833**	**50,833**
Disposals	**-**	**(6,348)**	**-**	**(9,675)**	**(16,023)**
Amortization	**-**	**-**	**-**	**(40,717)**	**(40,717)**
Balance as of December 31, 2013	**542,302**	**-**	**1,038,900**	**112,822**	**1,694,024**

(a) The goodwill arises from the acquisition of VRG on April 9, 2007.

As of December 31, 2013, the Company reassessed the value of the Varig brand considering the intent of the Administration to interrupt the brand operation, and the circumstances led the Company to expense the residual value of the asset. As a result, the amount of R$6,348 was registered in "Other operating expenses".

As of December 31, 2013, the Company decided to discontinue the Integrated People Management "PeopleSoft" software. As a result, the amount of R$9,675 was recorded in the caption "Other operating expenses".

18. Short and long-term debt

	Maturity of the Contract	Effective Rate (p.a.)	Individual		Consolidated	
			12/31/2013	12/31/2012	12/31/2013	12/31/2012
Short term debt						
Local Currency:						
Debentures IV	Sep, 2015	11.64%	**-**	596,451	**-**	596,451
Debentures V	Jun, 2017	11.45%	**-**	494,505	**-**	494,505
BNDES - Safra	-	-	**-**	29,888	**-**	29,888
Citibank	-	-	**-**	-	**-**	14,013
BNDES - Direct	Jul, 2017	6.02%	**3,088**	3,140	**3,088**	3,140
BDMG	Mar, 2018	10.88%	**5,203**	6,401	**5,203**	6,401
IBM	-	-	**-**	6,663	**-**	6,663
Working capital (*)	-	-	**-**	95,252	**32,299**	191,841
Interest			**19,503**	13,738	**19,688**	13,738
			27,794	1,246,038	**60,278**	1,356,640
Foreign currency (in US$):						
J.P. Morgan	Mar, 2015	1.13%	**51,524**	73,609	**51,524**	73,609
IFC	-	-	**-**	17,007	**-**	17,007
FINIMP	Nov, 2014	4.67%	**5,838**	24,179	**5,838**	24,179
Interest	-	-	**18,528**	-	**18,528**	-
			75,890	114,795	**75,890**	114,795
			103,684	1,360,833	**136,168**	1,471,435
Finance lease	Jul, 2015	5.20%	**259,833**	207,652	**259,833**	207,652
Total short term debt			**363,517**	1,568,485	**396,001**	1,679,087
Long term debt						
Local currency:						
Debentures IV	Sep, 2015	11.64%	**597,741**	-	**597,741**	-
Debentures V	Jun, 2017	11.45%	**495,726**	-	**495,726**	-
Safra (*)	Dec, 2015	11.11%	**-**	-	**65,555**	131,188
BNDES – Safra	-	-	**-**	13,938	**-**	13,938
BDMG	Mar, 2018	10.88%	**15,704**	20,134	**15,704**	20,134
BNDES - Direct	Jul, 2017	6.02%	**8,001**	11,098	**8,001**	11,098

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

IBM	-	-	**-**	20,484	**-**	20,484
			1,117,172	65,654	**1,182,727**	196,842
Foreign currency (in US$):						
J.P. Morgan	Mar, 2015	1.13%	**1,540**	33,656	**1,540**	33,656
Senior Bond III	Feb, 2023	11.23%	**426,489**	-	**426,489**	-
			428,029	33,656	**428,029**	33,656
			1,545,201	99,310	**1,610,756**	230,498
Finance lease	Jul, 2015	5.20%	**1,935,495**	1,844,888	**1,935,495**	1,844,888
Total long term debt			**3,480,696**	1,944,198	**3,546,251**	2,075,386
			3,844,213	3,512,683	**3,942,252**	3,754,473

(*) The total amount of the Safra loan as of December 31, 2013 was R$97.854, and such holds deposits in guarantee in the amount of R$75,681 as shown in Note 5.

The maturities of long-term debt as of December 31, 2013, are as follows:

	Individual						
	2015	**2016**	**2017**	**2018**	**After 2018**	**Without maturity date**	**Total**
Local currency:							
BDMG	5,058	5,058	5,058	530	-	-	**15,704**
BNDES - Direct	3,097	3,097	1,807	-	-	-	**8,001**
Debentures	597,741	247,863	247,863	-	-	-	**1,093,467**
	605,896	**256,018**	**254,728**	**530**	**-**	**-**	**1,117,172**
Foreign currency (in U.S. Dollars):							
J.P. Morgan	1,540	-	-	-	-	-	**1,540**
Senior Bond III	-	-	-	-	426,489	-	**426,489**
	1,540	**-**	**-**	**-**	426,489	**-**	**428,029**
Total	**607,436**	**256,018**	**254,728**	**530**	**426,489**	**-**	**1,545,201**

	Consolidated						
	2015	**2016**	**2017**	**2018**	**After 2018**	**Without maturity date**	**Total**
Local currency:							
Safra	65,555	-	-	-	-	-	**65,555**
BDMG	5,058	5,058	5,058	530	-	-	**15,704**
BNDES - Direct	3,097	3,097	1,807	-	-	-	**8,001**
Debentures	597,741	247,863	247,863	-	-	-	**1,093,467**
	671,451	**256,018**	**254,728**	**530**	**-**	**-**	**1,182,727**
Foreign currency (in U.S. Dollars):							
J.P. Morgan	1,540	-	-	-	-	-	**1,540**
Senior Bond III	-	-	-	-	426,489	-	**426,489**
	1,540	**-**	**-**	**-**	**426,489**	**-**	**428,029**
Total	**672,991**	**256,018**	**254,728**	**530**	**426,489**	**-**	**1,610,756**

a) Covenants

Long-term financing (excluding perpetual bonds and financing of aircraft) in the total amount of R$2,793,730 as of December 31, 2013 have clauses and contractual restrictions, including but not limited to those that require the Company to maintain the liquidity requirements defined and the cover of expenses with interest.

The Company has restrictive covenants ("covenants") in its financing agreements with the following financial institutions: Bradesco and Banco do Brasil (Debentures IV e V).

As of December 31, 2013, the funding by the debentures IV and V have the following restrictive clauses: (i) net debt/EBITDAR below 3.5, and (ii) coverage of debt (CID) of at least 1.3.

The Company performs semi-annual measurements, and according to the Company's last measurements based on December 31, 2013, had the following indices: (i) net debt/EBITDA of 3.09; and (ii) coverage of debt (CID) of 0.55. The next measurement will be performed on June 30, 2014, based on the same date.

The Company has not archive the minimum level for the restrictive clause of coverage of debt as above on December 31, 2013. However, on December 18, 2013 the Company obtained authorization (waiver) of non-declaration of anticipated and/or application of any penalty for breach of its contractual restrictive clauses. This was determined at the General Meeting of Debenture Holders of the fourth and fifth debentures issuance. As a result of this authorization, the Company was in compliance with its obligations as of the date of these financial statements.

b) Existing Loans as of December 31, 2013

<u>BNDES (Direct)</u>

On June 27, 2012, the Company through its subsidiary VRG obtained a new credit line from the Brazilian Development Bank (BNDES) in the amount of R$18,570. On the same date the amount received was R$15,486. The resources are to finance the expansion of the aircraft maintenance Center ("CMA") completed in 2010. The loan has term of 60 months with maturity on July 15, 2017, and monthly interest payments and amortization. The interest rate is calculated based on the TJLP plus 1.40% p.a. The operation guarantee is a bank guarantee in the amount of R$18,570. As of December 31, 2013, the amount recorded in current and noncurrent liabilities was R$3,088 and R$8,001, respectively (R$3,140 and R$11,098 as of December 31, 2012 recorded in current and noncurrent liabilities respectively).

<u>BDMG</u>

On March 29, 2010, VRG obtained a loan with BDMG (Banco de Desenvolvimento de Minas Gerais) in the amount of R$20,000 for financing the expansion of the Confins maintenance center and the construction of Lagoa Santa's workshop. The loan has a maturity of 8 years, lock-up period of 36 months and interest calculated on the IPCA basis plus 6% p.a.. The loan is being amortized monthly over 60 months from April, 2013, and the transaction costs totaled R$200. The loan has as guarantee the fiduciary sale of engines. As of December 31, 2013, the amount recorded in current and noncurrent liabilities was R$5,203 and R$15,704, respectively (R$6,401 and R$20,134 registered in current and noncurrent liabilities, respectively, as of December 31, 2012).

Working capital

On December 26, 2011, the Company, through its direct subsidiary Webjet, obtained a loan with Banco Safra in the amount of R$200,000. The loan has a lock-up period of 18 months and the payment of the total amount will occur in six semi-annual installments, with interest of 125% of the daily average CDI rate, with maturity of the last installment in December, 2015, with fiduciary assignment of receivables guarantee as described in Note 5. The transaction costs to be amortized totalled R$4,000. On December 26, 2013, the Company and Banco Safra signed a contract amendment for this loan, which included the prepayment of an installment with maturity on June 26, 2014 in the amount of R$33,333. As of December 31, 2013 the balances recorded in current and noncurrent liabilities were R$32,299 and R$65,555, respectively (R$191,841 and R$131,188 as of December 31, 2012 in current and noncurrent liabilities, respectively).

Financing of engine maintenance (J.P. Morgan)

During 2012, the Company, through its subsidiary VRG, issued two series of Guarantee Notes ("Guaranteed Notes") for engine maintenance funding totaling US$84,800 (equivalent to R$198,652), with financial guarantees by U.S. Ex-Im Bank. The first series was issued on June 29, 2012, priced through capital market operations with interest rate of 1.00% p.a. in the amount of R$79,050 (US$39,108 on the fund-raising date), with quarterly amortization of the main portion and the interest from the issuance costs of US$1,707 (R$3,999 as of December 31, 2013). The second series was issued on September 27, 2012, priced through capital market operations with interest rate of 0.85% p.a. in the amount of R$46,007 (US$22,667 on the fund-raising date), with quarterly amortization of the main portion and the interest from the issuance costs of US$682 (R$1,598 as of December 31, 2013). Both series have a 2-year term, with maturity on June 29 and September 27, 2014, respectively.

On March 11, 2013 the Company, through its subsidiary VRG, issued the third serie of Guarantee Notes for engine maintenance, with financial guarantees from the U.S. Ex-Im Bank with an interest rate of 1.39% p.a. in the amount of R$15,689 (US$8,024 on the date of the loan), with quarterly amortization of the principal and monthly interest payments, and issuance costs of US$266 (R$537 on March 2013, date of the loan). This series has a term of 2 years, maturing on March 11, 2015.

The total amount of the series related to this financing recorded as current and noncurrent liabilities as of December 31, 2013 were R$51,524 and R$1,540 respectively (R$73,609 and R$33,656 as current and noncurrent liabilities as of December 31, 2012, respectively).

Finimp

On November 22, 2013, the Company, through its subsidiary VRG, obtained a loan in the amount of R$6,259 (US$2,693 on the date of the loan) with Banco do Brasil, with maturity of 360 days on November 17, 2014 and interest of 4.67% p.a., being part of a credit line for import financing (Finimp) for purchase of spare parts and aircraft equipment. In guarantee for this loan are two promissory notes totaling R$8,952 (US$3,852). As of December 31, 2013, the amount recorded in current liabilities was R$5,838.

Debentures

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

On September 30, 2010, the Company approved the fourth public issue of 600 simple debentures non-convertible into shares, in a single series issued by VRG with the Company's warranty, without guarantee, with the unitary nominal value of R$1,000 (totaling R$600,000), in order to meet the needs of working capital in VRG. Issuance costs were R$6,453, being offset by the net amount received of R$593,547. The total amount of R$1,291 has already been amortized and recognized in profit or loss in 2013. The maturity is 5 years from the issuance date, and the amortization will be on September 30, 2015. The debentures carry an interest rate of 118% of CDI. As of December 31, 2013, the amount recorded in noncurrent liabilities was R$597,741 (R$596,451 as of December 31, 2012 registered in current liabilities).

On June 10, 2011, the Company approved the fifth issue of 500 simple debentures non-convertible into shares, in a single series issued by VRG, without guarantee, with the unitary nominal value of R$1,000, totaling R$500,000, in order to meet the needs of working capital in VRG. The issuance costs were R$7,264 being offset by the net amount received of R$492,736, and the total of R$1,221 has already been amortized and recognized in profit or loss in 2013. The maturity of the debentures is 6 years from the date of issue, and will be amortized in 2 equal installments, being the first installment on June 10, 2016 and the second on June 10, 2017. The debentures carry an interest rate of 120% of CDI. As of December 31, 2013, the amount recorded under noncurrent liabilities was R$495,726 (R$494,505 in current liabilities as of December 31, 2012).

Senior Bonds

On February 07, 2013, the Company through its subsidiary VRG, issued senior notes in the amount of R$392,720 (US$200,000) guaranteed by the Company. The senior notes have maturity in 2023, with an interest rate of 10.75% p.a. The proceeds will be used to finance the pre-payment of debts that will mature in the next 3 years. The issuance costs were R$10,847, which were deducted from the total amount of R$403,567. The senior bonds notes can be redeemed by the nominal value after 5 years from the issue date. As of December 31, 2013, the amount recorded in long term liabilities was R$426,489.

c) Financial leases

The future payments of financial leasing contracts indexed to the U.S. Dollar are detailed below:

	Consolidated	
	12/31/2013	**12/31/2012**
2013	**-**	304,561
2014	**356,642**	319,149
2015	**362,099**	309,586
2016	**352,050**	300,782
2017	**325,813**	277,895
2018	**320,240**	273,033
Beyond 2018	**862,149**	690,744
Total minimum lease payments	**2,578,993**	2,475,750
Less total interest	**(383,665)**	(423,210)
Present value of minimum lease payments	**2,195,328**	2,052,540
Less current portion	**(259,833)**	(207,652)
Noncurrent portion	**1,935,495**	1,844,888

The discount rate used to calculate the present value of the minimum lease payments was 5.20% as of December 31, 2013 (6.10% as of December 31, 2012). There are no significant differences between the present value of minimum lease payments and the fair value of these financial liabilities.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

The Company extended the maturity date of the financing for some of its aircraft leased for 15 years using the SOAR framework (mechanism for extending financing amortization and repayment), which enables the performance of calculated withdrawals to be settled at the end of the lease agreement. As of December 31, 2013, the withdrawals made for the repayment at maturity date of the lease agreements amount to R$123,879 (R$88,334 as of December 31, 2012) and are recorded in long-term debt.

19. Salaries, wages and benefits

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Salaries	**133,732**	127,262	**134,224**	141,884
INSS and FGTS recoverable	**43,791**	60,953	**43,905**	61,280
Profit sharing plan	**38,542**	-	**38,542**	-
Others	**971**	1,762	**969**	3,764
	217,036	189,977	**217,640**	206,928

20. Advance ticket sales

Consolidated

As of December 31, 2013, the balance of transport to perform classified in current liabilities was R$1,219,802 (R$823,190 as of December 31, 2012) and is represented by 5,951,486 coupons tickets sold and not yet used (43,640,935 as of December 31, 2012) with an average use of 111 days (92 days as of December 31, 2012).

21. Mileage program

Consolidated

As of December 31, 2013, the balance of Smiles deferred revenue is R$88,895 and R$189,064 classified in the current and non-current liabilities, respectively (R$124,905 and R$364,307 as of December 31, 2012) and the number of outstanding miles amounted to 19,699,201,446 (34,748,660,443 as of December 31, 2012). Until December 31, 2012, the Company held the "Smiles" Program operations, which began to be conducted by Smiles S.A. in 2013.

22. Advances from customers

Individual and Consolidated

As of December 31, 2013, the amount registered as Advances from customers is related to the advance miles sales agreement between VRG and Smiles S.A. in the amount of R$355,077 and R$1,031,423 classified in current and noncurrent liabilities, respectively (R$94,049 in current liabilities as of December 31, 2012).

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

23. Taxes payable

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
PIS and COFINS	**34,324**	25,678	**34,746**	25,973
REFIS	**18,618**	19,308	**18,618**	19,308
IRRF on payroll	**22,441**	19,682	**22,842**	20,490
ICMS	**32,425**	22,820	**32,440**	22,902
Import tax	**3,467**	3,355	**3,467**	3,355
CIDE	**2,590**	1,719	**2,590**	1,719
IRPJ and CSLL to pay	**7,286**	7,218	**7,809**	7,614
Others	**7,151**	4,975	**7,191**	5,096
	128,302	104,755	**129,703**	106,457
Current	**80,041**	66,153	**81,442**	67,855
Noncurrent	**48,261**	38,602	**48,261**	38,602

Adherence to the Reopening the Installment Payment of Federal Taxes (REFIS)

On November 29, 2013, the Company applied for the reopening of the installment under the Law 11,941/09 (REFIS), as provided in Law no. 12,865 of October 09, 2013, including new debt with the IRS with maturities until November 30, 2008.

The management chose the payment of the amount of R$11,627 in 180 installments, which payment method offers reductions of 60% of the amounts related to the fines and 25% of late interest, reducing the amount to R$8,665. The Company, as done in the previous REFIS, on November 2009, used a portion of its tax credits on tax losses and negative social contribution basis for the settlement of amounts related to interest and penalties in the amount of R$4,311, therefore, the net value of the debt was R$4,354 as of December 31, 2013.

Adoption of the Provisional Measure 627/13

The provisional measure nº627/2013 and the Instruction of Brazil's Internal Revenue Office Measure nº1,397, both of 2013, resulted in significant changes to the rules of federal taxes. The measure will be effective starting in the year 2015, with the option of anticipated adoption in 2014.

In order to ensure tax neutrality established in Law no. 11,941, from 2009, since dividend payments occurred until the date of the law's publication, the Company's management is analyzing the potential effects of the new standard and awaits its conversion into Law to decide on measures for its group companies as of 2014.

24. Provisions

	Individual			
	Insurance provision	Return of aircraft and engines	Litigation	Total
Balance as of December 31, 2012	18,320	269,341	88,987	376,648

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Additional provisions recognized	**38,132**	**99,976**	**19,795**	**157,903**
Utilized provisions	**(38,866)**	**(71,742)**	**-**	**(110,608)**
Foreign exchange	**(101)**	**37,338**	**3,501**	**40,738**
Balance as of December 31, 2013	**17,485**	**334,913**	**112,283**	**464,681**
Balance as of December 31, 2012				
Current	18,320	62,401	-	80,721
Noncurrent	-	206,940	88,987	295,927
	18,320	269,341	88,987	376,648
Balance as of December 31, 2013				
Current	**17,485**	**169,574**	**-**	**187,059**
Noncurrent	**-**	**165,339**	**112,283**	**277,622**
	17,485	**334,913**	**112,283**	**464,681**

	Consolidated					
	Insurance Provision	**Provision for anticipated return of Webjet's aircraft (a)**	**Return of aircraft and engines VRG and Webjet (b)**	**Restructuring provision (c)**	**Litigation (d)**	**Total**
Balance as of December 31, 2012	19,611	17,889	312,412	36,978	92,940	479,830
Additional provisions recognized	**38,178**	**12,552**	**99,976**	**2,751**	**21,023**	**174,480**
Utilized provisions	**(40,205)**	**(18,261)**	**(115,144)**	**(39,780)**		**(213,390)**
Foreign exchange	**(65)**	**201**	**37,665**	**51**	**3,500**	**41,352**
Balance as of December 31, 2013	**17,519**	**12,381**	**334,909**	**-**	**117,463**	**482,272**
Balance as of December 31, 2012						
Current	19,611	17,889	105,472	36,978	-	179,950
Noncurrent	-	-	206,940	-	92,940	299,880
	19,611	17,889	312,412	36,978	92,940	479,830
Balance as of December 31, 2013						
Current	**17,519**	**12,381**	**169,573**	**-**		**199,473**
Noncurrent	**-**		**165,336**	**-**	**117,463**	**282,799**
	17,519	**12,381**	**334,909**	**-**	**117,463**	**482,272**

a) Provision for anticipated return of aircraft

In 2011, according to the strategic planning of Webjet, a provision for the anticipated return of aircraft was recorded. This provision was calculated based on the expected return of 18 aircraft Boeing 737-300 with operating lease contracts, as part of the Company's fleet renewal. The anticipated aircraft returns are scheduled to occur by April 2014 and the original termination of leases was between 2012 and 2014. On December 31, 2013 the Company reassessed the provision for early return of aircraft Webjet and registered an additional R$12,552 due to the returns obligations. During the year ended December 31, 2013, the Company completed 10 aircraft returns with prefixes: PR-WJS, PR-WJT, PR-WJM, PR-WJL, PR-WJE, PR-WJO, PR-WJQ, PR-WJR, PR-WJU and PR-WJN.

b) Return of aircraft and engines

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

The returns provisions consider the costs that meet the contractual conditions for the return of engines maintained under operating leases, as well as the costs to reconfigure the aircraft without purchase option, as prescribed in the returns conditions of the lease contracts, and which is capitalized in fixed assets (aircraft reconfigurations/overhauling), as described in Note 16.

c) Provision for restructuring

The provision for restructuring represents the costs due to the closure of Webjet's activities and the discontinuation of its brand. The first step of the restructuring plan was the extinction of flight operations and discontinuity of the Boeing 737-300 fleet, announced on November 23, 2012. The Company settled all the obligations during the year ended December 31, 2013.

d) Lawsuits

As of December 31, 2013 the Company and its subsidiaries are parties to 23,792 (6,873 labor and 16,919 civil) 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	14,012	472	**14,484**
Civil proceedings	2,424	11	**2,435**
Labor lawsuits	3,372	3,293	**6,665**
Labor proceedings	206	2	**208**
	20,014	**3,778**	**23,792**

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

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

	12/31/2013	12/31/2012
Civil	**66,294**	38,484
Labor	**51,169**	54,456
	117,463	92,940

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

There are other civil and labor lawsuits assessed by management and its legal counsel as possible risks, in the estimated amount as of December 31, 2013 of R$13,226 for civil claims and R$3,929 for labor claims (R$37,250 and R$16,354 as of December 31, 2012 respectively), for which no provisions are recognized.

The tax lawsuits below were evaluated by the Company's management and its legal consultants as being relevant and with probable risk as of December 31, 2013:

- Tax on Services (ISS), the amount of R$14,315 arising from assessment notices issued by the Prefeitura do Município de São Paulo against the Company, in the period from January, 2007 to December, 2010 regarding a possible ISS taxation on partners agreements. The classification of the possible risk stems from the matters under discussion and are interpretative, and involves discussions of factual and evidential materials, and has no final positioning of the Superior Courts.

- Customs Penalty in the amount of R$31,821 relating to assessment notices issued against the Company for alleged breach of customs rules regarding procedures for temporary import of aircraft. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.

- BSSF goodwill (BSSF Air Holdings), in the amount of R$42,187 related to Infraction notices due to the deductibility of the goodwill allocated to future profitability. The classification of possible risk is a result of the absence of a final positioning of the Superior Courts.

There are other lawsuits considered by the Company's management and its legal counsel as possible risk, in the estimated amount of R$21,697 which added to the lawsuits mentioned above, amount to R$110,020 as of December 31, 2013.

The Company and its subsidiaries are challenging in the court the ICMS levied on aircraft and engines imported under aircraft lease transactions without purchase options in transactions carried out with lessors' registered in foreign countries. The Company and its subsidiaries' management understand 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 that there is no evidence of goods circulation and so, there are no legal events to generate the 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. As of December 31, 2013 the estimated aggregated amount of the ongoing lawsuits related to the non-levy of ICMS tax on said imports is R$229,450 (R$217,279 as of December 31, 2012) adjusted for inflation, not including late payment charges.

25. Shareholders' Equity

a) Issued capital

As of December 31, 2012 and December 31, 2011, the Company's capital is represented by 3,002,248 shares, of which 2,148,479 are common and 853,769 are preferred shares.

b) Capital reserves

i. Special reserve of goodwill on incorporation

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

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.

ii. 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 of the reorganization on September 30, 2008.

c) Dividends

The Company's bylaws provide for a mandatory minimum dividend to be paid 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) Other comprehensive income

The fair value measurement of financial instruments designated as cash flow hedges is recognized under Other comprehensive income, net of tax effects, until the expiration of the contracts. The balance as of December 31, 2013 corresponds to a net loss of R$18,162 (loss of R$68,582, as of December 31, 2012).

26. Costs of services, administrative and selling expenses

	Individual				
	12/31/2013				
	Cost of services	Selling expenses	Administrative expenses	Total	%
Salaries	**(993,563)**	**(70,808)**	**(212,989)**	**(1,277,360)**	**14.6%**
Fuel and lubricants	**(3,610,328)**	**-**	**-**	**(3,610,328)**	**41.3%**
Aircraft rent	**(697,642)**	**-**	**-**	**(697,642)**	**8.0%**
Aircraft Insurance	**(18,769)**	**-**	**-**	**(18,769)**	**0.2%**
Maintenance materials and repairs	**(416,015)**	**-**	**-**	**(416,015)**	**4.8%**
Traffic servicing	**(395,660)**	**(113,734)**	**(190,573)**	**(699,967)**	**8.0%**
Sales and marketing	**-**	**(483,257)**	**-**	**(483,257)**	**5.5%**
Tax and landing fees	**(565,078)**	**-**	**-**	**(565,078)**	**6.5%**
Depreciation and amortization	**(483,765)**	**-**	**(67,692)**	**(551,457)**	**6.3%**
Other operating expenses	**(328,196)**	**(35,413)**	**(61,778)**	**(425,387)**	**4.9%**
	(7,509,016)	**(703,212)**	**(533,032)**	**(8,745,260)**	**100.0%**

	Individual					
	12/31/2012					
	Cost of services	Selling expenses	Administrative expenses	Other operating expenses	Total	%
Salaries	(1,152,493)	(81,510)	(148,416)	-	(1,382,419)	17.6%
Fuel and lubricants	(3,288,313)	-	-	-	(3,288,313)	41.8%

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Aircraft rent	(550,292)	-	-	-	(550,292)	7.0%
Aircraft Insurance	(22,787)	-	-	-	(22,787)	0.3%
Maintenance materials and repairs	(352,873)	-	-	-	(352,873)	4.5%
Traffic servicing	(247,267)	(63,528)	(169,226)	-	(480,021)	6.1%
Sales and marketing	-	(408,331)	-	-	(408,331)	5.2%
Tax and landing fees	(497,253)	-	-	-	(497,253)	6.3%
Depreciation and amortization	(372,373)	-	(72,954)	-	(445,327)	5.7%
Other operating expenses	(303,586)	(36,007)	(78,274)	(19,371)	(437,238)	5.6%
	(6,787,237)	(589,376)	(468,870)	(19,371)	(7,864,854)	100.0%

	Consolidated				
	12/31/2013				
	Cost of services	**Selling expenses**	**Administrative expenses**	**Total**	**%**
Salaries	**(993,563)**	**(72,085)**	**(229,298)**	**(1,294,946)**	**14.7%**
Fuel and lubricants	**(3,610,822)**	**-**	**-**	**(3,610,822)**	**40.9%**
Aircraft rent	**(699,193)**	**-**	**-**	**(699,193)**	**7.9%**
Aircraft Insurance	**(20,222)**	**-**	**-**	**(20,222)**	**0.2%**
Maintenance materials and repairs	**(463,252)**	**-**	**-**	**(463,252)**	**5.2%**
Traffic servicing	**(395,869)**	**(116,189)**	**(196,100)**	**(708,158)**	**8.0%**
Sales and marketing	**-**	**(487,043)**	**-**	**(487,043)**	**5.5%**
Tax and landing fees	**(566,541)**	**-**	**-**	**(566,541)**	**6.4%**
Depreciation and amortization	**(484,478)**	**-**	**(90,996)**	**(575,474)**	**6.5%**
Other operating expenses	**(334,998)**	**(28,166)**	**(47,903)**	**(411,067)**	**4.7%**
	(7,568,938)	**(703,483)**	**(564,297)**	**(8,836,718)**	**100.0%**

	Consolidated					
	12/31/2012					
	Cost of services	**Selling expenses**	**Administrative expenses**	**Other operating expenses**	**Total**	**%**
Salaries	(1,312,565)	(85,743)	(158,546)	-	(1,556,854)	17.2%
Fuel and lubricants	(3,742,219)	-	-	-	(3,742,219)	41.4%
Aircraft rent	(644,031)	-	-	-	(644,031)	7.1%
Aircraft Insurance	(26,875)	-	-	-	(26,875)	0.3%
Maintenance materials and repairs	(417,990)	-	-	-	(417,990)	4.6%
Traffic servicing	(294,444)	(63,528)	(169,226)	-	(527,198)	5.8%
Sales and marketing	-	(426,582)	-	-	(426,582)	4.7%
Tax and landing fees	(559,421)	-	-	-	(559,421)	6.2%
Depreciation and amortization	(446,588)	-	(72,954)	-	(519,542)	5.8%
Other operating expenses	(457,488)	(54,734)	(78,274)	(19,371)	(609,867)	6.8%
	(7,901,621)	(630,587)	(479,000)	(19,371)	(9,030,579)	100.0%

27. Sales Revenue

The net sales revenue has the following composition:

	Individual		Consolidated	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Passenger transportation	**8,353,470**	6,541,743	**8,353,516**	7,409,984
Cargo	**332,059**	295,245	**332,059**	303,476

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Other revenue	**632,446**	711,934	**653,825**	802,443
Gross revenue	**9,317,975**	7,548,922	**9,339,400**	8,515,903
Related taxes	**(474,289)**	(370,872)	**(477,042)**	(412,934)
Net revenue	**8,843,686**	7,178,050	**8,862,358**	8,102,969

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

On January 1, 2013, the Federal Government through the “MP 540/12”, converted into law n. 12.546/11 determined that the contribution to the INSS that was based on payroll disbursements should be calculated considering the rate of 1% of billing and, with other activities of a similar nature be classified within this requirement the passenger revenue. For being a contribution that is now calculated based on the billing, the Company has changed the INSS presentation to a reduction of the gross revenue. This change was performed prospectively from the date in which that provisory determination became effective, and the amount registered related to this change as of December 31, 2013 was R$87,406.

Revenue by geographical segment is as follows:

	Individual				Consolidated			
	12/31/2013	**%**	**12/31/2012**	**%**	**12/31/2013**	**%**	**12/31/2012**	**%**
Domestic	**8,027,776**	**90.8%**	6,609,559	92.1%	**8,046,447**	**90.8%**	7,534,479	93.0
International	**815,910**	**9.2%**	568,491	7.9%	**815,911**	**9.2%**	568,490	7.0
Net revenue	**8,843,686**	**100.0%**	7,178,050	100.0%	**8,862,358**	**100.0%**	8,102,969	100.0

28. Financial result

	Individual		Consolidated	
Financial income	**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Income from derivatives	**413,319**	227,980	**413,319**	227,980
Income from short-term investments and Investment funds	**130,181**	74,649	**130,235**	77,758
Monetary variation	**4,672**	11,249	**4,672**	11,249
Interest	**4,206**	6,976	**4,206**	8,871
Other	**15,635**	14,046	**24,450**	3,927
	568,013	334,900	**576,882**	329,785
Financial expenses				
Loss from derivatives	**(333,421)**	(177,644)	**(333,421)**	(177,644)
Interest on short and long term debt	**(356,102)**	(295,473)	**(379,893)**	(320,685)
Bank interest and expenses	**(51,742)**	(32,521)	**(52,594)**	(32,521)
Monetary variation	**(3,514)**	(9,085)	**(3,514)**	(9,085)
Other	**(204,005)**	(74,103)	**(204,471)**	(84,092)
	(948,784)	(588,826)	**(973,893)**	(624,027)
Foreign exchange changes, net	**(353,775)**	(185,227)	**(355,968)**	(188,262)
Total	**(734,546)**	(439,153)	**(752,979)**	(482,504)

29. Commitments

As of December 31, 2013, the total fleet leased was comprised of 142 aircraft, excluding 3 aircraft under operating leases in final phase of return and 5 aircraft from Webjet’s fleet, of which 96 were under operating leases and 46 were recorded as financial leases. The Company holds 40 aircraft under financial leasing with purchase option. During the year ended on December 31, 2013, the Company received 15 aircraft under operating lease contracts and 01 aircraft under financial lease contract. There were 3 operational lease aircraft returned during the year ended December 31, 2013.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

a) Operating leases

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

	12/31/2013	12/31/2012
2013	**-**	720,708
2014	**693,125**	520,677
2015	**581,153**	358,766
2016	**508,828**	292,357
2017	**456,990**	261,965
2018	**397,103**	220,312
Beyond 2018	**1,456,846**	658,957
Total minimum lease payments	**4,094,045**	3,033,742

30. 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 related to the Company operations. 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 based on oil, U.S. Dollar and interest markets. The contracts may be held by means of exclusive investment funds, as described in the Risk Management Policy of the Company.

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

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

The fair values of financial assets and liabilities of the Company and its subsidiaries are established through information available in the market and according to valuation methodologies.
Most of the derivative financial instruments are engaged 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 positions for hedge accounting purposes upon settlement, which are presented in the tables below.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

The description of the consolidated account balances and the categories of financial instruments included in the balance sheet as of December 31, 2013 and 2012 is as follows:

Individual

	Measured at fair value through profit and loss		Measured at amortized cost (a)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Assets				
Cash and cash equivalents (a)	**1,137,000**	523,334	**-**	-
Short-term investments (c)	**976,455**	477,764	**-**	-
Restricted cash	**234,247**	224,262	**-**	-
Derivatives operation assets (b)	**48,934**	10,696	**-**	-
Accounts receivable	**-**	-	**291,826**	324,760
Deposits (d)	**-**	-	**630,168**	635,314
Other credits	**-**	-	**47,340**	18,432
Prepayment of hedge premium	**-**	-	**1,531**	-
Liabilities				
Loans and financing	**-**	-	**3,844,213**	3,512,683
Suppliers	**-**	-	**544,522**	469,895
Derivatives obligation (d)	**-**	56,752	**-**	-

(a) The fair values 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 18;
(b) The Company registered as of December 31, 2013 the amount net of R$18,162, net of tax effects (R$68,582 as of December 31, 2012) in equity as an equity valuation resulting from these assets and liabilities, as explained in Note 25d;
(c) The Company manages its investments as held for trading to pay its operational expenses;
(d) Excludes the escrow deposits, as mentioned in Note 10.

Consolidated

	Measured at fair value through profit and loss		Measured at amortized cost (a)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Assets				
Cash and cash equivalents (a)	**1,137,316**	528,406	**-**	-
Short-term investments (c)	**976,455**	483,623	**-**	-
Restricted cash	**234,247**	224,262	**-**	-
Derivatives operation assets (b)	**48,934**	10,696	**-**	-
Accounts receivable	**-**	-	**296,914**	325,665
Deposits (d)	**-**	-	**630,167**	638,648
Other credits	**-**	-	**65,894**	57,596
Hedge premium	**-**	-	**1,531**	-
Liabilities				
Loans and financing	**-**	-	**3,942,252**	3,754,473
Suppliers	**-**	-	**545,602**	480,139
Derivatives obligation (b)	**-**	56,752	**-**	-

(a) The fair values 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 18.
(b) The Company registered as of December 31, 2013 the amount net of R$18,162, net of tax effects (R$68,582 as of December 31, 2012) in equity as an equity valuation resulting from these assets and liabilities, as explained in Note 25d;
(c) The Company manages its investments as held for trading to pay its operational expenses.
(d) Excludes the escrow deposits, as mentioned in Note 10.

Risks

The operating activities expose the Company and its subsidiaries to the following financial risks:

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

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 yearly 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' operation is as follows:

a) Fuel price risk

As of December 31, 2013, fuel expenses accounted for 42% 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.

To mitigate the risk of fuel price, the Company and its subsidiaries contract derivative financial instruments referenced mainly to crude oil and, eventually, to their derivatives, also contracted, directly with the local supplier, are future fuel deliveries to aircraft at predetermined prices.

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 Brazilian Reais, except for a small portion in U.S. Dollar, Argentinean pesos, Bolivian bolivianos, Chilean peso, Colombian peso, Paraguay Guarani, Uruguayan peso, Venezuela bolivar etc.

To mitigate the risk of exchange rates, the Company and its subsidiaries hold derivative financial instruments that are referenced to the U.S. Dollar.

The currency exposure of the Company on December 31, 2013 and 2012 is shown below:

	Individual		Consolidated	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Assets				
Cash and short-term investments	**744,411**	189,419	**744,411**	189,419
Trade receivables	**38,963**	-	**38,963**	-
Deposits	**630,168**	488,046	**630,168**	556,582

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Hedge premium	**1,531**	-	**1,531**	-
Prepaid expenses with leases	**26,921**	13,657	**27,238**	15,291
Related parties transactions	**-**	493,918	**-**	493,918
Result from hedge operations	**48,934**	-	**48,934**	10,696
Other	**5,708**	4,384	**5,708**	4,384
Total Assests	**1,496,636**	1,189,424	**1,496,953**	1,270,290
Liabilities				
Foreign suppliers	**27,341**	23,876	**27,341**	23,876
Short and long-term debt	**503,919**	73,188	**503,919**	73,188
Finance leases payable	**2,195,328**	2,052,540	**2,195,328**	2,052,540
Other leases payable	**45,140**	35,845	**45,140**	35,845
Provision for aircraft return	**334,913**	269,341	**347,290**	312,411
Provision for restructuring	**-**	-	**-**	20,061
Risk provision	**27,267**	23,766	**27,267**	23,766
Related parties	**-**	483,375	**-**	483,375
Total Liabilities	**3,133,908**	2,961,931	**3,146,285**	3,025,062
Exchange exposure in R$	**1,637,272**	1,772,507	**1,649,332**	1,754,772
Obligations not recognized in balance sheet				
Future obligations resulting from operating leases	**4,094,045**	3,005,679	**4,094,045**	3,033,742
Total	**4,094,045**	3,005,679	**4,094,045**	3,033,742
Total exchange exposure R$	**5,731,317**	4,778,186	**5,743,378**	4,788,514
Total exchange exposure US$	**2,446,562**	2,338,236	**2,451,711**	2,343,290
Exchange Rate (R$/US$)	**2.3426**	2.0435	**2.3426**	2.0435

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 related to lease transactions, indexed to the Libor at the date that the aircraft are received. Other relevant exposure is on short-term investments and local debts indexed to CDI rate.

To mitigate the interest rate risk the Company and its subsidiaries hold swap instruments.

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 from 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 contracted 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 mitigate the credit risk, derivative transactions contracted on the OTC market (OTC) have counterparts with a minimum rating of "investment grade". The Company's and its subsidiaries' Risk Management Policy establishes a maximum limit of 20% per counterparty for short-term investments.

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

e) Liquidity risk

Liquidity risk takes on two distinct forms: market and cash flow liquidity risk. The first is related to current market prices and varies in accordance with the types of assets and the markets where they are traded. Cash flow liquidity risk, however, is related to difficulties in meeting the contracted operating obligations at the 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 December 31, 2013, the weighted average maturity of the Company's and its subsidiaries' financial assets was 17 days and of financial debt, excluding perpetual bonds, was 4.5 years.

f) Capital management

The table below shows the financial leverage rate as of December 31, 2013 and 2012:

	Individual		**Consolidated**	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Shareholder's equity	**313,912**	750,276	**313,912**	750,276
Cash and cash equivalents	**(1,137,000)**	(523,334)	**(1,137,316)**	(528,406)
Restricted cash	**(234,247)**	(224,262)	**(234,247)**	(224,262)
Short-term investments	**(976,455)**	(477,764)	**(976,455)**	(483,623)
Short and long-term debts	**3,844,213**	3,512,683	**3,942,252**	3,754,473
Net debt (a)	**1,496,511**	2,287,323	**1,594,234**	2,518,182
Leverage ratio (a) / (b)	**477%**	305%	**508%**	336%

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

Derivative financial instruments

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

Movement of assets and liabilities	**Fuel**	**Foreign currency**	**Interest rate**	**Total**
Asset (liability) as of December 31, 2012	12,864	-	(54,749)	**(41,885)**
Fair value variations:				
Gains (losses), net recognized in results	4,675	10,373	18,781	**33,829**
Gains (losses) recognized in other comprehensive income	8,152	-	93,601	**101,753**
Payments (cash receipts) during the period	(2,818)	(10,373)	(22,759)	**(35,950)**
Asset (liability) as of December 31, 2013 (*)	**22,873**	**-**	**34,874**	**57,747**

Movement of other comprehensive results	**Fuel**	**Foreign Currency**	**Interest rate**	**Total**
Balance as of December 31, 2012	1,389	-	(69,971)	**(68,582)**
Fair value adjustments during the period	8,152	-	93,601	**101,753**
Reversal, net to profit or loss (b)	(6,105)	-	(19,253)	**(25,358)**

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

Tax effect	(697)	-	(25,278)	**(25,975)**
Balance as of December 31, 2013	2,739	-	(20,901)	**(18,162)**
Effects on result (a+b)	**10,780**	**10,373**	**38,034**	**59,187**
Operational income	**(3,777)**	**-**	**(16,934)**	**(20,711)**
Financial income (expense)	**14,557**	**10,373**	**54,968**	**79,898**

(*) Classified as "Rights with derivative operations" if the amount results in an asset or "Obligation with derivative operations" if the amount results in a liability. Includes R$7,281 of assets related to hedges held in an exclusive fund and R$1,532 of hedge premium payment.

The Company and its subsidiaries adopt hedge accounting. On December 31, 2013, 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% of 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 hold 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

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

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 December 31, 2013, the Company and its subsidiaries have contracts of options and collar, Brent and WTI, designated as a "cash flow hedge accounting" of fuel.

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

Closing balance on:	**12/31/2013**	**12/31/2012**
Fair value at end of the year (R$)	**22,294**	12,864
Gains with hedge effectiveness recognized in shareholders' equity, net of taxes (R$)	**2,740**	1,389

Year ended on:	**12/31/2013**	**12/31/2012**
Hedge results recognized in operating costs (R$)	**(3,777)**	3,255
Hedge gains recognized in financial income (expenses) (R$)	**13,978**	8,543
Total gains	**10,201**	11,798

As of December 31, 2013, the Company and its subsidiaries hold crack Brent x Heating Oil contracts, both not designated as oil cash flow hedge accounting.

Closing balance on:	**12/31/2013**	**12/31/2012**
Fair value at end of the year (R$)	**579**	-
Gains (losses) recognized in financial income (R$)	**579**	-

Closing balance on:	**12/31/2013**	12/31/2012
Volume hedged for future periods (Thousand barrels)	**1,183**	1,849
Volume engaged for future periods (Thousand barrels)	**1,860**	2,958

	1Q14	**2Q14**	**3Q14**	**4Q14**	**Total 12M**	**1Q15**
Percentage of fuel exposure hedged	19%	15%	7%	6%	12%	2%
Notional amount in barrels (Thousand barrels)	693	559	274	250	1,776	84
Future rate agreed per barrel (US$) *	109.27	109.26	103.79	103.79	107.65	103.75
Total in Brazilian Reais **	**177,384**	**143,081**	**66,618**	**60,785**	**447,868**	**20,416**

* Weighted average between call strikes,
** The exchange rate as of 12/31/2013 was R$2.3426 / US$1.00.

b) Foreign exchange hedge

As of December 31, 2013, the Company and its subsidiaries have future derivative contracts for the U.S. Dollar for foreign exchange cash flow protection, not designated as hedge accounting. The losses and gains of the derivatives, for the year ended on December 31, 2013 and 2012, are presented below:

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

	12/31/2013	12/31/2012
Fair value at the end of period (R$)	**-**	-
Volume hedged for future periods (US$)	**319,000**	368,250

Year ended on:	**12/31/2013**	**12/31/2012**
Gains recognized in financial income (R$)	**10,373**	(1,349)

	1Q14	2Q14	Total 12M
Percentage of cash flow exposure	43%	31%	16%
Notional amount (US$)	150,000	169,000	319,000
Future rate agreed (R$)	2.3704	2.37	2.3701
Total in Brazilian Reais	**355,553**	**400,522**	**756,075**

Since March, 2012 the Company and its subsidiaries do not have currency swaps (USD x CDI). The table below shows the amounts recognized in financial result related to these transactions:

Period ended:	**12/31/2013**	**12/31/2012**
Losses recognized in financial expenses	**-**	(4,211)

c) Interest rate hedges

As of December 31, 2013, the Company and its subsidiaries have swap derivatives designated as cash flow hedge for Libor interest rate. The summary of interest rate derivatives designated as Libor cash flow hedges is shown below:

Closing balance at:	**12/31/2013**	**12/31/2012**
Fair value at the end of the year (R$)	**34,873**	(56,752)
Nominal value at the end of the year (US$)	**1,319,250**	278,058
Hedge losses recognized in shareholders' equity, net of taxes (R$)	**(20,901)**	(69,971)

Year ended on:	**12/31/2013**	**12/31/2012**
Gains (losses) recognized in financial expenses (R$)	**45,785**	(7,065)
Losses recognized in financial income (R$)	**(16,934)**	-
Total gains (losses)	**28,851**	(7,065)

As of December 31, 2013 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 related to these transactions:

Closing balance at:	**12/31/2013**	**12/31/2012**
Fair value at the end of the year (R$)	**-**	2,003
Nominal value at the end of the year (US$)	**-**	82,100

Year Ended on:	**12/31/2013**	**12/31/2012**
Gain recognized in financial income (R$)	**9,183**	1,879

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

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 December 31, 2013 and based on the scenarios described above.

The probable scenario of the Company is the maintaining of the market rates.

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

Individual

I) Foreign exchange risk

As of December 31, 2013, the Company has a currency exposure of R$1,637,272 (see Note 30b). On this date, the exchange rate adopted was R$2.3426/US$, corresponding to the closing rate of the month published by Banco Central do Brasil as a likely scenario, and the impacts analyzed from the variation of 25% and 50% over the current rate are shown below:

Instruments	Exposed amount	-50% R$1.1713/USD	-25% R$1.7570/USD	+ 25% R$2.9282/USD	+50% R$3.5139/USD
Liabilities, net	(1,637,272)	818,636	409,318	(409,318)	(818,636)
Derivative	-	(379,837)	(189,918)	189,918	379,837
	(1,637,272)	**438,799**	**219,400**	**(219,400)***	(438,799)*

* Negative values correspond to net losses expected in the case of Dollar appreciation.

Consolidated

I) Fuel:

As of December 31, 2013, the Company holds derivative contracts for oil Brent and Crack, totaling 1,860 thousand barrels, maturing until January, 2015. The likely scenario for the Company is the Brent and Crack market curve prices which, on this date were US$110.80/bbl and US$18.44/bbl, respectively.

Risk	Exposed Values	Remote Adverse Scenario	Possible Adverse

		-50%	-25%
Drop in the market curves	22,873	(148,209)	(63,505)
	Brent	US$55.40/bbl	US$83.10/bbl
	Crack	US$9.22/bbl	US$13.83/bbl

II) Foreign exchange:

As of December 31, 2013, the Company holds Dollar derivative contracts with a notional value of US$319,000 with maturity on February, 2014, and a net exchange exposure liability of R$1,649,332 (see Note 30b). At the current date, the Company adopted the closing exchange rate of R$2.3426/US$ as a likely scenario, and the impact of the change of 25% and 50% over the current rate, is shown below:

Instruments	Exposed amount	-50% R$1.1713/USD	-25% R$1.7570/USD	+ 25% R$2.9282/USD	+50% R$3.5139/USD
Liabilities, net	(1,649,332)	824,666	412,233	(412,233)	(824,666)
Derivative	-	(379,837)	(189,918)	189,918	379,837
	(1,649,332)	**444,829**	**222,315**	**(222,315)***	**(444,830)***

* Negative values correspond to net losses expected in the case of Dollar appreciation.

III) Interest rate:

As of December 31, 2013, the Company holds assets and liabilities indexed to the CDI rate, loans indexed to the IPCA and TJLP and Libor interest, and derivatives position in Libor interest.

In the sensitivity analysis of non-derivative financial instruments it was considered the impacts on yearly interest of the exposed values as of December 31, 2013 (see Note 18), arising from fluctuations in interest rates according to the scenarios presented below:

Instruments	Risk	Exposed amount	Likely Scenario	Possible Adverse Scenario 25%	Adverse Scenario Remote 50%
Financial investments - Short and Long-term debt	Increase in the CDI rate	(265,991)	-	(12,512)	(25,023)
Derivative	Decrease in the Libor rate	50,616	-	(240,758)	(481,516)

IFRS

Besides the sensitivity analysis based on the above mentioned 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;

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

- 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 as of December 31, 2013 and 2012, based on the scenarios described above:

Fuel:	**Position as of December 31, 2013**		**Position as of December 31, 2012**	
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	**(436)**	**(260)**	(368)	(217)
(10)	**436**	**283**	368	240

Foreign exchange - USD:	**Position as of December 31, 2013**		**Position as of December 31, 2012**	
Appreciation/ (devaluation) of US$/R$ (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	(578)	(382)	(479)	(316)
(10)	578	382	479	316

Interest rate - libor:	**Position as of December 31, 2013**		**Position as of December 31, 2012**	
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$ million)
10	**(0.3)**	**34**	(1)	5
(10)	**0.3**	**(34)**	1	(5)

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).

(In thousands of Brazilian Reais – R$, except when indicated otherwise.)

The following table shows a summary of the Company's and its subsidiaries' financial instruments measured at fair value, including their related classifications of the valuation method, as of December 31, 2013 and 2012:

	Individual		Consolidated	
Financial Instrument	**Book Value**	**Other Significant Observable Factors (Level 2)**	**Book Value**	**Other Significant Observable Factors (Level 2)**
Cash equivalents	**1,137,000**	**1,137,000**	**1,137,316**	**1,137,316**
Short-term investments	**976,455**	**976,455**	**976,455**	**976,455**
Restricted cash	**234,247**	**234,247**	**234,247**	**234,247**
Rights on derivative transactions	**-**	**-**	**-**	**-**
Liabilities from derivative transactions	**48,934**	**48,934**	**48,934**	**48,934**

31. Non-cash transactions

On December 31, 2013, the Company increased its property, plant and equipment in the amount of R$175,759, of which R$79,894 was represented by the addition of an aircraft under the classification of leases and R$99,976 related to an increase of the provision for aircraft return.

32. Insurance

As of December 31, 2013, the insurance coverage by nature, considering the aircraft fleet and related to the maximum reimbursable amounts indicated in U.S. Dollar, is as follows:

Aeronautical type	**In Reais**	**In Dollar**
Guarantee – Hull/war	**12,620,639**	5,388,829
Civil liability per event/aircraft	**1,756,500**	750,000
Inventories (base and transit)	**327,880**	140,000

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, 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, which VRG may be required to pay.

33. Subsequent event

On February 14, 2014, the Company issued, in a single series, a Guarantee Note to finance the engine maintenance with Delta TechOps, with financial guarantee of U.S. Ex-Im Bank in the amount of R$97,428 (US$40,724 on the date of operation) and paid through market operations with an interest rate of 0.62% p.a.. The financing will be amortized quarterly in 8 installments beginning on May 14, 2014 and with maturity on February 14, 2016.

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